



**CITY OF STANWOOD  
FINANCE COMMITTEE STAFF REPORT**

**ITEM NUMBER:** 1  
**DATE:** February 26, 2015  
**SUBJECT:** 2014 Sales Tax Surplus  
**CONTACT PERSON:** Greg Thramer, Finance Director  
**ATTACHMENTS:** A – Local Sales Tax Analysis (with Graphs)

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**ISSUE**

1. Should the city transfer the \$219,041 sales tax surplus from the last two years (2013-2014) from the general fund into the building improvement fund and earmark said funds for a new city hall?
2. Should the city plan to transfer future sales tax surpluses during the 2015-2016 biennial budget (if any) from the general fund into the building improvement fund, also to be reserved for a new city hall?

**RECOMMENDATION**

The city should transfer the \$219,041 sales tax budget surplus from the last two years (2013-2014) from the general fund to the building improvement fund to be reserved for a new public safety/city hall facility. Further, any sales tax budget surpluses in 2015 and 2016 should be transferred and reserved in a similar manner.

**SUMMARY STATEMENT**

Actual city sales tax revenues for 2013 were \$1,052,495, which was \$127,495 over the projected budget amount of \$925,000.

Actual city sales tax revenues for 2014 were \$1,121,546, which was \$91,546 over the projected budget amount of \$1,030,000.

Actual city sales tax revenues for the last two years (2013-2014) were \$2,174,041, which was \$219,041 over the combined projected budget amount of \$1,955,000.

Presented below is a summary of actual sales tax data for the last two years, broken down by type, plus projected sales tax for the 2015-2016 biennium:

*Table 1 – Actual and Projected Sales Tax – 2013 through 2016*

Year	Sales Tax			
	Total	Regular	Construction	Use Tax
2013 Actual	1,052,495	884,729	140,268	27,499
2014 Actual	1,121,546	934,871	150,242	36,433
2015 Projected	1,100,000	950,000	125,000	25,000
2016 Projected	1,100,000	950,000	125,000	25,000

Staff tries to project sales tax conservatively, so it is possible that in addition to the \$91,546 sales tax budget surplus in 2014, there could also be surpluses in 2015 and 2016.

Future City Hall – Potential Funding Strategy

Currently the city is studying a future purchase of property and construction of a new public safety/city hall facility. By transferring recent sales tax surpluses and earmarking future sales tax surpluses, the city will have a substantial funding source for a new facility when the time arrives.

City staff estimates a future city hall will cost approximately \$5 million for building and site improvements. City staff recommends saving at least 25% of that amount (\$1,250,000) towards construction, as follows:

\$1,250,000	City funds
\$1,250,000	Councilmanic bond (\$90,000 / year X 30 years)
\$2,500,000	Voter approved bond for public safety facility (\$180,000 / year X 30 years)

The voter approved bond would be on the ballot in 2019. Construction of the facility would begin in 2021 as per the following schedule:

Feasibility Study	2015
Land Payments	2015 – 2019
Design	2019 – 2020
Construction	2021

Effect of a \$2.5 million voter approved bond

Staff estimates that, if passed, the owner of a home assessed at \$300,000 would pay an additional 67.50 per year, using the following set of assumptions:

Amount borrowed:	\$2.5 million
Term:	30 years
Rate:	6%

Annual payments	\$180,000
City assessed valuation (2020)	\$800,000,000
Additional millage rate	22.5 cents / \$1,000 AV ( $\$180,000/\$800,000k = 22.5$ cents)
Additional cost per year for a \$300,000 home	$\$300k \times 22.5 \text{ cents} = \$67.50/\text{year} (\$5.625/\text{month})$

### **FINANCIAL IMPACT**

If approved by council, a \$219,041 transfer from the general fund to the building improvement fund would need to be incorporated into the next budget amendment, which would likely occur in the first quarter of 2015.

Currently the general fund has a balance of about \$1.8 million, so this balance would fall below \$1.6 million. Per the city's financial policy, the city shall maintain general fund operating reserves of at least 16.67% of general fund budgeted revenue, which represents two months of operating funds. Since general fund budgeted revenues for 2015 are nearly \$6 million, the city should maintain operating reserves of about \$1 million ( $\$6 \text{ million} \times 16.67\% = \$1 \text{ million}$ ). Thus, the city could transfer \$219,041 from the general fund and still be above the \$1 million operating reserve threshold.

### **FINANCE COMMITTEE OPTIONS**

1. Recommend to council the transfer of \$219,041 sales tax surplus from the general fund to the building improvement fund in the next budget amendment to be reserved for new public safety/city hall facility. Further, recommend any future (2015-2016) sales tax surpluses be treated in the same manner.
2. Do not recommend to council the transfer of \$219,041 sales tax surplus from the general fund to the building improvement fund in the next budget amendment to be reserved for new public safety/city hall facility, neither recommend any future (2015-2016) sales tax surpluses be treated in the same manner.
3. Do not recommend to council the transfer of \$219,041 sales tax surplus from the general fund to the building improvement fund in the next budget amendment to be reserved for new public safety/city hall facility, neither recommend any future (2015-2016) sales tax surpluses be treated in the same manner and direct staff to address specific finance committee questions or areas of concern.

### **RECOMMENDED MOTION**

**"I move to recommend to council the transfer of \$219,041 sales tax surplus from the general fund to the building improvement fund in the next budget amendment to be reserved for new public safety/city hall facility. Further recommend any future (2015-2016) sales tax surpluses be treated in the same manner."**

City of Stanwood, Washington  
**Local Sales Tax Analysis**  
 Local Option 1% Collections

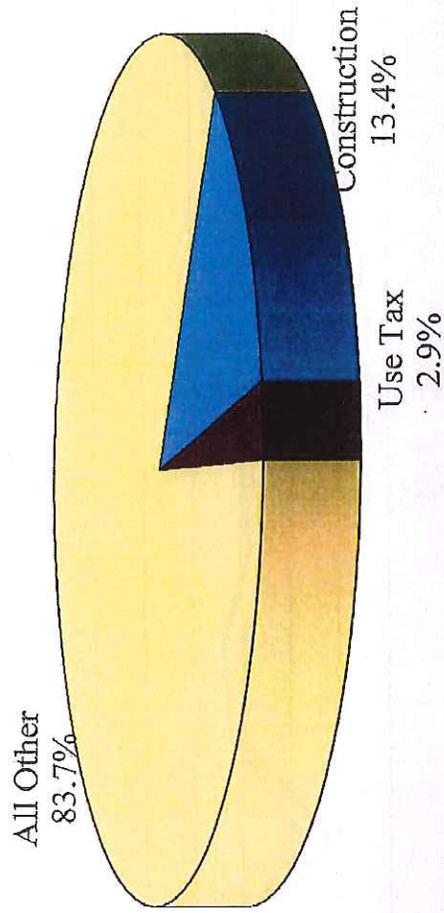
Attachment A

Year	Sales	Received	Construction Sales Tax	Total Use Tax	All Other Sales Tax	Total Sales & Use	% Change From Same Month LY
2012	November	January	8,646.72	2,588.43	67,471.13	78,706.28	7.5%
2012	December	February	12,270.23	3,389.39	89,274.06	104,933.68	3.9%
2013	January	March	9,187.23	2,051.03	64,292.50	75,530.76	19.3%
2013	February	April	8,529.92	1,455.05	62,516.18	72,501.15	1.6%
2013	March	May	9,857.45	1,036.29	73,020.62	83,914.36	9.9%
2013	April	June	9,933.83	3,099.53	66,497.82	79,531.18	4.2%
2013	May	July	11,960.29	3,604.11	76,435.01	91,999.41	17.6%
2013	June	August	18,160.10	2,235.90	78,974.45	99,370.45	17.1%
2013	July	September	11,350.24	1,932.58	77,856.53	91,139.35	26.9%
2013	August	October	13,364.07	1,620.49	79,325.11	94,309.67	24.7%
2013	September	November	14,850.57	1,694.28	78,484.94	95,029.79	11.7%
2013	October	December	12,157.07	2,791.78	70,580.41	85,529.26	4.8%
2013	November	January	9,483.53	1,731.23	75,035.07	86,249.83	9.6%
2013	December	February	13,389.73	2,733.83	99,385.28	115,508.84	10.1%
2014	January	March	9,456.11	2,396.82	68,802.85	80,655.78	6.8%
2014	February	April	11,770.96	1,404.84	67,864.61	81,040.41	11.8%
2014	March	May	10,129.53	4,261.61	75,895.02	90,286.16	7.6%
2014	April	June	6,859.23	2,513.98	73,621.72	82,994.93	4.4%
2014	May	July	10,270.15	4,027.61	75,534.65	89,832.41	-2.4%
2014	June	August	15,957.05	2,409.23	82,777.87	101,144.15	1.8%
2014	July	September	15,354.55	2,638.78	76,594.97	94,588.30	3.8%
2014	August	October	20,342.66	3,006.46	77,941.42	101,290.54	7.4%
2014	September	November	16,484.62	3,954.56	84,826.45	105,265.63	10.8%
2014	October	December					-100.0%
		Totals	279,765.84	58,577.81	1,743,008.67	2,081,352.32	-0.28

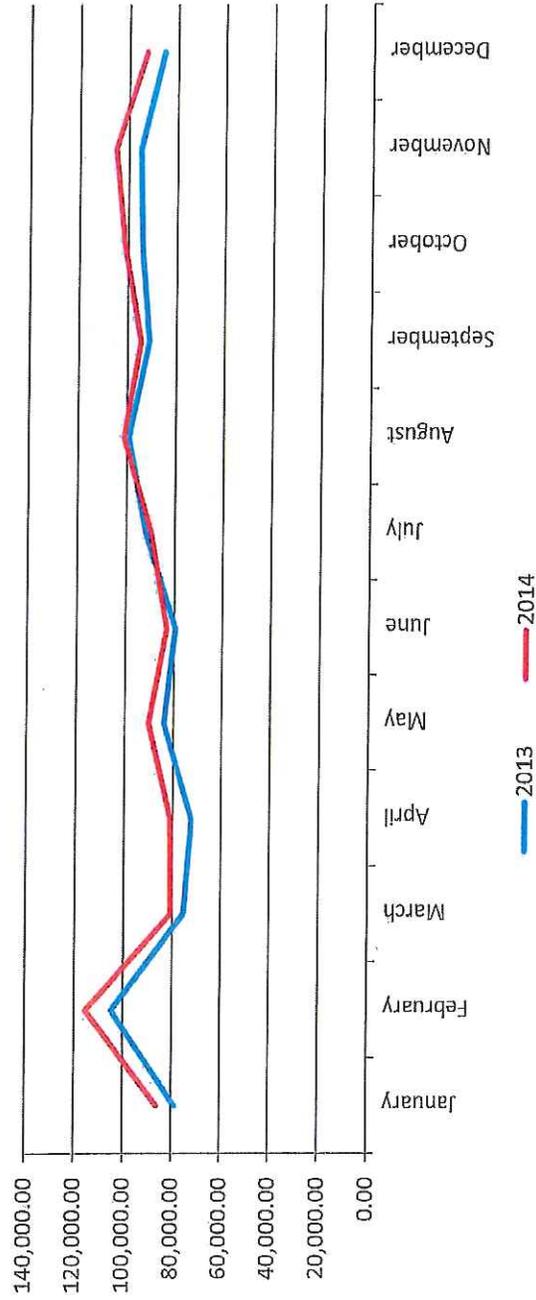
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Combined

City of Stanwood, Washington  
**Distribution of Sales and Use Tax Totals**

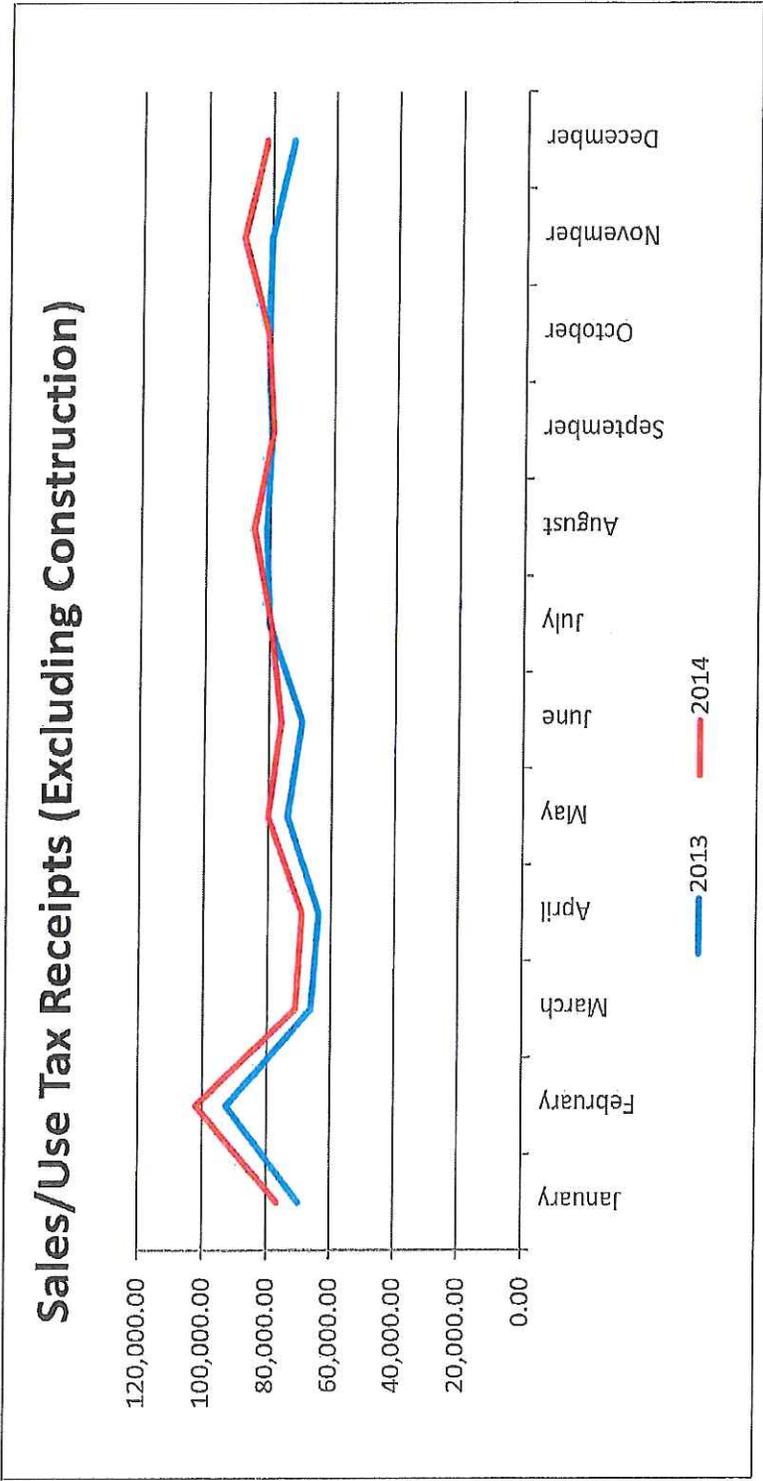


### Combined Sales/Use Tax Receipts



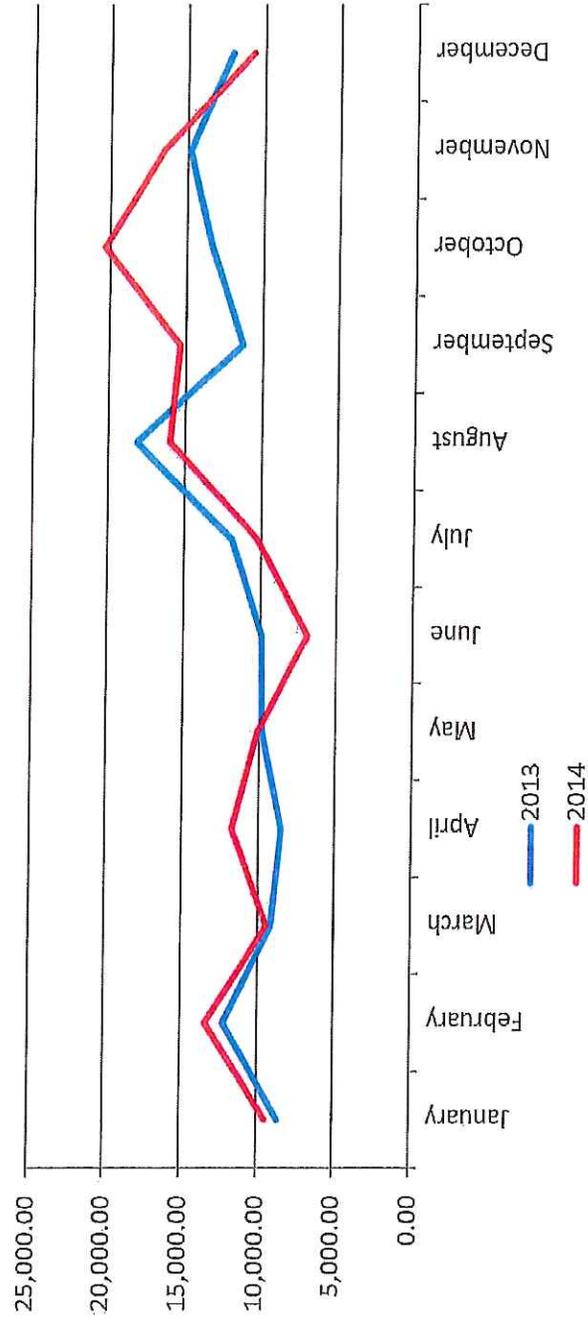
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### Sales/Use Tax Receipts (Construction Only)



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