

Memorandum

To: City Council

From: Sonja Springer, Financial Services Manager

Via: John J. Caulfield, City Manager

Date: May 31, 2007

Subject: First Quarter Financial Report

INTRODUCTION

Attached is the First Quarter, 2007 Financial Report reflecting all revenues and expenditures incurred through March 31, 2007. This report includes all of the City's 25 funds, as well as the beginning and ending fund balances of each fund and historical information back to 2004. The Report also reflects the 2007 budget amendments that were considered and adopted by the Council on May 21, 2007.

Revenues and expenditures for the City's funds are tracking consistent with the 2007 revised budget and the six-year financial forecast.

GENERAL FUND

As of the end of the first quarter of 2007, General Fund operating revenues totaled \$3,642,089, which is 25.5% of the revised 2007 budgeted operating revenue (\$14,381,904) for the first quarter. General Fund operating expenditures totaled \$3,376,362 at the end of the first quarter, which is 24.7% of the revised budget of \$3,376,362.

The Ending Fund Balance as of March 31, 2007 totals \$4,920,048, of which \$247,860 is reserved for outstanding encumbrances (commitments on contracts), \$321,953 is reserved for contingencies (2% of General Fund operating expenditures), and \$672,383 set aside as reserves (5% of General Fund operating expenditures), leaving a net ending fund balance of \$3,677,852 which is projected to be invested in the City's capital improvement program between 2007 and 2012.

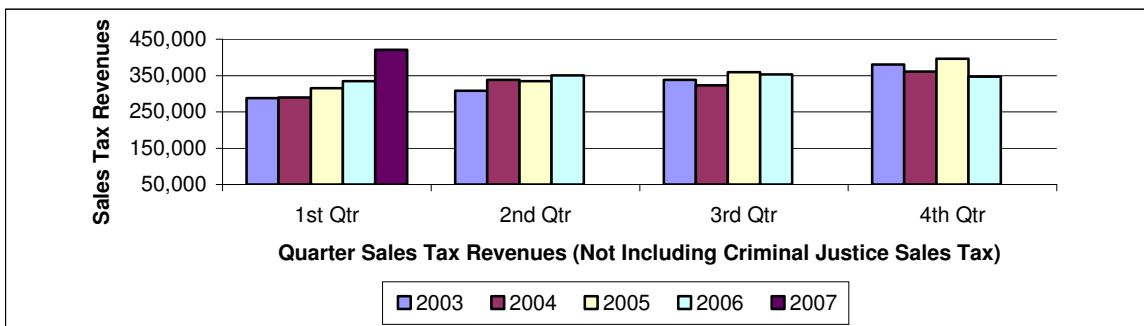
Included in the 2007 budget amendments that were adopted on May 21 was an additional transfer of \$500,000 to the Street Construction Fund – this transfer will occur during the second quarter of 2007 and will decrease the General Fund Ending Fund Balance by this amount.

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, a property tax

estimate has 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 26.7% of the adopted budget, or \$494,681, including criminal justice sales tax revenues of \$73,862.

As the chart below indicates, first quarter 2007 sales tax revenues are substantially above the first quarter sales tax revenues for the previous four years. There was an unusually large sales tax payment from a software vendor received during the first quarter of 2007. We will carefully monitor our sales tax revenues in 2007, as our largest sales tax payer, CompUSA, will be closing its store in Mountlake Terrace within the next quarter.



Gas and electric utility taxes are at 55% and 33% of the adopted budget, respectively, due to the higher gas and electric taxes received during the colder winter months. Cable franchise and cable utility taxes are at 31% of the adopted budget. City utility taxes, which reflect 10% of water, sewer and storm water revenues, are only at 22% of budget at the end of the first quarter due to less water consumption during the first part of the year.

Admission taxes totaled \$31,136 for the quarter. This reflects only 19% 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 \$416,286 through the first quarter, or 27.7% of the adopted 2007 budget of \$1,500,000

The quarterly City Assistance funding from the State of Washington of \$21,963 was received for the first quarter of 2007. This 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 that took effect in 1999.

The City received \$9,000 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 \$1,422 and Library Room Rentals of \$2,189 for the first quarter.

Transport fees are below expectations coming in at \$35,282 for the first quarter. This is \$22,537 below first quarter 2006 revenues. Home monitoring revenues are also below estimates, totaling \$7,972 or only 11% of the adopted budget due primarily to personnel changes for this service.

Investment interest revenues are at 21% of the adopted budget, totaling \$50,194 for the quarter. This is consistent with typical first quarter earnings as a majority of coupon payments are received in the second and fourth quarters.

General Fund Expenditures

General Fund operating expenditures were at 24.7% of the revised budget overall, totaling \$3,376,362 for the first quarter. Encumbrances for outstanding contracts total \$247,860 as of March 31.

The City Manager operating expenditures at 29% of the revised 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 revised budget, due to delayed billings for court and jail costs.

The Property Management budget is 28% expended at the end of the first quarter. The 2007 budget does not include budget for utilities at the library, however these costs are being incurred and paid out of the Property Management budget. In addition, severance pay for the janitors was paid for out of the Property Management budget. Later this year budget amendments will be requested to cover unanticipated costs out of the Property Management 2007 budget.

The Parks budgeted operating expenditures were only at 20% of budget, or \$157,396 at the end of the first quarter. More expenditures will be incurred during the upcoming summer months when the parks are more frequently maintained and seasonal workers are hired.

The Fire Department budget is expended by 27% at the end of the first quarter. This is attributable to the March payment of SNOCOM fees for the first and second quarters.

All other departments (Administrative Services, Police and Community Development) are all close to or slightly under 25% of the revised 2007 budget.

STREET FUND

Street Fund operating revenues are at 23% of the revised budget.

Street Fund operating expenditures are only at 20% of the adopted budget, as most street maintenance work will occur during the second and third quarters.

RECREATION PROGRAMS FUND

The Recreation Programs Fund is right on track with expectations and has a cost recovery rate of 88% 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.

UTILITY FUNDS**Storm Water**

Storm Water revenues are at 23% of the revised budget as of the end of the first quarter. Revenues have increased over 2006 mostly due to the implementation of the rate adjustments that took effect January 1. The Storm Water operating expenditures were at 21% of budget.

Both revenues and expenditures are expected to increase during the coming summer months and should be close to budget by the end of the year.

Sewer

Sewer operating revenues were at 22% of budget and sewer utility operating expenditures were at 19% of the budget. Revenues have increased over 2006 mostly due to the implementation of the rate adjustments that took effect January 1. Both revenues and expenditures are expected to increase during the coming summer months and should be close to budget by the end of the year.

Water

Water Utility operating revenues were at 21% of budget and operating expenditures were at 16% of budget. Revenues have increased over 2006 mostly due to the implementation of the rate adjustments that took effect January 1. Both revenues and expenditures are expected to increase during the coming summer months and should be close to budget by the end of the year.

ATTACHMENTS

First Quarter 2007 Financial Report Detail