

# City of Mountlake Terrace



## **2<sup>ND</sup> QUARTER 2010 FINANCIAL REPORT**

**AUGUST 16, 2010**

# Overview



- 2<sup>nd</sup> Quarter 2010 Financial Report (January – June)
  - Overview
    - Mountlake Terrace Receives High Credit rating
    - Annual Audit
  - Executive Summary
  - 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” – 36 months by Dec 2010
- Deterioration of economy
- Massive layoffs
- Service reductions
- Elimination of services
- Delay of infrastructure projects
- Continued unemployment and growing under-employment (20-25%)
- Slumping real estate market
- Tight credit markets
- Continued slowdown in consumer spending
- Consumer confidence lowest in decades
- Most difficult years (perhaps next decade) may still be ahead

# Executive Summary



- Why is the City of Mountlake Terrace weathering the most difficult economic times in generations?
  - Strong and effective leadership
  - For example, General Fund revenues have decreased \$1.1 mil or 7.1% between 2006 and 2009
  - However, no services to our citizens and community have been impacted
  
- 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 \$4.8 million in state and federal funds

# Executive Summary



- **Opportunity in Crisis**
  - Different Economic Environment from just a year ago
  - The New Normal
  - Economic Reset
  - The Lost Decade
- **What is Working?**
  - Financial Policies
  - Adhering to sound & prudent financial policies
  - Balanced budget (operating revenues align with operating expenditures)
  - Maintaining Adequate Reserves
  - Six-year financial forecast
  - Continuous Focus on Business Model & Organizational Improvements
  - Focusing on Community Priorities
  - Balance between Basic Services & Capital Investment
  - Partnerships
  - Advancing Technological Solutions
  - Fees for Service Reflecting Cost of Delivery

# Initiatives



- **I-1053: concerns tax and fee increases imposed by state government**
  - This measure would restate existing statutory requirements that legislative actions raising taxes must be approved by two-thirds legislative majorities or receive voter approval, and that new or increased fees require majority legislative approval.
- **I-1082: concerns industrial insurance**
  - This measure would authorize employers to purchase private industrial insurance beginning July 1, 2012; direct the legislature to enact conforming legislation by March 1, 2012; and eliminate the worker-paid share of medical-benefit premiums.
- **I-1098: concerns establishing a state income tax and reducing other taxes**
  - This measure would tax “adjusted gross income” above \$200,000 (individuals) and \$400,000 (joint-filers), reduce state property tax levies, reduce certain business and occupation taxes, and direct any increased revenues to education and health.
- **I-1107: concerns reversing certain 2010 amendments to state tax laws**
  - This measure would end sales tax on candy; end temporary sales tax on some bottled water; end temporary excise taxes on carbonated beverages; and reduce tax rates for certain food processors.

# Initiatives



- **I-1100: concerns liquor (beer, wine and spirits)**
  - This measure would close state liquor stores; authorize sale, distribution, and importation of spirits by private parties; and repeal certain requirements that govern the business operations of beer and wine distributors and producers.
  - The impact to the City of Mountlake Terrace would be the loss of liquor profits taxes totaling approximately \$175,000 beginning in late 2011/early 2012, which would result in a reduction of services and employees in public safety, parks and administrative services.
  
- **I-1105: concerns liquor (beer, wine and spirits)**
  - This measure would close all state liquor stores and license private parties to sell or distribute spirits. It would revise laws concerning regulation, taxation and government revenues from distribution and sale of spirits.
  - The impact to the City of Mountlake Terrace would be the loss of liquor profits taxes and liquor excise taxes totaling approximately \$275,000 beginning in late 2011/early 2012, which would result in a reduction of services and employees in public safety, parks and administrative services.

# General Government Fund Resources

## June 2010

Resources by Fund	2010			Change (bud vs. act)	
	Budget				
General Government	Annual	2nd Quarter	Actual	\$	%
<b>Beginning Fund Balances</b>	<b>\$ 5,437,458</b>	<b>\$ 5,437,458</b>	<b>\$ 5,437,458</b>	<b>\$ -</b>	<b>0.0%</b>
<b>General</b>					
Property Tax	4,218,591	2,109,296	2,103,974	(5,322)	-0.3%
Sales Tax	1,700,000	819,466	766,989	(52,477)	-6.4%
Utility Tax	3,046,687	1,523,344	1,367,015	(156,329)	-10.3%
Gambling Tax	1,116,850	558,425	587,813	29,388	5.3%
Other Taxes	124,000	62,000	41,722	(20,278)	-32.7%
Business & Animal Licenses	148,891	74,446	66,625	(7,821)	-10.5%
Development Services Fees	508,392	254,196	342,344	88,148	34.7%
Cable & Solid Waste Franchise Fees	497,472	248,736	259,263	10,527	4.2%
State Shared & Intergov't	694,255	278,039	240,925	(37,114)	-13.3%
Transport Fees	400,000	200,000	147,287	(52,713)	-26.4%
Fines & Forfeitures	325,000	162,500	209,197	46,697	28.7%
Other Fees & Charges	1,983,930	991,965	939,485	(52,480)	-5.3%
Investment Income	215,000	107,500	19,473	(88,027)	-81.9%
<b>Total General Fund Operating Revenues</b>	<b>14,979,068</b>	<b>7,389,911</b>	<b>7,092,112</b>	<b>(297,799)</b>	<b>-4.0%</b>
Street Operating	348,974	174,487	161,405	(13,082)	-7.5%
Recreation	3,002,000	1,501,000	1,473,241	(27,759)	-1.8%
Debt Service	3,000	1,500	6,042	4,542	302.8%
<b>Total General Govt Operating Revenues</b>	<b>18,333,042</b>	<b>9,066,898</b>	<b>8,732,800</b>	<b>(334,098)</b>	<b>-3.7%</b>
<b>Other Financing Sources</b>					
Strategic Reserve	30,000	8,952	8,952	-	0.0%
Fleet Management	762,605	240,300	240,300	-	0.0%
Hotel/Motel Tax	22,500	7,944	7,944	-	0.0%
Solid Waste Service	17,500	8,750	8,750	-	0.0%
Accumulated Leave Reserve	12,000	6,000	3,009	(2,991)	-49.9%
General	20,000	10,000	7,363	(2,637)	-26.4%
Street Operating	506,083	253,042	190,023	(63,019)	-24.9%
Recreation	571,164	285,582	160,768	(124,814)	-43.7%
Debt Service	441,846	220,923	220,923	-	0.0%
Fleet Management	86,500	16,591	16,591	-	0.0%
<b>Total Other Financing Sources</b>	<b>2,470,198</b>	<b>1,058,084</b>	<b>864,623</b>	<b>(193,461)</b>	<b>-18.3%</b>
<b>Total All General Government Funds</b>	<b>\$26,240,699</b>	<b>\$15,562,440</b>	<b>\$15,034,881</b>	<b>\$ (527,559)</b>	<b>-3.4%</b>

# General Government Fund Expenditures

## June 2010

Expenditures by Fund	2010			Change (bud vs. act)	
	Budget			\$	%
	Annual	2nd Quarter	Actual		
<b>General Government</b>					
General					
City Council	\$ 103,117	58,777	\$ 57,651	\$ (1,126)	-1.9%
City Manager	713,656	396,828	390,219	(6,609)	-1.7%
Administrative Services	1,310,036	655,018	653,741	(1,277)	-0.2%
Municipal Court & Jail Services	741,873	370,937	406,070	35,134	9.5%
Police	5,567,841	2,783,921	2,657,075	(126,846)	-4.6%
Fire	2,513,375	1,256,688	1,258,738	2,051	0.2%
Community & Economic Development	1,153,432	576,716	450,198	(126,518)	-21.9%
Park Services	608,130	304,065	302,627	(1,438)	-0.5%
Property Management	872,159	436,080	407,932	(28,148)	-6.5%
Oper Transfer Out-Debt Svc	-	-	-	-	n/a
Oper Transfer Out-Streets	506,083	253,042	190,023	(63,019)	-24.9%
Oper Transfer Out-Recreation	386,164	193,082	68,268	(124,814)	-64.6%
Oper Transfer Out- Rec Debt Svc	185,000	92,500	92,500	-	0.0%
<b>Total General Fund</b>	<b>14,660,866</b>	<b>7,377,651</b>	<b>6,935,042</b>	<b>(442,609)</b>	<b>-6.0%</b>
Operating Surplus/(Deficit)	318,202	12,260	157,070	144,810	1181.2%
Street Operating	858,574	429,287	351,729	(77,558)	-18.1%
Recreation	3,573,164	1,786,582	1,628,620	(157,962)	-8.8%
Debt Service	493,038	119,050	119,050	-	0.0%
<b>Total General Government Funds</b>	<b>19,585,642</b>	<b>9,712,570</b>	<b>9,034,441</b>	<b>(678,129)</b>	<b>-7.0%</b>
Other Financing Uses					
Fleet Management	1,217,451	608,726	499,498	(109,228)	-17.9%
Hotel/Motel Tax	24,880	23,080	23,080	-	n/a
Solid Waste Service	30,426	19,629	19,629	-	0.0%
Accumulated Leave Reserve	-	-	-	-	n/a
General	1,021,733	419,170	419,170	-	0.0%
Strategic Reserve	10,000	5,000	5,000	-	0.0%
<b>Other Financing Uses</b>	<b>2,304,490</b>	<b>1,075,605</b>	<b>966,377</b>	<b>(109,228)</b>	<b>-10.2%</b>
<b>Total All General Government Funds</b>	<b>\$21,890,132</b>	<b>\$10,788,175</b>	<b>\$10,000,818</b>	<b>\$ (787,357)</b>	<b>-7.3%</b>

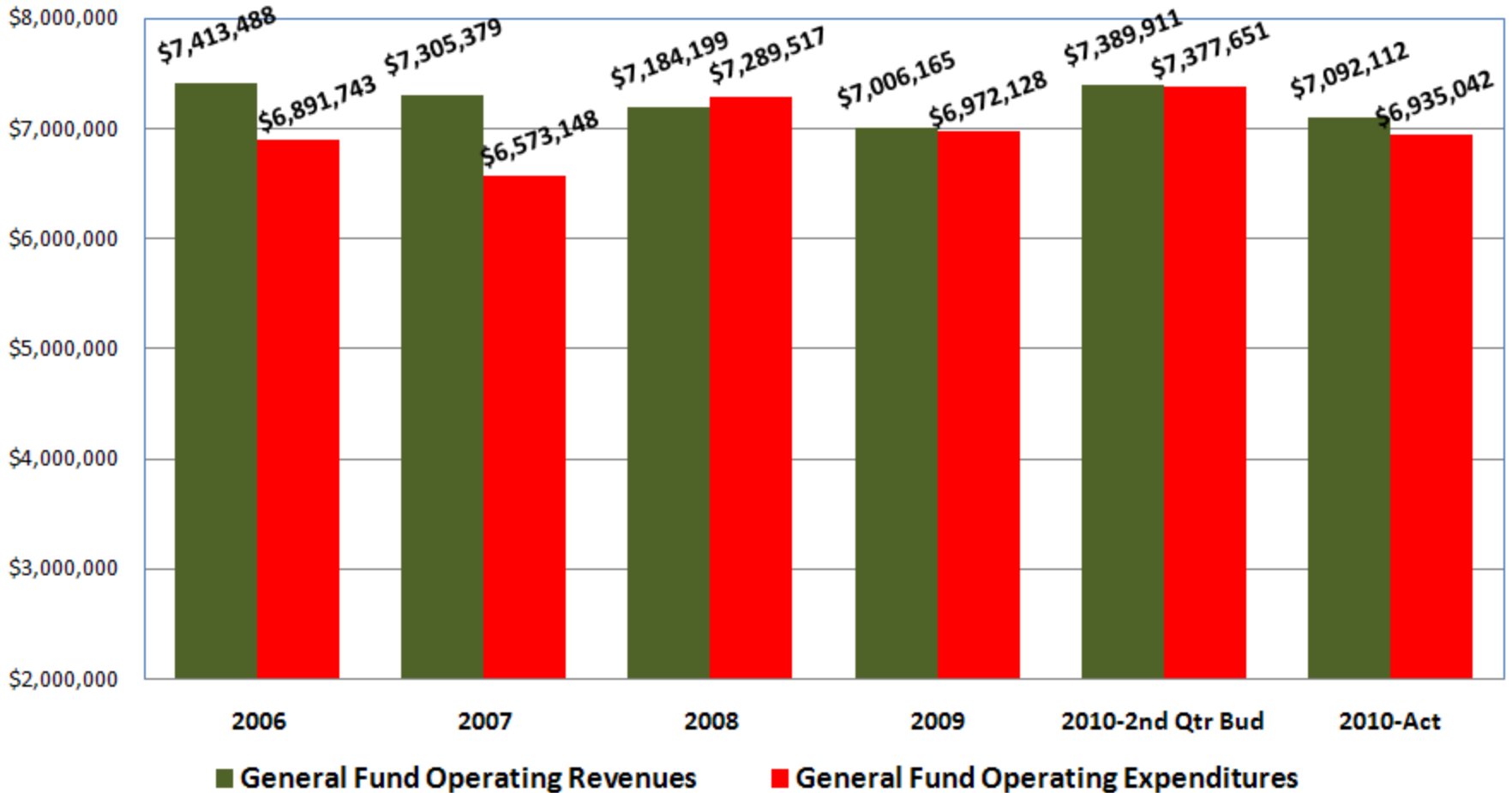
**Revenue Growth**

2007: (1.5%)  
2008: (1.7%)  
2009: (2.5%)  
2010: 5.5%-Budget  
2010: 1.2%-Actual  
**Average : (0.6%)**

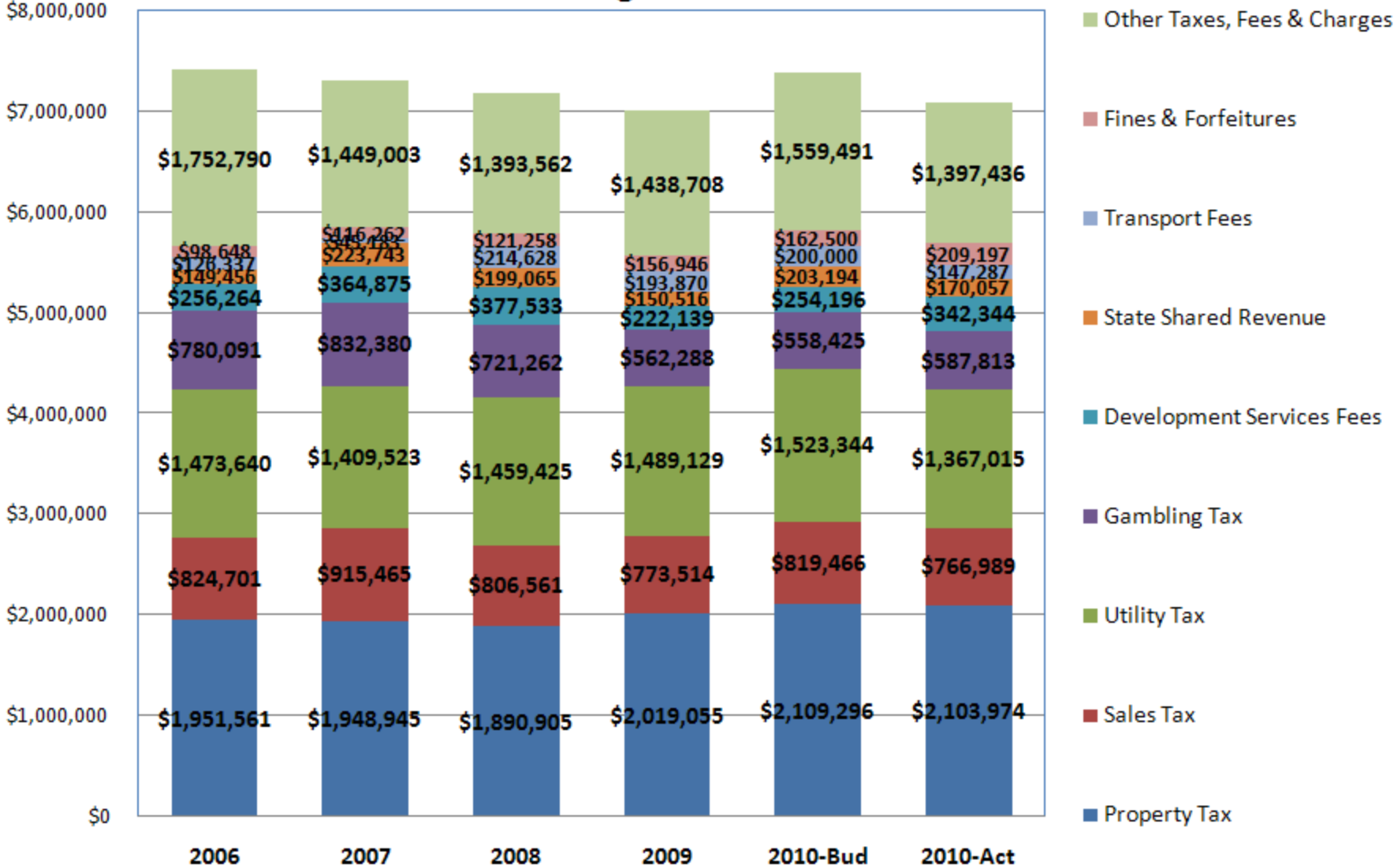
**General Fund**  
**Operating Revenues vs. Operating Expenditures**  
**Through 2nd Quarter**  
**2006 - 2010**

**Expenditure Growth**

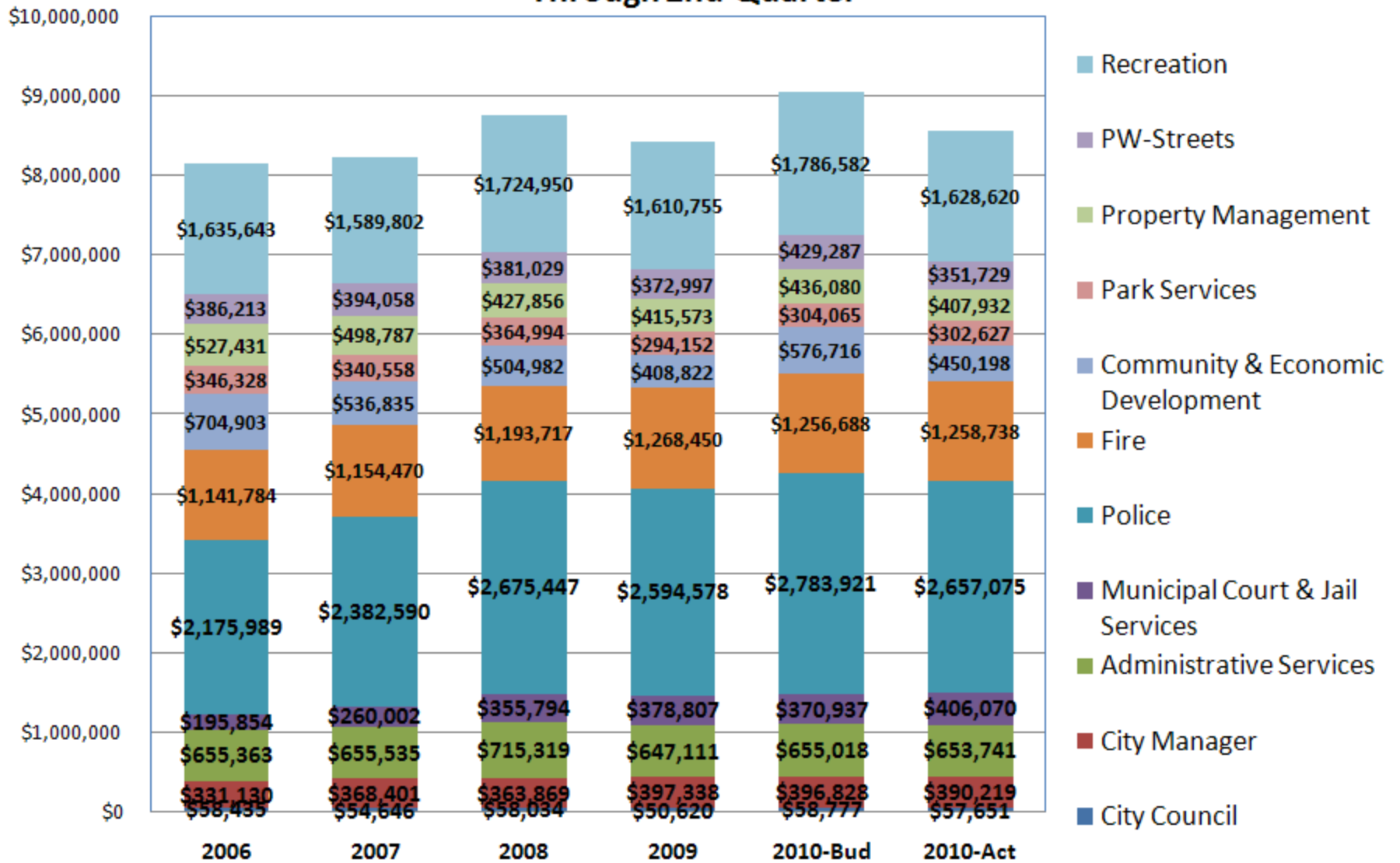
2007: (4.6%)  
2008: 10.9%  
2009: (4.4%)  
2010: 5.8%-Budget  
2010: (0.5%-Actual  
**Average : 1.9%**



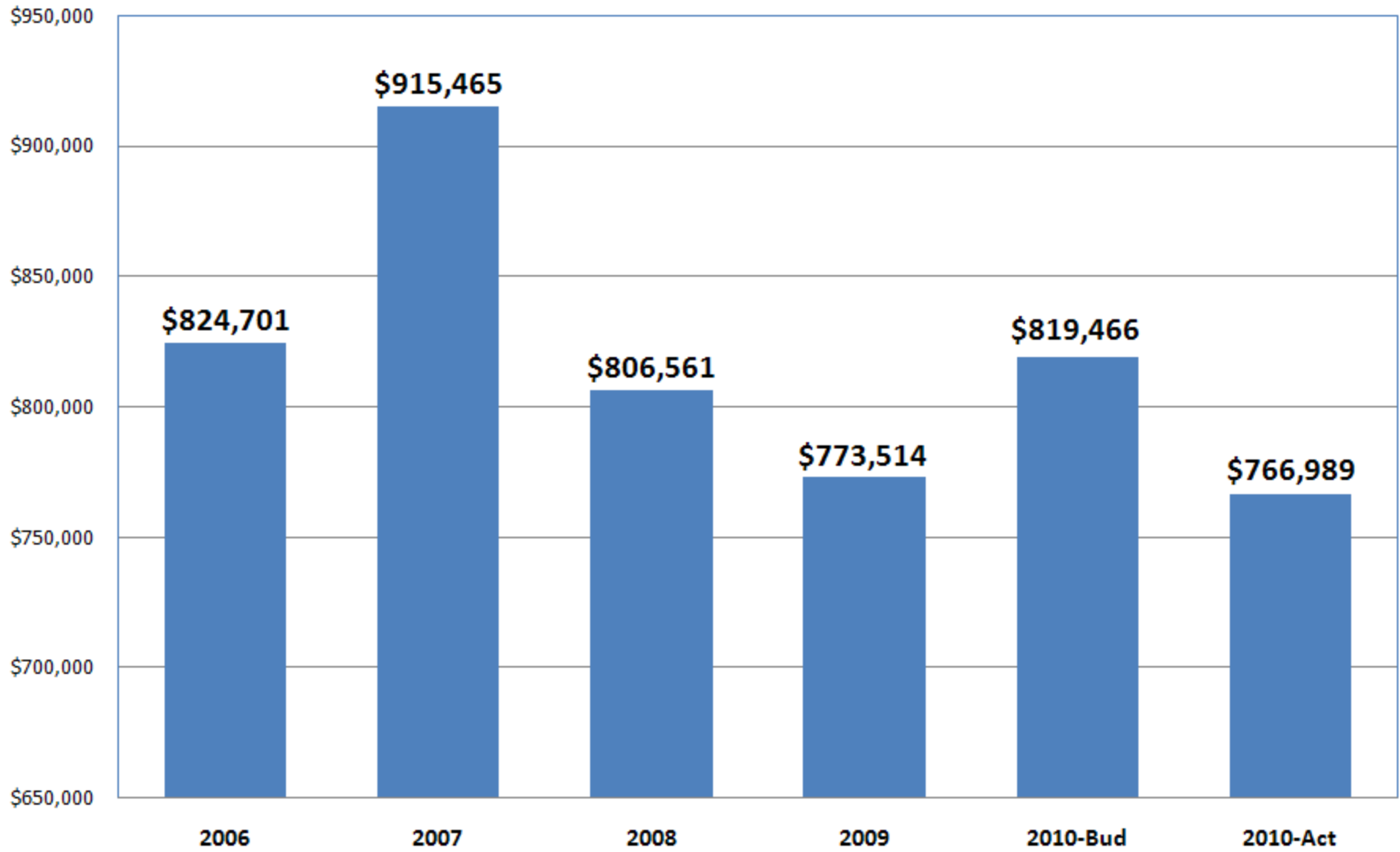
# General Fund Revenues 2006 - 2010 Through 2nd Quarter



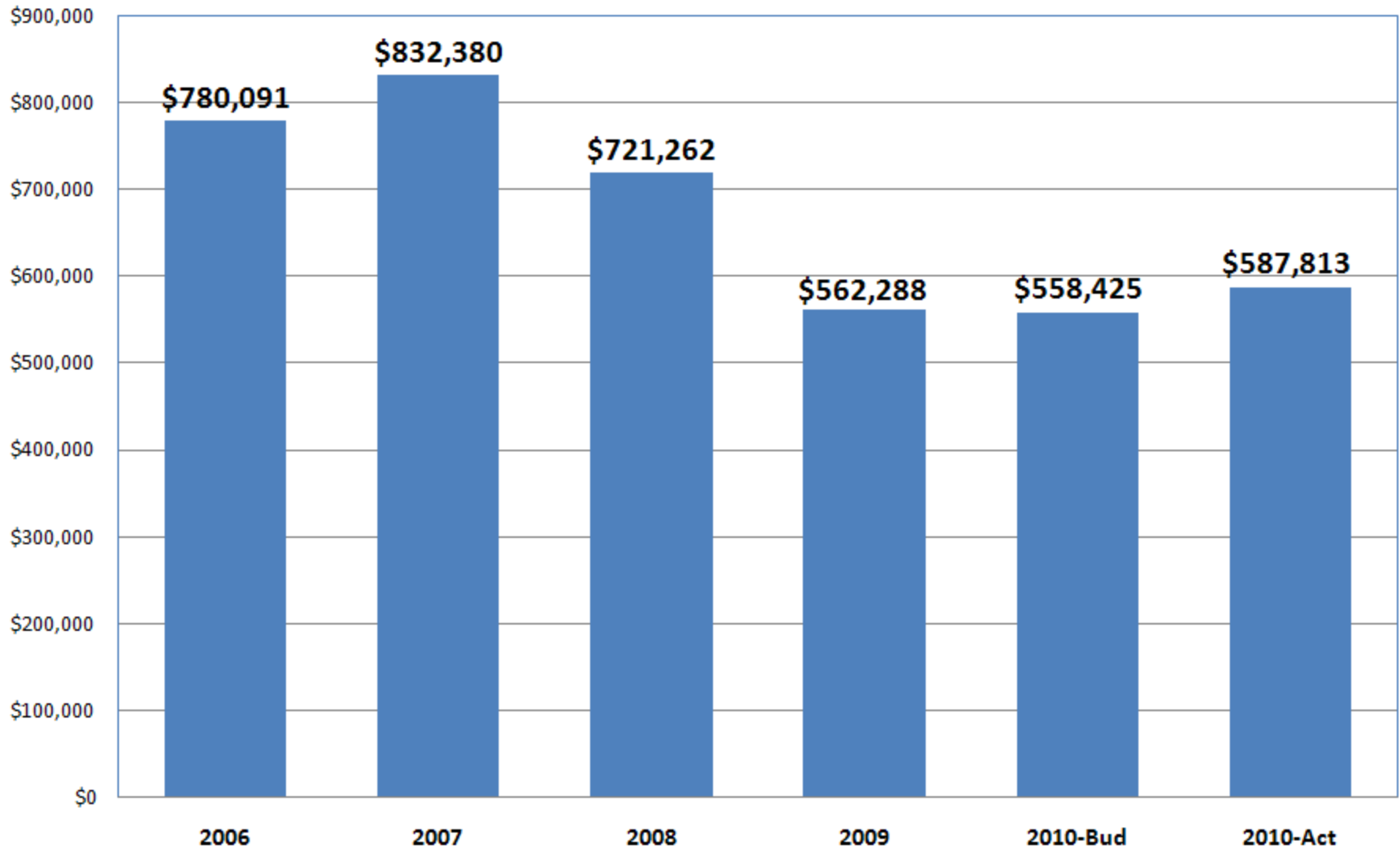
## Department Expenditures 2006 - 2010 Through 2nd Quarter



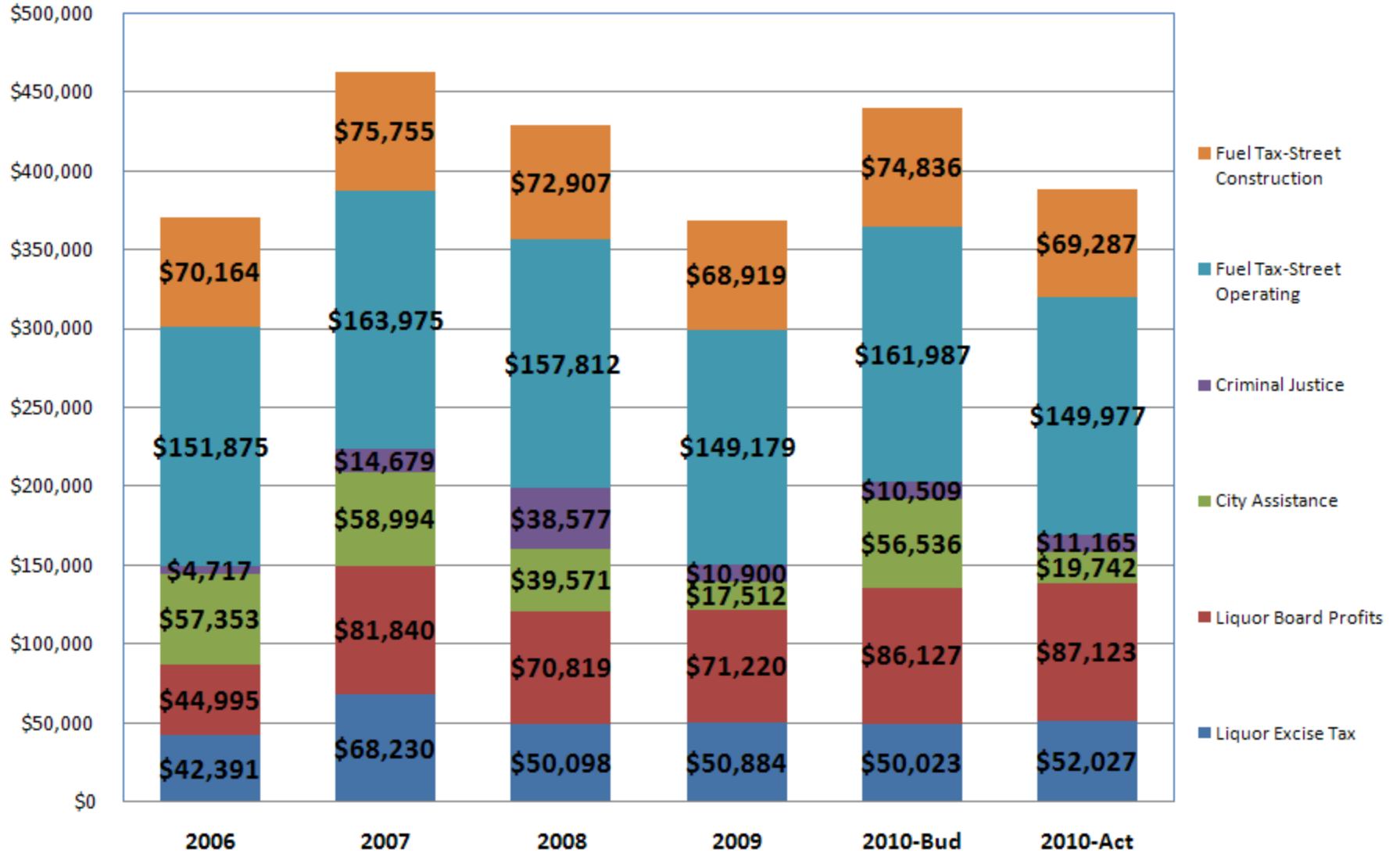
**Sales Tax Revenue  
2006 - 2010  
Through 2nd Quarter**



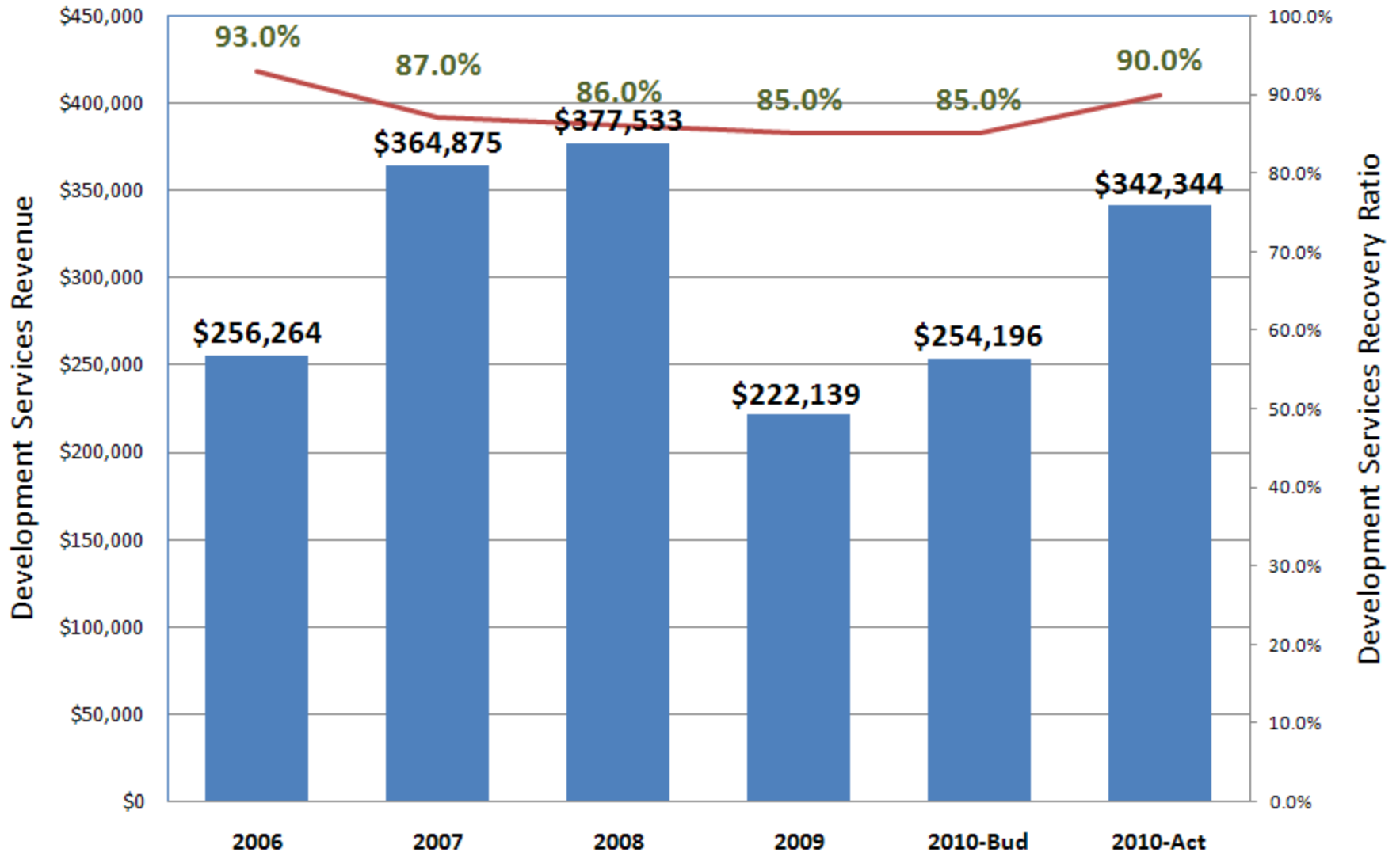
**Gambling Tax Revenue  
2006 - 2010  
Through 2nd Quarter**



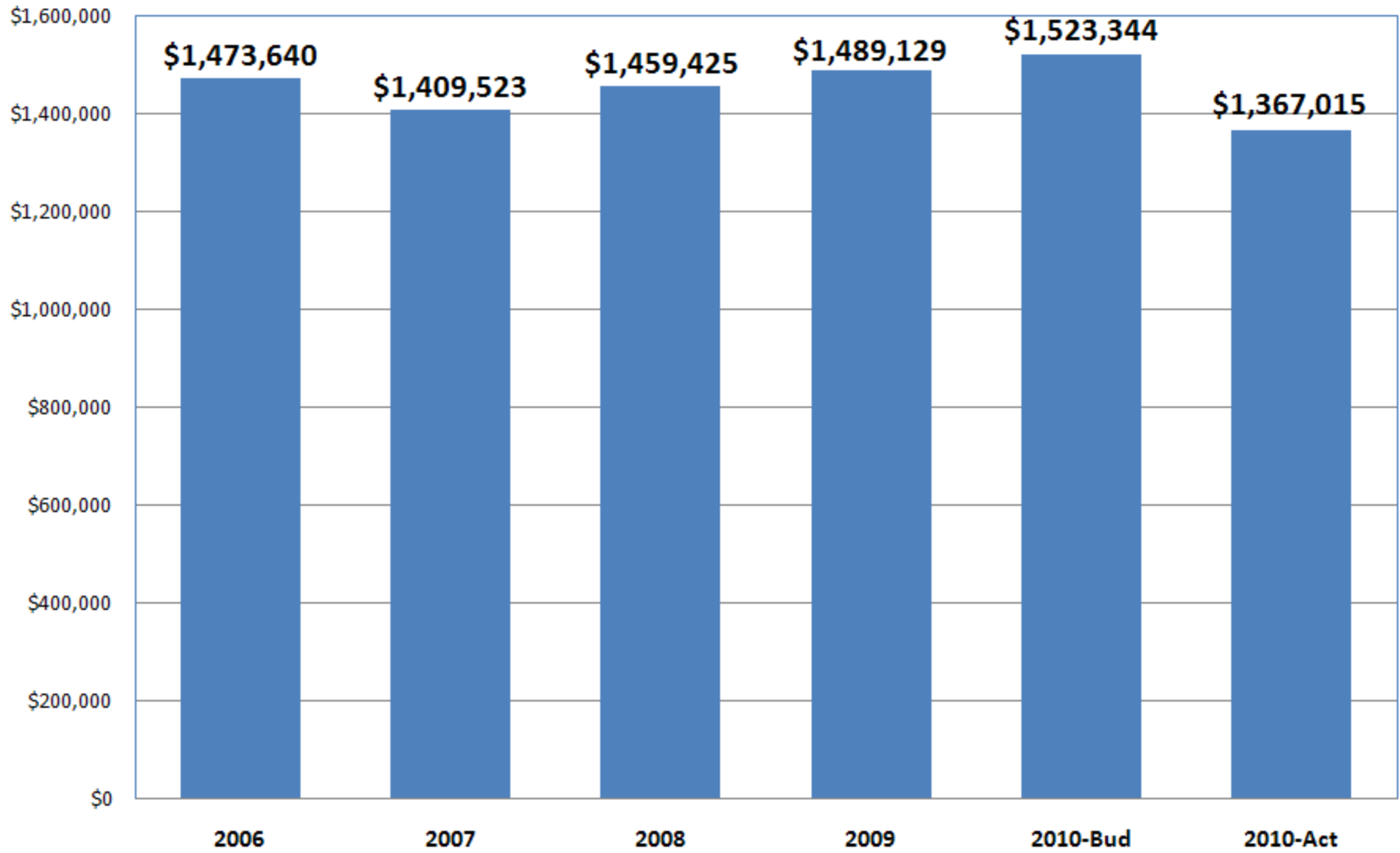
## State-Shared Revenues 2006 - 2009 Through 2nd Quarter



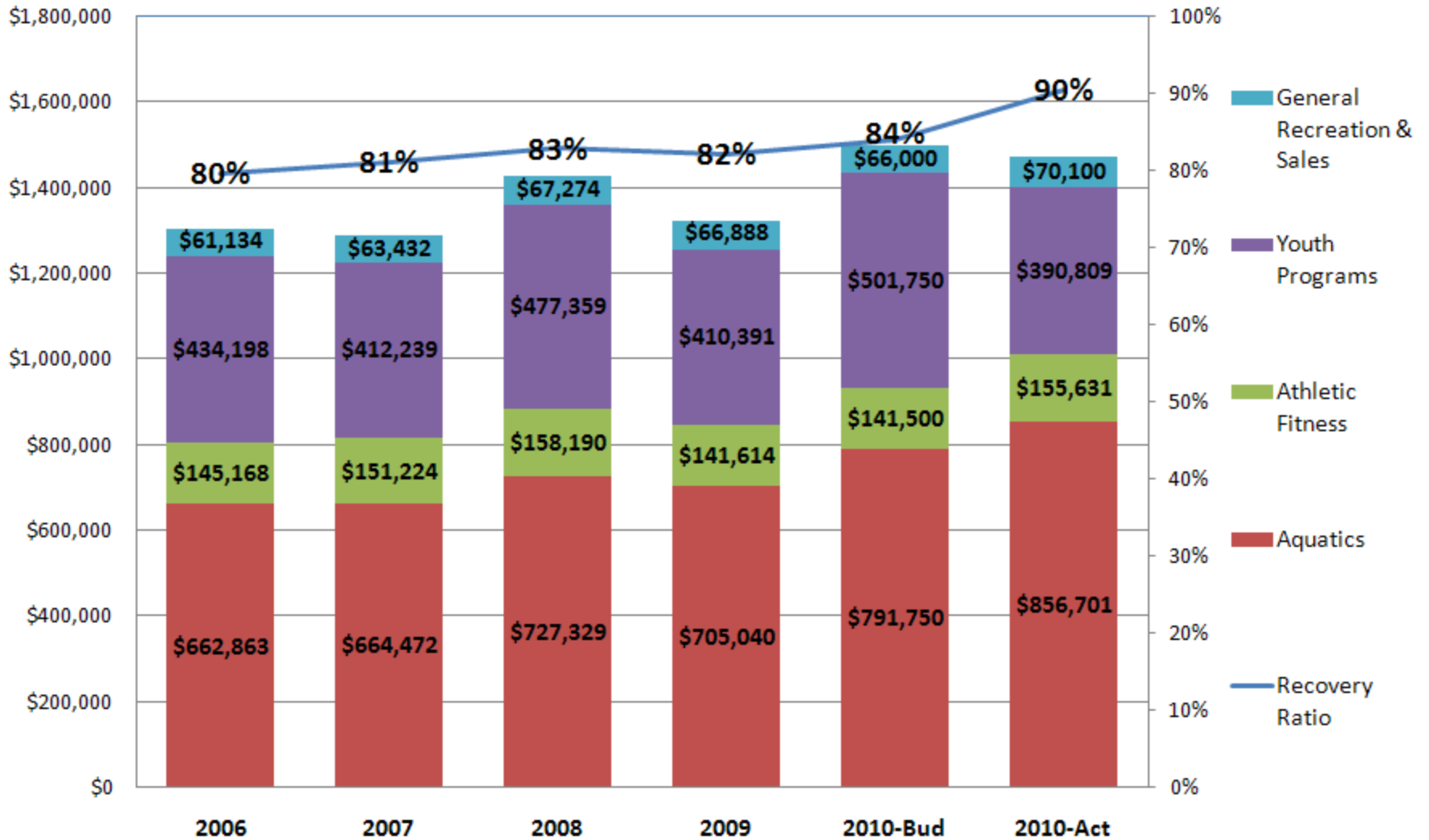
# Development Services Revenue 2006 - 2010 Through 2nd Quarter



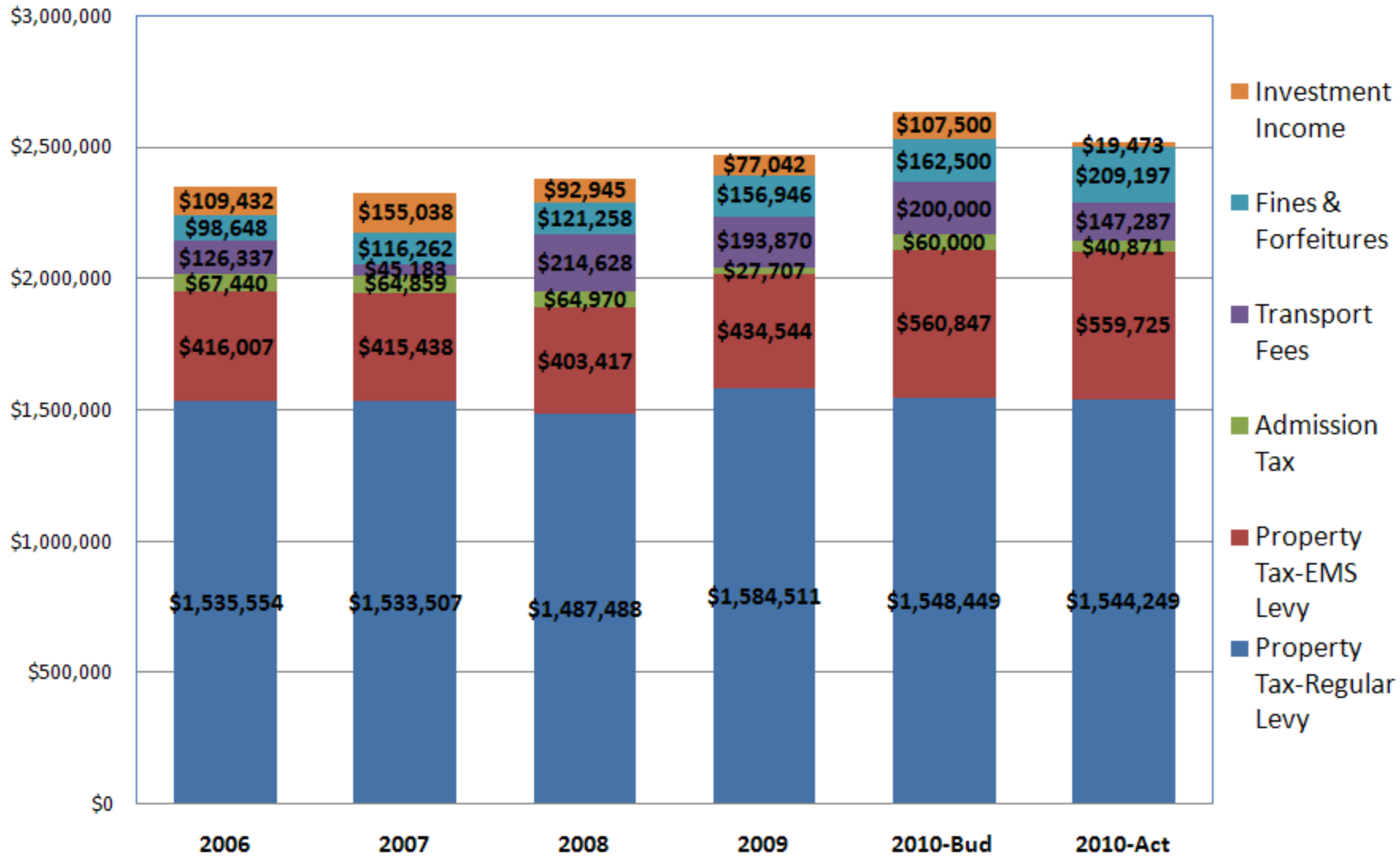
**Utility Tax Revenue  
2006 - 2010  
Through 2nd Quarter**



## Recreation Revenues by Program Through 2nd Quarter 2006 - 2010



## Other General Fund Revenue 2006 - 2010 Through 2nd Quarter



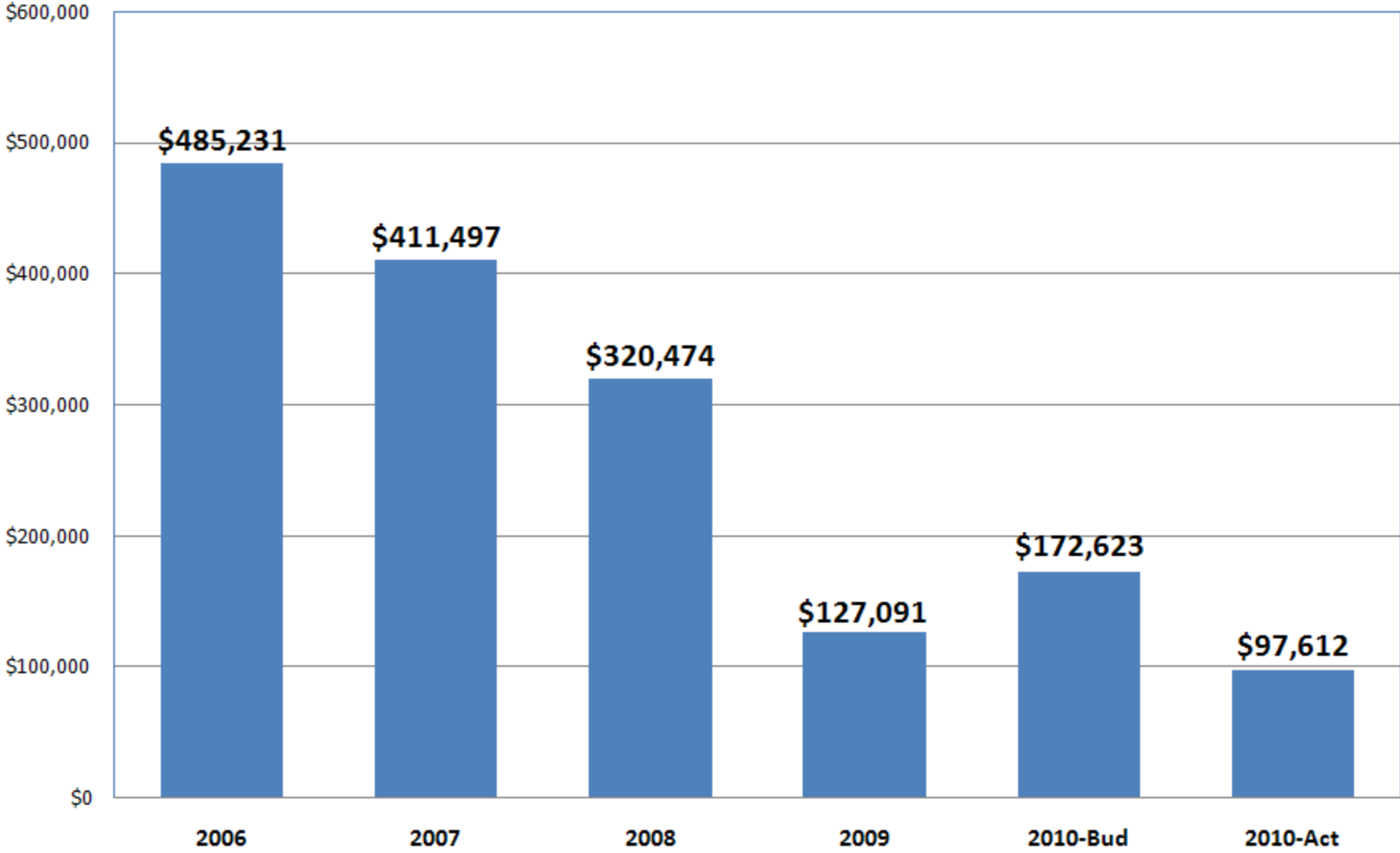


## Capital Improvement Funds

## Projects underway...

- Chip Seal Program
- 230<sup>th</sup> Street SW Reconstruction Project/Overlay Program
- 222<sup>nd</sup> Street Sidewalk Connection at Jack Long Park
- 214<sup>th</sup> & 44<sup>th</sup> Traffic Signal
- East Side Water System Improvements
- Town Center Water System Improvements
- Storm and Sanitary Reconstruction
- Hall Creek Culvert Removal & Sewer Replacement Project
- 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 2nd Quarter**





# Capital Improvement Funds

Federal &  
State Funds -  
\$4.8 million

## 52<sup>nd</sup>/53<sup>rd</sup> 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

## 52<sup>nd</sup> Ave W Reconstruction Project (212<sup>th</sup>-220<sup>th</sup>) Project

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

## 230<sup>th</sup> Street SW Reconstruction Project

\$961,350 - American Recovery and Reinvestment Act of 2009  
\$245,995 - State Transportation Improvement Board funds (sidewalks)

## 222<sup>nd</sup> Street Sidewalk Connection Project

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

## 222<sup>nd</sup> Street Sidewalk Connection Project

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

## 212<sup>th</sup> Street SW Overlay Project (from 44<sup>th</sup> to 52<sup>nd</sup> Avenues W)

\$285,590 – Surface Transportation Program (STP) funding in partnership with  
City of Lynnwood (\$571,180)



# Capital Improvement Funds

Federal &  
State Funds -  
\$4.8 million

## Stormwater Program

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

\$50,000 (2008) - Phase II Stormwater Pass-Through Grant Program in support of NPDES II training, community education, and replacement of st sweeper

\$75,000 (2009) - Phase II Stormwater Pass-Through Grant Program in support of NPDES II training and community education

\$125,930 (2010) - Phase II Stormwater Pass-Through Grant Program in support of NPDES II, anticipated uses in our community include public education efforts using a multimedia approach, expansion of an existing water quality monitoring program on Lake Ballinger to include Hall Creek and planning, design and construction of a city sponsored storm retrofit and Low Impact Development project

\$200,000 (2009) - State appropriation in support of Lake Ballinger/McAleer Creek Watershed to develop Strategic Action Plan (SAP) in partnership with cities of Edmonds, Lake Forest Park, Lynnwood, Shoreline and Snohomish County

## Lakeview Trail

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

## Town Center

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

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

## Electric Vehicle Charging Stations

\$52,000 - Department of Energy and Coulomb Technologies Grant -- This project will furnish ten electric vehicle charging stations to the City for installation at the Mountlake Terrace Transit Center



## Capital Improvement Funds

## Pending Federal & State Funds

### Stormwater Program

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

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

### Lakeview Trail

\$1,000,000 – federal funding connecting Mountlake Terrace Transit Center at I-5/236<sup>th</sup> 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 214<sup>th</sup> St SW between 40<sup>th</sup> and 44<sup>th</sup> connecting to Mountlake Terrace High School and 54<sup>th</sup> Ave between 220<sup>th</sup> and 223<sup>rd</sup> connecting to Mountlake Terrace Elementary School

### State Capital Budget Requests (2011-2013)

TBD – Civic Campus, parks, open space, public safety, arts, etc.



## Capital Improvement Funds

## Pending Federal & State Funds

### Safe Routes to School

\$330,000 - 54<sup>th</sup> Ave W, 220<sup>th</sup> to 223<sup>rd</sup> Sidewalks

### Sustainable Communities

Up to \$5.0 mil – Regional Planning Project

### Community Challenge Planning Grant

\$120,000 – Comprehensive Plan

### TIGER II Grant

\$14 mil – 56<sup>th</sup> Avenue Reconstruction

### State Transportation Improvement Board (TIB)

To be determined

### TDR Alliance/Commerce

\$100,000 – Transfer of Development Rights

### Transportation Enhancement Program

\$1,900,000 – Lakeview Trail

### PSRC/CMAQ

\$300,000 – Lakeview Trail

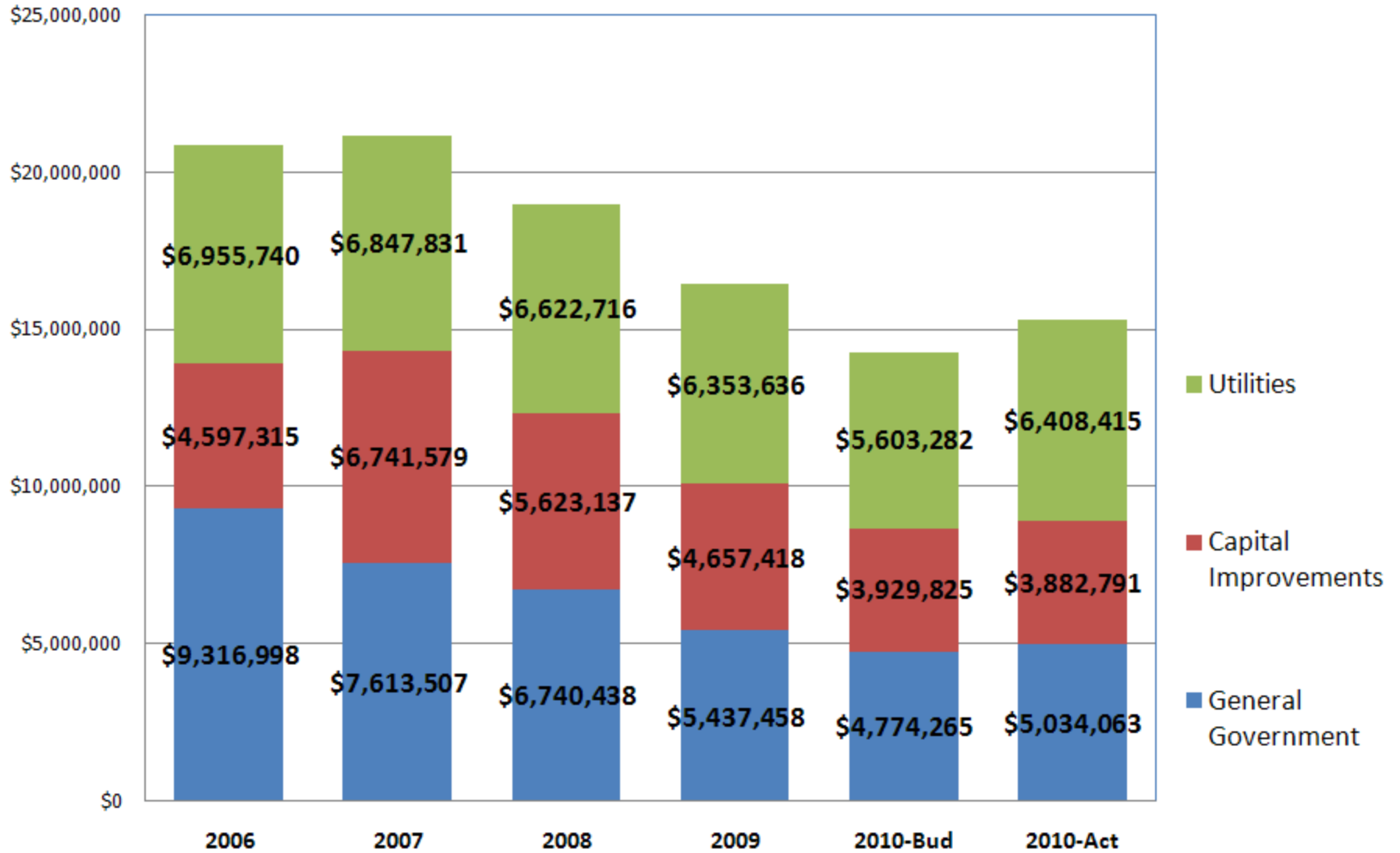


# Utility Funds

- Water
- Sewer
- Storm Water

Sources & Uses	2010			Change (bud vs. act)	
	Budget				
Utility Funds	Annual	2nd Qtr	Actual	\$	%
<b>Beginning Fund Balances</b>	<b>\$6,353,636</b>	<b>\$6,353,636</b>	<b>\$6,353,636</b>	<b>\$ -</b>	<b>0.0%</b>
Operating Revenues					
Storm Water	1,334,173	627,061	608,083	(18,978)	-3.0%
Water	2,854,283	1,255,885	1,307,895	52,010	4.1%
Sewer	3,343,634	1,604,944	1,564,982	(39,962)	-2.5%
<b>Subtotal Operating Revenues</b>	<b>7,532,090</b>	<b>3,487,890</b>	<b>3,480,960</b>	<b>(6,930)</b>	<b>-0.2%</b>
Operating Expenditures					
Storm Water	1,226,479	613,240	532,245	(80,995)	-13.2%
Water	2,845,847	1,422,924	1,016,776	(406,148)	-28.5%
Sewer	2,900,585	1,450,293	1,123,319	(326,974)	-22.5%
Debt Service	120,400	120,400	122,452	2,052	n/a
<b>Subtotal Operating Expenditures</b>	<b>7,093,311</b>	<b>3,606,856</b>	<b>2,794,792</b>	<b>(812,064)</b>	<b>-22.5%</b>
Operating Surplus (Deficit)	438,779	(118,965)	686,168	805,133	-676.8%
Other Financing Sources					
Grants and PWTFL	477,000	-	-	-	n/a
Loan Proceeds	4,600,000	-	-	-	n/a
Transfer from Utility Funds	120,400	60,200	60,200	-	n/a
<b>Subtotal Other Financing Uses</b>	<b>5,197,400</b>	<b>60,200</b>	<b>60,200</b>	<b>-</b>	<b>n/a</b>
Other Financing Uses					
Construction Projects	6,209,061	691,589	691,589	-	0.0%
Transfer to Utility Funds	-	-	-	-	n/a
<b>Subtotal Other Financing Uses</b>	<b>6,209,061</b>	<b>691,589</b>	<b>691,589</b>	<b>-</b>	<b>0.0%</b>
Fund Balances					
Reserves (15% of Oper Exp)	1,045,937	1,045,937	1,045,937	-	0.0%
Designated/Reserved:					
Storm Water	941,069	988,205	1,050,221	62,016	6.3%
Water	2,606,264	1,828,758	2,286,916	458,158	25.1%
Sewer	1,187,484	1,800,582	2,087,593	287,011	15.9%
Debt Service	-	(60,200)	(62,252)	(2,052)	3.4%
Undesignated/Unreserved	-	-	-	-	n/a
<b>Total Ending Fund Balances</b>	<b>\$5,780,754</b>	<b>\$5,603,282</b>	<b>\$6,408,415</b>	<b>\$ 805,133</b>	<b>14.4%</b>

## Ending Fund Balances 2006 - 2010 Through 2nd 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)

# Next Steps



September 16	Review Preliminary 2011-2012 Revenue Estimates
October 4	Presentation of 2011-2012 Proposed Biennial Budget Review of Six Year Financial Forecast (2011-2016)
October 14	Proposed 2011-2012 Biennial Budget Department Presentations <ul style="list-style-type: none"><li>-- City Council/City Manager/City Clerk/Community Relations</li><li>-- Administrative Services</li><li>-- Public Safety</li><li>-- Community &amp; Economic Development</li></ul>
October 21	Proposed 2011-2012 Biennial Budget Department Presentations <ul style="list-style-type: none"><li>-- Park Services &amp; Property Management</li><li>-- Recreation Services</li><li>-- Public Works</li><li>-- Engineering Services</li></ul>
October 28	Review of 2011-2012 Proposed Biennial Budget
November 1	Public Hearing on 2011-2012 Proposed Biennial Budget Public Hearing on 2011 Property Tax Ordinance
November 11	Review of 2011-2012 Proposed Biennial Budget
November 15	Adoption of 2011-2012 Proposed Biennial Budget Adoption of 2011 Property Tax Ordinance Third Quarter 2010 Financial Report & Performance Measures



# Questions & Comments