1. Agenda

   Documents:

   AGENDA.PDF

2. Meeting Materials

   Documents:

   VEHICLE AND EQUIPMENT REPLACEMENT SCHEDULES.PDF
   BUDGET AMENDMENT NO. 3.PDF
   FIRST QUARTER FINANCE REPORT.PDF

AGENDA

FINANCE/PERSONNEL COMMITTEE MEETING

April 26, 2018

6:30 pm – 6:55 pm

School District Building

City of Stanwood

1.	First Quarter Finance Report	1/1-11
2.	Vehicle & Equipment Replacement Schedules	2/1-8
3.	Budget Amendment No. 3	3/1-9

CITY OF STANWOOD
FINANCE COMMITTEE
AGENDA STAFF REPORT

ITEM NUMBER:	**02**
DATE:	April 26, 2018
SUBJECT:	Vehicle and Equipment replacement schedules and annual reserve fund requirements
CONTACT PERSON:	David A. Hammond, Finance Director/City Clerk
ATTACHMENTS:	A – Vehicle Replacement Schedule B – Equipment Replacement Schedule

ISSUE

Should the City make annual contributions to vehicle and equipment replacement funds, in order to annualize the purchase cost of equipment and the vehicle fleet?

FINANCIAL IMPACT

The financial impacts affect multiple funds are outlined in the discussion section.

COMMITTEE OPTIONS

1. Recommend inclusion of 2018 vehicle and equipment replacement costs in Ordinance 1457 amending the 2017-18 budget, and direct staff to include annual vehicle and equipment costs in future budgets.

2. Recommend inclusion of 2018 vehicle and equipment replacement costs in Ordinance 1457 amending the 2017-18 budget, and direct staff to areas of concern.

3. Do not recommend inclusion of 2018 vehicle and equipment replacement costs in Ordinance 1457 amending the 2017-18 budget, and do not direct staff to include annual vehicle and equipment costs in future budgets. The consequence of not including the annual replacement costs in the 2017-2018 budget and not including annual equipment and vehicle replacement costs in annual budgets is the city will continue to be financially unprepared for fleet and equipment recapitalization.

DISCUSSION

During the mid-biennial budget amendment discussions, staff were directed by the City Council to prepare vehicle fleet and equipment replacement schedules, to plan for recapitalization of the fleet. This report's attachments present the estimated lifecycle, replacement year, and replacement cost for the vehicle fleet and equipment. During the recession, the city deferred replacement of certain items and partially discontinued annual contributions to equipment replacement funds, thus there is a backlog of replacements.

The city financial and investment policy, which was adopted September 12, 2013, by Res. 2013-08, Chapter One, Section 2. "Operating Budget Policies," Paragraphs e. f. & g. state,

- *e. Annual operating budgets should provide for design, construction, maintenance and replacement of the city's capital, plant, and equipment consistent with the capital facilities plan including the related cost for operating such new facilities.*
- *f. The city will maintain all its assets at a level such that it protects the city's capital investment and minimizes future maintenance and replacement costs.*
- *g. The city will develop a six-year projection of equipment replacement and maintenance needs, and will update this projection every budget cycle consistent with budget development.*

The General and Street Funds purchase vehicle and equipment greater than $5,000 through Fund 107. Table One below illustrates the current 2018 budget, as well as requested authorization to make transfers to reserve funds. The authorization includes purchase of two vehicles in 2018 (one of which was funded in 2017, but not authorized for purchase due to finance department error).

This request also authorizes $20,000 for replacement of a utility truck that was previously authorized in the current budget at the level of $40,000. The Public Works Department has requested this increase due to a need to purchase a 1.5 Ton utility truck instead of their original request to purchase a one ton. This vehicle is funded 50 percent from General Fund and 25 percent from both Streets and Drainage Funds.

This request authorizes 2018 contributions from the General and Street Funds in order to implement the vehicle and equipment replacement plans outlined in attachments one and two.

Note this reserve fund begins with a $141,407 balance, so from a cash flow perspective a lower transfer amount is possible. However, two considerations lead to making these transfers now. First, this fund makes purchases for both the Street Fund and General Fund Departments, so making annual pro-rated contributions facilitates accounting that clearly demonstrates the funds are paying their fair share. Secondly, City fiscal policy requires the Equipment Replacement Funds:

> *"will be maintained at a level sufficient to meet scheduled equipment replacement so as to sustain an acceptable level of municipal services and prevent a physical deterioration of City assets."*

One method to quantify the appropriate amount of this reserve is to consider the sum of the annualized contribution amounts. For the General and Street Funds, this amount is approximately $85,000. Given the level of expenditure needed to recapitalize city equipment in the next biennium, staff does not consider $141,407 budgeted ending balance excessive.

The anticipated 2019-20 equipment reserve fund contributions for the Street and General funds combined is $485,335 for the biennium (see Table Two).

Table One—General and Street Funds Equipment Replacement Reserve Fund

Fund 107, General and Streets Replacement Fund	Current Budget	Amd 3*	New Total
BB	135,492	141,407	141,407
Transfer in from GF	62,455	191,932	254,387
Transfer in from Streets		153,156	153,156
Transfer in from Drainage		5,000	5,000
Interest	100		100
subtotal	62,555	350,088	412,643
Expenditures			
For GF	62,455	60,000	122,455
For Drainage		5,000	5,000
For Streets	108,545	5,000	113,545
subtotal	171,000	70,000	241,000
Ending Balance	27,047		313,050
*Authorizes :			
Purchase of Construction Inspector Vehicle			
Purchase of Building Official Vehicle			
Adds $20,000 to previous authorization for Sewer Truck			
Transfers to reserves per vehicle & equipment replace schedules			

Table Two—estimated 2019-2020 biennial reserve fund contributions

2019-2020 funding			
General Fund			
Equipment	48,978	47,290	
Vehicles	100,093	54,165	
total	149,070	101,455	250,525
Streets			
Equipment	35,373	26,886	
Vehicles	125,599	46,951	
total	160,972	73,837	234,809
			485,335

UTILITY RESERVE FUND CONTIBUTIONS

The utility funds purchase vehicle and equipment (with costs greater than $5,000) through Funds 457-459. Table Three illustrates the current 2018 budget, as well as requested authorization to implement the attached vehicle and equipment replacement plans.

The Sewer Equipment Reserve fund is budgeted to end 2018 with fund balance of $261,476, however, significant 2019-2020 purchases are anticipated, so staff recommends making the scheduled contribution in 2018, rather than deferring one year.

The anticipated 2019-20 equipment reserve fund contributions for the Sewer Equipment Reserve Fund combined is $468,887 for the biennium (see Table Four).

Table Three—the Sewer Utility (Fund 401) purchases through Fund 457.

Fund 457 Sewer Equipment Reserve	Current Budget	Amd 3*	New Total
Beginning Balance	220,879	261,746	261,746
Transfer in from Sewer	40,000		40,000
Additional - Vehicle		267,398	267,398
Additional - Equip		65,347	65,347
Interest	1,000		1,000
subtotal		332,745	373,745
Expenditure			
Machinery	40,000		40,000
subtotal	40,000		40,000
Ending Balance	221,879		595,491
*Authorizes transfers to implement vehicle and equipment replacment schedules			

Table Four—estimated 2019-2020 biennial reserve fund contributions

2019-2020 funding			
Sewer Fund			
Equipment	65,347	38,910	
Vehicles	269,315	95,316	
total	334,662	134,225	468,887

Drainage Equipment Reserve

The Drainage Equipment Reserve fund is budgeted to end 2018 with fund balance of $134,800, however, significant 2019-2020 purchases are anticipated, so staff recommends making the scheduled contribution in 2018, rather than deferring one year.

The anticipated 2019-20 equipment reserve fund contributions for the Drainage Equipment Reserve Fund combined is $166,818 for the biennium (see Table Six).

Table Five—the Drainage Utility (Fund 410) purchases through Fund 458.

Fund 458 Drainage Equipment Reserve	Current Budget	Amd Three*	New Total
Beginning Balance	95,966	106,519	106,519
In from Drainage	110,000		110,000
Additional - Vehicle		91,148	91,148
Additional - Equip		21,188	21,188
Interest	-		
subtotal		112,336	222,336
Expenditure			
Machinery	81,200		81,200
subtotal	81,200		81,200
Ending Balance	124,766		247,655
*Authorizes transfers to implement vehicle and equipment replacment schedules			

Table Six—estimated 2019-2020 biennial reserve fund contributions

2019-2020 funding			
Drainage Fund			
Equipment	21,188	19,500	
Vehicles	93,065	33,065	
total	114,253	52,565	166,818

Water Equipment Reserve

The Water Equipment Reserve fund is budgeted to end 2018 with fund balance of $134,800, however, significant 2019-2020 purchases are anticipated, so staff recommends making the scheduled contribution in 2018, rather than deferring one year.

The anticipated 2019-20 equipment reserve fund contributions for the Water Fund combined is $133,331 for the biennium (see Table Six).

Table Seven—the Water Utility (Fund 421) purchases through Fund 459.

Fund 459 Water Equipment Reserve	Current Budget	Amd Three*	New Total
Beginning Balance	70,989	71,416	71,416
In from Water	107,000		107,000
Additional - Vehicle		31,946	31,946
Additional - Equip		36,777	36,777
Interest	100		100
subtotal	107,100	68,723	175,823
Expenditure			
Machinery	107,000		107,000
subtotal	107,000	-	107,000
Ending Balance	71,089		140,239
*Authorizes transfers to implement vehicle and equipment replacment schedules			

Table Eight—estimated 2019-2020 biennial reserve fund contributions

2019-2020 funding			
Water Fund			
Equipment	32,277	25,527	
Vehicles	37,764	37,765	
total	70,040	63,291	133,331

City of Stanwood

FIXED ASSET REPLACEMENT - VEHICLES

Yellow Highlighting - indicates replacement year

April 2018

ATTACHMENT A

		COST*	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2-way split (Streets, Drainage)															
Sweeper 2001	Streets & Drainage	300,000	150,000	150,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
4-way split (Parks, Streets, Sewer, Drainage)															
Dump Truck 1997	4-way allocation	150,000	50,000	50,000	50,000	15,000	15,000	5,000	5,000	1,500	1,500	500	500	150	150
Utility Truck 2008	4-way allocation	45,000	11,250	11,250	11,250	11,250	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
1.5 Ton Utility Truck 2008	4-way allocation	60,000	Option 1	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Subtotal		255,000	61,250	67,250	67,250	32,250	25,500	15,500	15,500	12,000	12,000	11,000	11,000	10,650	10,650
3-way split (Parks, Streets, Bldgs & Grounds)															
Bucket Truck 2001	Parks, Streets, Bldgs & Grds	140,000	70,000	70,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Utility Ambulance 2000	Parks, Streets, Bldgs & Grds	75,000	25,000	25,000	25,000	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Utility Truck	Parks, Streets, Bldgs & Grds	27,000	Amd 2	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Subtotal		242,000	95,000	97,700	41,700	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200
6-Way Allocation (Parks, Streets, Bldgs & Grounds, Sewer, Water, Drainage)															
PW Pool No. 1	6-way allocation	35,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	3,500	3,500	3,500	3,500	3,500	3,500
PW Pool No. 2	6-way allocation	25,000	Amd 2	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
		60,000	5,000	7,500	7,500	7,500	7,500	7,500	7,500	6,000	6,000	6,000	6,000	6,000	6,000
General Fund															
City Hall Pool Car 1998	General Fund	22,000	11,000	11,000	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Building Official	General Fund	25,000	Option 1	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Building Inspector	General Fund	25,000	Option1	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Subtotal		72,000	11,000	16,000	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Sewer															
Sewer Utility Truck 2011	sewer 401	45,000	11,250	11,250	11,250	11,250	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Sewer One Ton 2014	sewer 401	55,000	9,167	9,167	9,167	9,167	9,167	9,167	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Vactor 2006	sewer 401	400,000	200,000	200,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Van for sewer camera	sewer 401	35,000	17,500	17,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Sewer Utility Truck 2005	sewer 401	40,000	13,333	13,333	13,334	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Subtotal		575,000	251,250	251,250	77,251	67,917	61,167	61,167	57,500	57,500	57,500	57,500	57,500	57,500	57,500
Water															
Water Utility Truck 2004	water 421	55,000	18,333	18,333	18,334	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Water Utility Truck 2014	water 421	35,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	3,500	3,500	3,500	3,500	3,500	3,500
Dump Truck 2016	water 421	70,000	7,778	7,778	7,778	7,778	7,778	7,778	7,778	7,777	7,777	7,000	7,000	7,000	7,000
Water Utility Truck	water 421	27,000	Amd 2	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Water Utility Truck	water 422	27,000	Amd 2	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Subtotal		187,000	31,111	36,511	36,512	23,678	23,678	23,678	23,678	22,177	22,177	21,400	21,400	21,400	21,400
	Grand Total	1,554,500	604,611	626,211	267,413	192,745	179,245	169,245	165,578	159,077	159,077	157,300	157,300	156,950	156,950

Required Fund Transfers by year

			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
001.514 trnsfr to 107	**admin**		11,000	11,000	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
001.518 trnsfr to 107	**B & G**		32,185	33,494	15,014	9,239	9,239	9,239	9,239	8,988	8,988	8,988	8,988	8,988	8,988
001.558 trnsfr to 107	**CD**		0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
001.576 trnsfr to 107	**Parks**		47,783	50,599	31,951	17,374	15,686	13,186	13,186	12,061	12,061	11,811	11,811	11,723	11,723
101 trnsfr to 107-Streets			122,783	125,599	46,951	32,374	30,686	28,186	28,186	27,061	27,061	26,811	26,811	26,723	26,723
401 trnsfr to 457-Sewer			267,398	269,315	95,316	77,232	68,794	66,294	62,628	61,502	61,502	61,252	61,252	61,165	61,165
410 trnsfr to 458-Drainage			91,148	93,065	33,065	24,315	22,628	20,128	20,128	19,002	19,002	18,752	18,752	18,665	18,665
421 trnsfr to 459-Water			31,946	37,764	37,765	24,931	24,931	24,931	24,931	23,179	23,179	22,402	22,402	22,402	22,402
		3,149,967	604,241	625,835	267,261	192,663	179,163	169,163	165,496	158,992	158,992	157,215	157,215	156,865	156,865

*Replacement cost is estimated for year of purchase

City of Stanwood FIXED ASSET REPLACEMENT - Equipment Yellow Highlighting - indicates replacement year April 2018 ATTACHMENT B

EQUIPMENT ITEM	Years of Service	COST*	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
4-way split (Parks, Streets, Sewer, Drainage)																								
Redi-Hail Trailer	20	15,000	7,500	7,500	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750
Backhoe 1988 John Deere 210C	15	100,000	25,000	25,000	25,000	25,000	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667
Subtotal		115,000	32,500	32,500	25,750	25,750	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417	7,417
3-way split (Parks, Streets, Drainage)																								
Chipper - Bush Bandit Model 90	20	40,000	10,000	10,000	10,000	10,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Street Mower - New Holland	20	170,000	28,333	28,333	28,333	28,333	28,333	28,333	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Chipper Canopy (on Truck)	20	25,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Subtotal		235,000	39,583	39,583	39,583	39,583	31,583	31,583	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750	11,750
3-way split (Parks, Streets, Bldgs & Grounds)																								
Portable light tower (trailer) with	15	30,000	2,727	2,727	2,727	2,727	2,727	2,727	2,727	2,727	2,727	2,727	2,727	2,727	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
2-way split (Streets, Parks)																								
Mower - 1993 Jacobson HR 511	10	55,000	7,857	7,857	7,857	7,857	7,857	7,857	7,857	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
2-way split (Parks,Bldgs & Grounds)																								
Tractor riding mower - John	10	8,000	2,667	2,667	2,667	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
Parks																								
Field Drag - 1998 John Deere	15	18,200	18,200	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213	1,213
Tractor - 1997 John Deere 755	15	30,000	10,000	10,000	10,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Commercial Mower - JD Turbo	15	90,000	8,182	8,182	8,182	8,182	8,182	8,182	8,182	8,182	8,182	8,182	8,182	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Subtotal		138,200	36,382	19,395	19,395	11,395	11,395	11,395	11,395	11,395	11,395	11,395	11,395	9,213	9,213	9,213	9,213	9,213	9,213	9,213	9,213	9,213	9,213	9,213
Streets																								
Street Sander	20	10,000	10,000	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Paint Sprayer - Graco Line Lazor	10	12,000	6,000	6,000	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Snow Plow 9'	10	5,000	2,500	2,500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Sidewalk Grinder	10	6,000	857	857	857	857	857	857	857	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600
Subtotal		23,000	9,357	9,357	2,557	2,557	2,557	2,557	2,557	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Sewer																								
Rider Mower - 2002 JD LX279	10	5,000	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Portable Generator (trailer)	20	55,000	27,500	27,500	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750
TV Inspection System	10	80,000	8,889	8,889	8,889	8,889	8,889	8,889	8,889	8,889	8,889	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Backhoe - 2011 Caterpillar 420F	15	200,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333
Row Boat 2002 Lund	30	5,000	333	333	333	333	333	333	333	333	333	333	333	333	333	333	333	167	167	167	167	167	167	167
Subtotal		345,000	57,222	57,222	32,472	32,472	32,472	32,472	32,472	32,472	32,472	31,583	24,917	24,917	24,917	24,917	24,917	24,750	24,750	24,750	24,750	24,750	24,750	24,750
Water																								
YT23V48	10	5,000	5,000	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Landscape Trailer - Utility Mate	20	15,000	7,500	7,500	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750
Air Compressor Sullivan	25	20,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	800	800	800	800	800	800	800	800	800	800	800	800	800	800
Meter Read Software	10	25,000	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Laptop, Receiver, Transceiver -	10	15,000	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Mini Excavator Caterpillar	15	150,000	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Walk Behind Saw	15	15,000	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Snow Plow 12'	10	10,000	3,333	3,333	3,333	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Tilt Flatbed Trailer - Olympic	15	10,000	833	833	833	833	833	833	833	833	833	833	833	833	666.67	666.67	666.67	666.67	666.67	666.67	666.67	666.67	666.67	666.67
Subtotal		265,000	36,777	32,277	25,527	23,193	23,193	23,193	23,193	23,193	20,493	20,493	20,493	20,493	20,327	18,788	18,717	18,717	18,717	18,717	18,717	18,717	18,717	18,717
Grand Total		2,359,141	**225,072**	**203,585**	**158,535**	**146,335**	**120,002**	**120,002**	**100,169**	**97,555**	**94,855**	**93,966**	**87,299**	**85,117**	**84,223**	**82,685**	**82,613**	**82,447**	**82,447**	**82,447**	**82,447**	**82,447**	**82,447**	**82,447**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
001.518 trnsfr to 107	2,233	2,233	2,233	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060
001.576 trnsfr to 107	63,731	46,745	45,057	36,124	28,900	28,900	22,355	21,177	21,177	21,177	21,177	18,995	18,755	18,755	18,755	18,755	18,755	18,755	18,755	18,755	18,755	18,755
101 trnsfr to 107-Streets	35,373	35,373	26,886	26,886	19,662	19,662	13,117	11,682	11,682	11,682	11,682	11,682	11,442	11,442	11,442	11,442	11,442	11,442	11,442	11,442	11,442	11,442
401 trnsfr to 457-Sewer	65,347	65,347	38,910	38,910	34,326	34,326	34,326	34,326	34,326	33,438	26,771	26,771	26,771	26,771	26,771	26,604	26,604	26,604	26,604	26,604	26,604	26,604
410 trnsfr to 458-Drainage	21,188	21,188	19,500	19,500	12,277	12,277	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732
421 trnsfr to 459-Water	36,777	32,277	25,527	23,193	23,193	23,193	23,193	23,193	20,493	20,493	20,493	20,493	20,327	18,788	18,717	18,717	18,717	18,717	18,717	18,717	18,717	18,717
	224,649	203,162	158,112	145,912	119,659	119,659	100,024	97,410	94,710	93,821	87,154	84,972	84,086	82,547	82,476	82,309	82,309	82,309	82,309	82,309	82,309	82,309

*Replacement cost is estimated for year of purchase

CITY OF STANWOOD
FINANCE COMMITTEE
AGENDA STAFF REPORT

ITEM NUMBER:	**03**
DATE:	April 26, 2018
SUBJECT:	Ordinance 1457 – Amending Ordinance 1451 relating to the 2017-18 Budget, First Reading
CONTACT PERSON:	David A. Hammond, Finance Director/City Clerk
ATTACHMENTS:	A – Proposed Ordinance 1457

ISSUE

Should the City have First Reading of Ordinance 1457 amending Ordinance 1451 relating to the 2017-18 budget?

FINANCIAL IMPACT

The financial impacts are outlined in the discussion section.

COMMITTEE OPTIONS

1. Recommend first reading of Ordinance 1457 amending the 2017-18 budget.

2. Recommend first reading of Ordinance 1457 amending the 2017-18 budget and direct staff to areas of concern.

3. Do not recommend first reading of Ordinance 1457 amending the 2017-18 budget. The consequence of not amending the 2017-2018 budget is that 2018 beginning cash balances will reflect budgeted, rather than actual amounts, requiring reconciliation each time the City's financial condition is evaluated.

DISCUSSION

It is difficult to anticipate every possible financial scenario within a fiscal year. The completion date of capital projects may change, information used for budget projections may be revised, and sometimes it can just be an oversight of a necessary expenditure. Each of these situations is different and must be evaluated by the financial officer and brought forward for Council consideration. Listed below are the funds, amounts and general description of why the amendment is needed.

1. **All Funds – Adjust Beginning Net Cash to Actual**

Beginning net cash is based on a conservative estimate prior to year end. This amendment adjusts beginning net cash to actual cash per bank.

While not required by law or the State Auditor, it is the city's practice to amend the budget early in the year to match budgeted beginning net cash (BNC) to actual. Having budgeted BNC match actual BNC for each fund benefits the City as follows:

1. It makes the funds easier to manage, since the funds available to spend are reflected in budget reports without doing a budget to actual adjustment.
2. It helps the city manage its finances in order to avoid a negative fund balance.

At budget time in October 2017 (about six months ago), the city had to project the 2018 beginning net cash as part of the mid-biennial budget amendment process. The following adjustment "trues up" beginning net cash, setting budgeted amounts to actual in order to give the city a clear picture of available funds as of January 1, 2018. Each of the City's funds beginning cash balance is adjusted by this amendment. Exhibit 1 to the attached ordinance provides the amount each fund was adjusted.

2. General Fund

a. Increase transfer to Contingency Fund

As of March 2018, the 2017 – 2018 biennium, sales tax directly attributed to construction activity was $330,018. Due to the cyclical nature of the retail activity, this sales tax revenue appears to be leading to a General Fund Surplus. City finance policy requires this surplus to be used to fund one-time operations or capital expenditures, or to be placed in the contingency fund. The finance policy requires calculation of biennial surplus at biennium end. In the meantime, staff recommends increasing the budgeted transfer to the Contingency fund to the statutory maximum level of $322,021 ($0.375/$1,000 of Assessed Value).

b. Annual support for Snohomish Health District

On March 22, 2017 the City Council Meeting authorized 2018 Health District support in the amount of $6,785.

Fund Number	Fund Name	Description	Current Budget	Proposed Change	Amended Budget
001	General Fund	Transf. to Contingency	$ 10,000	$ 25,238	$ 35,238
001	General Fund	Snoh. Health District	$ -	$ 6,785	$ 6,785
109	Contingency Fund	Transf. from GF	$ 10,000	$ 25,238	$ 35,238

c. Vehicle purchases

On November 9, 2017 the City Council Meeting authorized purchase of eight vehicles in 2018, which included $25,000 for a light duty SUV for the new Construction Inspector. The vehicle has not been purchased, the funds were transferred to Fund 107, but authorization is required to now make the purchase.
Also on November 9th, Council approved $40,000 for replacement of a 1997 F-350 that is used in support of the Street Fund, General Fund and Drainage, however Public Works now plans to replace it with a larger vehicle (1.5 Ton), so the cost was underestimated and staff now requests an additional $20,000. Finally, staff requests replacement of a 1998 Ford Taurus with a small light-duty vehicle for use by the Building Official; this is estimated to cost $25,000, and will be paid for by the general fund. The sweeper purchase authorized in 2018 has been reevaluated because the pricing originally provided by a dealer was inaccurate; staff now plans to request the sweeper replacement in the 2019-2020 budget.

Additionally, finance staff have worked with Public Works to prepare vehicle and equipment replacement schedules. The purpose of these schedules is to determine annual contributions required to annualize the cost of maintaining the city fleet. The city deferred replacement of vehicles during the recession and must now plan for recapitalization. During the development of these schedules Public Works reevaluated the 2018 purchases and now plan to defer two of the purchases to the next budget cycle. The other six items are either on order or have already been received. In order to authorize 2018 funding of the replacement schedules, the following fund transfers are requested:

Fund Number	Fund Name	Description	Current Budget	Proposed Change	Amended Budget
107	Equipment Reserve	Vehicle purchases	$ -	$ 70,000	$ 70,000
001	General Fund	Transf. to 107	$ 62,455	$ 191,932	$ 254,387
101	Streets	Transf. to 107	$ -	$ 163,156	$ 163,156
410	Drainage Utility	Transf. to 107	$ -	$ 5,000	$ 5,000
107	Equipment Reserve	Transfers in	$ 62,455	$ 360,088	$ 422,543
401	Sewer Utility	Transfer to 457	$ 40,000	$ 332,745	$ 372,745
457	Equipment Reserve	Transfers in	$ 40,000	$ 332,745	$ 372,745
410	Drainage Utility	Transfer to 458	$ 110,000	$ 112,336	$ 222,336
458	Equipment Reserve	Transfers in	$ 110,000	$ 112,336	$ 222,336
421	Water Utility	Transfer to 459	$ 107,000	$ 68,723	$ 175,723
459	Equipment Reserve	Transfers in	$ 107,000	$ 68,723	$ 175,723

3. Street Construction

In past years, the city has leveraged Transportation Benefit District Sales Tax by using these funds as matching funds for grants. The city applied for Transportation Improvement Board grant funding of three overlay projects and was awarded two. This amendment removes the appropriation for the one un-funded project (102nd Street), and also transfers the matching funds for the two funded projects.

In addition, staff proposes transfer an additional $150,000 for design of three sidewalk projects (72nd Ave., 92nd Ave., and 276th Ave.)

Finally, to reconcile the draft Transportation Improvement Plan update with the current budget, the Downtown Connection Study is removed and $50,000 is added for design of the 276th Sidewalk project.

Fund Number	Fund Name	Description	Current Budget	Proposed Change	Amended Budget
103	Street Construction	Remove 102nd St. Overlay	$ 390,000	$ (390,000)	$ -
103	Street Construction	Transfer from 108	$ -	$ 73,000	$ 73,000
108	Trans. Sales Tax	Trans. for Proj. Match	$ -	$ 73,000	$ 73,000
108	Trans. Sales Tax	Trans. for Sidewalk Design	$ -	$ 150,000	$ 150,000
103	Street Construction	Transfer from 108	$ -	$ 150,000	$ 150,000
103	Street Construction	Remove Downtown Conn.	$ 75,000.00	$ (75,000)	$ -
103	Street Construction	276th Sidewalk Design	$ -	$ 50,000.00	$ 50,000

4. Drainage Construction Fund

The Drainage Construction Fund received loans totaling $80,000 to fund the design of a stormwater separation and conveyance system for with the grantor will not reimburse until completion. This reimbursement is expected during 2018, so this amendment authorizes repayment of principal and interest. Additionally, the city was notified we will receive reimbursement of $144,364 from the Washington State Military Department for emergency repair at Seven Tubes.

Fund Number	Fund Name	Description	Current Budget	Proposed Change	Amended Budget
403	Sewer Construction	IF Loan Repayment	$ -	$ 80,000	$ 80,000
411	Drainage Construction	IF Principal Payback	$ -	$ 80,000	$ 80,000
403	Sewer Construction	Interest from IF Loan	$ -	$ 1,500	$ 1,500
411	Drainage Construction	Interfund Loan Interest	$ -	$ 1,500	$ 1,500
411	Drainage Construction	FEMA Reimbursement	$ -	$ 144,364	$ 144,364

5. Water Construction Fund

During the fourth quarter of 2017, the Cedarhome Well pump failed and emergency repair was authorized. This repair is now complete. This amendment provides budgetary authority for the repair.

Fund Number	Fund Name	Description	Current Budget	Proposed Change	Amended Budget
422	Water Construction	Cedarhome Well Pump	$ -	$ 110,000	$ 110,000

6. Drainage Construction

The drainage construction fund requires two budget adjustments.

- The Irvine Slough Pump Station required emergency repair, estimated to cost $200,000.
- The Sheetpile Wall project is removed indefinitely, to align with CIP.

Fund Number	Fund Name	Description	Current Budget	Proposed Change	Amended Budget
411	Drainage Construction	Irvine Slough Pump Stn	$ -	$ 200,000	$ 200,000
411	Drainage Construction	Sheetpile Walls	$ 250,000	$ (250,000)	

ATTACHMENT A

CITY OF STANWOOD
Stanwood, Washington

ORDINANCE 1457

AN ORDINANCE OF THE CITY OF STANWOOD, WASHINGTON, AMENDING ORDINANCE 1451 RELATING TO THE 2017-2018 BIENNIAL BUDGET

WHEREAS, the City previously adopted the 2017 and 2018 biennial budget pursuant to Ordinance 1428; and

WHEREAS, the City Council amended the 2017-18 biennial budget pursuant to Ordinances 1447 and 1451; and

WHEREAS, by law the City may not have expenditures in excess of budgeted appropriations for an individual fund;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF STANWOOD DO HEREBY ORDAIN AS FOLLOWS:

Section 1. The 2017-18 biennial budget, as adopted by Ordinance 1428, and as amended by Ordinance 1447 and Ordinance 1451 is hereby further amended to reflect the totals of 2018 amended budgeted revenues and appropriations for each separate fund as set forth in summary form in attached Exhibit 1.

Section 2. Except as provided herein and any prior amendments, all provisions of Ordinances 1428, 1447 and 1451 shall remain in full force and effect unchanged.

ADOPTED by the City Council and APPROVED by the Mayor this ____ day of ______________ 2018.

CITY OF STANWOOD

____
Leonard Kelley, Mayor

ATTEST:

____
David A. Hammond, City Clerk

APPROVED AS TO FORM:

____
Grant Weed, City Attorney

EXHIBIT 1

2018 Amended Budgeted Revenues and Expenditures in Summary Form

2018 Budget Amendment - in Summary Form

Fund Title	Fund No.	Description	2018 Current Budget Amd. 2 (Nov. 2017)	2018 Proposed Amd. No. 3	Increase (Decrease)
General Fund	001	Beginning Fund Balance	$ 2,475,100	$ 3,169,377	$ 694,277
General Fund	001	Revenue	$ 6,297,125	$ 6,297,125	$ -
General Fund	001	Expenditures	$ 6,430,598	$ 6,654,553	$ 223,955
General Fund	001	Ending Fund Balance	$ 2,341,627	$ 2,811,949	$ 470,322
Street Fund	101	Beginning Fund Balance	$ 118,317	$ 143,818	$ 25,501
Street Fund	101	Revenue	$ 392,249	$ 392,249	$ -
Street Fund	101	Expenditures	$ 374,420	$ 527,576	$ 153,156
Street Fund	101	Ending Fund Balance	$ 136,146	$ 8,491	$ (127,655)
Street Impact Fee Fund	102	Beginning Fund Balance	$ 261,771	$ 385,911	$ 124,140
Street Impact Fee Fund	102	Revenue	$ 78,006	$ 78,006	$ -
Street Impact Fee Fund	102	Expenditures	$ 125,000	$ 125,000	$ -
Street Impact Fee Fund	102	Ending Fund Balance	$ 214,777	$ 338,917	$ 124,140
Street Construction	103	Beginning Fund Balance	$ 13,335	$ 492,222	$ 478,887
Street Construction	103	Revenue	$ 2,820,100	$ 3,040,100	$ 220,000
Street Construction	103	Expenditures	$ 2,830,085	$ 2,415,085	$ (415,000)
Street Construction	103	Ending Fund Balance	$ 3,350	$ 1,117,237	$ 1,113,887
Park Improvement	104	Beginning Fund Balance	$ 34,335	$ 153,708	$ 119,373
Park Improvement	104	Revenue	$ 1,123,833	$ 1,123,833	$ -
Park Improvement	104	Expenditures	$ 1,080,000	$ 1,080,000	$ -
Park Improvement	104	Ending Fund Balance	$ 78,168	$ 197,541	$ 119,373
Fire Impact Fees Fund	105	Beginning Fund Balance	$ 60,206	$ 66,860	$ 6,654
Fire Impact Fees Fund	105	Revenue	$ 4,400	$ 4,400	$ -
Fire Impact Fees Fund	105	Expenditures	$ -	$ -	$ -
Fire Impact Fees Fund	105	Ending Fund Balance	$ 64,606	$ 71,260	$ 6,654
Park Impact Fees Fund	106	Beginning Fund Balance	$ 45,051	$ 115,523	$ 70,472
Park Impact Fees Fund	106	Revenue	$ 14,248	$ 14,248	$ -
Park Impact Fees Fund	106	Expenditures	$ -	$ -	$ -
Park Impact Fees Fund	106	Ending Fund Balance	$ 59,299	$ 129,771	$ 70,472
Equipment Reserve Fund	107	Beginning Fund Balance	$ 1,947	$ 141,407	$ 139,460
Equipment Reserve Fund	107	Revenue	$ 171,100	$ 521,188	$ 350,088
Equipment Reserve Fund	107	Expenditures	$ 171,000	$ 241,000	$ 70,000
Equipment Reserve Fund	107	Ending Fund Balance	$ 2,047	$ 421,595	$ 419,548
Transportation Sales Tax	108	Beginning Fund Balance	$ 368,764	$ 417,637	$ 48,873
Transportation Sales Tax	108	Revenue	$ 293,900	$ 293,900	$ -
Transportation Sales Tax	108	Expenditures	$ 19,215	$ 239,215	$ 220,000
Transportation Sales Tax	108	Ending Fund Balance	$ 643,449	$ 472,322	$ (171,127)
Contingency Fund	109	Beginning Fund Balance	$ 283,144	$ 283,782	$ 638
Contingency Fund	109	Revenue	$ 11,500	$ 36,738	$ 25,238
Contingency Fund	109	Expenditures	$ -	$ -	$ -
Contingency Fund	109	Ending Fund Balance	$ 294,644	$ 320,520	$ 25,876

EXHIBIT 1

2018 Amended Budgeted Revenues and Expenditures in Summary Form (Continued)

Fund Title	Fund No.	Description	2018 Current Budget Amd. 2 (Nov. 2017)	2018 Proposed Amd. No. 3	Increase (Decrease)
Building Improvement	110	Beginning Fund Balance	$ 843,157	$ 916,006	$ 72,849
Building Improvement	110	Revenue	$ 302,000	$ 302,000	$ -
Building Improvement	110	Expenditures	$ 670,000	$ 670,000	$ -
Building Improvement	110	Ending Fund Balance	$ 475,157	$ 548,006	$ 72,849
REET 1 - Capital Improvements	120	Beginning Fund Balance	$ 516,042	$ 572,933	$ 56,891
REET 1 - Capital Improvements	120	Revenue	$ 160,500	$ 160,500	$ -
REET 1 - Capital Improvements	120	Expenditures	$ 425,000	$ 425,000	$ -
REET 1 - Capital Improvements	120	Ending Fund Balance	$ 251,542	$ 308,433	$ 56,891
REET 2 - Growth Management	121	Beginning Fund Balance	$ 794,004	$ 853,364	$ 59,360
REET 2 - Growth Management	121	Revenue	$ 160,500	$ 160,500	$ -
REET 2 - Growth Management	121	Expenditures	$ 430,000	$ 430,000	$ -
REET 2 - Growth Management	121	Ending Fund Balance	$ 524,504	$ 583,864	$ 59,360
Debt Service Fund	205	Beginning Fund Balance	$ 58,049	$ 69,172	$ 11,123
Debt Service Fund	205	Revenue	$ 195,700	$ 195,700	$ -
Debt Service Fund	205	Expenditures	$ 198,450	$ 198,450	$ -
Debt Service Fund	205	Ending Fund Balance	$ 55,299	$ 66,422	$ 11,123
Capital Construction Fund	305	Beginning Fund Balance	$ 0	$ 0	$ -
Capital Construction Fund	305	Revenue	$ -	$ -	$ -
Capital Construction Fund	305	Expenditures	$ -	$ -	$ -
Capital Construction Fund	305	Ending Fund Balance	$ 0	$ 0	$ -
Sewer Fund	401	Beginning Fund Balance	$ 1,279,494	$ 1,603,873	$ 324,379
Sewer Fund	401	Revenue	$ 1,794,411	$ 1,794,411	$ -
Sewer Fund	401	Expenditures	$ 1,862,912	$ 2,195,657	$ 332,745
Sewer Fund	401	Ending Fund Balance	$ 1,210,993	$ 1,202,627	$ (8,366)
Sewer Construction Fund	403	Beginning Fund Balance	$ 888,079	$ 1,442,266	$ 554,187
Sewer Construction Fund	403	Revenue	$ 311,972	$ 393,472	$ 81,500
Sewer Construction Fund	403	Expenditures	$ 1,152,000	$ 1,152,000	$ -
Sewer Construction Fund	403	Ending Fund Balance	$ 48,051	$ 683,738	$ 635,687
Sewer Plant Investment Fund	405	Beginning Fund Balance	$ 776,902	$ 825,957	$ 49,055
Sewer Plant Investment Fund	405	Revenue	$ 188,054	$ 188,054	$ -
Sewer Plant Investment Fund	405	Expenditures	$ 142,472	$ 142,472	$ -
Sewer Plant Investment Fund	405	Ending Fund Balance	$ 822,484	$ 871,539	$ 49,055
Drainage Fund	410	Beginning Fund Balance	$ 143,391	$ 298,228	$ 154,837
Drainage Fund	410	Revenue	$ 450,700	$ 450,700	$ -
Drainage Fund	410	Expenditures	$ 544,762	$ 662,098	$ 117,336
Drainage Fund	410	Ending Fund Balance	$ 49,329	$ 86,830	$ 37,501
					$ -
Drainage Construction Fund	411	Beginning Fund Balance	$ 264,750	$ 141,304	$ (123,446)
Drainage Construction Fund	411	Revenue	$ 521,050	$ 665,414	$ 144,364
Drainage Construction Fund	411	Expenditures	$ 667,000	$ 698,500	$ 31,500
Drainage Construction Fund	411	Ending Fund Balance	$ 118,800	$ 108,218	$ (10,582)
					$ -
Drainage Plant Invest Fund	412	Beginning Fund Balance	$ 4,515	$ 15,142	$ 10,627
Drainage Plant Invest Fund	412	Revenue	$ 19,285	$ 19,285	$ -
Drainage Plant Invest Fund	412	Expenditures	$ 20,000	$ 20,000	$ -
Drainage Plant Invest Fund	412	Ending Fund Balance	$ 3,800	$ 14,427	$ 10,627

EXHIBIT 1

2018 Amended Budgeted Revenues and Expenditures in Summary Form (Continued)

Fund Title	Fund No.	Description	2018 Current Budget Amd. 2 (Nov. 2017)	2018 Proposed Amd. No. 3	Increase (Decrease)
Water Fund	421	Beginning Fund Balance	$ 442,183	$ 752,860	$ 310,677
Water Fund	421	Revenue	$ 1,850,230	$ 1,850,230	$ -
Water Fund	421	Expenditures	$ 1,856,764	$ 1,925,487	$ 68,723
Water Fund	421	Ending Fund Balance	$ 435,649	$ 677,603	$ 241,954
Water Construction Fund	422	Beginning Fund Balance	$ 361,422	$ 498,229	$ 136,807
Water Construction Fund	422	Revenue	$ 129,610	$ 129,610	$ -
Water Construction Fund	422	Expenditures	$ 72,000	$ 182,000	$ 110,000
Water Construction Fund	422	Ending Fund Balance	$ 419,032	$ 445,839	$ 26,807
Cedarhome Plant Investment	423	Beginning Fund Balance	$ 33,556	$ 56,452	$ 22,896
Cedarhome Plant Investment	423	Revenue	$ 10,580	$ 10,580	$ -
Cedarhome Plant Investment	423	Expenditures	$ 10,580	$ 10,580	$ -
Cedarhome Plant Investment	423	Ending Fund Balance	$ 33,556	$ 56,452	$ 22,896
Water Plant Investment Fund	424	Beginning Fund Balance	$ 80,667	$ 121,718	$ 41,051
Water Plant Investment Fund	424	Revenue	$ 143,340	$ 143,340	$ -
Water Plant Investment Fund	424	Expenditures	$ 116,160	$ 116,160	$ -
Water Plant Investment Fund	424	Ending Fund Balance	$ 107,847	$ 148,898	$ 41,051
Water Bond Reserve Fund	451	Beginning Fund Balance	$ 224,122	$ 224,038	$ (84)
Water Bond Reserve Fund	451	Revenue	$ 211,200	$ 211,200	$ -
Water Bond Reserve Fund	451	Expenditures	$ 212,200	$ 212,200	$ -
Water Bond Reserve Fund	451	Ending Fund Balance	$ 223,122	$ 223,038	$ (84)
Sewer Bond Reserve Fund	452	Beginning Fund Balance	$ 474,270	$ 476,990	$ 2,720
Sewer Bond Reserve Fund	452	Revenue	$ 1,000	$ 1,000	$ -
Sewer Bond Reserve Fund	452	Expenditures	$ -	$ -	$ -
Sewer Bond Reserve Fund	452	Ending Fund Balance	$ 475,270	$ 477,990	$ 2,720
Sewer Equipment Reserve	457	Beginning Fund Balance	$ 220,879	$ 261,746	$ 40,867
Sewer Equipment Reserve	457	Revenue	$ 41,000	$ 373,745	$ 332,745
Sewer Equipment Reserve	457	Expenditures	$ 40,000	$ 40,000	$ -
Sewer Equipment Reserve	457	Ending Fund Balance	$ 221,879	$ 595,491	$ 373,612
Drainage Equipment Reserve	458	Beginning Fund Balance	$ 95,966	$ 106,519	$ 10,553
Drainage Equipment Reserve	458	Revenue	$ 110,200	$ 222,336	$ 112,136
Drainage Equipment Reserve	458	Expenditures	$ 81,200	$ 81,200	$ -
Drainage Equipment Reserve	458	Ending Fund Balance	$ 124,966	$ 247,655	$ 122,689
Water Equipment Reserve	459	Beginning Fund Balance	$ 70,989	$ 71,417	$ 428
Water Equipment Reserve	459	Revenue	$ 107,100	$ 175,823	$ 68,723
Water Equipment Reserve	459	Expenditures	$ 107,000	$ 107,000	$ -
Water Equipment Reserve	459	Ending Fund Balance	$ 71,089	$ 140,240	$ 69,151
Suspense Fund	630	Beginning Fund Balance	$ 35,493	$ 46,581	$ 11,088
Suspense Fund	630	Revenue	$ -	$ -	$ -
Suspense Fund	630	Expenditures	$ -	$ -	$ -
Suspense Fund	630	Ending Fund Balance	$ 35,493	$ 46,581	$ 11,088
Cash Accounts Fund	660	Beginning Fund Balance	$ 500	$ -	$ (500)
Cash Accounts Fund	660	Revenue	$ -	$ -	$ -
Cash Accounts Fund	660	Expenditures	$ -	$ -	$ -
Cash Accounts Fund	660	Ending Fund Balance	$ 500	$ -	$ (500)
All Funds		Beginning Fund Balance	$ 11,270,400	$ 14,725,040	$ 3,454,640
All Funds		Revenue	$ 17,914,893	$ 19,249,687	$ 1,334,794
All Funds		Expenditures	$ 19,638,818	$ 20,551,233	$ 912,415
All Funds		Ending Fund Balance	$ 9,546,475	$ 13,423,494	$ 3,877,019

CITY OF STANWOOD
FINANCE COMMITTEE
AGENDA STAFF REPORT

ITEM NUMBER:	01
DATE:	April 26, 2018
SUBJECT:	1st Quarter 2018 Financial Report
CONTACT PERSON:	David A. Hammond, CPA, Finance Director/City Clerk
ATTACHMENTS:	A – Monthly Expense & Revenue Report, March 2018 page: 6-33 in the April 26, 2018 City Council Packet B– Local Sales Tax Received page: 6-93 in the April 26, 2018 City Council Packet

SUMMARY STATEMENT

The first quarter 2018 financial statements are hereby submitted to City Council for review.

DISCUSSION

Attached are the first quarter financial reports, including a first quarter summary for all funds (Attachment A), year-to-date revenue and expenditure actual to budget comparisons (Attachment B), and local sales tax analysis (Attachment C).

One key message in this report is that beginning cash balances were higher than expected, primarily due to higher than budgeted sales tax revenues; also, all funds revenues and expenditures are within expectations for first quarter.

INVESTMENT PERFORMANCE - Q1 2018				
	January	February	March	Quarter Average
Amount Invested	$ 13,357,965	$ 13,365,982	$ 13,374,898	$ 13,366,282
Return (average percentage yield)	1.45%	1.56%	1.52%	1.51%
March 2018 Benchmark*	1.28%			
*Per Finance Policy, Two Year Average of Two-Year Treasury Note				

Investment Category	Amount	Current Allocation	March Rate
CASH			
Cash/Money Market	$ 1,878,301	12%	0
INVESTMENTS			
Opus Public Checking	$ 1,054,659	7%	1.68%
WA State LGIP	$ 274,336	2%	1.58%
Snohomish County Inv. Pool	$ 7,492,288	49%	1.46%
U.S. Treasury Notes	$ 2,502,875	16%	1.52%
U.S. Agency Securities	$ 2,050,740	13%	1.65%
Total	$ 15,253,199		

General Fund

At the end of the first quarter, revenues were 18% of the budget which is expected as the majority of property taxes, the largest tax source, are received during the second and fourth quarters. Expenditures were at 21% which is slightly under budget, partially due to unfilled Community Director position.

General Fund Revenue

General Fund revenues for the first quarter of 2018 were $1,157,296, which is ahead of last year due to increased utility taxes and planning department fees. Details are provided below.

Revenue Category	Q1 2017	2018 Budget	Q1 2018	Percent +/- 2018 Budget
Taxes	$ 743,983	$ 5,031,630	$ 815,031	16%
Licenses & Permits	$ 73,966	$ 412,004	$ 86,489	21%
State Generated	$ 26,686	$ 225,280	$ 27,417	12%
Charges for Services	$ 119,399	$ 587,545	$ 215,517	37%
Fines and Forfeits	$ 4,875	$ 30,500	$ 3,384	11%
Miscellaneous	$ 6,065	$ 10,065	$ 9,458	94%
Non-Revenue/Other	$ 410	$ 100	$ -	
Total	$ 975,384	$ 6,297,124	$ 1,157,296	18%

General Fund Taxes:

Property and sales tax are the two highest revenue sources of taxes received by the city. The city also collects various utility taxes on telephone, cable, garbage and other utility activities in the city.

Property/EMS Tax – Property tax payments during the first quarter of 2018 are comparable to the prior year:

YTD Comparison of Property Tax and EMS Levies

Description	YTD 3/31/17 Actual	YTD 3/31/18 Actual	Difference	% Increase/ (Decrease)
Property Tax Levy	$ 81,345	$ 74,540	$ (6,805)	-8.4%
EMS Levy	$ 8,004	$ 8,201	$ 197	2.5%
Total Levies	$ 89,349	$ 82,741	$ (6,608)	-8.0%

Sales Tax

Sales tax received in the first quarter 2018 was $381,909, which was 12 percent higher than the $344,657, collected in first quarter of 2017. The city budgeted $1,200,000 for sales tax revenues in 2018 in anticipation of continued strength in the economy and new construction. Sales tax from construction was 17.6%, which exceeds the prior year and is close to Q1 of 2016, in which almost 20 percent was from construction. The city must be careful to match one-time construction revenues with one-time expenditures.

Type of Tax Collected	3/31/2017	3/31/2018	Increase (Decrease)	Percentage Change
Construction Sales Tax	$ 39,950	$ 67,448	$ 27,498	41%
All other Sales & Use Tax	$ 304,707	$ 314,461	$ 9,754	3%
Total	$ 344,657	$ 381,909	$ 37,252	10%

General Fund Licenses & Permits

The city has received $86,489 or 21%, of budgeted License and Permit Revenues.

General Fund State Generated Revenues

State Generated revenues include the city's share of liquor excise tax and liquor board profits along with other miscellaneous state shared revenues. First quarter 2018 receipts are on track with prior years.

General Fund Charges for Services

Although passport revenue is not a large revenue source, it is an opportunity to provide convenient service to our residents and is a service that has grown steadily each year. First quarter 2018 saw a slightly lower number than the first quarter of 2017, although we did process over 400 application, which keeps City Hall busy. Below is an analysis of historical passport fee activity:

Passport Fee Revenue Comparison

Passport Activity 2011-2018								
Month	2011	2012	2013	2014	2015	2016	2017	2018
January	53	56	84	97	68	109	159	134
February	49	73	94	90	90	130	154	115
March	79	78	67	95	83	119	190	157
April	74	71	94	77	100	120	113	
May	39	78	98	47	85	101	107	
June	58	52	52	55	56	85	101	
July	51	53	38	68	71	68	85	
August	59	57	45	62	69	100	132	
September	46	30	44	54	64	79	99	
October	51	52	45	44	61	60	87	
November	46	49	46	47	66	81	80	
December	62	35	42	53	62	108	78	
Total:	667	684	749	789	875	1160	1385	406

General Fund Expenditures

At the end of first quarter 2018 general fund expenditures were 21% of budget. The governmental services department include annual expenditures such as liability insurance and dues which are paid in the first quarter.

Expenditure Category	Q1 2017	2018 Budget	Q1 2018	Percent +/- 2017 Budget
Clerk and City Council	$ 68,040	$ 168,610	$ 39,189	23%
Judicial	$ 6,736	$ 40,510	$ 9,321	23%
Mayor	$ 4,374	$ 26,640	$ 5,602	21%
Administration	$ 185,453	$ 720,205	$ 146,189	20%
Legal	$ 13,485	$ 88,690	$ 9,983	11%
Buildings & Grounds	$ 37,095	$ 147,045	$ 31,641	22%
Governmental Services	$ 47,695	$ 68,803	$ 46,135	67%
Law Enforcement	$ 223,729	$ 2,064,278	$ 350,697	17%
Jail	$ 86	$ 86,000	$ 10,621	12%
Fire Services	$ 320,848	$ 1,679,600	$ 407,893	24%
Emergency Services	$ 1,959	$ 8,370	$ 2,070	25%
Planning & Building	$ 154,526	$ 874,435	$ 155,784	18%
Library	$ 2,281	$ 14,000	$ 2,951	21%
Parks	$ 54,339	$ 270,120	$ 56,870	21%
Non-Expenditures	$ (732)	$ -	$ 1,110	0%
Interfund Transfers	$ 30,558	$ 172,792	$ 43,198	25%
Total	$ 1,150,472	$ 6,430,098	$ 1,319,254	21%

Park Improvement Fund

Presented below is a summary of park capital improvement expenditures year to date as compared to the 2018 adopted budget.

Park Improvement Fund - Summary			
Description	**2018 Budget**	**2018 YTD**	**Percent +/- 2018 Budget**
Hamilton Landing	$ 275,000		0%
Ovenell	$ 55,000		0%
Johnson Farm Easement	$ 700,000	$ 24,733	4%
Church Creek	$ -		
Heritage Park Improvements	$ 50,000	$ 22,713	45%
Total	$ 1,080,000	$ 47,446	4%

Street Funds

Operating

In 2016, the street operating fund began receiving 8% of the property tax received in the city, which is estimated to be $205,449 in 2018, and is intended to replace transfers from the real estate excise tax fund. Another major portion of the revenue that the street fund relies on originates from unrestricted motor vehicle excise tax (MVET), or "fuel tax". The city receives about $130,000 per year in fuel taxes.

Fund 101—Street Operating

Fund Balance	Q1 2017	2018 Budget	Q1 2018	Percent +/- 2017 Budget
Beginning Fund Balance	$ 209,221	$ 118,317	$ 143,818	122%
Revenues	$ 56,703	$ 392,249	$ 58,215	15%
Expenditures	$ 91,844	$ 374,320	$ 95,710	26%
Ending Fund Balance	$ 174,080	$ 136,246	$ 106,323	78%
Revenues				
Taxes	$ 7,074	$ 205,449	$ 6,482	3%
Licenses & Permits	$ 6,218	$ 18,300	$ 4,806	26%
State Generated	$ 34,116	$ 133,400	$ 37,635	28%
Charges For Services	$ 270	$ -	$ 180	0%
Miscellaneous	$ 275	$ 100	$ 362	362%
Other Financing	$ 8,750	$ 35,000	$ 8,750	25%
Total	$ 56,703	$ 392,249	$ 58,215	15%
Expenditures				
Salaries & Benefits	$ 46,790	$ 217,620	$ 51,396	24%
Supplies	$ 6,467	$ 27,400	$ 5,798	21%
Services	$ 26,933	$ 38,100	$ 21,940	58%
Utilities	$ 10,946	$ 60,000	$ 10,428	17%
Repair & Maintenance	$ 708	$ 16,200	$ 6,148	38%
Sno Co Striping	$ -	$ 15,000	$ -	0%
Total	$ 91,844	$ 374,320	$ 95,710	26%

Street Construction Projects

There are several street capital related projects planned in the 2018 budget and as a result both the street impact fee and the construction funds are estimated to have reduced ending fund balances as shown in the following tables.

Street Impact Fee Fund - Summary				
Description	Q1 2017	2018 Budget	Q1 2018	Percent +/- 2017 Budget
Beginning Fund Balance	$ 641,811	$ 261,771	$ 385,911	147%
Revenues	$ 127,488	$ 78,006	$ 43,894	56%
Expenditures	$ 87,500	$ 125,000	$ 31,250	25%
Ending Fund Balance	$ 681,799	$ 214,777	$ 398,555	186%

Street Construction Fund - Summary				
Description	Q1 2017	2018 Budget	Q1 2018	Percent +/- 2017 Budget
Beginning Fund Balance	$ 127,041	$ 113,335	$ 492,222	434%
Revenues	$ 154,694	$ 2,820,100	$ 158,700	6%
Expenditures	$ 31,717	$ 2,380,085	$ 29,396	1%
Ending Fund Balance	$ 313,452	$ 553,350	$ 621,526	112%

Presented below is a summary of street construction expenditures:

Project	Budget 2018	YTD 3/31/2018	Remaining
New Sidewalk/ Trail Installation	70,000	-	70,000
Downtown Street & Sidewalk Imp.	20,000	-	20,000
68th Street Sidewalk Construction	-	5,000	-
Pioneer Highway Overlay - CHAP	-	481	(481)
Viking Way Right of Way	-	1,414	(1,414)
Viking Way Construction	300,000		300,000
Misc Capital Projects	25,000	-	25,000
271st St 94th-SR532 TIB	-	1,789	(1,789)
88th/SR532 - Florence (84th Ave) TIB	-	1,789	(1,789)
Pioneer Hwy Overlay/72nd-City Limit TIB	-	1,789	(1,789)
Cedarhome Dr. Overlay	300,000	8,567	291,433
92nd Ave. Overlay	400,000	8,567	391,433
102nd Ave. Overlay	390,000	-	390,000
SR 532/Ovenell Access	330,000	-	330,000
Downtown Connection Study	75,000	-	75,000
SR 532/Corridor Study	350,000	-	350,000
102nd Ave. Sidewalk	106,498	-	106,498
92nd Av. Sidewalk	72,228	-	72,228
72nd Ave. Sidewalk	391,359	-	391,359
Total	2,830,085	29,396	2,805,689

Transportation Sale Tax Fund 108

For 2018, the transportation sales tax fund has budgeted revenue of $292,900. As of the end of the first quarter, $89,515 has been received.

There are no directly funded capital projects budgeted from fund 108 in 2018, although transfers to the street construction fund are anticipated in support of the city match portion of grant-funded street overlay and sidewalk projects.

Funding of $19,215 will also be used to support the general repair and maintenance of city streets.

Sewer Funds

Sewer Operating

For first quarter 2018 sewer service fee revenues were $470,647, which is 26.3% of budget. This is 5.1% higher than the same period last year, which is primarily attributable to the 3.5% rate increase effective January 1st.

Operating expenditures (excluding debt service and transfers for capital) were $250,741, which is 23.4% of budget. There is currently one vacancy in the department.

Sewer Construction

Sewer Construction and Plant Investment Fee revenue and expenditures are within budget. Increased expenditures are expected later during construction season.

Sewer Construction Fund - Summary				
Description	Q1 2017	2018 Budget	Q1 2018	Percent +/- 2017 Budget
Beginning Fund Balance	$ 2,295,170	$ 898,169	$ 1,442,266	161%
Revenues	$ 42,603	$ 311,972	$ 83,013	27%
Expenditures	$ 210,653	$ 1,152,000	$ 22,312	2%
Ending Fund Balance	$ 2,127,120	$ 58,141	$ 1,502,967	2585%

Sewer Plant Investment Fund - Summary				
Description	Q1 2017	2018 Budget	Q1 2018	Percent +/- 2017 Budget
Beginning Fund Balance	$ 744,272	$ 776,902	$ 825,957	106%
Revenues	$ 78,753	$ 188,054	$ 81,077	43%
Expenditures	$ 24,285	$ 142,472	$ 35,618	25%
Ending Fund Balance	$ 798,740	$ 822,484	$ 871,416	106%

Presented below is a summary of sewer construction expenditures:

Description	Budget 2018	YTD 3/31/2018	Remaining
Biosolids Processing Facility	110,000	-	110,000
Wastewater Rate Study	22,000	2,508	19,492
271st (94th - 99th)	400,000	-	400,000
Improvements	-	4,076	(4,076)
Pioneer (Cedarhome to 267th)	50,000	-	50,000
Telemetry Equipment	225,000	15,728	209,272
Collector/Int Syst Flow	45,000		45,000
Smoke Testing/Camera/Flow	300,000		300,000
Total	1,152,000	22,312	1,129,688

Drainage Funds

Operating

Drainage charges for services were $150 for first quarter 2018, or 33.4% of budget. This is a 22.9% increase over service revenue for the same period in 2017, due to an increase in drainage rates for multi-family and commercial properties, which were implemented partially in 2017. Operating expenditures of $110,727 were 27.0% of budget.

Construction

Description	Budget 2018	YTD 3/31/2018	Remaining
Drainage Rate Study	32,000	2,371	29,629
SR 532 Flood Berm	55,000	232	54,768
Irvine Slough Erosion Control	30,000	6,878	23,122
Stormwater Separation	300,000	29,052	270,948
Sheetpile Walls	250,000	-	250,000
Total	667,000	38,533	628,467

Water Funds

Operating

Water service charges for first quarter 2018 were $423,963, or 24.6% of budget. This represents a 5.4% increase over service revenues for the same period in 2017, attributed to a 5 % increase effective January 1, 2018. Operating expenditures were $250,981 or 21.1% of budget. The under expenditure is attributed to two un-filled vacancies in the department.

Construction

Presented below is a summary of water utility construction expenditures:

Description	Budget 2018	YTD 3/31/2018	Remaining
Water Rate Study	22,000	2,508	19,492
Improvements	50,000	-	50,000
Cedarhome Well Pump	-	5,126	(5,126)
Total	72,000	7,634	64,366

Building Improvement Fund

The city budgeted $670,000 in building improvements to fund the following projects:

New City Hall	$ 600,000
City Hall Furnace	$ 20,000
Fire Station Improvements	$ 50,000
	$ 670,000

Through March 31, 2018 the city expended $1,520.

REET Funds

REET I and REET II revenues are budgeted for 2018 at $160,000 each. First quarter REET I & II revenues were each $40,717. This represents 25.4% of the budget for each fund. REET I transferred $106,250 to the Park Improvement Fund in the first quarter, and a transfer of $107,500 was made from REET II to the park improvement fund.

Connection and Impact Fees

Connection fees are paid by new utility customers to hook up to the system and are deposited into the appropriate construction fund and used for capital expenditures.

Impact fees are paid by new development to mitigate the impacts of new development on the city's existing infrastructure. Impact fees cannot be used for operating expenses.

Description	Budget 2018	YTD 3/31/2018	Remaining
Connection Fees			
Sewer Connection Fees	14,500	6,000	8,500
Drainage Connection Fees	5,800	2,600	3,200
Water Connection Fees	13,200	7,200	6,000
Total Connection Fees	33,500	15,800	17,700
Impact Fees			
Street Impact Fees	77,506	42,119	35,387
Park Impact Fees	14,098	2,612	11,486
Fire Impact Fees	4,400	2,200	2,200
Total Impact Fees	96,004	46,931	49,073

Grant Status

Following is a list of grants and their status:

1. Safe Routes to Schools – 68th Ave NW – (Department of Commerce) The project includes sidewalk, curb, gutter, planter strip, educational materials and events, speed feedback signs, and emphasis patrols. We have completed this project and submitted our final reimbursement request to the Department of Commerce. The total Federal grant reimbursement on this project was $171,737 and the total State grant funding received will be $456,870.

2. Irvine Slough Storm Water Separation – (Department of Commerce) Expenditures were $25,174 in 2016, $183,481 in 2017, and $29,052 in 2018. Dept. of Commerce rules do not allow reimbursement until "site control" is established, which for this project is going to be when design is complete later this year.

3. 90th Ave NW (also called Viking Way) – The first phase of preliminary engineering and design was complete in 2016 with a $140,000 grant from WSDOT. The next phase for right of way will be partially funded by a grant from the Puget Sound Regional Council; the grant requires a 50 percent match, and is a maximum of $350,000. In October, we received a reimbursement of $24,293. Since then we have spent $13,230 on this project.

4. SR532 Flood Berm & Bike/Pedestrian Path – (Department of Commerce) – The City was awarded an $82,450 grant. Phase 1 will complete design and permitting. On April 6th, $74,205 was received for grant reimbursement. We recently submitted a reimbursement request for the remaining 10 percent, and will then close out the grant.

5. Pioneer Hwy, 88th, 271st St 94th-SR532, Pioneer Hwy/72nd-City Limits – these four overlay projects were funded by the Transportation Improvement Fund. These projects are complete and a final reimbursement was received on February 5 for $126,160, making the total grant reimbursement $851,698.

6. We have received approval for TIB grant funding for two, 2018 projects: 92nd Ave, from 271st Street to Lover's Lane and Cedarhome Drive, from the Viaduct to 276th Street. Engineering has begun on the ADA ramp portion of these projects.