



**Strategic Planning Committee Meeting**

**September 06, 2023**

**5:00 PM**

**City Council Chambers**

**325 Metcalf St**

**Sedro-Woolley, WA 98284**

- **Call to Order**

- **Roll Call**

- **New Business**

Changing City Council Committee Assignments from One Year to Two Years

General Discussion About City Council January 2024 Strategic Planning Session

One-Time Expenditures - Equipment Replacement Fund Funding and Budget Impacts

- **Adjournment**

*The City of Sedro-Woolley complies with applicable Federal civil rights laws and does not discriminate on the basis of race, color, national origin, limited English proficiency, age, disability, or sex. The City of Sedro-Woolley doesn't exclude people or treat them differently because of race, color, national origin, limited English proficiency, age, disability, or sex.*

*The City of Sedro-Woolley also complies with applicable state laws and doesn't discriminate on the basis of creed, gender, gender expression or identity, sexual orientation, marital status, religion, honorably discharged veteran or military status, or the use of a trained dog guide or service animal by a person with a disability.*

# **Changing City Council Committee Assignments from One Year to Two Years**



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Kelly Kohnken  
Finance Director / City Clerk

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## CITY COUNCIL COMMITTEES

The Sedro-Woolley City Council Governance Handbook, Election of Officers and Selection/Operation of Council Committees, outlines the following:

*Annually, at the first meeting of the year, the Mayor shall appoint two councilmembers and a council chairperson to each standing committee of the Council, subject to confirmation by the city council. In making the appointments, the Mayor shall consider councilmembers' expressed interests and shall attempt to match councilmembers to their committees of choice.*

### 2023 City Council Committees and Appointments

**Public Safety:** To consider policy issues and make policy recommendations to the full Council related to the police department, fire department, municipal court, and emergency management.

Members: JoEllen Kesti - Chair, Glenn Allen, Joe Burns  
Staff Liaison: Chief McIlraith and Chief Wagner

**Finance and Information Technology:** To consider policy issues and make policy recommendations to the full Council related to financial management policies, financial reports, personnel issues including personnel policies, and information technology issues.

Members: Nick Lavacca – Chair, JoEllen Kesti, Glenn Allen  
Staff Liaison: Finance Director Kelly Kohnken

**Strategic Planning:** To consider policy issues and make policy recommendations to the full Council related to development and implementation of the City's strategic plan.

Members: Sarah Diamond – Joe Burns, Chuck Owen  
Staff Liaison: City Administrator Charlie Bush

**Public Works:** To consider policy issues and make policy recommendations to the full Council related to the City's utilities, parks, streets, and other public works related issues.

Members: Brendan McGoffin – Chair, Sarah Diamond, Chuck Owen  
Staff Liaison: Director of Public Works Mark Freiberger

**Planning and Business Development:** To consider policy issues and make policy recommendations to the full Council related to long-term planning and growth in the City. In addition, considering policy issues and making policy recommendations related to the attraction of new businesses and the retention of existing businesses within the City.

Members: Joe Burns – Chair, Nick Lavacca, Brendan McGoffin  
Staff Liaison: Planning Director John Coleman and City Administrator Charlie Bush

# **General Discussion About City Council January 2024 Strategic Planning Session**

# **One-Time Expenditures - Equipment Replacement Fund Funding and Budget Impacts**

# Fund 501 Equipment Replacement Fund and General Fund Budget Deficit

## What is Fund 501?

Fund 501 is the City’s Equipment Replacement Fund. There are two components to the fund, equipment replacement, and maintenance and operations. Equipment replacement component is basically a saving account meant for purchasing future vehicles and equipment. Applicable funds/departments contribute to the fund monthly, then make scheduled vehicle and equipment purchases from the fund. The second component is maintenance and operations. Fund 501 charges applicable funds/departments a fee to cover fleet managements and other costs.

## Tracking Revenues and Expenditures by Department in Fund 501 ER&R

As of June 2023

Department	Revenue	Expenditure	Balance	Public Safety Allocation	Revenues July-December 2023	Revised Ending Balance
Cemetery	105,004.08	49,510.25	55,493.83		6,000.00	61,493.83
Fire	2,677,334.05	1,378,861.40	1,298,472.65	166,189.57	266,850.00	1,731,512.22
GF	119,003.94	71,538.92	47,465.02		7,000.00	54,465.02
M&O	715,548.06	721,433.70	(5,885.64)		46,086.00	40,200.36
Other	166,153.49	-	166,153.49			166,153.49
Parks	130,999.92	130,800.13	199.79		9,000.00	9,199.79
Police	968,310.27	1,349,578.94	(381,268.67)	670,051.98	103,366.69	392,150.00
Sewer	961,937.43	734,061.93	227,875.50		55,000.00	282,875.50
Solid Waste	1,844,503.92	1,558,923.74	285,580.18		145,500.00	431,080.18
Stormwater	513,499.94	485,078.41	28,421.53		44,500.00	72,921.53
Streets	681,999.90	479,106.53	202,893.37		44,000.00	246,893.37
Undetermined	199,999.59	14,823.99	185,175.60			185,175.60
Public Safety	836,241.55	-	836,241.55	(836,241.55)		-
<b>Grand Total</b>	<b>9,920,536.14</b>	<b>6,973,717.94</b>	<b>2,946,818.20</b>	<b>-</b>	<b>727,302.69</b>	<b>3,674,120.89</b>

This tracking is specific to the equipment replacement component of the ER&R Fund.

These balances include the year-to-date revenue and expenditures in Fund 501 as of June 2023. Also added is an allocation from Public Safety revenues and the scheduled remaining transfers into Fund 501 for the remainder of the year, July – December 2023.

Public Safety revenues to Fund 501 have been classified the majority as Police Department, remaining funding allocated to the Fire Department.

## Ideal Funding Model for ER&R

All major vehicle and equipment purchases are made from ER&R Fund. Each piece of equipment or vehicle is fully funded the year prior to purchase. The year an item is purchased the city begins funding for its replacement by dividing the estimated cost at time of purchase, minus amount already funded, divided by years remaining.

For example, in 2024, in 10 years the City will need to replace a vehicle for an estimated cost of \$75,000 in 2034. ER&R should be funded \$7,500 annually from 2024 through 2033 for this one vehicle. At the end of 2033 the vehicle should be fully funded in ER&R and purchased in 2034. If in 2027, for example, the estimated costs increased to \$80,000 the allocation should also increase.  $\$80,000 - \$30,000$  (already funded  $\$7,500 \times 4$  years) =  $\$50,000 / 6$  (remaining years) =  $\$8,333.33/\text{year}$ .

Because the Police Department has relatively level spending from ER&R from year to year. The current year allocation to ER&R pays for the next year's expenditures.

## Impacts to GF of Fully Funding ER&R

Below is the current 2023 transfer from the GF to ER&R by department, and the anticipated 2024 transfer if ER&R is fully funding moving forward. This does not include a current short fall in public safety of \$564,488.

Department	2023	2024	Difference	%
Police	177,200	246,731	69,531	39%
Fire	350,000	710,845	360,845	103%
EMS	183,700	302,787	119,087	65%
Other	14,000	29,556	15,556	111%
<b>Total</b>	<b>724,900</b>	<b>1,289,919</b>	<b>565,019</b>	<b>78%</b>

Current Public Safety shortfall:

Fire Balance	1,731,512
Anticipated 2023 - 2024 Expenditures (should be fully funded by end of 2023)	2,296,000
Excess (Deficit)	(564,488)

## 2024 Budget Deficit

The projected 2024 General Fund budget deficit is currently \$821,939.50. There will likely be additional revisions to the projected 2024 budget. For example, the indirect cost allocation has not been updated.

This projected budget includes the following:

- 2024 contributions to ER&R noted above.
- Needed HR Manager position estimated at \$154,504.
  - This would be included in the IDCA in 2026, estimated 41% or \$63,347 would allocated to other funds. The IDCA allocation the last full year of actual expenditures, so fiscal year 2024 allocation is based on 2022 actuals.
- Allocation of Lead Mechanic and Mechanic, impact to GF is approximately \$166,867.
  - Need to refine allocation metric.
  - Reduction to maintenance and repairs costs has not been calculated.
- One-time costs for retirements and planned overlaps \$38,566.

The City has a few options to close this gap.

- The City Council Strategy Reserve is projected to have a 2023 ending balance of \$266,517, budgeted funding for the Parks Fund, available funds \$199,684.
- ARPA funds of \$140,000 reserved for economic development (not the Community Development Grant portion).
- With Council approval the City can increase utility tax on our own utilities, sewer, stormwater, and garbage, and divert the revenue to the GF. The current utility tax is 10.5%.
- Fund public safety ER&R at less than 100% (less than the ideal fully funded model).
- Fund balance cover one-time costs.

Below is an example of two of the various options available.

### Option 1

Deficit	(821,939.50)
Council Strategic Reserve	199,684.00
ARPA	140,000.00
Public Safety ER&R funded less than 100%	375,000.00
Revised Deficit	(107,255.50)

One-Time Costs (retirements and planned overlap)	38,566.00
One-Time Cost (HR Manager unallocated)	63,347.00
Total	101,913.00

### Option 2

Deficit	(821,939.50)
3% increase to utility tax	249,790.55
Council Strategic Reserve	199,684.00
Public Safety ER&R funded less than 100%	275,000.00
Revised Deficit	(97,464.95)

One-Time Costs (retirements and planned overlap)	38,566.00
One-Time Cost (HR Manager unallocated)	63,347.00
Total	101,913.00

Again, there will likely be additional revisions to the projected 2024 budget. Please keep in mind these amounts are not final and will change.



## Likely Funding Model for ER&R

The mostly like scenario for ER&R in the next couple years, is underfunding the fund while still maintaining sufficient fund balance by department to make the necessary purchases. When/if the city has additional resources, it should work toward further funding ER&R.