2007-2008
Financial & Economic Status Update

City Council Study Session

March 25, 2008

AGENDA

- 2007-2008 Financial Status as of December 31, 2007
- Economic Status Update
- Projected Revenues for 2008
- Budget Calendar

Overall Budget Status - General Fund

As of December 31, 2007

Fund 0010	2007-2008 Budget	Projected	Actual	Variance (Under) Over	Variance Percent
Revenues	410,678,564	204,846,394	204,511,602	(334,792)	-0.1%
Beginning Cash Balance	12,632,273				
Total Appropriation	**$ 423,310,837**	---	---	---	---
Expenditures	**$ 423,310,837**	**$ 197,648,977**	**$ 197,158,386**	**$ (490,591)**	**-0.1%**
Net Variance	---	---	---	**$ 155,799**	---

General Fund Revenues

As of December 31, 2007

Fund 0010	Modified 2007-2008 Budget	Projected Revenues	Actual Revenues	Variance (Under) Over	Variance Percent
Property Tax	90,803,000	44,416,300	44,782,601	366,301	0.4%
Sales Tax	95,045,900	46,580,600	45,949,380	(631,220)	-0.7%
Business Taxes	85,147,200	44,040,450	42,753,894	(1,286,556)	-1.5%
Utility Taxes/Other Taxes	86,681,084	42,592,913	43,329,703	736,790	0.9%
Licenses/Permits	12,248,300	6,635,100	6,670,197	35,097	0.3%
Intergov't Rev	17,933,651	9,059,431	9,075,313	15,882	0.1%
Charges for Services	7,110,929	3,622,900	3,296,747	(326,153)	-4.6%
Fines & Forfeits	6,968,000	3,055,500	3,249,850	194,350	2.8%
Miscellaneous Revenue	8,740,500	4,843,200	5,403,917	560,717	6.4%
Total Revenues	**$ 410,678,564**	**$ 204,846,394**	**$ 204,511,602**	**$ (334,792)**	**-0.1%**
Beginning Cash Balance	12,632,273				
Total Appropriation	**$ 423,310,837**				

General Fund Expenditures by Department

As of December 31, 2007

(50% biennium elapsed)

Department	2007-2008 Budget	Projected Expenditures	Actual Expenditures	Variance (Under) Over	% Projected	% Expended
Total	**$ 423,310,837**	**$ 197,648,977**	**$ 197,158,386**	**$ (490,591)**	**46.7%**	**46.6%**
City Council	3,171,135	662,176	707,700	45,524	20.9%	22.3%
City Manager	2,286,298	1,027,776	969,659	(58,117)	45.0%	42.4%
CED	11,604,926	5,170,176	5,046,088	(124,088)	44.6%	43.5%
Finance	6,194,407	2,894,699	2,330,594	(564,105)	46.7%	37.6%
Fire	88,107,183	43,862,756	44,669,661	806,905	49.8%	50.7%
Govt Relations	539,870	266,534	225,749	(40,785)	49.4%	41.8%
Hearing Examiner	732,204	354,240	314,523	(39,717)	48.4%	43.0%
Human Resources	2,510,244	1,186,053	888,315	(297,738)	47.2%	35.4%

General Fund Expenditures by Department

As of December 31, 2007

(50% biennium elapsed)

Fund 0010	Modified 2007-2008 Budget	Projected Expenditures	Actual Expenditures	Variance (Under) Over	% Projected	% Expended
Total	**$ 423,310,837**	**$ 197,648,977**	**$ 197,158,386**	**$ (490,591)**	**46.7%**	**46.6%**
Human Rts/Svcs	11,800,573	5,606,651	4,798,720	(807,931)	47.5%	40.7%
Legal	7,554,977	3,450,793	3,087,185	(363,608)	45.7%	40.9%
Library	23,507,205	11,002,223	10,871,886	(130,337)	46.8%	46.2%
Municipal Court	9,841,982	4,656,800	4,590,887	(65,913)	47.3%	46.6%
Police	130,150,426	63,758,038	64,106,481	348,443	49.0%	49.3%
Public Works	53,930,448	25,187,625	26,166,004	978,379	46.7%	48.5%
Non-departmental	71,378,959	28,562,437	28,384,934	(177,503)	40.0%	39.8%

Overall Budget Status - Capital Projects Fund

As of December 31, 2007

(50% biennium elapsed)

Fund 3211	2007-2008 Budget	Projected	Actual	Variance (Under) Over	Variance Percent
Revenues	38,053,294	25,352,110	21,352,535	(3,999,575)	-10.5%
Beginning Cash Balance	7,275,805				
Total Appropriation	**$ 45,329,099**	---	---	---	---
Expenditures	**$ 45,329,099**	**$ 22,664,550**	**$ 21,640,378**	**$ (1,024,172)**	**-2.3%**
Net Variance	---	---	---	**$ (2,975,403)**	---

Capital Projects Fund Revenues

As of December 31, 2007

(50% biennium elapsed)

- Taxes
  - REET I and REET II
- Intergovernmental Revenue
  - Federal, State & Local Grants
- Miscellaneous Revenue
  - Interest Earnings
  - Transfers from Other Funds

Fund 3211	2007-2008 Budget	Projected Revenues	Actual Revenues	Variance (Under) Over	% Collected
Taxes	19,906,842	9,854,872	8,728,457	(1,126,415)	43.8%
Intergovernmental Revenue	12,823,221	11,540,899	8,626,150	(2,914,749)	67.3%
Miscellaneous	5,323,231	3,956,339	3,997,928	41,589	75.1%
Total Revenues	**$ 38,053,294**	**$ 25,352,110**	**$ 21,352,535**	**$ (3,999,575)**	**56.1%**
Beginning Cash Balance	7,275,805				
Total Appropriation	**$ 45,329,099**	**$ 25,352,110**	**$ 21,352,535**	**$ (3,999,575)**	**---**

Capital Projects Fund Expenditures

As of December 31, 2007

(50% biennium elapsed)

Major Projects:

- D Street Overpass
- Residential Street Maintenance Program
- Chinese Reconciliation Park
- Neighborhood Council Districts

Fund 3211	2007-2008 Budget	Actual Expend	Remaining Budget	% Expended
D Street Overpass	7,849,962	7,513,747	336,215	95.7%
Residential Street Maintenance	4,553,000	2,171,950	2,381,050	47.7%
Chinese Reconciliation Park	2,663,084	2,013,704	649,380	75.6%
Neighborhood Council Districts	1,200,000	238,930	961,070	19.9%
Other Projects	29,063,053	9,702,047	19,361,006	33.4%
Total	**$ 45,329,099**	**$ 21,640,378**	**$ 23,688,721**	**47.7%**

Economic Update – National Outlook

Inflation[1]

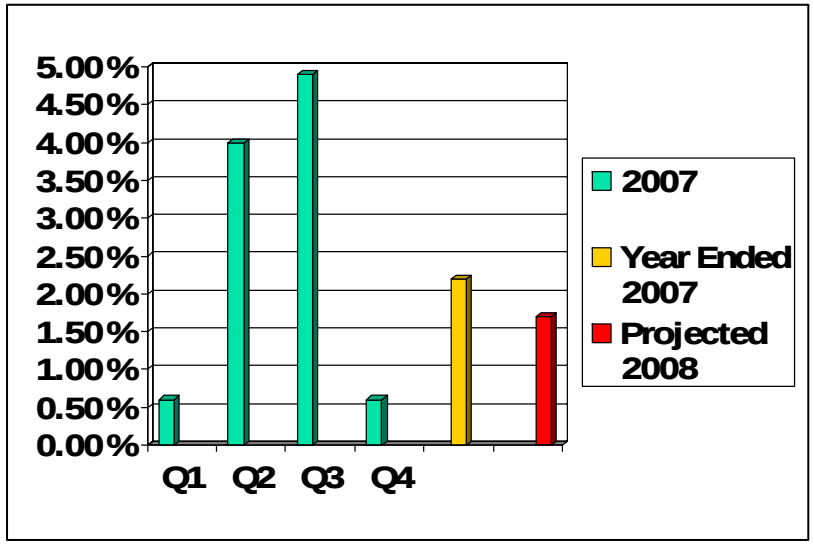
- Overall
  - Year Ended December 2006 ..... 2.5%
  - Year Ended December 2007 ..... 4.1%
  - Projected 2008[2] 3.0%
- Core
  - Year Ended December 2006 ..... 2.6%
  - Year Ended December 2007 ..... 2.4%
  - Projected 2008[2] 2.0%

Sources: (1) Bureau of Economic Analysis
(2) Kiplinger Letter – Feb 15, 2008

Economic Update – National Outlook

GDP[1]

- Q1 2007 ..... 0.6%
- Q2 2007 ..... 4.0%
- Q3 2007 ..... 4.9%
- Q4 2007 ..... 0.6%
- Yr Ended 2007 ..... 2.2%
- Projected 2008[2] 1.7%



Sources: (1) Bureau of Economic Analysis
(2) Puget Sound Economic Forecaster, March 2008

Economic Update – National Outlook

Interest Rates

- Current Federal Funds target rate is 2.25%
- Three rate cuts in 2007
- Three additional rate cuts in 2008
- Total reduction of all rate cuts is 3%

Date	Interest Rate	Amount of Reduction
June 2006	5.25%	n/a
Sep 2007	4.75%	.50%
Oct 2007	4.50%	.25%
Dec 2007	4.25%	.25%
Jan 21, 2008	3.50%	.75%
Jan 29, 2008	3.0%	.50%
Mar 18, 2008	2.25%	.75%

Source: Federal Reserve Board of Governors

Economic Update – National Outlook

Labor

- Unemployment rate as of February 29, 2008 ..... 4.9%(1)
- Average unemployment rate for 2007 ..... 4.6%(1)
- Projected unemployment rate for 2008 ..... 4.9%(2)

Month	2007	2008
January	4.6%	4.9%
February	4.5%	4.8%
March	4.4%	
April	4.5%	
May	4.5%	
June	4.6%	
July	4.7%	
August	4.7%	
September	4.7%	
October	4.8%	
November	4.7%	
December	5.0%	

Sources: (1) Bureau of Labor Statistics
(2) Puget Sound Economic Forecaster

Economic Update – National Outlook

Housing

- Housing starts fell 59.6% during the last quarter of 2007[1]
- 1,006,000 housing starts at end of 2007[1]
- 1,629,000 housing starts at end of 2006[1]
- Residential building slump has contributed to the loss of 250,000 construction jobs since summer 2006[2]
- Sales of new and existing home sales projected to decrease 10% in 2008[3]
- Average house price expected to decline 5% in 2008[3]

Sources: (1) U.S. Census Bureau – January 17, 2008
(2) Puget Sound Economic Forecaster – February 8, 2008
(3) Kiplinger Letter – February 15, 2008

Economic Update – State Outlook[1]

- State General Fund revenue forecast revised downward $423.4 million
- Weaker national outlook than assumed in November
  - Deteriorating real estate and related financial markets
  - Declining consumer confidence
  - Weak employment
- Forecast assumes mild national recession in first half of 2008
- Outlook for state is brighter than nation but will still be affected by national economy and our own housing market slowdown
- Unemployment rate as of December 2007 is 4.8%
- Unemployment rate projected for 2008 is 5.25% [2]

Source: (1) State of Washington Economic and Revenue Forecast Council News Release dated Feb 15, 2008
(2) State of Washington Economic and Revenue Forecast Council Preliminary Forecast dated Feb 8, 2008

Economic Status – Regional Outlook

- Four county area – King, Pierce, Snohomish & Kitsap
- Region is slowing but currently is stronger than the nation
- Local economy will weaken substantially over the next few quarters
- By 2009 region will likely be growing at the same rate as the nation
- Puget Sound housing market weakening
  - Home sales and home prices have been falling
- Potential causes for a local recession:
  - Deeper national downturn
  - Total collapse of the local housing market
  - Halt to hiring at Boeing

Source: Puget Sound Economic Forecaster – March 2008

Economic Status - Regional Outlook
Economic Indicators

Indicator	2006	2007	2008
Unemployment	4.5%	4.2%	4.3%
Inflation	2.1%	2.2%	2.3%
Housing Permits	27,000	27,600	21,400
Home Sales	74,400	62,000	58,000
Average Home Price	$ 394,400	$ 426,600	$ 418,600

Source: Puget Sound Economic Forecaster Annual Forecast, March 2008

General Fund 2008 Projected Revenues

Fund 0010	2007 Projected Revenues	2007 Actual Revenues	Variance	2008 Projected Revenues	Projected $ Growth over 2007 Actual Rev	Projected %Growth over 2007 Actual Rev
Property Tax	44,416,300	44,782,601	366,301	46,386,700	1,604,099	3.58%
Sales Tax	46,580,600	45,949,380	(631,220)	48,465,300	2,515,920	5.48%
Business Taxes	44,040,450	42,753,894	(1,286,556)	40,956,420	(1,797,474)	-4.20%
Utility/Other Taxes	42,592,913	43,329,703	736,790	44,238,500	908,797	2.10%
Licenses/Permits	6,635,100	6,670,197	35,097	5,613,200	(1,056,997)	-15.85%
Intergovernmental Revenue	9,059,431	9,075,313	15,882	8,874,221	(201,092)	-2.22%
Charges for Services	3,622,900	3,296,747	(326,153)	3,488,027	191,280	5.80%
Fines & Forfeits	3,055,500	3,249,850	194,350	3,912,500	662,650	20.39%
Misc Revenue	4,843,200	5,403,917	560,717	3,897,300	(1,506,617)	-27.88%
Total	**$ 204,846,394**	**$ 204,511,602**	**$ (334,792)**	**$ 205,832,168**	**$ 1,320,566**	**0.65%**

Capital Projects Fund
2008 Projected Revenues

Fund 3211	2007 Projected Revenues	2007 Actual Revenues	Variance	2008 Projected Revenues	Projected $ Growth over 2007 Actual Rev	Projected % Growth over 2007 Actual Rev
Taxes	9,854,872	8,728,457	(1,126,415)	10,051,970	1,323,513	15.16%
Intergovernmental Revenue	11,540,899	8,626,150	(2,914,749)	1,282,322	(7,343,828)	-85.13%
Miscellaneous	3,956,339	3,997,928	41,589	1,366,892	(2,631,036)	-65.81%
Total	**$ 25,352,110**	**$ 21,352,535**	**$ (3,999,575)**	**$ 12,701,184**	**$ (8,651,351)**	**-40.52%**

Budget Calendar

Council Study Session ❑ 2007-2008 Financial Status Update through March 2008 ❑ Economic Status Update ❑ Budget Development Process Status ❑ Preliminary Economic & Revenue Forecast for 2009-2010 ❑ Preliminary Economic & Revenue Forecast for 2011-2014	April 29
Council Study Session ❑ Discuss Preliminary Capital Project Priorities for 2009-2010 ❑ Discuss Preliminary Operating Budget Priorities for 2009-2010	June 24

Budget Calendar

Council Study Session ❑ Review Implementation Plans for Strategic Plan	July TBD
Council Study Session ❑ 2007-2008 Financial Status Update through June 2008 ❑ Economic Status Update ❑ Updated Revenue Forecast for 2009-2010	July 29
Council Study Session ❑ Establish Capital Project Priorities for 2009-2010 ❑ Establish Operating Budget Priorities for 2009-2010	Aug 5

Budget Calendar

Council Study Session ❑ 2007-2008 Financial Status Update through Sept. 2008 ❑ Economic Status Update ❑ Final Revenue Projections for 2009-2010 ❑ Budget Development Process Status Update	Oct. 28
City Manager Proposed Budget Submitted to Council ❑ General Gov't ❑ TPU	Oct. 31
Council Study Session ❑ 2009-2010 Proposed Budget	Nov 4

Budget Calendar

Budget Workshops	Nov-Dec TBD
Property Tax Public Hearing	Nov 4
First Reading of Property Tax Ordinance	Nov 18
First Reading of Property Tax Ordinance	Nov 25
Budget Public Hearings	Nov 18, Nov 25, Dec 2
First Reading of 2009-2010 Budget Ordinance	Dec 2
Second Reading of 2009-2010 Budget Ordinance	Dec 9