

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adopting Ordinance No. 419, Updating City Funds and Amending Chapter 3.35 of the Shoreline Municipal Code
DEPARTMENT:	Finance
PRESENTED BY:	Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

Chapter 3.35 of the Shoreline Municipal Code captures the information on the City's funds that are used to account for the various revenue and expenditure transactions. This chapter needs to be revised to reflect the current fund structure of the City and amended to reflect the recommended elimination of the Arterial Street Fund, the Surface Water Capital Fund, and the creation of the Surface Water Utility Enterprise Fund.

PROPOSED CHANGES:

Section 3.35.020 – Special capital improvement fund. This fund was created by Ordinance No. 40 in 1995. The City does not use a fund with this name so this section of the code should be repealed.

Section 3.35.050 – Arterial street fund: Prior to the passage of Substitute Senate Bill 5969 (SSB 5969), Chapter 89, in 2005, cities with a population in excess of 15,000 were required to use 31.86% of the gas tax funds received from the State of Washington for road capital purposes and were required to account for these funds in an "Arterial Street" fund. The City complied with this requirement and deposited monies into the Arterial Street Fund and then transferred the monies to the Roads Capital fund to provide resources for the pavement management program. SSB 5969 eliminated the requirement to segregate the gas tax received by cities with a population in excess of 15,000 into maintenance and capital components. As a result, the City can now deposit the funds directly into the Roads Capital fund and continue to use the gas tax proceeds as a funding source for the pavement management program. This will eliminate the need to account for an Arterial Street Fund.

Section 3.35.060 – Asset depreciation fund. This fund was created by Ordinance No. 40 in 1995. The City actually has a fund called the "Equipment Replacement Fund" which is used to account for funds accumulated to replace equipment as equipment becomes fully depreciated and its useful life is expired. This section will be renamed to reflect the correct fund title.

Section 3.35.080 – Surface water management fund. Governmental Accounting Standards Board Statement No. 34 (GASB 34) requires that a city use an enterprise fund to account for an activity if fees are designed to recover the activities costs,

including capital costs, or if the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. The City's surface water utility activity meets both of these requirements, and therefore we must change how we account for the surface water activity. The City's surface water utility rates are designed to provide the resources to meet the maintenance and capital obligations of the surface water program. Also the documents that accepted the Public Works Trust Fund Loans for the 3rd Avenue drainage improvements and the Ronald Bog drainage improvements state that the repayment of the loans will come from surface water utility fees.

Since the City previously accounted for the surface water maintenance activity in a special revenue fund, Surface Water Management Fund, and the surface water capital activity in a capital projects fund, Surface Water Capital Projects Fund, these funds will be eliminated with the creation of the single Surface Water Utility Enterprise Fund. Section 3.35.080 will be changed to reflect the correct fund title of Surface Water Utility Enterprise Fund.

Section 3.35.100 – Development services fund. This fund was actually eliminated with the adoption of the 2005 budget as the accounting for all permitting services was moved to the general fund. This section of the Shoreline Municipal Code should be repealed.

Section 3.35.130 – Capital projects fund. This section will be amended to reflect the actual titles of the capital funds that were created with the adoption of Ordinance No. 182 in 1998. This ordinance created the General Capital Fund and the Roads Capital Fund. The funds were created for the following purposes:

General Capital Fund: To account for resources which are designated for general capital purposes to be used for the acquisition or construction of general facilities, parks, recreational facilities, or open space capital projects.

Roads Capital Fund: To account for resources which are designated for roads capital purposes to be used for pedestrian/non-motorized projects, transportation system preservation projects, safety/operation projects, and other roads and transportation related capital projects.

New Sections to Chapter 3.35

General Reserve Fund – This fund was created by Ordinance No. 108, which also was the ordinance to adopt the 1997 annual budget. The purpose of this fund was to provide for unanticipated expenditures or temporary cushion for revenue shortfalls of a non-recurring nature pursuant to the City's financial policies.

Asset Seizure Fund – This fund was established with the adoption of the 2002 annual budget. The purpose of this fund is to account for proceeds from state and federal drug seizures that are received by the City. These proceeds can only be used to acquire services and material items used in drug related investigations and prevention activities.

Code Abatement Fund – This fund was established with the adoption of the 2000 annual budget. The purpose of the fund is to provide funding for City code abatement

efforts. The costs associated with the abatement will be charged to the owner of the property either as a lien on the property or on the property tax bill. Recovered monies will be used to replenish the fund for future abatement efforts. The fund was originally established with a transfer from the general fund.

ALTERNATIVES ANALYZED:

Arterial Street Fund: The City does have the option to continue to deposit 31.86% of the gas tax funds into an Arterial Street fund and then transfer the monies to the Roads Capital fund. This would continue to take additional accounting transactions, beyond depositing the proceeds directly into the Roads Capital fund. Therefore staff recommends that the Arterial Street fund be eliminated.

FINANCIAL IMPACT:

There is no financial impact for this action.

RECOMMENDATION

Staff recommends that Council adopt ordinance number 419, amending Chapter 3.35 of the Shoreline Municipal Code.

Approved By:

City Manager



City Attorney



ATTACHMENTS

Attachment A – Ordinance No. 419

ORDINANCE NO. 419

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, UPDATING THE CITY'S FUND STRUCTURE BY ELIMINATING THE ARTERIAL STREET FUND, SPECIAL CAPITAL IMPROVEMENT FUND, AND DEVELOPMENT SERVICES FUND; RETITLING THE ASSET DEPRECIATION FUND, SURFACE WATER MANAGEMENT FUND, AND CAPITAL PROJECTS FUND; AND AMENDING CHAPTER 3.35 OF THE SHORELINE MUNICIPAL CODE

WHEREAS, pursuant to RCW 35.37.010, the City has the authority to establish special purpose funds for the segregation, budgeting, expenditure and accounting for moneys received for special purposes; and

WHEREAS, Substitute Senate Bill 5969, Chapter 89, Laws of 2005, removed the requirement that cities with a population of 15,000 or more use 31.86 percent of their gas tax funds for capital purposes and deposit said funds in an arterial street fund; and

WHEREAS, the Governmental Accounting Standards Board Statement No. 34 states that an Enterprise Fund must be used to account for an activity if the fees or charges of the activity are designed to recover the activities costs, including capital costs; and

WHEREAS, the Governmental Accounting Standards Board Statement No. 34 states than an Enterprise Fund must be used to account for an activity if the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; and

WHEREAS, the City operates a surface water utility that relies on a surface water utility fee to provide the on-going surface water operations and capital resources of such utility and the City of Shoreline has pledged surface water utility net revenues to repay Public Works Trust Fund Loans;

WHEREAS, Chapter 3.35 of the Shoreline Municipal Code should be amended to accurately reflect adopted and repealed funds; now, therefore

THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Repeal. SMC 3.35.020 *Special capital improvement fund* is hereby repealed.

Section 2. Repeal. SMC 3.35.050 *Arterial Street fund* is hereby repealed. This fund was created to account for gas tax funds that were required to be segregated for capital purposes. These funds may now be deposited into the City Street Fund or Roads Capital Fund and used for maintenance and capital purposes of maintaining the City's streets.

Section 3. Amendment. SMC 3.35.060 is amended to read as follows:

~~.060 Asset depreciation-Equipment replacement fund.~~

There is created a fund to be known as the "Equipment Replacement Fund" to account for the depreciation of all equipment for future replacement.

Section 4. Amendment. SMC 3.35.080 is amended to read as follows:

.080 Surface water utility enterprise fund.

There is created a fund to be known as the “Surface Water Utility Enterprise Fund” to be used to account for the proceeds of the surface water utility fee and associated revenue sources that need to be tracked separately and are restricted to expenditure for a surface water utility

Section 5. Repeal. SMC 3.35.100 *Development service fund* is hereby repealed.

Section 6. Amendment. SMC 3.35.130 *Capital projects fund* is amended to read as follows:

.130 Capital project funds.

A. General Capital Fund:

There is created a fund to be known as the “General Capital Fund” to account for resources which are designated for general capital purposes to be used for the acquisition or construction of general facilities, parks, recreational facilities, or open space capital projects.

B. Roads Capital Fund:

There is created a fund to be known as the “Roads Capital Fund” to account for resources which are designated for roads capital purposes to be used for pedestrian/non-motorized projects, transportation system preservation projects, safety/operation projects, and other roads and transportation related capital projects.

Section 7. New Section. A new section SMC 3.35.170 is adopted to read as follows:

.170 General reserve fund.

There is created a fund to be known as the “General Reserve Fund” to account for unanticipated expenditures or temporary revenue shortfalls of a non-recurring nature.

Section 8. New Section. A new section SMC 3.35.180 is adopted to read as follows:

.180 Code abatement fund.

There is created a fund to be known as the “Code Abatement Fund” to account for expenditures for abatement of public nuisances defined in SMC 20.30.750. Costs associated with abatement shall be charged to the owner or other responsible party and recovered monies shall be deposited in the fund for future abatement efforts.

Section 9. Effective date. A summary of this ordinance consisting of its title shall be published in the official newspaper of the City and the ordinance shall take effect and be in full force five (5) days after the date of publication.

PASSED BY THE CITY COUNCIL ON APRIL 10, 2006.

Robert Ransom, Mayor

ATTEST:

APPROVED AS TO FORM:

Scott Passey
City Clerk

Ian Sievers
City Attorney

Date of Publication:
Effective Date: