

**SULTAN CITY COUNCIL
BUDGET RETREAT AGENDA ITEM**

ITEM NO: B-11
DATE: October 7, 2009
SUBJECT: 2010 Capital Budget
CONTACT PERSON: Deborah Knight, City Administrator

SUMMARY:

This staff report presents the 2010 Capital Budget.

STAFF RECOMMENDATION:

Council discuss the proposed 2010 Capital project expenditures as outlined in Attachment A.

2010 Capital Budget

The attached 2010 Capital Budget outlines the proposed project expenditures and funding sources for the capital projects the City will be working on in the coming year. Capital project expenditures for 2010 must be included in the City's adopted 2010 Budget.

The policy question for the City Council is whether the capital projects, proposed expenditures, and revenue sources address the City's short- and long-range capital investment priorities. In other words, are these the projects Council wants to focus on in the coming year, are the expenditures adequate for the level of work, and are the funding sources appropriate? Attachment A includes the complete list of proposed projects and expenditures.

City staff have reviewed the proposed capital project expenditures against available revenues. Attachment A provides a detail of capital fund beginning balances for 2010, expected revenues for each fund, and the proposed project expenditures. The proposed expenditures are from existing and available resources. The ending fund balances are sufficient to start the 2011-2016 Capital Improvement Plan.

If projects and expenses proceed as planned the City will have approximately \$414,000 million at the beginning of 2010 to fund completion of on-going projects and add new projects to the list.

2010 Funding Source	2010 Beginning Balance	Anticipated 2010 Revenues	2010 Total
Real Estate Excise Tax 1	\$20,000	\$30,000	\$50,000
Real Estate Excise Tax 2	\$30,000	\$30,000	\$60,000
Transportation Impact Fees	\$116,000	\$31,632	\$147,632
Park Impact Fees	\$56,000	\$19,050	\$75,050
Sewer System Imp.	\$181,000	\$67,700	\$248,700
Water Utility Reserve	\$483,000	\$37,194	\$520,194
Surface Water Utility	\$40,000	\$40,000	\$80,000
Grants	\$1,392,500	\$855,000	\$2,247,500
Street Repair	\$0	\$30,000	\$30,000
Private Contributions	\$0	\$30,000	\$30,000
Building Maint. and Repair	\$55,000	\$35,000	\$90,000
Total revenues	\$2,383,500	\$1,205,576	\$3,589,076
Transfer Debt Service			<361,000>
2009 Ending Balance			\$3,227,391

Real Estate Excise Tax

Sultan has levied two 1/4% real estate excise taxes. Each 1/4% should yield approximately \$37,500 in revenue annually. Currently the two ¼% taxes are commingled. The revenue is allocated to the Capital Projects Fund.

The Revised Code of Washington 82.46 authorizes a real estate excise tax levy of 1/4%.

The Growth Management Act authorizes another 1/4% real estate excise tax to be used primarily for financing capital facilities specified in the City's capital facilities plan. Revenues from this tax must be used for financing capital facilities specified in the City's capital facilities plan.

The City Council created a separate Special Capital Projects Fund for REET 2 revenues in 2007.

REET 2 (second 1/4% real estate excise tax revenue) funds are restricted and may only be used for the following:

- 1) The planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation or improvement of: streets, roads, sidewalks, street and road lighting systems, and storm and sanitary sewer systems, and

2) The planning, construction, reconstruction, repair, rehabilitation, or improvement of parks and recreation facilities.

Transportation Impact Fees

The Transportation Impact Fee collects fees from developers for transportation construction and engineering costs. The fee is based on the number of car trips a development will generate and how those trips will impact areas of the City. Impact fee revenue is dependent on the types and level of development within the City. The fee is was increased in 2008 from \$1,837 per PM peak hour trip to \$5,272. The estimated revenue is \$31,632 and is based on 6 single family building permits in 2009.

Park Impact Fees

The Park Impact Fee was established to set aside money for park facility planning, land acquisition, site improvements, construction, and engineering costs. The fee was increased to \$3,415 per residential and multi-family dwelling unit in 2006. In 2008 the fee was decreased to \$3,175 to account for one community park estimated to cost approximately \$15 million. The estimated revenue from this tax is expected to be \$19,050 and is based on 6 single family building permits in 2010.

Sewer System Improvement Fund

The Sewer System Improvement fund was established to fund construction, reconstruction, and expansion of sewer lines, treatment plants, and other related facilities and to reduce infiltration and inflow into the sewer treatment plant.

The City Council has made a policy decision that 60% of the revenues that come from new connection fees (general facility charge) will be dedicated to sewer system improvements. The remaining 40% of the fee will be used to pay for debt service. For example, 40% of the general facilities charge collected will be used to pay for the Public Works Trust Fund Loans borrowed to upgrade the existing waste water treatment plan.

The general facility charge increased to \$11,282 on January 1, 2008. The City anticipates collecting general facility charges for 6 building permits in 2010.

Water System Improvement Fund

The Water System Improvement Fund is used for the construction, extension, repair and betterment of the municipal water system, and headworks and reservoir, or for the purchase of rights-of-way, and/or necessary land.

The fee to connect to the water system will increase December 1, 2009 from \$5,254 per equivalent residential unit to \$6,199. The City anticipates 6 new connections in 2010 generating approximately \$37,194 in revenues.

The City is currently allocating \$500 of the water connection fee (water general facility charge) to debt service.

The City is completing a Water Rate Study to determine if adequate funding is available for future capital needs and debt service needs.

Surface Water Capital Reserve

The Surface Water Reserve Fund will be established with surplus monies from the Surface Water Utility Fund for the planning, acquisition, construction, reconstruction, repair, rehabilitation, or improvement of surface water or stormwater facilities. The Utility went into effect in January 2009. The city will collect approximately \$80,000.

The City Council authorized \$50,000 from the utility fees to fund surface water capital projects. Staff recommends reducing this to \$40,000 in 2010.

No projects are planned in 2010 in order to allow the fund to build sufficient revenues for future projects as identified in the Storm Water Quality Report adopted by the City Council in 2006.

Debt

The City received a \$1,000,000 Public Works Trust Fund Loan in 2006 for engineering and design of the Waste Water Treatment Plant Upgrade.

The City will use operating funds to make the debt service payment.

The Washington State Public Works Board offered the City of Sultan a \$1 million dollar pre-construction low interest loan for design of the Waste Water Treatment Facility. At the September 28, 2006 Council meeting, the City Council approved a 2% interest Public Works Trust Fund Loan (PWTF) with a 5% match over 5 years. The City's match is \$50,000 and will be paid from a combination of connection fees and private development funds. This is a five-year loan with interest only due in 2007. On the current work schedule, the City will have completed the loan draws by 2008 and will need to make Principal and Interest payments on the loan.

The total cost for the design phase is \$1.8 million. To date the City has \$1 million in secured PWTF loan money. The design has been put on hold until additional revenues are available.

The City secured an \$500,000 from the state legislature. The funds were used to purchase the biosolids handling equipment.

Since design, permitting and construction will take at least three years, the process of adding capacity needs to continue.

Private and Developer Contributions

No private contributions are expected.

Building Maintenance and Repair

The City Council directed staff to set aside funds for major building maintenance and repair. A new fund was established for this purpose. Funding will come from the 1% of the 6% utility tax and beginning fund balance from the police equipment replacement fund

Funding in 2009 will be discussed as a separate item with the city council.

RECOMMENDATION:

Council discuss the proposed 2010 Capital project expenditures as outlined in Attachment A.

COUNCIL ACTION:

DATE:

2010 Capital Budget

Project Number	Description	2009 CIP Expenditures			2009 CIP Expenditures					2009 CIP Revenues/Expenditures											
		Year Complete	Sultan	Grants	Total Project Cost	In-House Engineering/Design	Consultant Engineering/Design	Construction	Property Buy	CIP Expense	REET 1	REET 2	Trans. Impact Fee	Park Impact Fee	Sewer GFC	Water Utility Reserve	Surface Water	Grant	Street Repair Fund	Building Maintenance and Repair	Rev Totals
Motorized																					
	2nd Street Reconstruction - Reconstruct 750' of 2nd St. and reconstruct sidewalks on both sides with ADA ramps and driveway ramps between Birch St. and Date Street. Includes \$3,000 for PUD power and \$16,000 for in-house project management. Grant application in 2009. Award in 2010.	2011	\$0	\$250,000	\$250,000	\$15,000	\$12,000	\$223,000	\$0	\$250,000											
	East Main Street Reconstruction from US 2/11th Street. Project includes replacing the gravel road, a failing culvert and fish barrier at Wagley Creek and installing a stormwater system. Preliminary design in 2010.	2013	\$10,000	\$0	\$10,000	\$10,000	\$0	\$0	\$0	\$10,000									10,000		10,000
T-60	Sultan Basin Rd Phase III - Extend SBR from US 2 to Cascade View Drive to realign intersection. Project includes property acquisition, design and construction in 2010	2014	\$0	\$1,392,500	\$1,392,500	\$0	\$130,000	\$700,000	\$562,500	\$1,392,500								1,392,500			1,392,500
	Alder Street Reconstruction. Reconstruct Alder from 8th Street to 4th Street. Install traffic signal and improvements from the intersection of 4th and Alder to the intersection of 5th and US 2. Preliminary design, mapping and TIB grant application in 2010.	2014	\$15,000	\$0	\$15,000	\$15,000	\$0	\$0	\$0	\$15,000									50,000		50,000
	Pavement Overlay. Overlay 8th Street from Alder to High. Contract for service with Snohomish County.	N/A	\$50,000	\$0	\$50,000	\$5,000	\$0	\$45,000	\$0	\$50,000											
NonMotorized																					
	CDBG light guard - Community Development Block Grant to complete installation light guard crossing at elementary and middle schools.	2010	\$0	\$10,000	\$10,000	\$1,000	\$0	\$9,000	\$0	\$10,000								10,000			10,000
Parks																					
	Skate Park Phase II - Install entry way, bench and drinking fountain.	2010	\$15,000	\$0	\$15,000	\$1,000	\$0	\$14,000	\$0	\$15,000				15,000							15,000
	Repetitive Flood Loss - purchase repetitive flood loss properties. Demolish existing buildings and make available for passive and active recreation.	2010	\$30,000	\$150,000	\$180,000	\$5,000	\$0	\$25,000	\$150,000	\$180,000				30,000				150,000			
Water																					
	2nd Street water line replacement - Install 8" ductile iron pipe, valves, fittings and connection on 2nd Street between Birch Street to Date Street.	2010	\$95,000	\$0	\$95,000	\$10,000	\$0	\$85,000	\$0	\$95,000					95,000						95,000
	6th Street water line replacement - Install 610' of 8" ductile iron pipe, valves, fittings and connections on 6th Street north of Alder Ave.	2010	\$110,000	\$0	\$110,000	\$10,000	\$0	\$100,000	\$0	\$110,000					100,000						100,000
	Eastside Reservoir - Engineering study. Combined with Water System Plan Update	2014	\$75,000	\$0	\$75,000	\$5,000	\$70,000	\$0	\$0	\$75,000					75,000						75,000
Sewer																					
	Waste water treatment plant energy efficiency improvements	2009	\$0	\$75,000	\$75,000	\$0	\$0	\$75,000	\$0	\$75,000								75,000			75,000
	Infill and Infiltration Study - remove data recorders, evaluate information and prepare report. In-house project.	2009	\$50,000	\$0	\$50,000	\$50,000	\$0	\$0	\$0	\$50,000				50,000							50,000
Stormwater																					
N-2	Culvert replacement on Winters Creek. Corner of Wysteria and 310th (Gohr Rd)	2010	\$60,000	\$0	\$60,000	10000	5000	45000	0	\$60,000						60,000					60,000
	LID-97 Mitigation. Purchase 1.29 wetland mitigation credits from Habitat Bank (\$154,800). Complete payment of Wetland	2010	\$30,000	\$0	\$30,000	\$0	\$0	\$30,000	\$0	\$30,000						30,000					30,000
Facilities																					
	Repairs and safety improvements to city facilities.	2010	\$50,000	\$0	\$50,000	5000	\$0	\$45,000	0	\$50,000										50,000	50,000
	Repairs and improvements to 705 First Street (Boys and Girls Club and Day Care Building). Joint project with Boys and Girls Club. Project contingent on Boys and Girls Club receiving CDBG funding.	2010	\$0	\$370,000	\$370,000	0	\$70,000	\$300,000	0	\$370,000								370,000			370,000
TOTAL			\$590,000	\$2,247,500	\$2,837,500	\$142,000	\$287,000	\$1,696,000	\$712,500	\$2,837,500				45,000	50,000	270,000	90,000	2,247,500	60,000	50,000	2,812,500
Ending Fund Balance											(7,500)	(7,500)	147,632	30,050	25,303	186,906	10,000		(10,000)	40,000	414,891