

**Finance Standing Committee Meeting
June 9, 2010, 3:30 p.m.
City Hall Conference Room**

IN ATTENDANCE

Jim Palmer, Chair
Bob Severns
Rick Almberg (for Beth Munns)

Doug Merriman, Finance Director
Paul Schmidt, City Administrator

ABSENT

Council Member Beth Munns and Mayor Jim Slowik were absent and formally excused from this meeting.

CALL TO ORDER

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

PUBLIC COMMENTS

No public attendance; no comments.

MEETING NOTES

Review of the May 12, 2010 notes; no comments.

Utilities

Status Report on Monthly Billing

Mr. Merriman talked about the timeline and bill format which will look a little different. There will also be a tie to the website.

Pending Ordinances:

- **Monthly Billing**
- **Utility Operational Policies**

These are two different subjects and will be presented to Council as separate subjects. Monthly billing will be brought forward first and is the proposed framework for the move to billing once a month instead of every two months. Utility operational policies will define due dates, delinquencies, and change the layering of due dates and delinquency notification now in place for billing at the two-month interval. This language would not effectively apply to a one-month billing cycle and needs to be corrected in the Municipal Code. Oak Harbor will move toward standard industry practices (as used by other cities), and City Attorney Hite is researching new changes in State law. There are 5,000 utility accounts with 250 presently using auto-pay. It would be difficult to use incentives to attract more utility customers to use auto-pay. Discussion continued about delinquent accounts (the dollar amount is skewed by two larger utility accounts), the use of liens (the City is not set up to do liens), and deposits (not cost effective when considering staff time; deposits were repealed in the mid 1990s). The City Attorney feels the bill "rides" with the owner and not the property. Those on wells might only hold storm drain accounts. The "past due door hanger" list five years ago numbered 50 to 60. Today, that number is 150 to 180. Cities that do monthly billing or bill every two

months are split about 50 / 50. The City of Oak Harbor is contained by its boundaries. Years ago, Oak Harbor Street divided the City; Oak Harbor has not grown equally on each of its sides.

Finance Activities

Revenue Projections for 2011 – 2012 Budget

This discussion will come forward during Council's June 15, 2010 meeting. A preliminary projections spreadsheet is attached to these notes as Exhibit A. Mr. Merriman talked about the changes in 2010 noting that 2010 will show the largest drop in revenues with a minor recovery in 2011 and sales tax following the same formula in 2011, 2012, and on. General Fund Revenue Projections are graphed in Exhibit B with a single-sheet break out of revenues in spreadsheet format which is attached as Exhibit C. It was noted that investment interest was not showing on Exhibit A (the copier did not capture this line; Mr. Merriman will correct this). Mr. Merriman also explained the use of the State's BARS codes which can be changed by the State resulting in a line item being coded to a new BARS code number. The BARS code manual is large and was revised by the State in 2005. Changes to the BARS code makes it difficult to track trends. Sales tax, property tax, and gambling tax were discussed. Building permits were discussed in relation to the high school project reflected in 2008's and 2009's revenues which raised those revenues in these years. Zoning and subdivision fees are fairly constant; planning and development revenues dropped off beginning in 2008. Franchise fees were discussed – cable is with Comcast who pays the PEG. About \$70,000 this year to upgrade PEG equipment; a 5% franchise fee based on their customers. Utility tax revenues are keeping the City in the black right now; rate increases are matched to Sean Koorn's (HDR Engineering) presentations. In response to a comment that title companies act as a good economic barometer, Mr. Merriman noted that sales tax on contractors also acts as a good municipal barometer. To identify sales tax in a specific area, Mr. Merriman has to manually look up each business for that area. Gas (gasoline) tax is calculated on a per capita base; a flat cent amount, not a percentage. Business licensing and permits were discussed, the drop in intergovernmental revenues is due to the loss of the high school resource officer. Miscellaneous revenues in 2008 reflected a local loan from the State for OHFD's fire engines. Loans are seen as a revenue source which spiked this figure.

Mr. Merriman noted that the retail base is not a true indicator. Real estate used to lead core retail, but that has not rebounded in this latest recession. Mr. Severns noted that about 40% of his numbers are short sales.

Review of Financial Policies

This will be reviewed during the budget meeting process; a few policies may be updated.

Annual CAFR Report filed with State Auditors

This annual 300-page report was filed with the State auditors on May 30, 2010.

Update on Rate Environment

Exhibit D shows figures for the Local Government Investment Pool as of April 30, 2010. They are chasing rates and have a one-day turnaround in cash balances. Mr. Merriman noted that the City will begin shifting away from the State pool. Federal agency blocks will give the City 1.1% or 1.2% rather than a fraction of a percent. With 1/3 in banks, 1/3 in the State pool, 1/3 out in the market, Mr. Merriman would like to pull back from so much bank investment. It has been trimmed down, but the City still has \$12 million invested in banks. Mr. Merriman would like to have 50% in agencies, 25% or so with the State pool, and the remainder in banks, and stagger investment so something is maturing every quarter (laddering). When interest rates are down, bond rates are down. When interest rates go up, so will the bond rate. Discussion followed about the amount of time for locking in a rate; Mr. Merriman would consider a year, but not four years. Mr. Merriman noted that he does not need official guidance from Council on fractional splits for investments, but he prefers to keep Council advised. The Municipal Code talks about an investment committee which is now the Finance Standing Committee. Liquidity is kept at \$5 million.

Other Business

Discussion followed about median salaries for households and that this median is now less than 2004, per the Office of Financial Management. Discussion continued about the Multimodal Facility and commitment to the grants, designing and not going out to bid on this project, the sf of the existing building design and if a larger facility could be built (an addendum to the design package), and if this facility is critical. Could the contract with Arai Jackson Ellison and Murakami be delayed? Mr. Schmidt noted that the issue isn't the architect, it is the Federal Transit Authority who will hold the City to the existing scope that was used to apply for funds. Mr. Schmidt and Mr. Johnston will review the scope to see if the building's size could be increased.

Next Meeting

The Finance Standing Committee will next meet on July 14, 2010.

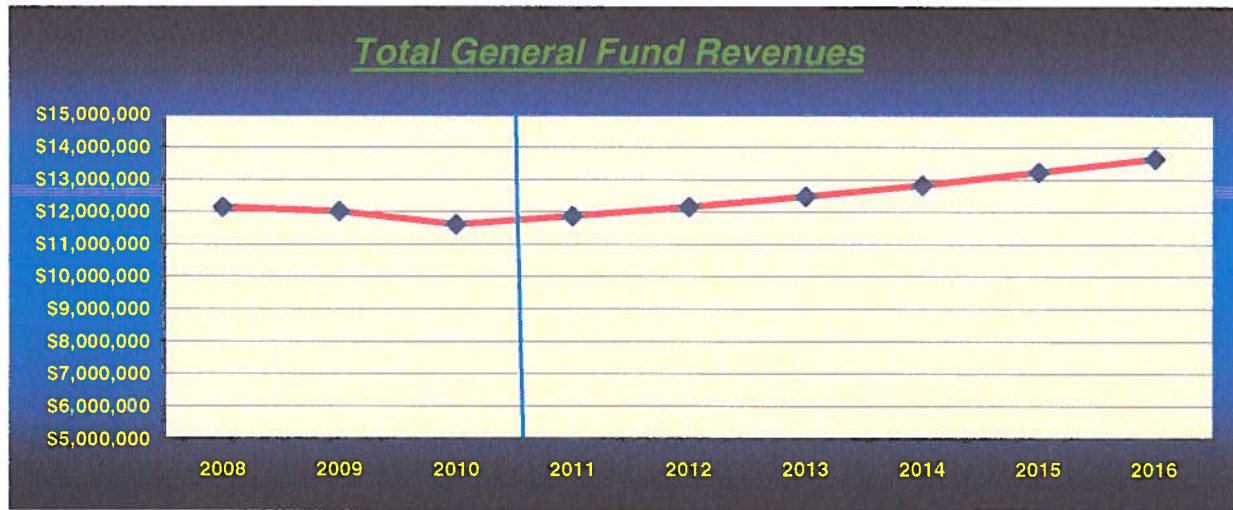
Adjourn

The meeting adjourned at 5:15 p.m.

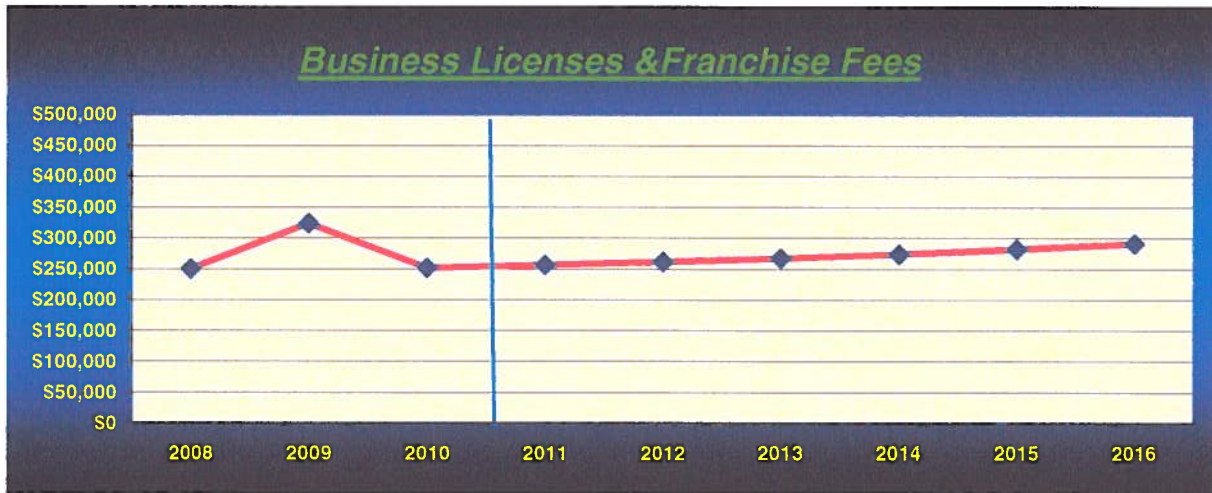
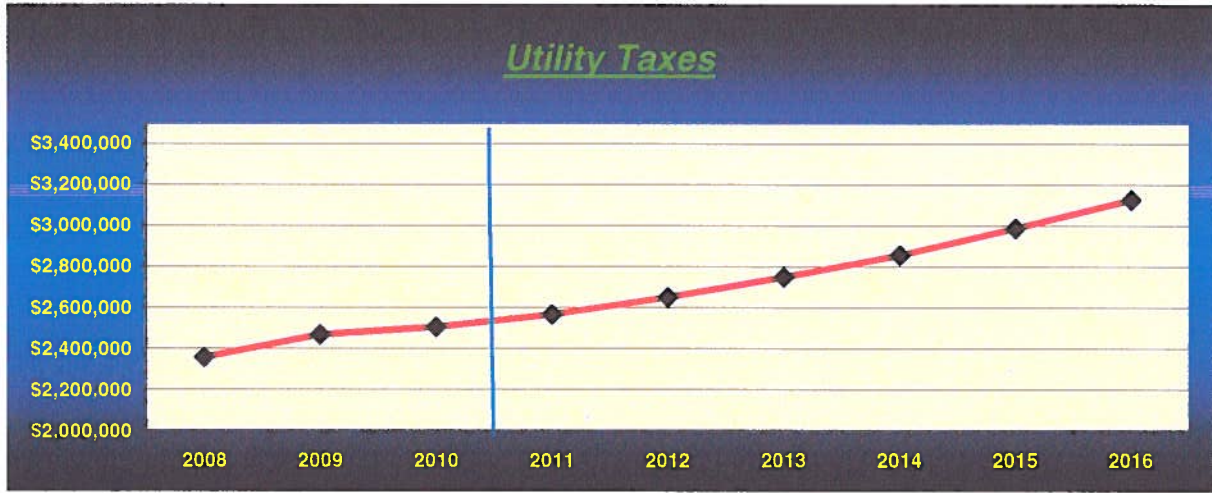
Notes were taken by
Connie Wheeler
City Clerk

Number	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
001 00 311 010 0000	2,851,621.09	2,868,153.91	3,168,988.47	3,224,588.63	3,437,123.24	3,660,118.32	3,740,811	3,813,219	3,886,351	3,960,214	4,034,816	4,110,165	4,186,266
001 00 312 010 0000	0	0	0	0	0	0	0	0	0	0	0	0	0
001 00 313 010 0000	2,874,709.21	2,882,064.00	2,960,429.49	3,116,001.00	2,960,775.01	3,065,183.70	2,715,202	2,784,076	2,819,358	2,884,203	2,956,208	3,044,997	3,136,347
001 00 313 010 0000	169,133.42	171,333.92	178,105.78	183,742.04	188,932.63	193,567.79	195,478	198,990	202,976	207,645	212,636	218,221	225,790
001 00 313 010 0000	177,911.95	183,536.67	191,324.54	200,334.54	208,842.36	216,370.04	221,972	228,584	235,491	242,808	250,032	257,184	264,300
001 00 314 052 0000	186,945.08	193,576.05	201,074.51	209,666.53	218,258.56	226,850.59	235,442.56	244,034.53	252,626.51	261,218.48	269,810.45	278,402.42	286,994.39
001 00 314 052 0000	35,406.59	37,128.96	38,851.33	40,573.70	42,296.07	44,018.44	45,740.81	47,463.18	49,185.55	50,907.92	52,630.29	54,352.66	56,075.03
001 00 314 052 0000	388,538.49	400,447.09	412,355.69	424,264.29	436,172.89	448,081.49	460,000.09	471,908.69	483,817.29	495,725.89	507,634.49	519,543.09	531,451.69
001 00 316 043 0000	172,908.48	187,942.55	198,976.62	209,010.69	219,044.76	229,078.83	239,112.90	249,146.97	259,181.04	269,215.11	279,249.18	289,283.25	299,317.32
001 00 316 043 0000	4,638.78	5,757.57	6,876.36	7,995.15	9,113.94	10,232.73	11,351.52	12,470.31	13,589.10	14,707.89	15,826.68	16,945.47	18,064.26
001 00 318 050 0000	732,626.33	707,233.14	691,723.51	716,153.68	740,146.20	729,033.22	739,989	753,288	768,354	786,026	805,677	826,847	848,017
001 00 319 060 0000	34,285.15	31,840.40	24,922.48	15,660.84	14,373.70	10,424.27	10,581	10,771	10,967	11,239	11,520	11,806	12,222
001 00 321 060 0000	260	130	270	160	260	220	289	294	300	307	315	324	334
001 00 321 070 0000	1,975.00	1,825.00	3,247.50	3,550.00	3,710	3,655.00	3,710	3,777	3,852	3,941	4,039	4,160	4,289
001 00 321 080 0000	1,398.04	1,398.04	1,110.87	1,083.00	1,786.81	1,482.62	1,442	1,488	1,532	1,570	1,617	1,666	1,715
001 00 321 090 0000	40,918.24	40,815.21	42,980.31	45,350.00	49,430.00	48,259.90	51,916	50,888	51,916	53,110	54,438	56,071	57,937
001 00 322 011 0000	128,167.27	140,815.11	160,486.98	182,322.39	195,896.90	195,897	199,525	199,525	203,515	208,196	213,401	219,603	226,397
001 00 322 020 0000	514,505.18	501,225.16	222,668.89	274,391.78	332,890.25	330,310.27	247,733	252,192	267,731	283,152	298,731	314,515	330,515
001 00 322 030 0000	7,864.00	6,455.00	8,560.20	10,509.00	9,057.00	10,384.00	10,550	10,740	10,955	11,207	11,487	11,831	12,186
001 00 322 030 0000	0	13,385.00	16,010.00	17,852.50	15,465.50	14,280.50	14,465	15,051	15,397	15,782	16,255	16,743	17,231
001 00 334 032 0000	0	0	690	1,390.00	1,175.00	1,150.00	1,167	1,188	1,212	1,240	1,271	1,309	1,348
001 00 337 050 0000	0	0	0	677,912.43	0	0	0	0	0	0	0	0	0
001 00 337 050 0000	2,098.40	2,098.40	2,098.40	2,098.40	2,098.40	2,098.40	2,098.40	2,098.40	2,098.40	2,098.40	2,098.40	2,098.40	2,098.40
001 00 338 020 0000	19,091.02	60,517.25	42,062.50	45,096.25	29,682.00	48,287.70	40,982	47,828	48,784	49,906	51,154	52,689	54,269
001 00 338 020 0000	15,643.00	47,639.00	36,930.12	46,617.48	53,401.94	46,287.70	40,982	47,828	48,784	49,906	51,154	52,689	54,269
001 00 341 034 0000	3,478.42	99.5	5	235	0	538.45	2,254	2,569	2,858	3,152	3,411	3,683	3,956
001 00 341 034 0000	4,972.60	4,377.23	4,273.66	2,434.52	2,331.31	2,181.44	2,214	2,254	2,299	2,352	2,411	2,483	2,558
001 00 341 034 0000	567.9	0.79	17.03	751.21	464.15	538.45	547	567	586	614	644	674	704
001 00 341 034 0000	0	0	0	1,758.60	0	420.46	0	0	0	0	0	0	0
001 00 341 034 0000	0	0	0	24,645.72	28,064.37	26,011.82	26,402	26,877	27,415	28,045	28,746	29,609	30,467
001 00 341 034 0000	0	28,691.18	34,176.52	40,660.00	47,145.00	53,629.50	60,114	66,600.00	73,085.00	79,570.00	86,055.00	92,540.00	99,025.00
001 00 341 034 0000	37,135.37	50,373.70	56,333.03	59,433.14	61,287.89	64,972.85	67,135	69,477	70,952	72,604	74,404	76,318	78,256
001 00 342 030 0000	4,803.46	11,562.14	23,821.69	29,433.72	35,045.85	40,657.98	46,270.11	51,882.24	57,494.37	63,106.50	68,718.63	74,330.76	79,942.89
001 00 342 030 0000	4,782.00	5,486.00	7,064.00	8,648.00	10,232.00	11,816.00	13,400.00	14,984.00	16,568.00	18,152.00	19,736.00	21,320.00	22,904.00
001 00 342 030 0000	567.9	111.42	73.99	38.87	15.53	18.05	19	19	19	20	20	21	21
001 00 342 030 0000	617.9	816.25	623	716.25	388.75	0	0	0	0	0	0	0	0
001 00 345 061 0000	65,778.50	63,290.00	85,008.54	39,587.86	15,325.00	83,915.00	51,271	52,286	53,489	54,692	55,895	57,098	58,301
001 00 345 061 0000	3,611.00	2,498.82	4,312.75	5,209.70	6,106.65	7,003.60	7,900.55	8,800.50	9,700.45	10,600.40	11,500.35	12,400.30	13,300.25
001 00 345 061 0000	286,711.81	165,395.88	128,046.24	146,707.58	165,362.62	184,018.00	202,673.00	221,328.00	240,000.00	258,675.00	277,350.00	296,025.00	314,700.00
001 00 352 010 0000	21,371.00	18,543.00	28,208.00	18,918.00	6,054.00	4,756.00	4,916	5,015	5,114	5,213	5,312	5,411	5,510
001 00 352 010 0000	0	0	141,244.89	156,780.03	176,976.31	171,119.34	173,888	176,812	180,249	184,497	189,109	194,762	200,626
001 00 352 010 0000	0	57.78	0	0	0	0	0	0	0	0	0	0	0
001 00 352 010 0000	4,183.00	2,925.00	3,385.00	3,500.00	4,430.70	396	411	444	457	470	484	497	510
001 00 352 010 0000	0	0	2,290.00	2,215.00	2,225.00	1,725.00	1,782	1,819	1,860	1,906	1,956	2,006	2,056
001 00 352 010 0000	91,488.59	6,683.38	11,600.80	13,404.28	10,052.41	8,405.62	8,532	8,685	8,859	9,043	9,289	9,566	9,855
001 00 352 010 0000	3,116.41	3,288.04	1,867.16	3,277.98	4,505.90	2,571.26	2,657	2,710	2,772	2,842	2,927	3,015	3,105
001 00 352 010 0000	199.89	0	0	0	0	0	0	0	0	0	0	0	0
001 00 352 010 0000	4,712.00	6,798.00	6,002.00	3,648.00	3,648.00	800	827	843	863	884	911	938	968
001 00 352 010 0000	19,638.02	19,310.40	19,978.68	20,817.84	20,888.48	28,107.84	28,529	29,043	29,624	30,365	31,063	31,865	32,655
001 00 352 010 0000	353.68	337.22	280.26	166.68	144.26	192.66	203	209	213	219	228	238	248
001 00 352 010 0000	4,645.00	5,725.00	4,255.00	5,075.00	4,450.00	4,900.00	4,872	4,960	5,069	5,175	5,305	5,464	5,628
001 00 352 010 0000	2,418.44	2,134.62	1,024.28	510.24	104.48	0	0	0	0	0	0	0	0
001 00 352 010 0000	159	7,869.11	2,436.91	6,412.38	6,487.48	12,036.01	12,217	12,436	12,685	12,977	13,301	13,700	14,111
001 00 357 011 0000	2,850.00	4,205.00	3,195.00	510	11,500.00	10,869.77	2,050	2,050	2,050	2,050	2,050	2,050	2,050
001 00 357 011 0000	0	0	2,620.00	0	0	0	0	0	0	0	0	0	0
001 00 357 011 0000	5,970.96	0	2,300.00	0	0	0	0	0	0	0	0	0	0
001 00 359 010 0000	0	0	0	0	0	0	0	0	0	0	0	0	0
001 00 359 020 0000	0	1,834.07	778.91	1,778.78	4,800.13	3,436.30	3,120	3,176	3,240	3,314	3,397	3,499	3,604
001 00 359 020 0000	0	0	0	0	0	0	0	0	0	0	0	0	0
001 00 359 020 0000	0	0	0	0	0	0	0	0	0	0	0	0	0
001 00 359 020 0000	1,157.26	10,082.58	1,349.25	2,691.25	3,054.54	7,900.57	8,019	8,163	8,327	8,518	8,731	8,969	9,263
001 00 359 020 0000	0	39.18	15.84	7.99	-2.4	68.76	0	0	0	0	0	0	0
001 00 359 020 0000	0	-27.57	-19.69	-22.38	-6.91	-112.3	0	0	0	0	0	0	0
001 00 359 020 0000	2,903.05	6,396.23	5,125.47	8,378.72	5,962.72	10,016.32	5,098	5,098	5,200	5,320	5,453	5,618	5,785
001 00 359 020 0000	297.41	419.02	608.83	322.41	-390.69	223.28							

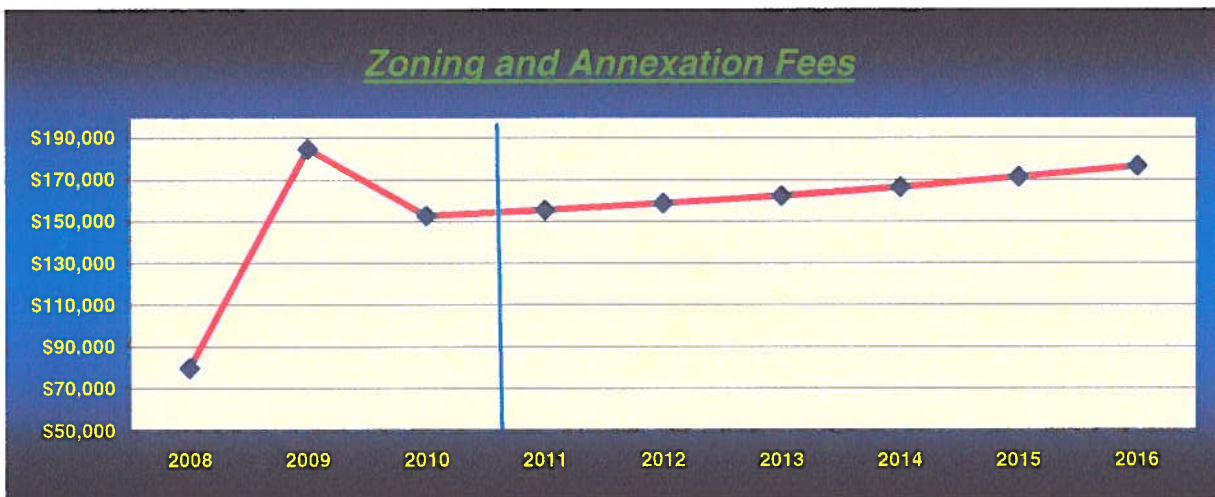
City of Oak Harbor
 General Fund Revenue Projections
 For the Years Ending 2011 to 2012



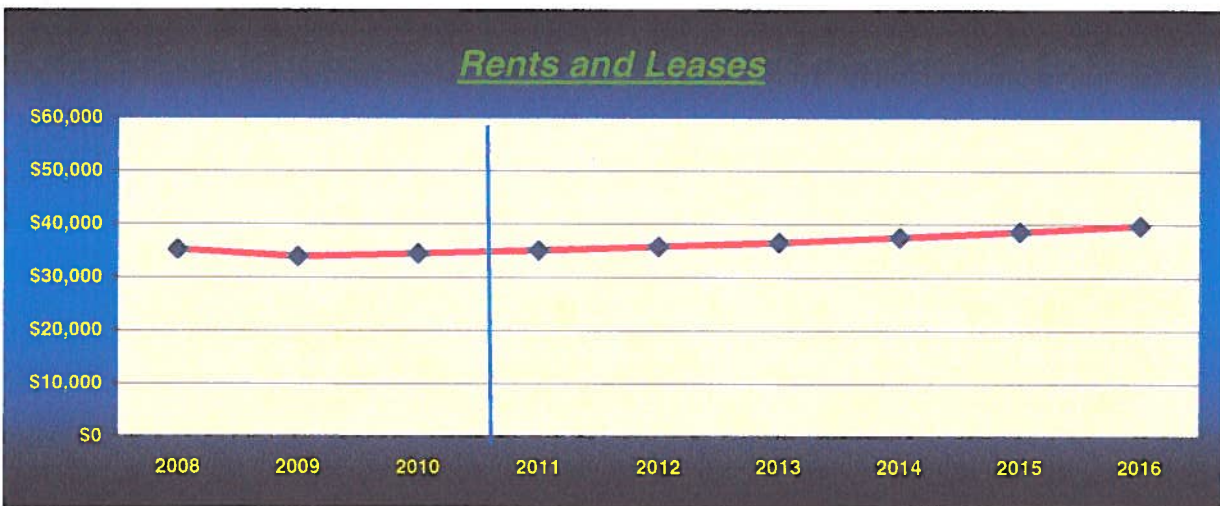
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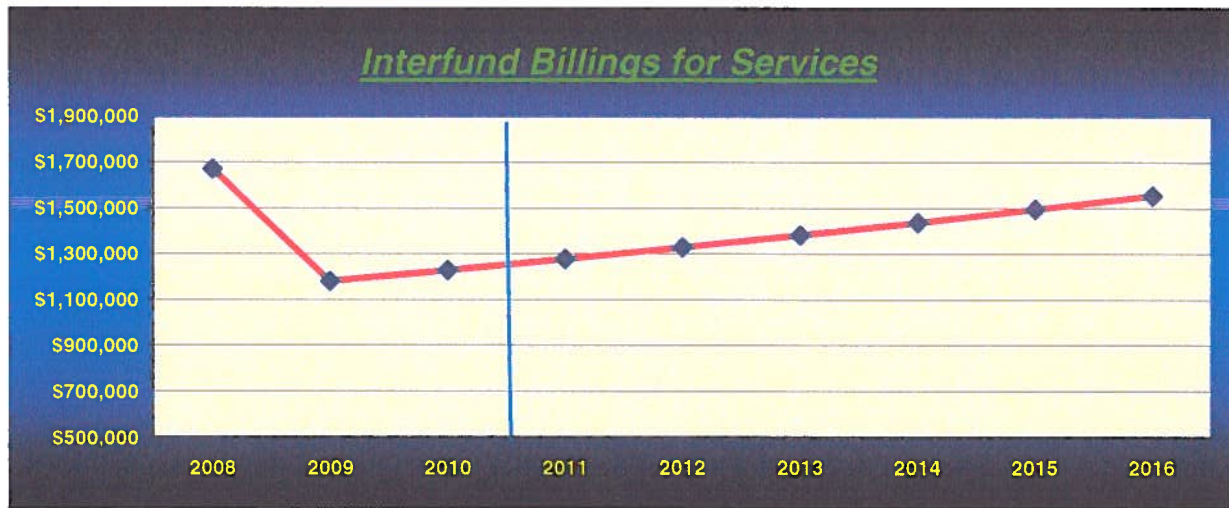


Exhibit C

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property Taxes	3,437,123	3,669,119	3,740,811	3,813,219	3,886,351	3,960,214	4,034,816	4,110,165	4,186,266
Sales Taxes	3,187,625	3,301,193	2,910,680	2,963,072	3,022,334	3,091,847	3,169,144	3,264,218	3,362,144
Utility Taxes	2,355,805	2,466,780	2,503,494	2,565,708	2,649,113	2,747,530	2,855,192	2,985,978	3,125,769
Business Licenses	249,636	323,478	251,436	255,962	261,081	267,086	273,763	281,976	290,436
Permits and Licenses	358,920	356,135	273,945	278,876	284,453	290,996	298,270	307,219	316,435
Intergovernmental Revenue	78,764	47,970	48,690	49,566	50,558	51,720	53,013	54,604	56,242
Zoning and Annexation Fee:	79,645	184,751	152,712	155,461	158,571	162,218	166,273	171,261	176,399
Other Charges for Services	155,987	150,735	152,545	155,291	158,397	162,040	166,091	171,074	176,206
Municipal Court Revenues	183,780	173,234	175,833	178,998	182,578	186,777	191,447	197,190	203,106
Investment Earnings	14,588	10,977	11,142	11,342	11,569	11,835	12,131	12,495	12,870
Rents and Leases	35,233	33,901	34,409	35,028	35,729	36,551	37,464	38,588	39,746
Interfund Transfers In	1,669,368	1,180,061	1,227,264	1,276,354	1,327,408	1,380,505	1,435,725	1,493,154	1,552,880
Miscellaneous	334,889	111,361	118,602	120,700	123,073	125,856	128,951	132,758	136,680
Total Revenues	12,141,362	12,009,695	11,601,561	11,859,577	12,151,214	12,475,175	12,822,281	13,220,679	13,635,178

State of Washington
Date: 04/30/2010 3:09 pm

Local Government Investment Pool

Treasury Management System
ReportID: LgipStatement

Statement of Account for No: 01620
April 2010
Primary Account

DOUGLAS MERRIMAN
CITY OF OAK HARBOR
865 SE BARRINGTON DRIVE
OAK HARBOR, WA 98277-8277

Date	Description	Deposits	Withdrawals	Balance
3/31/2010	Ending Balance			23,985,976.23
4/30/2010	Earnings	4,722.27	0.00	23,990,698.50

Account Summary

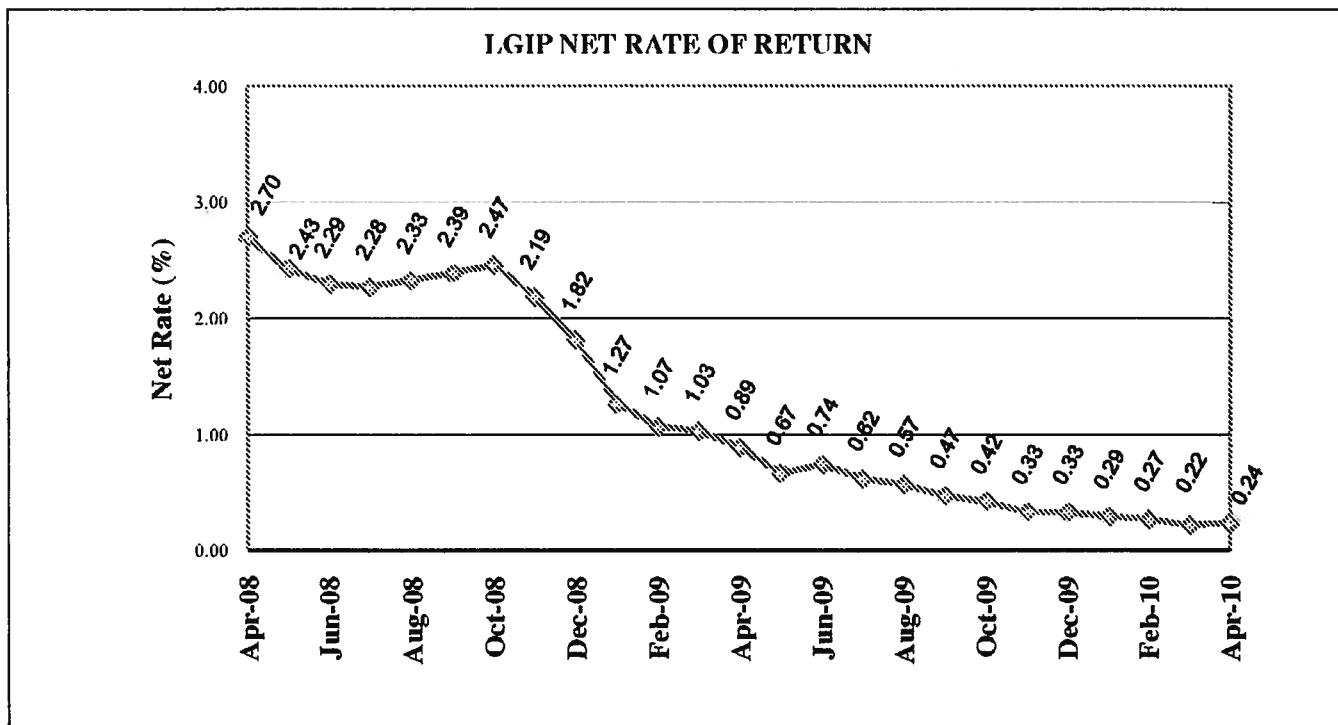
Previous Month's Balance:	23,985,976.23	Gross Earnings:	5,412.28
Deposits:	0.00	Administrative Fee:	690.01
Withdrawals:	0.00	Net Earnings:	4,722.27 ✓
Ending Balance:	23,985,976.23	Net Ending Balance:	23,990,698.50 ✓
Administrative Fee Rate:	0.0350 %	Average Daily Balance:	23,985,976.23
Gross Earnings Rate:	0.2745 %		
Net Earnings Rate:	0.2395 %		

**WASHINGTON STATE
LOCAL GOVERNMENT INVESTMENT POOL
April 30, 2010**

Investment Type	Average Balance <u>Apr-10</u>	Apr-10 <u>Percentage</u>	Average Balance <u>CY 2010</u>	CY 2010 <u>Percentage</u>
Agency Callables	0.00	0.00%	0.00	0.00%
Repurchase Agreements	783,674,866.67	9.24%	1,810,115,709.16	21.44%
Reverse Repo Agreements	0.00	0.00%	0.00	0.00%
Treasury Securities	1,012,405,149.66	11.93%	1,112,846,207.02	13.18%
Agency Coupons	0.00	0.00%	26,665,816.25	0.32%
IB Bank Deposit	326,704,789.15	3.85%	346,070,472.28	4.10%
NOW Accounts	581,902,474.24	6.86%	597,680,780.29	7.08%
Agency Floating Rate Notes	1,424,951,599.26	16.79%	1,655,365,785.16	19.61%
Agency Variable Rate Notes	687,017,922.78	8.10%	675,769,069.03	8.00%
Discount Notes	3,634,011,756.69	42.83%	2,182,800,214.54	25.86%
Certificates of Deposit	35,000,000.00	0.41%	35,000,000.00	0.41%
Commercial Paper	0.00	0.00%	0.00	0.00%
Total Avg Daily Balance	8,485,668,558.45	100.00%	8,442,314,053.73	100.00%

Avg Days to Maturity

54 days ✓



**WASHINGTON STATE
LOCAL GOVERNMENT INVESTMENT POOL
April 30, 2010**

<u>DAYS TO MATURITY</u>	<u>\$ MATURING (PAR VALUE)</u>	<u>% MATURING</u>	<u>CUMULATIVE % MATURING</u>
1	1,220.62	12.5%	12.5%
2-30	368.97	3.7%	16.2%
31-60	2,593.67	26.3%	42.6%
61-90	1,750.00	17.8%	60.4%
91-120	500.00	5.1%	65.4%
121-180	1,300.00	13.2%	78.6%
181-270	0.00	0.0%	78.6%
271-397	0.00	0.0%	78.6%
Floating Rate Notes	1,425.00	14.5%	93.1%
Variable Rate Notes	687.00	7.0%	100.0%
PORTFOLIO TOTAL:	9,845.26		

* Amounts in millions of dollars

