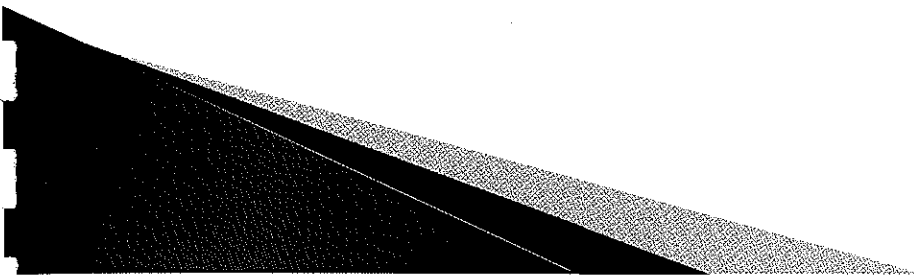


Section 3

FINANCIAL OVERVIEW

Copies of the most recent budget and annual report are available upon request on the City's website at:

www.ci.sultan.wa.us/city_hall/city_departments/finance_city_clerk





2009 Budget Message

2008 in Review

The Sultan Spirit

Volunteering and giving back to community alive and well in Sultan.

- Many hands make light work
- Graffiti removal
- Project clean sweep – painting crosswalks, cleaning buildings, picking up litter
- Adopt a street program started by Bob and Theresa Knuckey

Public Safety

- Neighborhood Block Watch meetings held monthly. More than 30 people attend the meetings each month.
- Support from Snohomish County Sheriff's Office in temporarily filling vacant police chief position
- Partnership with Sultan School District brings School Resource Officer back to Sultan

Comprehensive Plan Compliance

- Support from community and planning board members over xx meetings held between February and October to develop compliant comprehensive plan.
- On November 10, 2008 GMHB lifted its findings of non-compliance with the GMA and found the City went "beyond the Board's requirements"
- City is ready to move forward with a strong plan for accommodating future commercial, retail and residential growth.

Sound Financial Plan

- Library annexation approved by Sultan voters in March with the help of the School District, Fire District and Library Board. Saving the City \$100,000 needed for essential services.
- Adopted stormwater utility and fee schedule to support city's stormwater system and prepare for future clean water requirements
- Negotiated 3-year labor contract with public works and clerical workers. Employees will be paying a larger share of health care costs for dependents.
- While other city's struggled to balance their budgets for 2009 Sultan put together a plan without layoffs or reductions in service

Capital Investment

- Date Avenue waterline replacement
- Skate park opened October 2008
- Sultan Basin Road widening, sidewalk, waterline and PRV station November 2008
- Sultan Basin Road Phase III - receiving federal classification as an arterial roadway, WSDOT selected as certified agent, WH Pacific selected as project engineer
- 6th Street and post office emergency sewer line repairs

2009 Budget Overview

The 2009 Budget was based on the budget themes developed by the Council. The budget themes for 2009 include:

- Economic Development
- Community Vision
- Financial Health
- Succession Planning
- Strategic Partnerships

What's Changed from 2008?

- Increased sales tax revenue to match historical 5-year average.
- Contracted with Snohomish County Sheriff's Office for law enforcement services.
- Contracted with Snohomish County Planning and Community Development Services for building plan review and inspection services.
- Split the Cumulative Reserve (CR) Utility – Fund 405 into two funds Water Utility – Fund 405 and Sewer Utility - Fund 404.
- Created a new Stormwater Utility Operating Fund for the newly created stormwater utility enterprise fund.
- Created a new building maintenance and facility repair fund.
- Raised user fees for garbage (approximately 20%) and cemetery.
- Added user paid excise taxes for water and sewer.

General Fund

Revenue Assumptions

- Prepared to weather economic downturn with conservative tax and building permit revenue assumptions. Budget assumes \$15,000 in new property tax revenues (1% statutory increase plus \$xxx for new properties added to the tax roles.)
- Implemented 6% utility tax for new stormwater program which added \$6,000 to general fund revenues. The funds will be used to replace the copier at city hall which has exceeded its life expectancy.
- City reduced expectations for new building permit revenue from 33 single-family residential permits in 2008 to 5 SFR building permits in 2009, an 85% reduction in anticipated development revenues.
- COPS grant?
- Overall 2009 budget is slightly less than the 2008 adopted budget and \$200,000 less than the final budget.
- There is a \$20,440.42 planned ending fund balance.

Planned Expenditures

- 6.2% increase in the cost-of-living adjustment and 8% increase in health care benefits. Overall salaries and have decreased by approximately \$791,621 (36.4%) as a result of contracts with Snohomish County for police and building plan review and inspection services.
- Fewer capital projects means more staff time charged to general fund. Overall salaries and benefits account for 20% of General Fund expenditures in 2009.
- \$3,000 update Municipal Code to codify significant ordinances passed by Council in 2008
- A greater emphasis on local economic development efforts. Rejoined Snohomish County Economic Development Council (EDC) \$1,000. \$2,500 set aside to assist building owners in the downtown core with façade improvements.
- More support and recognition for Sultan's many volunteers. Second annual volunteer appreciation dinner. Adopt a street program signs.

- Community Development and Building Services \$300,000.
- \$120,000 set aside to make payments on comprehensive plan contracts with Shockey Brent and Cairncross and Hemplemann (\$5,000/month x 2 x 12 months). Contracts should be satisfied in 2009.
- Council approved police services contract with Snohomish County. Moved East Precinct from Monroe to Sultan. Total full-time equivalent (FTE) employees decreased from 7.5 FTE in 2008 to 6.33 FTE in 2009. Public Safety budget decreased from \$984,622 in 2008 to \$837,000 in 2009. The City has \$60,850 in wages and benefits that carried over from 2008 into 2009 as a result of payroll timing.
- The Parks Fund has increased by \$30,000 in 2009 for additional staff time and a transfer to equipment replacement to cover the cost for a new mower.
- The Street Fund has increased by

Enterprise Funds

- After significant public outreach and meetings with the Stormwater Stakeholders group representing business owners and homeowners associations, the City established a new stormwater utility in 2009. Plan to collect \$100,000. Minimum fee is \$5.75 for one equivalent residential unit (ERU). An ERU is equal to 4,513 square feet of impervious surface. A single family residential home is equal to 1 ERU. Commercial, industrial and retail properties pay a higher fee based on the number of ERU's.
- Enterprise funds experiencing increased expenditures – labor costs 6.2%, benefits 8%, operating costs for chemicals and other materials 30%, professional service and interlocal fees 20% and fuel costs 50%.
- Council previously approved increases in service fees for water (\$1.00), Sewer (\$5.04) and stormwater \$5.75, monthly fees per ERU. A temporary \$3.10 monthly increase in Garbage fees was approved for the 2009 budget pending completion of a garbage rate study in 2009.
- Council approved passing-through the state excise taxes for water (\$1.34) and sewer (\$1.75). Previously, the City was paying state excise taxes out of the services fees collected from customers rather than having customers pay the state excise taxes directly.
- Total service fee increases per residential customer are approximately \$18.00 per month.
- Cemetery increase of 20% to cover wages, benefits, fuel, and supply costs that the current fees are not covering.

Miscellaneous Funds

The City Council approved an interlocal agency agreement with the Snohomish County Sheriff's Office for police services on November 11, 2008. Law Enforcement services from the Sheriff's Office will begin January 1, 2009. Due to the timing of the decision, the City will evaluate miscellaneous funds related to law enforcement services in the first quarter of 2009.

- Dissolve police equipment replacement fund
- Public Works Equipment replacement fund
- Deb Service Funds

Capital Budget

- New building maintenance and repair fund. \$20,000 Walsler Settlement and \$35,000 Sultan Basin Road vacation.
- Stormwater Utility established in 2008 pending approval of the Stormwater utility fee. \$50,000 transferred from operating budget to the capital budget.
- Wastewater Treatment Plan Biosolids Equipment purchase and installation.
- LID-97 wetland mitigation credit purchase from Habitat Bank LLC and implementation of on-site mitigation plan.

CITY OF SULTAN FINANCIAL OVERVIEW

The City of Sultan was incorporated in 1905 and operates under the laws of the State of Washington applicable to a Code City with a Mayor/Council form of government. The City has an elected Mayor and seven (7) Council members that serve staggered four-year terms. The City uses the revenue and expenditure classifications contained in the Budgeting, Accounting and Reporting System (BARS) manual under the authority of Washington State law, Chapter 43.09 RCW.

The City is a general purpose government and provides public safety, health and social services, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates a sewer system, water system and garbage collection service.

Accounting and Budgeting Policies

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in 32 individual funds depending on their intended purpose.

Fund Types

General (Current Expense Fund): 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: 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: 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: 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: 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 and Garbage Utility Funds.

Non-expendable Trust and Agency Funds: 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.

A matrix of the funds is provided as Appendix A to this section

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. 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.

Budgets

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.

Auditing of City Finances

The State Auditor is required to examine the affairs of the cities at least once every two years. The examination must include, among other things, the financial condition and resources of the City, whether 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 Finance Department of the City.

Risk Management

The City is a member of the Cities Insurance Association of Washington. 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. The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis". All other coverages are on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: Property, liability, vehicle liability, other mobile equipment, boiler and machinery, bonds of various types, excess liability and public official liability.

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.

Investments

The City's investments are either insured, registered or held by the City or its agent in the City's name. As required by state law, all investments of the City are obligations of the US Government, the State Investment Pool, or deposits with Washington State banks and/or savings and loan institutions. The City has adopted an investment policy to safe guard funds and to provide for allocation of investment interest.

Bargaining Units

The City has one bargaining units. Public Works and Office Employees are covered under a Union Contract that was renewed on January 1, 2008 and will expire on December 31, 2010. Non-union employees negotiate wages and benefits directly with the Mayor and Council.

CITY OF SULTAN FUNDS

Fund #	Name	Purpose	Funding Sources	Restrictions
TAX SUPPORTED FUNDS				
101	Street Fund	Operation and Maintenance	Property tax/utility tax/state shared revenues	
001	General Fund	Operation and Maintenance of gen govt./law/planning/building/parks/library	Taxes/permits & licenses/state shared revenues fines & forfeitures/service fees	
ENTERPRISE FUNDS (SELF SUPPORTING)				
103	Cemetery	Operation and Maintenance	User fees	Enterprises funds must be self supporting and
400	Water Utility	Operation and Maintenance	User fees	charge adequate fees to
401	Sewer Utility	Operation and Maintenance	User Fees	cover operation costs
402	Garbage Utility	Operation and Maintenance	User fees	
406	Stormwater Utility	Operation and Maintenance	User fees	
DEBT SERVICE FUNDS				
203	GO Limited Tax	Payment of LT debt - Community Center	Property tax, excise tax, Post Office rent	Bond payments
205	Unlimited Go Tax Fund	Payment of LT Debt - Police Bonds	Excise property tax levy	Bond payments
207	LID 97-1 Bonds	Payment of LT debt - LID 97-1 Bonds	LID assessments of principal/interest	Bond payments
403	Water/Sewer Revenue Bonds	Payment of LT debt - water/sewer bonds	Utility rate payers	Bond payments
412	Water Debt Service	Payment of debt for water - loans	Connection fees, utility rate payers	Debt service
413	Sewer Debt Service	Payment of debt for sewer - loans	Connection fees, utility rate payers	Debt service
CONSTRUCTION FUNDS				
105	Park Improvement	Construction/improvements to Parks	Grants/ loans/ impact fees/donations	Park Improvements only
303	Street Construction	Construction of Streets	Grants/ loans/ impact fees/donations	Street Improvements
307	LID Construction	LID Construction	Bonds/assessment payments	LID payments
407	Sewer Improvement Projects	Sewer system improvements	Grants, loans, connection fees, timber sales	System Improvements
409	Water Improvement Projects	Water system improvements	Grants, loans, connection fees, timber sales	System Improvements
SPECIAL PURPOSE FUNDS				
100	General Fund Contingency	Reserve for General Fund	Excess Funds	Council action
104	Equipment Reserve	Purchase of vehicles - Public Works	Fund Transfers/Sales	
106	Police Equipment Reserve	Purchase of vehicles - Police	Utility Tax/Sales	
107	Drug Enforcement	Drug enforcement and education	Seizures/Confiscations	Drug Enforcement per RCW
108	Transportation Impact	Receipt of traffic impact fees	Building permit applicants	
109	Community Projects	Joint ventures with other community groups	General fund/state criminal justice funds	
110	Emergency Radio System	Radio system change to 800 mghz.	GO Bonds	Voted items only
112	Park Impact Fees	Receipt of park impact fees	Building permit applicants	
113	Building Maintenance Fund	Capita Improvements to facilities	Taxes, Excess funds	
301	Capital Projects REET 1	Capital Improvements per RCW	Property Excise tax/property tax/rental fees	Capital Projects per RCW
302	Capital Projects REET 2	Capital Improvements per RCW	Property Excise tax/property tax/rental fees	Capital Projects per RCW
404	CR Sewer Utility	Reserve for sewer projects	Facility charges/user fees	Utility system improvements
405	CR Water Utility	Reserve for water projects	Facility charges/timber sales	Utility system improvements
TRUST AND AGENCY				
621	Cemetery Trust	Future Operation of Cemetery	Perpetual Care payments	Reserve for future operations
631	Payroll Clearing	Clearing fund for payroll warrants	Operating funds	Clearing fund
632	Claims Clearing	Clearing fund for claims warrants	Operating funds	Clearing fund
633	Treasurers Trust	Pass thru funds for other agencies	Impact fees, Violations, deposits	Holding fund
634	Treasurers Excess Cash	Track investment activity	All funds excess cash	