

**Regular Meeting – Finance Standing Committee**  
**Tuesday, August 11, 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.

**MEETING NOTES**

No comments about the July 21, 2010 special meeting notes.

**UTILITIES**

**Status Report on Monthly Billing**

The first monthly billing is going out next week. Next month, the billing will be sent out to both sides of town. An explanatory flyer is accompanying these billings. Council members had not heard complaints about this process but citizens had asked about costs, particularly postage costs. Mr. Merriman responded that the cost savings is realized in saved staff time and less time spent on collections. The bills have been designed to show a usage graph and printing and bulk mailing will be done by a company in Eastern Washington called Master's Touch. Four different companies were compared, and Master's Touch offered the lowest price. The City has a one-year contract with this company and will be billed based on the number of generated bills, supplies, and bulk-rate postage. The existing folding machine will be kept temporarily, but the maintenance contract will not be renewed.

**Pending Ordinances**

Mr. Merriman asked committee members if they had questions about the utility policy ordinances (water and sewer) which were introduced to Council on 8/4/10. Each of these ordinances has been set for public hearing and will return to Council on 9/7/10. The Navy rate will be negotiated by staff in 2011 and adjusted once the budget is completed. This becomes a pass-through to the Navy.

**Sales Tax Revenues**

Mr. Merriman presented Sales Tax Revenue Tables and Graphs which are attached to these notes as Exhibit A. The arrowed red figures show the actual month (to correct the state error); see footnote at bottom of each sheet. The graphs' blue line represents 3 years ago, pink line shows 2 years ago, and the yellow line represents the last 12 months. The last 12 months are still low and for the year, down approximately 3

percent. The annual sales tax graph shows revenue close to where the City was two years ago. Though the City budgeted down 8 percent and hoped to be close to 7 percent, it was asked if this compared to the last recession. Mr. Merriman noted has never experienced a negative growth rate in sales tax. The most recent car dealership departure impacts at 1 percent but may be down to a half percent by the end of the year. (Lower assessments will not affect property tax.) In addition to the tables and graphs, the sale tax group analysis by size was also presented and included in Exhibit A. Mr. Merriman noted that the \$3,044,630 will not agree with the graphs since he adjusted the graphs to account for the state's error. Specific groups discussed were motor vehicles and parts dealers (-16.3), real estate (-103.5, Mr. Merriman is working on this data for confirmation, it could be an audit adjustment), downturn in February (Mr. Merriman individually checked each business), the effect of the OHSD project's finish, mining (which includes sand and gravel), general merchandise (-4.1), food services and drinking establishments (+1.8), and broadcasting (might depend on their advertising). Mr. Merriman also reviewed destination sales tax noting that it is handled differently with federal contracts. Sales tax is the City's most volatile revenue right now.

### **2011 – 2012 Strategy Statement**

This draft agenda bill and resolution is a product of the February 27, 2010 City Council retreat and proposes a strategy statement to provide guidance for the 2011 and 2012 budget process and framework for the future. The statement is followed by 2011 – 2012 goals which will become part of the budget document, and a 2011- 2012 action plan with project descriptions. The 2011 – 2012 financial plan provides budget parameters with a conservative projection for revenues. Each of the 10 points within the strategic financial plan was discussed.

1. *Project General Fund revenues at a conservative rate of 95 – 98 percent of the last two prior year's trend.* The City has not been below 96 or 97 percent.
2. *Continue to provide for the annual 1 percent allowed increase in property tax levy.* This would amount to approximately \$35,000.
3. *Assume a conservative 90 percent revenue projection for building permit fees.*
4. *Expect no more than a 1 percent revenue gain from interest investment.* The City will turn toward treasuries which are 100 percent backed by the government. These can garner 1.1 percent instead of the .6 percent from the state pool.
5. *Expect no more than a 0.08% to 2.30% overall growth rate for General Fund revenue.*
6. *Expect a continued trend of General Fund expenditures to grow approximately 4.0% to 5.5% per year.* The employee contribution rate will be raised in 2011.
7. *Use a portion of the beginning fund balance to augment revenue in order to balance the budget.* The City has been building up reserves over last 7 or 8 years. This could be the first budget cycle that will tap this to balance the budget. This dovetails into number 9.
8. *Continue to stress expenditure restraint in order to balance the budget.* The committee asked about monthly meter reading and how far along the City is with monthly reads. Over half of the City is completed; with a year or two the City should reach a 100 percent radio read target. The schedule for past due door

hangers has also been adjusted and monthly billing consumption graphs can help identify leaks.

9. *Continue to maintain a minimum of a 15 percent cash balance in the General Fund with a preferred target of 20 percent.* The average for other cities is 12 – 15 percent.
10. *Begin meaningful discussions on how to better address the long term budget implications of sustaining current public service levels with diminishing resources.*

### **2011 Legislative Priorities**

City Administrator Schmidt presented the 2011 – 2012 legislative priority issues which will be brought to Council as a resolution. He noted that, with regard to the City's affordable housing project effort (number 5), the County is changing its approach and combining affordable and homeless housing at the state's suggestion. Mayor Slowik has concern with long-term capital being spent on short-term needs.

Numbers 14 through 17 are additions to this priorities list. With regard to number 15, the level of service concurrency for the benefit of state facilities is not in the best interest of the City; we want to separate from ferry concurrency and Island County is the only county with concurrency tied to the state highway. Mr. Schmidt wants to include AWC's priorities but they will not be available until 9/21/10. Ms. Munns may be able to obtain this information prior to that date. Mayor Slowik talked about the standing committee rules which may become a legislative priority; the City will need to hear from the Attorney General's office beforehand.

### **Initiatives**

Upcoming initiatives were presented and discussed. Initiatives 1100 and 1105 affecting liquor board profits and liquor excise taxes could create a \$200,000 - \$250,000 revenue loss for the City and also affect MRSC's work on behalf of cities. Only a few states have state liquor stores. It is not known yet how the City would compensate for this potential revenue loss.

### **ADJOURN**

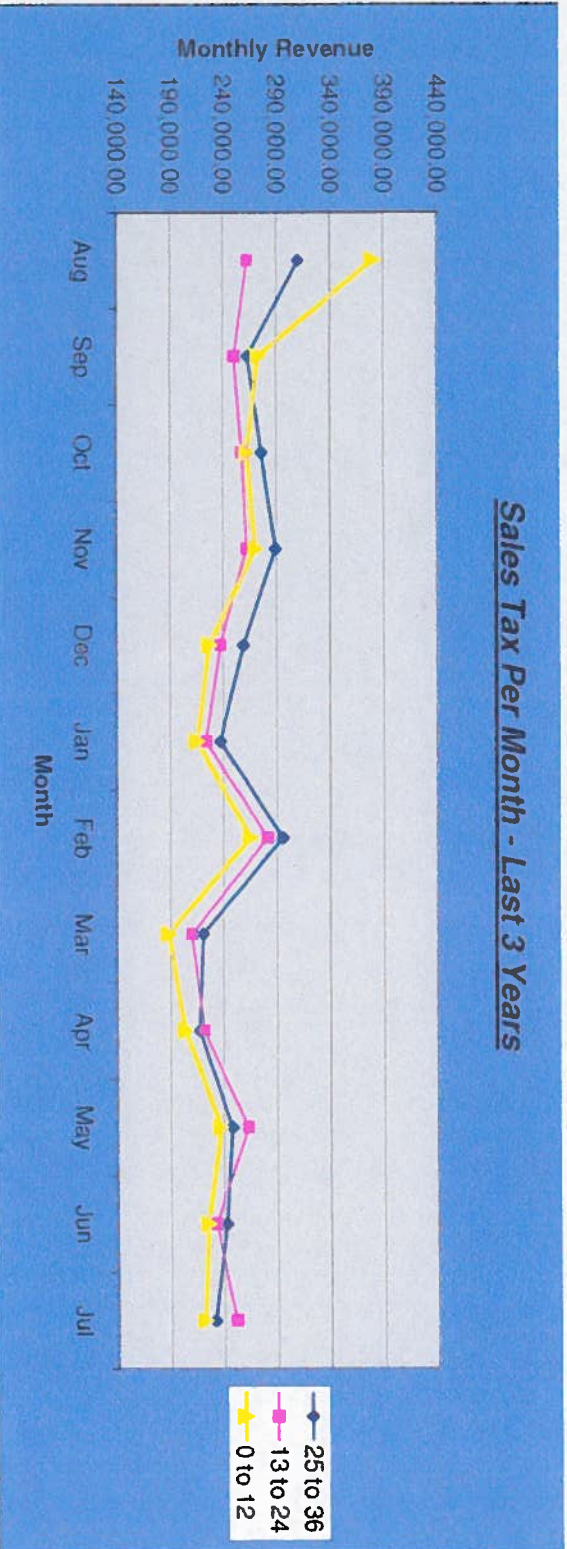
With no other business coming before the Finance Standing Committee, the meeting adjourned at 4:45 p.m.

Meeting notes were taken by  
Connie Wheeler, City Clerk

**City of Oak Harbor  
Monthly Sales Tax Collected Last 3 years  
As of July 31, 2010**

	25 to 36 Months Ago	13 to 24 Months Ago	0 to 12 Months Ago	Over Previous Year
Aug	310,217.69	262,024.91	379,723.85	144.92%
Sep	262,995.25	250,663.85	272,970.74	108.90%
Oct	276,059.82	257,464.47	262,491.86	101.95%
Nov	288,903.69	261,593.34	270,117.63	103.26%
Dec	258,534.19	237,206.50	226,952.34	95.68%
Jan	237,134.63	223,582.88	215,262.98	96.28%
Feb	295,225.06	280,982.79	265,036.36	94.32%
Mar	220,545.76	210,587.46	188,569.49	89.54%
Apr	217,532.06	221,540.31	204,526.67	92.32%
May	247,748.65	262,465.88	237,108.81	90.34%
Jun	242,643.62	232,724.93	225,141.32	96.74%
Jul	230,965.53	251,046.17	221,727.99	88.32%

**Sales Tax Per Month - Last 3 Years**

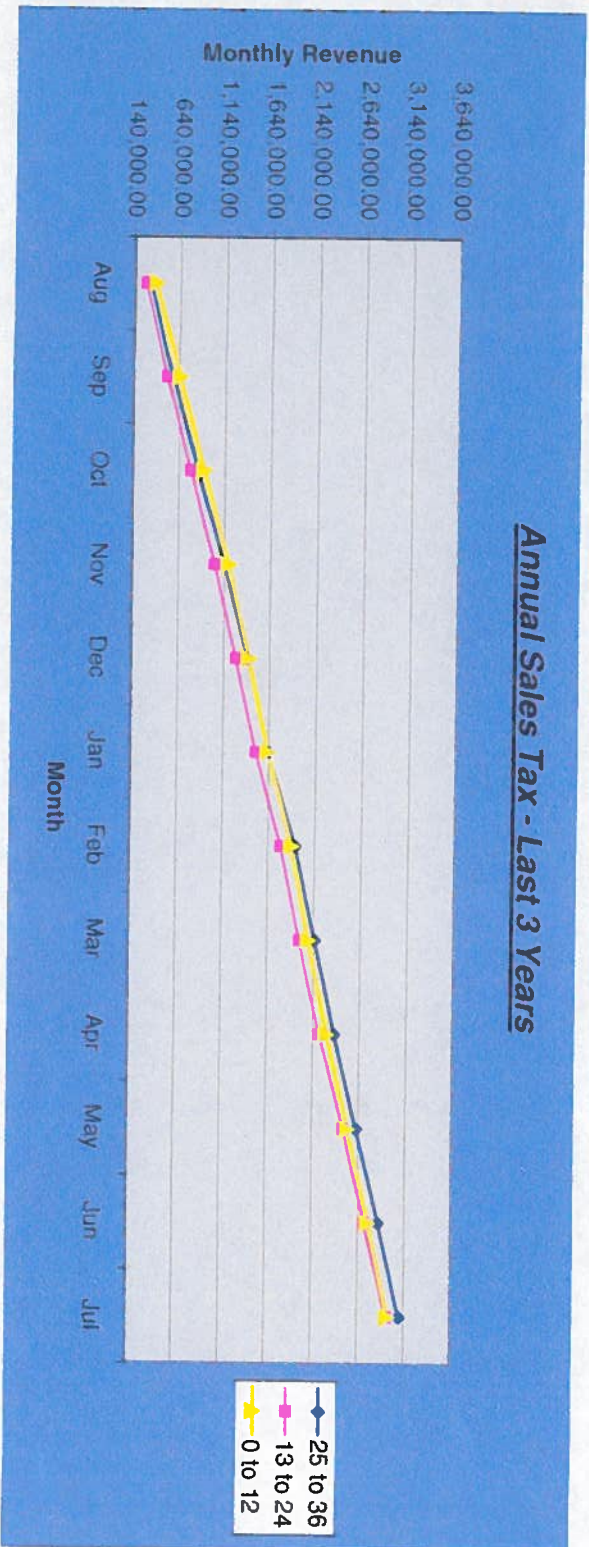


Note: Adjustment has been made to fix State error in sales tax remittance occurring in June of 2009, corrected in August of 2009.

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Aug	\$310,217.69	\$262,024.91	<b>\$379,723.85</b>	144.92%
Sep	\$573,212.94	\$512,688.76	\$652,694.59	127.31%
Oct	\$849,272.76	\$770,153.23	\$915,186.45	118.83%
Nov	\$1,138,176.45	\$1,031,746.57	\$1,185,304.08	114.88%
Dec	\$1,396,710.64	\$1,268,953.07	\$1,412,256.42	111.29%
Jan	\$1,633,845.27	\$1,492,535.95	\$1,627,519.40	109.04%
Feb	\$1,929,070.33	\$1,773,518.74	\$1,892,555.76	106.71%
Mar	\$2,149,616.09	\$1,984,106.20	\$2,081,125.25	104.89%
Apr	\$2,367,148.15	\$2,205,646.51	\$2,285,651.92	103.63%
May	\$2,614,896.80	\$2,468,112.39	\$2,522,760.73	102.21%
Jun	\$2,857,540.42	<b>\$2,700,837.32</b>	\$2,747,902.05	101.74%
Jul	\$3,088,505.95	\$2,951,883.49	\$2,969,630.04	100.60%

**Annual Sales Tax - Last 3 Years**



Note: Adjustment has been made to fix State error in sales tax remittance occurring in June of 2009, corrected in August of 2009.

Group	Name	Current Period			Year To Date			Last 12 Months
		This Year	Last Year	% Chg	This Year	Last Year	% Chg	
452	General Merchandise Stores	33,251	36,389	-8.6	246,362	256,841	-4.1	420,268
722	Food Services, Drinking Places	26,681	28,543	-6.5	181,751	178,594	1.8	319,666
236	Construction of Buildings	10,400	29,666	-64.9	109,813	209,134	-47.5	315,166
444	Building Material and Garden	22,503	24,724	-9.0	130,829	150,269	-12.9	240,961
441	Motor Vehicle and Parts Dealer	18,653	18,283	2.0	104,001	124,192	-16.3	198,031
531	Real Estate	59	230	-74.4	3,501	-99,902	-103.5	180,477
238	Specialty Trade Contractors	8,211	8,687	-5.5	64,694	80,044	-19.2	124,928
453	Miscellaneous Store Retailers	9,595	9,331	2.8	70,243	71,904	-2.3	116,114
445	Food and Beverage Stores	8,831	9,537	-7.4	64,876	70,019	-7.3	114,629
517	Telecommunications	9,936	7,983	24.5	61,169	55,731	9.8	101,613
423	Wholesale Trade, Durable Goods	6,753	8,336	-19.0	45,380	49,317	-8.0	77,304
443	Electronics and Appliances	5,375	5,479	-1.9	35,661	33,242	7.3	65,030
454	Nonstore Retailers	5,080	4,700	8.1	39,478	38,442	2.7	63,438
424	Wholesale Trade, Nondurable	4,206	8,913	-52.8	35,520	37,039	-4.1	54,576
447	Gasoline Stations	4,353	4,720	-7.8	29,518	29,779	-0.9	52,976
926	Economic Programs Admin	5,168	5,464	-5.4	29,145	26,655	9.3	50,589
541	Professional, Scientific, Tech	2,957	3,490	-15.3	27,603	27,979	-1.3	46,746
811	Repair and Maintenance	3,122	3,190	-2.1	26,672	23,845	11.9	45,775
442	Furniture and Home Furnishings	3,483	4,199	-17.0	26,222	26,236	-0.1	44,502
532	Rental and Leasing Services	2,625	3,085	-14.9	22,225	26,027	-14.6	41,677
721	Accommodation	3,240	2,928	10.7	18,864	17,456	8.1	41,237
561	Administrative and Support Svc	3,670	2,657	38.1	22,558	23,733	-5.0	41,040
446	Health and Personal Care Store	3,761	3,332	12.9	23,344	21,764	7.3	38,396
448	Clothing and Accessories	4,396	2,399	83.3	22,217	20,841	6.6	36,695
713	Amusement, Gambling, and Rec	2,421	2,248	7.7	15,809	15,645	1.0	27,754
451	Sporting Goods, Hobby, Books	2,127	774	174.7	10,362	9,597	8.0	24,508
812	Personal and Laundry Services	1,411	1,570	-10.1	10,706	12,112	-11.6	19,016
237	Heavy and Civil Construction	877	249	252.2	8,950	7,401	20.9	18,051
999	Nonclassifiable Establishments	324	189	71.0	13,276	2,700	391.6	17,857
321	Wood Product Manufacturing	1,512	1,549	-2.4	7,774	9,534	-18.5	15,941
524	Insurance Carriers and Related	1,165	1,776	-34.4	8,465	9,344	-9.4	15,549
611	Educational Services	451	303	49.2	5,742	4,970	15.5	10,173
311	Food Manufacturing	534	485	10.2	3,010	2,534	18.8	5,778
337	Furniture and Related Products	538	452	19.0	2,872	2,643	8.7	5,740
813	Religious, Grantmaking, Civic	396	445	-10.9	2,972	2,887	3.0	4,853
511	Publishing Industries	221	930	-76.2	2,599	1,739	49.4	4,576
221	Utilities	383	377	1.7	1,869	1,935	-3.4	4,206
621	Ambulatory Health Care Service	105	111	-4.7	1,901	1,201	58.3	4,091
323	Printing and Related Support	304	280	8.5	2,271	2,249	1.0	3,645
522	Credit Intermediation	449	640	-29.9	1,978	3,675	-46.2	3,048
327	Nonmetallic Mineral Products	249	215	16.1	1,475	1,862	-20.8	3,019
332	Fabricated Metal Product Manuf	279	61	356.7	2,215	1,400	58.2	2,909
425	Wholesale Electronic Markets	33	530	-93.8	669	734	-8.9	2,449
512	Motion Picture, Sound Record	371	285	30.2	1,518	1,340	13.3	2,422
518	Internet Service Providers	71	130	-45.7	1,176	1,131	3.9	1,834
488	Transportation Support	110	176	-37.8	978	1,127	-13.2	1,740
562	Waste Management, Remediation	345	61	467.5	550	471	16.7	1,704
339	Miscellaneous Manufacturing	156	81	92.1	1,078	1,301	-17.1	1,624
312	Beverage and Tobacco Products	98	145	-32.3	736	923	-20.3	1,490
334	Computer and Electronic Produc	56	102	-45.3	638	1,372	-53.5	1,426
212	Mining (except Oil and Gas)	98	166	-41.2	623	1,159	-46.3	1,265
523	Securities, Commodities, Other	27	123	-77.7	809	916	-11.7	1,107
711	Perform Arts, Spectator Sports	0	0	-70.0	453	136	234.1	777

Group	Name	Current Period			Year To Date			Last 12 Months
		This Year	Last Year	% Chg	This Year	Last Year	% Chg	
333	Machinery Manufacturing	0	6	-100.0	143	221	-35.4	565
325	Chemical Manufacturing	42	32	31.7	254	296	-14.1	473
493	Warehousing and Storage	10	16	-39.1	249	167	49.0	472
336	Transportation Equipment Man	0	1	-100.0	179	248	-28.0	457
922	Justice, Public Order, Safety	10	0	0.0	300	200	50.1	313
519	Other Information Services	21	11	96.1	165	142	16.3	262
515	Broadcasting (except Internet)	19	1	3203.4	146	39	278.2	205
322	Paper Manufacturing	11	23	-52.6	98	109	-10.4	168
314	Textile Product Mills	3	-3	-227.6	113	112	0.9	166
111	Crop Production	8	78	-90.1	65	1,042	-93.8	163
331	Primary Metal Manufacturing	133	0	0.0	135	34	297.7	135
313	Textile Mills	0	3	-100.0	61	34	81.7	121
525	Funds, Trusts, and Other	12	2	565.1	75	6	1147.2	120
324	Petroleum and Coal Products	0	127	-100.0	2	1,392	-99.9	109
624	Social Assistance	2	3	-19.2	52	76	-31.9	101
551	Company Management	7	7	-2.2	51	61	-16.3	91
335	Electric Equipment, Appliances	5	7	-20.9	30	35	-12.3	79
326	Plastics and Rubber Products	2	1	201.3	16	2	703.1	62
533	Intangible Assets Lessors	8	9	-17.6	38	41	-8.6	62
213	Support Activities for Mining	0	0	0.0	1	28	-95.0	28
315	Apparel Manufacturing	1	0	0.0	20	34	-39.1	25
000	Unknown	0	0	0.0	24	0	0.0	24
484	Truck Transportation	10	0	0.0	16	204	-92.2	17
316	Leather and Allied Products	1	2	-52.2	14	21	-30.4	14
924	Environmental Quality Programs	0	0	0.0	7	0	0.0	7
115	Agriculture, Forestry Support	0	0	0.0	1	4	-79.8	3
492	Couriers and Messengers	0	0	0.0	1	1	-50.9	2
923	Human Resources Administration	0	0	0.0	0	0	-59.6	1
112	Animal Production	0	0	0.0	0	149	-99.9	0
113	Forestry and Logging	0	0	0.0	0	5	-100.0	0
712	Museums, Historical Sites	0	0	0.0	0	1	-100.0	0
814	Private Households	0	0	0.0	0	3	-100.0	0
921	Executive, Legislative, Other	0	0	0.0	0	4	-100.0	0
<b>TOTAL</b>	<b>7,168 Accounts</b>	<b>221,728</b>	<b>251,046</b>	<b>-11.7</b>	<b>1,557,374</b>	<b>1,607,930</b>	<b>-3.1</b>	<b>3,044,630</b>

NOTE: YTD column includes returns from 200911 to 201005

