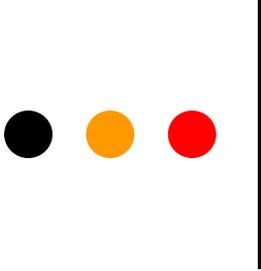


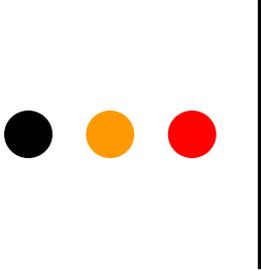


City of Edmonds
Financial Overview
June 23, 2009



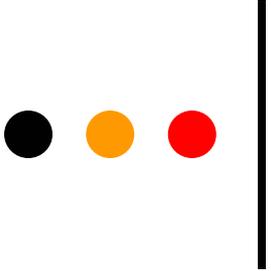
Intro to Governmental Accounting

- The City's budget is comprised of 31 individual funds
- According to Governmental Accounting definitions, City funds can be further categorized into 6 fund types:
 - General Fund
 - Special Revenue Funds
 - Debt Service Funds
 - Enterprise Funds
 - Internal Service Funds
 - Pension Funds



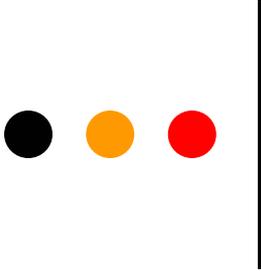
Special Revenue Funds

- The majority of the City's Funds are Special Revenue Funds.
- Account for the proceeds of specific revenue sources that are legally restricted to be spent for a specific purpose.
- Not available for General Fund expenditures.
- The City's most visible Special Revenue Funds are our Real Estate Excise Tax (REET) funds.
 - The revenue in these funds are restricted by RCW 82.46
 - Previous City Councils have also added internal restrictions



REET 1

- Jurisdictions must spend the first quarter percent of their real estate excise tax receipts solely on capital projects that are listed in the capital facilities plan element of their comprehensive plan. RCW 82.46.010(2)(6). RCW 82.46.010(6) defines "capital projects" as:
 - those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets; roads; highways; sidewalks; street and road lighting systems; traffic signals; bridges; domestic water systems; storm and sanitary sewer systems; parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative and judicial facilities...
- City Fund 126 – Park Acquisition Fund, Council generally limits expenditures from this fund to Park Acquisition.

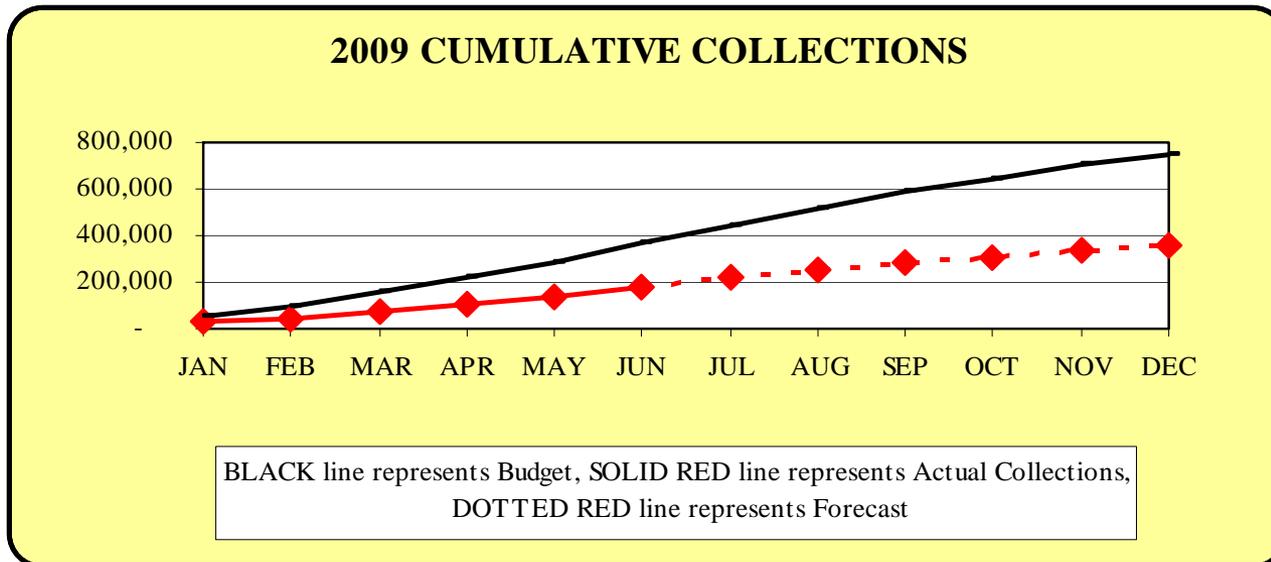


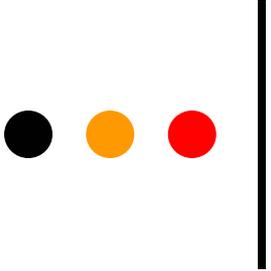
REET 2

- This part of the real estate excise tax may only be levied by cities and counties that are required to or choose to plan under the Growth Management Act. All cities and counties that levy this tax face the same provisions, whether their population is greater or less than 5,000. For this quarter percent of the real estate excise tax, "capital project" means those:
 - public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks. RCW 82.46.035(5).
- Note that acquisition of land for parks is not a permitted use of REET 2 receipts, although it is a permitted use for street, water, and sewer projects.
- City Fund 125 – Real Estate Excise Tax Fund. In 2006 Council approved transferring collections exceeding \$750,000 to the Street Construction Fund. The transfers occurred for 2006 and 2007, collections dropped to below \$750,000 in 2008.

2009 REET COLLECTIONS

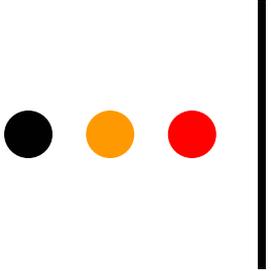
- Current information forecasts 2009 collections at \$373,000.
- 2007 Collections were \$1,425,000.





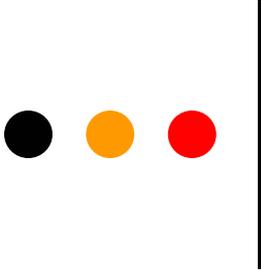
Enterprise Funds

- Account for activities where fees or charges are established to cover the cost of providing services, including capital.
- We have three which report operating and capital activity for our Water, Sewer, and Stormwater Utility.



General Fund

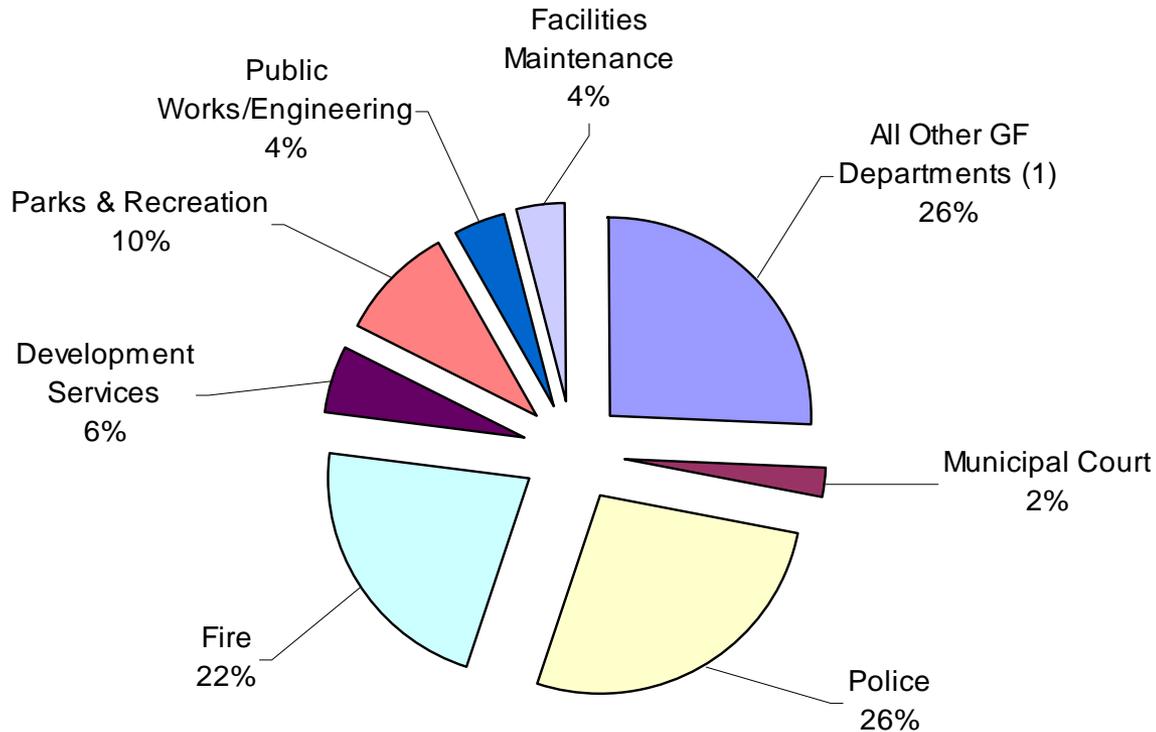
- Accounts for all financial resources except those required to be accounted for in another fund.
- General Fund expenditures make up 46% of the total City Budget.



General Fund Services

City Council	Fiber Optic Project	Community Services
Office of Mayor	Information Services	Development Services
Human Resources	Finance	Parks & Recreation
Municipal Court	City Attorney	Public Works
Economic Development	Police	Facilities Maintenance
City Clerk	Fire	Engineering
	Non-Departmental	

General Fund Services



(1) Other General Fund Departments include: City Council, Office of the Mayor, Human Resources, Economic Development, City Clerk, Fiber Optic Project, Information Services, Fiber Project, Finance, City Attorney, Non Departmental, and Community Services

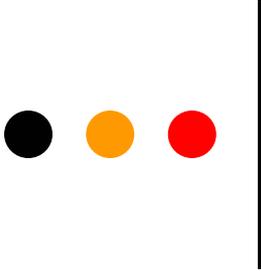


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EMPLOYEE TO CITIZEN RANKING

(ESTIMATED):

Redmond	1 to 85.2	
*Lynnwood	1 to 95.7	
Kirkland	1 to 101.1	
*Renton	1 to 101.7	
Kent	1 to 105.7	
Puyallup	1 to 111.3	
Bothell	1 to 116.5	
Marysville	1 to 130.0	
<u>Auburn</u>	<u>1 to 137.9</u>	<u>Median</u>
*EDMONDS	1 to 150.4	
Des Moines	1 to 172.7	
Lakewood	1 to 240.9	
Federal Way	1 to 254.5	
Shoreline	1 to 361.1	
University Place	1 to 442.0	
Burien	1 to 534.6	
Sammamish	1 to 548.0	



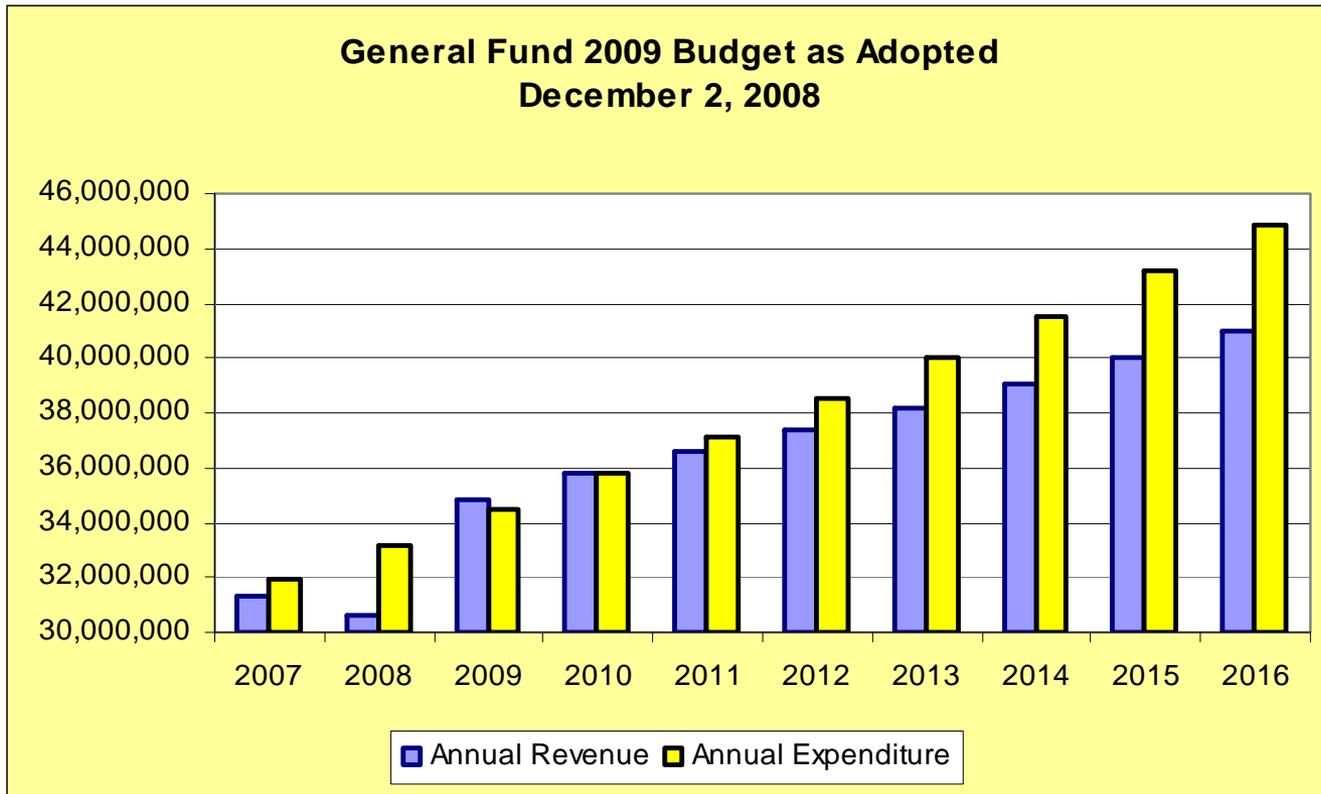
General Fund Revenue Comparison

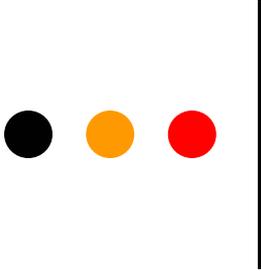
GENERAL FUND REVENUE COMPARISON

	Mountlake				
	Edmonds	Lynnwood	Terrace	Shoreline	Everett
General Property Taxes	\$12,008,487	\$9,322,676	\$3,908,792	\$8,870,318	\$27,084,786
Sales & Use Taxes	6,232,946	19,434,187	1,756,581	7,932,393	27,923,123
Business & Occupation Taxes (1)	0	0	0	0	16,526,109
Utility Taxes	4,427,992	852,552	2,823,206	3,720,110	14,745,196
Gambling Taxes (2)	0	0	1,366,499	1,847,099	0
Other Local Taxes	284,081	801,226	381,789	163,936	1,885,146
Licenses & Permits	1,719,891	2,872,751	745,522	2,836,316	2,107,161
Charges & Fees for Services	1,992,652	1,542,073	863,617	1,841,484	1,858,134
Interest & Investment Earnings	367,371	663,372	307,416	598,283	2,033,233
Fines & Forfeits	512,529	3,596,296	205,446	130,990	1,518,038
Other Miscellaneous	425,290	420,669	327,142	205,425	382,949
Intergovernmental Revenues	880,886	826,190	529,073	2,302,191	2,471,766
Debt Proceeds	640,819	0	0	0	0
Total General Fund Revenue	\$29,492,944	\$40,331,992	\$13,215,083	\$30,448,545	\$98,535,641
Per Capita Revenue	\$724	\$1,130	\$635	\$570	\$968

2009-2010 Budget as Adopted December 2, 2008

- The 2009-2010 Budget as adopted anticipated annual operating surpluses of \$295,314 in 2009 and \$37,723 in 2010





2009-2010 Council Adopted Budget Note

A COUNCIL ADOPTED NOTE TO THE 2009-2010 BUDGET

To be included in the 2009-2010 Budget

Whereas, the adopted 2009-2010 Budget for the City of Edmonds assumes a new revenue source from somewhere; and

Whereas, without a new revenue source, the 2009-2010 Budget for the City of Edmonds will leave a precariously low ending balance at \$1,310,987 in 2010; and

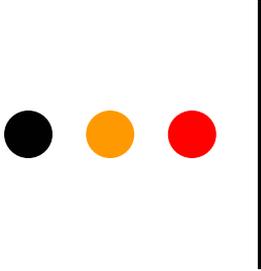
Whereas, given the City of Edmonds General Fund Budget is approximately \$35m per year, and the MSRC suggests the appropriate level of Ending Cash Balance in reserves is approximately 15% of the general fund budget for cash flow purposes; and

Whereas, 15% of our \$35m general fund would be equal to \$5.25m in an Ending Cash Balance, or \$4m more than our projected Ending Cash Balance in 2010 in this budget;

Now therefore be it Resolved that the City Council recognizes that the Ending Cash Balance for the City of Edmonds is precariously low, putting the City on unstable financial footing moving forward, and

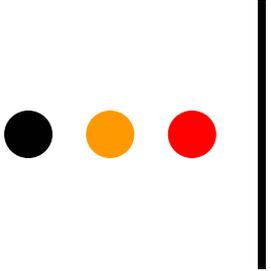
Therefore be it further Resolved that the City Council has funded the minimum level of service in the 2009-2010 City of Edmonds Budget demanded by the citizens of Edmonds, and believes additional cuts risk undermining our public assets, our public safety, and our sense of community, and

Therefore be it further Resolved that the City Council commits to going to the voters on the November 2009 ballot to with a levy or other revenue option to be approved by the voters to fund basic City services such as public safety, or parks, or other items as may be deemed necessary, in order to alleviate the precarious nature of the City financial status.



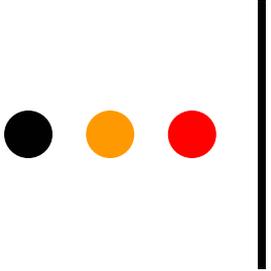
Citizens Levy Review Committee

- Over 60 citizen volunteers attended four meetings between March 23rd and April 13th
- Department Directors gave presentations covering the services provided
- Committee members were provided with and reviewed information regarding the City's General Fund revenues and expenditures
- Participated in small group discussions on how they would increase revenue or reduce expenditures



Citizens Levy Review Committee

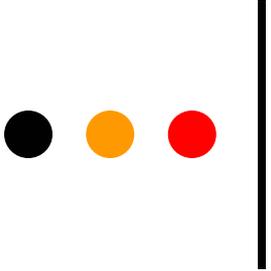
- At the final meeting individual groups each developed a Levy Proposal
- On April 21st a representative of each group presented their proposal to the full City Council



Citizens Levy Review Committee

o Common thoughts

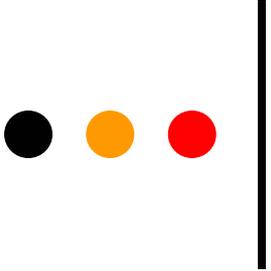
- The City does not have an expenditure problem
- The City does need a Levy
- The City needs to work on developing a more diversified revenue base



Citizens Levy Review Committee

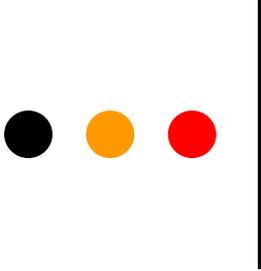
o Current status

- Council continues to take public comment regarding the Levy
- Council created a “Citizen Economic Development Commission”
- June 16th the Mayor made a formal presentation on the Levy proposal to Council



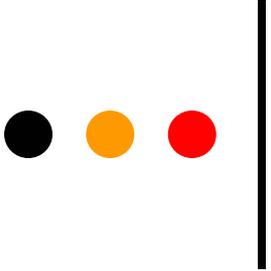
June 16th Levy Proposal

- What the Levy funds:
 - 2009 Cuts will be restored
 - General Operations Equipment
 - Technology
 - Personnel
 - Building Maintenance



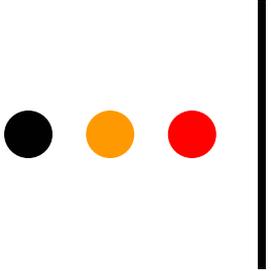
June 16th Levy Proposal

- Cuts previously discussed, *provided as starting point for future cuts*:
 - 2009 Cuts will **not** be restored
 - Eliminate Economic Development
 - Eliminate Fiber Project
 - Eliminate Planner Position
 - Eliminate Engineering Tech Position
 - Eliminate Discovery Program
 - Reduce Parks Maintenance \$500,000



What's Changed

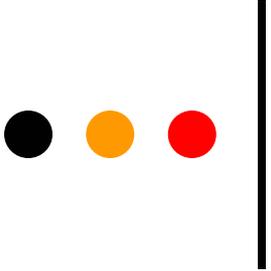
- Increases to Ending Fund Balance:
 - 2009 Beginning Fund balance increased by \$365,000 due to additional revenues and under expenditures in 2008.
 - Reduced 2010 CPI estimate from 4.5% to 2% (labor only).



What's Changed

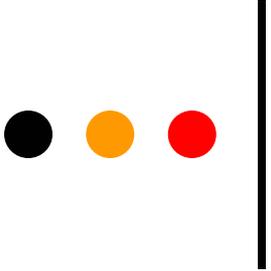
- Cuts Implemented in March

- City employees agreed to take 9 days of unpaid leave
- Suspended the contribution to the Equipment Replacement Reserve Fund
- Four vacant positions to remain unfilled
- Suspend DARE program at the end of the school year
- Eliminated Crime Prevention, Police Reserves, Edmonds Night Out programs



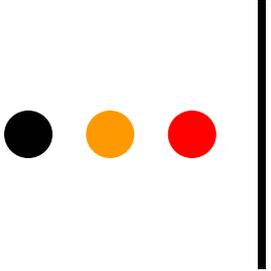
What's Changed

- Cuts Implemented in March (cont.)
 - Eliminated Parks Seasonal Staff
 - Reduced Economic Development Advertising Budget
 - Reduced the Council Contingency Budget
 - YOST POOL



What's Changed

- Decreases to Ending Fund Balance
 - Sales tax estimates reduced by \$1,236,000 in 2009 and \$1,386,000 in 2010.
 - Reduced revenue estimate from Transportation Benefit District by \$150,000 due to implementation issues at Washington State Department of Licensing.

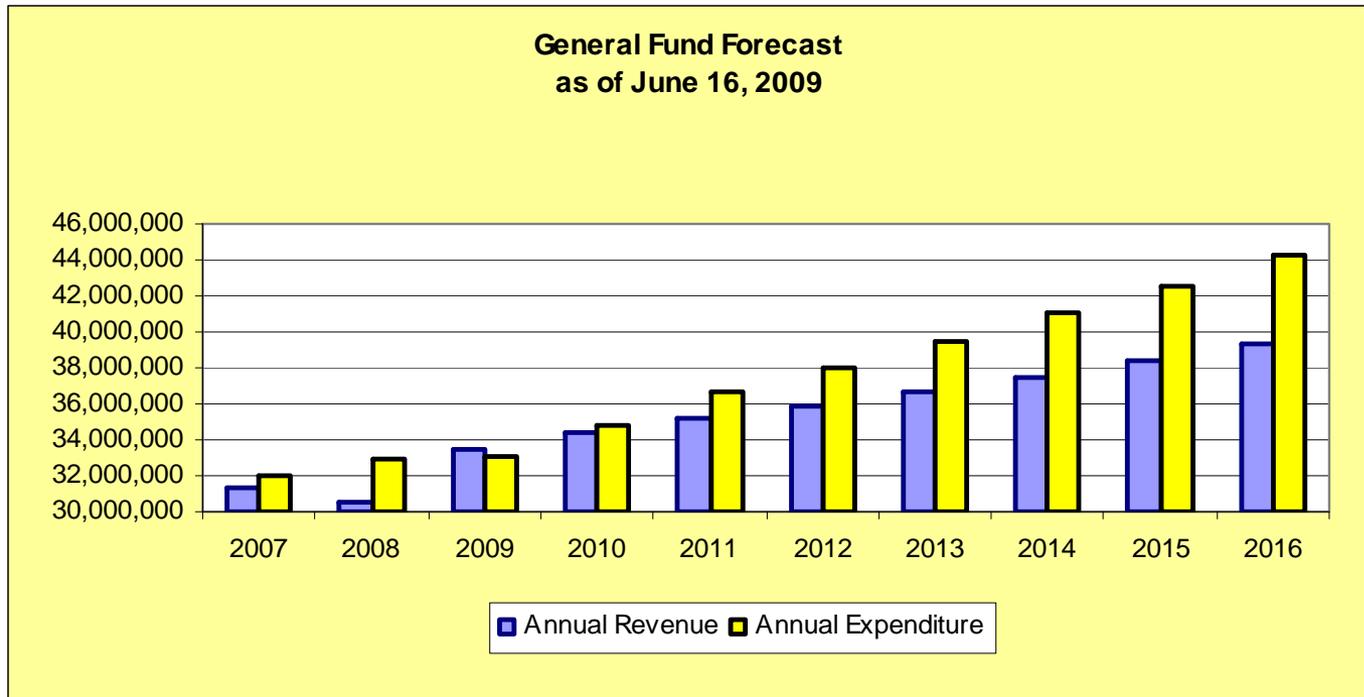


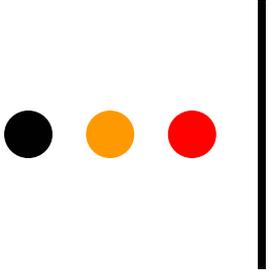
What's New

- Fire District #1 offer to provide Fire and EMS services on a contract basis
 - Offer is currently being reviewed by staff
 - Formal presentation to Council scheduled for July 7th

General Fund Forecast as of June 9, 2009

- As of June 16, we are now forecasting an annual surplus of \$411,643 in 2009 and a deficit (\$445,310) in 2010





State Forecast as of June 18, 2009

- OLYMPIA, June 18, 2009 – It increasingly appears that we are finally approaching the end of this “Great Recession.” Initial claims for unemployment insurance appear to have peaked and monthly job losses are diminishing. However the bottom in this recession will be lower than assumed in March, particularly with respect to the labor market. Job losses will likely continue through the end of this year and the unemployment rate will peak even later. When the economy does turn around, the recovery is more likely to be a gradual U-shaped upturn rather than a strong V-shaped rebound.

Source: State of Washington Economic and Revenue Forecast Council