

City of Mountlake Terrace



1ST QUARTER 2010 FINANCIAL REPORT

JUNE 3, 2010

Overview



- 1st Quarter 2010 Financial Report (January – March)
 - Executive Summary
 - Town Center & Economic Development
 - General Government Funds
 - Capital Improvement Funds
 - Utility Funds
 - Ending Fund Balances/Reserves
 - Action Strategies & Preventative Measures Implemented
 - Summary of Sources & Uses (Attachment A)
 - Municipal Court & Jail Services Expenditure Detail (Attachment B)

Executive Summary



- “Great Recession” resulting in negative impact to City revenues
- Massive layoffs locally, regionally and nationwide
- Continued unemployment and growing under-employment (20-25%)
- Slumping real estate market
- Tight credit markets
- Slowdown in consumer spending
- Consumer confidence lowest in decades
- Recovery lag for local governments - most difficult years may still be ahead (e.g., 2010, 2011, 2012, and beyond)
- General Fund revenues have decreased \$1.1 million or 7.1% between 2006 and 2009 (annual negative growth of 2.4%)
- However, City of Mountlake Terrace currently holding its own through 1st quarter; departments exceeding financial expectations; no services to our citizens and community have been impacted

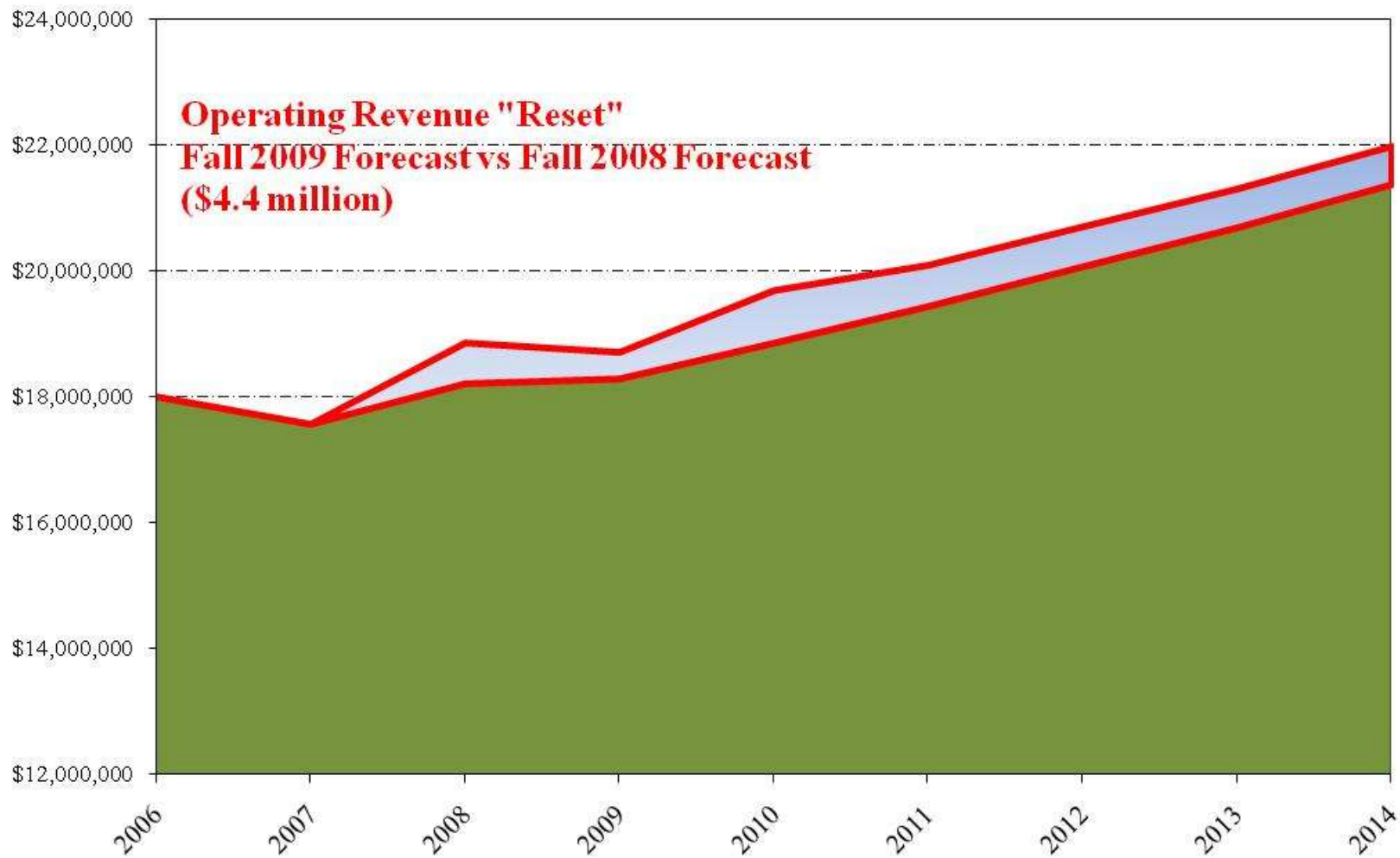
Impact of Economic Recession



Fall 2009 Forecast vs. Fall 2008 Forecast

General Government Operating Revenues				
	Fall 2009	Fall 2008	Change	
	Forecast	Forecast	\$	%
2008	\$17,562,446	\$18,211,174	-\$648,728	-3.6%
2009	\$17,866,835	\$18,288,499	-\$421,664	-2.3%
2010	\$18,021,247	\$18,857,816	-\$836,569	-4.4%
2011	\$18,784,352	\$19,440,510	-\$656,158	-3.4%
2012	\$19,436,825	\$20,072,871	-\$636,046	-3.2%
2013	\$20,077,138	\$20,693,640	-\$616,502	-3.0%
2014	\$20,770,668	\$21,378,965	-\$608,297	-2.8%
			-\$4,423,964	-3.2%

City of Mountlake Terrace General Government Funds Impact of Economic Recession



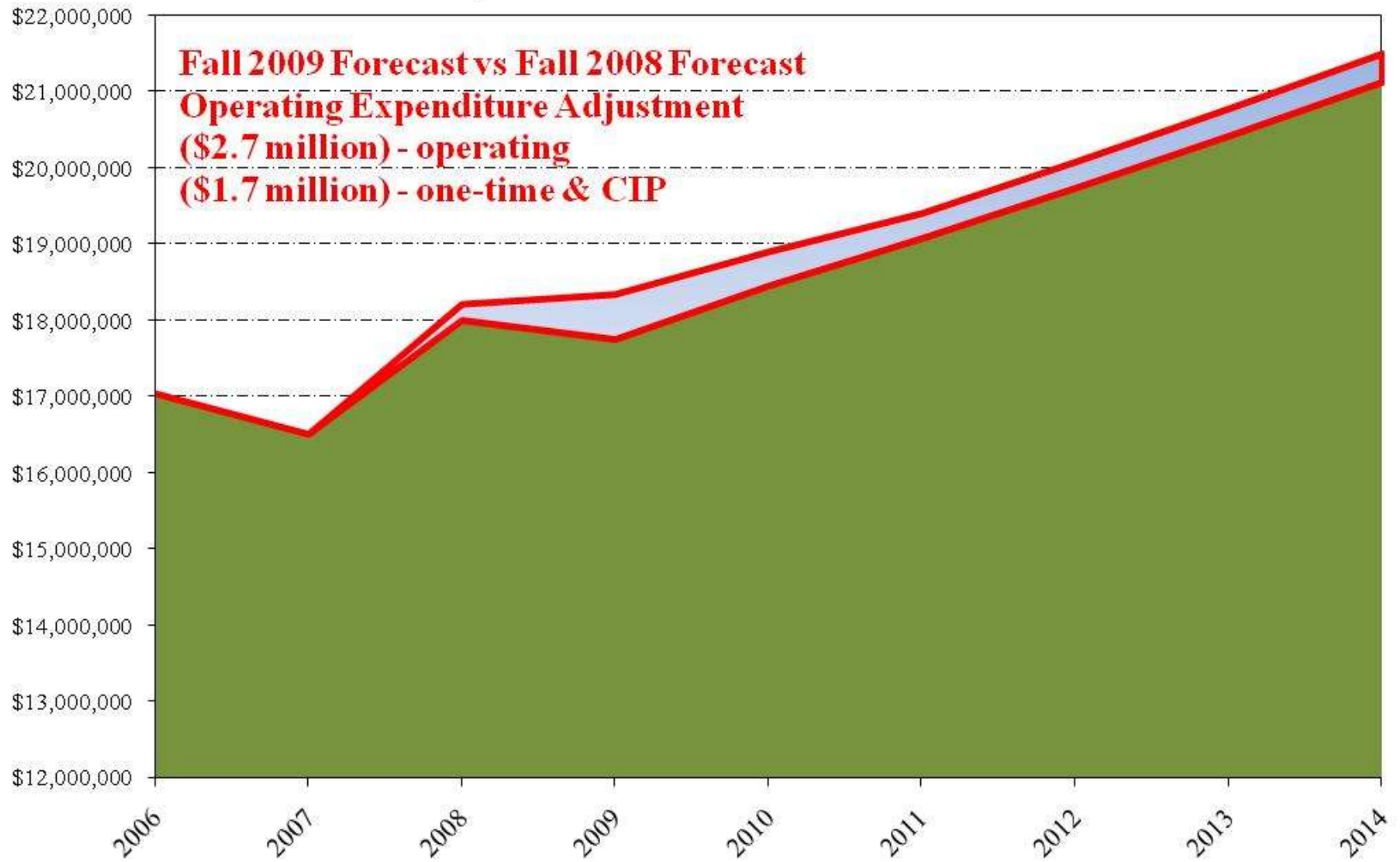
Impact of Economic Recession



Fall 2009 Forecast vs. Fall 2008 Forecast

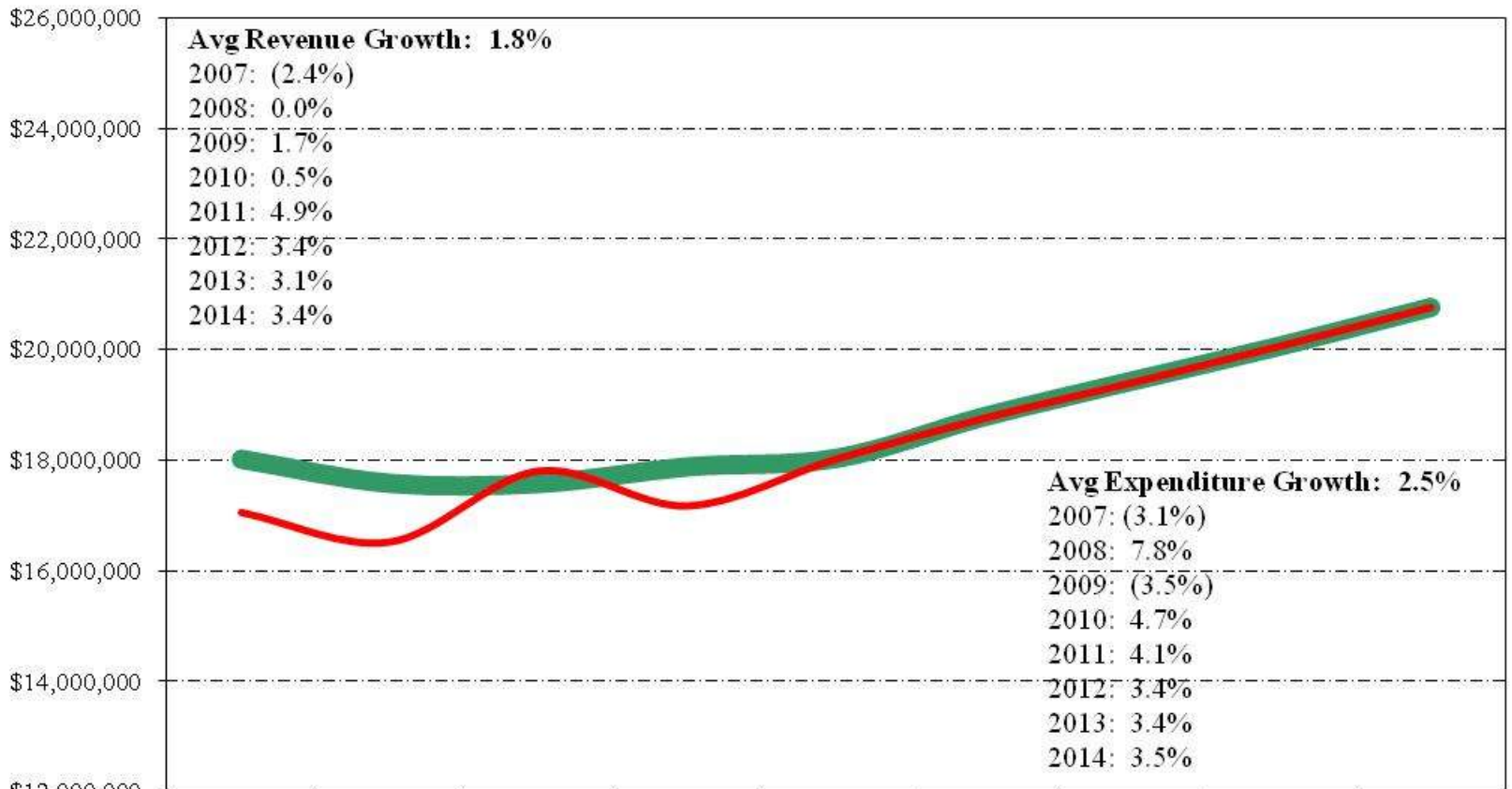
General Government Operating Expenditures				
	Fall 2009	Fall 2008	Change	
	Forecast	Forecast	\$	%
2008	\$17,798,736	\$18,010,576	-\$211,840	-1.2%
2009	\$17,167,285	\$17,759,761	-\$592,476	-3.3%
2010	\$18,014,840	\$18,463,969	-\$449,129	-2.4%
2011	\$18,760,059	\$19,089,139	-\$329,080	-1.7%
2012	\$19,406,986	\$19,750,837	-\$343,851	-1.7%
2013	\$20,076,459	\$20,435,696	-\$359,237	-1.8%
2014	\$20,769,265	\$21,144,526	-\$375,261	-1.8%
		Operating	-\$2,660,874	-2.0%
		One-time & CIP	-\$1,763,090	n/a
		Total	-\$4,423,964	-3.2%

City of Mountlake Terrace General Government Funds Impact of Economic Recession



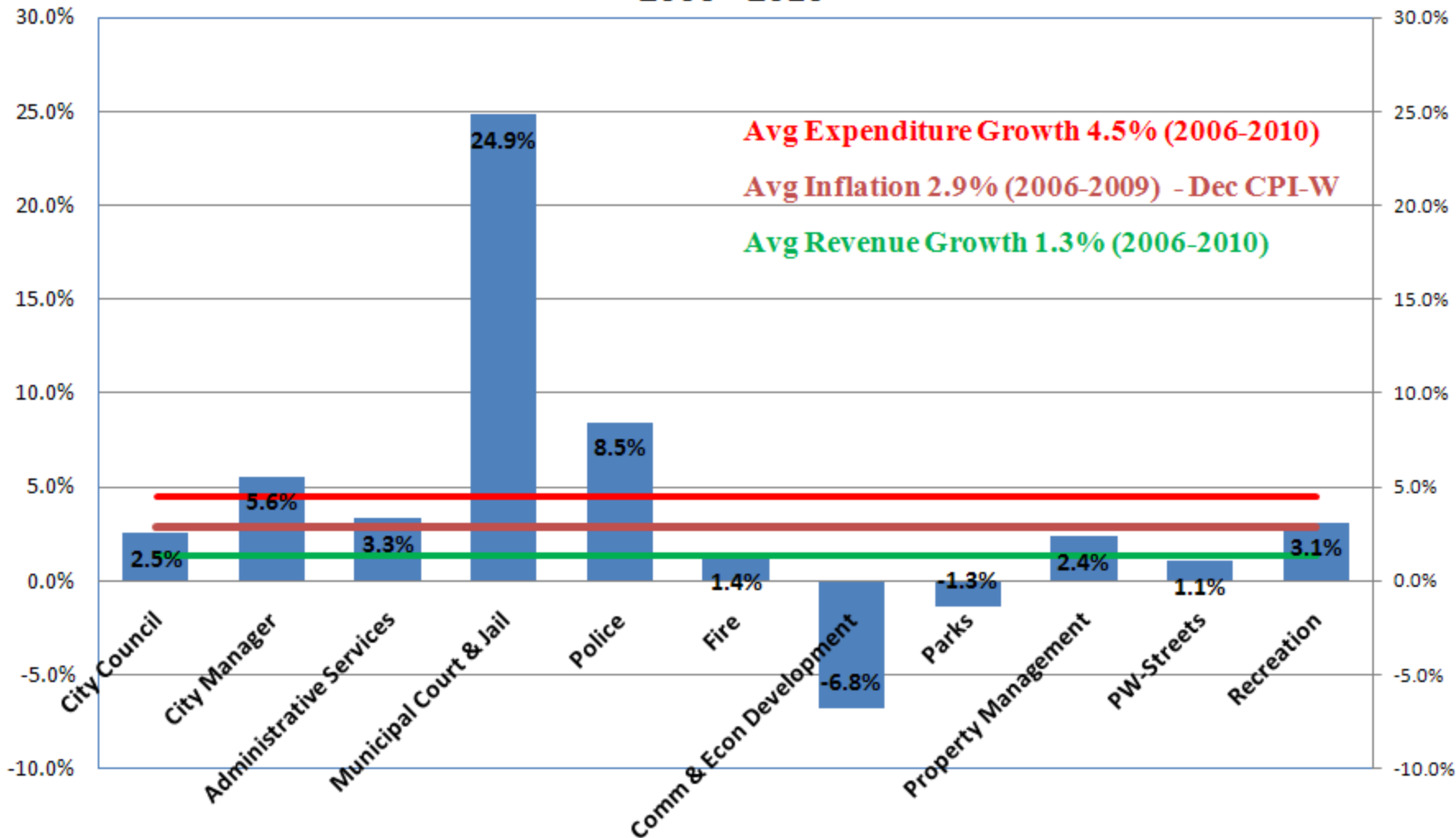
**City of Mountlake Terrace
Financial Forecast
General Government Funds
2009-2014**

October 2009



	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenue	\$18,005,106	\$17,566,262	\$17,562,446	\$17,866,835	\$18,021,247	\$18,784,352	\$19,436,825	\$20,077,138	\$20,770,668
Operating Expenditures	\$17,047,446	\$16,511,606	\$17,798,736	\$17,167,285	\$18,014,840	\$18,760,059	\$19,406,986	\$20,076,459	\$20,769,265


Average Annual Growth Revenue, Expenditures & CPI Through 1st Quarter 2006 - 2010



Executive Summary



- Why is the City of Mountlake Terrace weathering the most difficult economic times in generations?
- “Living within our means”
 - Balanced budget (operating revenues align with operating expenditures)
 - Sound & prudent financial policies
 - Six-year financial forecast
- We no longer subscribe to... “That’s the way we always did it”
 - Streamlined Services (examples)
 - ✦ Contract for fire & EMS services (\$600,000 per year beg 2005)
 - ✦ Custodial services transitioned from in-house to contract (\$250,000 per year beg 2007)
 - ✦ Elimination of management positions (\$400,000 per year beg 2006)
 - ✦ Fleet management best practices (\$300,000 per year beg 2009)
 - ✦ Proactive (vs. reactive) approach with implementation of action strategies and preventative measures
 - ✦ Continued and ongoing focus on service delivery and identification of organization and resource efficiencies (e.g., public safety, finance, municipal court & jail)
 - Aggressive \$66 million CIP
 - Leveraging \$4.1 million in state and federal funds



General Government Fund Resources

March 2010

Resources by Fund	2010			Change (bud vs. act)	
	Budget			\$	%
	Annual	1st Quarter	Actual		
General Government					
Beginning Fund Balances	\$ 5,437,458	\$ 5,437,458	\$ 5,437,458	\$ -	0.0%
General					
Property Tax	4,218,591	1,054,648	1,051,986	(2,662)	-0.3%
Sales Tax	1,700,000	408,109	386,677	(21,432)	-5.3%
Utility Tax	3,046,687	761,672	712,458	(49,214)	-6.5%
Gambling Tax	1,116,850	279,213	281,020	1,808	0.6%
Other Taxes	124,000	31,000	19,957	(11,043)	-35.6%
Business & Animal Licenses	148,891	37,223	51,466	14,243	38.3%
Development Services Fees	508,392	106,762	155,578	48,816	45.7%
Cable & Solid Waste Franchise Fees	497,472	124,368	129,946	5,578	4.5%
State Shared & Intergov't	694,255	145,794	125,158	(20,636)	-14.2%
Transport Fees	400,000	100,000	90,000	(10,000)	-10.0%
Fines & Forfeitures	325,000	81,250	101,106	19,856	24.4%
Other Fees & Charges	1,983,930	495,983	469,200	(26,783)	-5.4%
Investment Income	215,000	53,750	13,063	(40,687)	-75.7%
Total General Fund Operating Revenues	14,979,068	3,679,770	3,587,615	(92,155)	-2.5%
Street Operating	348,974	80,264	78,452	(1,812)	-2.3%
Recreation	3,002,000	750,500	779,932	29,432	3.9%
Debt Service	3,000	750	3,848	3,098	413.1%
Total General Govt Operating Revenues	18,333,042	4,511,284	4,449,847	(61,437)	-1.4%
Other Financing Sources					
Strategic Reserve	30,000	5,768	5,768	-	0.0%
Fleet Management	762,605	125,574	125,574	-	0.0%
Hotel/Motel Tax	22,500	4,023	4,023	-	0.0%
Solid Waste Service	17,500	4,375	4,375	-	0.0%
Accumulated Leave Reserve	12,000	3,000	1,936	(1,064)	-35.5%
General	20,000	6,000	549	(5,451)	-90.9%
Street Operating	506,083	126,521	100,692	(25,829)	-20.4%
Recreation	571,164	142,791	70,183	(72,608)	-50.8%
Debt Service	441,846	110,462	110,462	-	0.0%
Fleet Management	86,500	6,615	6,615	-	0.0%
Total Other Financing Sources	2,470,198	535,129	430,177	(104,952)	-19.6%
Total All General Government Funds	\$26,240,699	\$10,483,871	\$10,317,482	\$ (166,389)	-1.6%

General Government Fund Expenditures

March 2010

Expenditures by Fund	2010			Change (bud vs. act)	
	Budget			\$	%
General Government	Annual	1st Quarter	Actual		
General					
City Council	\$ 103,117	31,966	\$ 31,219	\$ (747)	-2.3%
City Manager	713,656	232,687	229,590	(3,097)	-1.3%
Administrative Services	1,310,036	353,710	349,115	(4,595)	-1.3%
Municipal Court & Jail Services	741,873	185,468	219,600	34,132	18.4%
Police	5,567,841	1,503,317	1,491,630	(11,687)	-0.8%
Fire	2,513,375	678,611	656,990	(21,621)	-3.2%
Community & Economic Development	1,153,432	311,427	252,729	(58,698)	-18.8%
Park Services	608,130	164,195	160,717	(3,478)	-2.1%
Property Management	872,159	235,483	236,804	1,321	0.6%
Oper Transfer Out-Debt Svc	-	-	-	-	n/a
Oper Transfer Out-Streets	506,083	126,521	100,692	(25,829)	-20.4%
Oper Transfer Out-Recreation	386,164	96,541	23,933	(72,608)	-75.2%
Oper Transfer Out- Rec Debt Svc	185,000	46,250	46,250	-	0.0%
Total General Fund	14,660,866	3,966,176	3,799,269	(166,907)	-4.2%
Operating Surplus/(Deficit)	318,202	(286,406)	(211,654)	74,752	-26.1%
Street Operating	858,574	214,644	173,562	(41,082)	-19.1%
Recreation	3,573,164	893,291	843,207	(50,084)	-5.6%
Debt Service	493,038	4,260	4,260	-	0.0%
Total General Government Funds	19,585,642	5,078,371	4,820,298	(258,073)	-5.1%
Other Financing Uses					
Fleet Management	1,217,451	304,363	233,936	(70,427)	-23.1%
Hotel/Motel Tax	24,880	2,680	2,680	-	n/a
Solid Waste Service	30,426	9,323	9,323	-	0.0%
Accumulated Leave Reserve	-	-	-	-	n/a
General	1,021,733	196,174	196,174	-	0.0%
Strategic Reserve	10,000	2,500	2,500	-	0.0%
Other Financing Uses	2,304,490	515,040	444,613	(70,427)	-13.7%
Total All General Government Funds	\$21,890,132	\$ 5,593,410	\$ 5,264,911	\$ (328,499)	-5.9%

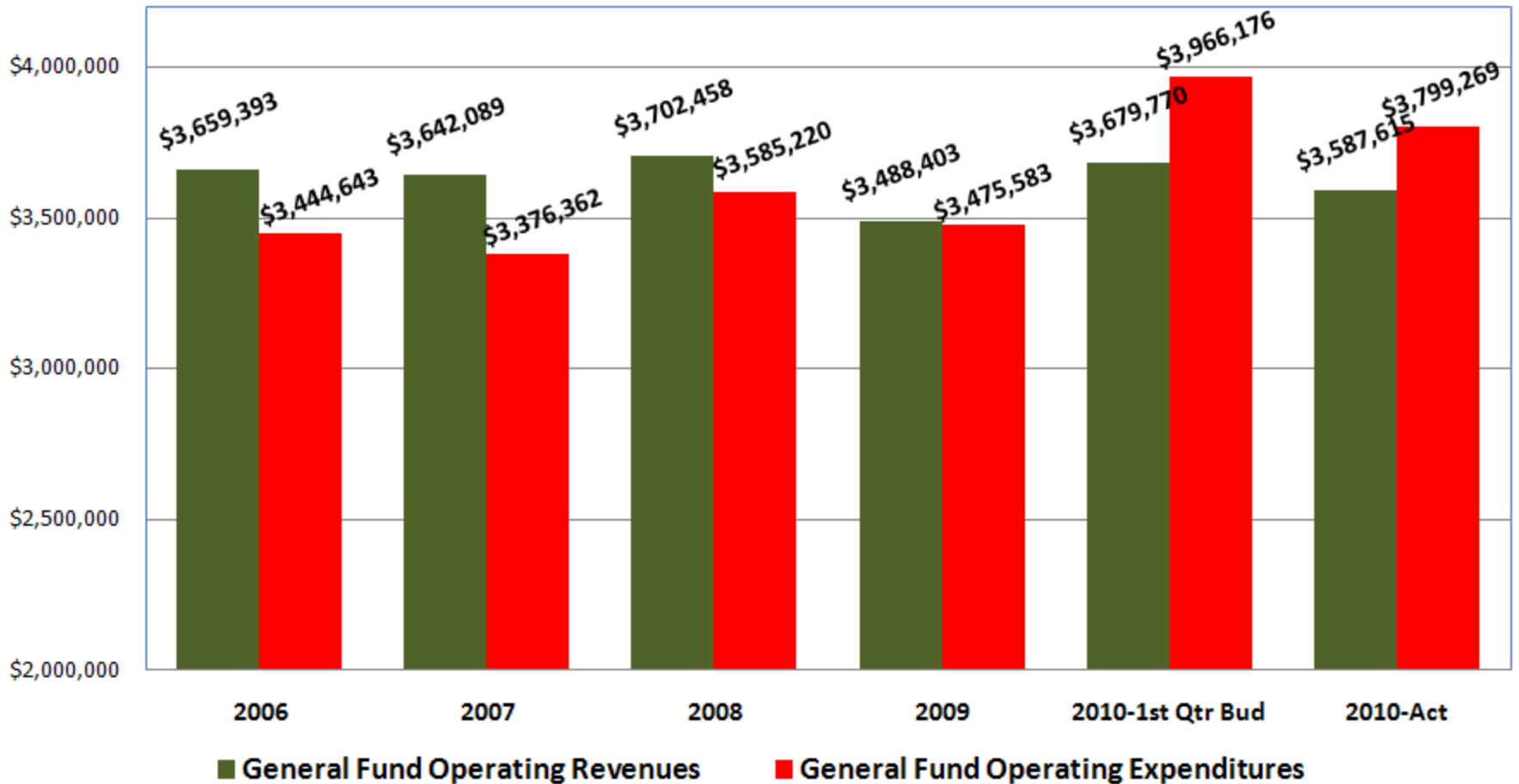
Revenue Growth

2007: (0.5%)
2008: (1.7%)
2009: (5.8%)
2010: 6.8%-Budget
2010: 2.8%-Actual
Average : 1.3%

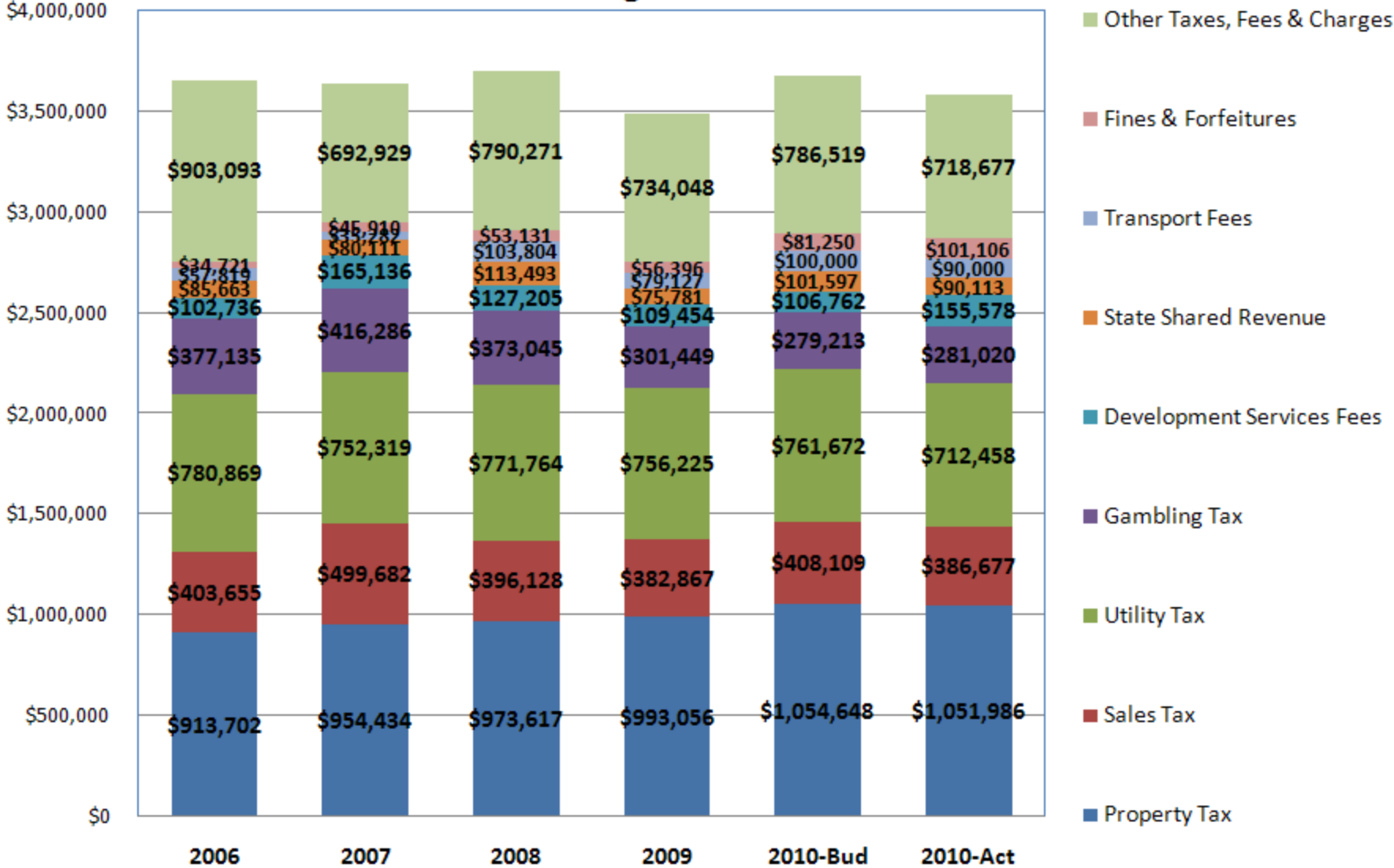
**General Fund
Operating Revenues vs. Operating Expenditures
Through 1st Quarter
2006 - 2010**

Expenditure Growth

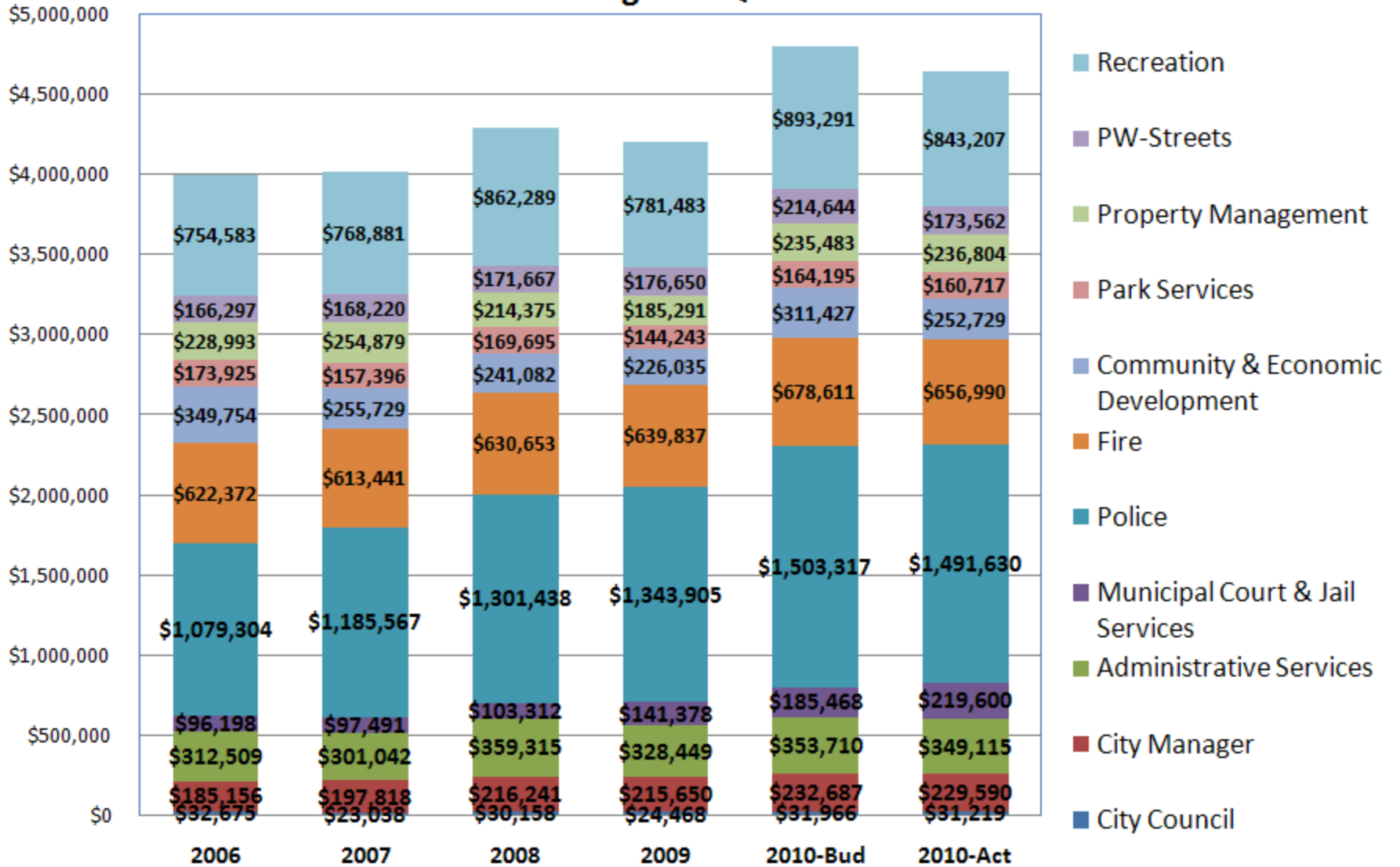
2007: (2.0%)
2008: 6.2%
2009: (3.1%)
2010: 14.1%-Budget
2010: 9.3%-Actual
Average : 4.5%



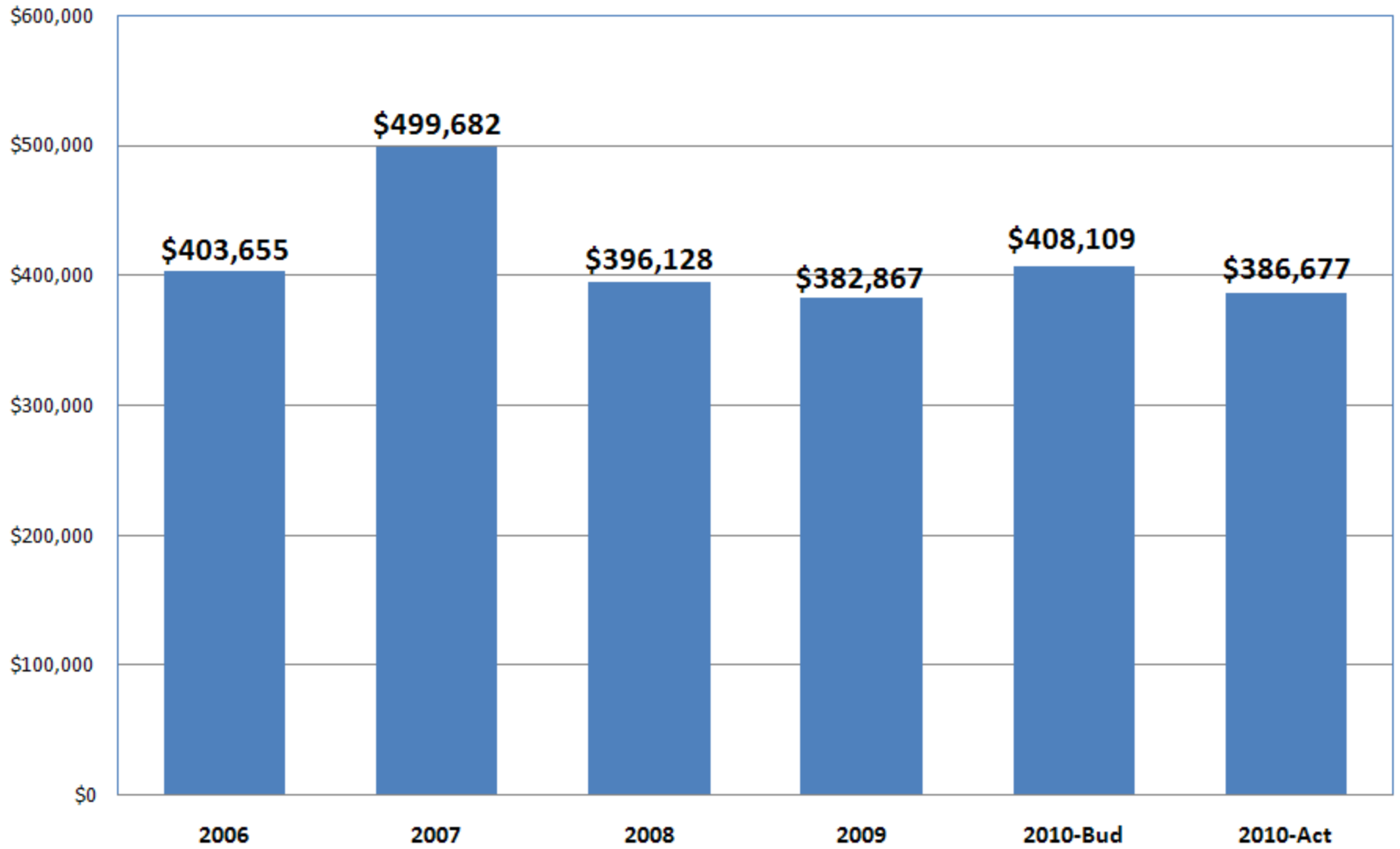
General Fund Revenues 2006 - 2010 Through 1st Quarter



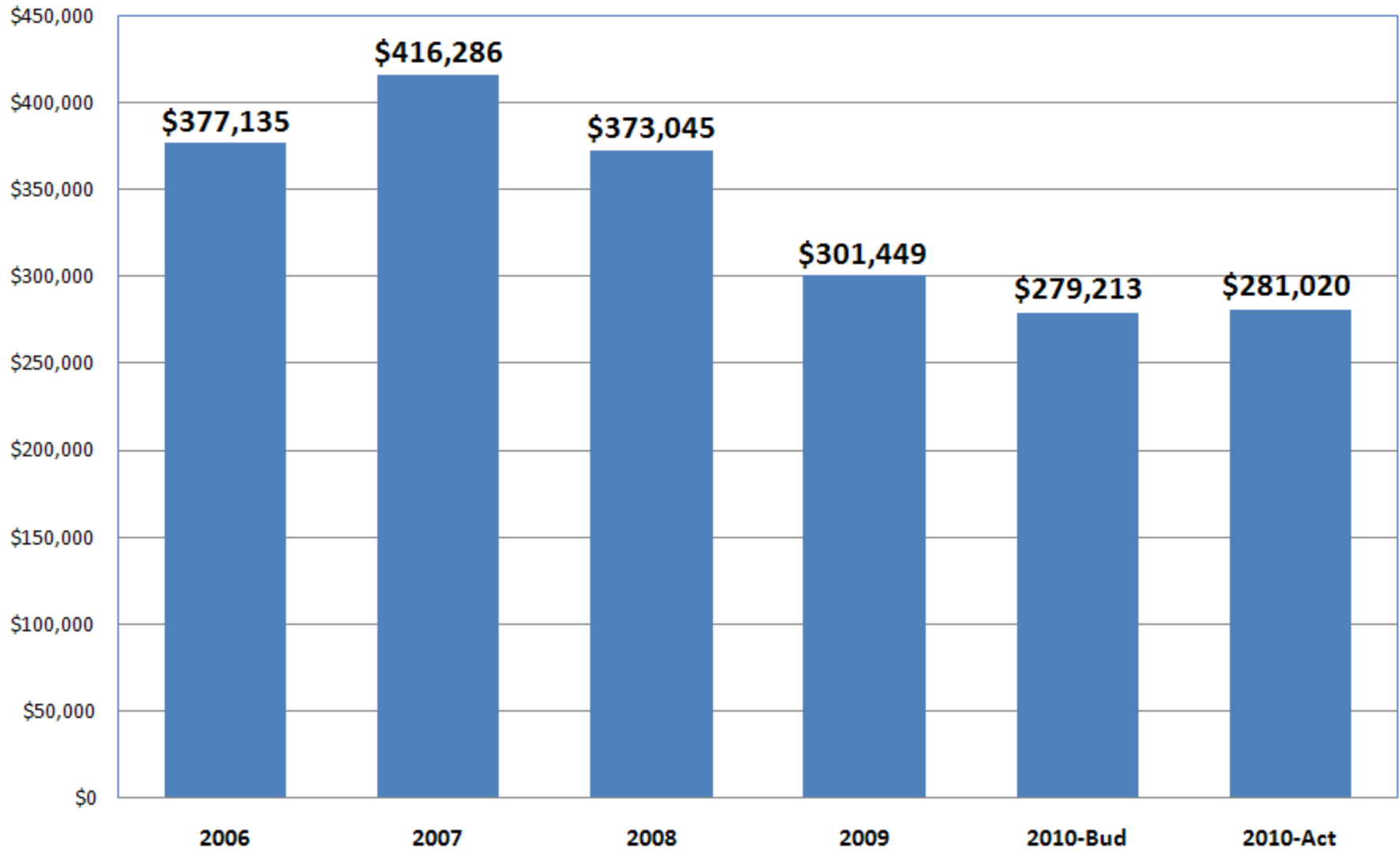
Department Expenditures 2006 - 2010 Through 1st Quarter



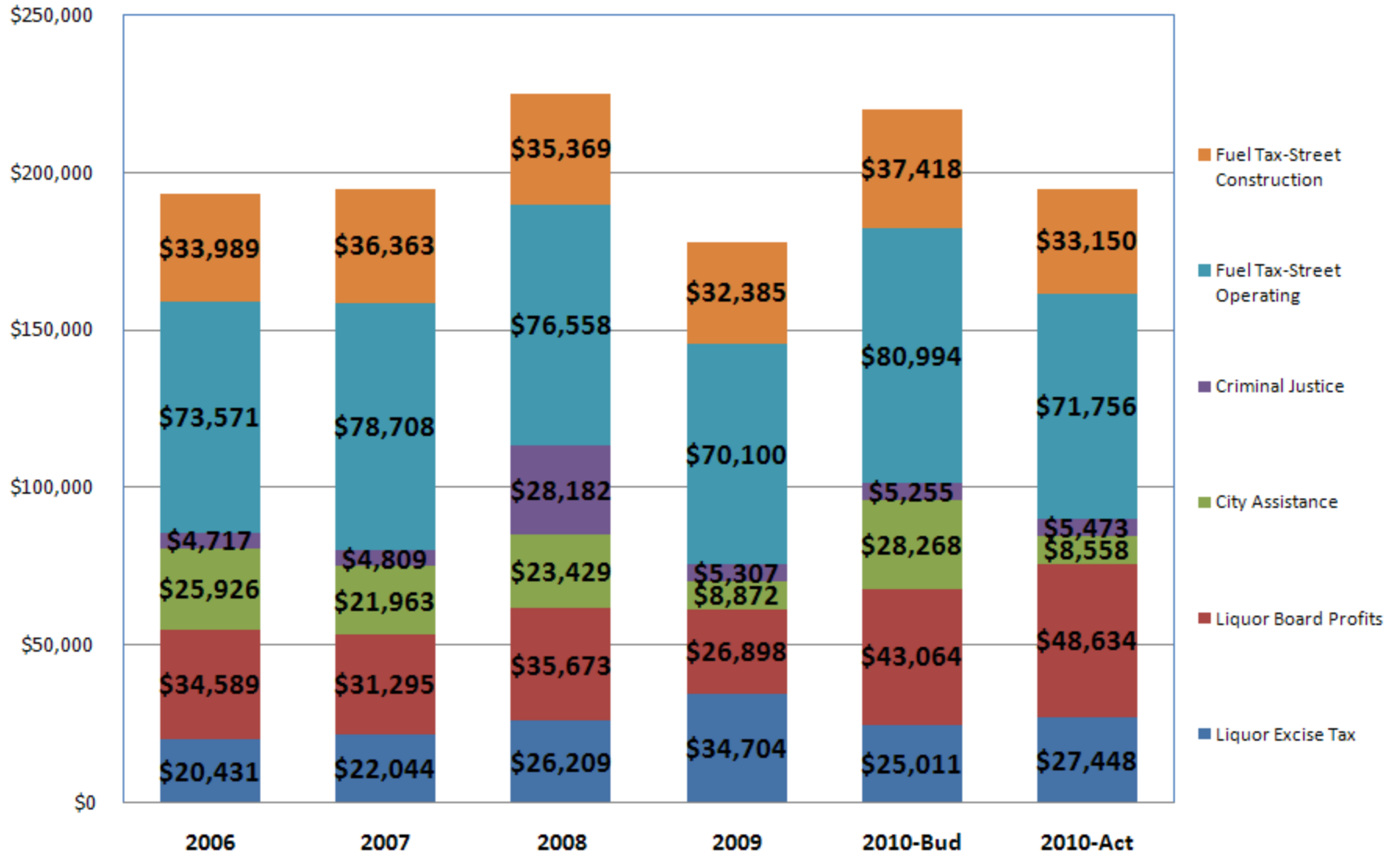
Sales Tax Revenue 2006 - 2010 Through 1st Quarter



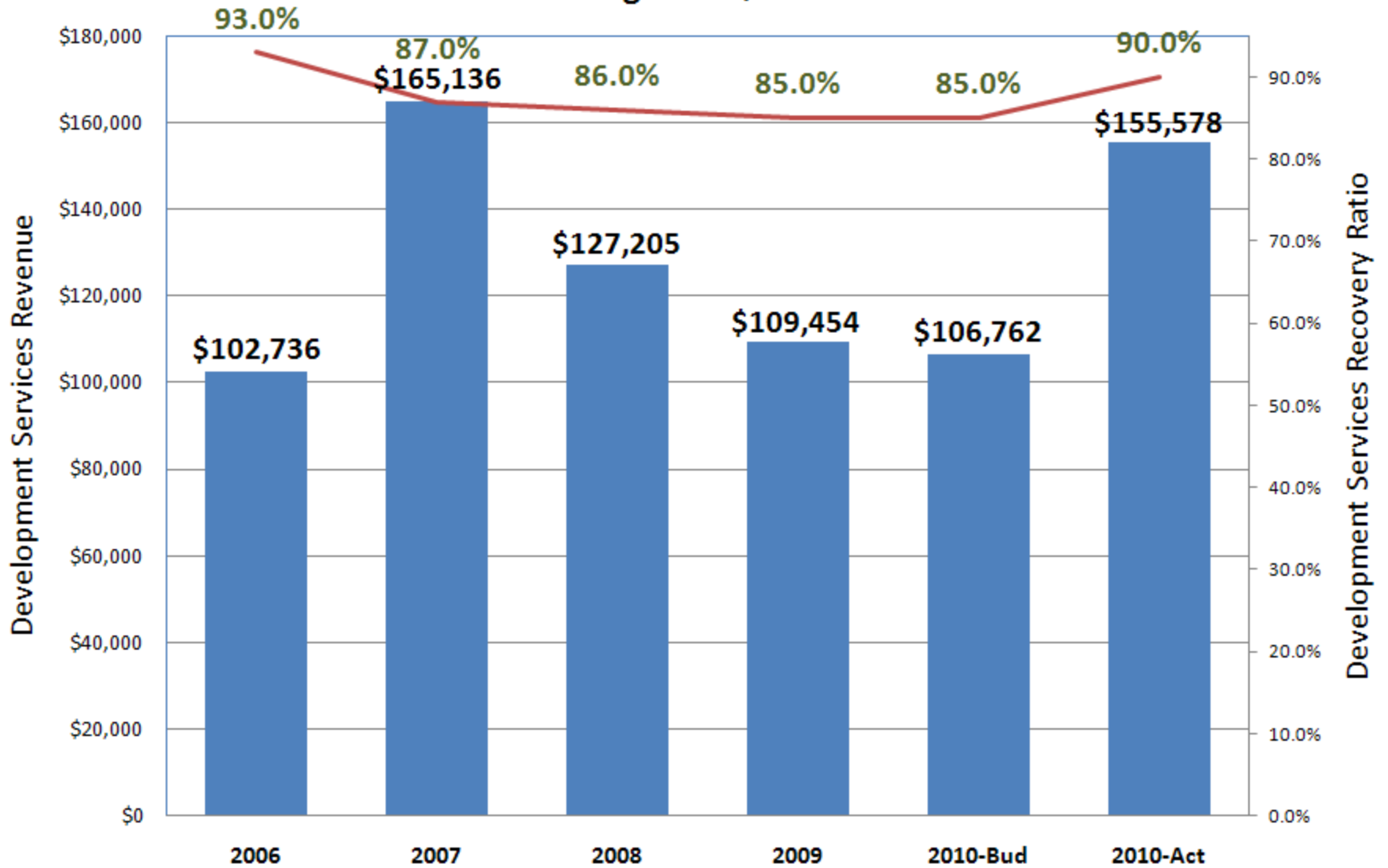
Gambling Tax Revenue 2006 - 2010 Through 1st Quarter



State-Shared Revenues 2006 - 2009 Through 1st Quarter



Development Services Revenue 2006 - 2010 Through 1st Quarter



Town Center & Economic Development



Key Council Goal

- Code updates the past few years have made a difference
- Over 45 development projects on the horizon
- Several in Town Center alone total \$65-\$100 mil
- Average annual new construction in previous decade totals \$15-\$20 million

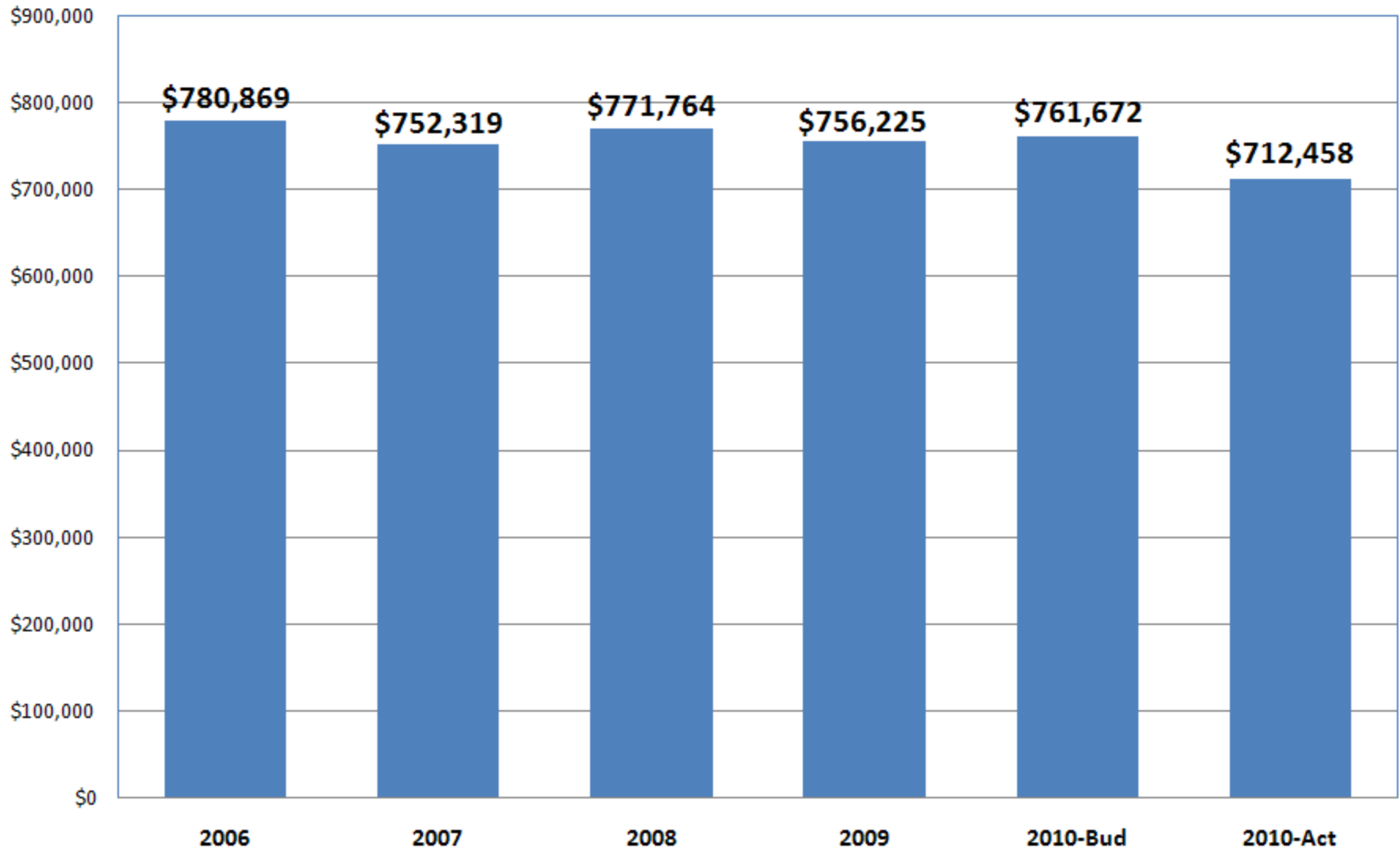
Town Center & Economic Development



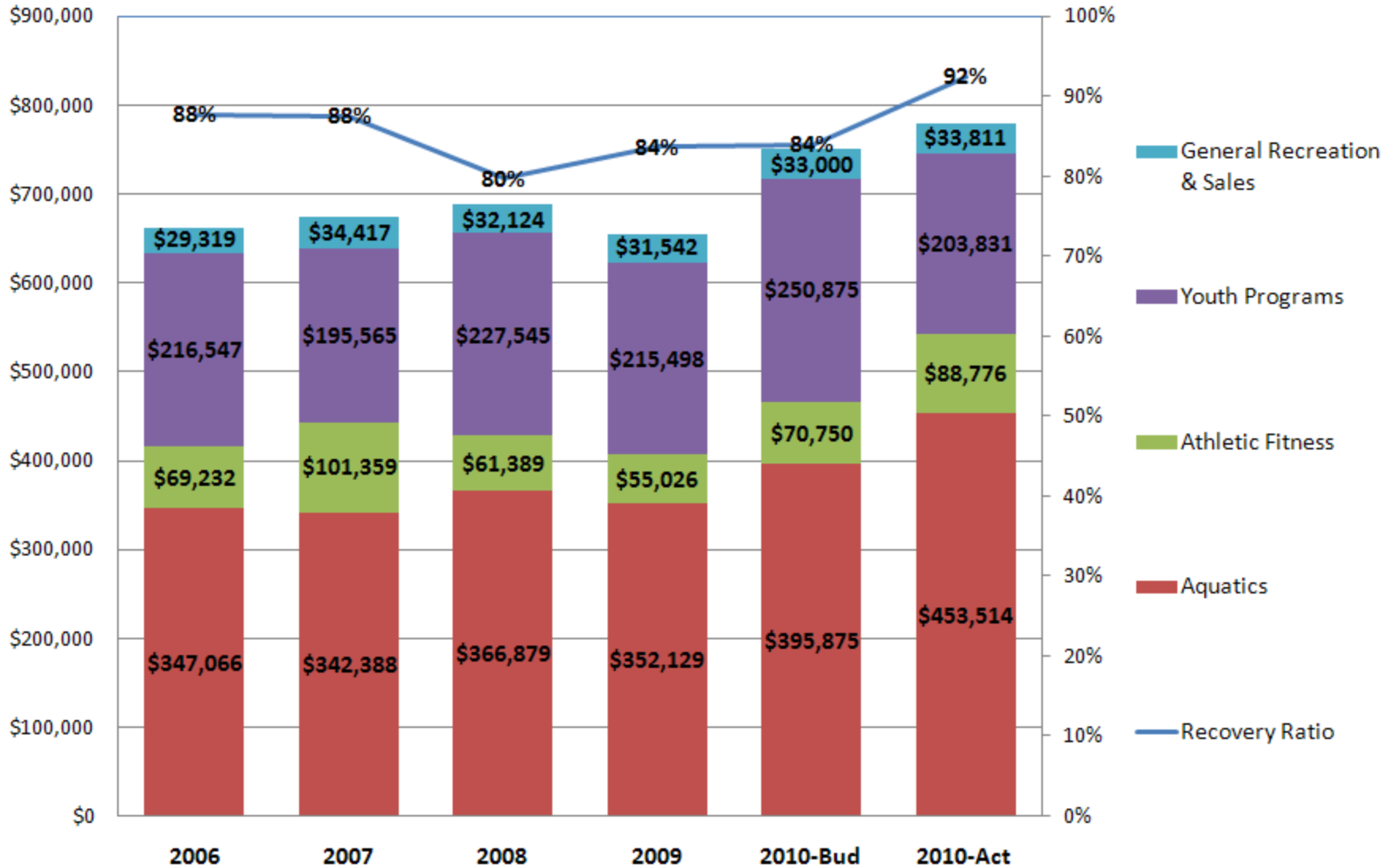
Private Investment Examples

- Vineyard Park
 - 4-story mixed-use project will have 10,000 sq ft commercial and approximately 115 living units (Urban Innovations Group)
- “Mixed Use Project at 56th Ave W/236th St SW
 - 5-story mixed-use project will have 11,000 sq ft commercial and approximately 123 living units (Yuko Abe)
- Mountlake Terrace Farmer’s Market
 - 58th Avenue, adjacent to new Civic Campus – May through September, 2:00 PM to 7:00 PM (Mountlake Terrace Business Association)

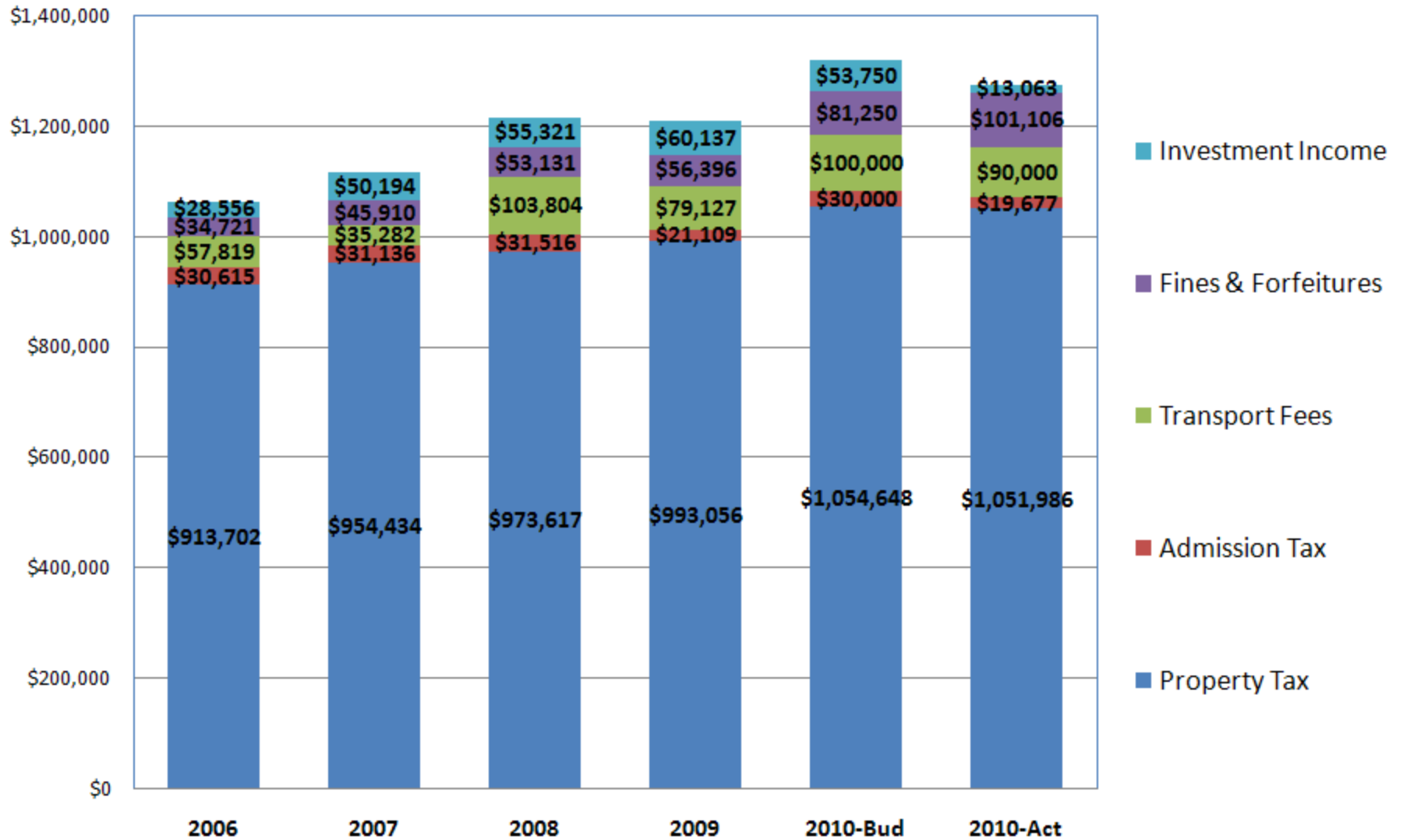
Utility Tax Revenue 2006 - 2010 Through 1st Quarter



Recreation Revenues by Program 2006 - 2010



Other General Fund Revenue 2006 - 2010 Through 1st Quarter



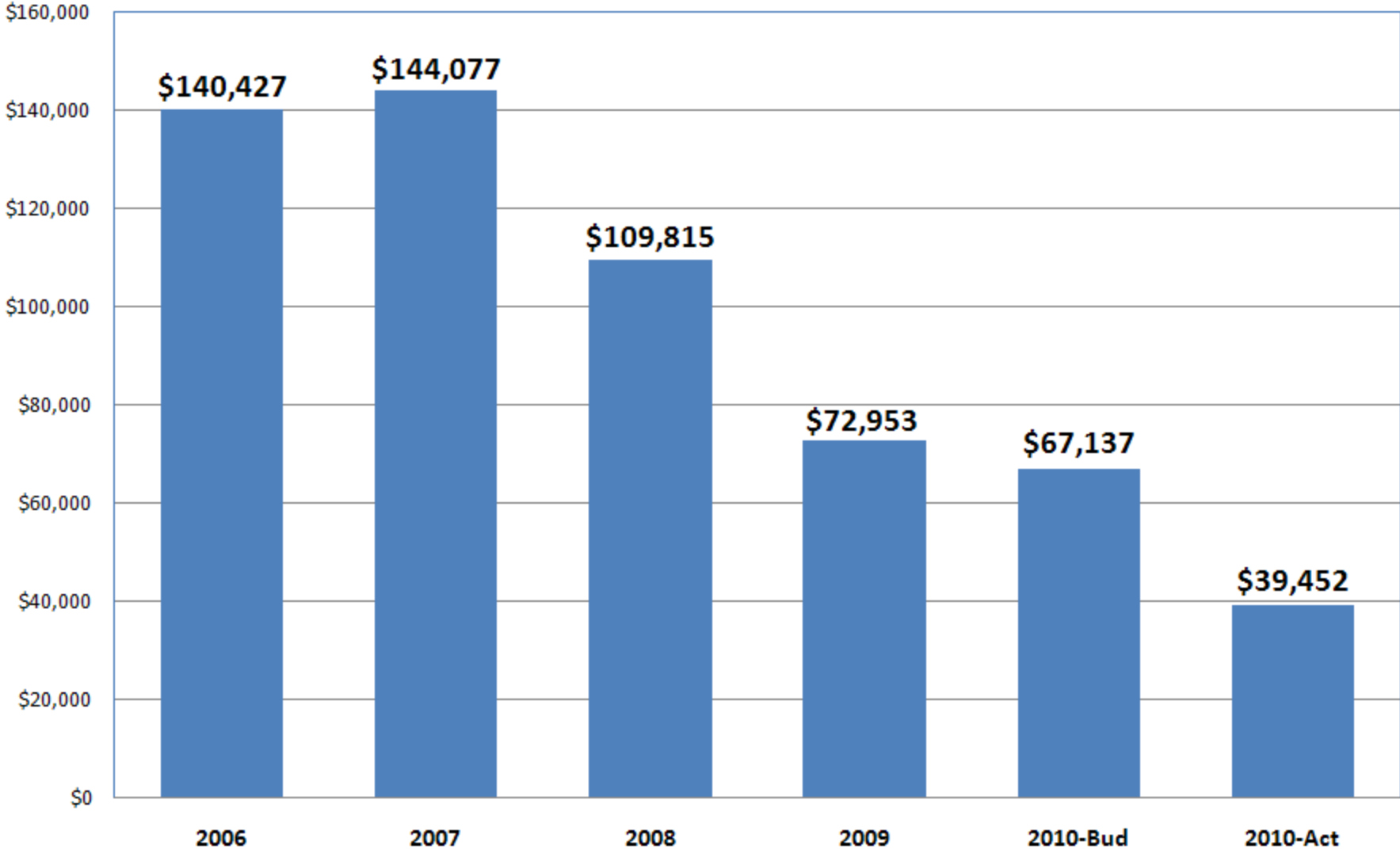


Capital Improvement Funds

Projects underway...

- 230th Street SW Reconstruction Project
- 214th & 44th Traffic Signal
- Storm and Sanitary Reconstruction
- 222nd Street Sidewalk Connection at Jack Long Park
- East Side Water System Improvements
- Town Center Water System Improvements
- Hall Creek Culvert Removal & Sewer Replacement Project
- 2010 Street Chip Seal Program
- 2010 Street Overlay Program
- Town Center Development
 - Energy Conservation Tool Kit for Town Center Development
 - Energy-Efficient Transportation Choices Project

**Real Estate Excise Tax (REET) Revenue
2006 - 2010
Through 1st Quarter**





Capital Improvement Funds

Federal &
State Funds -
\$4.1 million

52nd/53rd Avenues Water Main Construction Project

\$500,000 - FY 2008 federal funding for phase 1 of downtown water main project

\$500,000 - FY 2009 federal funding for phase 2 of downtown water main project

52nd Ave W Reconstruction Project (212th-220th) Project

\$1,000,000 - American Recovery and Reinvestment Act of 2009

230th Street SW Reconstruction Project

\$961,350 - American Recovery and Reinvestment Act of 2009

\$245,995 - State Transportation Improvement Board funds (sidewalks)

222nd Street Sidewalk Connection Project

\$195,254 - CDBG funds in support of sidewalk project adjacent to Jack Long Park
(222nd Street SW between 58th and 60th Avenues W)

222nd Street Sidewalk Connection Project

\$200,000 - CDBG funds in support of sidewalk project along 222nd St SW
between 39th and 44th connecting to Cedar Way Elementary School and
Bicentennial Park

Stormwater Program

\$50,000 - Phase II Stormwater Pass-Through Grant Program in support of
NPDES II training, community education, and replacement of street sweeper

Town Center

\$135,000 - Energy Efficiency and Conservation Block Grant (EECBG)

\$75,000 - Energy Efficiency through Transportation Planning Grant

Lakeview Trail

\$200,000 - FY 2010 federal funding connecting Mountlake Terrace Transit
Center at I-5/236th St West to Interurban Trail along Lakeview Drive



Capital Improvement Funds

Pending Federal & State Funds

Stormwater Program

\$300,000 – FEMA 2011 Mitigation Grant program in support of Hall Creek/230th Culvert project (under review)

\$500,000 – federal appropriations in support of Civic Campus & Lake Ballinger/McAlee Creek Watershed Basin

\$1,200,000 - 2010 Water Resources Development Act (WRDA) Project Request in support of Lake Ballinger/McAlee Creek Watershed Basin

Lakeview Trail

\$1,000,000 – federal funding connecting Mountlake Terrace Transit Center at I-5/236th St West to Interurban Trail along Lakeview Drive

Emergency Response Interoperability

\$500,000 federal funding to replace and upgrade our integrated regional 9-1-1 system along with a series of modern law enforcement tools needed to meet public safety obligations in our community

Pedestrian/School Safety Sidewalk Project

\$750,000 - federal funding for sidewalks along 214th St SW between 40th and 44th connecting to Mountlake Terrace High School and 54th Ave between 220th and 223rd connecting to Mountlake Terrace Elementary School



Capital Improvement Funds

Future Federal & State Funds

- Sustainable Communities (Regional) Grant
- Community Challenge Planning Grant
- TIGER II Grant
- Transportation Enhancements Program
- Transportation Enhancement Program
- State Capital Budget Requests (2011-2013)
TBD – Civic Campus, parks, open space, public safety, arts, etc.



Utility Funds

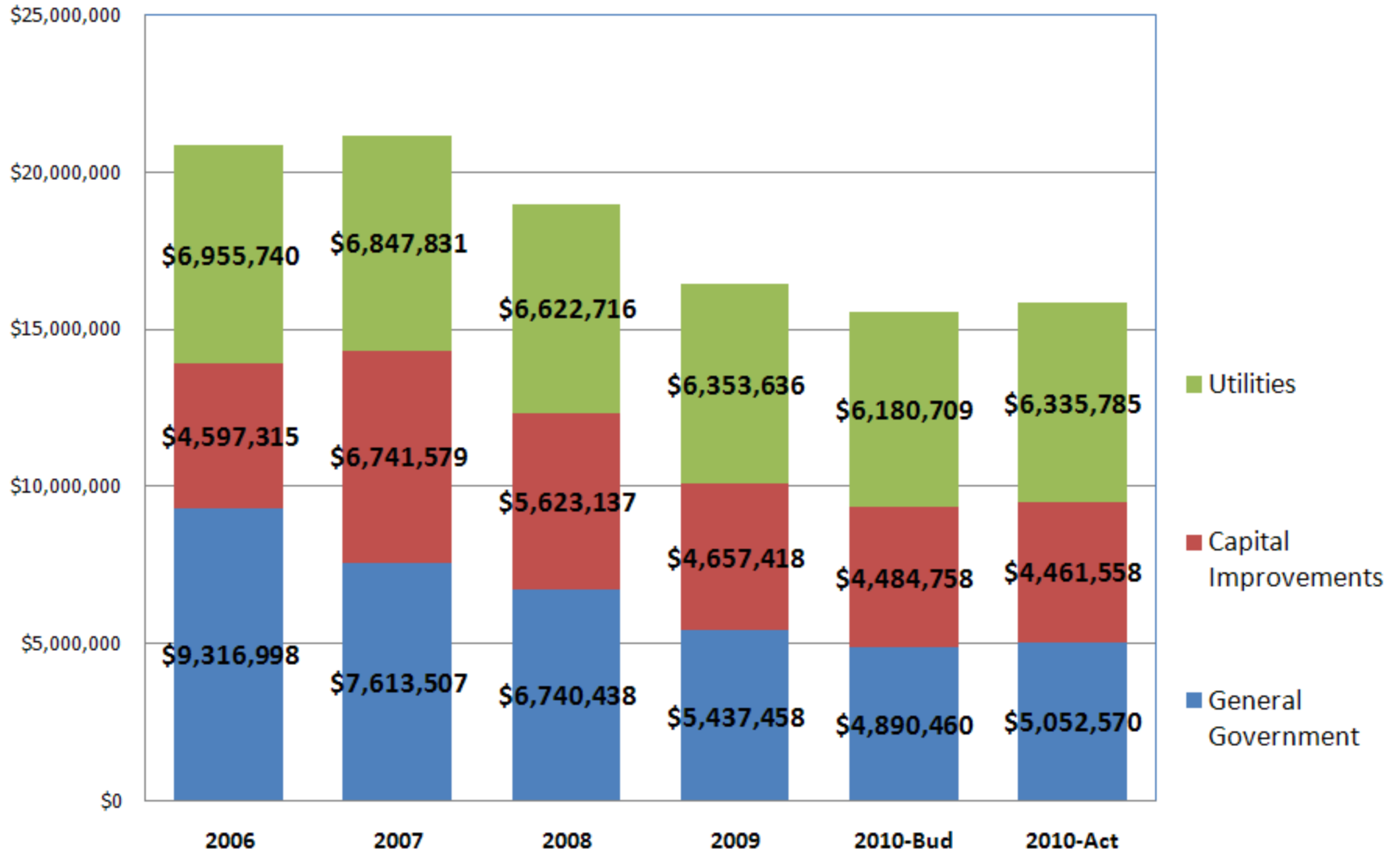
-Water

-Sewer

-Storm Water

Sources & Uses	2010			Change (bud vs. act)	
	Budget				
Utility Funds	Annual	1st Qtr	Actual	\$	%
Beginning Fund Balances	\$6,353,636	\$6,353,636	\$6,353,636	\$ -	0.0%
Operating Revenues					
Storm Water	1,334,173	280,176	280,476	300	0.1%
Water	2,854,283	599,399	620,145	20,746	3.5%
Sewer	3,343,634	702,163	735,321	33,158	4.7%
Subtotal Operating Revenues	7,532,090	1,581,739	1,635,942	54,203	3.4%
Operating Expenditures					
Storm Water	1,226,479	269,825	262,046	(7,779)	-2.9%
Water	2,845,847	626,086	546,484	(79,602)	-12.7%
Sewer	2,900,585	638,129	624,638	(13,491)	-2.1%
Debt Service	120,400	-	-	-	n/a
Subtotal Operating Expenditures	7,093,311	1,534,040	1,433,168	(100,872)	-6.6%
Operating Surplus (Deficit)	438,779	47,698	202,774	155,076	325.1%
Other Financing Sources					
Grants and PWTFM	477,000	-	-	-	n/a
Loan Proceeds	4,600,000	-	-	-	n/a
Transfer from Utility Funds	120,400	-	-	-	n/a
Subtotal Other Financing Uses	5,197,400	-	-	-	n/a
Other Financing Uses					
Construction Projects	6,209,061	220,625	220,625	-	0.0%
Transfer to Utility Funds	-	-	-	-	n/a
Subtotal Other Financing Uses	6,209,061	220,625	220,625	-	0.0%
Fund Balances					
Reserves (15% of Oper Exp)	1,045,937	1,045,937	1,045,937	-	0.0%
Designated/Reserved:					
Storm Water	941,069	1,009,814	1,017,893	8,079	0.8%
Water	2,606,264	2,200,485	2,300,833	100,348	4.6%
Sewer	1,187,484	1,924,473	1,971,122	46,649	2.4%
Debt Service	-	-	-	-	n/a
Undesignated/Unreserved	-	-	-	-	n/a
Total Ending Fund Balances	\$5,780,754	\$6,180,709	\$6,335,785	\$ 155,076	2.5%

Ending Fund Balances 2006 - 2010 Through 1st Quarter



Action Strategies and Preventative Measures



- All discretionary funding eliminated
- All costs must be approved in advance by Finance Director and City Manager
- All overtime requests must be approved in advance by the department director
- Non-essential capital purchases delayed until at least 2010
 - Fleet & equipment
 - Information technology
 - Recreation & Parks
- Current & future vacant general government positions will not be filled with the exception of police patrol
- Vacant street maintenance position being filled by park maintenance employee

Action Strategies and Preventative Measures



- City Attorney contract reduced to 2002 level of service
- Community Specialist position funded with General Fund resources reduced to half-time
- Civil Engineer II position assigned part-time to capital and construction program
- Civic Center utilities & maintenance budget reduced to reflect move to interim city hall
- Unanticipated state & federal funds
- Recent gas price reductions
- Reviewing purchasing partnership with City of Lynnwood
- Employee Healthcare Task Force has been formed
- Consolidation customer service unit with police and finance
- Finance providing services to SNOCOM

Action Strategies and Preventative Measures



- **Increased Services**
 - Public Safety (e.g., SWAT, code enforcement, bicycle patrol)
 - Parks Maintenance
 - Streets & ROW Maintenance
 - Facilities Maintenance
- **Streamlined Services (\$1,550,000)**
 - Contract for fire & EMS services (\$600,000 per year beg 2005)
 - Custodial services transitioned from in-house to contract (\$250,000 per year beg 2007)
 - Elimination of five management positions (\$400,000 per year beg 2006)
 - Fleet management best practices (\$300,000 per year beg 2009)
- **Continued and ongoing focus on service delivery and identification of organization and resource efficiencies (e.g., public safety, finance, municipal court & jail)**

Other Options Considered



- Use of financial reserves
- Reduction or elimination of capital improvement projects
- Temporary reductions in Development Services
- Across the board reductions
- Economic Development

Conclusion



- Meeting bottom-line operational and most financial objectives
- Sound financial and management policies in place
- Action strategies and preventative measures are working
- Continue to focus on community goals and objectives
 - Financial health & stability
 - Economic development
 - Capital infrastructure investment
 - Communication & outreach with community
 - Key essential public services (public safety, parks, development services, recreation, streets, and utilities)



Questions & Comments