

G.R.I.T. EDITORIAL:
Sink or Swim: Sultan's "New" Financial Crisis (same as the old ones)
(By L. Storm, August 9, 2007)

After seven years watching Sultan's political scenes play out, I thought NOTHING could ever surprise me....again. But the City's July 3, 2007 announcement at a non-advertised "public" meeting that it was in a deep financial crisis did surprise me, although for reasons other than the reality that it was once again treading in deep financial waters: The only surprise was that the City, local business owners and long-time Sultan residents and politicians were actually *surprised* by the announcement.

Anyone surprised by the city's announcement needs to read the [Jan. 11, 2006 Prothman Company's "Organization Assessment – Final Report."](#) Additional essential facts & information on this "new" crisis and Sultan's long-time financial woes can be found by accessing the State Auditor's Sultan report links below.

Any long-time Sultan Watcher – especially constant readers of my website and recipients of G.R.I.T.'s intermittent email updates (regardless of whether they liked, or agreed with what I had to say) -- *must* have accepted this news as did I: Merely formal confirmation of an undeniable, impending financial wash-out that's ebbed and flowed over time: Each new "crisis" has been "fixed" with an increasingly-larger band-aid.

A study of Prothman's *Reader's Digest* version of Sultan's several-years' financial imprudence detailed by the state auditor's office, was then, and still is, a Big Red Crayola Action shot, capturing a City in "must-muster" mode: "muster" as in "all of its horses and all of its men (and women) courageously soldiering forward to try to put Sultan back together again. Although a more accurate statement of those actions now would be to *re-create* Sultan into a city that is professionally- and legally-run and financially viable; a city adjacent to three major metropolitan centers (Seattle, Bellevue and Everett), located at the nexus of two national rivers, and smack on a major U. S. highway which is also the gateway to the Cascade mountains, one of the most gorgeous natural settings and recreational areas and fishing meccas in America, a City that has all the ingredients necessary to be a Destination locale. Assuming it has the courage to remake itself.

But that goal and vision, while achievable, will require a slow but sure-footed climb with everyone setting aside political differences to pull together in the same direction rather than Sultan's tug-of-war traditions. Such a task defines the word "daunting." It will require Sultan's leaders, land developers and business interests to overcome wildly-disparate perspectives and Black Bart/Nasty Nora behavior to lay aside the customary and inevitable bickering and back-biting. And if that isn't challenge enough, throw into the mix the necessity to *actively engage* a taxpayer base that is justifiably resentful and distrustful of Sultan's traditional "Lotto" policies (i.e., if you have a Lot 'O influence, you will benefit financially) which have resulted in escalating taxes and monthly rates, while levels of essential services – and Sultan's overall quality of life – have declined. Can it be done?

Prior to City Administrator Deborah Knight taking the helm of Sultan's ship of state, and before Interim City Administrator Lee Walton and Interim Financial Director Gordon Hey sailed off into bluer, calmer waters, they discharged two "warning" salvos over Sultan's bow: (1) continuing to raise rooftops -- without increasing fees and attracting new business and a new tax base –

would raze Sultan's financial future; and (2) the City cannot survive using short-term or interim funds (i.e., funds from residential development) by which to long-term infrastructure debt.

These words of wisdom from the been-there, done-that, seen-it-all professionals fell on deaf ears. The majority of Sultan's council members, and Mayor Tolson (assisted by new Administrator Knight), did what Sultan has always done: Set their sights on the easy and familiar target for budget reductions: Sultan's Police Department, the total expenses of which gobbles about half of the General Fund. Thus Sultan's faux "Crime Wave" was born (thanks to *The Valley Review's* Dec. 28, 2006 issue), and the game to "save" Sultan by contracting out its law enforcement services through the County Sheriff's department begun.

The consequence of this Bright Bulb idea was that significant city staff and monetary resources were expended chasing the tail of a "solution" that ended up wagging the dog: Rather than directing the City's energies and funds to address -- and fix -- long-term, deep-seated problems because of the city's non-compliant Comprehensive Plan, and making key revisions to the Sultan Code which have plagued and hindered Sultan's subdivision plat approval process, the City's resources were directed instead to mount a public relations campaign to "sell" to Sultan citizens the concept of law enforcement by contract. Even after three public town meetings during hundreds of citizens responded to the idea of ridding itself of the Sultan's Pesky Police with either a "No!" or a louder "Hell no!", the council continued moving toward a contract with the sheriff's department.

The pot finally boiled over when Councilwoman Kristina Blair tried to justify the council majority's¹ Sherman-like march toward a sheriff's contract, regardless of all obstacles and reason, when she made an unfortunate comment in an *Everett Herald* article; she stated she was following the direction from what she felt was "A Silent Majority" of Sultan citizens wishing to terminate the SPD. Left unexplained by her (or omitted by the reporter) were the means by which Councilwoman Blair had been communicating with this "majority"; either they had not attended the three bursting-to-the-seams town hall meetings, or failed to speak out. Ms. Blair can at least be commended for speaking her mind, something several other council members refused to do when contacted by the *Herald* reporter. However, as to her uncanny "dog-like" abilities to hear comments made outside the multiple public venues for this issue, it screams of private conversations either behind closed doors. And even though silence from verbose politicians can certainly fall into the "Silence is Golden" category, when it comes to public opinion, silence of the governed is almost always construed as consent by those who govern.

The Fat Lady is still waiting in the wings to sing the last act of this Sultan SPD melodrama, but most of the players (Sheriff's office, Chief Walser, several SPD officers and even an "interim" now-U-see-him-now-you-don't police chief) have moved off-stage and have left the building.

Tragically, the city is left with four police officers, a budget decimated (again) with substantial legal fees, the result of the latest bout of Sultan Stupid-itis, and a slew of patient Sultan developers bellying up to the bar throwing over-generous tips (donations) to the Establishment to get the residential home development ball running back downhill. Again. And still without any economic development tax base to support new and improved infrastructure. Yes, the welfare dollars being offered by the Skyridge Estates developers could be put to good use, but why not just save a couple hundred thousand dollars in the General Fund by dismissing several key City staff positions, throwing wide open the doors of city hall, and letting the developers rewrite the Comprehensive Plan, the Sultan Code, and act as City Planner? (Come to think of it, would that be very different than what has occurred under both Rowe's and Tolson's terms?)

Bottom line is this: This most-recent Sultan financial crisis *must* be its last. There are only two choices: sink, or swim like a salmon – upstream, against the current, and with all we've got to give: Damn the dam, full speed ahead.

City of Sultan State Audit Reports:

(Reports are accessible at http://www.ittakesgrit.org/Audit_Main_Page.htm **NOTE: A "Finding" is NEVER** something a professionally-run organization would ever want to have in its audit, as it indicates a "material weakness" ^{II})

1/1/97 through 12/31/98 – No Findings

SPECIAL AUDIT (1/1/98 thru 11/30/98) Results - Discovered \$7,315 in utility receipts misappropriated by the then-Deputy City Clerk. The case was referred to the Snohomish County Prosecutor's office. Following a confession by the employee, prosecution was deferred pending repayment to the City^{III} of the embezzled funds. **As of the October 24, 2006 Sultan audit**, some utility billing conditions^{IV} indicate continued lack of controls, although [*most of*] these are anticipated to be resolved with full implementation of the City's Springbrook financial systems software.)

1999 – No Findings

2000 – **One** Finding

2001/2002 – **Two** Findings ([Transcription of Auditor's presentation to council Feb. 25, 2004](#); discussion city exceeding its 2001 by \$300,000 and \$1.5 million in 2002; also discussion of interfund loan and repayments for same.)

2003 – **Three** Findings

2004 – **Four** Findings

2005 – **One** Finding [The City's lack of internal controls over its utility billings and cash receipting system creates the potential for a loss of public funds.]. STATUS of prior audit findings: **Two Findings** still unresolved, and **One Finding** "partially resolved."

2006 [As of August, 2007, the 2006 audit is in process] - Unless some Financial Fairy Godmother/Godfather bestows a beneficent bundle of bucks to the City, it will incur yet another Audit Finding for its inability to make required payments to its interfund loan (i.e., a loan it made to itself a few years ago from its reserve funds).

ALSO OF INTEREST.....

[Transcription from Sept. 19, 2001 Council Meeting](#) (Regarding a previous General Fund deficit due, in part, because building permit revenue fell significantly short of what was forecasted, and the General Fund budget shortfall was estimated to be \$91,000.)

[Transcription of Bob Ostrom's Presentation to Council Jan. 2, 2002](#) ("**How the Sultan Budget Works**") A sort of "Sultan Budget 101" primer – There's some great info here for newbies; even if it is five years old, many of the basics – concerning investments, bonds, levies, etc. – have not changed.)

I Councilmembers John Seehuus and Jim Flower were steadfast on this issue; they never veered from their staunch support to keep the Sultan Police Department intact.

II *"Material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions."*

III *Of interest: the Prothman report states, "The City recovered the loss from the insurance bonding company," while the 1998 State Auditor's report states, "We recommend the City seek recovery of the misappropriated \$7,315 and related audit/investigation costs from the former Deputy Clerk-Treasurer and its insurance bonding company, as appropriate."* (Direct link to this special audit: http://www.ittakesgrit.org/ACROBAT/Audit_1998-only.pdf)

IV *Problems still existing: Staff is able to override controls in the new utility system to post adjustments; same individual has receipting, recording and adjustment duties; more than one individual works out of the same cash drawer; city does not have a process in the new utility system to issue an automated receipt to walk-in customers; new system has a built-in audit trail that logs all changes to the system for each customer's account but the city [as of this audit] was not using this function; and the city has no policies regarding approval of meter-reading adjustments – cashiers have the ability to post these adjustments without entering receipting data into the accounting system.*