

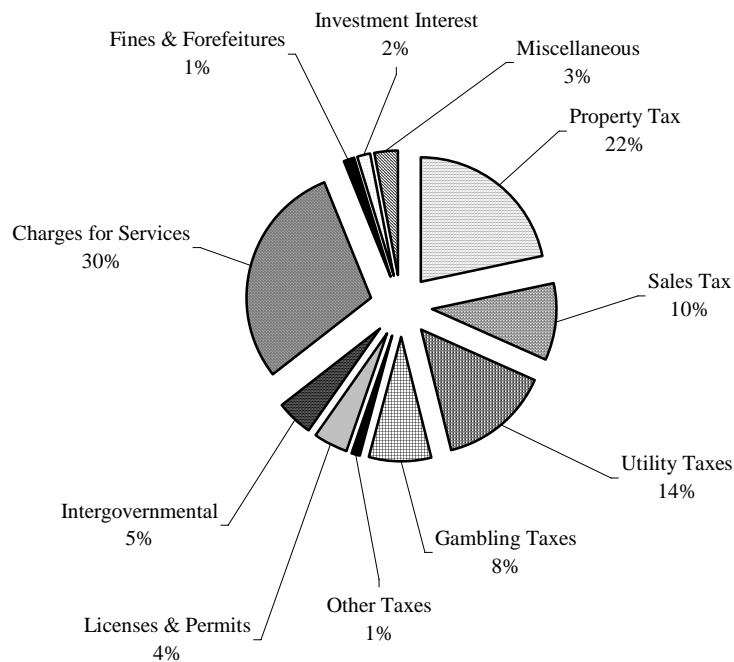
REVENUE ASSUMPTIONS

GENERAL GOVERNMENT FUNDS' REVENUES

This section explains and illustrates the estimates for revenue sources included in the General Government funds of the 2007/2008 Adopted Biennial Budget. Key funding sources are described below by category. General Government Funds include the General Fund, Street Operating, Recreation, Debt Service, Strategic Reserve, Equipment Rental, Hotel/Motel Tax, Solid Waste Service and the Accumulated Leave Reserve Funds.

GENERAL GOVERNMENT FUNDS	2004	2005	2006		2007	2008
	Actual	Actual	Adopted	Revised	Adopted	Adopted
TOTAL SOURCES						
BEGINNING FUND BALANCE	\$ 7,186,656	\$ 8,145,989	\$ 7,037,021	\$ 9,464,051	\$ 8,157,098	\$ 6,652,884
Property Tax	3,439,478	3,840,287	3,845,506	3,933,209	4,003,184	4,059,670
Sales Tax	1,579,927	1,696,553	1,719,109	1,800,000	1,854,000	1,909,620
Utility Taxes	2,586,917	2,573,131	2,652,913	2,593,050	2,676,566	2,770,135
Gambling Taxes	1,257,037	1,582,740	1,090,137	1,400,000	1,500,000	1,560,000
Other Taxes	237,426	177,786	226,487	180,000	187,000	189,365
Licenses & Permits	784,679	801,450	801,163	834,117	803,458	823,747
Intergovernmental	1,511,528	1,011,262	698,478	841,688	870,889	883,105
Charges for Services	5,337,900	5,815,498	6,254,039	6,267,345	5,483,586	5,758,365
Fines & Forfeitures	243,807	210,920	260,000	250,000	250,000	255,000
Investment Interest	341,878	389,749	260,825	310,825	296,084	291,284
Miscellaneous	552,198	542,959	512,251	541,768	565,451	626,639
TOTAL OPERATING REVENUES	\$ 17,872,775	\$ 18,642,335	\$ 18,320,908	\$ 18,952,002	\$ 18,490,218	\$ 19,126,930
Sale of Capital Assets	7,044	639,709	5,000	5,000	10,000	10,000
Interfund Transfers	2,575,678	3,185,816	2,170,637	2,186,696	1,487,092	2,287,798
TOTAL SOURCES	\$ 27,642,153	\$ 30,613,849	\$ 27,533,566	\$ 30,607,749	\$ 28,144,408	\$ 28,077,612

General Government 2007 Operating Revenue Breakdown



Property Tax:

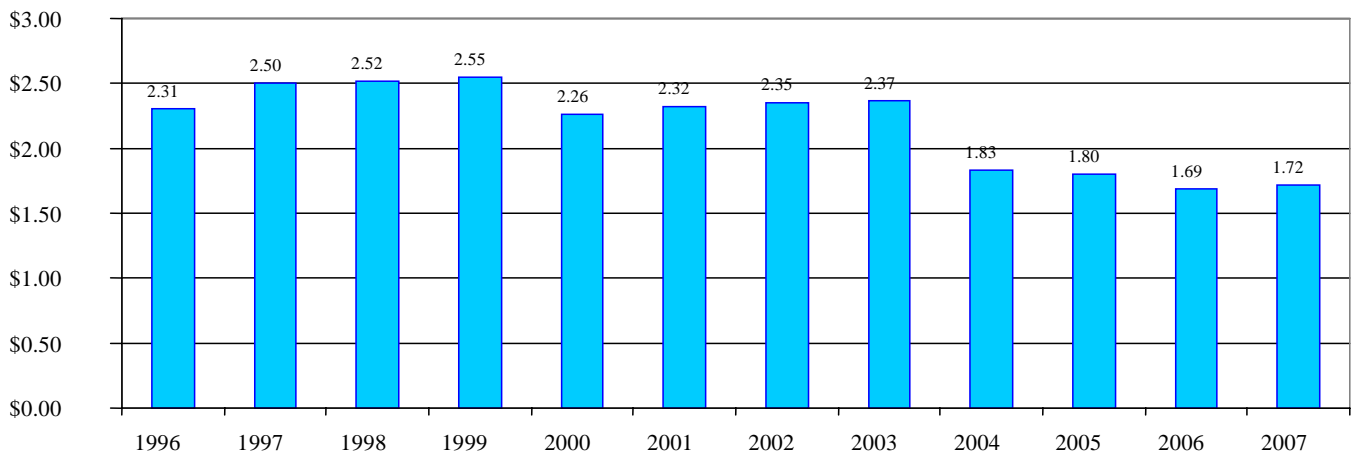
Property tax revenue for 2007/2008 is \$4,003,184 and \$4,059,670 respectively. This represents 22% of all Government Funds revenues, or 27% of the General Fund revenue. 2007 property tax revenue is \$69,975 (or 1.8%) increase over 2006. This increase is the result of new construction and a one-percent levy increase. The one percent levy increase was approved in November 2006 and results in \$37,000 additional revenue for the city in 2007. For an owner of a \$300,000 home this represents a \$12 annual increase from the property taxes paid in 2006.

The 2007 City of Mountlake Terrace total property tax levy rate is \$2.29 per \$1,000 of assessed property value and is comprised of the following:

<u>Per \$1,000 Assessed Value</u>	
General Levy	1.72
EMS Levy	.46
Debt Levy	.11
Total:	\$2.29

The chart below shows the City’s General Property Tax Levy rate history over the past 10 years.

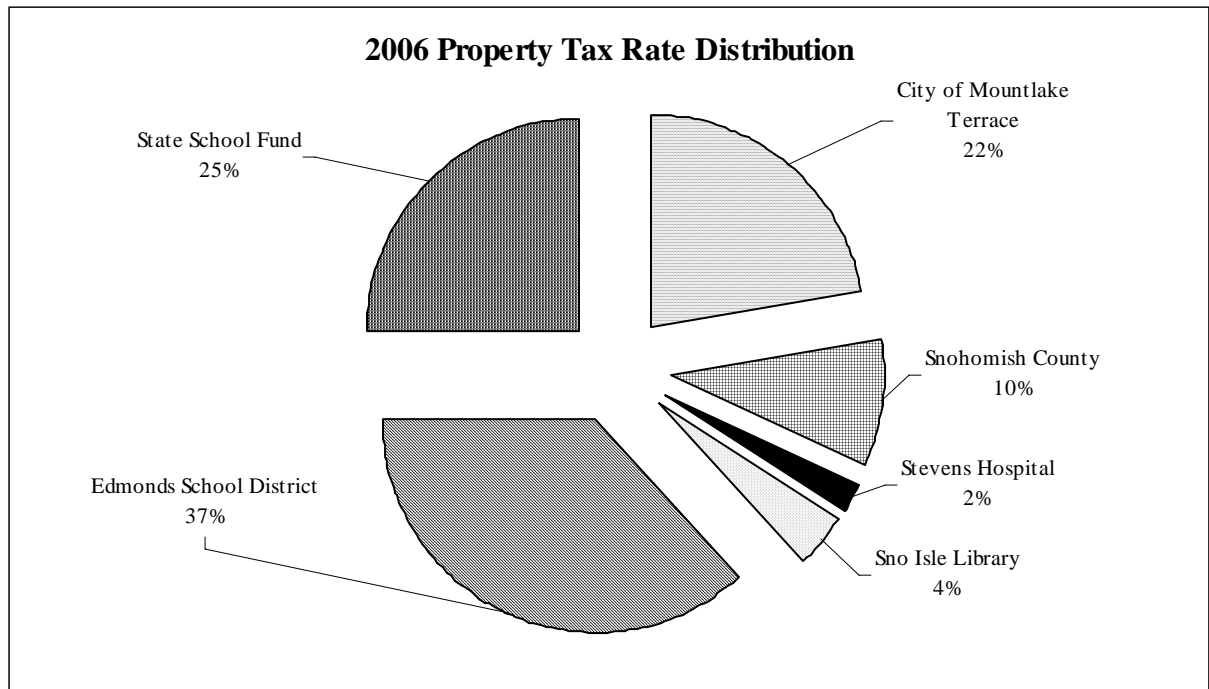
**General Levy Rate
 1996 - 2007**



In September 2002 the voters approved a perpetual Emergency Medical Services (EMS) levy of 50 cents per \$1,000 of assessed value that took effect for property tax collections beginning in 2005. The 50-cent rate has decreased to 46 cents in 2007 due to the increase of property values in the city and the one percent rate increase limitation.

The 20-year debt levy for the amount of \$2 million was approved by voters in 1988 and will be paid off in 2008. The \$2 million general obligation bonds were used to finance public safety improvements including a new police station, the purchase of two fire trucks and two aid cars, and asbestos removal from city facilities.

The overall 2006 City of Mountlake Terrace property tax levy rate was \$2.25 per \$1,000 of assessed property value. This did not include levies for the school district, Sno-Isle library district, Snohomish County, Stevens Hospital or the state. When all the taxing jurisdictions are included, the total levy rate was \$10.17 per \$1,000 of assessed value in 2006. The following chart displays the allocation of the total levy rate in 2006 for all taxing districts within the city of Mountlake Terrace.



Sales Tax:

Sales tax has been budgeted at \$1,854,000 and \$1,909,620 in 2007 and 2008, respectively, which represents 10% of the General Government operating revenues, or 13% of the General Fund’s operating revenues. The budget assumes a 3% increase from the 2006 revised budget. There is a “Streamlined Sales Tax” bill before the 2007 state legislature that could result in additional tax collections in the last six months of 2008. This bill would require all Internet sales from out-of-state vendors to be taxed at the local sales tax rate to where the goods or services are delivered. If the bill passes, this could result in approximately \$350,000 additional yearly sales tax revenues for the City. These additional tax revenues are not included in the adopted 2007/2008 budget.

The City receives 43% of its sales tax from retail sales, 20% from services, 14% from construction, 8% from transportation and utility companies and the remaining 15% from manufacturing, agriculture and other activities.

Utility Taxes:

The City’s utility taxes account for \$2,676,566 or 14% of the total General Government Funds 2007 budgeted operating revenues. These revenues are projected to increase by 3.5% in 2008. The following table shows the history and type of utility taxes that the city receives. All of the utility revenues below are collected at a rate of 6%, except the water, sewer, storm water and solid waste, which are collected at 10%.

Utility Tax Type	2004 Actual	2005 Actual	2006 Revised Budget	2007 Adopted Budget	2008 Adopted Budget
Gas	\$ 184,931	\$ 230,160	\$ 215,000	\$ 221,450	\$ 228,094
Electricity	627,970	629,938	640,000	659,200	678,976
Solid Waste	198,109	223,792	238,376	245,702	251,827
Telephone	815,181	752,571	760,000	782,800	806,284
Cable	111,284	162,615	139,674	157,641	162,370
City (Water, Sewer & StrmWtr)	<u>649,442</u>	<u>574,055</u>	<u>600,000</u>	<u>610,473</u>	<u>642,584</u>
Total Utility Taxes	\$2,586,917	\$2,573,131	\$2,593,050	\$2,676,566	\$2,770,135

Utility tax revenues are estimated to increase 3% in 2007 and 2008 with the exception of the City’s utility taxes, which are based upon estimated utility billings in 2007 and 2008.

Gambling Tax:

Gambling tax revenues account for \$1,500,000, or 8% of the General Government Funds' operating revenues in 2007. This is 10.5% of the General Fund's budgeted revenue for 2007. The City's gambling tax revenues come from card room, bingo and pull-tab activity. There are currently three mini-casinos within the City of Mountlake Terrace that pay a 10% gambling tax on net revenues from card games. The table below shows the history of gambling tax revenues and the budget for these revenues in 2007 and 2008.

<u>Gambling Tax Type</u>	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Revised Budget</u>	<u>2007 Adopted Budget</u>	<u>2008 Adopted Budget</u>
Punchboards, Pull-tabs	\$ 361,214	\$ 275,615	\$ 305,585	\$ 201,635	\$ 209,700
Bingo, Raffle	96,311	62,605	87,540	44,842	46,636
Card Games	<u>799,512</u>	<u>1,244,520</u>	<u>1,006,875</u>	<u>1,253,523</u>	<u>1,303,664</u>
Total Gambling Taxes	\$1,257,037	\$1,582,740	\$1,400,000	\$1,500,000	\$1,560,000

Intergovernmental:

The adopted budget for Intergovernmental revenues is \$870,889 in 2007 and \$883,105 in 2008. Intergovernmental revenues include state and federal grants, criminal justice program revenues, City Assistance from the state, state Liquor Board profits, reimbursement from the Edmonds School District for the School Resource officer, reimbursements of costs from Sno-Isle library, and the City's share of the state's Motor Vehicle tax.

Intergovernmental revenues received in 2004 totaled \$1,511,528, or \$640,639 more than the 2007 budget of \$870,889. This is because prior to 2005 the City provided fire services to the City of Brier, totaling \$662,859 in 2004. In addition, the budget for intergovernmental revenues are lower than 2005 actual revenues as the City stopped receiving Federal Domestic Violence Grant monies beginning in 2006, which totaled \$113,749 in 2004 and \$119,347 in 2005.

Charges for Services:

Charges for services revenues include user fees for the city's recreation programs, internal charges for vehicles and services, ambulance transport fees, the solid waste administrative fee, plan check and zoning fees and other fees such as passports. There is a \$783,759 decrease in "Charges for Services" from the Revised 2006 Budget to the Adopted 2007 Budget. This is due to the discontinuance of some internal transfer fees beginning in 2007, such as fees for engineering work and Parks maintenance.

Total charges for services increase to \$5,758,365 in the 2008 Adopted Budget, mostly due to the increase in equipment rental charges to the departments. For the years 2005 through 2007 the equipment rental reserve balance remaining from the sale of the City's fire apparatus to Fire District One reduces the departments' equipment and vehicle charges. This reduction of costs as a result of the allocation of this reserve discontinues in 2008.

<u>Service</u>	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Revised Budget</u>	<u>2007 Adopted Budget</u>	<u>2008 Adopted Budget</u>
Recreation Program Fees	\$2,033,779	\$2,134,988	\$2,374,817	\$2,384,476	\$2,525,724
Administrative Overhead Fees (for Admin Services, City Manager, City Council, City Attorney and Property Management Services)	1,167,171	1,597,488	1,581,423	1,545,572	1,513,967
Internal Engineering Services	474,659	649,459	669,991	-0-	-0-
Equipment Rental Fund Charges (Gas, Repairs, Replacement Costs)	914,916	590,070	735,915	848,425	1,002,519
Ambulance Transport Fees	228,573	298,176	250,000	255,000	260,100
Solid Waste Admin Fee	151,890	139,233	156,708	159,842	163,039
Transfers between Recreation and Parks Services	73,933	167,802	175,095	-0-	-0-
Plan Check/Zoning Fees	227,456	157,573	231,257	187,244	190,989
Other Charges for Service	<u>65,523</u>	<u>80,709</u>	<u>92,139</u>	<u>103,027</u>	<u>102,027</u>
Total Charges for Service	\$5,337,900	\$5,815,498	\$6,267,345	\$5,483,586	\$5,758,365

Miscellaneous Revenues:

Budgeted miscellaneous revenues within the Governmental Funds total \$565,451 in 2007 and \$626,639 in 2008. Most of the \$61,188 increase in 2008 over 2007 is attributable to the increased lease payments from the Ballinger Golf Course.

Miscellaneous revenues include the categories listed below.

Description	2004 Actual	2005 Actual	2006 Revised	2007 Adopted	2008 Adopted
			Budget	Budget	Budget
Pavilion Concessions	\$101,474	\$107,134	\$120,000	\$118,960	\$120,000
Pavilion Room Rentals	51,332	56,868	53,250	64,493	66,427
Pool Rentals	106,816	105,820	123,200	128,128	133,253
Other Recreation	94,934	91,488	55,300	40,520	43,753
Program Rentals					
Golf Course Lease	95,992	1,967	50,001	87,000	135,000
Home Monitoring	60,625	73,013	75,000	74,473	75,962
Program					
Other Rents	8,452	20,197	29,517	29,517	29,517
Narcotics Seizures	12,217	37,700	15,000	15,300	15,606
Judgments	141	37,115	-0-	-0-	-0-
<u>Other</u>	<u>20,215</u>	<u>11,657</u>	<u>20,500</u>	<u>7,060</u>	<u>7,121</u>
Total Misc.	\$552,198	\$542,959	\$541,768	\$565,451	\$626,639

CAPITAL FUNDS' REVENUES

This section explains and illustrates the estimates for revenue sources included in the Capital funds of the 2007/2008 Adopted Biennial Budget. Key funding sources are described below by category. Capital Funds include the Real Estate Excise Tax, Street Construction, Capital Improvement (CIP) and Facilities Construction Funds.

CAPITAL FUNDS

TOTAL SOURCES

	2004	2005	2006		2007	2008
	Actual	Actual	Adopted	Revised	Adopted	Adopted
BEGINNING FUND BALANCE	\$ 6,513,928	\$ 5,742,708	\$ 3,584,039	\$ 3,905,906	\$ 3,951,324	\$ 2,504,516
Real Estate Excise Tax	631,426	732,828	501,544	501,544	630,485	655,704
Grants	1,218,865	190,812	550,329	583,057	274,800	-
Motor Fuel Vehicle Tax	133,734	139,415	135,000	152,640	162,081	164,512
Investment Interest	245,270	195,112	89,555	89,555	180,466	134,000
Other	5,200	590	-	-	-	-
TOTAL OPERATING REVENUES	\$ 2,234,495	\$ 1,258,757	\$ 1,276,428	\$ 1,326,796	\$ 1,247,832	\$ 954,216
GO Bond Proceeds	-	-	-	-	7,500,000	-
Interfund Transfers	719,000	1,502,633	1,015,187	1,316,163	3,729,218	646,011
TOTAL SOURCES	\$ 9,467,423	\$ 8,504,098	\$ 5,875,654	\$ 6,548,865	\$ 16,428,374	\$ 4,104,743

In 2004 the city received over \$1 million in Federal Grants for the 220th Street Reconstruction project. Real Estate Excise Tax (REET) has been increasing each year as this tax is generated from property sales and property values within the City of Mountlake Terrace have been growing steadily. Actual Real Estate Excise Taxes received in 2006 (over \$960,000) were unusually high due to a large commercial building in the city selling in 2006.

A portion of the state's motor vehicle tax is credited to the Street Construction Fund and has slightly increased due to the increase in the state's three-cent gas tax increase that took effect in two stages: in July 2005 and July 2006.

The 2007 Adopted Budget includes \$7,500,000 in bond proceeds that will be used to finance Town Center Improvements (e.g. roads, underground utilities, streetscapes, planned action ordinance, art, etc.). Also included in 2007 is a one-time transfer of \$500,000 from the Accumulated Leave Reserve Fund to the CIP Fund, a transfer of the balance of \$303,218 from the Facilities Construction Fund to the CIP Fund, and a one-time transfer of \$1,300,000 from the Real Estate Excise Tax Fund to the CIP Fund. These transfers, as well as the bond proceeds, will be used to finance Town Center improvements totaling \$8.5 million.

UTILITY FUNDS' REVENUES:

This section explains and illustrates the estimates for revenue sources included in the Utility funds of the 2007/2008 Adopted Biennial Budget. Key funding sources are described below by category. Utility Funds include the Storm Water Utility, Sewer Utility, Water Utility, Storm Water Construction, Sewer Construction, Water Construction and the Water/Sewer Revenue Bond Funds.

UTILITY FUNDS

	2004	2005	2006		2007	2008
	Actual	Actual	Adopted	Revised	Adopted	Adopted
TOTAL SOURCES						
BEGINNING FUND BALANCE	\$ 8,450,855	\$ 7,031,125	\$ 6,200,204	\$ 7,302,496	\$ 4,367,258	\$ 2,948,612
Intergovernmental	55,055	89,075	122,552	122,552	4,000	4,000
Charges for Service	5,954,100	5,823,283	6,332,239	6,332,239	6,219,734	6,552,037
Water Tower Pole Rentals	57,027	66,721	73,016	73,016	69,390	72,165
Investment Interest	332,222	292,980	181,619	181,619	201,637	136,643
Miscellaneous	17,421	7,504	11,500	11,500	11,500	1,500
TOTAL OPERATING REVENUES	\$ 6,415,825	\$ 6,279,563	\$ 6,720,926	\$ 6,720,926	\$ 6,506,261	\$ 6,766,345
PW Trust Fund Loan Proceeds	1,007,792	-	-	291,700	-	-
Loan Proceeds	-	-	-	-	-	2,000,000
Interfund Transfers	1,904,691	1,233,370	1,629,673	1,716,173	3,190,533	1,252,206
TOTAL SOURCES	\$ 17,779,163	\$ 14,544,058	\$ 14,550,803	\$ 16,031,295	\$ 14,064,052	\$ 12,967,163

Intergovernmental:

Budgeted Intergovernmental revenues for 2007 and 2008 are substantially lower than the previous three years. This is because the revenue from billings to the City of Lynnwood and SnoCom for their portion of costs incurred to maintain the Public Works Shop Facility are now included in the Property Management division within the General Fund.

Charges for Service:

These revenues include charges for water, sewer and storm water services. The City's aging water and sewer mains are in need of replacement, and proper storm water management requires expanding the system and improving programs to improve surface water quality. These projects will be paid for through a combination of rate adjustments and loans.

The 2007/2008 Adopted Budget incorporates the new rate adjustments that were approved in late 2006. The utility rate adjustments will take effect over a period of six years. The rate adjustments result in an increase to the average residential customer and are displayed in the table below. This table details the rate adjustments for each of the utilities that are necessary to replace the City's aging water and sewer mains. The rate adjustment that was adopted in late 2006 provides for a 30% discount for resident homeowners who are senior citizens with a household income equal to or less than 140% of the federal poverty level.

Average Monthly Bill Assuming Average Water Consumption for a Residential Customer*
Amounts Include Base Rate and Average Consumption

	2006	2007	2008	2009	2010	2011	2012
Water	\$17.91	\$18.63	\$19.56	\$20.54	\$21.56	\$22.64	\$23.68
Sewer	27.17	27.98	28.82	29.40	30.28	31.49	32.59
Storm Water	5.50	5.83	6.18	6.49	6.81	7.15	7.37
Total	\$50.58	\$52.44	\$54.56	\$56.43	\$58.65	\$61.28	\$63.64
Net Monthly Increase	N/A	\$1.86	\$2.12	\$1.87	\$2.22	\$2.63	\$2.36
Percentage Increase	N/A	3.7%	4.0%	3.4%	3.9%	4.5%	3.8%

*Low-income senior citizens bills are reduced by 30%.

Loan Proceeds:

In addition to the rate adjustments above, the City will be securing loans to finance the replacement of its utilities infrastructure over the next six years. The table below shows the amount of loans that are included in the Adopted 2007/2008 Budget and included in the City's Six Year Financial Forecast.

Loan Proceeds Included in Six-Year Forecast to Finance Utility Infrastructure

Utility	2006	2007	2008	2009	2010	2011	2012
Water	\$-	\$-	\$-	\$1,500,000	\$1,500,000	\$ 500,000	\$ 430,000
Sewer	-	-	1,000,000	-	800,000	-	450,000
Storm Water	=	=	<u>1,000,000</u>	<u>1,500,000</u>	=	=	<u>340,000</u>
Total	\$-	\$-	\$2,000,000	\$3,000,000	\$2,300,000	\$500,000	\$1,220,000

Interfund Transfers:

The interfund transfers are unusually high in the 2007 Adopted Budget (\$3,190,533) as they include transfers of most of the estimated unreserved balances of the utility operating funds to the utility construction funds to finance construction.