

**Regular Meeting – Finance Standing Committee  
Wednesday, November 10, 2010, 3:30 p.m.  
City Hall Conference Room**

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**CALL TO ORDER**

Councilmember Palmer called the meeting to order at 3:30 p.m.

**IN ATTENDANCE**

Councilmember Jim Palmer, Chair  
Councilmember Beth Munns  
Councilmember Bob Severns

Mayor Jim Slowik  
Paul Schmidt, City Administrator  
Doug Merriman, Finance Director

**PUBLIC COMMENTS**

No public attendance, no comments.

**FOLLOW UP FROM OCTOBER 13, 2010 MEETING**

Councilmember Palmer, in response to a statement made during the 11/3/2010 regular City Council meeting, talked about the City's utility rates and tax percentages being lower than other cities as mentioned in the 10/13/2010 Finance Committee meeting notes. Overall, notes from 10/13/10 looked fine.

Mr. Palmer presented a hard copy economic report to committee members.

**Agenda Bill - Lodging Tax Advisory Committee Recommendation**

Finance Director Merriman explained the 45-day referral process for the 2011 2% Lodging Tax Grant Program. See Exhibit A. Four applications have been received with total requests coming to \$62,090 and only \$16,000 is available for 2% grant awards. The agenda bill awarding grant funds will come before Council in January 2011. \$15,000 (checking the 1/19/10 agenda bill) was awarded in 2010.

**Agenda Bill – Ordinance adopting the 2011 – 2012 Biennial Budget**

Mr. Merriman talked about the ordinance and agenda bill coming before Council on 11/16/10. See Exhibit B. Instead of using \$240,000 from reserves in 2011, it will be \$199,000; \$170,000 will be used in 2012. This is down to \$369,000 instead of the \$440,000 initially projected for these two years. Ending balance for 2010 was \$2.74 million. The City is not using the whole ending balance going into next year; less than discussed during 11/3/10 regular Council meeting. The City still must be prudent with its reserve use. Sales tax will remain flat for the next two years. Discussion continued about employees' COLA for 2011 and 2012. Mr. Merriman asked the committee if a PowerPoint presentation explaining the budget process would be helpful during Council's 11/16/10 regular meeting. Consensus was, yes, it would be useful. Discussion followed about reserves and reserve use in these types of budget cycles and building reserves for the future. City Administrator Paul Schmidt talked about the budget process as it begins with department heads and that the process continues through each year. Zero monies are going into the general fund for streets with street

improvements dependent on CAPRON funds and fuel taxes. The City needs to plan for streets, but that does not mean that it will be implemented. 2011 is a stop gap measure for streets. The future may hold a street utility that would be voted on by taxpayers.

Discussion continued about sales tax and the amount received by the City. Out of one dollar, the City receives eight and half cents. Island Transit receives a little more (nine cents). Island County receives a little less, but also receives 15% of our sales tax. In percentage amounts, we receive .085%; Island Transit receives .09%. Mr. Merriman talked about a recent Whidbey News Times article which had left out the word "tax" in the phrase "utility tax revenues." Utility tax revenues are put in the general fund.

### **Other Business**

Discussion followed about the delay in Perteet's engineering packet and the agenda bill for authorization to bid – Pioneer Way which was pulled from the 11/16/10 Council meeting agenda and will come forward for the 12/7/10 regular meeting. It is better to be fully-prepared with solid documentation.

### **Discussion Returned to the 2011 – 2012 Budget Ordinance**

Discussion and questions followed about REET funds (Funds 311 and 312) – Showing transfers to the Pioneer Way Project, Park Improvements (Fund 125) – Includes the Scenic Heights Trailhead, Arterials (Fund 104), - Includes the Pioneer Way Project, Cumulative Reserves Water (Fund 411) – Water Reservoir on the north side of town, and Marina (Fund 410) – The Dredging Project. Discussion continued about the difference in Arterials – Fund 104 between 2011 and 2012 which drops to \$370,666 in 2012 because of the Pioneer Way Project and what a normal year would reflect. Mr. Merriman noted that it is difficult to project a normal year with Arterials since this fund can go up and down depending on the project (i.e. the North Oak Harbor Street Project). Five years ago, there was not as much activity in Arterials.

### **Discussion Returned to Other Business**

Discussion continued about grant funds for 7<sup>th</sup> Avenue (can only fund 40% but other funding opportunities will be pursued into 2014), the City's Centennial in 2015 and planning for the Centennial (possibly an ad hoc committee to begin planning early for this celebration), and the 11/19/10 auditor's exit meeting. Mr. Merriman will have a 3<sup>rd</sup> quarter financial report available for the 12/8/10 Finance Standing Committee meeting.

### **ADJOURN**

With no other discussion coming before the Finance Standing Committee, the meeting adjourned at 4:35 p.m.

Notes were taken by  
Connie Wheeler, City Clerk




**City of Oak Harbor  
City Council Agenda Bill**

Exhibit A

Bill No. \_\_\_\_\_  
Date: November 16, 2010  
Subject: 2% Grant program – 45 day referral.

FROM: **Doug Merriman, Finance Director**

INITIALED AS APPROVED FOR SUBMITTAL TO THE COUNCIL BY:

 Jim Slowik, Mayor  
 Paul Schmidt, City Administrator  
 Margery Hite, City Attorney, as to form

**PURPOSE**

To submit a proposal for a change in the use of hotel motel tax revenues for four grant applications to the Lodging Tax Advisory Committee for the City's 2011 Lodging Tax Grant Program. This submission is solely to begin the forty-five day review and comment period. After this period has been completed, a recommendation from the Lodging Tax Advisory Committee will be brought forward to City Council with a request by staff for Council to take action on the recommendation.

**AUTHORITY**

RCW 67.28.180 Lodging tax authorized – Conditions: Establishes City authority to levy the “basic” hotel-motel tax of 2%.

RCW 67.28.181 Special excise taxes authorized: Establishes City authority to levy an “additional” hotel-motel tax of 2%.

RCW 67.28.1817 Establishes a Lodging Tax Advisory Committee in large municipalities. Submission of a proposal for imposition of or change in tax or use establishes that before proposing a change in the use of revenue received under this chapter, a municipality with a population of five thousand or more shall submit the proposal to the Lodging Tax Advisory Committee for review and comment. The submission shall occur at least forty-five days before final action on or passage of the proposal by the municipality. The advisory committee shall submit comments on the proposal in a timely manner through generally applicable public comment procedures.

**SUMMARY STATEMENT**

The City of Oak Harbor sponsors an annual grant program funded by revenues from 2% lodging tax proceeds, more commonly known as the Lodging Tax Grant Program. Organizations are encouraged to apply for funding if they feel that their activity promotes tourism in a manner that attracts visitors to Oak Harbor from other localities.

The City has received 4 applications for funding through the City's Lodging Tax Grant Program for 2011. These requests are as follows:

	<u>Requested</u>
• Oak Harbor Arts Commission – Driftwood Day	\$ 4,090
• 25 <sup>th</sup> Annual North Whidbey Car Show	6,000
• Whidbey Island Marathon	10,000
• Chamber of Commerce – Tourism Promotion	<u>\$ 42,000</u>

**Total Requests** **\$ 62,090**

# **City of Oak Harbor City Council Agenda Bill**

## **STANDING COMMITTEE REPORT**

This issue was presented to the Finance Standing Committee on November 10, 2010.

## **RECOMMENDED ACTION**

- 1) A motion to begin the 45-day review period for a change in the use of hotel motel tax revenues for consideration of the City's Lodging Tax Grant Program for 2011.

## **ATTACHMENTS**

## **MAYOR'S COMMENTS**

**City of Oak Harbor  
City Council Agenda Bill**


Exhibit B

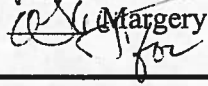
Bill No. \_\_\_\_\_  
Date: November 16, 2010  
Subject: Adopt Final Ordinance: 2011-2012  
Biennial Budget.

FROM: **Doug Merriman, Finance Director** 

INITIALED AS APPROVED FOR SUBMITTAL TO THE COUNCIL BY:

 Jim Slowik, Mayor

 Paul Schmidt, City Administrator

 Margery Hite, City Attorney, as to form

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**PURPOSE**

This agenda bill presents the proposed ordinance required under RCW 35A.34.120 for adopting the City's 2011-2012 Biennial Budget. This ordinance will set the appropriation levels, by fund, for the biennial period.

**AUTHORITY**

RCW 35.34.040 authorizes First-Class cities to adopt biennial budgets. In addition, RCW 35A.11.020 gives Code cities such as Oak Harbor the same authority as given to other classes of cities. The rules for adopting biennial budgets by Code cities are set out in RCW 34A.34.

**SUMMARY STATEMENT**

This agenda bill is to present the biennial budget ordinance for the biennial budget period 2011-2012. The requested budget authorizations have been established as a result of presentations made by staff to City Council during previous budget workshops.

The attached ordinance, in proper format, presents the appropriation or spending authority for each fund of the City. Any future changes in authority at the fund level will be presented to Council for approval.

**RECOMMENDED ACTION**

- 1) Hold a public hearing.
- 2) Pass ordinance approving 2011-2012 budget ordinance.

**ATTACHMENTS:**

Draft Ordinance

**MAYOR'S COMMENTS**

Draft

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE TO ENCUMBER RESOURCES AND TO ESTABLISH EXPENDITURE AUTHORITY THROUGH THE ADOPTION OF THE CITY OF OAK HARBOR 2011-2012 BIENNIAL BUDGET.**

WHEREAS, the City of Oak Harbor has elected to utilize a biennial budget as provided in RCW 35A.34.040; and

WHEREAS, a public hearing was held June 15, 2010 regarding revenue sources for the coming year's budget, including consideration of possible increases in property tax revenues as required by RCW 84.55.120; and

WHEREAS, budget estimates from each department of City government were provided to the City Clerk as required by RCW 35A.34.050 on or before September 13, 2010 setting forth the complete financial program of the City for the ensuing fiscal biennium; and

WHEREAS, a proposed preliminary budget was prepared on October 29, 2010 setting out the complete financial program of the City for the ensuing fiscal biennium as required by RCW 35A.34.070; and

WHEREAS, the preliminary budget was prepared in detail on November 12, 2010, making revisions or additions to the reports of the department heads and was made available to the public at least six weeks prior to the City's new fiscal biennium, beginning January 1, 2011; and

WHEREAS, the budget message, explaining the budget, outlining the recommended financial policies and programs of the city for the ensuing fiscal biennium, stating reasons for salient changes from the previous biennium in appropriation and revenue items; and explaining any recommended major changes in financial policy was submitted on September 30, 2010 as required by RCW 35A.34.090; and

WHEREAS, budget workshops were held on June 15, September 29, October 14, November 3, 2010, which were open to the public and at which department heads gave information regarding estimates and programs; and

WHEREAS, the City Clerk has published notice of a final public hearing on the final 2011-2012 biennial budget in the Whidbey News Times on November 3 and November 10, 2010; and,

WHEREAS, the Oak Harbor City Council held the final public hearing at the November 16, 2010 City Council meeting to receive discussion and input from the public; and,

WHEREAS, the City of Oak Harbor desires to set forth and establish expenditure authority for the purpose of continuing operations for the biennial period commencing January 1, 2011 through December 31, 2012;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF OAK HARBOR do hereby ordain as follows:**

**Section 1:** The 2011-2012 Biennial Budget as presented at the November 16, 2010 public hearing is hereby adopted by reference, and shall constitute the expenditure authority for years 2011-2012 for the City of Oak Harbor. The City Clerk is instructed to file the same with the minutes of this meeting. Set forth in summary form are the totals of the estimated encumbrances for each separate fund and the aggregate totals for all such funds combined.

Draft

Fund	2011	2012
Fund: 001 CURRENT EXPENSE	\$14,331,914	\$14,280,339
Fund: 002 CURRENT EXPENSE RESERVES	1,390,238	1,390,238
Fund: 003 CURRENT EXP - AMERIFLEX	60,000	60,000
Fund: 005 CURRENT EXP - SEIZURE	10,000	10,000
Fund: 006 WHIDBEY ISLAND MARATHON	345,936	354,272
Fund: 101 STREETS	2,019,932	1,842,823
Fund: 104 ARTERIALS	8,173,028	370,666
Fund: 105 TRANSPORTATION CAPITAL IMPROVE	1,115,100	1,144,799
Fund: 106 PATHS & TRAILS 1/2 OF 1% MVFT	19,968	22,418
Fund: 110 CUMULATIVE RESERVE STREETS	21,223	21,383
Fund: 115 ART ACQUISITION & MAINTENANCE	88,505	120,977
Fund: 116 CIVIC IMPROVEMENT (2%)	476,918	518,618
Fund: 125 PARK IMPROV-NEIGHBORHOOD PARKS	299,433	59,433
Fund: 126 PARK IMPROV COMMUNITY PARKS	340,435	256,435
Fund: 129 SENIOR CENTER	549,048	427,166
Fund: 230 2008 LOCAL FIRE BOND	51,711	25,856
Fund: 311 CUM RESERVE (M) 1ST 1/4% REET	3,420,702	1,501,202
Fund: 312 CUM RESERVE MCI 2ND 1/4% REET	2,883,853	357,603
Fund: 320 CONSTRUCTION - DOCK PROJECT	276,961	538,851
Fund: 325 WATERFRONT REDEVELOPMENT FUND	482,039	334,439
Fund: 401 WATER	15,504,619	9,062,925
Fund: 402 SEWER	10,991,311	10,532,585
Fund: 403 SOLID WASTE	5,305,423	5,256,189
Fund: 404 STORM DRAIN	4,064,998	1,685,718
Fund: 410 MARINA	5,191,337	2,046,291
Fund: 411 CUMULATIVE RESERVE WATER	6,162,043	3,477,983
Fund: 412 CUMULATIVE RESERVE SEWER	5,173,118	5,025,497
Fund: 413 CUMULATIVE RESERVE - SOLID WASTE	120,414	121,314
Fund: 414 CUMULATIVE RESERVE STORM DRAIN	395,370	423,420
Fund: 420 CUMULATIVE RESERVE MARINA	75,710	101,220
Fund: 501 EQUIPMENT RENTAL	956,419	989,069
Fund: 502 EQUIPMENT REPLACEMENT	7,011,260	7,408,589
Fund: 505 TECHNOLOGY RESERVE FUND	538,498	552,098
Fund: 510 SHOP FACILITY	2,260,895	2,314,052
	<u>\$100,108,359</u>	<u>\$72,634,468</u>

**Section 2:** This ordinance shall be in full force and effect on January 1, 2011, at least five days after passage and upon legal publication.

PASSED by the Council and approved by its Mayor this 16th day of November, 2010.

CITY OF OAK HARBOR

Approved     ( ) \_\_\_\_\_  
Vetoed        ( )     Jim Slowik, Mayor

\_\_\_\_\_  
Date

Attest:

\_\_\_\_\_  
City Clerk

Approved as to Form:

\_\_\_\_\_  
City Attorney

Published: \_\_\_\_\_