

# **Memorandum**

**To:** City Council

**From:** Sonja Springer, Financial Services Manager

**Via:** John J. Caulfield, City Manager

**Date:** July 10, 2006

**Subject:** First Quarter Financial Report

---

## **INTRODUCTION:**

Attached is the First Quarter 2006 Financial Report in a new format. This new format shows all of the City's 27 funds, as well as the beginning and ending fund balances of each fund and historical back to 2003. The Report also shows 2006 budget amendments that are anticipated for action by the Council later this month.

The goal of this detailed information is to provide the Council and community with a better perspective of the City's financial status. Reformatting the report to provide this additional detail required more time, hence the two month delay in presenting the report to the Council.

## **GENERAL FUND**

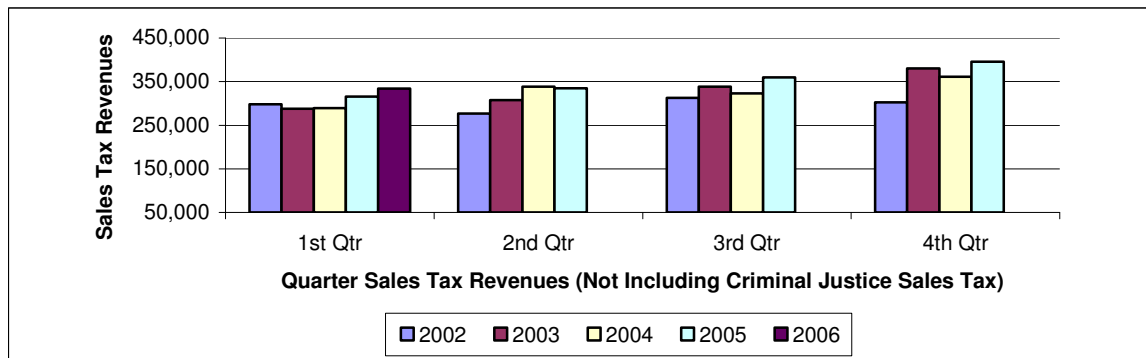
As of the end of the first quarter of 2006, General Fund operating revenues totaled \$3,659,393; equaling 26% of the 2006 adopted budgeted operating revenue for the year. General Fund operating expenditures were at 24% of the adopted budget at the end of the first quarter, or a total of \$3,444,643.

The Ending Fund Balance as of March 31, 2006 was \$4,944,997 of which \$84,843 is reserved for outstanding encumbrances (commitments on contracts), \$291,374 is reserved for contingencies, and \$728,436 is reserved, leaving a net unreserved ending fund balance of \$3,840,344.

### **General Fund Revenues**

Most of the property tax revenues are received during the months of May and October. To more accurately reflect the city's financial status as of the end of the first quarter, property taxes have been accrued (recorded as a revenue) at 25% of the adopted budget. Sales tax revenues include revenues for sales that occurred during the first three months of the year and were also accrued to reflect the appropriate month the revenue was earned. Sales tax revenues for the first three months total 23% of the adopted budget, or \$403,655, including criminal justice sales tax revenues of \$69,476.

As the chart below indicates, first quarter 2006 sales tax revenues exceed first quarter sales tax revenues received since 2002.



Gas, electric, solid waste and telephone utility taxes are slightly over 30% of the adopted budget due to the higher gas and electric taxes received during the winter months. Cable franchise and cable utility taxes are at 34% of the adopted budget. City utility taxes, which reflect 10% of water, sewer and storm water revenues, are only at 18% of budget at the end of the first quarter due to less water consumption during the first part of the year.

Admission taxes totaled \$30,615 for the quarter. This reflects only 15% of the adopted budget and is indicative of fewer sales at the Mountlake 9 Theatre, possibly due to the new Loews 16 theatre in Lynnwood.

Gambling tax revenues total \$489,209 through the first quarter. This revenue is higher than expected as it includes gambling taxes totaling \$112,074 that were for 2005 taxes but were not received until February of 2006. License revenues have also exceeded budget projections, coming in at 30% of budgeted revenues.

The quarterly City Assistance funding from the State of Washington of \$25,926 was received for the first quarter of 2006. This new funding, established by State Senate Bill #6050, allocates a portion of the state’s real property excise tax to replace a portion of the financial assistance eliminated following Initiative 695 in 1998.

The City received \$1,318 of golf course rent for the first three months of the year. We expect this revenue to increase over the next two quarters as the weather improves. Other property rents and leases include Hirvela Cabin rent income of \$1,605 and Library Room Rentals of \$2,402 for the first quarter.

Transport fees are tracking with budget, totaling \$57,819 for the first quarter..

Interest revenues are at 28% of the adopted budget, totaling \$28,556 for the quarter.

Interfund transfers total \$22,500, only 13% of the budgeted transfers, as we are discontinuing the transfers from the Capital Improvement Fund. This change will be presented to the Council with the 2006 Budget Amendment Ordinance on July 17.

**General Fund Expenditures**

General Fund operating expenditures were at 24% of budget overall, totaling \$3,444,643 for the first quarter. Encumbrances for outstanding contracts total \$84,843 as of March 31<sup>st</sup>.

The City Council/City Manager operating expenditures at 32% of the adopted budget as of the end of the first quarter, due to payment of publications, subscriptions and memberships due at the first of the year.

The Municipal Court operating expenditures were only at 13% of the budget, due to delayed billings for court and jail costs.

The Fire Department budget is expended by 28% at the end of the first quarter. This is attributable to the payment of SNOCOM fees for the first and second quarters in March.

All other departments (Administrative Services, Property Management, Police, Community Development and Parks) are all under 25% of the adopted budget.

**STREET FUND**

Street Fund operating revenues are at 24% of the adopted budget.

Street Fund operating expenditures are only at 19% of the adopted budget, as most street maintenance work will occur during the second and third quarters.

**RECREATION PROGRAMS FUND**

The Recreation Program Fund has a cost recovery rate of 92% at the end of the first quarter. This is due to early registration payments and will most likely be at 82% by the end of the year. Recreation Swim Attendance increased slightly during the 1st Quarter, and it continues to exceed previous years' attendance.

