

# 1st Quarter Financial Report 2005

## STAFF REPORT ON 2005 FIRST QUARTER FINANCIAL STATUS JANUARY 1 - MARCH 31, 2005 MAY 16, 2005

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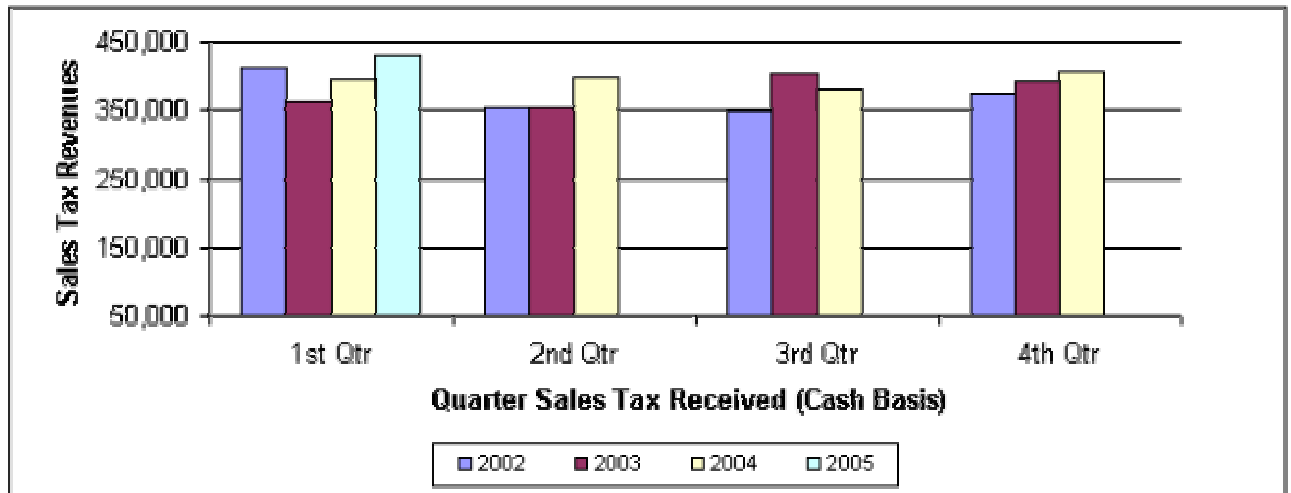
**ISSUE:** Presentation of the 2005 First Quarter Financial Report

### GENERAL FUND

As of March 31, 2005, General Fund revenues totaled \$3,015,616, at 20% of the 2005 budgeted revenue for the year. General Fund expenditures were at 19% of budget at the end of the first quarter, or a total of \$2,964,479. While it may seem these revenues should be at 25% after the first quarter, 20% reflects that property tax is not generally received until May and November.

Personnel costs are at 19% of budget, while other operating expenses are at 17% of the budget. Although it may seem that personnel costs should be at 25%, one payroll for the quarter was paid on April 1, and will appear in the second quarter report.

Sales tax revenues came in at 26% of budget, and \$33,983 more than what was received during the first three months in 2004. Sales tax revenues are received from the State Department of Revenue two months after business or sales occur. For example, this first quarter report reflects sales tax received from sales that occurred during the three months beginning November 2004. As the chart below indicates, sales tax revenues for the first quarter of 2005 have exceeded first quarter sales tax received for the past three years.



Gas and electric utility taxes are at 34% of budget, which reflects the seasonal usage of gas and electric heating during the first three months of the year. City Utility taxes, which reflect 10% of water, sewer and stormwater revenues, are only at 18% of budget at the end of the first quarter due to less water consumption during the winter months.

Gambling tax revenues total \$346,659 for the first quarter which is \$52,092 more than the first quarter of 2004, coming in at 33% of budget. The gambling tax revenues reported in the first quarter reflect taxes on gambling activities during the last quarter of 2004 as gambling taxes are due the last day of the month following the end of the quarter. License revenues have also exceeded budget projections, coming in at 32% of budgeted revenue during the first quarter.

Development fee revenues are at 20% of budget and total \$148,313 for the first quarter, slightly lower than the first quarter of 2004 that totaled \$151,666. The first quarter of the year tends to be a slower time for permits and other development related revenues.

Grant revenues are only at 5% of budget as the first quarters grant payments were received during the second quarter, and the fourth quarter grant revenues were accrued and recognized as 2004 revenue and reflected in the beginning fund balance.

Other governmental revenues are at 35% of budget, as the fourth quarter 2004 reimbursement from Sno-Isle was received in 2005. In addition, the Edmonds School District reimbursement for the School Resource Officer for the Fall of 2004 was received in February and is reflected in the first quarter report.

Fines and forfeiture revenues are at 20% of the budget totaling \$50,761 for the first quarter. This reflects a decrease of \$18,939 from 2004. However, we expect revenues to catch up with budget as a result of the one-month citation amnesty program that Snohomish County implemented in March.

Interest revenues are at 22% of budget as of the end of the first quarter. As semi-annual interest payments are received during the second quarter, we expect interest revenues will be close to the budgeted amount by the end of the year.

The budget of \$400,000 for "Sale of Capital Assets" represents the estimated value of the Fire Department vehicles and equipment that has been sold to Fire District One. The revenues for this transfer will occur as we process our quarterly payments to Fire District One.

All other revenues are at 17% of budget. Included in this category is a budget of \$109,992 for the Golf Course Lease payments. No Golf Course Lease payments have been received in 2005 due to the temporary closure of the Ballinger Golf Course.

General Fund expenditures are at 19% of budget, with personnel costs at 19%, other operating expenditures at 17% and interfund transfers at 25%. Personnel costs for all departments reflect labor costs through the pay period ended March 11, which is why personnel costs are only at 19% of budget. The labor costs from March 12 through March 31 were expensed in the month of April, to coincide with the pay

dates of April 1 and April 15. Future payroll processing will be expensed in the month in which the work was done to more accurately reflect the cost of labor incurred during the appropriate quarter.

The total General Fund expenditures and transfers budget includes budget for outstanding contracts that were encumbered in 2004. The departments that had outstanding encumbrances at the end of 2004 were as follows:

Department	Adopted Budget	2004 Encumbrances	Revised 2005 Budget
Administrative Services	\$1,392,834	\$11,319	\$1,404,153
Fire	2,430,655	9,258	2,439,913
Parks	862,142	55,636	917,778
Other Departments, Transfers	10,752,213	-0-	10,752,213
<b>Total General Fund</b>	<b>\$15,437,844</b>	<b>\$76,213</b>	<b>\$15,514,057</b>

The City Council/City Manager operating expenditures are at 40% of budget, primarily due to annual dues, insurance, memberships, subscriptions, and election costs that were paid at the beginning of the year. In addition, the City Attorney worked more hours than his retainer allowed for, resulting in increased expenditures in the legal program. The Municipal Court operating expenditures are only at 13% of the budget, due to later billings for court and jail costs. This report reflects only two months of court costs and only one month of jail costs.

The Administrative Services operating expenditures are at 16% of budget at the end of the first quarter, as computer equipment purchases will occur later in the year. The Police Department operating expenditures are already at 33% of budget because the department's capital expenditures for the year have already been encumbered and charged against the budget.

The Fire Department personnel expenditures include higher than projected LEOFF retiree medical benefits. As a result, personnel costs are at 30% of budget at the end of the first quarter. The operating expenditures are at 7% of budget as no payments to Fire District One had occurred before March 31.

The Community Development department has only expended 12% of its budget as of the end of the first quarter, as the budget includes funds for consultants that will be hired later in the year.

## **STREET FUND**

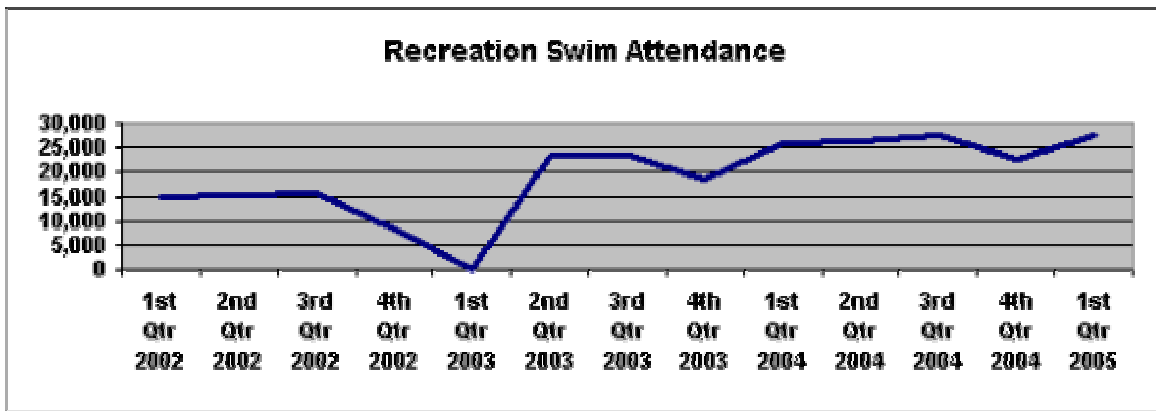
Street Fund revenues are at 25% of budget, and Street Fund expenditures are at 19% of budget. There will be more street maintenance expenditures as the work is done during the second and third quarters of this year.

The Street Fund had \$4,140 of outstanding contracts encumbered at the end of 2004 that increased the 2005 Revised expenditure budget from \$798,315 to \$802,455.

## **RECREATION PROGRAMS FUND**

At the end of the first quarter the Recreation Fund continued to reflect a positive trend in attendance and revenues in a number of program areas. This upward trend is attributed to the positive customer response to the swimming pool renovation and facility improvements at the Recreation Pavilion, as well as the continuation of programs that were added in 2004 and 2005. These programs include the continuation of the expanded "Before and After School" program at Madrona and Evergreen Elementary schools along with new Sunday Swim Lessons, Saturday Aqua Kids Camp and a weekday Playschool offering.

Recreation Swim attendance continued to increase due to marketing of the new pool and popularity of the leisure pool and lazy river areas. When comparing January, February and March recreation swim attendance from January 2000 - 2005, attendance decreases until 2004. This positive trend in swim use is reflected in the chart below.



Athletic/Fitness revenue from sport league programs was slightly lower due to fewer gymnasium rentals at the Terrace Park School and some sport league team registrations that occurred in April rather than the first quarter.

Youth and General Recreation, which includes Preschool, Dance and Before and After School Programs continued to be well utilized. The Before and After School programs serves an average of 200 children per day at the Recreation Pavilion, Madrona and Evergreen Elementary schools. The Kids Krew program continues to be viewed as a valued service by parents seeking supervised and structured activities at the Recreation Pavilion.

Personnel costs reflect labor through the pay period ended March 11, at 18% of budget. Labor costs from March 12 through March 31 were expensed in the month of April, to coincide with the pay dates of April 1 and April 15. Future payroll processing will be expensed in the month in which the work was done to more accurately reflect the cost of labor incurred during the appropriate quarter.

Overall, the Recreation Programs Funds ended the first quarter at a 90.6% cost recovery rate. This cost recovery rate is approximately 8% higher than the previous year due to some position vacancies, the timing of the payroll for March and increased use of the swimming pool for lessons and drop-in activities. When all personnel costs are taken into account, the cost recovery rate for the first quarter

would be approximately 81.3%. The overall Recreation Programs cost recovery is expected to increase during the second quarter, as a significant amount of revenue from summer aquatic and camp programs are collected in June.

**UTILITY FUNDS**

**Sewer**

Sewer Utility revenues are at 18% of budget and expenditures are at 24% of budget. Revenues are expected to be close to budget as water consumption increases later in the year. Year-end 2004 contracts had outstanding encumbrance balances of \$43,539 that increased the revised 2005 expenditure budget from \$3,334,474 to \$3,378,013.

**Water**

Water revenues are at 17% of budget and water utility expenditures are at 21% of the budget. Revenues will increase during the second and third quarters as consumption is expected to increase during that time. The Water Utility Fund had \$11,070 of outstanding contracts encumbered at the end of 2004 that increased the 2005 revised expenditure budget from \$2,771,725 to \$2,782,795.

**Storm Water**

Storm Water revenues are at 19% of the annual budget and storm water expenditures total 21% of the adopted budget. At the end of the first quarter storm water expenditures exceed storm water revenues by \$53,306.

**CAPITAL IMPROVEMENT FUNDS**

The Street and Utility Construction Funds Revised 2005 expenditure budgets include funds carried over from outstanding 2004 contracts that were encumbered against the 2004 budget. The following is a list of the Construction Fund's encumbrances and revised expenditure budgets for 2005.

Construction Fund	Adopted Budget	2004 Encumbrances	Revised 2005 Budget
Street Construction	\$1,063,400	\$520,083	\$1,583,483
Sewer Construction	\$931,100	\$437,864	\$1,368,964
Water Construction	\$863,388	\$1,238,197	\$2,101,585
Storm Water Construction	\$789,211	\$38,998	\$828,209

The 2004 ending fund balance for the Street Construction Fund as reported in the fourth quarter financial report was \$2,053,370; accrued grant revenues (grants revenues billed but not yet received) totaled \$376,587 at the end of 2004. This accrual was added to the final ending fund balance in 2004, making a total of \$2,429,957 as the beginning fund balance for 2005.

Revenues from Real Estate Excise Tax (REET) for the first quarter totaled \$132,939, or 27% of the annual budgeted amount. The expenditures in the REET Fund include the quarterly transfers to other funds.

The Facilities Construction Funds began the year with a Beginning Fund Balance of \$1,694,804, or \$114,455 over the adopted 2005 Beginning Fund Balance of \$1,580,349.

The first quarter expenditures for the Fire Station construction include payments of \$101,643 and an outstanding encumbrance balance of \$2,072,748, which represents the outstanding balance on the contract with Premium Construction. Later this year there will be a request for a budget amendment to the Fire Station Construction budget within the Facilities Construction Fund to cover the total actual costs of the construction of the Fire Station.

First quarter expenditures in the capital improvement funds include encumbrance (commitments) amounts carried over from 2004. The Utility Construction Funds show little activity in the first quarter prior to the construction season.