A meeting of the Council Finance Committee was held at the Family Pancake House Restaurant October 3, 2014 at 7:30 a.m. The meeting was recorded and the recording device was provided to the City Clerk.

PRESENT: Chairman John Clauson, member Jerry Childs, Department of Community Development Director Nick Bonds, Treasurer Allan Martin, and City residents Nick and Elissa Whittleton. Member Rob Putaansuu was unable to attend.

**Finance Report:**
Chairman Clauson noted that recent sales tax collections are encouraging with September distribution at 5.9% over projection and +4.1% for the year. Member Childs remarked on the seasonal trend of sales tax collection that follows a pattern year-over-year. Treasurer Martin pointed out that a report is posted every quarter on the City website that displays budget and revenue. Each month council members are also provided a Treasurer’s Report. The monthly Treasure’s Report being actual cash by fund balance. The Treasurer recommended and the Committee considered adding the Treasurer’s Report to its review of sales tax and REET revenue in an effort to expand the understanding and expand the picture of city finances.

Chairman Clauson suggested expanding the finance report to include department level year-to-date budget information. Treasurer Martin explained that with Extended Budgeting such information will be made available to the Committee.

The Committee studied and discussed the monthly Treasurer’s Report. Member Childs asked about interest earnings and how these amounts are deposited into the various funds.

**WFOA 2014 Distinguished Budgeting Award:**
Treasurer Martin presented the Washington Finance Officers Association award for Distinguished Budgeting Award 2014. He thanked the staff and acknowledged the support of the Finance Committee that lead to the budgeting award.

**Second Half Budget Amendments:**
The upcoming second half budget amendment was discussed, specifically payroll adjustments that will align wages and benefits within in the current fiscal year.

- $255,000 Current Expense Fund No. 001
- $35,900 Street Fund No. 002
- $5,800 Criminal Justice Fund No. 103
- $53,700 Water Sewer Fund No. 401
- $19,600 Storm Drainage Fund No. 421

**Budget Format:**
Council will notice several slight changes to the configuration of this year’s budget. Using the Springbrook Extended Budgeting layout displays information in a new format. Staff worked very hard to keep the format similar to what the Council has experienced in the past. Total integration of Springbrook moves to 3 year trending rather than the 5 year history previously used. One good change is that overtime is now displayed in an overtime category which should allow more transparency to the council.

The budget will update fund names to better define and explain how the money is categorized for reporting purposes. Adding greater transparency to those reading the document.

- Cumulative Reserve for Municipal Facilities becomes Special Revenue Fund No. 109
- Fund No. 302 is renamed the Capital Construction Fund.
- Fund 404 is changed to a Trust and Agency Fund No. 632
- A new fund known as the Storm Drainage Reserve Fund No.423 is created upon Council action approving new Storm Drainage Utility charges.

Finance staff is preparing a list of one time expenditures and mandates appearing in the preliminary budget and are also working on a list of what should be considered one-time revenues.

**Impact Fees:**
Department of Community Development Director Nick Bond and Treasurer Martin lead a discussion on Impact Fees. Some money must be used within 6 years or be returned.

Director Bond addressed the amount of impact fees, specifically park fees, and the need to expend these fees within a 6 year time frame. The first fees were collected three years ago and should be considered used. One way to do that would be to pledge the revenue stream to financing where the debt payment would qualify for being spent within 3 years. Member Childs suggested that the use of debt flies into the face of wise spending. Director Bond continued to say that impact fees must be used to expand capacity for public use, not for replacement and maintenance, for example. The City has two years to consider expending the park impact fees.

A discussion ensued regarding capital projects in the comprehensive plan and how the budget should be consistent with the City Budget. During the discussion the Committee asked to be provided the definition of Capital Expenditure.

The meeting was adjourned at 8:29 a.m.

**Next Meeting:** November 10, 2014 at 7:30 am Third Floor City Hall, Council Meeting Room.