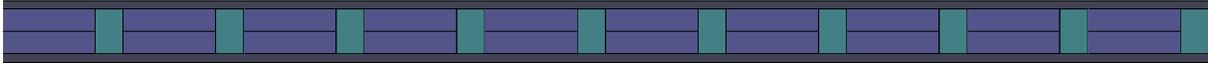


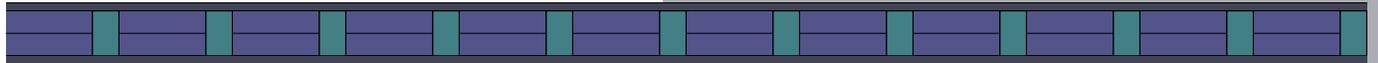


CITY OF SULTAN 2016 BUDGET



2016

CITY OF SULTAN BUDGET



ELECTED OFFICIALS

Mayor Carolyn Eslick

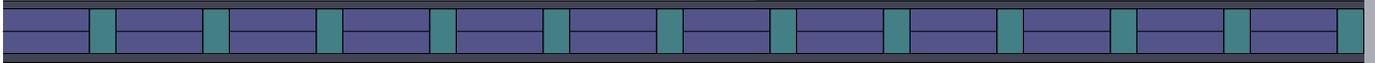
Councilmembers

| | |
|------------------|------------|
| Bob McCarty | Position 1 |
| John Seehuus | Position 2 |
| Rocky Walker | Position 3 |
| Russell Wiita | Position 4 |
| Joe Neigel | Position 5 |
| Marianne Naslund | Position 6 |
| Jeffrey Beeler | Position 7 |

DEPARTMENT HEADS

Ken Walker, City Administrator
Laura Koenig, Clerk/Finance Director
Mick Matheson, Public Works Director
Sheriff Monte Beaton, Police Chief

2016 BUDGET



CHAPTER 1 FINANCIAL OVERVIEW

City of Sultan

2016 Budget Message



Since first taking office as your Mayor in 2007, my goals have always been to make city government more efficient and accountable to its citizens. This includes reducing costs wherever possible, supporting businesses, and providing the best service to the citizens of Sultan. We live in a terrific community with high standards. We face some daunting issues, but I believe we are up to the challenge.

I am pleased to report we have been able to accomplish these goals. The recovery is starting to pick up steam after a slow beginning. While Sultan has lagged behind some of our sister cities to the west, we are starting to see the beginning of a turnaround. Housing starts are finally up after more than five years, and property values have started to rebound in value. While the recovery is not complete, we have been able to build a stronger foundation during the lean times that will carry us forward and provide a solid foundation for the future.

During the preceding years, we have managed to maintain essential city services. The 2016 budget keeps intact all of the services and programs our community depends on and values including 24/7 police protection, animal control services, park maintenance and street repair. While we have maintained services, there have been adjustments in staffing levels. We have been able to complete some major projects and road improvements by leveraging our resources with multiple grants from the state and federal government. Garbage Utility Services have been improved and updated providing rate relief for residential customers. We are constantly evaluating all activities in an effort to improve service while minimizing costs.

In June of 2014, I called a community task force meeting, bringing social service providers and citizens together to address street level problems facing our community. With awesome volunteers and dedicated staff, we have begun to address some of these problems. During 2015 the Sultan Task Force evolved into the Sultan Community Alliance, focusing on parks and public places, social services and safety, and education. The target populations are our at-risk-youth and the homeless. The goal is to improve the quality of life for all Sultan residents. We have just scratched the surface, but with a concerted effort, I am confident Sultan will continue to make progress.

This budget is our guideline for the upcoming year. It provides a good clear picture and road map of what we plan to do, how we plan to do it, and what the results should look like. This document is the result of many hours of hard work and planning. This budget message provides a brief overview of the highlights and changes that are included in the 2016 budget, along with information about previous goals and accomplishments. More details are available in the 2016 Budget Summary and throughout the final budget document.

Budget Background

The budget is adopted annually and amended throughout the year to keep current with changes in both revenues and expenditures. The budget is a guidance tool used for government priorities and spending. It is not a static document that sits on a shelf. The budget is used by me, the city council and city staff to guide our decision-making. I encourage you and everyone who has a stake in our success to review the 2016 Budget Summary and ask questions.

The city's budget is divided into several separate and distinct funds:

- General Fund – General governmental services including finance, economic development, planning, building inspection, police protection and park maintenance.
- Street Fund – Street operations, maintenance and repair.
- Utility and Enterprise Funds – Operating funds for water, sewer, garbage, storm water and cemetery.
- Capital Improvements – New construction and major repair and maintenance for taxpayer owned assets.
- Debt Service – Transfers from the operating funds to pay for capitalized public improvements.
- Miscellaneous Funds – Rainy-day and contingency funds, equipment replacement, drug enforcement task force, community improvement and others.

The 2016 budget anticipates collecting \$11.6 million in revenues, and spending approximately \$11.1 million to provide services to the Sultan community including water, sewer, storm water, garbage, streets, cemetery and facility maintenance.

The general fund collects property taxes and provides general government services such as police, building and planning, code enforcement, animal control, and park maintenance. The General Fund anticipates collecting \$1,969,714 in revenues and spending \$1,967,272. Almost 58% of the city's expenditures in the general fund support police and public safety.

We continue to strive to do more with less, however, I do not believe we have any areas that can be looked upon as “fat” or not needed. To run a successful government, qualified people and sound equipment are needed to get the job done. The city continues to wrestle with the reduction in the property tax allocation to the General Fund. As part of succession planning for long time employees that will retire in the next five years, the council will consider staffing changes to reduce costs and continue quality service to the citizens. This will significantly improve the discrepancy between General Fund revenues and expenditures.

2016 Budget Revenues and Expenditures

| | Revenues | Expenditures | Percent Total |
|---|---------------------|---------------------|----------------------|
| General Fund | \$1,969,714 | \$1,967,272 | 17.7% |
| Reserve Funds | \$1,644,488 | \$1,246,133 | 11.2% |
| Utility Operating Funds – water, sewer, garbage, storm water and cemetery | \$3,748,305 | \$3,710,275 | 33.5% |
| Capital Projects | \$3,035,203 | \$2,970,203 | 26.8% |
| Debt | \$1,123,824 | \$1,123,674 | 10.1% |
| Miscellaneous | \$118,845 | \$74,987 | 0.7% |
| Total | \$11,640,379 | \$11,092,544 | |

Our Accomplishments

It is important for us to acknowledge our recent successes. First, we weathered this recession better than many, if not most of the surrounding communities. Our volunteer program continues to be the best in the Skykomish Valley. Sultan residents, businesses and community members dedicated 16,447 hours of community service valued at \$452,950 to the city in 2015. Our community and commitment to serving each other is strong. We successfully completed the reconstruction of portions of Date Avenue, the Pedestrian/Bike Bridge Design, Wastewater Treatment Plant Energy Upgrades, and upgrades to the Main Pump State at the Wastewater Treatment Plant. Each project was primarily funded through grants. Water and sewer mains were replaced or lined as appropriate while the streets were addressed.

The city will complete several planned capital investments in 2016 to improve our community and support businesses. The most significant project is replacing the water booster pump station at the water plant. Additional important projects include reconstructing 4th Street and 5th Street from US 2 to Alder and the proposed Sultan

River Pedestrian and Bicycle Bridge project. The culvert replacement project at Dyer Road is shovel ready and will proceed when all construction funding is secured.

There are signs of economic recovery. The total business licenses issued in Sultan during 2015 was 329. The city has issued 47 single family permits, and 84 miscellaneous permits for mechanical, plumbing, roof, right-of-way and other construction activities. A new restaurant on Main Street is scheduled to be completed in 2016 and the Boys and Girls Club Phase II Gymnasium should be completed in 2016.

A 2009 telephone survey of Sultan residents indicated economic development and public safety were the top two priorities. Under my leadership, the city has stepped up its role in nurturing new businesses. This year I hosted 6 business workshops, conducted 12 business spotlights and the fifth annual business fair in conjunction with Winterfest. These events were provided free of charge. Nurturing new businesses in Sultan is a top priority of mine since you elected me as your mayor in 2007. I plan to continue this program during my next year in office.

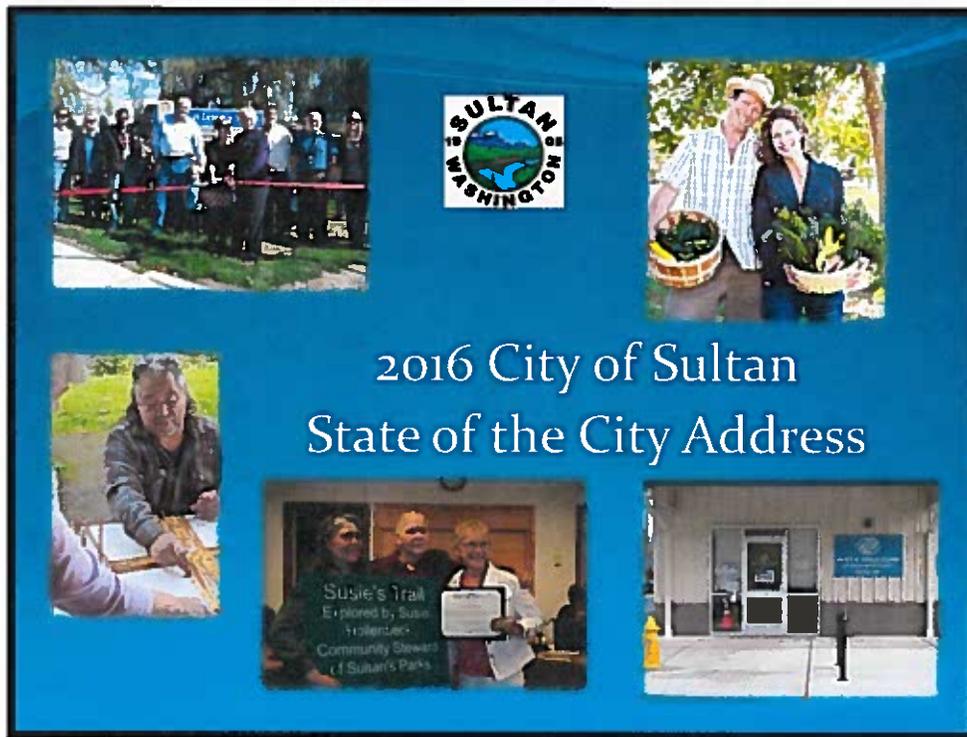
I continue to support the changes we have made to improve the business climate in Sultan. I have worked hard to create a pro-business, can-do attitude at city hall. The outlook is “what can we do to help” and think this will continue to grow stronger.

I have stepped up my efforts to connect with the community by hosting a weekly “Coffee with the Mayor” hour at Galaxy Chocolates to have an open forum to discuss topics of public interest. These meetings have been well attended and provide another outlet for community outreach.

I am proud to call Sultan my home and am honored to represent the city as the Mayor. I will continue to listen and have town hall style meetings in the future. I will also continue to encourage people to get involved and be a part of the solution. I will keep the city council and the public informed to the best of my ability and make recommendations where I see fit.

I appreciate the hard work by the dedicated volunteers, staff, appointed members of the city’s planning board, and council members. By coming together and focusing on Sultan’s future, we can all play a part in making our city the terrific place we love. I look forward to working with all of you to make Sultan a better place to live, work and play.

Mayor Carolyn Eslick



2016 City of Sultan State of the City Address

2015 in Review - Where Have We Been?

- **Financial**
 - **Balanced 2015 Budget**
 - **Paid off \$648,717 in city debt**
 - **Received \$1,128,867 in grants**
- **Permit and License Activity**
 - **Building/Plumbing/Mechanical Permits**
 - **84 (47 Single Family) in 2015, 87 (10 single family) in 2014,**
 - **Business Licenses**
 - **329 in 2015, 267 in 2014, 312 in 2013, 227 in 2012, 84 in 2011**
 - **Home Occupational Licenses**
 - **87 in 2015, 71 in 2014, 308 in 2013, 51 in 2012, 20 in 2011**

2015 in Review - Where Have We Been?

- Public Works
 - Date Avenue Reconstruction
 - Pedestrian/Bike Bridge Design
 - Purchased Garbage Truck and Vector Truck
 - Revamped Garbage Collection and reduced rates
 - Water Booster Pump Station Design
 - Wastewater Treatment Energy Measures I, II, III and IV
 - Reconstructed Timber Ridge 141st St SE cul-de-sac
 - Upgrades to Main Pump Station at Wastewater Plant

Volunteers Make A Difference

- 15,342 Hours in 2015, \$422,519 Value
- 14,450 Hours in 2014, \$386,104 Value
- 9,187 Hours in 2013, \$208,453 Value
 - Community Alliance – Parks Clean Up
 - Community Alliance – At Risk Youth
 - Community Block Watch
 - Festivals and Community Events
 - Off Leash Dog Park Phase I
 - Serve Fest
 - Adopt a Street



What's In Store For 2016?

- Continue Public Safety
- Dog Park expansion with Phase II and III
- Update Development Code
- Reconstruct 4th & 5th Street from US 2 to Alder Ave
- Community Alliance expansion
- Construction new Boys and Girls Club Gym
- Replace City Web Site
- Community Event/Business Sign
- Complete purchase of riverfront park land
- Expand Block Watch Programs
- Continued Housing Development Projects
- Booster Pump upgrade at Water Treatment Plant

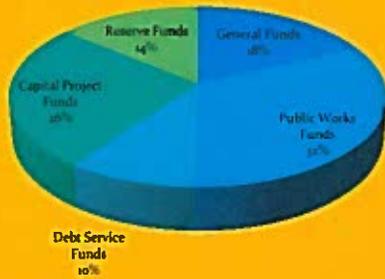
General Fund Revenues By The Numbers

The General Fund has an increase of \$176,748. The principal driver of this is an increase in property assessments and an increase in building permits.

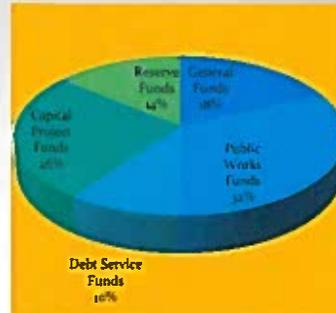
| | 2015 Adopted Budget | 2016 Adopted Budget |
|----------------------|---------------------|---------------------|
| Taxes | \$1,324,894 | \$1,436,332 |
| License and Permits | \$132,000 | \$175,500 |
| Intergovernmental | \$151,630 | \$169,431 |
| Charges for Services | \$48,840 | \$44,800 |
| Fines and Penalties | \$14,600 | \$15,600 |
| Miscellaneous | <u>\$120,991</u> | <u>\$128,040</u> |
| Total | \$1,792,955 | \$1,968,703 |

2016 City Budget

2016 Budget Expenditures by Fund Type

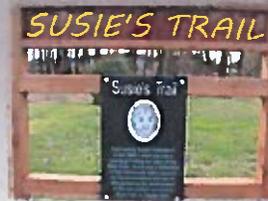


2016 Budget Revenue by Fund Type



2016 Where Are We Going?

- Update Comprehensive Plan
 - Match Population and UGA Changes
- Simplify and Streamline Zoning Codes
 - Pro Community and Business Attitude
- Maintain and Repair Existing Infrastructure
 - Reconstruct 4th & 5th Streets
 - Replace Booster Pump Station
- Focus on Economic Development
- Sky to Sound Water Trail Co-coalition
- Sultan Community Alliance
 - At Risk Youth and Homeless
 - Public Spaces and City Parks



Sky Valley Community Alliance

- Homeless Services
 - Over 150 tons of trash removed from City Parks
 - Placed several in permanent services and housing
 - Reduced street level impacts
- At Risk Youth Services
 - 3 High School Diploma earned
 - 50% success rate at local alternative School Program
 - 3 Enrolled in Youth Reengagement
 - 1 Transitioning back into High School environment

Successful Economic Development

- Community spirit and cooperation
- Capitalizing on existing resources
- Aggressive pursuit of grants and venture capital
- Help entrepreneurs to get off the ground
- Add value to existing natural resources
- Use existing economic research
- Long term land use planning and focus

Economic Development Actions

- Retention
- Social and Educational Climate
- Developing local entrepreneurs
- Recruiting
- Recreation and Tourism
- Electronic Infrastructure
- Infrastructure: City Services, Water, Sewer
- What is good about our community
- Planning, pulling it all together

2016 What Are We Doing For You?

- Business Development Workshops
 - February 16 - Marketing Class
 - March 15 - H & R Block Tax Class
 - April 19 - Tourism in the Sky Valley
 - May 17 - Customer Service
 - September 23 Marketing Your Business



Additional Classes will be offered during the remaining months of the year.

Supporting Community

- Park Clean Up
- Clean-Up Days
- Citizen Emergency Response (CERT)
- Return of the Salmon
- Project Main Street
- Community Block Watch
- Community Awards
- Adopt-a-Street
- Adopt-a-Park
- Christmas Tree Lighting
- New Dog Park



What Are The Challenges?

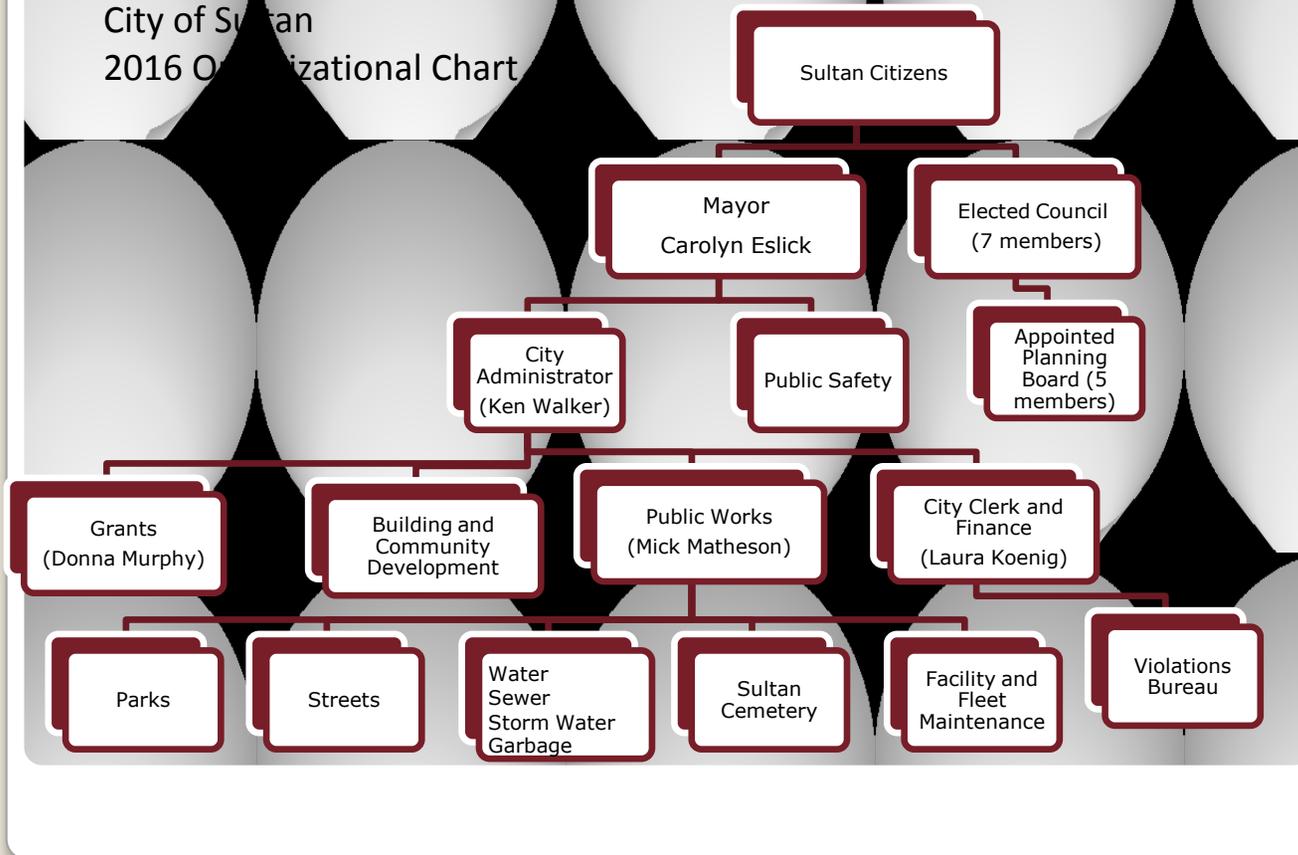
- Increasing Community Involvement
- Community Alliance
- Support Existing Businesses
- Attract New Businesses
- Changing the Outside Perception of Sultan
- The Rebounding Economic Recovery
- Need for Affordable Housing
- Define Sultan's Brand
- New Development



How Can You Help?

- Volunteer - GET INVOLVED
- Serve on Council, Board or Committee
- Engage City Hall Early
- Bring Your Ideas
- Attend Council Meetings 2nd / 4th Thursdays
- Attend Planning Board Meetings 3rd Thursday
- Attend Coffee with the Mayor every Friday morning
- City Hall 360.793.2231
- Mayor Eslick 425.327.2093
- City Administrator Ken Walker 360.793.1164
- Visit our website www.ci.sultan.wa.us

City of Sultan
2016 Organizational Chart



Funds - 2016

| GENERAL FUNDS | SPECIAL REVENUE FUNDS | STREET, CEMETERY & RESERVE FUNDS | DEBT SERVICE FUNDS | WATER FUNDS | SEWER FUNDS | GARBAGE AND STORM-WATER FUND |
|------------------------------|--------------------------------|---|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| 001 General Operating | 108 Transportation Impact Fund | 101 Street Operating | 203 Community Center Bond Fund | 400 Water Operating | 401 Sewer Operating Fund | 402 Garbage Operating Fund |
| 100 General Fund Contingency | 112 Park Impact Fund | 303 Street Construction Fund | 205 Police Bond Fund | 403 Water/Sewer Revenue Bond Fund | 403 Water/Sewer Revenue Bond Fund | 406 Stormwater Operating Fund |
| 109 Community Improvement | 117 Timber Ridge Fund | 103 Cemetery Operating Fund | 207 LID Bond Fund | 405 Water Reserve Fund | 404 Sewer Reserve Fund | 410 Stormwater Improvement Fund |
| 113 Building Maintenance | 301 REET 1 Fund | 501 Equipment Reserve Fund (Public Works) | | 409 Water System Improvement Fund | 407 Sewer System Improvement Fund | |
| 114 IT Fund | 302 REET 2 Fund | | | 412 Water System Debt Service | 413 Sewer Debt Service | |
| | 305 Park Improvement Fund | | | | | |
| | 621 Cemetery Trust Fund | | | | | |

CITY OF SULTAN

The City was incorporated in 1905. It operates under the Mayor-Council form of government and has council meetings twice a month. All meetings are open to the public as provided by law and agenda items are prepared in accordance with State public meeting laws.

The City provides a full range of municipal services normally associated with a municipality including police (contracted through the Snohomish County Sheriff's Office), refuse removal, public works, water and sewer utilities, planning and general administrative services. The City annexed into the Sno-Isle Regional Library District for library services and into Fire District 5 for fire and aid services.

The City encompasses approximately 3.6 square miles in Snohomish County. The City is nestled in the Cascade Mountain Range at the confluence of the Skykomish and Sultan Rivers. It is a haven for fishermen and adventure seekers. The City's location is conducive to skiing, hiking, biking, camping, and many other outdoor activities.

Snohomish County was established as a county in 1861. It is located on Puget Sound, between Skagit County to the north and King County (and the City of Seattle) to the south. Covering 2,100 square miles, it is the 13th largest county in the State.

Industry and Employment. The County's economy is an urban-rural mix. A high technology, urban job market predominates in the City of Everett and the southern part of the County, including aircraft production, biotechnology, electronics and electrical equipment manufacturing. Additionally, in the northern and eastern regions of the County, agriculture and forest products remain strong. The County has benefitted from significant economic and population growth in Western Washington over the last decade and has been among the fastest growing counties in the State. As the City of Seattle and King County, directly to the south, run out of developable land, business and residential growth in Snohomish County is expected to continue.

Historical Population Estimates

| Year | <u>City of Sultan</u> | <u>Snohomish County</u> |
|------|-----------------------|-------------------------|
| 2015 | 4,680 | 757,600 |
| 2014 | 4,665 | 741,000 |
| 2013 | 4,660 | 730,500 |
| 2012 | 4,660 | 722,900 |
| 2011 | 4,655 | 717,000 |
| 2010 | 4,651 | 713,335 |
| 2009 | 4,555 | 704,300 |
| 2008 | 4,550 | 696,600 |

Government Organization

Elective officials of the City consist of the Mayor and a seven-member City Council. The Mayor is the chief executive officer of the City:

- Presides over and is responsible for the conduct of all meetings of the City Council and public hearings.
- Signs and enforces all ordinances passed by the City Council.
- Appoints and removes officers.
- Signs all written contracts entered into by the City.
- Is an authorized signatory on all accounts.
- Manages personnel.
- Implements policy and oversees the annual budget.

The City Council is the legislative arm of the City's government. The powers and duties of the City Council include:

- Determining the general direction for the operations of the City.
- Enacting ordinances.
- Establishing budgetary policies.
- Adopting the Comprehensive Plan and other guiding documents.
- Adopting the annual budget.
- Awarding contracts.
- Confirming appointments to the Planning Board.
- Fiscal oversight of expenditures.

The present elected officials of the City are as follows:

| Name | Position | Expiration of Term |
|------------------|-----------------|---------------------------|
| Carolyn Eslick | Mayor | December 31, 2019 |
| Bob McCarty | Council Member | December 31, 2017 |
| John Seehuus | Council Member | December 31, 2017 |
| Rocky Walker | Council Member | December 31, 2017 |
| Russell Wiita | Council Member | December 31, 2019 |
| Joe Neigel | Council Member | December 31, 2019 |
| Marianne Naslund | Council Member | December 31, 2017 |
| Jeffrey Beeler | Council Member | December 31, 2019 |

Financial Information

In October 2011, the city received an A+ bond rating from Standards & Poor's for the Water/Sewer bond refinancing.

In June 2014, the city received an AA - bond rating from Standards & Poor's for the new Water/Sewer bond issue.

Basis of Accounting. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by State law.

In accordance with State law, the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period. Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The City uses single entry, cash basis accounting, which is a departure from GAAP. The accounts of the City are organized on the basis of funds, each of which is considered a separate entity. Each fund is accounted for with a separate set of single entry accounts that comprise its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose.

Fund Types

General (Current Expense Fund) (000): This fund is the primary operating fund of the City. There are fifteen departments funded by the General Fund and services include general accounting, parks, library, planning, building, legal, civil services, law enforcement and other general services.

Special Revenue Funds (100): These funds account for revenues that are legally restricted or designated to finance particular activities of the City. Included are the Street, Impact Fee, Drug Enforcement, C.R. Equipment, C. R. Utility fund, Community Improvement and Cemetery Funds.

Debt Service Funds (200): These funds account for the accumulation of resources to pay principal, interest and related costs on general long term debt. Included are the G.O. Limited Bond, LID Bond fund and the Water/Sewer Revenue Bond, and Water and Sewer System Debt funds.

Capital Project Funds (300): These funds account for financial resources that are designated for the acquisition or construction of capital projects. There are funds set up for Park Improvements, Capital Projects, Street Improvements, Water System Improvements and Sewer System Improvements.

Enterprise Funds (400): These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Included are the Water Utility, Sewer Utility, Garbage Utility and Stormwater Utility fund. The capital project funds and debt service funds for enterprise funds are included in the 400 series of accounts.

Internal Service Funds (500): These funds account for any activity that provides goods or services to other funds, departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Non-expendable Trust and Agency Funds (600): These funds account for assets of which the principal may not be spent and for assets that the City holds for others in an agency capacity.

The Budget Process.

The City's budget process and procedures are consistent with process and calendar as set forth under chapter 35.33 RCW. Prior to October 1, City department heads present estimates of revenues and expenditures.

The Finance Director, working in conjunction with the Mayor and City Council, makes deletions, additions or modifications to the estimates and prepares a preliminary budget that is officially filed in the Clerk's office by November 1, when it is made available to the public.

The City Council is then required to set public hearings and adopt a final budget no later than December 31. Within thirty days of adoption, the final budget is available to the public.

Annual appropriated budgets are adopted at the fund level, except in the general fund, where expenditures are adopted at the department level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end except for capital project funds, which may be adopted for the length of the project.

The Finance Director is authorized to transfer budgeted amounts between object classes within departments; however, any revisions that alter the total expenditures of fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

The Budget may be amended as required during the fiscal year to provide for unanticipated expenses or for grant funds received during the year. Prior to amending the adopted budget, the Council holds a public hearing and has two readings of the amending ordinance.

Sultan Budget Calendar – 2016

| Month | Action |
|----------|---|
| March | Council holds a retreat to discuss goals and budget priorities for the next fiscal year. |
| August | Department heads prepare a preliminary budget for review by the Mayor and City Administrator. |
| October | Council holds a budget retreat to review the preliminary budget. |
| November | Council holds public hearings on the budget and annual tax levies. |
| December | Council adopts the annual budget. |

Auditing of City Finance

The State Auditor is required to examine the affairs of cities at least once every two years. The examination must include, among other things, the financial conditions and resources of the City, whether the laws and constitution of the state are being complied with, and the methods and accuracy of the accounts and reports of the City. Reports of the auditor’s examinations are required to be filed in the office of the State Auditor and in the auditing department of the City. The most current financial audit report for the City is from January 1, 2014 through December 31, 2014.

Local Government Investments

It is the policy of the City of Sultan to invest public funds in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands and conforming to all state and local statutes governing the investment of public funds.

Investments shall be made with judgment and care to the degree which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Authorized Financial Dealers and Institutions:

The City Administrator or their designee is authorized to conduct investment transactions with several competing, reputable investment securities broker/dealers and financial institutions. Security dealers and financial institutions may include primary or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 and investment departments of local banks on the list of Qualified Public Depositories approved by the Washington Public Deposit Protection Commission as authorized to provide investment services under RCW 39.58.080.

The State Treasurer's Office administers the Washington State Local Government Investment Pool (the "LGIP"), a fund that invests money on behalf of more than 450 cities, counties and special taxing districts. In its management of LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds. These are, in priority order, (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) to attain the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

Risk Management

The City is a member of the Cities Insurance Association of Washington (the "CIAW"). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of chapter 30.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services.

A governing board of directors is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates, Inc. to perform day to day administration of the pool.

2016

BUDGET SUMMARY

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INTRODUCTION

The 2016 Budget Summary is intended as a quick reference document for members of the community. The Budget Summary provides a brief overview of the key funds that make up the city's annual budget including the General Fund, Utility and Enterprise Funds, Capital Budget, Debt Service Funds and Miscellaneous Funds. Copies of the entire budget document with supporting details and background information are available upon request and on the city's website at www.ci.sultan.wa.us.

BUDGET THEMES

Even in an era of slowly increasing revenues, the city has an obligation to provide services to the community. Some services are mandated such as floodplain management, Growth Management Act planning, financial reporting, and building inspection. Other services such as public safety, economic development, code enforcement and park maintenance are optional.

Whether a service is mandatory or optional, the city has a choice about the level-of-service or level of investment to make when providing services to the community. The budget themes identify areas of strategic investment over the next five years to coincide with the five year forecast.

Previous budget themes have anticipated increasing revenues. This budget forecast anticipates an increase in General Fund revenues for the next three years (2016 to 2018). The increase is primarily due to the increase in building and development activity.

Strategic investments are needed in order to ensure the city is positioned to attract new development when the economy recovers. Failing to invest now could put the city in the position of falling so far behind that future investment will not be attracted to the Sultan community and will go elsewhere. This could lead to a spiraling decline of the community rather than slow but steady improvement.

The city council continues to complete many of the long-range goals adopted either formally or informally beginning in 2008. These goals included:

- Bringing revenues and expenditures into alignment in the general fund and enterprise funds.
- Building savings in the contingency fund (rainy-day fund). **Was fully funded in 2015 to the maximum allowed under state law.**
- Reducing debt. **Reduced by \$5,303,876 since 2010.**
- Set aside funds for repair and replacement of taxpayer owned assets.
- Funding facility maintenance and operations.
- Maintaining the city's existing assets.
- Stabilizing the police department and improving public safety. **The contract for law enforcement service with Snohomish County has stabilized the costs.**

- Installing an emergency siren and a network of security cameras throughout the city. **Three emergency sirens were installed in 2014.**
- Adopting a compliant 2004 comprehensive plan. **Completed in 2012.**
- Updating the Water System Plan, General Sewer Plan, Park and Open Space Plan and 2011 Comprehensive Plan.
- Constructing road and park improvements and spending grant funds.
- Moving forward with improvements at the waste water treatment plant to accommodate future growth.
- Implementing streamlined permitting – installing Springbrook building permit module and improving permit applications (packets). **Completed in 2013.**
- Updating the development code.

The 2012-2016 budget themes are divided into four categories:

Public Safety

- Reduce incidents of crime as measured in monthly police reports.
- Reduce the city's transient population and incidents of anti-social behavior not acceptable to the Sultan community.
- Improve the community's perception of public safety.
- Use technology – such as security cameras and emergency sirens to leverage manpower.
- Seek strategic partnerships such the school resource officer, volunteers, and emphasis patrols to improve community safety.
- Increase prosecution of criminal behavior by hiring a Prosecuting Attorney.

Economic Development

- Seek strategic public and private partnerships to enhance the city's economic growth.
- Remove unnecessary bureaucracy and regulatory barriers to encourage economic development while maintaining city standards.
- Maintain the city's existing public buildings, parks and streets.
- Improve and enforce existing land use and building code regulations.
- Prepare the city's parks, roads, stormwater, water and waste water facilities for an increasing population and more rigorous state and federal operating standards.

Community Development

- Stay current with growth management act and other state planning requirements. Update supporting plans as required and needed.
- Maximize land use strengths such as proximity to US 2 while minimizing land use weaknesses such as proximity to floodplain.
- Strategically study city owned resources and seek opportunities to lead community development with public investment.

Fiscal Responsibility

- Fully utilize financial software programs and technology to increase efficiency

- Proactively manage equipment replacement.
- Proactively manage facility maintenance.
- Pay off existing loans and reduce the city's debt service payments. Limit future debt obligations until economic recovery is certain.
- Seek to maintain the legally allowable amount in the general fund contingency account.
- Create a 60-day operating reserve in all operating funds (General, Streets, Cemetery, Water, Sewer, Garbage and Stormwater).
- Stay current with utility rates to ensure adequate revenues to meet expenditure assumptions.

PERSONNEL COSTS

The City of Sultan is not unique in trying to maintain levels of service for Sultan citizens and business owners while reducing expenses. Many cities throughout Washington and the United States are looking at ways to cut costs and be more efficient.

The City of Sultan has been a leader in taking steps to reduce personnel costs including contracting with the Sheriff's Office for police services, using the Snohomish County Planning and Development Services team for plan review and building inspection services and renegotiating salaries and benefits with city employees to lower personnel costs.

As a "service" organization, the city spends approximately 16% of its budget on personnel costs. From an overall financial standpoint, businesses that pay out 20 to 30 percent of gross revenue in payroll expenses are considered efficient operations.

To ensure the long-term financial stability of the city made the following changes are effective for 2016:

- Replaced the Community Development Director position with a Senior Planner. Due to the low level of development activity in the City, this reduction is financially sound and based on activity levels. It appears that development activity in is on the rise, but it is anticipated that Sultan will experience slow growth. The city is currently contracting for planning services to reduce cost while seeking a full time employee.
- Reduced the position of Grants Coordinator to 60%. This is due to anticipated retirement of the current employee. The Grant Coordinator will be required to dedicate a greater percentage of time to grant preparation.

GENERAL FUND

The General Fund is largest single fund in the City (approximately \$1.9 million in 2016). The General Fund is supported by taxes and fees and generally has no funding restrictions. The general fund supports city administration, finance, building and planning, public safety and code enforcement; and parks. The general fund and street fund share revenue sources including property taxes and utility taxes.

Revenues

In 2016, the General Fund will experience a \$176,759 increase in revenues. Property tax revenues increased due to a 11% increase in assessed values. Property tax revenue allocation to the General Fund has been reduced to provide funding to make payment on the bonds for the Community Center.

General Fund Revenues

| | 2015 Adopted Budget | 2016 Adopted Budget |
|----------------------|--------------------------------|--------------------------------|
| Taxes | \$1,324,894 | \$1,436,332 |
| Intergovernmental | \$132,000 | \$175,500 |
| Charges for Services | \$48,840 | \$44,800 |
| Fines and Penalties | \$14,600 | \$15,600 |
| Miscellaneous | <u>\$120,991</u> | <u>\$128,051</u> |
| Total | \$1,792,955 | \$1,969,714 |

Property Tax: There was an 11% increase in property assessed values in 2016. The city has reached its maximum levy rate of \$1.60/\$1,000 assessed value. The city's total property tax collection for 2016 is approximately \$598,681. The city will continue to bank capacity for future years.

Electric B & O Tax: The city council approved allocating the electric utility tax between the general fund and the street fund to cover the cost of street lights in the street fund. The General Fund will receive \$178,000 and the Street Fund will receive \$36,000 in Electric B&O Tax.

License and Permits/Charges for Services: City anticipates issuing thirty nine (39) single-family residential permit in 2016. The city has issued forty seven (47) single-family residential permits in 2015. Other permit revenue – plumbing, mechanical, roofing, etc has remained steady.

Miscellaneous – Investment Interest

Code cities may apportion some investment earnings from funds commingled for investment purposes to the general fund rather than the participating funds unless restricted by law (RCW 35.39.034). Utility funds, bond covenants or other provisions may require that the interest be allocated to the utility fund. In 2007 the City Council adopted a policy of allocating investment interest to the general fund.

Investment interest is anticipated to be minimal in 2015. The federal government is intentionally keeping interest rates low to stimulate the economy.

Since investment interest is nominal, interest earned from the utility funds is now allocated to the fund in which it is earned rather than transferring the interest revenues to help balance the general fund.

Operating Transfer in.

In 2012, the City began charging the enterprise funds (water, sewer, garbage, storm water, streets and cemetery) \$56,011 “rent” for the use of the public works shop and city hall owned by the general fund.

The general fund “owns” city hall and the public works shop buildings located on First Street. City staff established a market rate rent for city hall (\$.87.6/square foot) and the public works shop building (\$.43.8/square foot) based on the city’s lease with the post office for the building at US 2 and 4th Street.

Interfold Rents

| <u>Total Rents</u> | <u>Square Feet</u> | <u>\$/Sq ft</u> | <u>Less “Credits” For GF Uses</u> | <u>Adjusted Total</u> |
|--------------------|--------------------|-----------------|---------------------------------------|---------------------------|
| Shop | 4939 | .876 | (\$9780) | \$31,727 |
| City Hall | 4228 | .438 | (\$20,160) | \$24,285 |
| Total | | | | <u>\$56,011</u> |

General Fund Expenditures

General Fund expenditures in 2016 will increase by approximately 12% or \$211,116.

| <u>Department</u> | 2015 Adopted Budget | 2016 Adopted Budget |
|--------------------------|--------------------------------|--------------------------------|
| Legislative | \$16,708 | \$19,280 |
| Executive | \$62,650 | \$64,577 |
| Finance | \$78,476 | \$98,635 |
| Grants | \$23,733 | \$30,171 |
| Legal | \$46,438 | \$41,843 |
| General Government | \$79,803 | \$85,900 |
| Law Enforcement | \$1,066,714 | \$1,148,555 |
| Code Enforcement | \$57,858 | \$54,248 |
| Community Development | \$168,572 | \$185,919 |
| Building | \$39,402 | \$103,709 |
| Parks | \$92,504 | \$91,540 |
| Miscellaneous | \$23,298 | \$42,895 |
| Total | \$1,756,156 | \$1,967,272 |

STREETS AND PARKS

Streets

Although the Street Fund is not a part of the city's general fund budget, the two funds share operating revenues. The Street operating budget is supported by property taxes, utility taxes, B & O taxes and the motor vehicle excise tax which is dedicated solely to the Street Operating fund.

Street operating revenues have increased from \$190,719 in 2015 to \$204,025 in 2016. The Street fund experienced a reduction in property tax revenues as a result in the reallocation of property tax to make the bond payments on the Community Center. In 2016 and additional property tax money will be allocated for street maintenance.

Street Operating Fund Revenues

| Revenues | 2015 Street Fund Budget | 2016 Street Fund Budget |
|--------------------------|------------------------------------|------------------------------------|
| Property Taxes | \$28,547 | \$53,177 |
| B&O Electric | \$38,000 | \$36,000 |
| B&O Gas | \$5,300 | \$4,000 |
| B&O Telephone | \$7,400 | \$7,500 |
| Motor Vehicle Excise Tax | \$94,653 | \$100,948 |
| Misc. Revenues | \$16,819 | \$2,400 |
| Total | \$190,719 | \$204,025 |

2016 Street Operating Expenditures

Overall, the 2016 street operating expenditures have increased by \$7,505. Salaries and benefits are increased by \$4,315.

Street Budget 2012-2016

| Street Budget | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Salaries | \$98,184 | \$94,486 | \$66,620 | \$75,287 | \$81,377 |
| Benefits | \$34,699 | \$36,175 | \$26,1275 | \$37,268 | \$36,187 |
| Office/Operating Supplies | \$8,300 | \$8,620 | \$5,550 | \$8,700 | \$45,010 |
| Other Services | \$55,309 | \$47,006 | \$44,145 | \$65,770 | \$12,150 |
| Capital Outlay | \$10,000 | \$5,000 | \$1,500 | \$0 | \$5,000 |
| Operating Transfer Out | \$7,960 | \$18,854 | \$5,900 | \$3,500 | \$18,500 |
| Total | \$214,452 | \$210,141 | \$149,890 | \$190,519 | \$198,224 |

Parks

The City of Sultan parks are a valuable community resource. People drive from all over the North King and South Snohomish Counties to visit Osprey Park. River Park with the Gazebo and Skate Park is an important community gathering place for Shin Dig and other events throughout the year.

| Table of Park Classifications | | |
|--|---------------------|-------------|
| Osprey | 76.20 | Regional |
| Reese | 18.78 | Community |
| River | 7.21 | Community |
| Travelers | 1.90 | Mini-Park |
| Sportsman | 3.57 | Special Use |
| Cemetery Ball Field | 8.74 | Special Use |
| Sultan Elementary School | 7.90 | School-Park |
| Sultan Middle School | 10.05 | School-Park |
| Sultan High School | 33.75 | School-Park |
| Total | 168.10 acres | |

The public works department, with the assistance of community volunteers, maintains the city's parks, open spaces and trails.

The city has over 168 acres of parks, open spaces and trails. This provides a high level of service (35.74 acres/1,000 residents) as measured in acres/1,000 residents.

The majority of the city's park system is located near the city's historic town center and adjacent to the Sultan River.

The challenge in the coming years will be to operate and maintain existing park properties while acquiring land for a future community park east of the town center on the plateau above the valley floor formed by the Skykomish and Sultan Rivers. There is a strong community preference for adding a community park with sports fields in this area to serve young families and their children.

The parks operating budget is part of the city's general fund budget. Revenues dedicated to the parks budget are used to support staff and resources to maintain the

city's six parks, trails and open space areas. The parks budget "competes" with other general fund priorities such as finance, planning, building, code enforcement, animal control and public safety.

Overall, the 2016 parks operating budget is decreased by \$964.

| Parks Budget | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Salaries | \$40,297 | \$36,583 | \$40,200 | \$39,463 | \$44,825 |
| Benefits | \$17,608 | \$16,700 | \$17,180 | \$20,834 | \$21,515 |
| Office and Operating Supplies | \$2,810 | \$3,390 | \$3,450 | \$8,985 | \$7,700 |
| Other Services | \$8,500 | \$9,548 | \$5,522 | \$11,222 | \$7,500 |
| Capital Outlay | \$2,500 | \$0 | \$0 | \$9,000 | \$3,000 |
| Operating Transfer Out | \$200 | \$1,000 | \$0 | \$3,000 | \$7,000 |
| Total | \$71,915 | \$67,221 | \$66,352 | \$92,504 | \$91,540 |

UTILITIES

The city operates four utilities: water, sewer, garbage, and storm water. The utility operating funds or Enterprise Funds account for approximately 62% of the city's \$5.7 million operating fund budgets.

By state law, utility revenues must cover utility expenses. Expenses include current operating needs, operating reserves, capital improvements (to maintain the existing system and expand the system for future residents) and debt service payments for capital improvements. The city may not use property taxes to underwrite the cost of utilities. The following chart shows the current monthly charges and revenues:

| Enterprise Fund | # of Customers | 2015 Monthly Residential Rate | 2016 Revenues | 2015 Expenditures |
|------------------------|-----------------------|--------------------------------------|----------------------|--------------------------|
| Water | 1521 | \$37.60 | \$1,210,913 | \$1,210,913 |
| Sewer | 1112 | \$74.47 | \$1,348,039 | \$1,323,333 |
| Garbage/Recycle | 1405 | \$25.50 | \$782,260 | \$775,397 |
| Storm water | 1468 | \$9.53 | \$175,364 | \$174,704 |
| Total | | \$147.10¹ | \$3,516,576 | \$3,484,347 |

¹ Monthly rate does not include utility or excise taxes

CEMETERY

The cemetery fund is one of the City's five enterprise funds. Revenues raised from fees must be used to maintain and operate the cemetery. Continuing to maintain Sultan's cemetery within existing revenues has been a challenge over the last several years. The council adopted a 50% rate increase in 2011 for cemetery services.

The City is struggling to balance the budget in the cemetery enterprise fund. Revenues are not sufficient to cover normal maintenance costs. Maintenance is done in-house using the public works crew. Since, to bring labor costs in line with revenue, the City focused on maintenance efforts just prior to major holidays. As a result, there were periods of time when the cemetery appeared unkempt, and a number of complaints were received about the cemetery's appearance.

This issue has been on-going over the last several years. The City council has raised burial fees to capture sufficient revenues to cover costs. Unfortunately, this has only exacerbated the problem because unlike our utilities, the cemetery is not a monopoly. People have been choosing to bury their loved ones in other area cemeteries. In addition, the "market" is changing and more people are choosing cremation and are scattering the ashes rather than place the ashes in a cemetery.

The City has been seeking opportunities to raise revenues and/or lower costs. The City council has taken a number of steps to bring expenditures into alignment with revenues including outsourcing burial services to Wilbert Vault and installing a columbarium niche wall donated by Koppenburg Enterprises, for ash internment. The niche wall is a future revenue source for the cemetery fund.

Estimated revenue for the cemetery is based on the assumption of the sale of twelve (10) gravesites in 2016.

Cemetery Budget 2012 – 2016

| Cemetery Budget | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| Salaries | \$10,739 | \$11,625 | \$9,790 | \$11,692 | \$10,207 |
| Benefits | \$5,267 | \$5,879 | \$4,850 | \$6,515 | \$5,297 |
| Office/Operating Supplies | \$750 | \$1,600 | \$3,800 | \$2,300 | \$2,200 |
| Professional Services | 5,187 | \$4,500 | \$5,000 | \$6,500 | \$9,500 |
| Capital Outlay | \$0 | \$0 | \$0 | \$500 | \$0 |
| Operating Transfer Out | \$0 | \$0 | \$0 | \$500 | \$500 |
| Total Expenditures | \$24,348 | \$23,400 | \$23,440 | \$28,007 | \$27,74 |

CAPITAL PROJECTS

The 2016 Capital Budget outlines the proposed project expenditures and funding sources for the capital projects the city will work on in the coming year. Capital project expenditures for 2016 must be included in the city's adopted 2016 Budget. Following are the list of projects the city council wants to focus on in the coming year.

Proposed 2016 Capital Project Expenditures

| Project | Funding Source | 2016 Funding | Project Date |
|---|---------------------|--------------|--------------|
| 4 th & 5 th Street Reconstruction–US 2 to Alder | TIB Grant | \$400,140 | 2016 |
| Water Booster Pump Station | City | \$491,915 | 2015 – 2016 |
| Pedestrian Bridge | Proviso & STP Grant | \$517,229 | 2016 |
| Total | | \$1,409,284 | |

DEBT SERVICE

The City has General Obligation debt bonds for construction of the Community Center issued in 1999 and Police Equipment. The City pledged 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 Public Works Trust Fund (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 for rate payments, connection fees and reserve funds.

In 2014, the City issued \$2,870,000 in Water/Sewer Revenue bonds. The proceeds of the Bonds will be used to finance the costs of the following improvements to the System: (a) replace the sanitary sewer main and side sewer services, and water main and services beneath High Avenue from 1st Street to 4th Street; (b) replace the sanitary sewer main and side sewer services, the water main and services beneath 4th Street from Alder Avenue to Fir Avenue. The storm drainage system will also be improved in strategic spots to improve drainage; (c) replace the existing Booster Pump Station with a new facility; (d) the purchase of a generator, motor control center, and telemetry panel including electrical engineering for the Sanitary Sewer Main Pump Station; and (e) replace the sanitary sewer main and side services and the water main and services beneath Alder Avenue from 5th to 8th Street.

In 2010, the Council made a policy decisions to reduce outstanding debt and limit capital projects. The reduction of current debt left the city with “borrowing capacity” to proceed with water and sewer capital projects in 2014.

The following actions were taken in 2011 through 2013:

1. The Cashmere Valley Bank loan in the amount of \$360,000 for the sewer centrifuge project was paid in full.
2. Additional principle payments of \$20,000 each year were made to the Department of Ecology for the Stormwater Plan. This loan was for a stormwater study completed in 2005 and was placed on a 20 year payment plan. The loan was paid in full in 2015.
3. The city refinanced the Water/Sewer Revenue bonds achieving a \$41,783 savings in interest over the last six years of the bond.
4. The city paid off a \$1,000,000 Public Works Trust Fund loan for the Wastewater Treatment Plan design in 2012. The major issue for 2011 and 2012 was the requirement to pay the balance on the PWTF loan for the Waste Water Treatment Plant (WWTP) design. The loan was restructured in 2010 to add one year to the payment schedule. This reduced the annual payment by \$100,000. The city paid the loan in full in 2012.

The city council made a commitment in 2007 to reduce the city's debt service obligations in order to improve the city's overall financial position. In the last 5 years the city has reduced its overall debt obligations by \$5 million.

Outstanding Debt

| | 01/2010 Outstanding Debt | New Issue | 2010 Total Debt | 1/1/2016 Outstanding Balance | Total Debt Reduction |
|-------------------------------|--------------------------------|-------------|--------------------|------------------------------------|-------------------------|
| General Obligation | | | | | |
| Community Center | \$1,010,000 | \$0 | \$1,010,000 | \$420,000 | \$590,000 |
| Police Bond | \$325,000 | \$0 | \$325,000 | \$220,000 | \$105,000 |
| | | | | | |
| Revenue Debt | | | | | |
| Refund W/S Bonds | \$725,000 | \$0 | \$725,000 | \$125,000 | \$600,000 |
| 2014 Issue | \$0 | \$2,870,000 | \$2,870,000 | \$2,795,000 | \$75,000 |
| | | | | | |
| PWTF Loans | | | | | |
| Water | \$1,080,381 | \$0 | \$1,080,381 | \$408,154 | \$672,227 |
| Sewer | \$2,945,594 | \$0 | \$2,945,594 | \$913,945 | \$2,031,649 |
| | | | | | |
| LID Bonds | \$2,665,000 | \$0 | \$2,665,000 | \$1,435,000 | \$1,230,000 |
| | | | | | |
| Total Debt Outstanding | \$8,750,975 | \$2,870,000 | \$11,620,975 | \$6,317,099 | \$5,303,876 |

MISCELLANEOUS FUNDS

The city council has created a number of miscellaneous funds to manage city assets including the Building Maintenance Fund, Equipment Replacement Fund and Information Technology (IT) Fund. The city has obligated a portion of utility taxes and operating revenues to cover expenses.

Equipment Replacement (Reserve) Fund

The Equipment Reserve Fund was established to provide funding for vehicles and equipment for the public works department. In 2012, the city council made the decision to transfer utility tax revenues from the equipment replacement fund to the building maintenance fund and use operating revenues to fund equipment replacement.

Building Maintenance Fund

In 2012, the city council approved increasing the utility tax allocated to the Building Maintenance Fund by eliminating the utility taxes allocated to the Equipment Replacement Fund. The Equipment Replacement Fund is adequately funded by transfers from the enterprise operating funds.

The city allocates staff time and contracts maintenance activities such as janitorial services, elevator maintenance, fire extinguisher maintenance services, fire alarm testing services, and servicing the Community Center HVAC system.

Building Maintenance expenditures funded in 2015 are limited to basic maintenance. Maintenance activity is proposed to be limited to light bulb and ballast replacement, janitorial services, elevator maintenance, fire extinguisher maintenance services, fire alarm testing services, and servicing the Community Center HVAC system.

Information Technology Fund Expenditures

The city has set aside funds in the 2016 budget to accumulate for future information technology purchases. Large expenditures such as upgrading Springbrook to Version 7 are saved for over several years with the interfund payments held in the information technology fund until sufficient revenues are collected.

2016 BUDGET SUMMARY

| Fund | | REVENUE | EXPENSE |
|------|------------------------------------|---------------------|---------------------|
| 001 | General Fund | \$1,969,714 | |
| | Legislative | | \$19,280 |
| | Executive | | \$64,577 |
| | Finance/Administration | | \$98,635 |
| | Grants | | \$30,171 |
| | Legal | | \$41,843 |
| | Other Governmental | | \$85,900 |
| | Law Enforcement | | \$1,022,255 |
| | Law Enforcement - Court | | \$119,800 |
| | Emergency Management | | \$6,500 |
| | Code Enforcement | | \$54,248 |
| | Planning and Community Development | | \$185,919 |
| | Building | | \$103,709 |
| | Public Health | | \$1,200 |
| | Library | | \$6,500 |
| | Park/Recreation | | \$91,540 |
| | Miscellaneous (Transfers Out) | | \$35,195 |
| | Total Expenditures | | \$1,967,272 |
| 100 | General Fund Contingency | \$14,695 | \$0 |
| 101 | Street Fund | \$204,025 | \$198,224 |
| 103 | Cemetery Fund | \$27,704 | \$27,704 |
| 501 | C.R. Equipment Fund | \$127,000 | \$20,000 |
| 108 | Street Impact Fee Fund | \$206,108 | \$0 |
| 109 | Community Improvement Fund | \$1,500 | \$1,500 |
| 112 | Park Impact Fee Fund | \$124,225 | \$75,000 |
| 113 | Building Maintenance Fund | \$35,400 | \$34,987 |
| 114 | Information Tech Fund (IT) | \$67,250 | \$38,500 |
| 115 | Insurance Claim Fund | \$0 | \$0 |
| 117 | Timber Ridge Settlement | \$20,000 | \$20,000 |
| 203 | Limited Tax Bond GO | \$150,300 | \$150,150 |
| 205 | Unlimited Tax GO Bond | \$31,203 | \$31,203 |
| 207 | LID Guaranty Fund | \$289,000 | \$289,000 |
| 301 | Capital Project Fund REET 1 | \$75,000 | \$75,000 |
| 302 | Capital Project Fund REET 2 | \$81,000 | \$81,000 |
| 303 | Street Improvement Fund | \$557,200 | \$492,200 |
| 305 | Park Improvement Fund | \$1,048,003 | \$1,048,003 |
| 400 | Utility Water Fund | \$1,210,913 | \$1,210,913 |
| 401 | Utility Sewer Fund | \$1,348,039 | \$1,323,333 |
| 402 | Utility Garbage Fund | \$782,260 | \$775,397 |
| 403 | Water Revenue Bond Fund | \$345,700 | \$345,700 |
| 404 | C.R. Sewer Utility Fund | \$503,405 | \$486,133 |
| 405 | C.R. Water Utility Fund | \$509,000 | \$509,000 |
| 406 | Storm Water Utility | \$175,364 | \$174,704 |
| 407 | Sewer System Improvement Fund | \$509,000 | \$509,000 |
| 409 | Water System Improvement Fund | \$901,000 | \$901,000 |
| 410 | Stormwater System Improvement Fund | \$17,000 | \$0 |
| 412 | Water System Debt Fund | \$125,864 | \$125,864 |
| 413 | Sewer System Debt Fund | \$181,757 | \$181,757 |
| 621 | Cemetery Trust Fund | \$1,750 | \$0 |
| | TOTALS | \$11,640,379 | \$11,092,544 |

2016 BUDGET



CHAPTER 2 GENERAL FUNDS

GENERAL FUNDS

CONTENTS:

GENERAL FUNDS OVERVIEW

- 001 GENERAL FUND
- 100 GENERAL FUND CONTINGENCY
- 109 COMMUNITY IMPROVEMENT FUND
- 113 BUILDING MAINTENANCE FUND
- 114 INFORMATION TECHNOLOGY FUND (IT)
- 115 INSURANCE CLAIMS FUND

The City has six different funds that have General Fund (general government) functions. These include the General Fund, General Fund Contingency Fund, Community Improvement Fund, Building Maintenance Fund and Information Technology (IT) Fund, and Insurance Claim Fund.

2016 BUDGET SUMMARY

| Fund | Fund Name | REVENUE | EXPENSE |
|----------------------------|------------------------------------|--------------------|--------------------|
| 001 | General Fund | \$1,969,714 | |
| | Legislative | | \$19,280 |
| | Executive | | \$64,577 |
| | Finance/Administration | | \$98,635 |
| | Grants | | \$30,171 |
| | Legal | | \$41,843 |
| | Other Governmental | | \$85,900 |
| | Law Enforcement | | \$1,022,255 |
| | Law Enforcement – Court | | \$119,800 |
| | Emergency Management | | \$6,500 |
| | Code Enforcement | | \$54,248 |
| | Planning and Community Development | | \$185,919 |
| | Building | | \$103,709 |
| | Public Health | | \$1,200 |
| | Library | | \$6,500 |
| | Park/Recreation | | \$91,540 |
| | Miscellaneous (Transfers Out) | | \$35,195 |
| | Total Expenditures | | \$1,967,272 |
| 100 | General Fund Contingency | \$14,695 | \$0 |
| 109 | Community Improvement Fund | \$1,500 | \$1,500 |
| 113 | Building Maintenance Fund | \$35,400 | \$34,987 |
| 114 | Information Tech Fund (IT) | \$67,250 | \$38,500 |
| 115 | Insurance Claim Fund | \$0.00 | \$0.00 |
| Total General Funds | | \$2,088,559 | \$2,042,259 |

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GENERAL FUND

FUND 001

The General Fund is the largest fund in the City. The general fund is supported by taxes and fees and generally has no funding restrictions. The general fund and street fund share revenue sources including property taxes and utility taxes.

The fund collects approximately \$1.9 million in revenues to cover expenditures for the city council, city administrator, land use planning and building, public safety, code enforcement, animal control, economic development and parks maintenance. The public safety budget is approximately 59% (\$1,148,555) of the general fund expenditures.

The city's total payroll expenditures for 2016 are approximately \$1,811,420. Only \$466,031 (26%) of staff salaries and benefits are charged to the general fund. The remaining costs are allocated to the street fund (\$116,863) and enterprise funds (\$1,228,526). The full time employees (FTE's) for the General funds for the past five years as remained verily consistent as shown on the following chart:

| Funds | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| General | 4.29 | 4.65 | 4.04 | 4.16 | 4.92 |
| Building Maintenance | 0.11 | 0.33 | 0.20 | 0.12 | 0.16 |
| Parks | 0.83 | 0.89 | 0.72 | 1.15 | 0.87 |
| Total | 5.23 | 5.87 | 4.96 | 5.43 | 5.95 |

The city's general fund budget is built around the city's long-range strategic plan approved by the city council at the budget retreat in 2016. The strategic plan ensures the city's resources are aligned to achieve the city council's long-range goals. The city council identified four strategic goals:

- Public Safety;
- Economic Development;
- Community Development
- Fiscal Responsibility.

Balancing the 2016 Budget

The 2016 general fund budget is balanced using a combination of expenditure reductions and revenue reallocations between the general fund, street fund and enterprise funds. The proposed budget does not recommend level of service cuts.

Each year the city updates its five-year revenue and expenditure forecast. Based on the revenue and expenditure forecast, the city will experience significant impacts to the general fund in 2015. These impacts are expected to carry through 2017:

- 1) An 11% increase in property tax revenues in 2016.
- 2) A \$149,750 debt service payment for the city hall building. The bonds will be paid in full in 2018.
- 3) An increase in utility taxes.
- 4) An increase in building permit activity

The proposed budget uses a “balanced scorecard” approach to maintain levels-of-service in finance, grants/economic development, community development, building services, public safety, parks, street and building maintenance.

The 2016 proposed budget has been increased by \$176,759 from the 2015 adopted budget. The major areas of change include:

- The need to fund the payments on the Community Center bonds has been offset by the increase in property tax, REET and building permits
- The Law Enforcement contract negotiations were completed in 2015 and a new five-year contract has been signed.
- The Community Development Director’s position will be replaced with a Senior Planner.
- The Building Department staff allocation has been increased to 95% from the General Fund. Building activity has continued to increase since early 2014.
- Reduce hours for the Grants Coordinator (60%) and
- Continue to charge the enterprise funds rent for the use of facilities owned by the general fund (\$56,011)

Revenue Assumption and Changes

General fund revenues are broken into six categories. Following is a brief overview of the key revenues proposed in the 2015 General Fund budget.

| | |
|---------------------|-------------|
| Taxes | \$1,436,332 |
| License/Permits | \$175,500 |
| Intergovernmental | \$169,431 |
| Charges for Service | \$44,800 |
| Fines/Forfeits | \$15,600 |
| Misc Revenue | \$72,040 |
| Interfund Revenue | \$56,011 |
| Total | \$1,969,714 |

Property Tax

The Snohomish County Assessor has notified the City of Sultan that the assessment value of existing property for Property Taxes Payable in 2016 will increase by 11%.

The city reached its maximum levy rate of \$1.60/\$1,000 assessed value in 2011. Property tax revenues are divided between the General Fund, Street Fund, Police Bond Fund (voter approved) and the general obligation bond for the community center (councilmatic). This will limit the actual amount of revenue collected and will provide banked capacity for future years.

B&O Tax on Utilities

The collection of utility tax is significantly and consistently exceeding projections. In 2015, the city received \$25,371 over the anticipated budget.

Utility Taxes

The city council approved changing the percentage of Electric Utility Tax allocated between the Street Fund and the General Fund. City staff recommends continuing the 70/30 split between the General Fund and the Street Fund. General Fund Utility taxes are expected to keep pace with inflation.

Liquor Revenue

Changes in state law have resulted in an impact to liquor profit revenues. The general fund revenue in 2016 will be approximately \$60,000.

Building Permits:

Thirty nine (39) residential building permits are anticipated in 2016. The city's major source of variable revenues are land use and building permit fees. The city is required to use building permit revenues to support building permit services including land use permit processing, building plan review, building and infrastructure inspections and overhead. Building permit revenue continues to be steady.

Miscellaneous - Investment Interest.

Code cities may apportion some investment earnings from funds commingled for investment purposes to the general fund rather than the participating funds unless restricted by law (RCW 35.39.034). Utility funds, bond covenants or other provisions may require that the interest be allocated to the utility fund.

Investment interest is anticipated to be minimal in 2016. The federal government is intentionally keeping interest rates low to stimulate the economy.

Since investment interest is nominal, interest earned from the utility funds is now allocated to the fund in which it is earned rather than transferring the interest revenues to help balance the general fund.

Operating Transfer In.

In 2012, the City began charging the enterprise funds (water, sewer, garbage, stormwater, streets and cemetery) \$56,011 "rent" for the use of the public works shop and city hall owned by the general fund. The general fund "owns" city hall and the public works shop buildings located on First Street. City staff established a market rate rent for city hall (\$.876/square foot) and the public works shop building (\$.438/square foot) based on the city's lease with the post office for the building at US 2 and 4th Street.

Interfund Rents

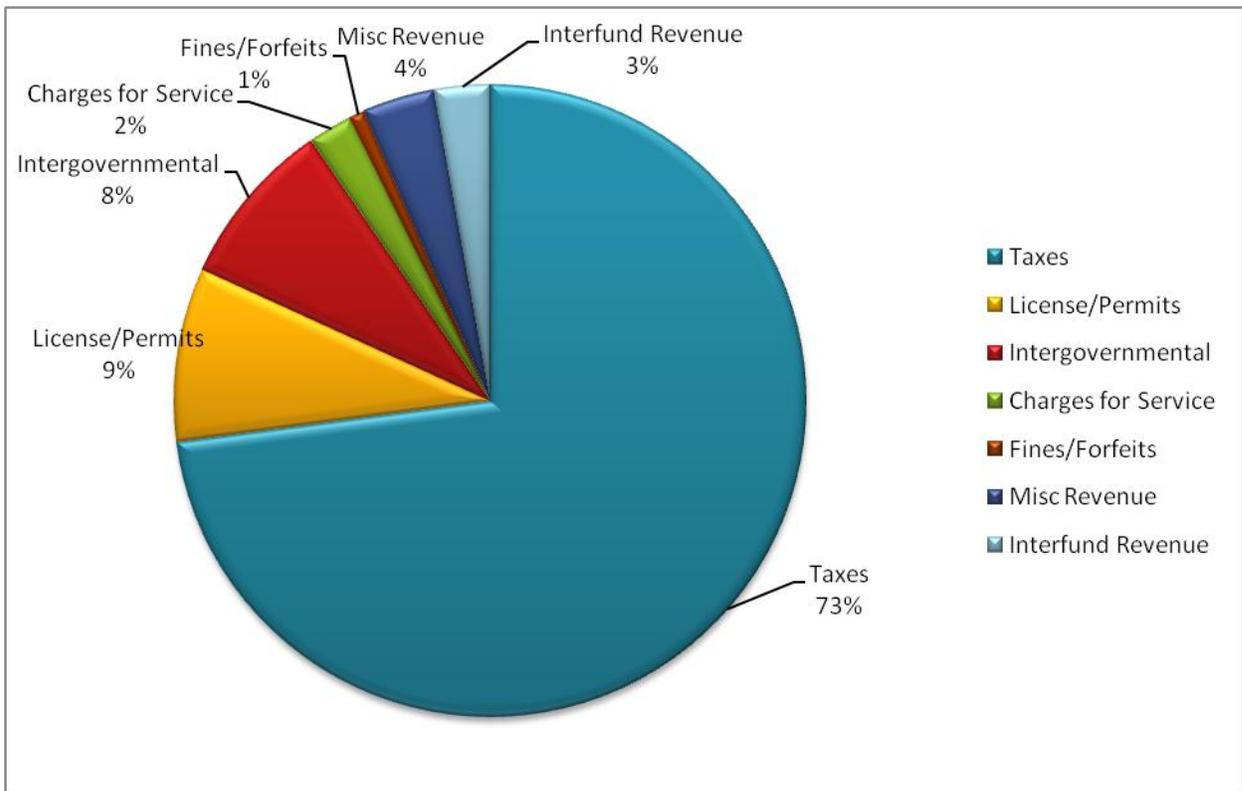
Rents are charged to the Street, Cemetery, Water, Sewer, Garbage and Stormwater funds based on the following calculations:

| Total Rents | Square Feet | \$/Sqft | Less "Credits for GF use | Adjusted Total |
|--------------------|--------------------|----------------|---------------------------------|-----------------------|
| Shop | 4,939 | .876 | (\$9,780) | \$31,727 |
| City Hall | 4,228 | .438 | (\$20,160) | \$24,285 |
| Total | | | | \$56,011 |

The following chart shows a percentage breakdown by revenue type of the General Funds seven categories of revenue:

2016 General Fund Revenues

| | |
|---------------------|-------------|
| Taxes | \$1,436,332 |
| License/Permits | \$175,500 |
| Intergovernmental | \$169,431 |
| Charges for Service | \$44,800 |
| Fines/Forfeits | \$15,600 |
| Misc Revenue | \$72,040 |
| Interfund Revenue | \$56,011 |
| Total | \$1,969,714 |



TAXES

Property Taxes:

Real and property taxes (\$690,933 levied for 2016) are divided between the General Fund Street Fund, GO Bond Fund and Police Bond Fund. The estimates are based on the 1% increase allowed for property taxes.

The Police bond is a voted levy and the \$30,803 is in excess of the amount levied for property taxes. The City will be limited to \$1.60 per thousand of assessed value as the Library District is collecting at the allowed rate of \$.50 per thousand and the Fire District collects \$1.50 per thousand.

General property taxes are, by state law, limited to a 1% increase over the prior year's collections plus assessments on new construction. The city is also limited by the state statutory levy rate of \$3.60 per thousand of assessed value. The Fire District can collect up to \$1.50 per thousand and the Library District can collect up to \$.50 per thousand. This would limit the City to a maximum of \$1.60 per thousand of assessed value. The County Treasurer acts as an agent to collect property taxes and distributes those collections on a monthly basis.

Property taxes are levied in specific amounts, and the rates for all taxes levied for all taxing districts in the County (including the City) are determined, calculated and fixed by the Assessor based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing City upon a tax roll, which contains the total amount of taxes to be so levied and collected. The tax roll is delivered to the County Treasurer (the "Treasurer") by January 15 of each year, and an abstract of the tax roll, showing the total amount of taxes collectible in each of the taxing districts for the year, is delivered to the County Auditor (the "Auditor") at the same time.

Based on the maximum levy rate per thousand, the city may only collect \$598,681 in 2016. The balance of the amount levied will go into the bank capacity of the city to use when levy rates fall below \$1.60 per thousand. In 2015, the city used banked capacity as the calculated levy rate was below \$1.60/1000.

In 2010, the economic decline caused a significant drop in the assessed value of property. This decline continued until 2014 when assessed values again began to increase. The following chart details the maximum levy rate per thousand, assessed value and the change in assessed value over the past ten year.

| Year | Levied | Assessed Value | Max Levy Rate | Assessed Value Change | % of Prior Year Value |
|------|---------|----------------|---------------|-----------------------|-----------------------|
| 2007 | 630,850 | 401,869,602 | 1.5698 | 73,328,868 | 1.2232 |
| 2008 | 642,888 | 458,888,991 | 1.4010 | 57,019,389 | 1.1419 |
| 2009 | 659,624 | 477,161,966 | 1.3824 | 18,272,975 | 1.0398 |
| 2010 | 678,480 | 436,601,545 | 1.5540 | -40,560,421 | 0.9150 |
| 2011 | 681,355 | 384,908,068 | 1.7702 | -51,693,477 | 0.8816 |
| 2012 | 681,496 | 334,868,575 | 2.0351 | -50,039,493 | 0.8700 |
| 2013 | 684,251 | 290,789,164 | 2.3531 | -44,079,411 | 0.8684 |
| 2014 | 684,251 | 302,359,259 | 2.2630 | 11,570,095 | 1.0398 |
| 2015 | 687,367 | 327,936,447 | 2.0960 | 25,577,188 | 1.0846 |
| 2016 | 690,933 | 368,901,951 | 1.8729 | 40,965,504 | 1.1249 |

Property Taxes:

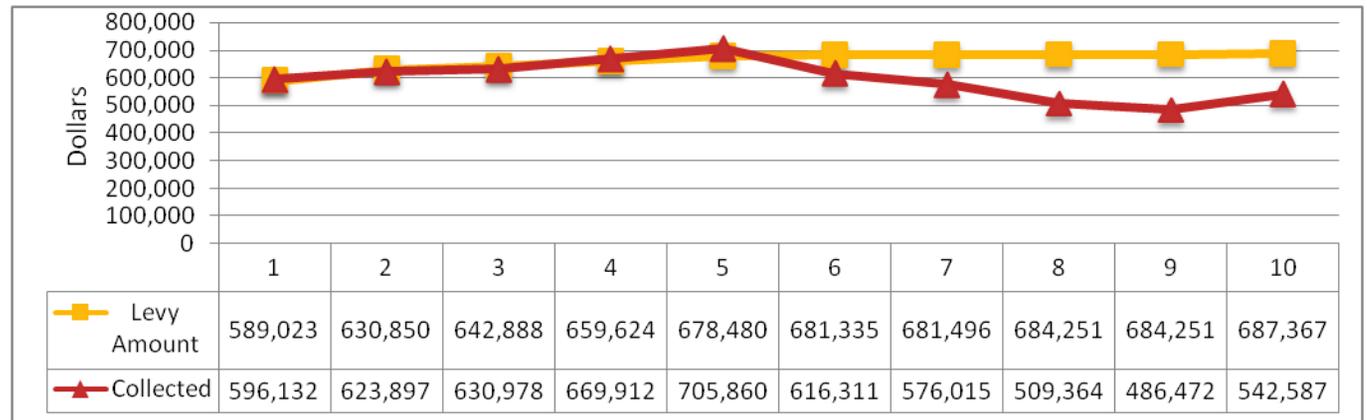
General Property taxes are, by state law, limited to a 1% increase over the prior year's collections plus assessments on new construction. The State Statutory limit for property taxes for the City is \$3.60 per thousand. This amount is reduced by the amount collected by the Fire District and the Library District. Currently the maximum amount the City can collect is \$1.60 per thousand of assessed value.

| <u>Year</u> | <u>Assessed Value in \$'s</u> |
|-------------|-------------------------------|
| 2008 | 458,888,991 |
| 2009 | 477,161,966 |
| 2010 | 436,601,545 |
| 2011 | 385,279,747 |
| 2012 | 334,868,575 |
| 2013 | 290,789,164 |
| 2014 | 302,359,259 |
| 2015 | 327,936,447 |
| 2015 | 327,936,447 |
| 2016 | 368,901,951 |



The following charts shows the maximum tax levy allowed and the amount collected over the past 10 years. The city has a decrease in collections due to the maximum levy amount of \$1.60/1000

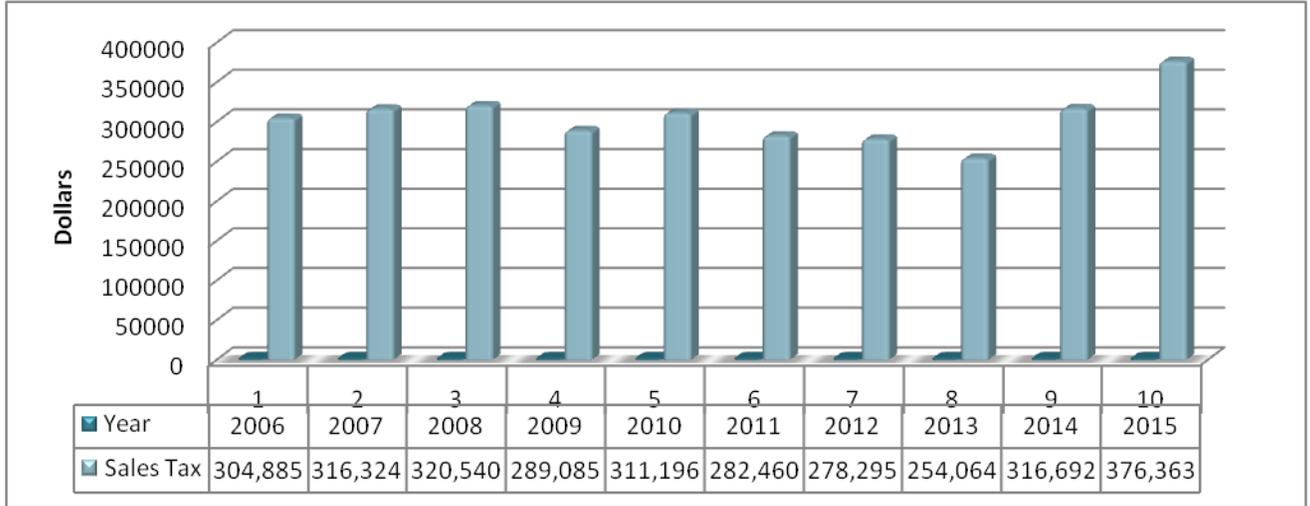
| <u>Year</u> | <u>Max Tax Levy</u> | <u>Collected</u> |
|-------------|---------------------|------------------|
| 2006 | 589,023 | 596,132 |
| 2007 | 630,850 | 623,897 |
| 2008 | 642,888 | 630,978 |
| 2009 | 659,624 | 669,912 |
| 2010 | 678,480 | 705,860 |
| 2011 | 681,335 | 616,311 |
| 2012 | 681,496 | 576,015 |
| 2013 | 684,251 | 509,364 |
| 2014 | 684,251 | 486,472 |
| 2015 | 687,367 | 542,587 |



Sales Tax Revenues:

Sales Tax revenues are fairly consistent for the City. Several new businesses opened between 2012-2016. The city anticipates a slight increase in 2016. 2013 revenues were reduced by the Department of Revenue after a distribution error of \$30,000 was found. The following chart details the collections for the city over the past ten years.

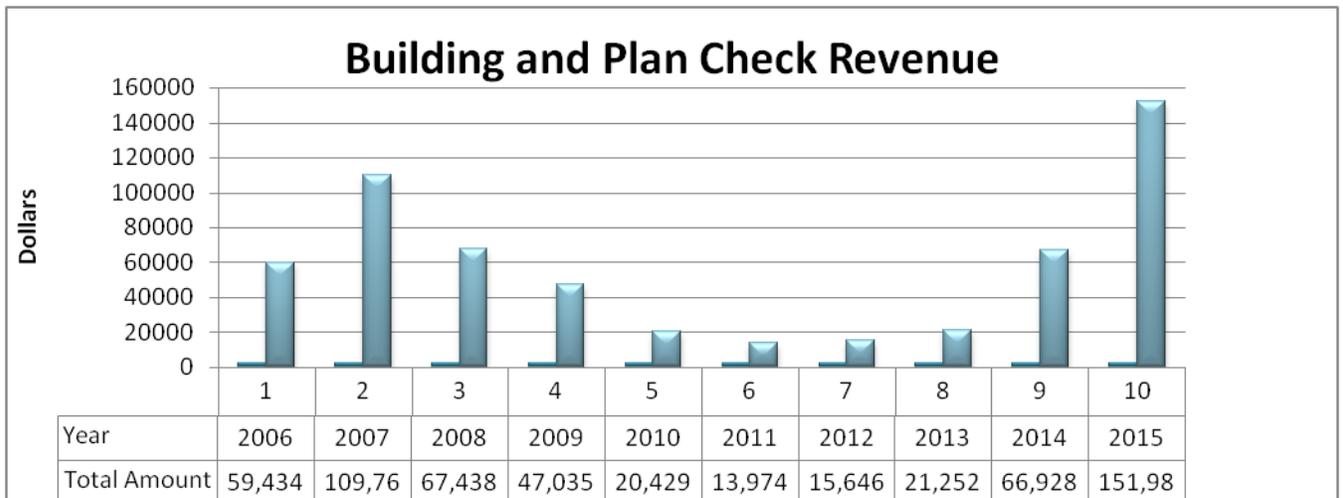
SALES TAX REVENUES



Building Permits:

Estimating building permit activity is an important part of the budget due to revenue impacts to other funds. Each permit generates building and plan check fees and may generate impact fees and utility connection fees.

The following chart shows the building permit activity for the past ten years for the city. In 2005, the city had a major increase due to the development of several plats. There has been a steady increase over the past three years. There were forty single family permits issued in 2015. There are thirty nine (39) single family permits anticipated in 2016.



2016 General Fund Revenue Budget

2016 General Fund Revenues

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------------|----------------|----------------|----------------|----------------|-----------------|
| 001-000-308-80-000 | Beginning Fund Balance | 181,611 | 66,924 | 0 | 246,887 | 0 |
| 001-000-311-10-000 | Real/Personal Property Tax | 423,849 | 360,403 | 336,250 | 398,570 | 462,636 |
| 001-000-313-11-000 | Local/Retail Sales and Use | 278,295 | 254,064 | 319,692 | 376,363 | 350,000 |
| 001-000-313-71-000 | Sales Tax - Criminal Justice | 62,462 | 67,305 | 70,839 | 74,231 | 60,000 |
| 001-000-316-41-000 | B & O Electric | 147,084 | 174,957 | 184,848 | 188,928 | 178,000 |
| 001-000-316-42-000 | Water Utility Tax | 51,444 | 57,625 | 58,537 | 62,786 | 63,396 |
| 001-000-316-43-000 | B & O Gas | 48,008 | 56,679 | 60,381 | 46,011 | 50,000 |
| 001-000-316-44-000 | Sewer Utility Tax | 75,106 | 77,294 | 76,557 | 78,732 | 79,800 |
| 001-000-316-46-000 | B & O Cable | 49,360 | 56,529 | 67,119 | 72,414 | 63,000 |
| 001-000-316-47-000 | B & O Telephone | 144,480 | 106,521 | 92,015 | 91,744 | 93,000 |
| 001-000-316-48-000 | Garbage Utility Tax | 34,291 | 35,503 | 36,250 | 32,881 | 33,000 |
| 001-000-316-81-000 | Gambling Tax | 2,856 | 2,221 | 2,899 | 7,171 | 3,500 |
| | Total Taxes | 1,317,233 | 1,249,101 | 1,305,386 | 1,429,832 | 1,436,332 |
| 001-000-321-91-000 | Cable Franchise Fees | 60,205 | 61,317 | 49,481 | 49,636 | 52,000 |
| 001-000-321-99-000 | Business License | 16,558 | 14,567 | 14,804 | 16,638 | 15,000 |
| 001-000-322-10-100 | Buildings, Structures | 4,101 | 14,827 | 39,897 | 106,630 | 97,500 |
| 001-000-322-10-200 | Permits - Other | 9,809 | 6,425 | 12,999 | 14,185 | 9,000 |
| 001-000-322-30-000 | Animal Licenses | 1,430 | 1,729 | 1,327 | 964 | 1,000 |
| 001-000-322-90-000 | Non Business Permits | 657 | 3,316 | 1,860 | 1,519 | 1,000 |
| | Total License/Permits | 92,760 | 102,181 | 120,368 | 189,572 | 175,500 |
| 001-000-334-04-200 | Plan Grant - Dept of Com. | 0 | 16,970 | 9,000 | 4,050 | 4,500 |
| 001-000-335-03-910 | PUD Privilege Tax | 25,828 | 26,945 | 28,398 | 28,719 | 29,000 |
| 001-000-336-00-980 | Local Government Assistance | 48,838 | 68,517 | 98,113 | 110,840 | 70,000 |
| 001-000-336-06-210 | Criminal Justice Funding | 1,049 | 1,121 | 1,225 | 1,247 | 1,310 |
| 001-000-336-06-260 | CJ Special Programs | 2,610 | 2,750 | 2,969 | 3,045 | 2,894 |
| 001-000-336-06-510 | DUI Cities | 870 | 847 | 839 | 707 | 700 |
| 001-000-336-06-510 | Liquor Excise | 0 | 0 | 0 | 53,577 | 20,732 |
| 001-000-336-06-950 | Liquor Board Profits | 63,579 | 45,010 | 50,162 | - | 40,295 |
| | Total Intergovernmental | 142,774 | 162,160 | 190,706 | 202,183 | 169,431 |
| 001-000-341-81-000 | Copies and Certifications | 281 | 120 | 191 | 148 | 300 |
| 001-000-341-91-000 | Candidate Filing Fees | 0 | 144 | 18 | 264 | 0 |
| 001-000-341-99-000 | Passport Fees | 8,405 | 7,011 | 9,210 | 7,595 | 7,000 |
| 001-000-345-81-000 | Zoning and Subdivision Fees | 1,900 | 21,912 | 3,400 | 1,350 | 4,000 |
| 001-000-345-83-000 | Plan Check Fees | 1,736 | 14,660 | 14,032 | 31,166 | 30,000 |

| | | | | | | |
|--------------------|------------------------------|-----------|-----------|-----------|-----------|-----------|
| 001-000-345-85-010 | Administrative Fees | 0 | 0 | 490 | 3,010 | 2,500 |
| 001-000-345-89-010 | Prof. - Hearing Examiner | 0 | 0 | 100 | - | 0 |
| 001-000-345-89-000 | Other Environment Protection | 0 | 1,420 | 1,000 | 1,300 | 1,000 |
| | | 12,322 | 45,266 | 28,442 | 44,833 | 44,800 |
| 001-000-353-10-100 | District Court | 25,418 | 15,557 | 14,036 | 15,213 | 13,000 |
| 001-000-353-10-300 | Violations Bureau | 3,835 | 1,222 | 1,006 | 745 | 1,500 |
| 001-000-354-10-000 | Parking Infractions | 90 | 0 | 90 | 60 | 100 |
| 001-000-359-90-000 | Animal Control Fines | 436 | 861 | 783 | 1,056 | 700 |
| 001-000-359-90-010 | Animal Control Fees | 365 | 103 | 163 | 423 | 300 |
| | Total Fines/Forfeits | 30,144 | 17,742 | 16,078 | 17,497 | 15,600 |
| 001-000-361-11-000 | Investment Interest | 234 | 377 | 437 | 1,893 | 1,000 |
| 001-000-361-40-000 | Sales Tax Interest | 123 | 80 | 92 | 218 | 180 |
| 001-000-362-40-000 | Rents and Royalties | 54,343 | 49,838 | 54,391 | 47,000 | 54,860 |
| 001-000-367-11-010 | Contributions/Donations | 2,800 | 7,738 | 300 | 8,110 | 5,000 |
| 001-000-369-90-000 | Miscellaneous /NSF fees | 16,234 | 25,638 | 5,007 | 19,537 | 11,000 |
| | Total Miscellaneous | 73,734 | 83,671 | 60,226 | 76,757 | 72,040 |
| 001-000-397-10-100 | Operating Transfer In | 51,096 | 51,380 | 56,010 | 56,011 | 56,011 |
| | | 51,096 | 51,380 | 56,010 | 56,011 | 56,011 |
| | Total Revenues | 1,901,674 | 1,778,426 | 1,777,215 | 2,263,573 | 1,969,714 |

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GENERAL FUND EXPENDITURES

Legislative/Executive Overview

The Executive, Legislative and Administrative budgets work together to develop a vision, fund programs to achieve the vision and harness the city's resources to implement projects and programs to improve the City of Sultan.

The City of Sultan operates under the Mayor-Council form of government with a strong mayor. The Mayor-Council form of government consists of two separate and coequal power centers, each directly elected by the people: the Mayor as Chief Executive, and the Council as the municipal legislature.

The Mayor-Council form of government makes a virtue of the idea divided and shared power. Neither Mayor nor Council has the absolute last word in all instances. Under this form the independently-elected mayor has powers of appointment and removal of subordinates, administrative control over departments, and the power to veto council legislation. The resulting government structure limits the council's role to policy making and oversight, and reserves administrative power and responsibility for the mayor.

The system requires constant consultation between the Mayor and the Council; sometimes cooperating, sometimes competing and conflicting; always acting as a check and balance on the other.

Roles and Responsibilities of the Mayor and Council

- Determine the general direction for the operations of the City of Sultan
- Enacting ordinances (laws)
- Establishing budgetary (taxing and spending) policies
- Adopting the Comprehensive Plan and other guiding documents
- Adopting the annual budget
- Awarding contracts
- Fiscal oversight of expenditures
- Appointing members to the Planning Board

2016 Legislative and Executive Operating Budgets

The 2016 budget reflects a slight increase for Legislative (Mayor and Council) salaries and benefits based on the time allocation review completed by the city in 2015.

The 2016 budget includes \$500 in operating/office supplies for the mayor to recognize citizen's personal contributions and individual staff members for work above and beyond the normal job requirements. The budget includes \$5,000 to provide training to the Mayor and Council members.

2016 Legislative Priorities

Public Safety

- Reduce incidents of crime as measured in monthly police reports.
- Reduce the city's transient population and incidents of anti-social behavior not acceptable to the Sultan community.
- Improve the community's perception of public safety.
- Use technology – such as security cameras and emergency sirens to leverage manpower.
- Seek strategic partnerships such the school resource officer, volunteers, and emphasis patrols to improve community safety.
- Increase prosecution of criminal behavior by hiring a Prosecuting Attorney.

Economic Development

- Maintain the city's existing public buildings, parks and streets.
- Prepare the city's parks, roads, stormwater, water and waste water facilities for an increasing population and more rigorous state and federal operating standards.
- Improve and enforce existing land use and building code regulations.
- Seek strategic public and private partnerships to enhance the city's economic growth.
- Remove unnecessary bureaucracy and regulatory barriers to encourage economic development while maintaining city standards.

Community Development

- Maximize land use strengths such as proximity to US 2 while minimizing land use weaknesses such as proximity to floodplain.
- Strategically study city owned resources and seek opportunities to lead community development with public investment.
- Stay current with Growth Management Act and other state planning requirements. Update supporting plans as required and needed.

Fiscal Responsibility

- Pay off existing loans and reduce the city's debt service payments. Limit future debt obligations to infrastructure replacement and upgrades to existing facilities.
- Seek to set aside the maximum amount allowed by law in the general fund contingency account.
- Stay current with utility rates to ensure adequate revenues to meet expenditure assumptions.
- Proactively manage equipment replacement.
- Create a 60-day operating reserve in all operating funds (General, Streets, Cemetery, Water, Sewer, Garbage and Stormwater).

2015 Legislative/Executive Accomplishments

- Adopted ordinance to reduce garbage rates based on the rate study completed in 2015.
- Continued with the Adopt a Street Program.
- Renewed the Law Enforcement contract at a reduced rate for the next 5 years.
- Completed the Community Rating Service program (CRS) to maintain the flood insurance rating from a level 7 to a level 6.
- Adopted several ordinances to revise the land use sections of the Sultan Municipal Code.
- Install three additional emergency sirens.
- Completed the Date Avenue Improvement Project
- Used the vactor truck to reduce cost of repair and maintenance of city infrastructure.
- Implemented the new garbage pickup system with the new garbage truck and toters to reduce staff time and cost for garbage service.
- Adopted an updated nuisance code.
- Established a Salary Commission to review elected officials pay.
- Completed annexation of the “donut hole” of county property inside Riverfront Park.
- Approved contracts to upgrade the Wastewater Plant and the Water Booster Pumps.
- Installed a new phone system for city buildings.

Council and Executive 2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 005 | Legislative | | | | | |
| 001-005-511-60-100 | Salaries and Wages | 7,898 | 7,700 | 6,112 | 6,256 | 7,998 |
| 001-005-511-60-200 | Benefits | 865 | 1,017 | 800 | 479 | 612 |
| 001-005-511-60-310 | Office/Operating | 824 | 534 | 135 | 357 | 100 |
| 001-005-511-60-311 | Office/Operating - Mayor | 170 | 52 | 35 | 1,158 | 500 |
| 001-005-511-60-430 | Travel and Seminars | 4,403 | 4,809 | 5,096 | 5,082 | 5,000 |
| 001-005-511-80-490 | Voter Registration | 5,832 | 5,812 | 4,805 | 5,064 | 5,070 |
| | Total Legislative | 19,993 | 19,926 | 16,984 | 18,396 | 19,280 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|---------------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 010 | Executive/Administrative | | | | | |
| 001-010-513-10-100 | Salaries and Wages | 24,983 | 23,001 | 45,920 | 43,371 | 45,035 |
| 001-010-513-10-200 | Benefits | 4,931 | 6,576 | 16,532 | 14,686 | 16,542 |
| 001-010-513-10-420 | Communication | 26 | 707 | 1,086 | 1,300 | 900 |
| 001-010-513-10-430 | Travel and Seminars | 3,364 | 2,511 | 2,590 | 1,398 | 2,000 |
| 001-010-513-10-490 | Miscellaneous | 184 | 50 | 50 | - | 100 |
| | Total Executive | 33,488 | 32,845 | 66,178 | 60,754 | 64,577 |

Finance Department

The services provided by the Finance and City Clerk’s Office include financial management, clerical assistance to the Council, records management, risk management and legal assistance. Those services include:

| Financial Services | Clerk/Legal/Records | Risk Management |
|------------------------------------|-----------------------------|---------------------------------|
| Budget Preparation/Management | Minutes for City Council | Process and Review Claims |
| Financial Reports | Business Licenses | Develop Policies and Procedures |
| Grants Management | Records Management | Monitor Worker’s Comp Claims |
| Accounts Payable/Receivable | Ordinances/Resolutions | |
| Investment portfolio management | Notary Services | |
| Payroll Services | Passport Acceptance Agency | |
| Utility Billing/Account Management | Easements and Right of Ways | |
| Debt Management | Contract management | |
| Investment portfolio management | Public Records Requests | |
| LID Account Management | | |
| Violations Bureaus | | |

The General Fund supports a portion of Finance and Clerk functions. Financial and clerical functions are provided to all funds and expenditures for salaries, benefits and operating expenses are shared by all the funds.

The State Auditor requires an independent review of the annual financial records and report. The City Administrator is a CPA and has knowledge of the report preparation and financial records requirements to complete the review in house.

The City has an annual audit on the financial records and a bi-annual accountability audit. The accountability audit is to determine if the city is complying with state law, city policies and contract requirements. In 2016, the city will need a “single audit” on the federal grants received. The single audit is for state and federal granting agencies to eliminate the need for each agency to perform separate audits. The cost of the audit is shared with enterprise funds.

Travel and training for 2016 will include the annual Finance Officers conference, monthly Snohomish County Clerk/Finance Officers meeting and Springbrook Training.

The city has four licensed Notaries and these services are used by the community on a regular basis. In addition to the processing of utility payments and utility account management, in 2015 Front Office staff:

- Processed 210 Passport applications.
- Issued 92 pet licenses.
- Processed and issued 105 Building Permits. These permits included home repairs, fences, roofs, demolition, garages, firework stands, 47 new homes and commercial buildings permits.
- Processed business license applications. There are 406 records in the Sultan license file. 87 businesses are home occupations.
- Processed 108 meter change outs from old meters to the electronic meters.
- Set up 54 new water service accounts.
- Processed 127 utility payoff requests; 127 were for closed home sales.
- Set out 252 leak letter notifications to customers.

2016 Goals

- Complete the conversion and transfer to electronic water meter system in the utility billing module.
- Complete the updates to Title 13 of Sultan Municipal Code.
- Development of Budget Policies.
- Maintain A+ rating on Water/Sewer bond refinance and the AA- rating on the new Water/Sewer bonds issued in 2014 with Standard and Poors.
- Continue to update the Sultan Municipal Code annually.
- Continue the Records Management program. This will include achieving old records to preserve them and to develop a centralized filing system.
- Continue to cross train employees to handle payroll, cash receipting, special assessments, utility payments and the building permit module.

2015 Accomplishments

| Goals | Status |
|---|---|
| Continue the Records Management program. This will include achieving old records to preserve them and to develop a centralized filing system. | On-going annual process. |
| Development of the Budget polices for Council adoption. | In 2014, the council adopted a financial policy. |
| Continue to cross train employees to handle payroll, cash receipting, special assessments, utility payments and the building permit module. | This is an on-going process. |
| Continue to meet the State Auditor's goal that the City has independent review of the financial reports. The budget includes funding to continue the contract services for financial review and assistance. | In 2015, the city had in house review of the financial reports. |
| Continue the conversion and transfer to electronic water meter system in the utility billing module. | This project will be completed in 2016. |
| Complete the updates to Title 8 and Title 13 of Sultan Municipal Code. | Title 8 was completed in 2015. |

Finance 2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|----------------|----------------|----------------|----------------|-----------------|
| 015 | Finance Administration | | | | | |
| 001-015-514-23-100 | Salaries and Wages | 35,725 | 35,668 | 38,434 | 46,641 | 61,128 |
| 001-015-514-23-200 | Benefits | 10,860 | 15,671 | 16,700 | 19,896 | 27,907 |
| 001-015-514-23-320 | Office Supplies | 289 | 551 | 448 | 247 | 300 |
| 001-015-514-23-412 | Audit Costs | 14,604 | 7,032 | 3,731 | 9,366 | 6,000 |
| 001-015-514-23-430 | Travel and Seminars | 2,381 | 1,274 | 1,259 | 1,707 | 1,500 |
| 001-015-514-23-491 | Bank Fees | 2,322 | 921 | 908 | 619 | 800 |
| 001-015-514-23-490 | Miscellaneous Expense | 0 | 665 | 1,063 | 697 | 1,000 |
| 001-015-518-60-460 | Judgments/Settlements | 0 | 0 | 12,750 | - | - |
| | Total Finance | 66,182 | 61,782 | 75,293 | 79,174 | 98,635 |

Grants & Economic Development Department

The duties of the Grant and Economic Development Department are to assist with the planning and coordinating the annual grant/loan application process for all new grants and loans; organize and conduct interdepartmental and agency meetings to identify and prioritize project funding needs, assist the Mayor with economic development programs and oversee the volunteer program.

The Grants Coordinator:

- Helps complete grant applications and coordinates Federal, State, and County grant applications for the City of Sultan.
- Works with staff and consultants to produce quality grant applications.
- Orchestrates ground breakings, ribbon cuttings, and dedications of successful grant funded projects.
- Nominates and completes applications of successful grant funded projects for statewide achievement awards and recognition.

The purpose of the Economic Development is to:

- Networking with the business community for the purpose of Economic Development
- Monitoring business activity, assisting with ways to retain current businesses and assisting in their development and growth and attracting new businesses to the City.
- Assists the Mayor with marketing and education to the citizens and general public about the benefits of doing business in Sultan and all along the US 2 corridor from Snohomish to Skykomish.

Business Retention and Expansion Efforts

Retaining an existing business is often easier than recruiting new firms. 40 to 80% of new jobs are created by existing firms. Focusing on business retention is vital to the economic health of all business communities. The City of Sultan continues to identify and document local business assets, profiles and infrastructure needs following the visits of each business. As a result of interviews with the businesses, the City has been able to connect businesses to share needs and assets that otherwise wouldn't have been known. Individual concerns from the businesses ranged from garbage service needs, trees blocking visibility of signs, general questions about the City Budget, operations of the City and specific questions about City codes and fees.

2016 Economic Development Goals and Objectives

- Assist Mayor providing educational workshops for local businesses.
- Work with business owners to retain and attract business with specific needs.
- Continued partnering with Snohomish County Parks & Recreation locating a regional sports park and shooting range near Sultan.
- Facilitate or participate in Grand Openings/Open Houses/Ribbon Cuttings.

2015 Accomplishments

| Goals | Status |
|--|--|
| Business Education | 6 business workshops held in 2015 |
| Business Spotlights | City Council spotlighted 10 businesses in 2015 |
| Working with other governmental agencies, private industries and education facilities to form a Recreation Partnership and promote tourism activities. | Worked with the Sky Valley Recreation Committee on the Reiter Foothills ORV project; Snohomish County's Steelhead Park and the shooting range. |

Grants

During 2015, the City of Sultan applied for \$6,130,178 in grant funding. The applications and accomplishments ranged from lobbying efforts at the State level for street and sidewalk requests to planning and design of a Pedestrian and Bicycle Bridge across the Sultan River. \$4,788,968 of applications submitted for street and utility projects that were not funded. The infrastructure needs are much greater than available funding. Since 2004, the city has received \$14,334,321 in grants from various agencies.

| | |
|--|--------------------|
| Grants Funded for 2016 Projects | \$1,128,867 |
| Sultan River Trail | \$374,663 |
| 4 th and 5 th Streets US 2 to Main | \$400,200 |
| CBG Cleanup Day | \$6,625 |
| Gohr Road Waterline | \$76,990 |
| Hazard Mitigation Buyout Program | \$270,389 |

CITY-WIDE PRIDE Volunteer Program

The Volunteer Coordinator recruits, assists in training, and manages volunteers for various City of Sultan projects that address specific program and community needs. The volunteers recruited by the volunteer coordinator should reflect a balance of residents, students, local community service organizations, and others who can participate in a range of volunteer service projects. Basic volunteer service project categories include one-day, short-term, and long-term service projects.

The Volunteer Coordinator

- Recruits volunteers to commit to one-day, short-term, and long-term volunteer projects (details of the size and scope of these projects will be provided by the City of Sultan staff).
- Markets the City of Sultan Volunteer Program to local community organizations, student groups, faculty, and staff to obtain volunteers, and collaborate on service events.
- Supports training of all volunteers to make sure all volunteer training meets the City of Sultan quality standards.

- Continues building a strong and healthy Volunteer Program. Support, encourage and appreciate the volunteers in their commitment to making Sultan a better place for everyone to live. Organize volunteer meetings and volunteer participation in events. Publicly thank the volunteers through Appreciation Ceremonies and Programs.

Volunteer hours are very difficult to capture because volunteers for the most part are modest and private about what they give to their community. In 2015, the city logged 16,477 volunteer hours with a value of \$452,950.

Volunteer projects include:

- SULTAN HIGH SCHOOL SENIOR PROJECTS
- BIKE RODEO
- PAINTING MAIN STREET GAZEBO
- SERVE FEST
- SULTAN SUMMER SHINDIG
- RETURN OF THE SALMON CELEBRATION
- SULTAN LIBRARY BOOK SALES
- COMMUNITY TASK FORCE
- PARK AND CITY TRASH CLEANUP IN UNAPPROVED SITES
- BUILDING THE COMMUNITY GARDEN
- REESE AND OSPREY PARK BALL FIELD REPAIR AND MAINTENANCE
- COMMUNITY BLOCK WATCH
- SULTAN PLANNING BOARD
- COFFEE WITH THE MAYOR
- ADOPT A STREET AND PARK PROGRAM
- CONTINUOUS COMMUNITYWIDE CLEANUP AND VOLUNTEERING
- CITIZEN EMERGENCY RESPONSE TRAINING
- EMERGENCY EVACUATION DRILL
- BUILDING THE OSPREY PARK DOG PARK
- OSPREY PARK INTERPRETIVE AND DIRECTION SIGNS
- SUSIE'S TRAIL SIGN
- VETERAN'S DAY CEREMONIES
- FLOOD ASSISTANCE AND SANDBAG REMOVAL
- CHRISTMAS TREE LIGHTING

Community Pride Projects

- Mayor's Youth Achievement Award
- Mayor's Acknowledgement of Outstanding Citizens at Community Awards
- Business Recognition program
- Student Representation on City Council Recruitment

Grants/Economic Development 2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|----------------------|----------------|----------------|----------------|----------------|-----------------|
| 020 | Grants | | | | | |
| 001-020-514-60-100 | Salaries and Wages | 40,272 | 24,537 | 22,244 | 17,826 | 18,774 |
| 001-020-514-60-200 | Benefits | 6,287 | 8,538 | 7,654 | 5,037 | 7,547 |
| 001-020-514-60-311 | Economic Development | 4,903 | 614 | 1,187 | 250 | 2,000 |
| 001-020-514-60-320 | Office Supplies | 23 | 47 | 62 | 51 | 100 |
| 001-020-514-60-430 | Travel and Seminars | 1,588 | 510 | 288 | - | 750 |
| 001-020-514-60-491 | Volunteer Program | 542 | 957 | 835 | 1,549 | 1,000 |
| | Total Grants | 53,614 | 35,203 | 32,271 | 24,713 | 30,171 |

Legal Services

The city contracts with the law firm of Kenyon Disend for general legal services. The law firm of Weed, Graafstra and Benson provides legal assistance with LID issues and public records requests. A portion of the City Clerk's wages are allocated for assistance with lawsuits and risk management. In 2015, legal fees had a significant decrease due to settlements in ongoing litigation.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|-------------------------|----------------|----------------|----------------|----------------|-----------------|
| 025 | Legal Services | | | | | |
| 001-025-515-30-100 | Salaries and Wages | 3,964 | 3,835 | 3,895 | 4,060 | 4,449 |
| 001-025-515-30-200 | Benefits | 1,388 | 1,543 | 1,557 | 1,620 | 1,894 |
| 001-025-515-30-411 | Legal - Litigation Fees | 76,946 | 34,370 | 119,173 | 52,285 | 35,000 |
| 001-025-515-70-510 | Crime Victim Services | 335 | 404 | 150 | 312 | 500 |
| | Total Legal | 82,635 | 40,152 | 124,775 | 58,277 | 41,843 |

Other Government Services:

Other government services are shared expenses that cannot be specifically allocated to a particular budget. Budget items include general office supplies, utility costs, communication, insurance, organization dues and legal notices.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|-------------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 035 | Other Governmental Services | | | | | |
| 001-035-518-90-310 | Office/Operating Supplies | 9,988 | 9,820 | 12,121 | 10,617 | 10,000 |
| 001-035-518-90-340 | Books and Periodicals | 1,067 | 5,528 | 4,710 | 1,261 | 1,300 |
| 001-035-518-20-490 | Organization Dues | 6,039 | 3,670 | 1,091 | 5,824 | 8,600 |
| 001-035-518-90-410 | Professional Services | 19,201 | 6,154 | 7,013 | 4,223 | 4,000 |
| 001-035-518-90-420 | Communication | 6,812 | 6,591 | 6,364 | 5,694 | 6,000 |
| 001-035-518-90-440 | Advertising and Legal Notices | 3,364 | 1,165 | 2,592 | 2,024 | 2,000 |
| 001-035-518-90-460 | Insurance | 32,207 | 36,174 | 54,780 | 43,063 | 47,000 |
| 001-035-518-90-470 | Utilities | 4,599 | 4,489 | 5,436 | 5,713 | 5,500 |
| 001-035-518-90-480 | Repair and Maintenance | 130 | 619 | 318 | 8,344 | 500 |
| 001-035-518-90-490 | Miscellaneous | 856 | 1,453 | 501 | 971 | 1,000 |
| | Total Other Gov. | 84,262 | 75,662 | 94,926 | 87,735 | 85,900 |

LAW ENFORCEMENT OPERATING BUDGET

The police operating budget includes funding to support city staff time for managing the violations bureau (traffic infractions), the professional services contract with the Snohomish County Sheriff's Office and intergovernmental services including SnoPac and the city's proportionate share of the 800 MHz system. Law enforcement agency fees for court costs, prosecuting attorney and jail fees are also covered in the law enforcement budget.

Combined, the Law Enforcement and Law Enforcement Agency fees are \$1,142,055. This is approximately 58% of the city's general fund budget.

The Mission of the Sultan Police Department, through a contract with the Snohomish County Sheriff's Office is to:

*" To Protect and Serve Our Community" Our Values are:
Integrity - Dignity - Commitment – Pride.*

Police Personnel

The city signed a 5 year renewal of the Interlocal Agency Agreement with the Snohomish County Sheriff's Office in December 2013 effective January 1, 2014 through December 31, 2018. The contract budget for 2016 is \$929,725.

The contract funds 5.33 full-time equivalent employees consisting of a contract police chief, sergeant, master patrol deputy, deputy sheriff, detective and law enforcement secretary. The officers and staff work out of the city's police station located at 515 Main Street. The police station also serves as the Sheriff's Office East Precinct under a separate agreement between Sultan and Snohomish County. The city leases the building to the Sheriff's Office. The lease was renewed on December 31, 2013. The Sheriff's Office is responsible for routine building maintenance.

The support staff, deputies and detectives are in service and available twenty four hours a day, seven days a week, available to respond to 911 calls, provide proactive patrol and traffic enforcement to follow the mission and live by the values set by the city.

2016 Budget

Law Enforcement. The law enforcement services will increase to \$929,725 in 2016. There are slight increases in our SERS and the Snohomish Regional Drug and Gang Task Force, Jail, and Prosecution inter-local agreements.

Law Enforcement Agency Fees. Sultan's jail, prosecution and court fees have all increased in 2016. The city has a contract with a private law firm for prosecution services.

Substance Abuse / Community Outreach Programs:

The Sultan Police Department has been partnering with several organizations, including the Volunteers of America, Sultan School District, Snohomish County Human Services and more to increase safety and to reduce or prevent substance abuse in our schools and community.

The Sultan Boys and Girls Club and Volunteers of America sponsor the weekly “Safe Stop” program which is attended by 25 – 40 youth and meant to be a safe place for them to have fun and meet people.

While the Safe Stop Program is extremely popular, it has faced the same problem with soliciting adult volunteers to consistently attend the program and ensure no criminal activity is happening and everyone is safe.

2016 Goals

- Continue to update portions of Sultan Municipal Code, such as SMC, nuisances.
- Continue to work with Snohomish County Department of Emergency .
- Management of emergency preparedness, including working on the evacuation sirens, school drills and emergency drill for the City of Sultan.
- Continue working with city staff, Sultan Fire and School District staff to maintain communications and emergency preparedness.
- Continue working with and developing our Block Watch program.
- Continue working with Snohomish County DEM and CERT members and Snohomish County Fire District 5 to develop a CERT response vehicle and program.
- Continue working with the Community Alliance to develop prevention and recovery programs in the community and schools. Increase programs to reduce / prevent substance abuse in the Skykomish Valley and Sultan School District.
- Continue work with Snohomish County and other partners to develop Steelhead Park and Campground.
- Continue to work with regional partners to develop recreation opportunities to improve our economy.
- Increase police presence at the Safe Stop Program on a consistent basis.

2015 Accomplishments

- Worked with city, school and fire staff to complete the installation and operation of Sultan’s first new evacuation siren. The last three warning sirens were installed in 2014.
- Held Block Watch Meetings presenting educational classes
- Participated in a number of Sultan events and projects including clean up day, National Drug Take Back Day, School Spirit Day, Sultan Shindig and more.
- Celebrated National Night Out Against Crime with Sultan and Gold Bar Block Watches.

- Working with Community Alliance, Snohomish County Human Services, Denny Youth Center, Sultan School District, to develop strategies to reduce and prevent substance abuse. Working with Volunteers of America, Snohomish County Human Services and Catholic Services, staff developed a plan to help the chronically homeless get services and move out of the wooded areas around Sultan. This program is now being developed as a standard for Snohomish County.
- Held Citizen Emergency Response Training with 13 community members completing the course.

Law Enforcement 2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|-------------------------------|-------------|-------------|-------------|-------------|--------------|
| 040 | Law Enforcement | | | | | |
| 001-040-521-20-100 | Salaries and Wages | 2,053 | 2,003 | 2,121 | 1,014 | 2,411 |
| 001-040-521-20-200 | Benefits | 444 | 856 | 954 | 364 | 1,619 |
| 001-040-521-20-210 | Disability Insurance | 12,034 | 12,034 | 6,666 | 6,184 | 6,600 |
| 001-040-521-20-320 | Operating Supplies | 0 | 0 | 0 | - | 100 |
| 001-040-521-20-490 | Miscellaneous | 726 | 0 | 0 | 6,233 | 5,000 |
| 001-040-521-20-411 | Professional Service - SnoCty | 958,931 | 909,980 | 877,762 | 909,530 | 929,725 |
| 001-040-521-20-500 | Intergovernmental - SNOPAC | 61,059 | 59,731 | 62,488 | 60,456 | 63,000 |
| 001-040-521-20-510 | Intergovernmental - 800 MHZ | 13,857 | 14,651 | 14,915 | 13,751 | 13,800 |
| | Total Law | 1,049,103 | 999,254 | 964,907 | 997,531 | 1,022,255 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|-----------------------------|-------------|-------------|-------------|-------------|--------------|
| 045 | Law Enforcement Agency Fees | | | | | |
| 001-045-521-90-491 | Misc- Court Filing Fees | 12,664 | 5,756 | 7,036 | 8,786 | 7,000 |
| 001-045-521-90-412 | Professional Prosecutor | 31,542 | 9,187 | 8,146 | 10,560 | 50,000 |
| 001-045-521-90-411 | Public Defender Attorney | 0 | 17,040 | 21,670 | 22,390 | 22,800 |
| 001-045-521-90-492 | Miscellaneous - Jail Fees | 50,764 | 34,036 | 26,182 | 63,752 | 40,000 |
| | Total Law Agency | 94,970 | 66,018 | 63,034 | 105,488 | 119,800 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|--------------------------|-------------|-------------|-------------|-------------|--------------|
| 050 | Emergency Services | | | | | |
| 001-050-525-50-310 | Operating Supplies | 0 | 0 | 75 | 620 | 100 |
| 001-050-525-50-480 | Repair and Maintenance | 1,292 | 0 | 1,292 | - | 1,000 |
| 001-050-525-10-510 | Depart of Emergency Mgmt | 3,776 | 5,177 | 5,240 | 5,385 | 5,400 |
| | Total Emergency | 5,068 | 5,177 | 6,607 | 6,005 | 6,500 |

Community Development Department

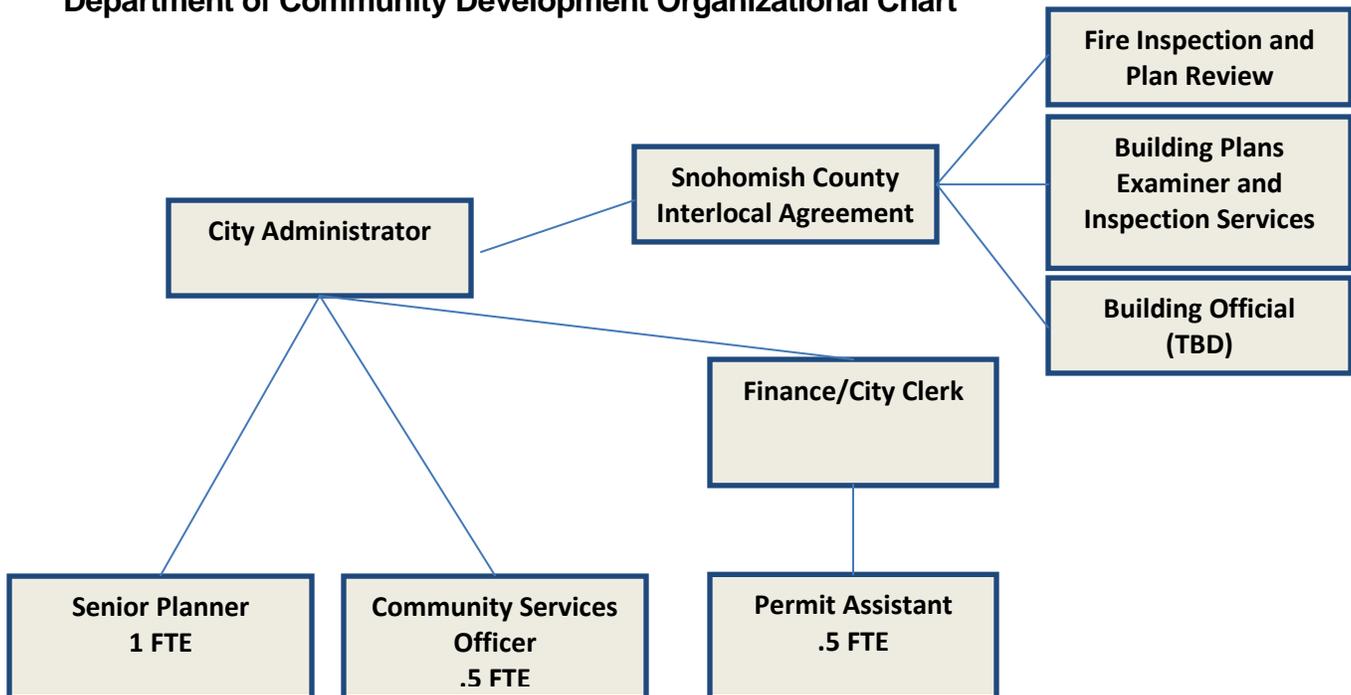
The mission of the Department is:

To help the community plan its future and to make daily progress on that plan by assisting residents and developers with quality development decision making systems.

The Community Development Department coordinates all planning and land use activities, development regulations, environmental review, building permit process, inspection activities, animal control, and community standards/nuisance abatement codes within the city. The Department leads the Comprehensive Plan development and administration. The Comprehensive Plan is the city's guiding document, describing the vision for the city's future, directing budget and development decisions, and describing the long-term goals and policies for the city. The Department provides professional and administrative staff support to the Planning Board and presents to the City Council on department projects.

Community Development staff work in three division areas: Planning, Building, and Code Enforcement. Each division works independently but coordinates administrative duties, review, and works collaboratively within the department and city-wide. Additionally, building plan review is provided through an interlocal agreement with Snohomish County. An interlocal agreement is under development with Snohomish County to provide for Building Official services in 2015.

Department of Community Development Organizational Chart



Planning Division



The Planning Division oversees both long-range (comprehensive planning and code development) and current planning (land use and environmental development applications and daily contact with residents and developers wanting to do projects in the community). While the highest priority of the Planning Division is the daily contact with residents, property owners, and developers in the community, statutory requirements that are legally required or impact outside funding continually drive work priorities. Current planning support assists residents with understanding of the zoning, land division, land use, and environmental codes required by city, county, State, and Federal law. Long-range planning activities guide the future development of the community and can influence what, as well as, if, development occurs.

The 2016 Planning Division budget replaces the 32 hour work week for the Community Development Director with a 35-40 hour work week for a Senior Planner. While still not experiencing large-scale development applications since the economic down-turn, development activity from individual property owners continues to increase. Land-use development has largely been city-led projects in 2015. Staff focus through most of 2016 is on code development while physical development activity remains slow.

The city has a volunteer-based Planning Board made up on five citizens. They meet monthly and act as an advisory body to the city council on the comprehensive plan, development standards, subdivision code, other land use codes, and matters related to land use as delegated by the city council. The planning board has a role in seeking information from and taking information to the community. The Planning Board continues to meet once per month. This reflects the staff work load and limited time available for Board support.

2016 Planning Division Goals

Current Planning Goals

- Provide quality customer support to residents and the development community:
 - Provide accurate, complete, and prompt responses to applications and inquiries
- Process land use applications needed to develop the Sultan River Pedestrian and Bike Bridge
 - SEPA, Shoreline, and Critical Areas Review
- Complete the Aerial Mapping Project Interlocal agreement for updated imagery.
- Update the City's Park, Recreation and Open Space Plan
- Combine Titles 16 and 18 to develop a comprehensive development code.

Long-range Planning Goals

- Update the Development Code (Zoning Code)
 - Coordinate the development code with the Comprehensive Plan and the Subdivision Code
 - Update the development code to reflect legal and statutory requirements
- Complete the 2015 Comprehensive Plan amendments
 - Overhaul the Critical Areas Ordinance (Wetlands and Streams)
 - The Department of Ecology updated the stream rating classifications in 2010
 - The Department of Ecology updated the wetland ratings changed in 2014

2015 Planning Division Accomplishments

- Provided quality customer contact services as needed by residents and the development community:
 - Provided fastest possible response to save time and money.
- Successfully lobbied Snohomish County to include the area known as "the Doughnut Hole" into the city's UGA
- Continued Snohomish County docketing process and support of UGA amendments.
- Adopted sign code to allow the city's tourism and economic development signage.

Planning 2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|-------------------------------|----------------|----------------|----------------|----------------|-----------------|
| 065 | Planning and Development | | | | | |
| 001-065-558-60-100 | Salaries and Wages | 113,482 | 77,095 | 69,482 | 36,076 | 37,675 |
| 001-065-558-60-200 | Benefits | 37,377 | 30,599 | 29,232 | 15,445 | 19,744 |
| 001-065-558-60-310 | Office/Operating Supplies | 439 | 75 | 125 | 10 | 200 |
| 001-065-558-60-411 | Professional Services | 2,760 | 531 | 43,223 | 18,685 | 125,000 |
| 001-065-558-60-420 | Communication | 528 | 305 | 357 | 126 | 500 |
| 001-065-558-60-430 | Travel and Seminars | 2,286 | 935 | 627 | 936 | 1,500 |
| 001-065-558-60-440 | Advertising and Legal Notices | 1,369 | 535 | 497 | 575 | 600 |
| 001-065-558-60-490 | Miscellaneous | 967 | 855 | 2,262 | 597 | 700 |
| | Total Planning | 159,207 | 110,929 | 145,804 | 72,451 | 185,919 |

Building Division

The Building Division manages the application, plan review, inspection, and certification of occupancy for all manner of construction projects in the community. Sultan development regulations and related elements of state and federal laws are enforced through inspections and meetings with property owners to insure code compliance. Non-compliance can result in a STOP WORK order and in some instances, a citation.

The role of the Building Department is to assist homeowners, builders, and private developers to comply with zoning, building, environmental and engineering requirements of the City of Sultan. It is the mission of the Building Department to provide effective and efficient professional services to the citizens and development industry clientele to safeguard life and property and enhance the quality of life in Sultan.

Building has hit a plateau in Sultan. Previously completed subdivisions have completed building out 53-new homes. 2016 could see thirty (30) new homes if Timber Ridge begins construction with a total of eighty (80) new homes once the development is completed. Inquiries into commercial development, both tenant improvements and new development, has steadily increased with the greatest demand occurring in I-502 business inquiries. The City has one (1) I-502 business in production with one more I-502 completing tenant improvements.

The Building Division contracts with the Snohomish County Building Division for plan review and inspection services. The City takes in the permit application and handles the site development components while sending the structural plans to the County. When the plan review is complete, the City issues the permit and coordinates the inspections. The plan review and inspection functions are handled on an on-demand at-cost basis.

Building Division operations also include the flood management functions that are particularly critical to public health and safety in the community. Extremely specific standards and accurate records are required to continue the community's eligibility for the National Flood Insurance Program. The City currently is a Class 6 in the Community Rating Systems program, which gives the citizens of Sultan a 20% decrease in their flood premiums. Without availability of flood insurance, no new residences or businesses would qualify for financing anywhere in the community that is subject to the Federal flood plain designations.

2016 Building Division Goals:

- Track permit activity and report to Planning Board and City Council on quarterly basis.
- Hold weekly meetings with the Planning and Public Works Departments to review development proposals.
- Perform the 5-year audit of the Community Rating System and explore ways to further lower the rating for Flood Insurance premiums.
- Provide all needed development consultation, permits and inspections to support increasing building and development activity.
- Continue to update and improve the Dashboard program for tracking Business Licenses and Building Permits.
 - Explore the feasibility of adding land use permits to the program or create a tracking system for land use applications
- Work with planning division to update the Special Events Permit application and review process
- Continue department's education through training and seminars.

2015 Building Division Accomplishments

- Monitor computerized permit process for efficiencies. Implement changes as appropriate.
- Continue contract relationship with Snohomish County for plan review and inspection services. Monitor services for quality customer service
- Permit activity was tracked and reported to the Planning Board and City Council on a quarterly basis.
- Completed yearly Community Rating System review and successfully maintained a Class 6 rating for Flood Insurance Premiums.
- Updated contract relationship with Snohomish County for plan review and inspection services. Continue to monitor services for quality customer service.

Building Department 2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------------|-------------|-------------|-------------|-------------|--------------|
| 070 | Building and Community Dev. | | | | | |
| 001-070-558-50-100 | Salaries and Wages | 39,979 | 23,761 | 9,238 | 15,595 | 46,877 |
| 001-070-558-50-200 | Benefits | 15,088 | 11,809 | 5,173 | 9,368 | 30,982 |
| 001-070-558-50-310 | Operating Supplies | 206 | 196 | 936 | 290 | 250 |
| 001-070-558-50-340 | Books and Periodical | 0 | 0 | 0 | 170 | 100 |
| 001-070-558-50-410 | Professional Services | 1,525 | 0 | 0 | - | 500 |
| 001-070-558-50-420 | Communication | 1,019 | 856 | 863 | 697 | 300 |
| 001-070-558-50-430 | Travel and Seminars | 1,451 | 690 | 625 | 1,610 | 1,500 |
| 001-070558-50-490 | Miscellaneous | 50 | 160 | 255 | 230 | 200 |
| 001-070-558-50-510 | SnoCty Plan/Building Service | 12,573 | 8,477 | 21,372 | 33,356 | 23,000 |
| | Total Building | 71,891 | 45,948 | 38,462 | 61,315 | 103,709 |

Code Enforcement Division

The 2016 budget provides for continuation of the 0.5 FTE Community Services Officer position and support funding for Animal Control Services and Land Use Code Enforcement. The job of the code enforcement officer (CSO) is an important part of the effort to provide a safe and healthy environment for the public.

Animal Control:

The Community Services Officer performs animal control work for the city. The work involves patrolling assigned areas of the city to enforce animal control ordinances and related laws, rules and regulations. The CSO carries out daily assignments and uses independent judgment and training to take appropriate actions to deal with standard and recurring situations. Enforcement of City and State animal regulations including, but not limited to, cruelty to animals, dangerous/vicious animals, and animal bites, including dogs, cats, livestock and fowl. Patrols assigned County areas, contains and picks-up stray, sick/injured, feral, and/or unwanted and captured domestic animals.

A monthly report is provided to the City Council indicating an ongoing need for these services based on calls from community residents. The budget allows the CSO to provide supplies to feed and care for animals in the city's holding kennel, and for professional services of a veterinarian when needed.

Code Compliance & Nuisance Abatement:

The community is working diligently to improve its appearance and quality of life despite the difficulties of the current economy. The CSO helps protect the safety and health of citizens by



ensuring the buildings and land within the city are in accordance with housing and zoning ordinances. They also play a major role in maintaining the quality of the city.

Nuisance issues can reduce property values in a neighborhood and constitute safety hazards for surrounding residents. The Community Services Officer works through the legal process in conjunction with the owner of the property to resolve the matter.

2016 Community Services Officer Division Goals:

Animal Control:

- Update the Animal Control Code
 - Amendments to the appeal section are necessary to provide due process and applicability for both the city and an animal owner.
- Increase license compliance
- Begin development of an educational outreach program for children

Code Enforcement:

- Conduct public education program on the topic of property maintenance/upkeep.
- Advise administration on code standards and operating policies to upgrade safety and general appearance of the community.

- Respond to property condition complaints as allowed by code within constraints of 0.5 FTE position.
- Priorities for code investigate, resolve and abate if necessary
 - Egregious life-safety violations
 - Citizen-based complaints
 - Officer initiated
- Establish a quadrant system for officer initiated violation abatement
 - Provide education about property maintenance and upkeep requirements
- Recognizing that a community's vision is manifest in its code and the code is only as good as its enforcement, update the nuisance code to allow effective enforcement of code violations
 - Coordinate the nuisance code with the land use code so the land use violations can be enforced
 - Coordinate the public works code with the nuisance code to make it more enforceable by the CSO.

2015 Accomplishments

- Provided proper necessary professional care for animals in city custody and the holding kennel as a result of enforcement of animal control codes.
- Advised administration on code standards and operating policies to upgrade animal control program for the health and safety of the community and the animals needing city care.
- Responded to animal-related complaints as allowed by code.
- Provided flyers and publications to educate the public program on the topic of property maintenance and up-keep.
- Advised administration on code standards and operating policies to upgrade safety and general appearance of the community.
- Responded to property condition complaints as allowed by code and staff time.

Code Enforcement 2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|--------------------------------------|-------------|-------------|-------------|-------------|--------------|
| 060 | Code Enforcement | | | | | |
| 001-030-554-30-100 | Salaries and Wages | 21,679 | 20,289 | 25,454 | 49,503 | 27,878 |
| 001-030-554-30-200 | Benefits | 5,224 | 5,465 | 6,759 | 20,505 | 21,870 |
| 001-030-554-30-310 | Office/Operating Supplies Vehicle | 1,216 | 2,767 | 1,106 | 1,643 | 1,000 |
| 001-030-554-30-360 | Operation/Maintenance | 1,732 | 337 | 7,364 | 514 | 500 |
| 001-030-554-30-410 | Professional Services | 566 | 124 | 124 | 2,129 | 2,000 |
| 001-030-554-30-430 | Travel and Seminars | 365 | 25 | 250 | - | 1,000 |
| | Total Code | 30,782 | 29,007 | 41,056 | 74,293 | 54,248 |

Public Health and Library:

The General Fund has budget departments for Public Health. The City annexed into the Sno-Isle Library District in 2009. The City pays for insurance and building maintenance and utilities. Sno-Isle reimburses the city for 50% of the electrical and gas utility bills.

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|----------------------|-------------|-------------|-------------|-------------|--------------|
| 075 | Public Health | | | | | |
| 001-075562-50-510 | Intergovernmental | 2,471 | 1,063 | 753 | 1,327 | 1,200 |
| | Total Health | 2,471 | 1,063 | 753 | 1,327 | 1,200 |
| 080 | Library | | | | | |
| 001-080-572-20-470 | Utilities | 6,876 | 6,696 | 5,802 | 5,784 | 6,500 |
| | Total Library | 6,876 | 6,696 | 5,802 | 5,784 | 6,500 |

PARKS

The public works department, with the assistance of community volunteers, maintains the city's parks, open spaces and trails. The city has over 168 acres of parks, open spaces and trails. This provides a high level of service (35.74 acres/1,000 residents).

The majority of the city's park system is located near the city's historic town center and adjacent to the Sultan River. The challenge in the coming years will be to operate and maintain existing park properties while acquiring land for a future community park east of the town center on the plateau above the valley floor formed by the Skykomish and Sultan Rivers. This is the city's future growth area where more than 6,000 new residents are expected to live by the year 2025. There is a strong community preference for adding a community park with sports fields in this area to serve young families and their children.

In 2009 and 2010, the city spent considerable time surveying Sultan residents, business owners, and visitors to determine preferences and priorities for the city's park system. The community expressed many ideas for improving parks and recreational opportunities in Sultan including:

- Providing a balance of active and passive activities with the city's parks. Seeking dedicated funding to support park management and maintenance responsibilities and costs.
- Providing trail connectivity between parks and connecting residential and commercial neighborhoods to the city's park system.
- Providing a park system that offers something for all ages and types of users.

In 2011, as a result of the effort to update the city's Park, Recreation and Open Space Plan (PROS Plan), the city council identified Sultan's parks as an asset to attract new investment and residents to the Sultan community.

2016 PARKS OPERATING BUDGET

The parks operating budget is part of the city's general fund budget. Revenues dedicated to the parks budget are used to support staff and resources to maintain the city's six parks, trails and open space areas. The parks budget "competes" with other general fund priorities such as finance, planning, building, code enforcement, animal control and public safety.

Park operating expenditures 2011 to 2015

| Parks Budget | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Salaries | 40,297 | 36,583 | 40,200 | 39,463 | 44,825 |
| Benefits | 17,608 | 16,200 | 17,180 | 20,834 | 21,515 |
| Office/ Operating Supplies | 2,810 | 1,530 | 3,450 | 8,985 | 7,700 |
| Other Services | 8,500 | 9,548 | 5,522 | 11,222 | 7,500 |
| Capital Outlay | 2,500 | - | - | 9,000 | 3,000 |
| Operating Transfer Out | 200 | 1,000 | - | 3,000 | 7,000 |
| Total | 71,915 | 64,861 | 66,352 | 92,504 | 91,540 |

Park Staffing Levels

The 2016 budget includes minimal staffing to maintain Sultan's parks. There is approximately .75 full-time equivalent (FTE) dedicated parks operation/maintenance staff from October to April. During the spring, summer and early fall (May – October), the city adds additional staff time for mowing parks and streetscapes. Parks are mowed weekly during the spring, summer and fall. It generally takes two crew members two days to mow Osprey, Reese, River Park and the Cemetery Ball Fields. During the winter months, city crews trim trees and repair equipment and facilities. The crew also ensures the irrigation system in Reese and Osprey Parks are brought on line, work properly and shut-down each winter.

The city's adopt-a-park and park patrol programs are integral part of the city's long-range plan to maintain and operate the city's park facilities. Adopt a park volunteers pick up trash, remove and replace non-native invasive species, gravel trails, remove graffiti and perform other tasks not assigned to the public works department. Youth sports organizations offset the overall need for public works maintenance staff by helping take care of sports fields in Reese and Osprey Parks.

2016 Parks Maintenance and Operations

Maintenance is a factor affecting the usability and desirability of a park, and is an on-going requirement for Sultan's park system. The present level of maintenance varies from park to park and is generally minimal. As more parks and recreation facilities are developed, it will be necessary to expand the maintenance operation commensurate with the increase in park care needs.

Park Maintenance Standards

The maintenance crew strives to keep the parks and open spaces in a well-kept condition free of safety hazards. In the past, park maintenance was not directed by a formal set of standards tailored to the unique needs of the park system or land management objectives.

The Field Supervisor periodically surveys the physical condition of the parks so the city can effectively and efficiently schedule routine maintenance projects. This allows maintenance needs to be detected and corrected before they become major problems, resulting in minimal disruptions in usage and lower costs for repairs.

The city administrator, public works director and field supervisor meet quarterly to develop a systematic maintenance program designed to evaluate the manpower, equipment, and supply needs for the park system and set a productive and efficient means of keeping the parks orderly.

The community expects a safe environment in the parks. Staff has worked with volunteers to monitor park activity, to help keep the parks clean, and to provide maintenance through mowing, trimming, and keeping the trails open. This has also increased the presence of people in the parks, lessening vandalism and crime.

Park Capital Budget

The parks capital budget is used to purchase and develop park land, open space and trail systems. The last addition to the park system was the acquisition of property at 2nd Street and Alder Street in 2010. A combination of FEMA hazard mitigation grant and park impact fees were used to purchase and demolish the residence. The lot was added to the city's open space inventory as a condition of the grant funds.

Park impact fees provide the majority of city funding for new park, open space and trail systems. The current park impact fee is \$3,175 per dwelling unit.

The Parks Capital Budget is based on the assumption that thirty nine (39) single family residential building permits will be issued in 2015. The City has approximately \$144,156 in park impact fees to use as the city's match for the grants.

In 2015, the city received a Conservations Futures grant to acquire property for a trail between River Front Park and Osprey Park. In 2016 the city will receive funding to construct the trail.

2016 Park Goals:

- Continue to seek property acquisition opportunities for a Community Park.
- Continue to partner with both volunteers and citizens in need of community service to maintain City Parks.
- Acquire property and design the trail between Riverfront and Osprey parks.

2015 Accomplishments

| Goals | Status |
|--|---|
| Seeking property acquisition opportunities for a Community Park | City will continue to look for parcels on the east side of the city. |
| Continue to partner with both volunteers and citizens in need of community service to maintain City Parks. | Ongoing process. Volunteers have contributed several hours to park and trail maintenance. |
| Acquire Property to complete a trail between River Front Park and Osprey Park. | One parcel purchased; others will be purchased in 2016. |
| Develop Maintenance Schedule | Developed quarterly maintenance priorities and work schedule. |

Park 2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| 085 | Parks and Recreation | | | | | |
| 001-085-576-80-100 | Salaries and Wages | 40,847 | 32,985 | 40,278 | 38,781 | 44,825 |
| 001-085-576-80-200 | Benefits | 17,821 | 12,598 | 14,781 | 16,172 | 21,265 |
| 001-085-576-80-220 | Uniforms | 498 | 339 | 154 | 340 | 250 |
| 001-085-576-80-310 | Office/Operating Supplies | 2,678 | 3,678 | 4,117 | 7,652 | 4,500 |
| 001-085-576-80-350 | Small Tools/Minor Equipment | 398 | 1,263 | 782 | 1,795 | 1,000 |
| 001-085-576-80-360 | Vehicle Maintenance | 0 | 1,546 | 1,263 | 1,390 | 1,600 |
| 001-085-576-80-370 | Vehicle Repair | 165 | 488 | 457 | 1,506 | 600 |
| 001-085-576-80-420 | Communication | 564 | 638 | 738 | 824 | 800 |
| 001-085-576-80-430 | Travel and Seminars | 95 | 15 | 265 | 266 | 300 |
| 001-085-576-80-450 | Rentals | 3,330 | 0 | 0 | 137 | - |
| 001-085-576-80-460 | Insurance | 956 | 3,035 | 0 | - | - |
| 001-085-576-80-470 | Utilities | 2,751 | 117 | 3,167 | 3,954 | 3,300 |
| 001-085-576-80-480 | Repair and Maintenance | 446 | 109 | 10 | 110 | 3,000 |
| 001-085-576-80-490 | Miscellaneous | 399 | 146 | 199 | 658 | 100 |
| 001-085-594-80-640 | Capital - Equipment | 33 | 73 | 0 | 53 | 3,000 |
| 001-085-597-55-000 | Operating Transfer Out | 0 | 1,000 | 0 | 3,000 | 7,000 |
| | Total Parks | 70,981 | 58,028 | 66,212 | 76,637 | 91,540 |

Interfund Transactions:

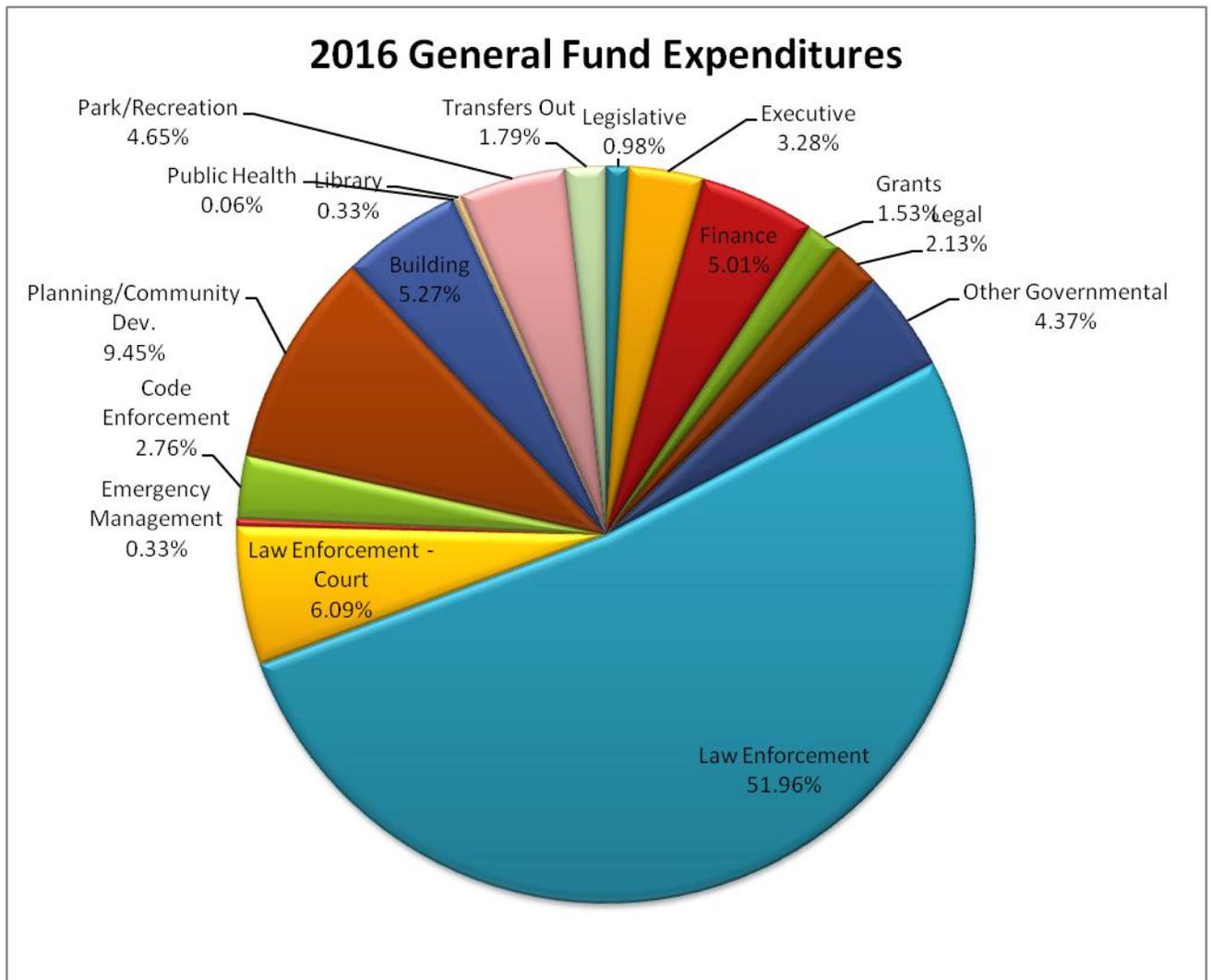
Includes the transfers to the IT fund.

2016 Budget

| Account | Description | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Adopted |
|--------------------|------------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| E90 | Interfund Services | | | | | |
| 001-090-597-55-000 | Operating Transfer Out -100 | 146,885 | 1,798 | 27,121 | 0 | 6,798 |
| 001-090-597-55-001 | Operating Transfer Out - 114 | 8,216 | 8,576 | 9,000 | 9,000 | 9,000 |
| | | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | | 155,101 | 10,374 | 36,121 | 9,000 | 15,798 |

2016 General Fund Budget Expenditure

| | |
|------------------------------|--------------------|
| Legislative | \$19,280 |
| Executive | \$64,577 |
| Finance | \$98,635 |
| Grants | \$30,171 |
| Legal | \$41,843 |
| Other Governmental | \$85,900 |
| Law Enforcement | \$1,022,255 |
| Law Enforcement - Court | \$119,800 |
| Emergency Management | \$6,500 |
| Code Enforcement | \$54,248 |
| Planning/Community Dev. | \$185,919 |
| Building | \$103,709 |
| Public Health | \$1,200 |
| Library | \$6,500 |
| Park/Recreation | \$91,540 |
| Transfers Out | \$35,195 |
| Total GF Expenditures | \$1,967,272 |



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General Fund Contingency

100 General Fund Contingency

In 2006, the City established a General Fund Contingency and General Fund Reserve Fund with the intent of providing an emergency fund. The intent of the funds is to provide reserves for unexpected events or emergencies.

RCW 35A.33.145 provides that “the total amount accumulated in such fund at any time shall not exceed the equivalent of thirty-seven and one-half cents per thousand dollars of assessed valuation of property within the city at such time”. The current assessed value of the property for 2016 is \$368,901,951 (estimate). This currently limits the amount allowed to be accumulated in the fund to \$138,338.

Transfers for 2016 will be completed as part of the annual report closeout process. The fund has a current balance of \$123,166.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|----------------|----------------|----------------|----------------|-----------------|
| 100-000-308-80-000 | Beginning Fund Balance | 55,508 | 55,642 | 65,760 | 65,919 | - |
| 100-000-361-11-000 | Investment Interest | 134 | 118 | 158 | 449 | |
| 100-000-397-40-400 | Operating Transfer In | 0 | 10,000 | 0 | 56,798 | 14,695 |
| | Total Revenue | 55,642 | 65,760 | 65,918 | 123,166 | 14,695 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|-------------------|------------------------|----------------|----------------|----------------|----------------|-----------------|
| 100-100597-60-000 | Operating Transfer Out | 0 | 0 | 0 | - | - |
| | Total Expense | 0 | 0 | 0 | 0 | 0 |

109 Community Improvement Fund

The Community Improvement Fund is used to track revenues and expenditures for community oriented programs and improvements. The City partners with the School District and Boys/Girls Club to operate and fund the Safe Stop program.

The City will contribute \$1,500 in 2016 from Criminal Justice Special programs funds.

The fund is used to track special community projects. The city used the fund to complete the Emergency Siren project in 2014. The city received \$250,000 from PUD to install three emergency sirens in the city for evacuation purposes.

In 2015, funds were used to update the city phone system. In 2016 the city will provide public education on the emergency siren and evacuation systems.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|----------------|----------------|----------------|----------------|-----------------|
| 109-000-308-80-000 | Beginning Fund Balance | 4,293 | 254,205 | 151,476 | 80,760 | - |
| 109-000-336-06-260 | CJ Special Program | 1,334 | 1,421 | 1,470 | 1,522 | 1,500 |
| 109-000-361-11-000 | Investment Interest | 612 | 323 | 194 | - | |
| 109-000-397-10-100 | Operating Transfer In | 250,000 | 0 | 0 | - | |
| | Total Revenue | 256,239 | 255,949 | 153,140 | 82,282 | 1,500 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|----------------|----------------|----------------|----------------|-----------------|
| 109-109-594-90-640 | Capital Outlay | 790 | 104,190 | 70,881 | 1,500 | - |
| 109-109-571-10-310 | Supply - Safe Stop | 1,244 | 283 | 1,500 | 905 | 1,500 |
| 109-109-597-10-000 | Operating Transfer Out | 0 | 0 | 0 | 80,000 | |
| | Total Expense | 2,034 | 104,473 | 72,381 | 82,405 | 1,500 |

113 BUILDING MAINTENANCE AND REPAIR FUND

The City of Sultan owns, operates and maintains a variety of buildings housing government and non-profit organizations. City facilities include city hall, public works field and food bank, public works shop, police station, post office, and visitor information center.

The City Council established a building maintenance fund in the 2009 budget using a portion of the police equipment reserve fund. In 2009, the city council funded a facilities report using part of the \$75,000 beginning fund balance to evaluate the condition of tax payer owned assets. The city has been using the report to prioritize annual building maintenance and repair projects.

Building Maintenance Revenues

The city council has allocated a portion of the utility tax to the Building Maintenance Fund. The Building Maintenance Fund amount in 2016 from the Utility tax collections will be approximately \$14,700. It covers anticipated normal, routine maintenance expenditures of approximately \$24,000. The annual expenditures include fire protection inspections, HVAC inspections, elevator maintenance and inspection, labor and industries inspections, light bulb replacements, etc.

Building Maintenance Expenditures

Building Maintenance expenditures being proposed in 2016 are limited to basic maintenance. Maintenance activity is proposed to be limited to light bulb and ballast replacement, janitorial services, elevator maintenance, fire extinguisher maintenance services, fire alarm testing services, and servicing the Community Center HVAC system.

Building Maintenance Staffing Levels

The 2016 budget includes minimal staffing to maintain Sultan's buildings. There are 0.16 full-time equivalent employees (FTE) dedicated to building operation/maintenance. During the spring, summer and early fall (May-October), the city adds additional staff time for power washing at City Hall, graffiti removal, minor painting, and minor building repair projects.

2015 Capital Budget

This fund was initially established by a transfer from the Police Fund, a sale of City property on Date Avenue, and from a court judgment award. The city council allocates utility taxes between the General Fund, Street Fund, and Building Maintenance Fund to ensure adequate resources to maintain tax-payer owned assets. Except for the \$14,700 utility tax and transfer from other funds, there are no other funding source. The city uses one time funding sources such as property sales for capital improvements to facilities.

In 2015, the City used reserve funds from the sale of property to replace the windows in the Visitor Information Center and repair the Post Office roof. The City received a \$48,000 grant from PUD to install solar panels on City Hall in 2014.

The Building Maintenance Fund, even with the proposed modifications for funding, is lacking due to the fact that a sinking fund has not been established to set aside money on a yearly basis to tackle the improvements identified in the Facility Assessment Study prepared in October 2009 by The Driftmier Architects.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|--------------------------|-------------|-------------|-------------|-------------|--------------|
| 113-000-308-80-000 | Beginning Fund Balance | 26,914 | 11,357 | 47,617 | 9,244 | 12,000 |
| 113-000-316-41-000 | Utility Tax - Electrical | 7,719 | 7,873 | 8,318 | 8,502 | 8,700 |
| 113-000-316-43-000 | Utility Tax - Gas | 1,394 | 1,763 | 2,013 | 1,530 | 2,200 |
| 113-000-316-47-000 | Utility Tax - Telephone | 4,594 | 3,314 | 3,113 | 3,194 | 3,800 |
| 113-000-361-11-000 | Investment Interest | 42 | 80 | 7 | 363 | 200 |
| 113-000-367-11-000 | Contributions | 0 | 0 | 0 | 2,854 | - |
| 113-000-397-40-400 | Operating Transfer In | 0 | 78,502 | 28,000 | 116,500 | 8,500 |
| | Total Revenues | 40,663 | 102,889 | 89,068 | 142,186 | 35,400 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|-------------|-------------|-------------|-------------|--------------|
| 113-113-518-30-100 | Salary and Wages | 3,363 | 13,354 | 12,972 | 12,294 | 10,060 |
| 113-113-518-30-200 | Benefits | 1,094 | 4,857 | 4,452 | 4,447 | 4,427 |
| 113-113-518-30-310 | Operating Supply | 2,444 | 23,050 | 2,823 | 1,386 | 1,000 |
| 113-113518-30-410 | Professional Service | 3,461 | 0 | 0 | 673 | |
| 113-113518-30-480 | Repair and Maintenance | 10,500 | 6,429 | 11,890 | 8,510 | 9,500 |
| 113-113594-00-620 | Capital - Buildings | 2,347 | 7,003 | 53,617 | 15,254 | 10,000 |
| | Total Expenditures | 23,209 | 54,693 | 85,754 | 42,565 | 34,987 |

114 Information Technology (IT) Fund

IT Fund:

In 2009, the city began the process of standardizing computers and servers in all city departments. The information technology fund was created to track the cost of information technology services. Revenues are provided from interfund transfers from the operating budget.

The challenge was being able to determine the cost of IT services when they are allocated into several budgets. The recommendation was to create an IT fund and provide for interfund transfers from the operating funds to cover expenses.

Funds have been set aside funds in the 2016 budget to accumulate for future purchases and upgrades to the server system. The city purchased laptops for the Mayor and Council in 2015.

Large expenditures such as upgrading software and computers are saved for over several years with the interfund payments held in the information technology fund until sufficient revenues are collected.

In June 2012, the City upgraded the Springbrook Financial system from V6.07 to V7. The cost of the upgrade was spread out over a three year payment plan. The City will explore the need to upgrade the software in 2016.

2016 Budget:

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 114-000-308-80-000 | Beginning Fund Balance | 18,769 | 8,479 | 2,541 | 36,004 | |
| 114-000-361-11-000 | Investment Interest | 20 | 5 | 86 | 248 | 150 |
| 114-000-397-50-500 | Operating Transfer In | 44,118 | 44,494 | 60,100 | 64,100 | 67,100 |
| | Total Revenue | 62,907 | 52,978 | 62,727 | 100,352 | 67,250 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 114-114-518-80-310 | Operating Supply | 268 | 1,502 | 0 | - | - |
| 114-114-518-80-410 | Professional Service | 43,513 | 33,329 | 24,296 | 27,212 | 27,000 |
| 114-114-518-80-480 | Repair and Maintenance | 0 | 12,855 | 375 | 2,102 | 1,000 |
| 114-114-594-80-640 | Capital - Equipment | 10,648 | 2,751 | 2,053 | 3,160 | 10,500 |
| | Total Expense | 54,429 | 50,437 | 26,724 | 32,474 | 38,500 |

115 Insurance Claim Fund

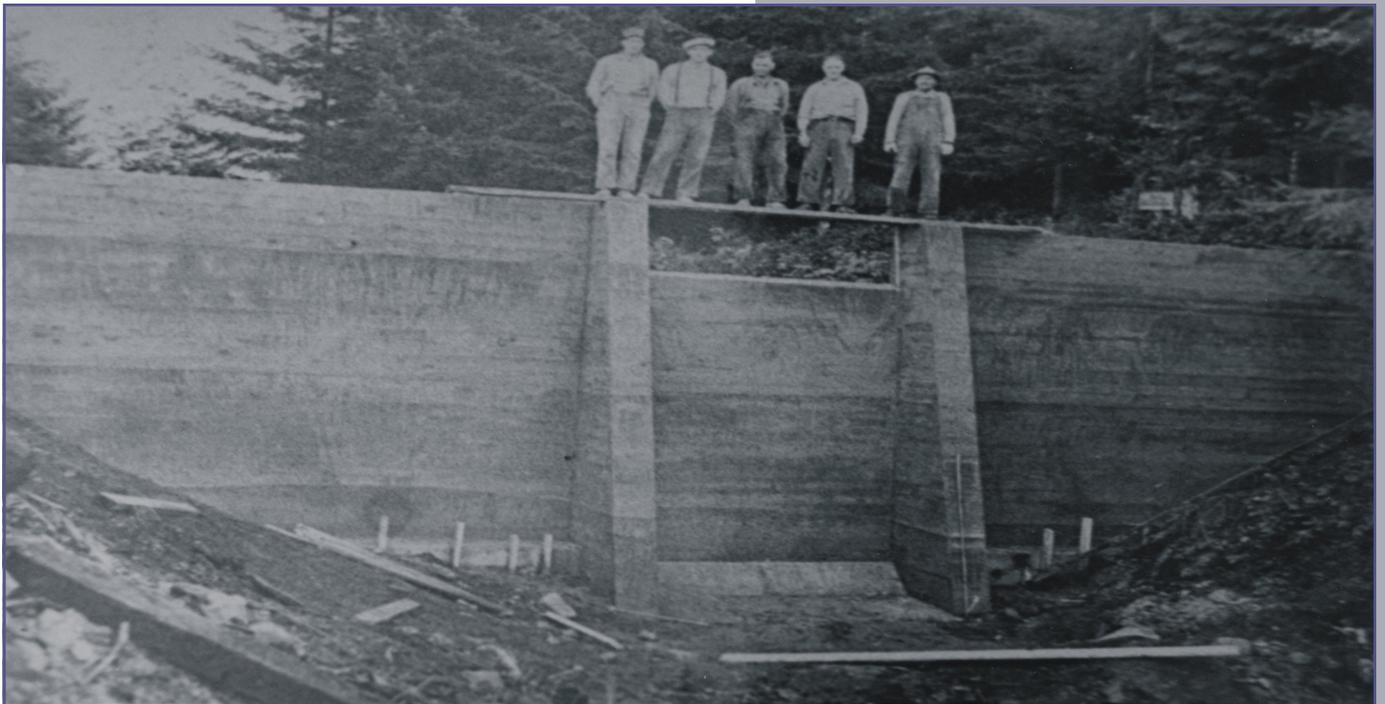
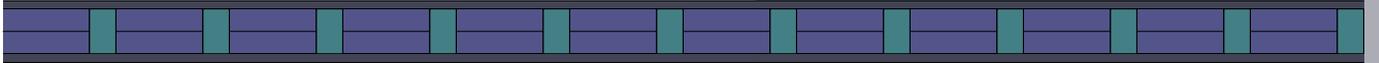
The purpose of the Insurance Claim fund is to track revenues and expense associated with claims filed by the City against a third party for damages to City property or unforeseen disasters.

The City does not budget for insurance claims and losses. A budget amendment is completed in November to cover any cost incurred during the year. The city filed an insurance claim in late November for damage to the Visitor Information Center due to a theft and break-in. The claim was settled in January 2016.

2016 Budget

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| 115-000-308-80-000 | Beginning Fund Balance | 72 | 68 | 20 | 357 | 0 |
| 115-000-361-11-000 | Investment Interest | 0 | 0 | 1 | 0 | 0 |
| 115-000-395-20-000 | Insurance Recovery | 29,553 | 68 | 20,495 | 5,826 | 0 |
| | Total Revenue | 29,625 | 29,625 | 20,476 | 6,183 | 0 |
| 115-115-518-60-310 | Operating Supply | 140 | 20 | 441 | 0 | 0 |
| 115-115-518-60-410 | Professional Services | 29,000 | 0 | 7,214 | 815 | 0 |
| 115-115-518-60-450 | Rental Expense | 0 | 0 | 0 | \$0 | 0 |
| 115-115-594-70-640 | Capital Outlay | 553 | 0 | 12,464 | 8,977 | 0 |
| | Total Expense | 29,693 | 20 | 20,119 | 9,792 | 0 |
| | Ending Fund Balance | -\$68 | 20 | 357 | | |

2016 BUDGET



CHAPTER 3 PUBLIC WORKS

PUBLIC WORKS DEPARTMENT

CONTENTS:

PUBLICS WORKS OVERVIEW

- 101 STREET FUND
- 103 CEMETERY FUND
- 400 WATER UTILITY FUND
- 401 SEWER UTILITY FUND
- 402 GARBAGE UTILITY FUND
- 406 STORM WATER UTILITY FUND

We are committed to serving the citizen's of Sultan in an efficient and professional manner in cooperation with all City departments and the citizens of Sultan, using our knowledge and resources to our full potential while maintaining quality workmanship.

2016 BUDGET SUMMARY

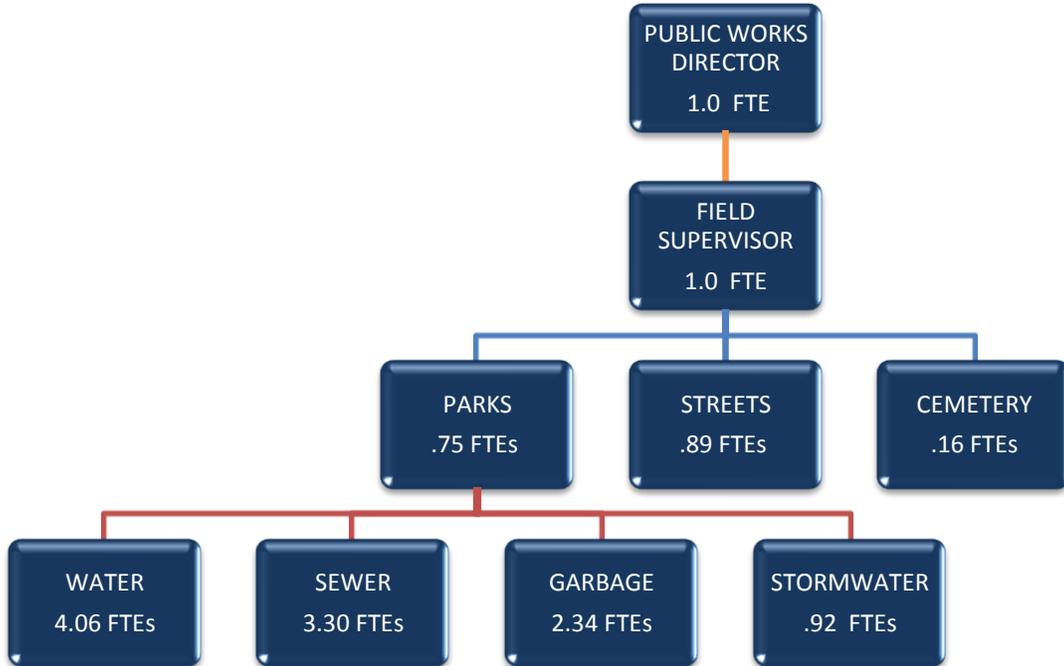
| Fund | Fund Name | Resources | Expense |
|------|----------------------|-------------|-------------|
| 101 | Street Fund | \$204,025 | \$198,224 |
| 103 | Cemetery Fund | \$27,704 | \$27,704 |
| 400 | Utility Water Fund | \$1,210,913 | \$1,210,913 |
| 401 | Utility Sewer Fund | \$1,348,039 | \$1,323,333 |
| 402 | Utility Garbage Fund | \$782,260 | \$775,397 |
| 406 | Storm Water Utility | \$175,364 | \$174,704 |
| | Totals | \$3,748,305 | \$3,710,275 |

The City's goal is to lead a well equipped and effective staff in serving the Citizens of Sultan. As the City continues to grow and develop, so will the Public Works Department in providing services in a professional manner.

The Public Works Department serves the citizens of Sultan with a wide variety of services, as well as being an integral part of Sultan governmental offices. The divisions within Public Works operations and maintenance are Streets, Cemetery, Water, Sewer, Garbage and Stormwater. Public Works is also responsible for maintenance of the parks and City buildings. Those budgets are included in the General Fund portion of the budget.

Public Works employees work in each of the departments. The following chart shows the staffing levels for 2016 in full time equivalents (FTE's):

2016 Public Works Staffing Levels



FTE's for funds do not include the Public Works Director, Field Supervisor or Council

The following chart shows a five year of history of Public Works staffing levels for all employees involved with Public Works:

| Department | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------|--------------|--------------|--------------|--------------|--------------|
| Parks | 0.83 | 0.89 | 0.72 | 1.15 | 0.87 |
| Streets | 1.77 | 1.76 | 1.20 | 1.56 | 1.35 |
| Cemetery | 0.21 | 0.22 | 0.20 | 0.32 | 0.18 |
| Water | 4.29 | 4.25 | 4.56 | 5.14 | 4.78 |
| Sewer | 4.52 | 3.70 | 3.76 | 4.07 | 3.97 |
| Garbage | 3.61 | 2.80 | 2.98 | 3.01 | 2.59 |
| Storm | 0.37 | 1.40 | 1.34 | 1.47 | 1.19 |
| Total FTE's | 15.60 | 15.02 | 14.76 | 16.72 | 14.93 |

STREETS

The street division has a staff shared with parks, garbage, water, sewer, cemetery, and storm. The street division funding is provided by B & O Taxes, property taxes and utility taxes. The services provided are:

- Patching of potholes
- Resurfacing streets
- Street sweeping
- Painting crosswalks and curbing
- Centerline striping
- Ice and snow removal
- Sign placement

CEMETERY

The City's cemetery is located on Cascade View Drive in the foothills of the beautiful Cascade Mountains. The cemetery has full and half lots available for sale, and allows burial of ash interments. The cemetery requires landscape maintenance including mowing and pruning.

City staff responds to families needs at a very vulnerable time with care and professionalism. Public works staff marks the grave for full graves, prepares grave for ash interments (open and close), and works with the funeral home and family. Families purchase the headstone independently and public works staff sets the headstones. The City also contracts with Wilbert Vault for burial services.

Koppenberg Enterprises donated a 4 ft x 7 ft niche wall (columbarium) to the City which was installed at the Sultan Cemetery. The niche wall has 48 spaces and will hold 96 ash urns.

GARBAGE

The City purchased a new garbage truck in late 2014, together with new toters for every residential customer. With the larger capacity of the new toters, the City modified its garbage service in 2015 to collect every other week for residential customers on Mondays and Thursdays. Commercial and industrial customers with dumpsters are collected every Friday.

The city council adopted Ordinance No. 1227-15 in December 2015 to incorporate new garbage rates for residential and commercial customers for 2016 through 2021. The new rates are based on a rate study conducted by Katy Isaksen & Associates, and result in cost savings for residential customers. Most commercial customers will see a cost savings as well.

Curb side recycling is provided through a contract service with Allied Waste. The City and Allied Waste formed a partnership several years ago to sponsor an annual spring clean up day. Snohomish County also participates with household hazardous waste collection.

STORM WATER

In mid 2008, the City developed a Surface Water Utility to generate funds to provide an improved level of service to the citizens of Sultan. Services provided include ongoing maintenance of City owned stormwater retention/detention facilities, and vactoring of manholes and catch basins to remove sediment and to increase system capacity. The Utility also provides a source of funds to repair and/or replace failing culverts to improve flooding issues and to comply with Washington State requirements regarding fish passage.

The City purchased a vactor truck in 2014 to enable the Public Works Department to perform manhole and catch basin cleaning in house. Before the vactor truck was purchased, the City relied on renting vactor trucks from outside vendors at a significant cost.

PARKS

The Public Works department, with the assistance of community volunteers, maintains the City's parks, open spaces and trails.

The City has over 168 acres of parks, open spaces and trails. This provides a high level of service (35.74 acres/1,000 residents).

The majority of the City's park system is located near the City's historic town center and adjacent to the Sultan River. The challenge in the coming years will be to operate and maintain existing park properties while acquiring land for a future community park east of the town center on the plateau above the valley floor formed by the Skykomish and Sultan Rivers. There is a strong community preference for adding a community park with sports fields in this area to serve young families and their children.

A goal for 2016 is to design and construct a trail parallel with the Sultan River from Osprey Park to River Park. The City is in the process of acquiring property and easements to accomplish this endeavor.

BUILDING MAINTENANCE FUND

The City of Sultan owns, operates and maintains a variety of buildings housing government and non-profit services. City facilities include City hall, food bank, public works shop, police station, post office, and visitor information center. The Building Maintenance fund is considered a General Fund and is discussed in Chapter 2.

WASTEWATER TREATMENT PLANT



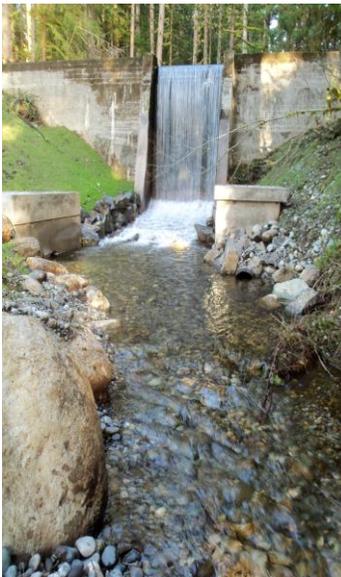
OUR GOAL IS TO TRANSFORM WASTEWATER INTO CLEAN, ENVIRONMENTALLY SOUND EFFLUENT THAT CAN SAFELY ENTER THE SKYKOMISH RIVER.

Wastewater treatment and collection is an enterprise fund for the City of Sultan. There are currently two full time employees at the Wastewater Treatment Plant, in addition to the utility crew responsible for maintenance of the collection and conveyance system.

The Wastewater Treatment Plant has received the Outstanding Performance Award from the Washington State Department of Ecology in 2008, 2009, 2012, 2013, 2014 and 2015.

WATER TREATMENT PLANT

OUR GOAL IS TO PROTECT THE HEALTH OF THE CITIZENS OF SULTAN BY ENSURING SAFE AND RELIABLE DRINKING WATER.

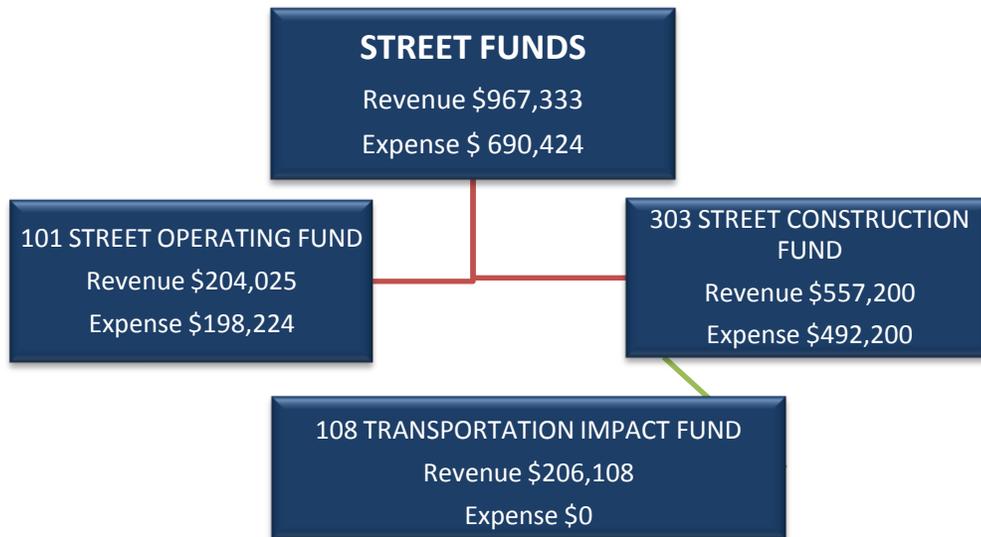


The water department has two full time employees both with water treatment plant responsibilities. One employee has primary responsibility at the plant and the other employee's primary responsibility is the distribution system.

The water department tests raw and finished water to ensure safe water is being delivered to the consumer. A goal in 2016 is to continue plant optimization of the Water Treatment Plant.

101 Street Operation Fund

There are several funds that provide for street related functions. The operating fund covers the day to day repair and maintenance of streets and sidewalks. The reserve funds are for future street projects and equipment. The street construction fund is used to track capital projects.



The Street Fund is used to repair and maintain the City's streets, sidewalks, alley ways trails, signs and vegetation (street trees and grass strips). The City has approximately 31 miles (62 lane miles) of roadways and trails, 600 signs, and 150 trees.

Street Operating Fund

Although the Street Fund is not a part of the City's general fund budget, the two funds share operating revenues. The Street operating budget is supported by property taxes, utility taxes, B & O taxes and the motor vehicle excise tax which is dedicated solely to the Street Operating fund.

Street operating revenues have decreased from \$366,170 in 2011 to \$204,025 in 2016. The Street fund is projected to see a rebound in property tax revenues (going from \$28,547 in 2015 to \$53,177 in 2016).

Since 2007, the City Council has worked hard to increase street maintenance levels of service and set aside a 90-day operating reserve in the street fund. Currently, the street fund has a 30-day operating reserve. Achieving a 90-day operating reserve is a part of the City council's overall goal to adopt financial policies as recommended by the Washington Finance Officers Association and the State Auditor's Office.

The City Council has achieved this goal during a period of declining revenues. The City council will need to continue to carefully monitor revenues and expenditures over the next 2-3 years as property tax revenues hopefully continue to increase.

2016 Street Operating Expenditures

Overall, the 2016 street operating expenditures have increased by \$7,505. Salaries and benefits are increased by \$4,315.

Street Expenditures Budgets 2012 to 2016

| Street Budget | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Salaries | \$98,184 | \$94,486 | \$66,620 | \$75,287 | \$81,377 |
| Benefits | \$34,699 | \$36,175 | \$26,1275 | \$37,268 | \$36,187 |
| Office/Operating Supplies | \$8,300 | \$8,620 | \$5,550 | \$8,700 | \$45,010 |
| Other Services | \$55,309 | \$47,006 | \$44,145 | \$65,770 | \$12,150 |
| Capital Outlay | \$10,000 | \$5,000 | \$1,500 | \$0 | \$5,000 |
| Operating Transfer Out | \$7,960 | \$18,854 | \$5,900 | \$3,500 | \$18,500 |
| Total | \$214,452 | \$210,141 | \$149,890 | \$190,519 | \$198,224 |

2016 Street Staffing Levels

The 2016 budget includes minimal staffing to maintain Sultan’s streets, sidewalks, alley ways and trails: there are approximately 1.23 FTE’s dedicated to street operation/maintenance. During the spring, summer and early fall (May-October), the City adds additional staff time for mowing streetscapes, striping, and repairing potholes.

Streets are swept one week per month during the spring, summer and fall. It generally takes one crew member one week to sweep all City streets. During the winter months, City crews provide sanding, remove snow and ice, and prune street trees. The crew also grades and fills potholes quarterly on the City’s three gravel roads: Murphy Lane, Marcus Street and East Main Street.

The City’s adopt-a-street program is an integral part of the City’s plan to maintain and operate the City’s street facilities. Adopt-a-street volunteers pick up trash, remove graffiti and perform other tasks not assigned to the public works department.

2016 Street Maintenance and Operations

Maintenance is a factor affecting the usability of City streets, and is an on-going, day-to-day requirement for Sultan’s street system. The present level of maintenance is generally minimal and includes sweeping, mowing planter strips and rights of way, filling potholes, and grading gravel streets. As more street facilities are developed, it will be necessary to expand the maintenance operation commensurate with the increase in street maintenance needs.

The City has an Interlocal Agency Agreement with Snohomish County for major street maintenance projects including striping and chip sealing. The City striped all arterial streets in 2010 and contracted with the county to chip seal 8th Street in 2011. The City chip sealed Main Street in 2012. The 2016 budget includes a chip seal project to be coordinated with Snohomish County.

The Street Fund is an annual problem. Revenue generated to operate the fund is simply not adequate to meet maintenance expenditures. The City of Sultan has traditionally relied on grants to pay for transportation projects and traditional funding sources are drying up. The Community Block Grant (CDBG) program is now only available for properties west of the Sultan River. The downtown area of Sultan is no longer eligible for CDBG grants. The Surface Transportation Program (STP) that funded the design of the Sultan River Pedestrian Bridge and the Sultan Basin Overlay project had a rural set-aside for communities of less than 5,000 residents. The Federal Highway Administration that administers STP grants recently made the determination that Sultan, Gold Bar, and Index are no longer rural and are not eligible for a rural set-aside.

The bottom line is that Sultan residents will need to pay more in the future to maintain their street system. Several Snohomish County cities (Snohomish, Monroe, Stanwood) have adopted Transportation Benefit Districts in order to increase revenue to maintain streets. Council may consider taking this step in 2016.

Street Maintenance Standards

The maintenance crew strives to keep streets, alley ways, sidewalks and trails in a well-kept condition free of safety hazards. In the past, street maintenance was not directed by a formal set of standards.

The Field Supervisor periodically surveys the physical condition of the City's street system so the staff can effectively and efficiently schedule routine maintenance projects. This allows maintenance needs to be detected and corrected before they become major problems, resulting in minimal disruptions in service and lower costs for repairs.

The City administrator, public works director and field supervisor meet quarterly to develop a systematic maintenance program designed to evaluate the manpower, equipment, and supply needs for the street system and set a productive and efficient means of keeping the parks orderly. Tasks include:

- Identifying the minimum, standard, and optimum levels of maintenance appropriate, including the labor, supply, and equipment costs involved.
- Developing specific daily, weekly and monthly maintenance routines sufficient to ensure at least the minimum level of maintenance.
- Preparing a Maintenance Plan for the street system, which defines maintenance objectives.

2016 STREET CAPITAL BUDGET

In the past, the City has used a combination of operating revenues, grants and impact fees for new street construction and major street repairs.

The transportation impact fee is \$4,350 per PM peak hour trip. There are \$226,603 in funds in the transportation impact fee fund. Transportation impact fees are restricted to projects that add capacity to the City's roadway system. Impact fees may not be used for operating or maintaining the City's transportation facilities. The 2016 transportation improvement plan is built with the assumption that the City will issue thirty nine (39) single family residential building permits.

Over the past decade, the City has deferred maintenance on its streets as traditional revenue sources have declined. Several City streets including First, Third, Eighth, East Main, Marcus, Murphy, Dyer, Skywall, 10th Street and others are beginning to seriously fail.

The City used grant funding in 2014 to reconstruct Alder Avenue from 5th Street to 8th Street, High Avenue from 1st Street to 4th Street, and resurfaced 4th Street from Alder Avenue to Fir Avenue. The City reconstructed Date Avenue in front of Sultan Elementary School in 2015 using Transportation Improvement Board grant funds.

The City received approximately \$400,000 in Transportation Improvement Board to reconstruct 4th and 5th Streets from US2 to Alder Avenue in 2015. This project is planned to be completed in 2016.

Local access streets have not been regularly maintained in over a decade although the City has set aside money in the street fund in 2010, 2011, and 2012 for pavement preservation projects. The cost of the chip seal program is approximately \$12,000 annually. Chip seal is only appropriate for streets where the sub-grade is still in good condition.

The City is currently using all available resources to provide basic levels of City services to the Sultan community. Property tax revenues, which support street repair and maintenance, are now starting to increase following several years of decline.

2016 Street (Transportation) Improvement Plan

For the last decade, the City has focused on signaling key intersections with US 2 including Old Owen Road, Fifth Street, and Sultan Basin Road. Phase III of the Sultan Basin Road project was completed in July 2012.

In 2010, the Washington State Department of Transportation initiated design and construction of a roundabout at the intersection of US 2 and Rice Road. The project is complete.

In 2008, the City revised the Capital Facilities Element and Transportation Element of its 2004 Comprehensive Plan. Transportation (Street) capital projects are a subset of the 2008 Capital Facilities Element. Transportation capital projects are generated out of the 20-year list of projects included in the 2008 Revised Transportation Element. The funded projects included in the six-year Transportation Improvement Plan (TIP) are included in the six-year Capital Improvement Plan adopted by the City Council during the budget process.

The importance of the Sultan TIP is in most cases, projects must be included on the Local TIP to be eligible for state and federal grant programs. The proposed Local TIP includes several projects that would compete well against state and federal grant program criteria. Funding for street improvements comes from Transportation Impact Fees and grants.

In the past, the City has spent considerable effort constructing new transportation facilities. The 2016 street capital budget recognizes the need to invest in repairing the City's existing street facilities. The following transportation projects are planned for 2016:

- Sultan River Pedestrian and Bicycle Bridge:
Complete the design of the Sultan River Pedestrian and Bicycle Bridge. The design is approximately 90 percent complete at the end of 2015, and the City is actively pursuing construction funding.
- 4th Street and 5th Street from US 2 to Alder Avenue
Reconstruct 4th Street and 5th Street from US 2 to Alder Avenue. The project has received a \$400140 Transportation Improvement Board grant for these improvements, with the City providing a five percent match.
- Select a chip seal project and work with Snohomish County to implement
- Repair 3rd Street north of Alder Avenue.
- Construct speed cushions on 1st Street as a traffic calming measure.
- Continue with the Adopt a Street program.
- Continue street sign replacement and maintenance program.
- Add raised pavement markers on Sultan Basin Road.

Goals and Accomplishments

As a part of the annual budget process, each department establishes goals for the upcoming year. At the end of the year, a review is completed to determine if the goals were met.

2016 Street Goals

- Managing Project Main Street.
- Identify a street to be chip sealed to continue with the street preservation program.
- Continue to grade streets and fill potholes.
- Continue to use volunteer staff to paint crosswalks.
- Conduct a sign inventory and identify signs to be cleaned or replaced. Clean street signs throughout the City.
- Continue to support the Adopt-a-Street program.
- Install speed cushions on 1st Street as a traffic calming measure.
- Reconstruct 4th & 5th Street from US2 to Alder Avenue.
- Place raised pavement markers on Sultan Basin Road.

2015 Accomplishments

| Goal | Status |
|---|--|
| Reconstruct Date Avenue from 4th Street to 150' east of 5th Place. | Project completed in 2015 |
| Managing Project Main Street | Ongoing annually |
| Quarterly maintenance plan | Ongoing annually |
| Continue to grade streets and fill potholes | Ongoing annually |
| Continue to use volunteer staff to paint crosswalks | Ongoing annually |
| Continue to support the Adopt-a-Street program | Ongoing annually |
| Conduct a sign inventory and identify signs to be cleaned or replaced. Clean street signs throughout the City | Partial completion. Continued work on sign inventory |

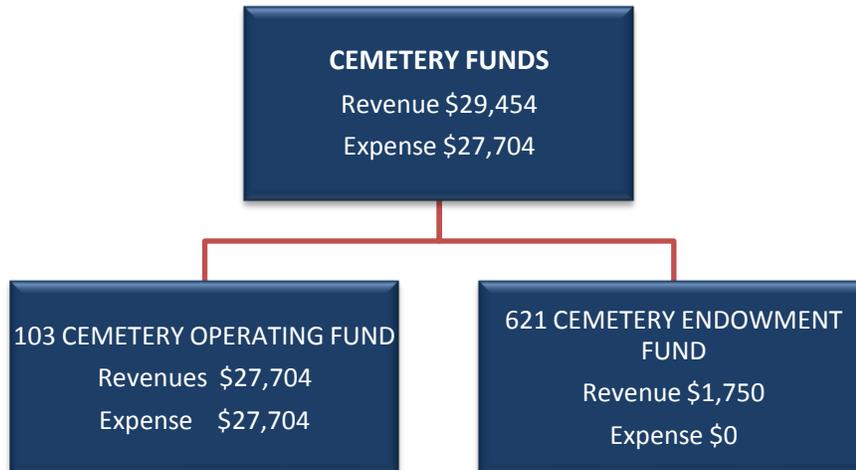
101 Street Fund 2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|--------------------------------|----------------|----------------|----------------|----------------|-----------------|
| 101-000-308-80-000 | Beginning Fund Balance | 87,095 | 52,997 | 5,913 | 15,852 | 0 |
| 101-000-311-10-000 | Real and Personal Property Tax | 16,846 | 17,762 | 21,535 | 28,713 | 53,177 |
| 101-000-316-41-000 | B & O Electric | 63,559 | 35,866 | 37,894 | 38,730 | 36,000 |
| 101-000-316-43-000 | Utility Tax Gas | 3,841 | 4,534 | 4,701 | 3,580 | 4,000 |
| 101-000-316-47-000 | Utility Tax Telephone | 11,558 | 8,520 | 7,104 | 7,003 | 7,500 |
| 101-000-322-40-000 | Street/Curb Permits – ROW | 3,384 | 1,722 | 1,850 | 1,700 | 2,000 |
| 101-000-336-00-870 | Motor Vehicle Excise Tax | 95,119 | 96,335 | 96,125 | 98,301 | 100,948 |
| 101-000-361-11-000 | Investment Interest | 153 | 13 | 38 | 108 | 400 |
| 101-000-367-11-010 | Contributions – Street Project | 5,448 | 250 | 30 | 40 | 0 |
| 101-000-397-10-100 | Operating Transfer In | 0 | | 0 | 22,500 | 0 |
| | REVENUE TOTAL | 287,002 | 217,999 | 175,190 | 216,528 | 204,025 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|---------------------------------|----------------|----------------|----------------|----------------|-----------------|
| 101-150-542-30-100 | Salaries and Wages | 112,160 | 94,142 | 66,809 | 73,248 | 81,377 |
| 101-150-542-30-200 | Employee Benefits | 33,085 | 32,869 | 23,707 | 28,476 | 35,487 |
| 101-150-542-30-220 | Uniforms | 508 | 470 | 195 | 506 | 700 |
| 101-150-542-30-310 | Office/Operating Supplies | 3,710 | 5,850 | 3,793 | 6,438 | 4,710 |
| 101-150-542-30-320 | Office Supplies | 1,951 | 1,703 | 2,158 | 1,857 | 1,750 |
| 101-150-542-30-350 | Small Tools/Minor Equipment | 344 | 1,255 | 925 | 1,425 | 1,000 |
| 101-150-542-30-360 | Vehicle Operation/Maintenance | 2,539 | 1,608 | 1,286 | 1,359 | 2,050 |
| 101-150-542-30-370 | Vehicle Repair | 1,948 | 287 | 564 | 1,543 | 1,000 |
| 101-150-542-30-410 | Professional Service | 16,229 | 7,696 | 3,983 | 9,577 | 0 |
| 101-150-542-30-420 | Communication | 2,831 | 2,920 | 2,848 | 3,238 | 3,300 |
| 101-150-542-30-430 | Travel and Seminars | 897 | 640 | 991 | 844 | 650 |
| 101-150-542-30-460 | Insurance | 12,528 | 12,683 | 11,828 | 7,039 | 8,000 |
| 101-150-542-30-490 | Miscellaneous | 1,491 | 568 | 2,520 | 1,531 | 200 |
| 101-150-594-30-640 | Capital - Equipment and Signs | 234 | 2,040 | 729 | 3,641 | 5,000 |
| 101-150-597-30-000 | Operating Transfer Out – 104 | 0 | 0 | 0 | 0 | 15,000 |
| 101-150-597-50-010 | Operating Transfer Out – 114 IT | 2,960 | 9,854 | 3,500 | 3,500 | 3,500 |
| 101-160-542-30-480 | Repair and Maintenance | 200 | 2,240 | 0 | 372 | 500 |
| 101-160-542-63-470 | Utilities | 35,061 | 32,013 | 35,271 | 39,308 | 34,000 |
| | EXPENDITURES TOTALS: | 228,677 | 208,838 | 161,107 | 183,901 | 198,224 |

103 Cemetery Operating Budget

There are two funds that provide for cemetery related functions. The operating fund covers the day to day repair and maintenance. The cemetery trust fund was established to provide for future maintenance when the cemetery is full.



The Sultan cemetery is located on approximately 4.5 acres at the east end Cascade View Drive. The cemetery was established in the late 1800's by the Woodsmen of America. Sultan took ownership of the cemetery from the Woodsmen in the early 1900's.

City staff respond to families in need at a very vulnerable time with care and professionalism. The City sells lots for burials and recently added a niche wall for ash interment. The cemetery sexton works with the funeral home and families to open and close grave sites and prepare the site for grave side services. The City also sets headstones.

Annual operations and maintenance are funded from burials, internments and plot sales. The City also collects fees for perpetual care of the cemetery after all of the plots have been sold.

Koppenberg Enterprises donated a niche wall (approximately 4' x 7') to the City of Sultan for installation in the Sultan Cemetery. The niche wall has 48 spaces and will hold up to 96 ash urns.

A columbarium is a permanent structure made up of spaces where family members can place urns containing the ashes (or cremains) of cremated loved ones. Columbaria have grown in numbers in recent years as more and more people are choosing cremation for disposition of their own, or of family members final remains.

Cemetery Operating Budget:

The cemetery fund is one of the City’s five enterprise funds. Revenues raised from fees must be used to maintain and operate the cemetery. Continuing to maintain Sultan’s cemetery within existing revenues has been a challenge over the last several years. The council adopted a 50% rate increase in 2011 for cemetery services.

The City is struggling to balance the budget in the cemetery enterprise fund. Revenues are not sufficient to cover normal maintenance costs. Maintenance is done in-house using the public works crew. In 2014, to bring labor costs in line with revenue, the City focused on maintenance efforts just prior to major holidays. As a result, there were periods of time when the cemetery appeared unkempt, and a number of complaints were received about the cemetery’s appearance.

This issue has been on-going over the last several years. The City council has raised burial fees to capture sufficient revenues to cover costs. Unfortunately, this has only exacerbated the problem because unlike our utilities, the cemetery is not a monopoly. People have been choosing to bury their loved ones in other area cemeteries. In addition, the "market" is changing and more people are choosing cremation and are scattering the ashes rather than place the ashes in a cemetery.

The City has been seeking opportunities to raise revenues and/or lower costs. In 2011, the City council took a number of steps to bring expenditures into alignment with revenues including outsourcing burial services to Wilbert Vault and installing a columbarium niche wall donated by Koppenburg Enterprises, for ash internment. The niche wall is a potential future revenue source for the cemetery fund.

Estimated revenue for the cemetery is based on the assumption of the sale of twelve (12) gravesites in 2016. The City council will need to carefully consider lowering levels of service in order to ensure expenditures for maintenance are aligned with revenues.

2016 Cemetery Operating Expenditures

Cemetery Budgeted Expenditures 2012 – 2016

| Cemetery Budget | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Salaries | \$10,739 | \$11,625 | \$9,790 | \$11,692 | \$10,207 |
| Benefits | \$5,267 | \$5,879 | \$4,850 | \$6,515 | \$5,297 |
| Office/Operating Supplies | \$750 | \$1,600 | \$3,800 | \$2,300 | \$2,200 |
| Professional Services | 5,187 | \$4,500 | \$5,000 | \$6,500 | \$9,500 |
| Capital Outlay | \$0 | \$0 | \$0 | \$500 | \$0 |
| Operating Transfer Out | \$0 | \$0 | \$0 | \$500 | \$500 |
| Total Expenditures | \$24,348 | \$23,400 | \$23,440 | \$28,007 | \$27,704 |

2016 Cemetery Staffing

Labor costs are approximately 55% of the cemetery budget expenditures. In order to balance the cemetery operating budget, the City council is considering a number of options to lower staffing costs in the 2016 cemetery operating budget:

- Negotiation with the union to allow volunteers to spend more time on cemetery maintenance.
- Continue the 2016 reduction in levels of service to 6 hours/week.
- Limiting cemetery maintenance to the lowest paid City utility worker.

Lower Levels of Service: If the City is unsuccessful in hiring seasonal workers at minimum wage to provide cemetery maintenance, then staff is proposing to maintain the 2015 level of service for cemetery maintenance. Staff is proposing to focus on cemetery maintenance immediately prior to major holidays (e.g. Memorial Day, Father's Day, Mother's Day, Veterans Day, etc.). The 2016 cemetery operating budget is built on the assumption that level of service will be reduced to 6 hours a week (.15 FTE x 2080 hours/52 weeks= 6 hours/week).

Volunteers: The City of Sultan has an extraordinary group of volunteers. Each year church groups meet in the fall for Serve Fest. The LDS church has adopted the Sultan Cemetery the last couple of years. The group cleaned headstones in the cemetery in September which significantly improved the appearance of the headstones. Their volunteer efforts are much appreciated. City staff are looking to find a volunteer or group of volunteers to supplement staff maintenance efforts.

Cemetery Maintenance Standards

Beginning in 2011, the Field Supervisor has periodically surveyed the physical condition of the cemetery so the City can effectively and efficiently schedule routine maintenance projects. This allows maintenance needs to be detected and corrected before they become major problems.

The City Administrator, Public Works Director and Field Supervisor meet quarterly to develop a systematic maintenance program designed to evaluate the manpower, equipment, and supply needs for the cemetery and set a productive and efficient means of keeping the cemetery orderly. Tasks include:

- Identifying the minimum, standard, and optimum levels of maintenance appropriate, including the labor, supply, and equipment costs involved.
- Developing specific daily, weekly and monthly maintenance routines sufficient to ensure at least the minimum level of maintenance.
- Preparing a Maintenance Plan for the cemetery which defines maintenance objectives.

Cemetery Capital Budget

There are no capital expenditures planned for 2016.

The City does not have a separate cemetery capital budget. Instead, capital improvements such as the niche wall are either donated or purchased out of the operating reserve fund. In the past, the City council has expressed an interest in installing an entrance sign or archway. Unfortunately, the City has been using the operating reserves to cover a short-fall in operating revenues. It is unlikely there will be future capital funding unless expenditures are reduced to match revenues and operating reserves can be increased.

Goals and Accomplishments

As a part of the annual budget process, each department establishes goals for the upcoming year. At the end of the year, a review is completed to determine if the goals were met.

2016 Goals

- Adopt an affordable level of service.
- Negotiate with union to allow volunteers to spend more time on cemetery maintenance.
- Find and implement a cost effective maintenance plan.
- Keep expenditures in alignment with revenues.
- Advertise the City's niche wall for ash internments.

2015 Accomplishments

| Goals | Status |
|---|---------------------|
| Adopt an affordable level of service | Levels set |
| Find and implement a cost effective maintenance plan | Continue to work on |
| Bring expenditures in alignment with revenues | In line for 2015 |
| Explore selling headstones as a pass-through cost to the customer | Option not feasible |

103 Cemetery Fund 2016 Budget

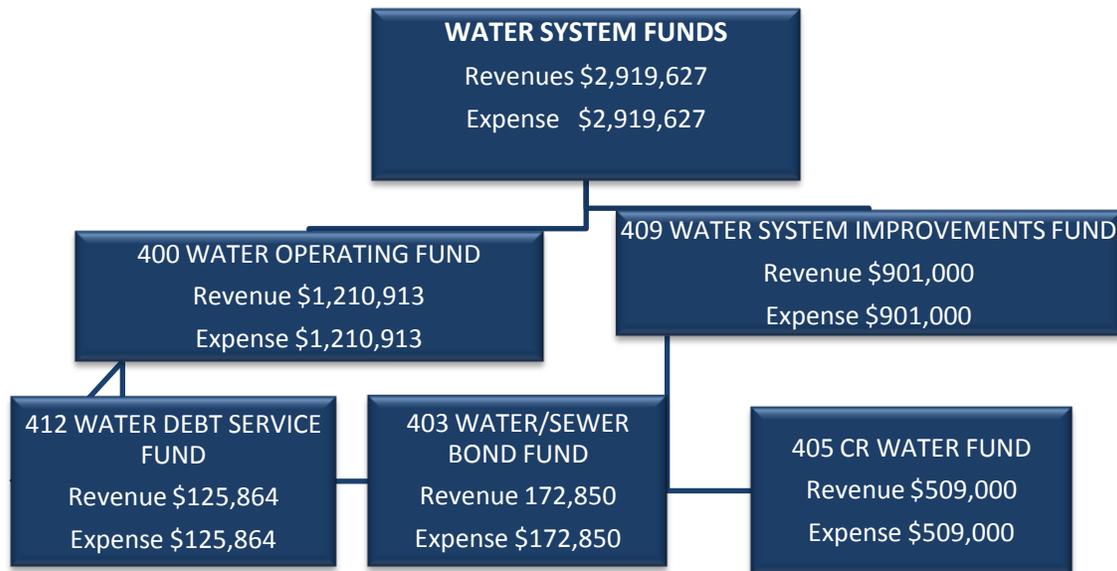
| | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|----------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 103-000-308-80-000 | 6,910 | 1,924 | 6,405 | 8,961 | 2,304 |
| 103-000-343-60-000 | 23,989 | 34,784 | 20,844 | 41,699 | 25,000 |
| 103-000-361-11-000 | 14 | 16 | 12 | 69 | 400 |
| 103-000-367-11-000 | 138 | 0 | 0 | 0 | 0 |
| REVENUE TOTAL | 31,051 | 36,724 | 27,261 | 50,729 | 27,704 |

| | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 103-103-536-10-100 | 16,795 | 10,943 | 10,295 | 11,297 | 10,207 |
| 103-103-536-10-200 | 4,912 | 4,367 | 4,251 | 5,060 | 5,097 |
| 103-103-536-10-220 | 12 | 20 | 0 | 156 | 200 |
| 103-103-536-10-310 | 336 | 56 | 29 | 8 | 400 |
| 103-103-536-10-320 | 115 | 0 | 0 | 2,770 | 0 |
| 103-103-536-10-340 | 747 | 1,363 | 2,183 | 0 | 1,000 |
| 103-103-536-10-350 | 0 | 147 | 0 | 398 | 0 |
| 103-103-536-10-360 | 474 | 446 | 359 | 0 | 800 |
| 103-103-536-10-410 | 5,187 | 9,324 | 3,751 | 9,943 | 8,000 |
| 103-103-536-10-460 | 682 | 3,507 | 1,500 | 1,446 | 1,500 |
| 103-103-536-10-480 | 0 | 0 | 0 | 0 | 0 |
| 103-103-594-10-640 | 0 | 0 | 0 | 0 | 0 |
| 103-103-597-40-000 | 0 | 0 | 0 | 500 | 500 |
| EXPENDITURE TOTAL | 29,260 | 30,173 | 22,368 | 31,579 | 27,704 |

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400 Water Operating Fund

There are several funds that provide for Water related functions. The operating fund covers the day to day production of water and the repair and maintenance of the water system. The reserve funds are for future water projects and equipment. The water construction fund is used to track capital projects.



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 1,700 households and businesses in the Sultan area.

The City owns a raw water supply reservoir (Lake 16) located approximately 2.5 miles north of the City's Water Treatment Plant. The City is normally reliant on Lake 16 for its water supply (approximately 97 percent). The City also has an intertie with the City of Everett's water system, which delivers treated water to Sultan water consumers during periods of Water Treatment Plant maintenance activities (approximately 3 percent of total water usage).



The City of Everett currently supplies the City of Sultan with approximately three percent of its total supply volume. Due to the loss of major water customers, the City of Everett increased its wholesale rates by approximately 18 percent in 2014. Fortunately, the City of Sultan is not affected significantly.

In 2014, the City entered into an Interlocal Agreement with the Startup Water District to provide personnel and service to maintain the Startup Water system. Startup Water District reimburses the City for the cost of employees and equipment.

Water Operating Revenues

Water revenues are used to support staff and resources to maintain the Water Treatment Plant and the water distribution system.

Water rate revenues (revenues from sales) are estimated to be \$1,056,068 for 2016.

The City will be conducting a water rate study in 2016 as part of the Water System Plan update to ensure rates are set properly.

Water Operating Expenditures

There is an estimated \$100,000 expenditure for the preparation of the 2016 Water System Plan Element of the Comprehensive Plan Update and a water rate study

Salaries and benefits are increased by \$13,678 in 2016. One of the main factors for the increase is due to a wage adjustment for the Water Systems Manager. The Washington State Department of Health has re-rated the City's Water Treatment Plant to a Level 3 facility which requires that the plant be operated by an employee with a Level 3 certification. The City's Water Systems Manager has now obtained this certification, and his wage has been increased to be competitive with other Level 3 Manager positions in Washington State.

Repair and maintenance has increased from \$20,000 in 2015 to \$30,975 in 2016, partially due to cleaning the drinking water reservoirs at the Water Treatment Plant.

Water Operating Budgeted Expenditures 2012 – 2016

| Water Budget | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|------------------|------------------|--------------------|--------------------|--------------------|
| Salaries | \$262,688 | \$256,156 | \$278,075 | \$302,802 | \$334,344 |
| Benefits | \$111,297 | \$115,282 | \$136,446 | \$178,178 | \$160,912 |
| Office/Operating Supplies | \$86,560 | \$80,565 | \$87,370 | \$88,350 | \$89,910 |
| Other Services | \$157,931 | \$178,196 | \$223,844 | \$215,319 | \$250,430 |
| Capital Outlay | \$25,000 | \$6,000 | \$49,500 | \$10,000 | \$60,000 |
| Operating Transfer Out | \$271,274 | \$264,475 | \$239,393 | \$310,979 | \$318,317 |
| Total Expenditures | \$951,750 | \$939,674 | \$1,014,628 | \$1,105,628 | \$1,210,913 |

Water Capital Budget

The water capital budget is used to fund capital improvement projects.

The City is proposing to hire a consultant to design the replacement of an existing 4-inch section of asbestos cement water main on Gohr Road with new 8-inch ductile iron water main. The project (including construction) is grant funded through Community Development Block Grant monies (CDBG) with the City providing a \$25,000 match. Construction will be completed in 2016.

The City is proposing to hire a consultant to design the Pressure Reducing Valve (PRV) Station 1 replacement for an estimated cost of \$7,500. The construction effort is estimated to cost \$75,000 which is proposed to be funded with Water Capital Funds.

The City is working with Trane and RH2 Engineering to prepare a design and construct an upgrade for the City's Booster Pump facility at the Water Treatment Plant. This is a significant effort and is estimated to cost in excess of \$2.2 million. The funding is in place and construction is expected to be complete by spring of 2016.

The City is funding the design and construction of water system improvements associated with the 4th Street & 5th Street Reconstruction project from US2 to Alder Avenue.

The Water Capital Fund reflects expenditures of \$70,000 to rebuild the upflow clarifier at the Water Treatment Plant.

The City Council approved funding \$5,000 from the Water Capital Fund to complete the design of water element of the Pedestrian & Bicycle bridge over the Sultan River.

Goals and Accomplishments

As a part of the annual budget process, each department establishes goals for upcoming year. At the end of the year, a review is completed to determine if the goals were met.

2016 Water Goals

- Complete the design of the replacement of an existing 4-inch asbestos cement water on Gohr Avenue.
- Complete the design and construction of Pressure Reducing Valve No. 1
- Complete the design and construction of water main improvements associated with the 4th Street and 5th Street reconstruction project from US2 to Alder Avenue.
- Complete the construction of the City's Water Booster Pump Upgrade.
- Train the new Water Treatment Plant Operator to become more proficient at Water Treatment Plant duties.
- Cross train a Utility Worker at the Water Treatment Plant as part of the City's succession planning effort.
- Rebuild the upflow clarifier at the Water Treatment Plant.

2015 Accomplishments

| Goals | Status |
|---|-----------------------|
| Complete the design and construction of a new water main in Date Avenue in front of Sultan Elementary School to replace the existing asbestos cement water line. | Completed in 2015 |
| Complete the Everett Intertie Improvement | Completed in 2015 |
| Continuing the Water Treatment Plant Optimization program to lower turbidity and improve water quality. Expenditures for optimization are limited to staff time as new filter media and a raw water turbidity meter were purchased in 2011. | On going |
| Provide Startup Water District maintenance and operations of their water system. | Contract through 2018 |

400 Water System Operating Fund 2016 Budget

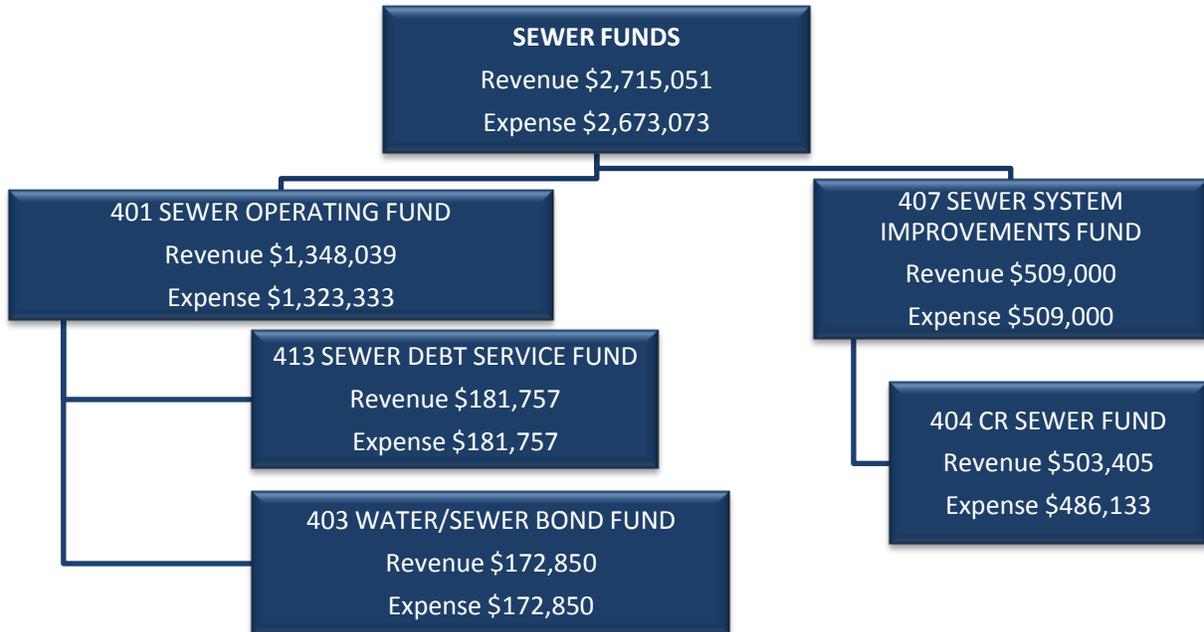
| | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 400-000-308-80-000 | Beginning Fund Balance | 90,758 | 184,728 | 252,738 | 342,354 | 59,745 |
| 400-000-343-90-000 | Water Service | 874,172 | 962,543 | 976,467 | 1,053,202 | 1,056,068 |
| 400-000-361-11-000 | Turn On/Off Fees | 10,879 | 10,708 | 7,584 | 9,550 | 9,000 |
| 400-000-379-10-000 | Investment Interest | 542 | 453 | 835 | 1,353 | 500 |
| 400-000-369-90-000 | Miscellaneous | 23,174 | 29,414 | 43,877 | 62,853 | 25,000 |
| 400-000-395-10-000 | Water Connection Charges | 1,200 | 1,000 | 7,801 | 18,950 | 15,600 |
| 400-000-395-10-100 | Interlocal – Startup | 0 | 518 | 0 | 0 | 45,000 |
| | Total Revenue | 1,000,726 | 1,189,364 | 1,289,302 | 1,488,262 | 1,210,913 |

| | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 400-400-534-80-100 | Salaries and Wages | 229,295 | 265,591 | 294,358 | 335,693 | 334,344 |
| 400-400-534-80-200 | Benefits | 76,238 | 120,562 | 131,893 | 149,197 | 159,512 |
| 400-400-534-80-220 | Uniforms | 1,785 | 1,683 | 907 | 1,471 | 1,400 |
| 400-400-534-80-310 | Operating Supply | 38,791 | 57,771 | 49,029 | 70,518 | 64,885 |
| 400-400-534-80-320 | Office Supplies | 3,052 | 2,502 | 3,141 | 2,760 | 2,700 |
| 400-400-534-80-350 | Small Tools/Minor Equip | 9,422 | 6,893 | 6,171 | 2,098 | 10,500 |
| 400-400-534-80-360 | Vehicle Op/Main | 7,469 | 8,292 | 6,220 | 8,799 | 7,825 |
| 400-400-534-80-370 | Vehicle Repair | 2,200 | 229 | 498 | 1,201 | 1,000 |
| 400-400-534-80-413 | Professional Service | 33,255 | 30,840 | 21,283 | 50,466 | 100,000 |
| 400-400-534-80-420 | Communication | 9,344 | 9,113 | 10,337 | 12,015 | 10,000 |
| 400-400-534-80-430 | Travel and Seminars | 2,958 | 3,265 | 4,133 | 7,087 | 5,205 |
| 400-400-534-80-450 | Rentals | 1,364 | 3,535 | 1,772 | 1,604 | 1,000 |
| 400-400-534-80-460 | Insurance | 26,085 | 46,823 | 49,530 | 40,579 | 47,000 |
| 400-400-534-80-470 | Utilities | 37,976 | 28,940 | 34,235 | 19,709 | 35,000 |
| 400-400-534-80-471 | Water Service – Everett | 0 | 0 | 4,569 | 19,391 | 7,000 |
| 400-400-534-80-480 | Repair and Maintenance | 8,462 | 6,875 | 20,476 | 10,392 | 30,975 |
| 400-400-534-80-490 | Miscellaneous | 10,837 | 7,546 | 8,280 | 8,311 | 9,250 |
| 400-400-534-80-490 | Water – Testing | 0 | 895 | 4,085 | 4,480 | 5,000 |
| 400-400-534-80-510 | Taxes – Excise | 46,366 | 50,396 | 51,480 | 57,073 | 53,000 |
| 400-400-534-80-510 | Capital – Buildings | 0 | 4,153 | 624 | 1,797 | 500 |
| 400-400-594-80-620 | Capital – Equipment | 2,028 | 13,070 | 10,572 | 3,132 | 6,500 |
| 400-400-594-80-640 | Operating Transfer Out – 412 | 137,167 | 137,000 | 133,088 | 109,476 | 115,864 |
| 400-400-597-20-000 | Operating Transfer Out – 403 | 65,000 | 63,500 | 50,000 | 171,700 | 172,650 |
| 400-400-597-30-010 | Operating Transfer Out – 104 | 46,000 | 40,000 | 8,000 | 0 | 0 |
| 400-400-597-50-020 | Operating Transfer Out – 001 | 12,774 | 2,000 | 16,803 | 16,803 | 16,803 |
| 400-400-597-30-030 | Operating Transfer Out – 409 | 12,774 | 12,774 | 18,500 | 0 | 0 |
| 400-400-597-20-040 | Operating Transfer Out – 114 | 10,500 | 9,000 | 9,000 | 13,000 | 13,000 |
| | Total Expense | 831,143 | 933,248 | 948,984 | 1,118,753 | 1,210,913 |

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401 Sewer Operating Fund

There are several funds that provide for Sewer related functions. The operating fund covers the day to day processing, repair and maintenance of the sewer system. The reserve funds are for future sewer projects and equipment purchases. The construction fund is used to track capital projects.



This fund is for the operation and maintenance of the wastewater treatment plant, lift station, and approximately 16 miles of gravity and force main piping.



The City's Wastewater Treatment Plant (WWTP) was upgraded in 1998 and has a maximum month average flow design capacity of 0.72 million gallons per day and a peak hour capacity of 2.16 million gallons per day.

The City had been experiencing rapid growth and high peak flows and peaking factors; therefore the City completed an Engineering Report for the WWTP upgrades in 2006. The 2006 WWTP Upgrade Engineering Report prepared by Brown and Caldwell provided a phased approach for the expansion of the WWTP to plan for future growth within the Urban Growth Area.

Brown and Caldwell began preparation of engineering documents to upgrade the WWTP by implementing Membrane Treatment. With the economic downturn that occurred in 2008, the City shelved the upgrade project in 2009. The focus now is on short term improvements that will remove “bottlenecks” at the WWTP to improve capacity.

Sewer Operating Revenues

Revenues dedicated to the sewer budget are used to support staff and resources to maintain the Wastewater Treatment Plant, the lift station, and the 16 miles of conveyance pipe and force main.

Sewer rate revenues are estimated to be \$1,325,039 for 2016. Revenue is based on a flat rate for residential customers and an amount equal to actual water usage and the base rate for commercial customers. As commercial customers repair water leaks, their water usage drops, thus lowering both water and sewer rates charges collected.

The City’s main pump station is estimated to have capacity to serve an additional 567 equivalent residential units as of August 2015 by the City's consultant (RH2 Engineering). This is not including the certificates of availability that have been issued to active plats including Timber Ridge (81 lots), Greens Estates (65 lots), Cascade Breeze (30 lots), and Hammer Property (81 lots), nor the proposed Doubletree Apartments (24 units). Once a new force main is constructed across the Sultan River, approximately 600 additional ERU’s would be added.

2015 Sewer Operating Expenditures

Salaries and benefits are increased by \$17,529 in 2016. This is primarily due to the significant effort involved in updating the General Sewer Plan and associated rate study.

The City Council adopted a 2-year rate schedule in 2010 to make the final two payments on the \$1,000,000 public works trust fund loan used to design the waste water treatment plant upgrade to the new membrane bioreactor technology (MBR). The engineering documents prepared by Brown and Caldwell that were shelved in 2009 were funded with a Public Works Trust Fund loan. Debt service for the \$1,000,000 Public Works Trust Fund loan was paid off in 2012.

There is an estimated \$97,000 expenditure for Professional Services which includes approximately \$86,000 for the preparation of the 2016 General Sewer Pan Element of the Comprehensive Plan Update and a rate study. Sludge hauling has been reduced from \$30,000 in 2015 to \$10,000 in 2016 to be more in line with past year expenditures.

Sewer Operating Budgeted Expenditures 2012-2016

| Sewer Budget | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Salaries | \$273,618 | \$241,187 | \$244,780 | \$256,326 | \$275,957 |
| Benefits | \$103,175 | \$111,210 | \$103,231 | \$124,171 | \$122,572 |
| Office/Operating Supplies | \$59,960 | \$69,665 | \$72,720 | \$61,125 | \$63,535 |
| Other Services | \$231,567 | \$253,231 | \$271,830 | \$291,570 | \$336,460 |
| Capital Outlay | \$68,000 | \$56,000 | \$69,450 | \$4,000 | \$30,000 |
| Operating Transfer Out | \$546,646 | \$496,105 | \$509,011 | \$527,285 | \$494,809 |
| Total Expenditures | \$1,309,966 | \$1,256,398 | \$1,271,022 | \$1,264,480 | \$1,323,333 |

SEWER CAPITAL BUDGET

The sewer capital budget is used to fund capital improvement projects.

The City is funding the design and construction of a new sewer system associated with the 4th Street and 5th Street projects to coincide with the TIB funded street improvements.

The City will be funding the finalization of the design of upgrades to the lift station based on the results of the RH2 Engineering Lift Station Study. Construction of the lift station improvements are dependent on construction of the Sultan River Pedestrian and Bicycle Bridge project.

The City is planning to launch an Infiltration and Inflow study for the City's sewer system in the downtown area that is subjected to flooding and high groundwater levels.

The City Council approved funding \$8,000 from the Sewer Capital Fund for the finalization of the design of the pedestrian bridge over the Sultan River.

The Rotary Fine Screen replacement planned for the Wastewater Treatment Plant is estimated to be \$85,000 and is funded using Sewer Capital Funds.

An oxidation ditch rotor replacement is planned for the Wastewater Treatment Plant is estimated to be \$80,000 and is funded using Sewer Capital Funds.

A de-gritter replacement is planned for the Wastewater Treatment Plant is estimated to be \$80,000 and is funded using Sewer Capital Funds.

Goals and Accomplishments

As a part of the annual budget process, each department establishes goals for the upcoming year. At the end of the year, a review is completed to determine if the goals were met.

2016 Sewer Goals

- Complete the design and construct sanitary sewer facilities in 4th and 5th Street between US2 and Alder Avenue as part of the Transportation Improvement Board funded street improvement project.
- Complete engineering design plans and specifications for the lift station improvements identified in the RH2 Engineering lift station study.
- Initiate an Infiltration and Inflow study for a portion of the City's downtown area subject to flooding and high groundwater.
- Coordinate the design of the Sultan River Pedestrian Bicycle bridge to accommodate a sanitary sewer force main to ultimately replace the existing sewer force main that is attached to the US2 highway bridge.
- Replace the rotary fine screen at the Wastewater Treatment Plant.
- Replace the oxidation ditch rotor at the Wastewater Treatment Plant.
- Replace the de-gritter at the Wastewater Treatment Plant.

2015 Accomplishments

| Goals | Status |
|---|-------------------|
| Complete Energy Conservation Measures 1-4 at the Wastewater Treatment Plant (WWTP). | Completed in 2015 |
| Design & Construct new sewer main and services for Date Avenue from 4th Street to 150 feet east of 5th Place. | Completed in 2015 |
| Construct Main Pump Station Interim Upgrades | Completed in 2015 |

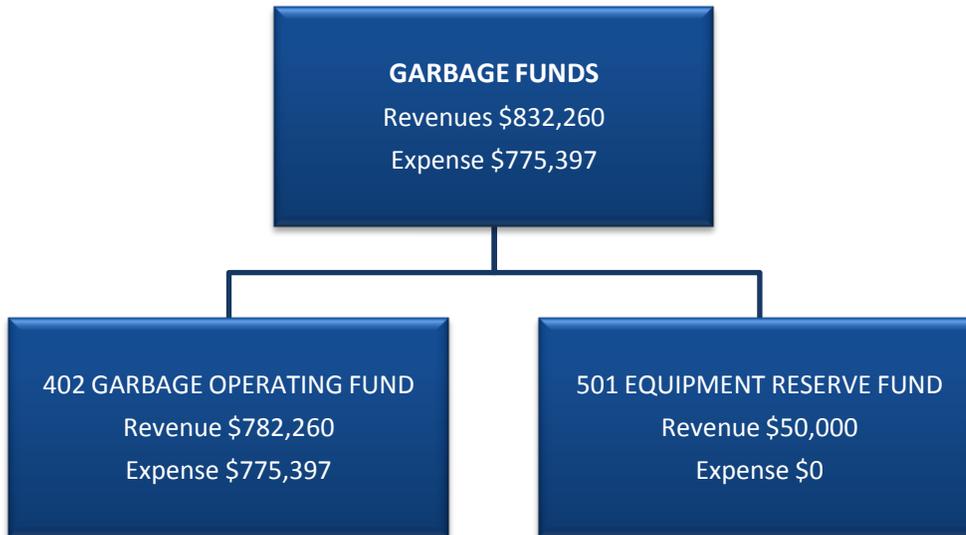
401 Sewer System Operating 2015 Budget

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| Description | Actual | Actual | Actual | Actual | Adopted |
| 401-000-308-80-000 | 196,455 | 250,012 | 463,338 | 461,793 | |
| 401-000-342-00-200 | 0 | 250 | 2,250 | 11,000 | 5,000 |
| 401-000-343-50-000 | 1,248,369 | 1,286,780 | 1,277,056 | 1,311,683 | 1,325,039 |
| 401-000-361-11-000 | 496 | 1,095 | 1,191 | 2,259 | 500 |
| 401-000-369-90-000 | 18,337 | 17,019 | 41,359 | 20,825 | 17,500 |
| Total Revenue | 1,463,656 | 1,555,156 | 1,785,195 | 1,807,560 | 1,348,039 |

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| Description | Actual | Actual | Actual | Actual | Adopted |
| 401-401-535-80-100 | 240,139 | 250,714 | 253,334 | 269,532 | 275,957 |
| 401-401-535-80-200 | 95,984 | 96,638 | 100,982 | 108,249 | 121,272 |
| 401-401-535-80-220 | 1,939 | 1,672 | 995 | 1,127 | 1,300 |
| 401-401-535-80-310 | 23,148 | 28,796 | 15,941 | 14,021 | 41,085 |
| 401-401-535-80-320 | 3,282 | 2,281 | 3,498 | 2,789 | 3,000 |
| 401-401-535-80-350 | 1,909 | 5,650 | 1,173 | 2,731 | 6,650 |
| 401-401-535-80-360 | 2,250 | 2,586 | 3,006 | 3,503 | 10,800 |
| 401-401-535-80-370 | 2,676 | 229 | 301 | 1,084 | 2,000 |
| 401-401-535-80-412 | 66,311 | 49,338 | 30,621 | 50,912 | 97,000 |
| 401-401-535-80-413 | 0 | 9,983 | 14,097 | 5,048 | 10,000 |
| 401-401-535-80-420 | 10,739 | 10,606 | 11,273 | 12,823 | 13,000 |
| 401-401-535-80-430 | 3,226 | 1,726 | 2,611 | 1,881 | 3,405 |
| 401-401-535-80-450 | 3,175 | 14,285 | 7,523 | 6,248 | 13,226 |
| 401-401-535-80-460 | 37,042 | 52,079 | 65,780 | 54,071 | 56,000 |
| 401-401-535-80-470 | 38,934 | 39,741 | 40,699 | 42,810 | 40,000 |
| 401-401-535-80-480 | 49,270 | 35,147 | 51,258 | 42,371 | 67,575 |
| 401-401-535-80-490 | 11,578 | 6,730 | 7,457 | 7,598 | 4,754 |
| 401-401-535-80-490 | 0 | 498 | 1,682 | 1,968 | 1,500 |
| 401-401-535-80-510 | 31,447 | 29,995 | 28,603 | 29,776 | 30,000 |
| 401-401-594-80-620 | 0 | 4,153 | 119,799 | 1,510 | 0 |
| 401-401-594-80-640 | 47,639 | 2,109 | 26,063 | 341 | 30,000 |
| 401-401-597-20-000 | 432,712 | 301,537 | 324,608 | 183,182 | 181,756 |
| 401-401-597-20-040 | 65,000 | 63,500 | 50,000 | 171,700 | 172,650 |
| 401-401-597-30-010 | 21,000 | 120,000 | 34,000 | 37,000 | 35,000 |
| 401-401-597-30-030 | 12,774 | 12,774 | 16,803 | 16,803 | 16,803 |
| 401-401-597-30-040 | 0 | 50,000 | 65,000 | 100,000 | 70,000 |
| 401-401-597-50-020 | 14,660 | 14,660 | 18,600 | 18,600 | 18,600 |
| Total Expense | 1,216,835 | 1,207,427 | 1,295,705 | 1,187,677 | 1,323,333 |

402 Garbage Operating Fund

There are two funds that provide for Garbage related functions. The operating fund covers the day to day collection, repair and maintenance of the garbage system. The reserve funds are for future garbage equipment.



GARBAGE FUND SUMMARY:

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. The garbage fund also provides volunteers with 1,200 yellow garbage bags.

Over the last several years, Sultan provided garbage service three days per week, Monday, Thursday, and Friday with a two-person garbage crew (a driver and a laborer who lifted and dumped garbage cans into the back of the garbage truck by hand). The City purchased a new garbage truck in late 2014, together with new totes for every residential customer. With the larger capacity of the new totes, the City modified its garbage service in 2015 to collection every other week for residential customers on Mondays and Thursdays. Commercial and industrial customers with dumpsters are collected every Friday.



Garbage Operating Revenues

Revenues dedicated to the garbage budget are used to support staff and resources to maintain smooth operations of this enterprise fund.

A garbage rate study was completed in 2015 by Katy Isaksen and Associates. Based on the results of the study, the city council made the following policy decisions in order to meet the needs of the garbage utility and reduce impacts on rate payers:

1. Include a reasonable 2% inflation factor over the 6 year contract period.
2. Implement the initial rate change of a 10% reduction on February 1, 2015.
3. Implement a second rate change on January 1, 2016 after study completion.
4. Include full replacement of equipment on a scheduled basis in rate calculations including approximately \$200,000 that has already been saved.
5. Charge each customer class the true cost of service. Do not subsidize any particular rate "class" by overcharging another customer class.
6. Residential pickup every week is strongly discouraged because it works to negate the savings built into the system so the recommendation from staff is to add an additional \$5.00 to Katy Isaksen & Associates amount as a deterrent.

The city council passed Garbage Rate Ordinance No. 1227-515 at the December 17, 2015 council meeting.

Garbage Rates

| Rate Class | 2015 | 2016 | 2017 | 2018 |
|--|---------|---------|---------|---------|
| Residential – Monthly 64 gallon tote | \$10.03 | \$8.60 | \$8.77 | \$8.95 |
| Residential – 1 bin every other week – 64 gallon tote | \$20.31 | \$16.35 | \$16.68 | \$17.01 |
| Residential – 2 bins every other week – 64 gallon tote | \$34.73 | \$30.74 | \$31.36 | \$31.99 |
| Commercial – Weekly 64 gallon tote | \$22.57 | \$16.70 | \$17.04 | \$17.38 |

Recycling Rates

The council awarded a seven-year contract to Rabanco on July 23, 2009. The contract went into effect in September 2009. The City Council adopted Ordinance 1058-09 to establish rates for recycling services provided by Allied Waste in accordance with the approved Franchise Agreement. Ordinance 1058-09 establishes the rates for residential recycling which includes an administrative fee for the City's handling the customer billing. The new rates were effective October 1, 2009 and the first billing was sent out in November 2009.

The contract includes annual cost of living adjustments beginning at the end of the first year of service (2010). There are also customer service performance standards and monetary penalties (liquidated damages) for poor performance.

In January 2012, staff completed an analysis of the administrative fee charged for maintenance and billing of the recycle accounts. Based on the analysis, the administrative fee was decreased from 15.5% to 9.4% and provided a \$.50 per month savings to the customers. There was a minor rate increases in 2014.

Garbage Operating Expenditures

Revenues for garbage service are estimated to be \$604,444 and for recycling of \$177,816.

Garbage Budgeted Expenditures 2012-2016

| Garbage Budget | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Salaries | \$187,638 | \$132,004 | \$146,880 | \$154,672 | \$137,507 |
| Benefits | \$82,999 | \$71,025 | \$69,980 | \$81,425 | \$70,887 |
| Operating Supplies | \$42,250 | \$58,750 | \$36,420 | \$44,590 | \$34,000 |
| Other Services | \$31,118 | \$36,955 | \$37,850 | \$53,750 | \$58,200 |
| Intergovernmental | \$350,000 | \$359,000 | \$353,500 | \$367,865 | \$372,000 |
| Capital Outlay | \$20,000 | \$31,000 | \$23,000 | \$15,000 | \$10,000 |
| Operating Transfer Out | \$83,349 | \$92,343 | \$81,803 | \$67,803 | \$92,803 |
| Total Expenditures | \$797,354 | \$782,068 | \$749,433 | \$785,105 | \$775,397 |

Goals and Accomplishments

As a part of the annual budget process, each department establishes goals for upcoming year. At the end of the year, a review is completed to determine if the goals were met.

2016 Goals

- Continued safety in 2016.
- Continue to educate public regarding new garbage routes and service with new truck and toters.
- Achieve and maintain a 60 day operating reserve fund.

2015 Accomplishments

| Goals | Status |
|---|--|
| Continued safety record success in 2015. | The City had no garbage pickup related injuries in 2015. |
| Purchase a new garbage truck and toters. | Completed in 2014 and implemented in 2015. |
| Achieve and maintain a 60-day operating reserve fund. | Ongoing process. |

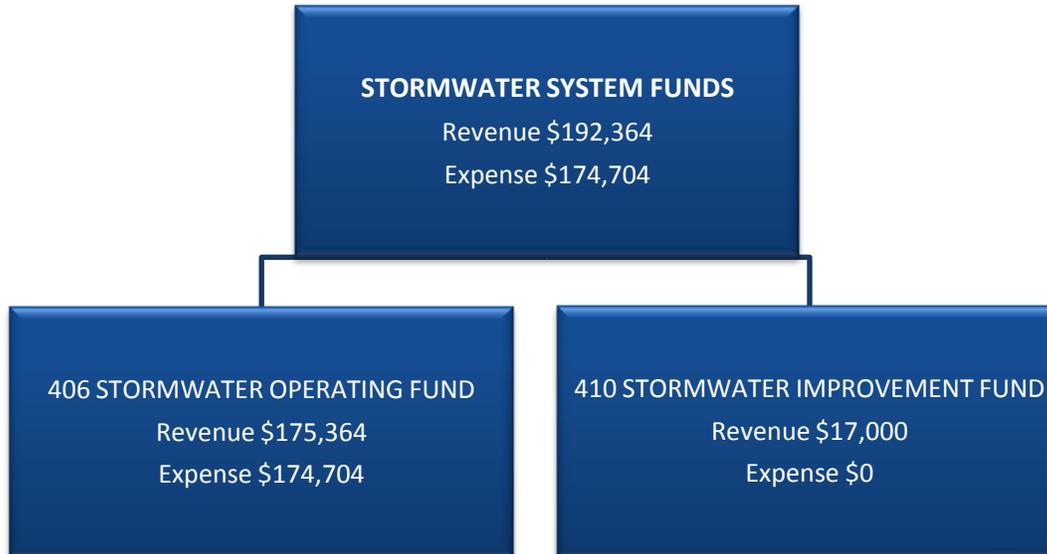
402 Garbage System Operating 2016 Budget

| | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------------|----------------|----------------|----------------|----------------|-----------------|
| 402-000-308-80-000 | Beginning Fund Balance | 181,476 | 202,853 | 267,155 | 311,067 | 0 |
| 400-000-316-48-000 | Garbage State Tax | 19,459 | 20,223 | 20,580 | 19,333 | 20,064 |
| 402-000-321-91-000 | Garbage Franchise Fees | 2,962 | 3,401 | 3,256 | 3,263 | 3,500 |
| 402-000-334-03-100 | Coordinated Prevention Grant | 1,770 | 1,789 | 2,211 | 3,878 | 1,600 |
| 402-000-343-70-000 | Garbage/Solid Waste | 566,490 | 577,803 | 592,059 | 545,478 | 557,340 |
| 402-000-343-70-100 | Recycling Charges | 165,586 | 167,695 | 166,456 | 175,191 | 177,816 |
| 402-000-361-11-000 | Investment Interest | 424 | 730 | 814 | 1,172 | 500 |
| 402-000-362-20-000 | Dumpster Delivery Charges | 20,675 | 21,214 | 21,136 | 20,665 | 20,940 |
| 402-000-369-90-000 | Miscellaneous | 150 | 180 | 531 | 339 | 500 |
| 402-000-395-10-000 | Sale of Fixed Assets | 284 | 114 | 0 | 0 | 0 |
| | Total Revenue | 959,276 | 996,002 | 1,074,199 | 1,080,385 | 782,260 |

| | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|-------------------------------|----------------|----------------|----------------|----------------|-----------------|
| 402-402-537-80-100 | Salaries and Wages | 143,871 | 143,195 | 146,406 | 153,036 | 137,507 |
| 402-402-537-80-200 | Benefits | 73,944 | 59,848 | 63,126 | 69,253 | 69,887 |
| 402-402-537-80-220 | Uniforms | 1,208 | 1,186 | 718 | 862 | 1,000 |
| 402-402-537-80-230 | Contract Labor | 3,565 | 1,783 | 0 | 0 | 0 |
| 402-402-537-80-310 | Operating Supplies | 1,090 | 1,487 | 2,804 | 4,571 | 5,000 |
| 402-402-537-80-320 | Office Supplies | 2,687 | 2,223 | 2,592 | 2,463 | 2,400 |
| 402-402-537-80-350 | Small Tools/Minor Equipment | 92 | 708 | 1,054 | 1,808 | 2,000 |
| 402-402-537-80-360 | Vehicle Operation/Maintenance | 19,565 | 23,604 | 19,247 | 15,628 | 16,000 |
| 402-402-537-80-370 | Vehicle Repair | 7,373 | 5,049 | 7,404 | 724 | 7,000 |
| 402-402-537-80-380 | CPG Grant – Cleanup | 1,333 | 969 | 897 | 3,061 | 1,600 |
| 402-402-537-80-410 | Professional | 12,850 | 7,696 | 4,105 | 19,143 | 9,700 |
| 402-402-537-80-420 | Communication | 7,402 | 7,527 | 8,053 | 7,981 | 8,500 |
| 402-402-537-80-430 | Travel and Seminars | 1,566 | 453 | 800 | 1,354 | 1,400 |
| 402-402-537-80-460 | Insurance | 16,722 | 13,393 | 33,461 | 27,999 | 31,000 |
| 402-402-537-80-470 | Utilities | 2,246 | 2,114 | 2,077 | 1,983 | 2,000 |
| 402-402-537-80-480 | Repair and Maintenance | 224 | 2,919 | 9,061 | 2,068 | 3,000 |
| 402-402-537-80-490 | Miscellaneous | 2,434 | 1,725 | 2,490 | 3,503 | 2,600 |
| 402-402-537-80-510 | Intergovernmental – Recycle | 139,141 | 113,943 | 143,516 | 147,135 | 150,000 |
| 402-402-537-80-500 | Intergovernmental – Disposal | 188,400 | 191,316 | 182,982 | 183,098 | 192,000 |
| 402-402-537-80-520 | Taxes – Excise | 30,728 | 30,282 | 30,050 | 28,402 | 30,000 |
| 402-402-594-80-620 | Capital Outlay – Buildings | 0 | 2,040 | 0 | 1,510 | 0 |
| 402-402-594-80-640 | Capital Outlay – Equipment | 18,605 | 19,009 | 14,009 | 0 | 10,000 |
| 597-30-000 | Operating Transfer Out – 104 | 79,639 | 75,000 | 31,000 | 50,000 | 60,000 |
| 402-402-597-50-010 | Operating Transfer Out – 001 | 0 | 0 | 16,803 | 16,803 | 16,803 |
| 402-402-597-50-010 | Operating Transfer Out – 114 | 3,710 | 17,434 | 16,000 | 16,000 | 16,000 |
| | Total Expenditures | 758,397 | 724,903 | 738,656 | 758,383 | 775,397 |

406 Stormwater Operating Fund

There are several funds that provide for stormwater related functions. The operating fund covers the day to day repair and maintenance of the stormwater system. The reserve funds are for future stormwater projects and equipment. The construction fund is used to track capital projects.



The City owns, operates and maintains the drainage, or storm water system, consisting of conveyance assets (pipes, culverts, catch basins, and inlets), storm water ponds, and storm water treatment facilities.

The City has approximately 82,000 linear feet (15.5 miles) of storm water system pipes and major culverts. Approximately 820 catch basins and 160 inlets are located throughout the service area (from City of Sultan Comprehensive Plan updated September 25, 2008). Grass-lined ditches are also part of the storm water collection system.

In addition to the conveyance assets, the City owns and maintains infiltration facilities and retention ponds. Approximately thirteen (13) such facilities are owned and operated by the City. There are numerous privately-owned storm water facilities scattered throughout the City of Sultan service area including approximately 44 privately-owned ponds in the Sultan Urban Growth Area (UGA).

Purpose of the Stormwater Utility

The purpose of the stormwater operating fund is to promote quality control of storm water in the City. The fund is used to maintain the City's storm water conveyance and treatment facilities and construct stormwater capital projects such as the detention facility for Sultan Basin Road Phase III. Ordinance 985-08 was adopted in 2008 to establish the stormwater utility and Ordinance 986-08 set storm water utility rates through 2012.

A stormwater utility is essentially a special assessment district designed to generate funding specifically for surface water management. Users within the district pay a surface water fee, and the revenue generated directly supports maintenance and upgrades of existing storm drain systems; development of drainage plans, flood control measures, and water-quality programs; administrative costs; and construction of major capital improvements. Unlike a storm water program that draws on the general tax fund or uses property taxes for revenue, the people who benefit are the only ones who pay.

Surface water management within the City is governed by federal, state, regional, county and City laws including the Clean Water Act, Endangered Species Act, the Growth Management Act, Shoreline Management Act, State Environmental Policy Act, Storm Water Management Performance Standards, and Puget Sound Water Quality Action Plan.

There are a number of state statutes that pertain either directly or indirectly to the City's authority to form a surface water utility. One of the more broad based statutes pertains to municipal utilities in general and states that a code City may provide utility service within and outside its City limits and this includes the exercise of all powers to the extent authorized by law (RCW 35A.80.010).

2016 Stormwater Revenues

The stormwater fee is based on the relative contribution of increased surface and storm water runoff from a given parcel to the storm water system.

The percentage of impervious surfaces on the parcel and the total parcel acreage is used to indicate the relative contribution of increased surface and storm water runoff from the parcel to the stormwater system.

The relative contribution of increased storm water runoff from each parcel will determine that parcel's share of the Storm water utility fee revenue needs.

The Storm water utility fee revenue needs of the utility are based upon all or any part, as determined by the Council, of the cost of storm water services or to pay or secure the payment of all or any portion of any issue of general obligation or revenue bonds issued for such purpose.

For the City of Sultan, the calculated Equivalent Residential Unit (ERU) is 4,519 square feet. A single-family residential home is equal to 1 ERU regardless of impervious surface. Of the 14 jurisdictions examined in the phone survey for the initial rate study, Sultan's ERU was the second highest. This is largely due to the rural nature of residential properties and the number of barns and outbuildings.

Stormwater Fund Rate Schedule

Ordinance setting stormwater rates will expire in May 2016.

Monthly Rate Schedule per Tax Parcel

| Residential | 6/1/2013 | 6/1/2014 | 6/1/2015 | 6/1/2016 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
| Single Family | \$9.25/mo | \$9.53/mo | \$9.81/mo | \$10.11/mo |
| Low Income Senior | \$4.63/mo | \$4.77/mo | \$4.91/mo | \$5.06/mo |
| 2-3-4 family residential | \$9.35/mo | \$9.63/mo | \$9.92/mo | \$10.22/mo |

2016 Stormwater Expenditures

The Stormwater Fund has a \$20,060 surplus in 2016.

Salaries and benefits are decreased by \$24,326 in 2016.

Professional services in 2016 are budgeted for legal counsel, the Washington State auditor, and street sweeping disposal services.

As the City moves forward, the stormwater rates will need to be raised to be able to afford the design and construction of stormwater and flood prevention projects, and to incorporate state mandated Low Impact Development requirements.

Stormwater Operating Budgeted Expenditures 2012-2016

| Expenditures | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------|-----------------|------------------|------------------|------------------|------------------|
| Salaries | \$19,649 | \$81,313 | \$75,845 | \$83,305 | \$67,459 |
| Benefits | \$6,305 | \$32,797 | \$34,485 | \$41,680 | \$33,200 |
| Operating Supplies | \$3,684 | \$9,820 | \$6,700 | \$6,400 | \$6,650 |
| Other Services | \$18,125 | \$34,319 | \$26,184 | \$31,894 | \$28,594 |
| Intergovernmental | \$2,709 | \$2,700 | \$0 | \$2,700 | \$2,700 |
| Capital Outlay | \$33 | 0 | 0 | \$5,000 | \$0 |
| Operating Transfer Out | \$39,539 | \$40,736 | \$19,737 | \$9,601 | \$36,101 |
| Total Expenditures | \$90,043 | \$201,685 | \$162,951 | \$180,580 | \$174,704 |

Stormwater Capital Budget

Per the 2008 Comprehensive Plan update, the City conducted a conveyance capacity analysis on the major storm trunk lines and culverts. This analysis showed where drainage facilities are under-capacity in existing conditions and showed what assets should be upgraded to meet future needs. The City of Sultan has adopted a storm conveyance level of service of the 25-year storm peak flow for new pipes, ditches, and culverts and a 10-year storm peak flow for existing pipes, ditches, and culverts. A listing of the capital projects intended to address these current and future needs is included in the Stormwater Capital Budget (Fund 410).

City staff recommend focusing the storm water capital budget on constructing a new culvert on Dyer Road at Wagley Creek (Project E-16B) to reduce flooding and improve fish passage. The design is approximately 90 percent complete. City staff will work to secure grant funding to construct the project in 2016.

Goals and Accomplishments

As a part of the annual budget process, each department establishes goals for upcoming year. At the end of the year, a review is completed to determine if the goals were met.

2016 Goals

- Continue to seek grant funding to replace the culvert at Wagley Creek on Dyer Road.
- Continue to vactor catch basins and conveyance systems on a regular schedule.
- Develop a detention pond maintenance program.
- Use regular maintenance and small public works projects to reduce localized flooding

2015 Accomplishments

| Goals | Status |
|--|---|
| Finalize design and permitting for replacing the culvert at Wagley Creek on Dyer Road and pursue grant funding for construction. | Design work is 90 percent complete at the end of 2015. Staff is seeking funding for construction in 2016. |
| Continue to vactor catch basins and conveyance systems on a regular schedule. | Vactored catch basins and conveyance systems throughout the City. |
| Use regular maintenance and small public works projects to reduce localized flooding. | Ongoing. |

406 Stormwater System Operating 2016 Budget

| | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 406-000-308-80-000 | Beginning Fund Balance | 66,020 | 69,367 | 18,616 | 92,305 | 0 |
| 406-000-343-50-000 | Stormwater Utility Fee | 150,169 | 163,084 | 165,910 | 172,106 | 175,164 |
| 406-000-361-11-000 | Investment Interest | 306 | 89 | 89 | 393 | 200 |
| 406-000-397-10-100 | Operating Transfer In | 0 | 0 | 0 | 0 | 0 |
| | Total Revenues | 216,494 | 232,540 | 184,615 | 264,804 | 175,364 |

| | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|----------------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 406-406-531-10-100 | Salaries and Wages | 77,239 | 85,724 | 77,912 | 86,735 | 67,459 |
| 406-406-531-10-200 | Benefits | 5,951 | 33,579 | 33,682 | 37,479 | 32,800 |
| 406-406-531-10-220 | Uniforms | 354 | 483 | 217 | 319 | 400 |
| 406-406-531-10-310 | Operating Supplies | 772 | 1,097 | 1,608 | 526 | 2,500 |
| 406-406-531-10-320 | Office Supplies | 415 | 316 | 14 | 162 | 500 |
| 406-406-531-10-350 | Small Tools/Minor Equipment | 389 | 404 | 859 | 1,555 | 1,150 |
| 406-406-531-10-360 | Vehicle Operation Maintenance | 154 | 684 | 386 | 1,348 | 2,000 |
| 406-406-531-10-370 | Vehicle Repair | 1,954 | 229 | 301 | 799 | 500 |
| 406-406-531-10-410 | Professional Service | 5,503 | 495 | 0 | 0 | 14,500 |
| 406-406-531-10-420 | Communication | 1,485 | 1,328 | 1,543 | 1,754 | 1,800 |
| 406-406-531-10-430 | Travel and Seminars | 1,172 | 769 | 298 | 556 | 1,190 |
| 406-406-531-10-450 | Rentals | 5,047 | 11,004 | 976 | 781 | 600 |
| 406-406-531-10-460 | Insurance | 4,762 | 10,209 | 9,013 | 8,724 | 9,000 |
| 406-406-531-10-470 | Utilities | 0 | 0 | 0 | 0 | 0 |
| 406-406-531-10-480 | Repair and Maintenance | 116 | 332 | 211 | 639 | 1,320 |
| 406-406-531-10-490 | Miscellaneous | 40 | 50 | 279 | 1,909 | 184 |
| 406-406-531-10-510 | State Excise Tax | 2,709 | 2,695 | 2,487 | 2,608 | 2,700 |
| 406-406-594-10-640 | Capital Outlay – Equipment | 33 | 2,040 | 0 | 1,707 | 0 |
| 406-406-597-50-020 | Operating Transfer – 410 Capital | 28,700 | 28,632 | 10,136 | 0 | 17,000 |
| 406-406-597-60-030 | Operating Transfers Out – 114 | 3,712 | 10,104 | 4,000 | 4,000 | 4,000 |
| 406-406-597-20-010 | Operating Transfer Out – 001 | 0 | 0 | 5,601 | 5,601 | 5,601 |
| 406-406-597-20-010 | Operating Transfer Out – 501 | 7,127 | 23,000 | 0 | 0 | 9,500 |
| | Total Expenditures | 147,633 | 213,174 | 149,524 | 157,202 | 174,704 |

2016 BUDGET



CHAPTER 4 DEBT SERVICE FUNDS

DEBT SERVICE FUNDS

Contents:

- Debt Service Summary
- Debt Service Schedule
- 203 Limited GO Tax Bond Fund
- 205 Limited GO Police Bond Fund
- 207 LID Bond Fund
- 403 Water/Sewer Revenue Bond Fund
- 412 Water Debt Service Fund
- 413 Sewer Debt Service Fund

2016 BUDGET SUMMARY

| Fund | Fund Name | Resources | Expense |
|------|-------------------------|-------------|-------------|
| 203 | Limited Tax Bond GO | \$150,300 | \$150,150 |
| 205 | Unlimited Tax GO Bond | \$31,203 | \$31,203 |
| 207 | LID Guaranty Fund | \$289,000 | \$289,000 |
| 403 | Water Revenue Bond Fund | \$345,700 | \$345,700 |
| 412 | Water System Debt Fund | \$125,864 | \$125,864 |
| 413 | Sewer System Debt Fund | \$181,757 | \$181,757 |
| | Totals | \$1,123,824 | \$1,123,674 |

CITY DEBT:

The City has General Obligation debt bonds for construction of the Community Center issued in 1999 and Police Equipment. The City pledged 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 Public Works Trust Fund (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 for rate payments, connection fees and reserve funds.

In 2014, the City issued \$2,870,000 in Water/Sewer Revenue bonds. The proceeds of the Bonds will be used to finance the costs of the following improvements to the System: (a) replace the sanitary sewer main and side sewer services, and water main and services beneath High Avenue from 1st Street to 4th Street; (b) replace the sanitary sewer main and side sewer services, the water main and services beneath 4th Street from Alder Avenue to Fir Avenue. The storm drainage system will also be improved in strategic spots to improve drainage; (c) replace the existing Booster Pump Station with a new facility; (d) the purchase of a generator, motor control center,

and telemetry panel including electrical engineering for the Sanitary Sewer Main Pump Station; and (e) replace the sanitary sewer main and side services and the water main and services beneath Alder Avenue from 5th to 8th Street.

COUNCIL POLICY:

In 2010 through 2015, the Council made a policy decisions to reduce outstanding debt and limit capital projects. The reduction of current debt left the city with “borrowing capacity” to proceed with water and sewer capital projects in 2014.

The following actions were taken in 2011 through 2013:

1. The Cashmere Valley Bank loan in the amount of \$360,000 for the sewer centrifuge project was paid in full.
2. Additional principle payments of \$20,000 each year were made to the Department of Ecology for the Stormwater Plan. This loan was for a stormwater study completed in 2005 and was placed on a 20 year payment plan. The Council decided that loans for study plans and design phase loans should not exceed a five year repayment plan and established a budget to pay the loan in full by 2015. The original maturity date for the loan was 2024. Payments were made by the Sewer Fund prior to the establishment of the Stormwater Fund. The loan has been paid in full.
3. The city refinanced the Water/Sewer Revenue bonds achieving a \$41,783 savings in interest over the last six years of the bond.
4. The city paid off a \$1,000,000 Public Works Trust Fund loan for the Wastewater Treatment Plan design in 2012. The major issue for 2011 and 2012 was the requirement to pay the balance on the PWTF loan for the Waste Water Treatment Plant (WWTP) design. The loan was restructured in 2010 to add one year to the payment schedule. This reduced the annual payment by \$100,000. The city paid the loan in full in 2012.
5. LID 97-1 City Obligations:

City Owned Properties:

The city owns three properties subject to LID 97-1 – the Park and Ride; Cemetery ball field and the former dump site located off Cascade View Drive. The total assessment on these parcels was \$136,998. The payoff amount for principle and interest in 2012 was \$207,401.23. The properties are owned by the General fund, Cemetery fund and Garbage fund. The assumption has been that the Sewer Operating fund would be responsible for the payment of the LID assessments because these are sewer bonds not general obligation bonds. At the February 4, 2013 meeting, the Council passed Resolution 12-30 to have the General fund and Garbage fund pay the assessment on properties owned by those funds. The assessment on the Cemetery property was paid by the Sewer fund. All city assessments were paid in full in 2014.

Wold Properties:

The city assumed the LID payments for the seven Wold properties in exchange for the easement for the sewer line. These were the only properties the city had to pay for easement for the sewer LID project. All other easements were dedicated to the city at no cost. The total assessments on the Wold parcels are \$95,209. The payoff amount is

\$144,136.87 for principle and interest. The acquisition of these assessments was for the purpose of easements for the sewer line and must be paid by the sewer utility.

The total payoff amount was \$351,538. Paying of the assessments in accordance with the policy adopted under Resolution 12-03 saved rate payers \$120,000 over the remaining 9 years of the bonds. All assessment were paid in full in 2014.

The City has reduced the outstanding principle on debt service payment by \$5,303,876 since January 2010. The following table shows the reduction by debt service type:

| | 01/2010 Outstanding Debt | New Issue | 2010 Total Debt | 1/1/2016 Outstanding Balance | Total Debt Reduction |
|-------------------------------|--------------------------------|-------------|--------------------|------------------------------------|-------------------------|
| General Obligation | | | | | |
| Community Center | \$1,010,000 | \$0 | \$1,010,000 | \$420,000 | \$590,000 |
| Police Bond | \$325,000 | \$0 | \$325,000 | \$220,000 | \$105,000 |
| | | | | | |
| Revenue Debt | | | | | |
| Refund W/S Bonds | \$725,000 | \$0 | \$725,000 | \$125,000 | \$600,000 |
| 2014 Issue | \$0 | \$2,870,000 | \$2,870,000 | \$2,795,000 | \$75,000 |
| | | | | | |
| PWTF Loans | | | | | |
| Water | \$1,080,381 | \$0 | \$1,080,381 | \$408,154 | \$672,227 |
| Sewer | \$2,945,594 | \$0 | \$2,945,594 | \$913,945 | \$2,031,649 |
| | | | | | |
| LID Bonds | \$2,665,000 | \$0 | \$2,665,000 | \$1,435,000 | \$1,230,000 |
| | | | | | |
| Total Debt Outstanding | \$8,750,975 | \$2,870,000 | \$11,620,975 | \$6,317,099 | \$5,303,876 |

Debt Limits:

The city must consider several factors prior to assuming additional debt to assure they do not exceed the legal limits or constitutional limits of indebtedness. The source of funding such as state or federal loans considered to be general obligation debt may cause the city to exceed the debt limits.

Many government loans (including Public Works Trust Fund loans) are not considered a “debt” because utility revenues will pay the debt service. Those loans are outside both the statutory and constitutional debt limit calculations. Debt is defined as borrowed money payable from taxes.

Legal Limits of Indebtedness: (RCW 39.36.020 and RCW 35.42.200)

1. Indebtedness for general purposes without a vote of the people:

Legal limit: 1.5 percent of the value of taxable property for counties, cities and towns.

2. Indebtedness for general purposes with a 3/5 vote of the people:

Legal limit: 2.5 percent of the value of taxable property for counties, cities and towns.

3. Indebtedness for city of town utility purposes with a 3/5 vote of the people:

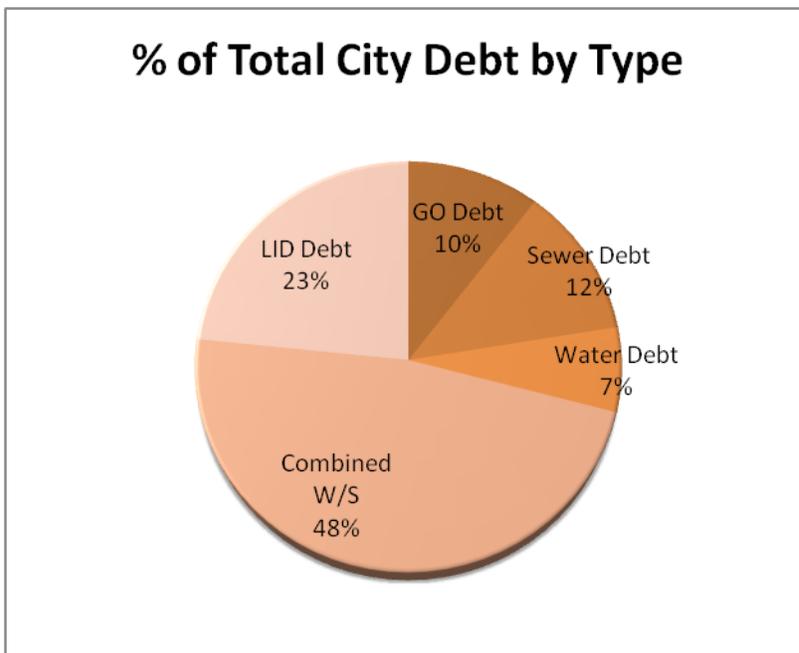
Legal limit: 2.5 percent of the value of taxable property.

4. Indebtedness for open space, park facilities, and capital facilities associated with economic development with a 3/5 vote of the people (applies to cities and towns only):

Legal Limit: 2.5 percent of the value of taxable property.

| City of Sultan Schedule of Limitation of Indebtedness As of December 31, 2015 | | | Remaining Debt Capacity |
|--|----------------------|--|--|
| Total Taxable Property Value | \$368,901,951 | | |
| 2.5% General purpose limit is allocated between: | 9,222,549 | | |
| Up to 1.5% debt without a vote | 5,533,529 | | |
| Less: Outstanding Debt | 545,000 | | |
| Less: Excess of Debt with a Vote | 0 | | |
| Add: Available Assets | 297,665 | | |
| Equals remaining debt capacity without a vote | | | \$5,286,194 |
| Up to 2.5% debt with a vote | 8,975,214 | | |
| Less: Outstanding Debt | 240,000 | | |
| Add: Available Assets | 17,794 | | |
| Equals remaining debt capacity with a vote | | | \$8,753,008 |
| 2.5% Utility purpose limit, voted | 9,222,549 | | |
| Less: Outstanding Debt | | | |
| Less: Contracts Payable | | | |
| Add: Available Assets | | | |
| Equals remaining debt capacity- Utility purpose, voted | | | \$9,222,548.78 |
| 2.5% Open Space, park & capital facilities, voted | 9,222,549 | | |
| Less: Outstanding Debt | | | |
| Less: Contracts Payable | | | |
| Add: Available Assets | | | |
| Equals remaining debt capacity - Open space, park & capital facilities voted | | | \$9,222,548.78 |

| | Balance 1/1/2013 | Balance 1/1/2014 | Balance 1/1/2015 | Balance 1/1/2016 | 2016 Principle | 2016 Interest | 2016 Total |
|--|---------------------|---------------------|---------------------|---------------------|-------------------|------------------|------------------|
| GO DEBT SERVICE SCHEDULE | | | | | | | |
| GO Bonds Community Center | 750,000 | 650,000 | 540,000 | 420,000 | 130,000 | 19,750 | 149,750 |
| GO Police Bonds | 280,000 | 260,000 | 240,000 | 220,000 | 20,000 | 10,803 | 30,803 |
| Total GO Debt | 1,030,000 | 910,000 | 780,000 | 640,000 | 150,000 | 30,553 | 180,553 |
| SEWER DEBT SERVICE SCHEDULE | | | | | | | |
| PW 596-790-056 Sewer Plant Upgrade | 430,702 | 323,027 | 215,351 | 107,676 | 107,676 | 1,077 | 108,753 |
| PW 04-691-064 Sewer I & I Project | 838,315 | 768,453 | 698,594 | 628,735 | 69,859 | 3,144 | 73,003 |
| Total Sewer Service Debt | 1,269,017 | 1,091,480 | 913,945 | 736,411 | 177,535 | 4,221 | 181,756 |
| WATER DEBT SERVICE SCHEDULE | | | | | | | |
| Total PW 98-791-063 | 249,302 | 207,751 | 166,201 | 124,651 | 41,550 | 3,740 | 45,290 |
| SFF 97-78-897-076 Water Filtration Plant | 342,883 | 285,736 | 228,589 | 171,441 | 57,147 | 6,858 | 64,005 |
| PW 02-691-PRE 119 Regional Water Supply line | 160,087 | 144,079 | 128,070 | 112,063 | 16,009 | 560 | 16,569 |
| Total Water Service Debt | 752,272 | 637,566 | 522,860 | 408,155 | 114,706 | 11,158 | 125,864 |
| COMBINED WATER/SEWER DEBT SERVICE | | | | | | | |
| Water/Sewer Revenue Bonds | 485,000 | 365,000 | 245,000 | 125,000 | 125,000 | 1,250 | 126,250 |
| 2014 Water/Sewer Revenue Bonds | 0 | 0 | 2,870,000 | 2,795,000 | 120,000 | 99,050 | 219,050 |
| Total Combined W/S Debt | 485,000 | 365,000 | 3,115,000 | 2,920,000 | 245,000 | 100,300 | 345,300 |
| LID DEBT SERVICE | | | | | | | |
| LID 97-1 | 1,845,000 | 1,640,000 | 1,435,000 | 1,435,000 | 205,000 | 78,823 | 283,823 |
| Total LID Debt | 1,845,000 | 1,640,000 | 1,435,000 | 1,435,000 | 205,000 | 78,823 | 283,823 |
| TOTAL DEBT SERVICE | 5,381,289 | 4,644,046 | 6,766,805 | 6,139,566 | 892,241 | 225,055 | 1,117,296 |



| Total City Debt | | % |
|------------------------|--------------------|------|
| GO Debt | \$640,000 | 0.10 |
| Sewer Debt | \$736,411 | 0.12 |
| Water Debt | \$408,155 | 0.07 |
| Combined W/S | \$2,920,000 | 0.48 |
| LID Debt | \$1,435,000 | 0.23 |
| Total City Debt | \$6,139,566 | |

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203 Limited GO Tax Bond Fund

The General Obligation Tax bonds for the Community Center/Library are a General Fund obligation. In 1999 the City issued bonds for the construction of the Community Center/Library. This was a council approved bond issue, not a voted issue. The bonds final maturity date is December 2018.

The bond payments must be made from property taxes, real estate excise tax (REET 1) funds or other general fund sources. In 2016, \$75,000 of property taxes will be used make the payments and revenues from Real Estate sales (REET 1) (\$75,000) reserve are sufficient to make the bond payments.

In 2011, the city researched the feasibility of a refinance of the bonds to reduce the interest costs. The bonds are not callable and the refinance was not possible.

2016 Budget

| 203 LIMITED GO TAX BOND FUND | | | | | | |
|-------------------------------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
| 203-000-308-80-000 | Beginning Fund Balance | 46 | 414 | 2,222 | 10,358 | 0 |
| 203-000-311-10-000 | Property Taxes | 109,443 | 101,662 | 128,688 | 115,304 | 75,000 |
| 203-000-361-11-000 | Investment Interest | 229 | 223 | 25 | 36 | 300 |
| 203-000-397-20-000 | Operating Transfer In | 25,000 | 35,000 | 20,000 | 30,000 | 75,000 |
| | | 134,718 | 137,299 | 150,935 | 155,698 | 150,300 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|-----------------------|----------------|----------------|----------------|----------------|----------------|
| 203-203-514-20-410 | Professional Services | 302 | 302 | 302 | 479 | 400 |
| 203-203-591-15-710 | Bond - Principal | 95,000 | 100,000 | 110,000 | 120,000 | 130,000 |
| 203-203-592-15-800 | Bond - Interest | 39,003 | 34,775 | 30,275 | 25,270 | 19,750 |
| | | 134,304 | 135,077 | 140,577 | 145,749 | 150,150 |

Outstanding Debt Payment Schedule

| Community Center Bonds | | | | | |
|-------------------------------|-----------|-------------|-------------|-------------|------------------|
| Payment Schedule | | 2016 | 2017 | 2018 | Total Due |
| GO Bonds Community Center | Principle | 130,000 | 140,000 | 150,000 | 420,000 |
| Non Voted Issue | Interest | 19,750 | 13,705 | 7,125 | 40,580 |
| | Total | 149,750 | 153,705 | 157,125 | 460,580 |

205 Police GO Bond Fund

In 2005 the City issued bonds to pay for the 800 MHz communication system and for capital improvements to the Police Station. This was a voted issue and an additional levy on property located within the city limits. The bonds final maturity date is December 2024.

Ordinance 1204-14 was adopted as part of the budget process to levy the required taxes to meet the annual payment.

2016 Budget:

203 POLICE GO BOND FUND

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 205-000-308-80-000 | Beginning Fund Balance | 25,909 | 22,632 | 18,612 | 18,263 | 0 |
| 205-000-311-11-000 | Property Tax | 25,877 | 29,538 | 32,432 | 31,682 | 30,803 |
| 205-000-361-11-000 | Investment Interest | 107 | 97 | 44 | 65 | 400 |
| | | 51,894 | 52,267 | 51,088 | 50,010 | 31,203 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 205-205-514-20-410 | Professional Services | 302 | 302 | 302 | 479 | 400 |
| 205-205-591-21-700 | Bond Payment - Principal | 15,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 205-205-592-21-800 | Bond Payment - Interest | 13,960 | 13,353 | 12,523 | 11,673 | 10,803 |
| | | 29,262 | 33,655 | 32,825 | 32,151 | 31,203 |

Outstanding Debt Payment Schedule

| Police Equipment Bonds | | | | | | |
|-------------------------------|--------------|------------------|------------------|------------------|-------------------|-------------------|
| Payment Schedule | | 2016 | 2017 | 2018 | 2019-24 | Total Due |
| GO Bonds Police Equipment | Principle | 20,000.00 | 20,000.00 | 20,000.00 | 160,000.00 | 220,000.00 |
| Voted Issue | Interest | 10,802.50 | 9,912.50 | 9,002.50 | 29,493.00 | 59,210.50 |
| | Total | 30,802.50 | 29,912.50 | 29,002.50 | 189,493.00 | 279,210.50 |

207 LID Bond Fund

The LID Bond payments are made by the benefited property owners who receive annually billing statements in December. The City may call bonds on an annual basis and the payments may be higher or lower than projected based on the amount of principle funds collected. The principle payments have been paid in full through 2012.

The LID (Local Improvement District) project is a sewer line from the Sultan Basin Road to Rice Road that was constructed in 1997 that runs parallel to Wagley Creek. The total cost of the project was \$3,691,618.

Payments on the bonds are from assessment against the benefitted properties. The first billing for assessments was done in December 2003. The LID payments are for 18 years and are considered a lien against the property. Final maturity date for the bond is 2021.

In February 2012, the Council passed Resolution 12-03 setting a payment schedule for the city's obligation under LID 97-1. The city assessments were paid in full in 2014.

2016 Budget

207 LID GUARANTY AND BOND FUND

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| 207-000-308-80-000 | Beginning Fund Balance | 422,149 | 361,269 | 297,857 | 313,785 | 117,189 |
| 207-000-361-11-000 | Penalties | 5,266 | 0 | 1,096 | 0 | 1,000 |
| 207-000-359-90-100 | Investment Interest | 895 | 685 | 856 | 1,520 | 800 |
| 207-000-361-40-000 | Interest Payments | 67,313 | 43,170 | 50,872 | 30,859 | 47,733 |
| 207-000-368-10-000 | Special Assessments – LID 97-1 | 112,578 | 86,814 | 119,258 | 151,321 | 122,278 |
| | | 608,201 | 491,938 | 469,939 | 497,484 | 289,000 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|---------------------|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| 207-207-514-201-410 | Professional Services | 1,565 | 3,690 | 1,877 | 9,123 | 4,000 |
| 207-207-591-35-790 | Principal – Special Assessment | 205,000 | 205,000 | 205,000 | 0 | 205,000 |
| 207-207-592-35-820 | Interest – Special Assessment | 109,368 | 99,528 | 89,278 | 78,825 | 80,000 |
| | | 315,933 | 308,218 | 296,155 | 87,948 | 289,000 |

Outstanding Debt Payment Schedule

| LID 97-1 | | 2015 | 2016 | 2017 | 2018-21 | Total Due |
|----------|-----------|---------|---------|---------|---------|-----------|
| | Principle | 205,000 | 205,000 | 205,000 | 820,000 | 1,435,000 |
| | Interest | 79,000 | 80,000 | 80,000 | 109,266 | 269,266 |
| | Total | 284,000 | 285,000 | 285,000 | 929,266 | 1,704,266 |

403 Water/Sewer Revenue Bond Fund

Water/Sewer Revenue Bonds were issued in 1996 to fund system improvements. The assets of the Water and Sewer Utility Funds were pledged as security for the bonds. The funding source for the bond payment is transfer from the Water and Sewer Utility Funds. Each fund will contribute \$50,000 towards bond payments. Water and Sewer revenue bonds were used to fund Main Street and Eighth Street main line upgrades and replacement. The bonds will mature in 2016.

The City refinanced the bonds which lowered the interest payments in 2012-2016. The overall savings on the refinancing was \$41,783.

In 2014, the city issues \$2,870,000 in Water/Sewer Utility Bonds to finance the Booster Pump Station, Lift Station upgrades and water, sewer and storm lines on Alder, 4th and High streets.

For 2015 and 2016, the city will make payments on the Water/Sewer Revenue bond refinanced issue and the new 2014 Water/Sewer Revenue bond issue.

2016 Budget

403 WATER REVENUE BOND FUND

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| 403-000-308-80-000 | Beginning Fund Balance | 57,351 | 74,767 | 75,414 | 2,088,122 | 0 |
| 403-000-361-11-000 | Investment Interest | 188 | 167 | 7,275 | 1,054 | 400 |
| 403-000-391-20-000 | Bond Proceeds | 0 | 0 | 2,981,720 | 0 | 0 |
| 403-000-397-30-300 | Operating Transfer In (400/401) | 130,000 | 127,000 | 100,000 | 343,400 | 345,300 |
| | | 187,539 | 201,934 | 3,164,409 | 2,432,575 | 345,700 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|-----------------------|----------------|----------------|----------------|----------------|----------------|
| 403-403-514-20-410 | Professional Services | 320 | 0 | 10,481 | 958 | 400 |
| 403-403-591-80-720 | Bond – Principal | 105,000 | 120,000 | 120,000 | 195,000 | 245,000 |
| 403-403-592-80-830 | Bond – Interest | 7,454 | 6,520 | 5,230 | 147,891 | 100,300 |
| 403-403-597-00-100 | Transfer Out | 0 | 0 | 940,576 | 1,799,920 | 0 |
| | | 112,774 | 126,520 | 1,076,287 | 2,143,769 | 345,700 |

Outstanding Debt Payment Schedule – Refunded Issue

| Refunded Bonds | | 2016 | Total Due |
|--------------------------------|-----------|----------------|------------------|
| W/S Revenue Bonds | Principle | 125,000 | 125,000 |
| (Refunded bonds) | Interest | 1,250 | 1,250 |
| Total Revenue Bond Debt | | 126,250 | 126,250 |

Outstanding Debt Payment Schedule – 2014 Issue

| Water/Sewer Revenue Bonds | | | | | | |
|----------------------------------|-----------|----------------|----------------|----------------|------------------|---------------------|
| 2014 Issue | | 2016 | 2017 | 2018 | 2019-33 | Total Due |
| W/S Revenue Bonds | Principle | 120,000 | 120,000 | 125,000 | 2,430,000 | 2,795,000.00 |
| | Interest | 99,050 | 96,650 | 94,250 | 907,700 | 1,197,650.00 |
| Total Revenue Bond Debt | | 219,050 | 216,650 | 219,250 | 3,337,700 | 3,992,650.00 |

412 Water Debt Service Fund

The purpose of this fund is to provide for the payment of debt service incurred by the Water Utility System for capital projects. The fund has outstanding debt for the previous the connection to the Everett Waterline and for the second reservoir at the Water Treatment Plant.

In prior years, the funding for debt service has been from new connections. The debt service payments will need to be made from the operating fund (Water Utility Fund – 400). The Public Works Trust Fund (PWTF) loan documents pledge the assets of the Water Utility for repayment of the loan.

2016 Budget

412 WATER SYSTEM DEBT FUND

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| 412-000-308-80-000 | Beginning Fund Balance | 35,810 | 32,575 | 32,945 | 33,024 | 10,000 |
| 412-000-361-11-000 | Investment Interest | 78 | 70 | 79 | 49 | 0 |
| 412-000-397-10-100 | Operating Transfer In | 137,000 | 137,000 | 133,088 | 109,478 | 115,864 |
| | | <u>172,888</u> | <u>169,645</u> | <u>166,112</u> | <u>142,551</u> | <u>125,864</u> |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| 412-412-591-34-780 | State Revolving Fund Principal | 57,147 | 57,147 | 57,147 | 57,148 | 57,147 |
| 412-412-591-34-781 | PWTF Loan Principle | 57,559 | 57,559 | 57,559 | 57,559 | 57,559 |
| 412-412-592-34-831 | State Revolving Fund Interest | 9,606 | 13,715 | 11,429 | 8,674 | 6,858 |
| 412-412-592-34-830 | PWTF Loan Interest | 16,001 | 8,279 | 6,953 | 5,627 | 4,300 |
| | | <u>140,313</u> | <u>136,701</u> | <u>133,088</u> | <u>129,008</u> | <u>125,864</u> |

Outstanding Debt Payment Schedule

| WATER DEBT SERVICE SCHEDULE | | 2016 | 2017 | 2018 | 2019-22 | Total Due |
|---------------------------------|-----------|----------------|----------------|----------------|---------------|----------------|
| PW 98-791-063 | Principle | 41,550 | 41,550 | 41,550 | 0 | 124,651 |
| Water Reservoir | Interest | 3,740 | 2,493 | 1,247 | 0 | 7,479 |
| | Total | 45,290 | 44,043 | 42,797 | 0 | 132,130 |
| SFF 97-78-897-076 | Principle | 57,147 | 57,147 | 57,147 | 0 | 171,441 |
| Water Filtration Plant | Interest | 6,858 | 4,572 | 2,286 | 0 | 13,715 |
| | Total | 64,005 | 61,719 | 59,433 | | 185,157 |
| PW 02-691-PRE 119 | Principle | 16,009 | 16,009 | 16,009 | 64,036 | 112,063 |
| Regional Water Supply line | Interest | 560 | 480 | 400 | 800 | 2,241 |
| | Total | 16,569 | 16,489 | 16,409 | 64,836 | 114,303 |
| | | | | | | |
| Total Water Service Debt | | 125,864 | 122,251 | 118,639 | 64,836 | 431,590 |

413 Sewer Debt Service Fund

The purpose of this fund is to provide for the payment of debt service incurred by the Sewer Utility System for capital projects. The fund has outstanding debt for the 1996 expansion of the existing Wastewater Treatment Plant, the I & I Reduction program and for the current design phase of the proposed expansion to the Wastewater Treatment Plant.

The funding for debt service is from current customers (\$18 of each monthly payment is allocated to debt service) and from new connections. For 2015, the debt service payments will all be made from the operating fund (Sewer Utility Fund – 401). The PWTF loan documents pledge the assets of the Sewer Utility for repayment of the loan.

The Council enacted a sewer rate increase for 2011 and 2012 to cover the debt service. In 2011, the increase was \$6.64 per month to generate an additional \$107,066 in revenues. In 2012, the increase will be \$3.00 per month to generate an additional \$46,800 in revenues. There was no rate increase for 2013.

In 2011 through 2013, the Council increased the annual principle payment for the Department of Ecology SRF loan by \$20,000. The 2015 budget provided for a payoff of the loan in 2015. The original maturity date was November 2024.

2016 Budget

413 SEWER SYSTEM DEBT FUND

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| 413-000-308-80-000 | Beginning Fund Balance | 68,995 | 69,396 | 70,913 | 72,594 | 0 |
| 413-000-361-11-000 | Investment Interest | 167 | 151 | 174 | 188 | 0 |
| 413-000-397-10-100 | Operating Transfer In | 425,700 | 216,032 | 194,744 | 183,182 | 181,757 |
| | | 494,862 | 285,579 | 265,831 | 255,964 | 181,757 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| 431-413-591-35-700 | PWTF Principal Payment | 385,868 | 177,535 | 177,535 | 177,535 | 177,536 |
| 431-413-591-35-780 | State Revolving Fund Principal | 27,483 | 27,953 | 8,217 | 21,474 | 0 |
| 413-413-592-35-831 | State Revolving Fund Interest | 1,148 | 679 | 415 | 161 | 0 |
| 413-413-592-35-830 | PWTF Interest | 10,966 | 8,499 | 7,073 | 5,176 | 4,221 |
| | | 425,466 | 214,666 | 193,239 | 204,346 | 181,757 |

Outstanding Debt Payment Schedule – Sewer

| SEWER DEBT SERVICE SCHEDULE | | 2016 | 2017 | 2018-24 | Total Due |
|------------------------------------|-----------|----------------|---------------|----------------|------------------|
| PW 596-790-056 | Principle | 107,676 | 0 | 0 | 107,676 |
| Sewer Plant Upgrade | Interest | 1,077 | | | 1,077 |
| | Total | 108,752 | 0 | 0 | 108,752 |
| | | | | | |
| PW 04-691-064 | Principle | 69,859 | 69,859 | 489,016 | 628,734 |
| Sewer I & I Project | Interest | 3,144 | 2,794 | 9,780 | 15,718 |
| | Total | 73,003 | 72,654 | 498,796 | 644,453 |
| | | | | | |
| Total Sewer Service Debt | | 181,756 | 72,654 | 498,796 | 753,205 |

2016 BUDGET



CHAPTER 5 CAPITAL BUDGET

2016 CAPITAL BUDGETS

CONTENTS:

CAPITAL BUDGET OVERVIEW

- 117 TIMBER RIDGE SETTLEMENT FUND
 - 303 STREET IMPROVEMENT FUND
 - 305 PARK SYSTEM IMPROVEMENT FUND
 - 407 SEWER SYSTEM IMPROVEMENT FUND
 - 409 WATER SYSTEM IMPROVEMENT FUND
 - 410 STORMWATER SYSTEM IMPROVEMENT FUND
- MATRIX OF PROPOSED PROJECTS

2016 BUDGET SUMMARY

| Fund | Fund Name | Resources | Expense |
|------|------------------------------------|-------------|-------------|
| 117 | Timber Ridge Settlement | \$20,000 | \$20,000 |
| 303 | Street Improvement Fund | \$557,200 | \$492,200 |
| 305 | Park Improvement Fund | \$1,048,003 | \$1,048,003 |
| 407 | Sewer System Improvement Fund | \$509,000 | \$509,000 |
| 409 | Water System Improvement Fund | \$901,000 | \$901,000 |
| 410 | Stormwater System Improvement Fund | \$17,000 | \$0 |
| | Totals | \$3,052,203 | \$2,970,203 |

2016 Capital Budget

The attached 2016 Capital Budget outlines the proposed project expenditures and funding sources for the capital projects the city will work on in the coming year. Capital project expenditures for 2016 must be included in the city's adopted 2016 Budget.

The Council has reviewed the proposed capital project expenditures and available revenues. The proposed expenditures are from existing and available resources. The ending fund balances are sufficient to start the 2016-2021 6-Year Capital Improvement Plan (CIP).

2016-2017 CAPITAL PROJECTS

| Street & Transportation Improvements | |
|--|------------------------|
| Street chip seal project | \$12,000.00 |
| 4th & 5th Street Reconstruction Design (US 2 to Alder) | \$48,600.00 |
| 4th & 5th Street Reconstruction & CM (US 2 to Alder) | \$372,600.00 |
| 4th Street Overlay Design (Fir to High) | \$23,240.00 |
| 4th Street Overlay Construction & CM (Fir to High) | \$179,630.00 |
| 3rd Street Repair | \$10,000.00 |
| 3rd Street Reconstruction Design (US 2 to High) | \$145,000.00 |
| 3rd Street Reconstruction & CM (US 2 to High) | \$990,000.00 |
| Sultan River Bridge Design | \$55,000.00 |
| Sultan River Bridge Construction & CM | \$3,400,000.00 |
| US 2 Pathway (Albion to Marcus) | \$150,000.00 |
| Speed Cushions | \$3,000.00 |
| Sultan Basin Road – Raised Pavement Markers | \$1,000.00 |
| Water System Improvements | |
| Gohr Road Water Main Design | \$19,000.00 |
| Gohr Road Water Main Construction & CM | \$83,000.00 |
| Booster Pump House Upgrade Construction & CM | \$1,627,800.00 |
| 135th Street SE Water Main Design | \$23,000.00 |
| 135th Street SE Water Main Construction & CM | \$101,000.00 |
| 4th & 5th Street Reconstruction Water Improvements | \$30,000.00 |
| 4th Street Overlay Water Improvements | \$126,000.00 |
| 3rd Street Reconstruction Water Improvements | \$450,000.00 |
| Rebuild Upflow Clarifier | \$70,000.00 |
| Sultan Bridge Water Design | \$5,000.00 |
| Sultan Bridge Water Main Construction & CM | \$174,000.00 |
| PRV Station Replacement Design | \$7,500.00 |
| PRV Station Replacement | \$75,000.00 |
| Sewer System Improvements | |
| Lift Station Upgrade | \$698,500.00 |
| I & I Program | \$150,000.00 |
| 4th & 5th Street Reconstruction Improvements | \$15,000.00 |
| 4th Street Overlay Sewer Improvements | \$86,000.00 |
| 3rd Street Reconstruction Sewer Improvements | \$350,000.00 |
| Oxidation Ditch Rotor | \$80,000.00 |
| Rotary Fine Screen Replacement | \$85,000.00 |
| De-Gritter Replacement | \$80,000.00 |
| Sultan Bridge Sewer Design | \$8,000.00 |
| Sultan Bridge Sewer Construction & CM | \$249,000.00 |
| Park Improvements | |
| Sultan River Trail Design | \$75,000.00 |
| Sultan River Trail Land Purchase | \$324,000.00 |
| Storm Water Improvements | |
| Dyer Rd Culvert Replacement | \$400,000.00 |
| 2016-2017 TOTAL EXPENDITURES | \$10,781,870.00 |

Grants

Although the City may receive grant funding in a particular year, it typically takes two years to complete the grant paperwork and begin the design process. Construction usually follows in the second or third year following the grant award.

2016 Projects Funding

| Project | Funding Source | 2016 Funding | Project Date |
|---|---------------------|------------------|--------------|
| 4th & 5th Street Reconstruction– US2 to Alder | TIB Grant | \$400,140 | 2016 |
| Pedestrian Bridge Design | Proviso & STP Grant | \$517,229 | 2016 |
| Total | | \$917,369 | |

2015 Completed Capital Projects

| Project | Phase | Project Completed |
|--|--------------|-------------------|
| Date Avenue Reconstruction | Construction | 2015 |
| Everett Intertie | Construction | 2015 |
| Waste Water Treatment Plant Energy Conservation Measures 1, 2, 3 & 4 | Construction | 2015 |

2016 Capital Budget Revenues and Expenditures

Real Estate Excise Tax (REET)

REET 1 (first ¼% real estate excise tax revenue). The Revised Code of Washington 82.46 authorizes a real estate excise tax levy of 1/4% (REET 1). REET 1 funds may be used "for any capital purpose identified in a capital improvements plan and local capital improvements, including those listed in RCW 35.43.040."

RCW 35.43.040 lists local improvements that can be funded through a local improvement district (LID), including streets, parks, sewers, water mains, swimming pools and gymnasiums, etc. The legislature clarified its original intent that "local capital improvements" was intended to include the acquisition of real and personal property associated with such local capital improvements. This means that land acquisition for parks is a permitted expenditure.

REET 2 (second 1/4% real estate excise tax revenue). 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. REET 2 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.

Sultan has levied two 1/4% real estate excise taxes. Each 1/4% should yield approximately \$30,000 in revenue annually. REET 1 revenue is allocated to the Capital Projects Fund and REET 2 revenue is allocated to the special capital projects fund (created for REET 2 in 2007).

Real Estate Excise Tax

| 2016 Revenues | REET 1 | REET 2 |
|------------------------|------------------|------------------|
| 2016 Beginning Balance | \$73,418 | \$135,169 |
| 2016 Revenues | \$50,000 | \$50,000 |
| Total Revenues | \$123,418 | \$185,169 |

| 2016 Expenditures | | |
|--------------------------|---------------|------------------|
| Street Projects | \$ | \$80,000 |
| Community Center Debt | \$75,000 | |
| Ending Balance | 48,418 | \$104,169 |

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 was increased in 2008 from \$1,837 per PM peak hour trip to \$4,350.

The Transportation Impact Fee fund used the remaining balance of \$25,380 in 2011 as city's match for the Sultan Basin Road Phase III. The beginning fund balance in 2016 is \$226,603. Current budget assumptions is the city will issue thirty nine (39) single-family residential building permits for new construction or eligible commercial permits in 2016.

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. In 2008, the fee was decreased to \$3,175 to account for one community park estimated to cost approximately \$7.5 million.

The Park Impact Fee fund has a balance of \$14,156. The estimated revenue from this fee is expected to be \$123,825 in 2016 and is based on the assumption there will be thirty nine (39) single-family residential building permits for new construction or eligible commercial permits in 2016. The city plans to spend moneys on park acquisition costs in 2016 from the Conservation Futures grant for a trail between Riverfront and Osprey parks.

Transportation and Park Impact Fees

| 2016 Revenues | Transportation Impact Fee | Park Impact Fee |
|------------------------|---------------------------|------------------|
| 2016 Beginning Balance | \$226,603 | \$144,156 |
| 2016 Revenues | \$205,608 | \$123,825 |
| Total Revenues | \$432,211 | \$267,981 |

| 2016 Expenditures | | |
|-------------------------------|------------------|------------------|
| Street Projects | \$0 | |
| Park Acquisition/Construction | | \$75,000 |
| Ending Balance | \$432,211 | \$192,981 |

CR Reserve Sewer Fund

The Reserve Sewer 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 system.

The Reserve Sewer Fund receives revenues from connection fees (General Facilities Charge) and transfers from the Sewer Operation Fund. The Reserve Sewer Fund started 2015 with \$123,205 and collected \$614,711 in revenues from investment interest and facility charges. The city is anticipating collecting thirty nine (39) sewer connection fees in 2016.

Ordinance 1116-11 increased the sewer connection fee from \$11,282 to \$12,895 in 2012 to capture current rate payer's investment in the centrifuge and other plant improvements.

For the 2016 budget, 100% of the general facilities charge collected will be used for capital projects to upgrade the existing waste water treatment plant.

CR (Reserve) Water Fund

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

Ordinance 1124-11 adopted on November 10, 2011, decreased the water connection fee from \$6,199 to \$3,694 to reflect the increase in the number of connections available from the Everett Intertie. A rate study is planned for 2016 as part of the 2016 Water System Plan update.

The fund started 2015 with \$425,985 and collected \$622,102 in revenues, from timber sales and water facility charges. The city is anticipating thirty nine (39) water connection fees in 2016.

The water projects being funded are:

- Gohr Road Water Main (\$25,000 match)
- Booster Pump Station Upgrade
- 4th & 5th Street Reconstruction Water Improvements
- Rebuild Upflow Clarifier
- Sultan River Bridge water design
- PRV No. 1 Replacement

Note that the 4th Street Overlay Water Improvements originally planned for 2016 were contingent on receiving Transportation Improvement Board grant funding. The anticipated grant was not awarded. Water funds budgeted for this project are available for the 4th and 5th Street Reconstruction Water Improvements in case of a budget overrun.

Water and Sewer Reserve Funds

| 2016 Revenues | Sewer Capital | Water Capital |
|--------------------------|----------------------|----------------------|
| 2016 Beginning Balance | \$379,916 | \$950,086 |
| 2016 Revenues | \$502,905 | \$144,066 |
| Total Revenues | \$882,821 | \$1,094,152 |
| 2016 Expenditures | | |
| Sewer Projects | \$486,133 | \$0 |
| Water Projects | | \$509,000 |
| Ending Balance | \$396,688 | \$585,152 |

Storm Water Capital Reserve

The Storm Water Reserve Fund receives transfers from the Storm Water Utility (operating) Fund for the planning, acquisition, construction, reconstruction, repair, rehabilitation, and improvement of surface water or storm water facilities. The Utility went into effect in January 2009.

The Storm Water Capital Reserve Fund started 2011 with \$65,000 and received a \$31,000 transfer from the operating fund. The reserve fund will begin 2016 with \$0.

Table 6 – Storm Water Capital Reserve

| 2016 Revenues | Storm Water Capital Reserve |
|-----------------------------|------------------------------------|
| 2016 Beginning Balance | \$0 |
| 2016 Revenues | \$17,000 |
| Total Revenues | \$17,000 |
| 2016 Expenditures | |
| Dyer Rd Culvert Replacement | \$0 |
| Ending Balance | \$17,000 |

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 electric, gas and telephone utility tax and beginning fund balance from the police equipment replacement fund.

Building improvements are budgeted in the building maintenance and repair fund and are not included in the capital budget.

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117 TIMBER RIDGE SETTLEMENT FUND

The Timber Ridge Settlement Fund was established in 2012 to track the insurance funds and expenditures connected to infrastructure failure in the Timber Ridge Plat.

City staff initially noticed significant road and sidewalk damage apparently due to a slope failure on 141st Street SE when responding to complaints of illegal dumping in December 2010. Staff contacted Insko Dico, the bonding company who held the maintenance bond to conduct a site inspection.

In addition to the sidewalk and roadway damage noted on 141st Street SE, new earth slide activity on the south side of 142nd Street SE was noted.

Insko Dico made a decision to forfeit the entire penal sum of the Maintenance Bond. In December 2011, City Attorney Margaret King negotiated a final settlement with Insko Dico to pay the City \$467,438.00.

The City is currently contracted with WHPacific and Robinson-Noble (WHPacific's geotechnical consultant) to conduct engineering and survey studies to further understand the ongoing issues and to provide recommended solutions. Robinson-Noble has conducted a thorough review of previously prepared geotechnical reports, construction field reports and inclinometer data.

WHPacific has inspected the storm drainage and sanitary sewer systems for movement. They have also surveyed property corners, monuments, sewer manhole rims and invert elevations to compare to the as-built survey data to determine if movement is occurring.

The Council repealed the emergency moratorium and passed Ordinance 1197-14 adopting a Geologically Hazardous Areas code on June 26, 2014 to allow applications for building permits.

The City retained LPD Engineering and Robinson Noble in 2015 to design a repair for the failed 141st Street SE cul-de-sac damage. Carman's Construction was awarded the contract and completed construction in 2015. Resolution 11-01 which closed 141st Street SE until the repair was complete will need to be repealed in 2016.

2016 Budget

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|-------------|-------------|-------------|-------------|--------------|
| 117-000-308-80-000 | Beginning Fund Balance | \$0 | \$351,012 | \$320,444 | \$304,115 | \$20,000 |
| 117-000-361-11-000 | Investment Interest | \$0 | \$683 | \$730 | 212 | |
| 117-000-397-10-000 | Operating Transfer In | \$468,283 | \$0 | \$0 | 0 | |
| | Total Resources | \$468,283 | \$351,695 | \$321,174 | \$304,327 | \$20,000 |

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|-------------------------|-------------|-------------|-------------|-------------|--------------|
| 117-117-594-10-410 | Professional - Engineer | \$117,271 | \$31,252 | \$17,059 | \$60,554 | \$20,000 |
| 117-117-594-10-640 | Construction | | \$0 | \$0 | \$185,638 | \$0 |
| | Total Expense | \$117,271 | \$31,252 | \$17,059 | \$246,191 | \$20,000 |

305 Park Improvement Fund

(Previously Fund 105)

Park impact fees provide the majority of city funding for new parks, open-space and trail systems. The current park impact fee is \$3,175 per dwelling unit. The city worked with Snohomish County in 2015 to reduce the population allocation which was successful. The city will need to re-evaluate future park needs now that the population allocation process is complete.

The Parks Capital Budget is built on the assumption the city will issue thirty nine (39) single family residential building permits in 2016. The City currently has approximately \$144,155 in park impact fees to use as the city's match for the grants.

The has received a \$324,600 grant from Conservation Futures to purchase property for a trail between Riverfront Park and Osprey Park. The city will complete the acquisition in 2016 and has funding from a RCO grant for the construction of the trail. The City also received funding under a FEMA Buyout Mitigation grant to purchase flood property on Dyer Road.

2016 Budget

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|----------------|----------------|----------------|----------------|-----------------|
| 305-000-308-10-000 | Beginning Fund Balance | \$864 | \$30 | \$281 | \$0 | \$0 |
| 305-000-361-11-000 | Investment Interest | \$0 | \$1 | \$2 | \$0 | \$0 |
| 305-000-369-90-010 | Grants - RCO/FEMA/CF | \$0 | \$250 | \$0 | \$324,600 | \$973,003 |
| 305-000-397-10-000 | Operating Transfer In | \$3,200 | \$0 | \$20,000 | \$75,000 | \$75,000 |
| | Total Resources | \$4,064 | \$281 | \$20,283 | \$399,600 | \$1,048,003 |

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|----------------------|----------------|----------------|----------------|----------------|-----------------|
| 305-305-594-60-410 | Professional Service | \$4,034 | \$0 | \$19,424 | \$0 | \$0 |
| 305-305-594-60-610 | Park Improvements | \$0 | \$0 | \$0 | \$399,600 | \$1,048,003 |
| | Total Expense | \$4,034 | \$0 | \$19,424 | \$399,600 | \$1,048,003 |

303 Transportation Improvement Fund

The Transportation Improvement Fund is used to track capital street and sidewalk improvements. In 2016, projects will include design and construction of street improvements on Date Avenue from 4th to 5th Place, 3rd Street repair, Sultan Basin Road Raised Pavement Markers, 1st Street speed cushions, design and construction of the pedestrian bridge and minor repair work.

In the past, the city has used a combination of operating revenues, grants and impact fees for new street construction and major street repairs.

The transportation impact fee is \$4,350. There is \$226,603 in the transportation impact fee fund. Transportation impact fees are restricted to projects that add capacity to the city's roadway system. Impact fees may not be used for operating or maintaining the city's transportation facilities. The 2016 transportation improvement plan is built with the assumption that the city will issue thirty nine (39) single family residential building permits.

Over the past decade, the city has deferred maintenance on its streets as traditional revenue sources have declined. Several city streets including Eighth, Main, East Main, Marcus, Murphy, 10th Street and others are beginning to seriously fail. Local access streets have not been regularly maintained in over a decade although the chip seal was applied to High Avenue in 2011 and Main Street in 2012. The cost of the chip seal program is approximately \$12,000 annually. Chip seal is only appropriate for streets where the sub-grade is still in good condition.

The city council has discussed establishing a Transportation Benefit District (TBD). Depending on the funding source, a TBD could generate between \$50,000 and \$75,000. The funds could be used to leverage debt financing or as the city's match for grant funded projects.

2016 Street (Transportation) Improvement Plan

For the last decade, the city has focused on signaling key intersections with US 2 including Old Owen Road, Fifth Street, and Sultan Basin Road. Phase III of the Sultan Basin Road project was completed in July 2012.

In 2012, the Washington State Department of Transportation completed construction of a round-about at the intersection of US 2 and Rice Road.

In 2011, the City revised the Capital Facilities Element and Transportation Element of its 2004 Comprehensive Plan. Transportation capital projects are generated out of the 20-year list of projects included in the 2011 Revised Transportation Element. The funded projects included in the six-year Transportation Improvement Plan (TIP) are included in the six-year Capital Improvement Plan adopted by the City Council during the budget process.

The importance of the Sultan TIP is, in most cases, projects must be included on the Local TIP to be eligible for state and federal grant programs. The proposed Local TIP includes several projects that would compete well against state and federal grant program criteria. Funding for street improvements comes from Transportation Impact Fees and grants.

In the past, the city has spent considerable effort constructing new transportation facilities. The 2016 street capital budget recognizes the need to invest in repairing the city's existing street facilities. The following transportation projects are planned for 2016:

- 4th & 5th Street Reconstruction:
 - The transportation improvements are grant funded through the Transportation Improvement Board. The sanitary sewer and water construction are included in the 2016 Capital Budget.
- Street chip seal project
 - A street will be selected for the City's annual chip seal project. This project will be funded using reserve funds.
- 3rd Street Repair
 - This project is planned for 2016 and will be funded using reserve funds.
- Speed Cushions
 - This project is planned for 2016 and will be funded using reserve funds.
- Sultan Basin Road Raised Pavement Markers (RPMs)
 - This project is planned to add raised pavement markers to the striping on the recently completed Sultan Basin Road Overlay project. This project will be funded using reserve funds.

In the past, the city has spent considerable effort constructing new transportation facilities. The 2016 street capital budget recognizes the need to invest in repairing the city's existing street facilities.

The following transportation projects were completed in 2015:

- Date Avenue from 4th Street to 150 feet east of 5th Place
- Continued with the Adopt a Street program.
- Continued street sign replacement and maintenance program.

2016 Budget

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 303-000-308-80-000 | Beginning Fund Balance | \$72,785 | -\$37,408 | \$0 | \$0 | \$0 |
| 303-000-334-20-200 | WSDOT - Funding | \$496,660 | \$398,098 | \$860,759 | \$22,177 | \$55,000 |
| 303-000-333-03-600 | TIB Funding | \$294,309 | \$111,702 | \$840,383 | \$363,497 | \$421,200 |
| 303-000-334-14-210 | HUD Funds | \$189,600 | \$69,856 | \$111,900 | \$113,616 | \$0 |
| 303-000-369-90-000 | Miscellaneous Income | \$0 | \$3,206 | \$170,186 | \$78 | \$0 |
| 303-000-397-10-100 | Operating Transfer In | \$88,000 | \$59,867 | \$940,576 | \$185,000 | \$81,000 |
| | Total Resources | \$1,141,354 | \$605,321 | \$2,923,804 | \$684,368 | \$557,200 |

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|-----------------------|---------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| 303-303-595-10-410 | Engineering | \$36,608 | \$518,831 | \$209 | \$40,727 | \$55,000 |
| 303-303-595-10-412 | Sultan Basin Road | \$25,130 | \$0 | \$11,378 | \$0 | \$0 |
| 303-303-595-10-490 | Miscellaneous | \$39,461 | \$581 | \$1,246 | \$715 | \$0 |
| 303-303-595-30-630 | Street Construction | \$801,131 | \$302,008 | \$932,223 | \$153,782 | \$421,200 |
| 303-303-595-30-631 | Street Construction | \$15,807 | \$8,757 | \$1,721,858 | \$388,852 | \$0 |
| 303-303-595-31-630 | Street Construction | \$260,652 | \$3,238 | \$144,691 | \$901 | \$16,000 |
| | Total Expense | \$1,178,789 | \$833,415 | \$2,811,605 | \$584,978 | \$492,200 |

407 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.

In the past, 60% of the revenues from new connection fees (general facility charge) were dedicated to sewer system improvements. The remaining 40% of the fees were used to pay for debt service. 100% of the general facilities charge collected will be used to upgrade the existing waste water treatment plant, the existing main pump station and force main, and to upgrade the sewer conveyance system to improve infiltration and inflow issues.

The general facility charge increased from \$11,282 to \$12,895 on November 10, 2011. The City anticipates collecting thirty nine (39) general facility charges in 2016. A rate study is planned in 2016 as part of the 2016 General Sewer Plan Update.

Capital projects in 2016 will focus on short term improvements to the Waste Water Treatment Plant, the lift station, and replacing portions of the sewer main in 4th & 5th Street from US 2 to Alder Avenue.

SEWER CAPITAL BUDGET

The sewer capital fund is used to fund capital improvement projects. The City constructed short term improvements at the Wastewater Treatment Plant from 2011 to 2013. Specifically, additional Archimedes screw pumps to improve redundancy and capacity, and additional banks of ultraviolet lights to improve water quality. The project was funded by a \$335,000 legislative proviso and completed in 2012.

In 2014, the sanitary sewer system was replaced in Alder Avenue from 5th Street to 8th Street, in High Avenue from 1st Street to 4th Street, and cured-in-place liner was installed in the existing sewer system in 4th Street from Fir Avenue to Alder Avenue.

In 2015, the sanitary sewer system in Date Avenue from 4th Street to 150 feet east of 5th Place was upgraded with both lining and replacement.

In 2015, the City retained Trane to accomplish four Energy Conservation Measures at the Wastewater Treatment Plant.

- ECM 1 – 2nd Oxidation Ditch Mixer
- ECM 2 – Oxidation Ditch Control Aerator to Dissolved Oxygen Setpoint
- ECM 3 – Operations Building Heat Pump Replacement
- ECM 4 – WWTP Exterior Lighting

Sewer System Improvements

- Lift Station Upgrade
 - The construction is proposed to be primarily loan or grant funded, and is dependent on receiving construction funding for the Sultan River Pedestrian Bridge.
- Infiltration and Inflow Study/Improvements
 - This project is proposed to be funded using Sewer Capital Funds.
- 4th & 5th Street Reconstruction (4th Street to 5th Place)
 - Construction of the sewer improvements are provided in the 2016 Capital Budget.
- 4th Street Overlay (Fir to High)
 - Construction of the sewer improvements are provided in the 2016 Capital Budget. Note that this project is contingent on the City receiving a Transportation Improvement grant. The grant was not awarded. Funds budgeted for this project in 2016 are available for other capital projects should the need arise.
- Sultan River Pedestrian Bridge
 - The design is 90 percent complete with construction planned for summer 2016 or 2017, contingent on receiving construction funding. The construction of the sewer related elements are to be funded using Sewer Capital Funds.
- Rotary Fine Screen Replacement
 - The rotary fine screen at the Wastewater Treatment Plant is planned to be replaced in 2016. The funds for the improvement are provided in the 2016 Capital Budget.
- Oxidation Ditch Rotor
 - The oxidation ditch rotor at the Wastewater Treatment Plant is planned to be replaced in 2016. The funds for the improvement are provided in the 2016 Capital Budget.
- De-gritter Replacement
 - The de-gritter at the Wastewater Treatment Plant is planned to be replaced in 2016. The funds for the improvement are provided in the 2016 Capital Budget.

Sewer Capital Fund

The following projects are proposed to be funded using City Sewer Capital Funds in 2016:

| | |
|--|------------------|
| Infiltration & Inflow Study/Improvements | \$150,000 |
| 4th and 5th Street Sewer Improvements | \$20,000 |
| 4th Street Overlay Sewer Improvements | \$86,000 |
| WWTP Rotary Fine Screen Replacement | \$85,000 |
| WWTP Oxidation Ditch Rotor | \$80,000 |
| WWTP De-gritter Replacement | \$80,000 |
| Sultan Bridge Sewer Design | \$8,000 |
| Total | \$509,000 |

The following funds are currently available:

| | | |
|-----|--------------------------------|-----------|
| 404 | Sewer Reserve Fund | \$379,916 |
| 407 | Sewer System Improvements Fund | \$446,391 |
| 401 | Sewer Operating Fund | \$613,920 |

To provide adequate funding for the capital projects, staff is proposing the following:

- Transfer \$70,000 from the Sewer Operating Fund to Fund 407 (Sewer System Improvement Fund).
- Transfer \$486,133 from the Sewer Reserve Fund to the Sewer System Improvement Fund
- After the proposed transfers, the Sewer System Improvement Fund will have a balance of \$1,042,266.

The \$1,042,266 in Fund 407 is adequate to fund the proposed capital improvements of \$509,000. The Sewer System General Facilities charges for new sewer connections were not factored in to be conservative.

2016 Budget

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------|----------------|----------------|----------------|----------------|-----------------|
| 407-000-308-10-000 | Beginning Fund Balance | \$5,560 | \$377 | \$55,987 | \$133,972 | \$0 |
| 407-000-333-03-100 | DOE Grant | \$305,757 | \$29,291 | \$0 | \$196,583 | \$0 |
| 407-000-361-11-000 | Investment Interest | \$0 | \$13 | \$322 | \$1,628 | \$0 |
| 407-000-369-90-000 | Miscellaneous | \$15,000 | \$0 | \$13,145 | \$0 | \$0 |
| 407-000-397-00-000 | Operating Transfer In | \$0 | \$50,000 | \$65,000 | \$669,920 | \$509,000 |
| | Total Resources | \$326,317 | \$79,681 | \$134,454 | \$1,002,103 | \$509,000 |

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|----------------------------|----------------|----------------|----------------|----------------|-----------------|
| 407-407-594-35-410 | Professional - Engineering | \$101,061 | \$175 | \$482 | \$83,413 | \$158,000 |
| 407-407-594-35-633 | Construction Projects | \$224,879 | \$23,519 | \$0 | \$472,299 | \$351,000 |
| 407-407-597-55-000 | Operating Transfer Out | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Total Expense | \$325,940 | \$23,694 | \$482 | \$555,712 | \$509,000 |

409 Water System Improvement Fund

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

The fee to connect to the water system decreased under Ordinance 1124-11 from \$6,199 to \$3,694 to reflect the increase in the number of connections available from the Everett Intertie.

The city is anticipating thirty nine (39) water connection fees in 2016. The water capital budget is used to fund capital improvement projects.

Water System Improvements

- Gohr Road Water Main
 - The design and construction will be funded using grant funds from a Community Development Block Grant. The City has pledged \$25,000 in matching funds from the Water Capital Fund.
- Booster Pump House Upgrade
 - The construction of the Booster Pump House Upgrade includes the replacement of pumps, the electrical system, generator, and pump house structure. The design effort is complete and construction is scheduled to start in January 2016. The upgrade effort will be funded using Water Bond proceeds obtained in 2014, and Water Capital Funds budgeted for this project in 2016.
- 4th & 5th Street Reconstruction Water Improvements (US 2 to Alder)
 - This project will be funded using Water Capital Funds.
- 4th Street Overlay (Fir to High)
 - Construction of the water improvements are provided in the 2016 Capital Budget. Note that this project is contingent on the City receiving a Transportation Improvement grant. The grant was not awarded. Funds budgeted for this project in 2016 are available for other capital projects should the need arise.
- Sultan River Pedestrian Bridge
 - The design is 90 percent complete with construction planned for summer 2016 or 2017, contingent on receiving construction funding. The design and construction of the water related elements are to be funded using Water Capital Funds.
- PRV #1 Station Replacement
 - The design and construction of PRV #1 are proposed to be funded using Water Capital Funds.
- Rebuild Upflow Clarifier
 - This project will be funded using Water Capital Funds.

Water Capital Fund

The following projects are proposed to be funded using City Water Capital Funds:

| | |
|---------------------------------------|------------------|
| Gohr Road Water Matching Funds | \$25,000 |
| Booster Pump Station Upgrade | \$491,915 |
| 4th & 5th Street Reconstruction Water | \$30,000 |
| 4th Street Overlay Water Improvements | \$126,000 |
| Rebuild Upflow Clarifier | \$70,000 |
| Sultan Bridge Water Design | \$24,000 |
| PRV #1 Design & Construction | \$82,500 |
| Total | \$830,415 |

To provide adequate funding for the capital projects, staff is proposing the following:

- The Water Reserve Fund has an available balance of \$950,087. Staff is proposing to leave \$150,000 in the Reserve Fund. Thirty nine (39) new water connections are projected to add approximately \$144,000.

The \$901,000 in Fund 409 is adequate to fund the proposed capital improvements of \$830,415.

2016 Budget

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|----------------------------|-----------------|------------------|-----------------|--------------------|------------------|
| 409-000-308-80-000 | Beginning Fund Balance | \$53,397 | \$62,518 | \$172 | \$19,044 | \$0 |
| 409-000-334-04-200 | Leg Proviso – Lake 16 | \$8,584 | \$0 | \$0 | \$0 | \$0 |
| 409-000-334-14-200 | CDBG Funds | \$0 | \$0 | \$10,761 | \$0 | \$77,000 |
| 409-000-361-11-000 | Investment Interest | \$151 | \$0 | \$46 | \$4,199 | \$0 |
| 409-000-367-11-000 | Contributions | \$8,388 | \$3,694 | \$7,388 | \$0 | \$0 |
| 409-000-397-10-100 | Operating Transfer In | \$25,000 | \$109,000 | \$18,500 | \$1,500,000 | \$824,000 |
| | Total Resources | \$95,519 | \$175,212 | \$36,867 | \$1,523,243 | \$901,000 |
| 409-409-594-34-410 | Professional – Engineer | \$0 | \$0 | \$76 | \$127,253 | \$24,000 |
| 409-409-594-34-600 | Construction – Water Lines | \$20,126 | \$107,341 | \$17,746 | \$244,006 | \$877,000 |
| 409-409-594-34-630 | Construction – other | \$12,875 | \$67,699 | \$0 | \$921 | \$0 |
| | Total Expense | \$33,001 | \$175,040 | \$17,822 | \$372,180 | \$901,000 |

410 Surface Water Capital Reserve

The Storm Water Reserve Fund receives transfers from the Storm Water Utility (operating) Fund for the planning, acquisition, construction, reconstruction, repair, rehabilitation, or improvement of surface water or storm water facilities. The Utility went into effect in January 2009.

The city completed several projects in 2011 and 2012 including the Wisteria Culvert Repair, Evacuation Trail Repair and Sultan Basin Road Storm Water facility and storm line replacements on 2nd Street.

In 2016, there are no capital projects planned due to lack of funding. The Dyer Road Culvert replacement design is 90% complete. Construction is currently unfunded and the City is seeking grants to complete the project.

2016 Budget

| Account Number | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Adopted |
|--------------------|------------------------------|----------------|----------------|----------------|----------------|-----------------|
| 410-000-308-10-000 | Beginning Fund Balance | \$56,898 | \$4,947 | \$636 | \$0 | \$0 |
| 410-000-361-11-000 | Investment Interest | \$12 | \$0 | \$0 | \$0 | \$0 |
| 410-000-397-10-000 | Operating Transfer In | \$0 | \$23,000 | \$2,500 | \$0 | \$17,000 |
| | Total Resources | \$56,910 | \$27,947 | \$3,136 | \$0 | \$17,000 |
| | Capital Projects - | | | | | |
| | Engineering | | | | | |
| 410-410-594-35-410 | Engineering | \$28,418 | \$27,311 | \$2,649 | \$0 | \$0 |
| 410-410-594-35-630 | Storm Infrastructure Project | \$46 | \$0 | \$118 | \$0 | \$0 |
| 410-410-597-55-000 | Operating Transfer Out | \$23,500 | \$0 | \$0 | \$0 | \$0 |
| | Total Expense | \$51,963 | \$27,311 | \$2,767 | \$0 | \$0 |

STORM WATER CAPITAL BUDGET

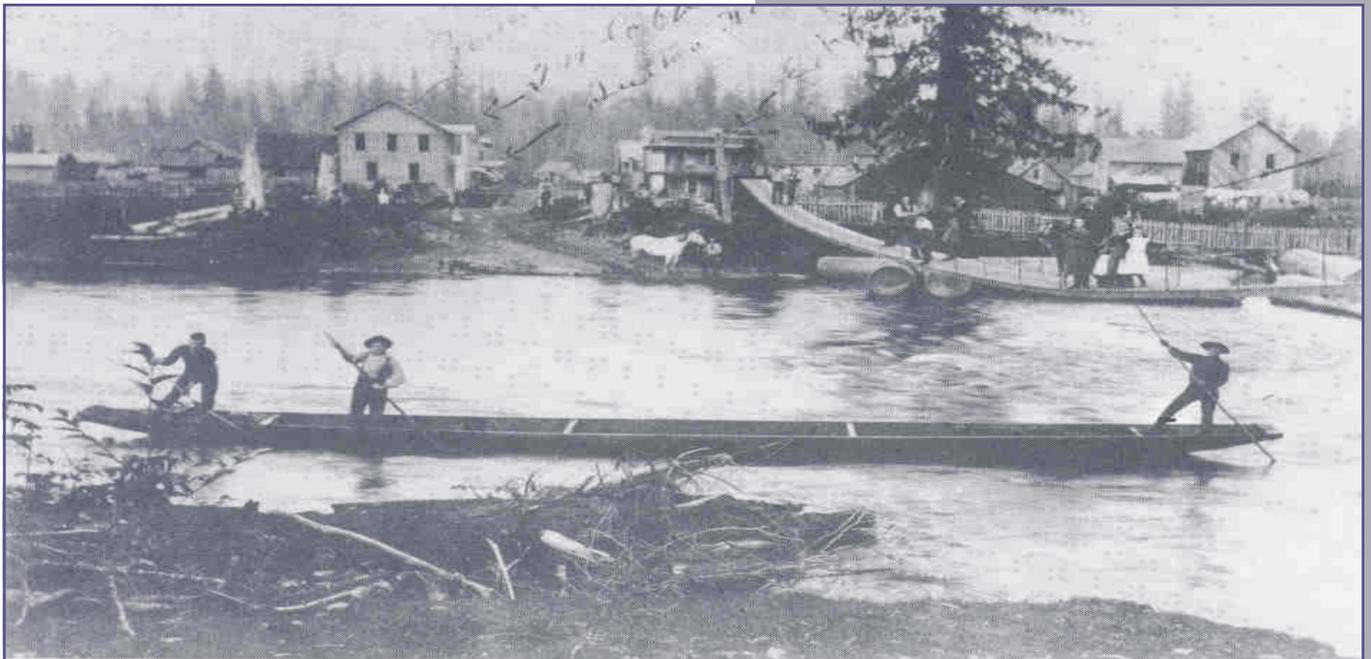
Per the 2011 Comprehensive Plan update, the City conducted a conveyance capacity analysis on the major storm trunk lines and culverts. This analysis showed where drainage facilities are under-capacity under existing conditions and showed what assets should be upgraded to meet future needs. The City of Sultan has adopted a storm conveyance level of service of the 25-year storm peak flow for new pipes, ditches, and culverts and a 10-year storm peak flow for existing pipes, ditches, and culverts. Table 4 contains a listing of the capital projects intended to address these current and future needs.

City staff recommend focusing the storm water capital budget on constructing a new culvert on Dyer Road at Wagley Creek (Project E-16B) to reduce flooding and improve fish passage. The 2012 capital budget allocated 30,000 for design and permitting for this project, and finalizing the design and permitting in 2014 for an additional \$30,000. The overall project cost is approximately \$464,000. City staff will work to secure grant funding for the project in 2016.

Storm Water System Capital Projects for Existing and Future Conditions

| Project No. | Description | Cost (2010 dollars) |
|-------------|--|---------------------|
| C-2 | Date and 3rd standing water | 55,500 |
| C-3 | Birch and 3rd infiltration | 24,500 |
| C-6a | Main Street, 1st to 5th, storm water retrofit | 36,600 |
| C-6b | Regional Water Quality Facility for central Sultan (study only) | 60,000 |
| C-7/ C-14 | Murphy Way entrance standing water and flooding | 35,200 |
| C-8 | 5th Place and 6th Street, gravel road and drainage sedimentation | 70,400 |
| C-10 | Cul-de-sac at Dyer Road, standing water | 5,100 |
| C-12 | Culvert at Bus Maintenance Drive for School | 1,500 |
| C-15 | 2nd and Cedar, standing water | 24,600 |
| C-16 | 1st and Date, standing water | 7,000 |
| C-17 | 2nd and Birch, standing water | 24,600 |
| C-18 | High Ave. at bus barn entrance, standing water | 13,500 |
| C-20 | 4th and Birch | 28,600 |
| N-2A | 311st and Wisteria Ave. flooding | 23,000 |
| N-4 | Wisteria Ave and Gohr Rd., NE corner ponding | 45,400 |
| W-1 | U.S. 2 illicit discharge in storm system | 16,400 |
| W-3 | Marcus Rd and U.S. 2, sedimentation | 6,600 |
| E-11 | Cul-de-sac at Dyer Rd, standing water | 10,800 |
| E-12 | Cul-de-sac at Dyer Rd standing water | 9,100 |
| E-16b | Dyer Rd at Wagley's Creek, construct bridge and raise road | 464,2000 |
| E-16c | Dyer Rd, ditches and culverts along road either side of creek | 14,700 |
| SE-1 | Level spreader at 339th and Old Sultan Startup Rd., standing water | 8,800 |
| C-11 | High School South Lot, Filling of Infiltration Ditch | 17,500 |
| C-13 | 1st Street culvert crossing, 200 ft. south of Willow Ave | 4,700 |
| C-19 | 8th Street at Depot Lane regional flooding | 26,700 |
| N-2b | 311st and Wisteria, Winters Creek culvert | 17,800 |
| N-3 | Gohr Rd 310' south of N Park Dr, lot flooding | 41,700 |
| N-5 | Gohr Rd, drainage improvements | 11,900 |
| E-3 | Wagley's Creek crossing at 339th | 44,600 |
| E-8 | 132nd Street, plugged culvert | 2,000 |
| E-10 | E Main Street, drainage problems at Gravel Rd. and new box culvert | 330,000 |
| E-16a | Dyer Road, culverts at Wagely's Creek, debris catchment and overflow | 46,700 |
| E-21 | Foundry Drive, connecting riser and storm conveyance outfall | 295,000 |
| SE-2 | Extend 36 inch culver under U.S. 2, 400 ft east of Shell Station | 273,200 |
| SE-3 | Ditch on south side of U.S. 2, east of Rice Road | 177,700 |
| Total | | 2,275,600 |

2016 BUDGET



Sultan River

CHAPTER 6 RESERVE FUNDS

RESERVE FUNDS

CONTENTS:

| | |
|-----|---------------------------------|
| 501 | C.R. PUBLIC WORK EQUIPMENT FUND |
| 108 | TRANSPORTATION IMPACT FEE FUND |
| 112 | PARK IMPACT FEE FUND |
| 301 | CAPITAL PROJECTS – REET 1 |
| 302 | CAPITAL PROJECTS – REET 2 |
| 404 | C.R. SEWER SYSTEM |
| 405 | C.R. WATER SYSTEM |
| 621 | CEMETERY TRUST |

2016 Budget Summary

| Fund | Fund Name | Resources | Expense | Funds Available 1/1/16 |
|------|-----------------------------|----------------|----------------|---------------------------|
| 501 | C.R. Equipment Fund | \$127,000.00 | \$20,000.00 | \$186,890.00 |
| 108 | Street Impact Fee Fund | \$206,108.00 | \$0.00 | \$226,603.00 |
| 112 | Park Impact Fee Fund | \$124,225.00 | \$75,000.00 | \$144,156.00 |
| 301 | Capital Project Fund REET 1 | \$75,000.00 | \$75,000.00 | \$73,418.00 |
| 302 | Capital Project Fund REET 2 | \$81,000.00 | \$81,000.00 | \$135,169.00 |
| 404 | C.R. Sewer Utility Fund | \$503,405.00 | \$486,133.00 | \$379,916.00 |
| 405 | C.R. Water Utility Fund | \$509,000.00 | \$509,000.00 | \$950,087.00 |
| 621 | Cemetery Trust Fund | \$1,750.00 | \$0.00 | \$113,444.00 |
| | Totals | \$1,627,488.00 | \$1,246,133.00 | \$2,209,683.00 |

The City has several reserve funds that serve as a “savings account” for Operating and Capital Fund budgets. Most of the revenues received for these funds have restricted uses.

The expenditures are in the form of transfers to other funds with the exception of the 501 Public Work Equipment Fund. This fund is used to purchase vehicles for the Public Works departments.

The city changed the fund number on the Equipment Reserve fund from 104 to 501 to comply with the State Auditor’s reporting requirements. Funding received for parks and streets will be considered part of the General Fund. Funding received for utility purposes will be reported under the enterprise funds.

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501 Equipment Reserve Fund

The equipment reserve fund was established to provide funding for vehicles and equipment for the public works department. Operating transfers from the enterprise funds are used to fund equipment replacement purchases.

The Public Works Department has several pieces of equipment to operate and maintain. Staff does an excellent job of making the city equipment last as long as possible. For several years the city has set aside funds for garbage truck replacement. In recent years, the city has implemented an equipment replacement fund by setting aside funds from several departments to purchase equipment to be used in the maintenance and operation of the city.

In 2014 the city purchased of an automated garbage collection system, side arm mower, riding lawn mower, and vactor truck. In 2015, the city purchased a side arm mower for the parks.

\$127,000 is earmarked to be transferred into the equipment replacement fund from various enterprise funds in 2016.

The Garbage Rate Study completed in 2015 incorporated a ten (10) year replacement program for garbage trucks and toters. \$60,000 will be transferred to the reserve in 2016 for garbage equipment replacement.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 501-000-308-80-000 | Beginning Fund Balance | \$382,058 | \$475,879 | \$592,896 | \$130,382 | |
| 501-000-361-11-000 | Investment Interest | \$900 | \$1,017 | \$313 | \$682 | \$0 |
| 501-000-397-10-020 | Operating Transfer In | \$35,000 | \$41,000 | \$42,000 | \$40,500 | \$67,000 |
| 501-000-397-10-100 | Operating Transfer In | \$67,150 | \$75,000 | \$31,000 | \$50,000 | \$60,000 |
| | Total | \$485,108 | \$592,896 | \$666,209 | \$221,564 | \$127,000 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|---------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 501-501-594-80-640 | Capital – Garbage | \$0 | \$0 | \$434,262 | \$0 | \$0 |
| 501-501-594-80-640 | Capital – Equipment | \$9,229 | \$0 | \$101,565 | \$34,674 | \$20,000 |
| | Total | \$9,229 | \$0 | \$535,827 | \$34,674 | \$20,000 |

108 Transportation Impact Fund

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 \$4,350 per PM peak hour trip. Transportation impact fees are used to fund transportation improvements necessitated in whole or part by economic development and growth within the jurisdiction.

There are thirty nine (39) single family building permit anticipated for 2016.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 108-000-308-80-000 | Beginning Fund Balance | \$0 | \$0 | \$1,841 | \$29,956 | |
| 108-000-345-85-100 | Traffic Impact Fees | \$0 | \$1,837 | \$28,043 | \$195,820 | \$205,608 |
| 108-000-361-11-000 | Investment Interest | \$0 | \$4 | \$72 | \$827 | \$500 |
| | Total | \$0 | \$1,841 | \$29,956 | \$226,603 | \$206,108 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 108-108-597-30-000 | Operating Transfer Out | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Total | \$0 | \$0 | \$0 | \$0 | \$0 |

112 Park Impact Fund

The Park Impact Fee was established to set aside money for park facility planning, land acquisition, site improvements, construction, and engineering costs. In 2008, the fee was decreased to \$3,175 to provide for a community park estimated to cost approximately \$7.5 million.

The estimated revenue from impact fees is budgeted to be \$123,825. There are thirty nine (39) single family building permit anticipated in 2016.

The city received a grant from Conservation Futures to purchase property along the Sultan River to build a trail to connect Riverfront Park and Osprey Park. The City received a RCO grant for the trail development along the Sultan River.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 112-000-308-80-000 | Beginning Fund Balance | \$78,709 | \$75,691 | \$76,153 | \$75,685 | |
| 112-000-345-85-100 | Mitigation Fees – Parks | \$0 | \$300 | \$19,350 | \$142,945 | \$123,825 |
| 112-000-361-11-000 | Investment Interest | \$182 | \$162 | \$182 | \$526 | \$400 |
| | Total | \$78,891 | \$76,153 | \$95,685 | \$219,156 | \$124,225 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 112-112-597-30-000 | Operating Transfer Out | \$3,200 | \$0 | \$20,000 | \$75,000 | \$75,000 |
| | Total | \$3,200 | \$0 | \$20,000 | \$75,000 | \$75,000 |

301 Real Estate Excise Tax 1 (REET 1) 302 Real Estate Excise Tax 1 (REET2)

Sultan has levied two 1/4% real estate excise taxes. 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.

REET 1 funds are being used to make the Community Center bond payments.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|----------------------------|-------------|-------------|-------------|-------------|-------------|
| 301-000-308-80-000 | Beginning Fund Balance | \$14 | \$4,114 | \$5,036 | \$19,057 | \$25,000 |
| 301-000-318-34-000 | Real Estate Excise (REET1) | \$29,068 | \$20,912 | \$33,975 | \$84,093 | \$50,000 |
| 301-000-361-11-000 | Investment Interest | \$32 | \$10 | \$46 | \$268 | |
| | Total | \$29,114 | \$25,036 | \$39,057 | \$103,418 | \$75,000 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|-------------|-------------|-------------|-------------|-------------|
| 301-301-597-20-000 | Operating Transfer Out | \$25,000 | \$20,000 | \$20,000 | \$30,000 | \$75,000 |
| | Total | \$25,000 | \$20,000 | \$20,000 | \$30,000 | \$75,000 |

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.

In 2016, REET 2 funds will be used for capital street improvements.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| 302-000-308-80-000 | Beginning Fund Balance | \$15,753 | \$35,406 | \$36,438 | \$50,583 | \$31,000 |
| 302-000-318-35-000 | Real Estate Excise (REET 2) | \$29,068 | \$20,912 | \$33,975 | \$84,093 | \$50,000 |
| 302-000-361-11-000 | Investment Interest | \$85 | \$120 | \$170 | \$493 | |
| | Total | \$44,906 | \$56,438 | \$70,583 | \$135,169 | \$81,000 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|-------------|-------------|-------------|-------------|-------------|
| 302-302-597-30-000 | Operating Transfer Out | \$9,500 | \$20,000 | \$20,000 | \$0 | \$81,000 |
| | | \$9,500 | \$20,000 | \$20,000 | \$0 | \$81,000 |

404 Cumulative Reserve Sewer Fund

The Reserve Sewer 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 Reserve Sewer Fund receives revenues from connection fees (General Facilities Charge) and transfers from the Sewer Operation Fund. For 2016, debt service is fully funded from the sewer operating fund. Any connection fees collected in 2016 will be receipted into the reserve fund.

There are thirty nine (39) single family residential units anticipated to connect to the sewer system in 2016.

On November 10, 2011, the city council adopted Ordinance 1116-11 to increase the sewer connection fee from \$11,282 to \$12,895 to capture current rate payer's investment in the centrifuge and other plant improvements.

In 2016, reserve funds will be used to fund:

- Infiltration & Inflow Study/Improvements
- 4th & 5th Street Sewer Improvements
- 4th Street Overlay Sewer Improvements
- WWTP Rotary Fine Screen Replacement
- WWTP Oxidation Ditch Rotor
- WWTP De-gritter Replacement
- Sultan Bridge Sewer Design

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|-------------------------|----------------|----------------|----------------|----------------|----------------|
| 404-000-308-80-000 | Beginning Fund Balance | \$98,009 | \$67,209 | \$45,539 | \$123,205 | |
| 404-000-361-11-000 | Investment Interest | \$200 | \$142 | \$295 | \$1,386 | \$500 |
| 404-000-379-20-000 | Sewer Connection Charge | \$0 | \$0 | \$77,370 | \$613,325 | \$502,905 |
| | Totals | \$98,209 | \$67,351 | \$123,204 | \$737,916 | \$503,405 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| 404-404-597-40-030 | Operating Transfer Out | \$31,000 | \$21,814 | \$0 | \$358,000 | \$486,133 |
| | Totals | \$31,000 | \$21,814 | \$0 | \$358,000 | \$486,133 |

405 Cumulative Reserve Water Fund

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

The city council adopted Ordinance 1124-11 on November 10, 2011 to decrease the water connection fee from \$6,199 to \$3,694 to reflect the increase in the number of connections available from the Everett line.

The city owns a 360 acre watershed which includes Lake 16 – the major water source for the city. The city contracts with a professional forester to maintain the watershed and annual thinning is completed. The annual thinning produces \$50,000 to \$150,000 in revenues.

Revenues from the water shed are restricted by ordinance and can only be used for capital improvements to the water system. There are thirty nine (39) single family residential units anticipated to connect to the water system in 2016.

In 2016, reserve funds will be used to fund the following projects:

- Gohr Road Water Matching Funds
- Booster Pump Station Upgrade
- 4th & 5th Street Reconstruction Water
- 4th Street Overlay Water Improvements
- Rebuild Upflow Clarifier
- Sultan Bridge Water Design
- PRV #1 Design & Construction

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| 405-000-308-80-000 | Beginning Fund Balance | \$339,842 | \$336,614 | \$394,411 | \$424,985 | \$364,534 |
| 405-000-361-11-000 | Investment Interest | \$810 | \$1,108 | \$1,021 | \$3,466 | \$400 |
| 405-000-379-10-000 | Water Connections Fee | \$0 | \$0 | \$29,552 | \$178,369 | \$144,066 |
| 405-000-395-10-000 | Sale of Fixed Assets | \$75,962 | \$181,743 | \$0 | \$440,267 | |
| | Totals | \$416,614 | \$519,465 | \$424,984 | \$1,047,087 | \$509,000 |

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| 405-405-597-30-000 | Operating Transfer Out | \$80,000 | \$125,054 | \$0 | \$97,000 | \$509,000 |
| | Totals | \$80,000 | \$125,054 | \$0 | \$97,000 | \$509,000 |

621 Cemetery Trust Fund

The Cemetery Trust fund accumulates funds for future maintenance of the Sultan Cemetery. The funding source is perpetual care charged on the sale of cemetery lots.

There are no expenditures from the trust fund.

The council has concerns regarding the feasibility of long term maintenance of the cemetery based on the reserve funds available in the trust fund. The annual maintenance cost for the cemetery are approximately \$25,000.

2016 Budget

| Account | Description | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Budget |
|--------------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| 621-000-308-10-000 | Beginning Fund Balance | \$105,368 | \$108,128 | \$110,112 | \$111,430 | |
| 621-000-361-11-000 | Investment Interest | \$131 | \$234 | 0 | \$414 | \$500 |
| 621-621-343-60-000 | Perpetual Care | \$2,628 | \$1,750 | \$1,500 | \$1,600 | \$1,250 |
| | Total Resources | \$108,127 | \$110,112 | \$111,612 | \$113,444 | \$1,750 |