

**SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET**

ITEM NO: Consent C 1 B
DATE: November 12, 2009
SUBJECT: Council Meeting Minutes

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

SUMMARY:

Attached are the minutes of the October 22, 2009 Public Hearing on the 2010 Preliminary Budget as on file in the office of the City Clerk.

RECOMMENDED ACTION:

Approve as submitted

CITY OF SULTAN COUNCIL PUBLIC HEARING – October 22, 2009

The Public Hearing on the 2010 Preliminary Budget was called to order by Mayor Eslick . Councilmembers present: Champeaux, Slawson Wiediger, Flower, Davenport-Smith, Blair and Beeler.

Staff Report:

The issue before the City Council is to review the Mayor's 2010 Preliminary Budget and hold the budget hearing as required by state statute (35.33 RCW).

General Fund:

Overall, the City of Sultan is fortunate. The economic downturn which began in late 2008 seriously affected cities and counties across Washington State dependent on collecting increasing sales tax revenues. Because the city's sales tax revenues are low (\$56.42 compared to a statewide average of \$103.41), Sultan has been able to weather the current economic storm without having to cut levels of service.

In fact, over the last 18 months, Sultan residents have been seeing increasing levels of services and a new commitment by the city to deliver services to neighborhoods. Much of the credit goes to the city council for making difficult decisions regarding contract services and user fees for water, sewer and garbage.

The other key factor has been a renewed commitment on the part of Sultan's citizens to give back to the community. The widely popular Adopt-a-Street and Graffiti Removal programs are just two examples of how citizens in Sultan are making a difference.

The proposed 2010 budget continues to improve the city's long-term financial health and improve levels of service while addressing state mandates to update the 2004 comprehensive plan as required under the Growth Management Act.

The primary focus for 2010 will be to complete the majority of the technical work for the 2011 comprehensive plan update. This should leave the city well positioned to adopt the comprehensive plan before the December 1, 2011 deadline.

The budget is balanced with a very marginal ending fund balance of \$524.64. The City will need to carefully monitor revenues and reduce expenditures if necessary. As in past years, our financial position on July 1, will be an important indicator. The staff recommendation is to limit expenditures in the first four months of the year until property tax receipts are received. The COLA is a negative -.07, however medical and dental insurance premiums will increase by 5%-9%. Most General Fund departments have decreased expenses with the exception of Community Development which will incur expenses for the comprehensive plan update.

Brief discussion was held on the decreased revenues for the Violations Bureau and interest income; the number of building permits anticipated (6); the 1% increase of property taxes; and the need to have a larger ending fund balance.

Enterprise Funds:

The Public Works Department provides services through several funds and provides park, streets, water, sewer, storm and garbage services.

Parks:

The goal of the parks and streets is to serve our community in the best way possible with a lean budget, maintaining quality workmanship and professionalism.

Since the first presentation on October 7, 2009 Council Retreat there have been minimal changes. The primary change is including the volunteer supplies provided by the city and park signs to be installed with the rules on them.

CITY OF SULTAN COUNCIL PUBLIC HEARING – October 22, 2009**Streets:**

Streets are funded through Property Taxes, B & O Taxes, and Utility Taxes. In 2010 Public Works will maintain the gravel roads and complete a patching and chip-seal project on 8th Street. Revisions in the street fund include shared costs and adopt street signs. Included in the Operation Transfer Out in 10,000 in the Equipment Reserve Fund (104) to be used for sweeper replacement. These changes are based on input from the October 7, 2009 presentation. The ending street fund balance at this time is a positive \$10,813.00

Cemetery: Continuing to maintain Sultan's beautiful cemetery has been a goal of the Sultan Staff. Revenues were down by 50% in 2009. The 2010 budget anticipates \$31,500 in revenues, cuts were made accordingly. The cemetery rate study and niche wall are postponed until revenues increase. Volunteers continue to provide help by cleaning headstones in the city cemetery. Cemetery Fund Professional Services will provide \$450.00 for Union Negotiations of represented personnel.

Cemetery Fund is balanced with \$410.00 ending balance.

Equipment Reserve Fund: The Public Works Department has several pieces of equipment to operate and maintain. For several years the city has set aside funds for garbage truck replacement. In recent years the city has been working towards an equipment replacement fund by setting aside funds from several departments to fund the 104 account to replace or purchase equipment to be use in the enterprise funds.

Staff has set aside funds in the 2010 budget for a sweeper, utility pickup truck, automated garbage collection system, and mowers. \$80,850.00 is being transferred from various enterprise funds into the equipment replacement fund.

Water Fund: This fund is for the operation and maintenance of the water treatment and distribution system, which includes a 360 acre Watershed. The water department supplies water to approximately 1700 households and businesses in the Sultan area. In 2010 the city will spend \$10,000 on electronic water meter meters. The water department will continue with the fire hydrant program and the meter replacement program in 2010. New case law requires the city general fund to pay for the fire hydrant repair and maintenance program.

The city will be transferring \$152,000 from water reserve fund to cover debt service on the 2003 plant upgrade.

Ending fund balance at this time is \$64,157.00, positive, in the water operating fund.

Sewer Fund: Provides an outstanding service to the citizens of Sultan, keeping the discharge water from the treatment plant pristine. In 2009 the staff at the wastewater treatment received an award from the Department of Ecology for no violations of discharge from the wastewater treatment plant. The wastewater collection system has inflow and infiltration that is a huge factor at the treatment plant, the engineering department is continuing to work on the flow monitoring of the collection system.

Debt service payments will continue being a problem in the sewer fund in 2010, 2011, and 2012 until the \$1,000,000 Public Works Trust Fund Loan is repaid.

The plant has several pieces of equipment, pumps, motors, and bearings, at or nearing the end of its useful life. The plant staff identified \$249,800 in needed equipment replacement and repair. Because of debt service payments being transferred from operating fund the request for equipment replacement and repair was reduced to \$65,070. Revenues were increased, \$140,000, after comparing the sewer rate study with the projected revenue sources. In previous

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years the city has paid \$52,433 and \$65,000 for sludge hauling in 2010 the city is budgeting \$20,000 for sludge hauling thanks to the council providing funding for the centrifuge project.

After the October 8th council meeting and the revenue adjustment repair and maintenance was increased to complete additional motor and pump rebuilds. Capital Equipment was reduced by planning to rebuilding pieces of equipment and not replace with upgraded equipment. Originally equipment was going to be replaced with the new plant construction which has been temporarily postponed.

Currently balanced with and ending positive balance of \$37.00.

Garbage Fund: Sultan provides garbage service to the citizen's three days per week, Monday, Thursday, and Friday. The city has a franchise agreement with Allied Waste for recycling which is critical in the waste stream flow in Sultan as well as Snohomish County. No changes are proposed in the garbage, the recycling franchised was negotiated in 2009. Professional services was reduced to \$13,000 to complete the Garbage Rate Study by FCS, Inc. and includes title 13 review and union negotiations.

The ending fund balance at this time is a positive \$41,416.00

Stormwater Fund: The Stormwater utility was created in 2008 and the city started collecting fees in 2009. Revenues in the stormwater utility were forecast be to \$100,000 and will actually be around \$80,000. Changes were made to better reflect the actual city cost incurred and revenues received in 2009.

Ending fund balance is positive \$547.00

Discussion was held regarding equipment replacement and depreciation; debt service payments; and the revision to the Stormwater budget.

Debt Service and Miscellaneous Funds

The City has General Obligation debt for the Community Center and Police Equipment. The City pledges the assets of the city (property taxes) to pay the general obligation bonds for the Community Center. The Police equipment bonds were a voted issue and additional property tax is assessed to make annual payments.

The Water and Sewer Funds have revenue bonds and PWTF loans for capital projects. The assets of the Water and Sewer Utility are pledged to make payments. The source of funding for payments is user fees, capital facility fees and reserve funds.

The City has several reserve and special purpose funds included in the annual budget. These funds are reserve for capital and for accounting for special revenues and program.

Capital Budget:

The 2010 Capital Budget outlines the proposed project expenditures and revenue sources for the capital projects in 2010. The proposed budget includes street projects, park improvements, waterline replacement and continued work on the wastewater treatment plant. Revenue sources will be limited and the projects will proceed as funds are available.

Public Input

Keith Ardnt: Has attended the budget hearings for the past five years and there has been a marked difference over past two years. Applauds the staff for their work and for the Council taking time for the hearings.

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On a motion by Councilmember Slawson, seconded by Councilmember Wiediger, the public meeting was closed. All ayes.

Carolyn Eslick, Mayor

Laura J. Koenig, City Clerk