A meeting of the Council Finance Committee was held at the Family Pancake House Restaurant May 10, 2013 7:30 a.m.

PRESENT: Members Rob Putaansuu and Jerry Childs, Mayor Tim Matthes, Engineer Mark Dorsey, and Treasurer Allan Martin, citizens Bek Ashby, and Kim Punt. Chairman Clauson arrived at 8:35 am.

**Sales Tax Revenue Report:**
April Sales and Use Tax collection continued the trend of exceeding projected 2013 monthly amounts. $277,832 was distributed to the city in April. Overall the city has experienced sales tax collection 12.8% above expectation for the first 4 months of 2013, attributable to retail activity in the Bethel North Corridor.

The Treasurer clarified a question asked at the April meeting regarding the January collection expressed in the Real Estate Excise Tax (REET) chart. January 2012 and 2013 reflects a 0 collection amount. It was explained that governmental fund financial statements report current financial resources using the modified accrual basis of accounting. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered available if they are collected within 30 days of the end of the fiscal period – property tax within 60 days. For this reason January 10 transmittals from the County Treasurer are recorded in the prior period. The city states such in its Annual Finance Report Notes to Financial Statements page 30.

**Interlocal Agreement Payout:**
Treasurer Martin reported that the city is preparing to pay the final local retail sales tax payment as directed in the 2001 Interlocal Agreement between Kitsap County and Port Orchard concerning revenue sharing upon annexation. The final property tax portion is scheduled to be paid in June. The cumulative amount of $1,161,922 includes $517,258 sales tax, and $644,644 property tax portion paid over the life of the agreement.

**Budget Amendments:**
Budget amendments relating to the first half of the year will be brought before council on May 28. The amendment identifies additional sales and use tax as offsetting revenue to expense. Mr. Martin pointed out by including the replacement vehicle identifies the expense as unanticipated at the time of writing the budget, rather than a necessity to fund the purchase, while preserving future budget authority. Additions to the library category cover agreed upon expenses for utilities as outlined in the Memorandum of Agreement, and not included at time the budget was adopted.

- Replacement of public works street pickup 2013 Dodge 1500 $27,500
- Barracuda annual maintenance/24-7 support/Update Agreement 2,600
- Library maintenance/utilities expense 20,100
- McCormick Woods police substation rent 1,800
**Equitable Allocation of Overhead Costs:**
During the 2011 audit exit conference held with the State Auditor (SAO), auditors recommended the city review its allocation practices when distributing overhead costs to its utilities. Seeking to determine if allocation of overhead cost between the general fund and the utility funds are in accordance with leading practices and state law. And if not, what is the effect on the general fund and the utilities funds? In the context that the “beneficiary pays” principle that provides the foundation for the leading practice for cost allocation. Staff is conducting the review “in-house” to hold down costs.

The city has historically allocated general overhead services used by all departments and programs. The city reviews allocations during its annual budget preparation to ensure that costs are fairly allocated. Several methodologies are applied to various cost centers. The review will determine whether or not current practices meet SAO guidelines found in the *Local Government Allocating Overhead Costs* performance auditor published November 28, 2011. The publication includes clarifying guidance in allocating overhead costs. Early indications are the city has been diligent in its cost allocations, but may apply formulas based upon volume of transactions, FTE count, square footage, or other measurable standards going forward. The committee will be provided the results of the review. No material changes to budgeting practices are anticipated.

**Public Works:**
The committee was briefed on the DeKalb Street Pier and the Bay Street Pedestrian Pathway (Segment No. 2 & Segment No. 5) projects by Public Works Director Dorsey. The committee’s attention turned to the proposed single-span bridge abutment supports for the bridge crossing Blackjack Creek and whether or not a concrete abutment on the east side of the creek should be constructed. Staff outlined 5 reasons to recommend construction at a later date. 1) construction permits have not been issued 2) a risk that permits may be conditioned on abutment placement in a different location 3) No vesting of a right to build a bridge is obtained 4) engineering standards or materials may change resulting in the east side not compatible with a west side abutment, and 5) the city is pursuing state funding in the 2013 – 2015 biennial state budget. Member Putaansuu suggested accepting staff’s recommendation while asking that once phase 5 is completed, possibly in August, that the bridge abutment construction and placement be reconsidered. Member Childs was in concurrence.

Pathway construction discussion continued, focusing on cost sharing with the Port on additional landscaping on Segment No. 2. The committee makes no recommendation but discussed where funds might come from for additional landscaping. Engineer Dorsey provided information on the 200 feet of pathway that runs parallel to State Route 166. Staff will be meeting with state highway officials to identify mitigating barriers.

The meeting concluding at 8:46.

Next Meeting:  June 14, 2013 7:30 am Family Pancake House