

SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET

ITEM NO. Action A 7

DATE: November 12, 2009

SUBJECT: Resolution 09-25 Investment Interest Allocation

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

ISSUE:

The issue before the City Council is the adoption of Resolution 09-25 (Attachment A) to allocate investment interest earned.

SUMMARY:

Under state law (RCW 35.39.034 – Attachment B), if a Code City's funds have been commingled for investment purposes, the interest may be apportioned among the various participating funds or to the general or current expense fund as the city determines by ordinance or resolution. There are restrictions under state law regarding allocation of interests and bond ordinances may require the allocation of the earned interest to the bond reserve fund. Interest earned on investments of Impact fee funds and REET funds must be allocated to those funds.

Interest earned by the Cemetery Trust Endowment is credited to the Cemetery operating fund. With the exception of the LID Bond fund, staff is recommending that interest earned by bond funds should be credited to the fund to offset the cost of bond principal and interest payments. It is also recommended that interest earned by the Water and Sewer reserves, construction and debt funds be credited to those funds. This will insure that additional funds will be available for projects, bond and loan payments.

STAFF RECOMMENDATION:

Adopt Resolution 09-25 providing for the allocation of earned Investment Interest.

ATTACHMENTS:

- A. Resolution 09-25 Interest Allocations
- B. RCW 35.39.034 and BARS manual sections regarding investment interest

**CITY OF SULTAN
RESOLUTION 09-25**

**A RESOLUTION OF THE CITY OF SULTAN WASHINGTON PROVIDING
FOR THE ALLOCATION OF INVESTMENT INTEREST EARNINGS.**

WHEREAS, the Revised Code of Washington chapter 35.39.034 provides for the disbursement of investment interest earnings; and

WHEREAS, RCW 35.39.034 further provides for commingling of funds within one investment portfolio; and

WHEREAS, RCW 35.39.034 provides that any excess funds on hand may invested by the City Treasurer for the benefit of the general or current expense fund; now therefore

BE IT REOLVED BY THE CITY COUNCIL OF THE CITY OF SULTAN WASHINGTON AS FOLLOWS:

The interest earnings received on investment of the City of Sultan shall be distributed to each fund as follows:

	<u>FUND</u>	<u>Interest Distibution</u>
001	General Fund	100%/Excess Funds
100	General Fund Contingency	100%
101	Street Fund	100%
		100% plus Cemetery
103	Cemetery Fund	Trust
104	C.R. Equipment Fund	100% to General
105	Park Improvement Fund	100%
107	Drug Enforcement Fund	100%
108	Street Impact Fee Fund	100%
109	Community Improvement Fund	100% to General
112	Park Impact Fee Fund	100%
113	Building Maintenance Fund	100%
114	IT Information Tech Fund	100% to General
203	Limited Tax Bond GO	100%
205	Unlimited Tax GO Bond	100%
207	LID Guaranty Fund	100% to General
301	Capital Project Fund REET 1	100%
302	Capital Project Fund REET 2	100%
303	Street Improvement Fund	100%
307	LID Project Fund	100% to General
400	Utility Water Fund	100% to General
401	Utility Sewer Fund	100% to General
402	Utility Garbage Fund	100% to General
403	Water Revenue Bond Fund	100%
406	Storm Water Utility	100% to General
404	CR Sewer Fund	50%/50% to General
405	CR Water Fund	50%/50% to General

407	Sewer System Improvement Fund	100%
409	Water System Improvement Fund	100%
410	Storm Water System Improvement	100%
412	Water System Debt Fund	100%
413	Sewer System Debt Fund	100%
621	Cemetery Trust Fund	100% to Cemetery
633	Treasurer's Trust	100% to General

Passed by the City Council this 12th day of November, 2009.

Carolyn Eslick, Mayor

Attest:

Laura J. Koenig, City Clerk

RCW 35.39.034

Investment by individual fund or commingling of funds -- Investment in United States securities -- Validation.

Moneys thus determined available for this purpose may be invested on an individual fund basis or may, unless otherwise restricted by law be commingled within one common investment portfolio for investment. All income derived from such investment shall be apportioned and used for the benefit of the various participating funds or for the benefit of the general or current expense fund as the governing body of the city of [or] town shall determine by ordinance or resolution: PROVIDED, That funds derived from the sale of general obligation bonds or revenue bonds or similar instruments of indebtedness shall be invested, or used in such manner as the initiating ordinances, resolutions, or bond covenants may lawfully prescribe.

Any excess or inactive funds on hand in the city treasury not otherwise invested, or required to be invested by this section, as now or hereafter amended, may be invested by the city treasurer in United States government bonds, notes, bills, certificates of indebtedness, or interim financing warrants of a local improvement district which is within the protection of the local improvement guaranty fund law for the benefit of the general or current expense fund.

All previous or outstanding investments of city or town funds for the benefit of the city's or town's general or current expense fund which have been or could be made in accordance with the provisions of this section, as now or hereafter amended, are declared valid.

[1981 c 218 § 1; 1975 1st ex.s. c 11 § 2; 1969 ex.s. c 33 § 3.]

22. TRANSFER OF INTEREST INCOME TO THE GENERAL FUND

Based on the current economic environment in which they operate, local governments are actively looking for ways to generate additional unrestricted revenues, so often there are questions regarding the transfer of interest income associated with certain revenues to the general fund.

The answers to the question “Can the interest earned on this revenue be deposited to the general fund or other funds?” may be yes or no, based on the statutory language that authorized the imposition of taxes and levies or the distribution of fees and taxes by the state.

SAO has reviewed the language related to various taxes, levies and fees and prepared the attached matrix to assist local governments in determining whether interest transfers made by them are allowable. The matrix shows the type of the restricted revenue, associated RCW provision and a yes or no answer on the transferability of interest.

This should not be considered an exhaustive list of all situations related to interest transfers. The matrix does not address revenues restricted by bond covenants. Additional questions about transfers of interest income generated by other types of revenue should be directed to the SAO staff.