



# **2003 Third Quarter Financial Report**

Prepared by the Finance Department

*For*

*Fiscal Year January 1, 2003 – December 31, 2003*

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## EXECUTIVE SUMMARY

### **General Fund**

Revenue totaling \$15,823,728 through the first nine months of the year was \$30,814 or 0.2% above projected revenue of \$15,792,914. Collections exceeded projections in all categories except gambling taxes, grants and miscellaneous revenue, which includes investment earnings. Interest rates continue to be lower than originally anticipated. Property tax collections are ahead of projections by 1.3%, sales taxes are up by 1.8%, criminal justice sales tax collections are above projections by 1.1%, state distributed revenues are up by 8.0%, utility tax and franchise fees are ahead by 0.1% and parks and recreation fees are above projections by 8.6%.

Actual 2003 expenditures through September were \$16,403,958, \$1,321,366 or 7.5 % below projected expenditures of \$17,725,324. Most departments are spending below projected levels. Savings in salaries have occurred in Planning & Development Services due to vacant positions. The City is continuing to see significant savings in the jail contract.

### **Development Services Fund**

Development Services Fund revenues of \$1,391,326 are ahead of projections by \$43,565 or 3.2%. Plan check fees and land use fees/permits activity is up when compared to 2002. Land use/SEPA reviews are up by nearly 29% and building permit/plan check reviews by 19% over 2002 activity levels.

Expenditures of \$1,277,333 are behind projections of \$1,384,295 by \$106,972 or 7.7%. A planner position has been held vacant during this period of slower development activity.

### **Street Fund**

Street Fund revenue through September of \$1,960,489 was ahead of projections of \$1,953,469 by \$7,020. This includes vehicle license fee revenue that was received early in the year as a result of collections made late in 2002.

Street Fund expenditures of \$1,973,309 are behind projections of \$2,115,908 by \$142,599 or 6.7%. Salary and benefit savings are being experienced due to staff vacancies.

### **Surface Water Management Fund**

Revenues in the Surface Water Management Fund are behind projections by 1.0%. Revenues totaled \$1,416,245, which is \$11,593 less than projected revenues of \$1,404,652. Storm drainage fees are ahead of projections by 1% and investment earnings remain down.

Expenditures of \$1,836,896 are under projections of \$1,951,298 by \$114,402 or 6%.

### **Capital Funds**

In the General Capital Fund, the major sources of revenue are a contribution from the General Fund, real estate excise tax and investment earnings. Funding from the General Fund is on target and real estate excise tax collections are ahead of projections

by \$139,570. Investment earnings are down by \$9,776. Expenditures are under projections by \$293,041.

In the Roads Capital Fund, major revenue sources are also Contributions from the General Fund and Arterial Street Fund (fuel tax), real estate excise tax, grants and investment earnings. Real estate excise taxes are ahead of projections by \$139,569, but investment earnings are below projections by \$53,280. Expenditures are running behind projections by \$2,013,202.

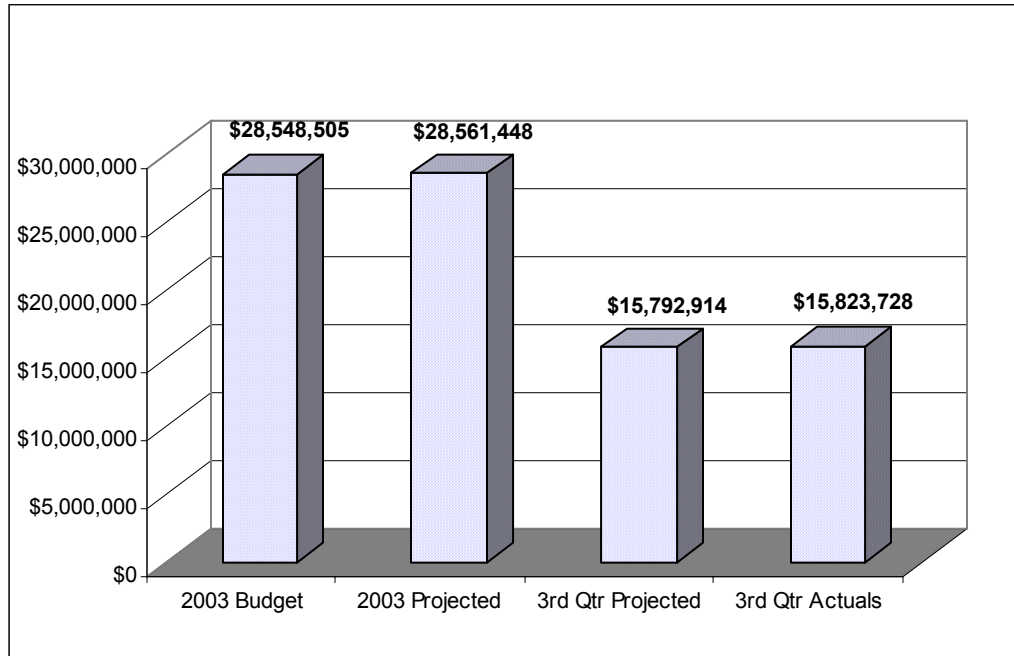
In the Surface Water Capital Fund, the major revenue sources are storm drainage fees and loans from the State Public Works Trust Fund. Through September, revenues are behind projections by \$4,390 or 1%. Expenditures are behind projections by \$504,389.

### **Summary of Key Operating Funds**

The following table provides a summary of the financial results for the key City operating funds for first half of 2003.

Fund	2003 Revenues				2003 Expenditures			
	Current Budget	3rd Qtr Projected	3rd Qtr Actual	3rd Qtr Variance	Current Budget	3rd Qtr Projected	3rd Qtr Actual	3rd Qtr Variance
General Fund	\$ 28,548,505	\$ 15,792,914	\$ 15,823,728	\$ 30,814	\$ 28,548,505	\$ 17,725,324	\$ 16,403,958	\$ (1,321,366)
Street Fund	3,008,731	1,953,469	1,960,489	7,020	3,008,731	2,115,908	1,973,309	(142,599)
Arterial Street Fund	358,905	261,464	261,752	288	358,905	269,179	264,035	(5,144)
Surface Water Fund	2,910,882	1,404,652	1,416,245	11,593	2,910,882	1,951,298	1,836,896	(114,402)
General Reserve Fund	167,370	125,528	125,528	-	-	-	-	-
Development Services Fund	1,859,545	1,347,761	1,391,326	43,565	1,859,545	1,384,295	1,277,323	(106,972)
Code Abatement Fund	100,000	375	502	127	100,000	35,468	22,091	(13,377)
Asset Seizure Fund	29,851	6,488	5,058	(1,430)	29,851	22,388	15,872	(6,516)
Public Arts Fund	40,465	-	-	-	-	-	-	-
General Capital Fund	4,605,595	483,574	613,417	129,843	2,689,698	852,659	559,618	(293,041)
Roads Capital Fund	9,887,738	1,137,045	1,347,994	210,949	9,887,738	3,739,155	1,725,953	(2,013,202)
Surface Water Capital Fund	1,913,214	840,186	835,796	(4,390)	1,646,830	898,826	394,437	(504,389)
Vehicle Operations Fund	55,000	41,848	41,633	(215)	55,000	21,988	31,913	9,925
Equipment Replacement Fund	324,473	290,062	288,937	(1,125)	148,111	52,854	36,073	(16,781)
Unemployment Fund	10,000	10,000	10,003	3	10,000	4,684	5,058	374
	<u>53,820,274</u>	<u>23,695,366</u>	<u>24,122,408</u>	<u>\$ 427,042</u>	<u>\$ 51,253,796</u>	<u>\$ 29,074,025</u>	<u>\$ 24,546,536</u>	<u>\$ (4,527,489)</u>

## General Fund Revenue



Third quarter 2003 actual revenue collections were \$15,823,728, \$30,814 or 0.2% above projections of \$15,792,914. Property taxes continue to be slightly ahead of projections by \$48,192 or 1.3%. Sales taxes are ahead of projections by \$62,805 or 1.8%. Criminal justice sales taxes are ahead of projections by \$8,464 or 1.1%.

Utility taxes and franchise fees as a whole are ahead of projections by only \$2,179 or 0.1%. Revenues from sanitation, cable television and telephone/cellular utility tax and the cable television franchise fees are all above projections. Sanitation utility tax revenues are ahead of projections by \$34,806 or 16.6%. Telephone/cellular utility tax payments are above projections by \$25,731 or 2.6%. Revenues from cable television utility tax and franchise fees are ahead of projections by \$6,731.

Natural gas utility tax and franchise fees for electricity and water are all below projections. Utility taxes from natural gas are below projections by \$12,221 or 3.2%. Puget Sound Energy increased its rates in early October, so we expect this category to level off during the fourth quarter. Electricity franchise fee revenue is under projections by \$32,186 or 4.8%. Revenues from water franchise fees are below projections by \$20,682 or 9.2%.

Gambling taxes of \$1,332,728 continue to be behind projections by \$154,343 or 10.4%. Revenues are behind last year's collections of \$1,409,466 for the same period.

Revenues distributed by the State totaled \$642,612 through the third quarter. Actual collections are ahead of projections by \$47,800 or 8%. Revenues from liquor board profits are ahead of projections by \$51,498. Criminal justice program support revenue is down slightly from expected levels.

Through the third quarter, parks and recreation revenue is ahead of projections by \$47,118 or 8.6%. Aquatic program revenue is \$25,595 ahead of projections. Rentals are ahead of projections by \$22,270.

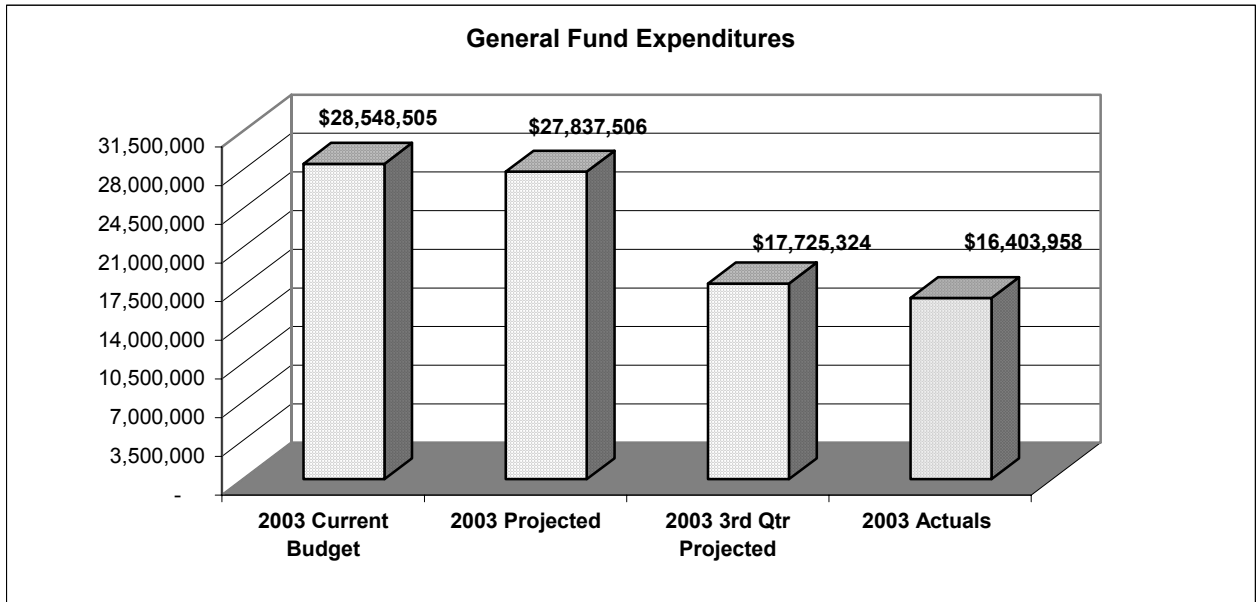
Fines and forfeitures through September exceed projections by \$48,826 or 72.9%.

Revenues from grants and other miscellaneous revenues are behind revised projections by \$80,228. Investment earnings are still down, behind projections by \$104,434.

The chart below details each revenue category for third quarter of 2003. The first column is the 2003 revenue budget. The second column represents the revised projection, if applicable, for each category. The third column displays the projected revenue through the third quarter. The fourth column displays the actual revenues through the third quarter. The fifth column shows the variance between third quarter projections and actual collections. The sixth column displays the variance in percentage terms and the last column reflects that revenue source as a percent of General Fund revenues.

	2003 Budget	2003 Projected	3rd Qtr Projected	3rd Qtr Actuals	Variance Actuals v. Projected	% Variance
<b>Budgeted Fund Balance</b>	4,095,564	4,095,564	-	-	-	0.0%
<b>Property Tax</b>	6,567,756	6,571,443	3,570,141	3,618,333	48,192	1.3%
<b>Sales Tax</b>	5,278,565	5,278,565	3,571,310	3,634,115	62,805	1.8%
<b>Criminal Justice Sale Tax</b>	1,000,000	1,000,000	744,929	753,393	8,464	1.1%
<b><i>Utility Tax/Franchise Fee Category</i></b>					-	0.0%
<b>Natural Gas Utility Tax</b>	581,685	581,685	381,120	368,899	(12,221)	-3.2%
<b>Sanitation Utility Tax</b>	295,000	295,000	210,237	245,043	34,806	16.6%
<b>Cable TV Utility Tax</b>	80,000	80,000	49,767	51,330	1,563	3.1%
<b>Telephone/Cell Utility Tax</b>	1,320,000	1,320,000	983,413	1,009,144	25,731	2.6%
<b>Electricity Franchise Fee</b>	1,025,000	1,025,000	676,500	644,314	(32,186)	-4.8%
<b>Water Franchise Fee</b>	450,325	450,325	225,163	204,481	(20,682)	-9.2%
<b>Sewer Franchise Fee</b>	550,000	550,000	412,500	412,500	-	0.0%
<b>Cable TV Franchise Fee</b>	400,000	400,000	200,000	205,168	5,168	2.6%
<b><i>Utility Tax/Franchise Fee Subtotal</i></b>	4,702,010	4,702,010	3,138,700	3,140,879	2,179	0.1%
<b>Gambling Tax</b>	2,500,000	2,500,000	1,487,071	1,332,728	(154,343)	-10.4%
<b>State Revenue</b>	740,350	737,933	594,812	642,612	47,800	8.0%
<b>Parks &amp; Recreation Revenue</b>	647,987	668,303	546,974	594,092	47,118	8.6%
<b>Fines &amp; Forfeitures</b>	101,000	101,000	66,947	115,773	48,826	72.9%
<b>Grants &amp; Misc. Revenue</b>	754,377	745,734	451,358	371,130	(80,228)	-17.8%
<b>Transfers-In</b>	2,160,896	2,160,896	1,620,672	1,620,673	1	0.0%
<b>Total General Fund Revenue</b>	28,548,505	28,561,448	15,792,914	15,823,728	30,814	0.2%

## General Fund Expenditures



Projected expenditures of \$27,837,506 for 2003 are \$710,999 less than the current 2003 budget. The revised projection assumes that the Operational Contingency, Insurance Reserve and PERS Contingency budgeted in Citywide Services will not be spent during the remainder of the year. These contingencies total \$588,321. The remaining reduction of \$122,678 is based on departmental expenditure projections that were completed during the development of the 2004 proposed budget.

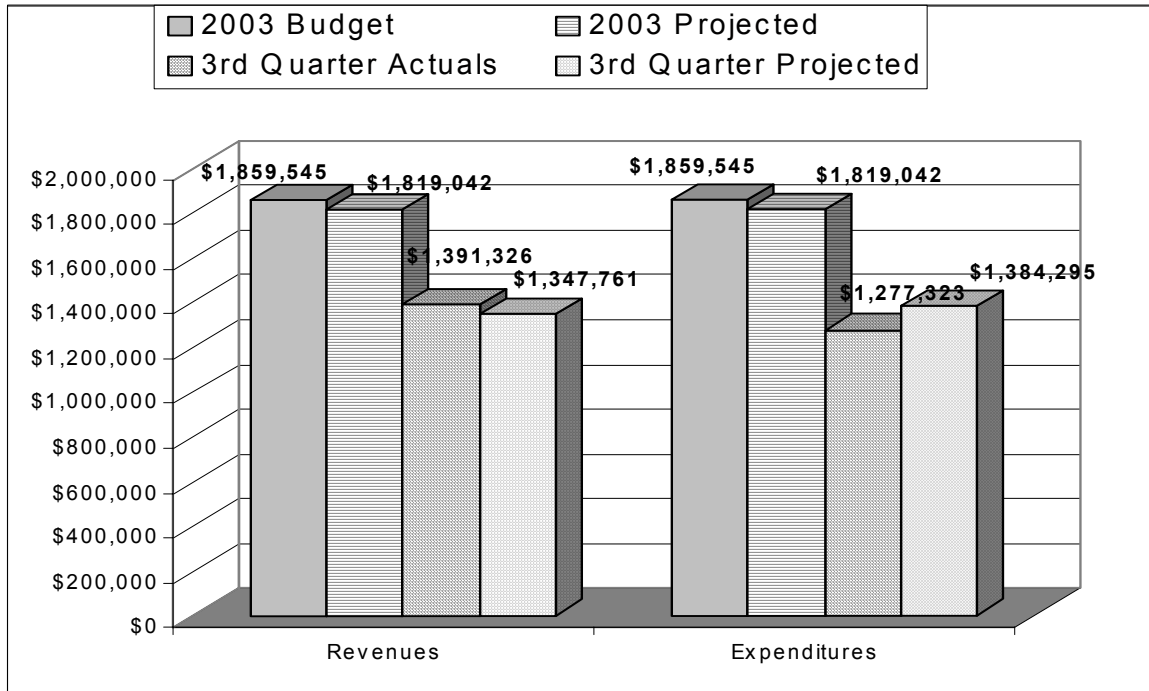
General Fund expenditures during the third quarter of 2003 were \$16,403,958, under projected expenditures of \$17,725,324 by \$1,321,366 or 7.5%. Expenditures to date represent about 59% of the projected expenditures for the year. Planning and Development Services expenditures are under projections by \$394,847 or 37.5%. The department has had some vacant positions during the year and some major projects are still underway. Police expenditures are below projections by \$339,263 or 7.3%. This is mostly due to savings in canine services and vacancies. We have also seen savings in contracted jail services. Jail contract expenditures are below projections by \$188,063 or 31.1%. We have seen a reduction in the number of bed days and we are also realizing savings due to usage of the Yakima County Jail. Finance department expenditures are also below projections by \$132,040 or 6.7%. This is primarily a result of under-expenditure within the Technology Plan. Although various technology projects are underway, it is likely that planned 2003 expenditures will be carried forward into 2004.



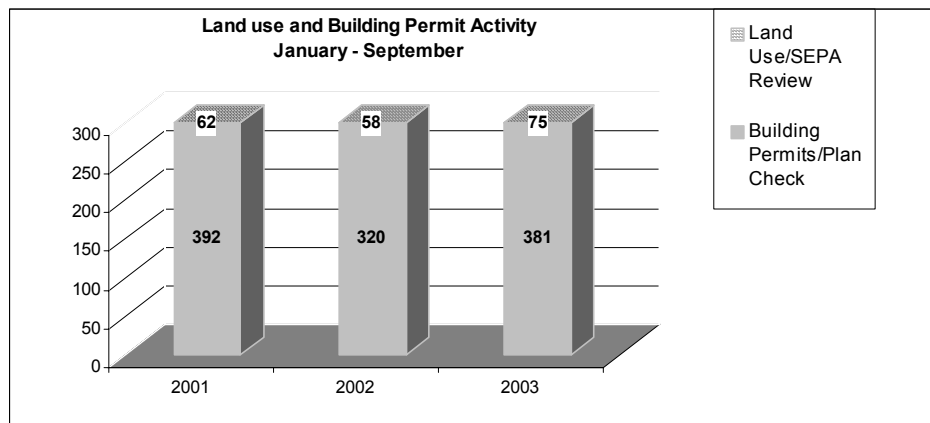
The chart below depicts the status of the General Fund departments through the third quarter of 2003.

Department	2003 Current Budget	2003 Projected	2003 3rd Qtr Projected	2003 Actuals	\$\$ Variance Projected v. Actuals	% Variance
City Council	137,931	137,931	99,791	102,379	2,588	2.6%
City Manager	704,288	688,288	493,726	507,211	13,485	2.7%
City Clerk	346,091	334,682	237,942	225,183	(12,759)	-5.4%
Communications & InterGovt F	488,861	470,042	321,777	316,042	(5,735)	-1.8%
City Attorney	324,942	271,876	207,088	149,783	(57,305)	-27.7%
Human Services	475,043	456,946	319,862	257,382	(62,480)	-19.5%
Finance	2,871,592	2,870,445	1,964,152	1,832,112	(132,040)	-6.7%
Citywide	1,170,018	577,557	490,923	470,009	(20,914)	-4.3%
Human Resources	346,818	346,818	258,578	219,950	(38,628)	-14.9%
Jail Contract	905,501	905,501	604,150	416,087	(188,063)	-31.1%
District Court	5,000	5,000	-	-	-	0.0%
Prosecuting Attorney	110,000	110,000	73,376	70,000	(3,376)	-4.6%
Public Defense	146,208	146,208	97,823	87,040	(10,783)	-11.0%
Domestic Violence	38,774	38,774	29,081	27,591	(1,490)	-5.1%
Police	7,099,385	7,099,385	4,625,920	4,286,657	(339,263)	-7.3%
Parks	2,771,031	2,771,031	1,929,874	1,980,740	50,866	2.6%
Economic Development	156,957	156,957	117,718	126,557	8,839	7.5%
PADS	1,326,594	1,326,594	1,051,733	656,886	(394,847)	-37.5%
Customer Services	398,392	398,392	290,591	287,688	(2,903)	-1.0%
Public Works	1,808,149	1,808,149	1,232,777	1,106,219	(126,558)	-10.3%
Department Totals	21,631,575	20,920,576	14,446,882	13,125,516	(1,321,366)	-9.1%
General Transfers Out	6,916,930	6,916,930	3,278,442	3,278,442	-	0.0%
Total General Fund	28,548,505	27,837,506	17,725,324	16,403,958	(1,321,366)	-7.5%

## Development Services Fund

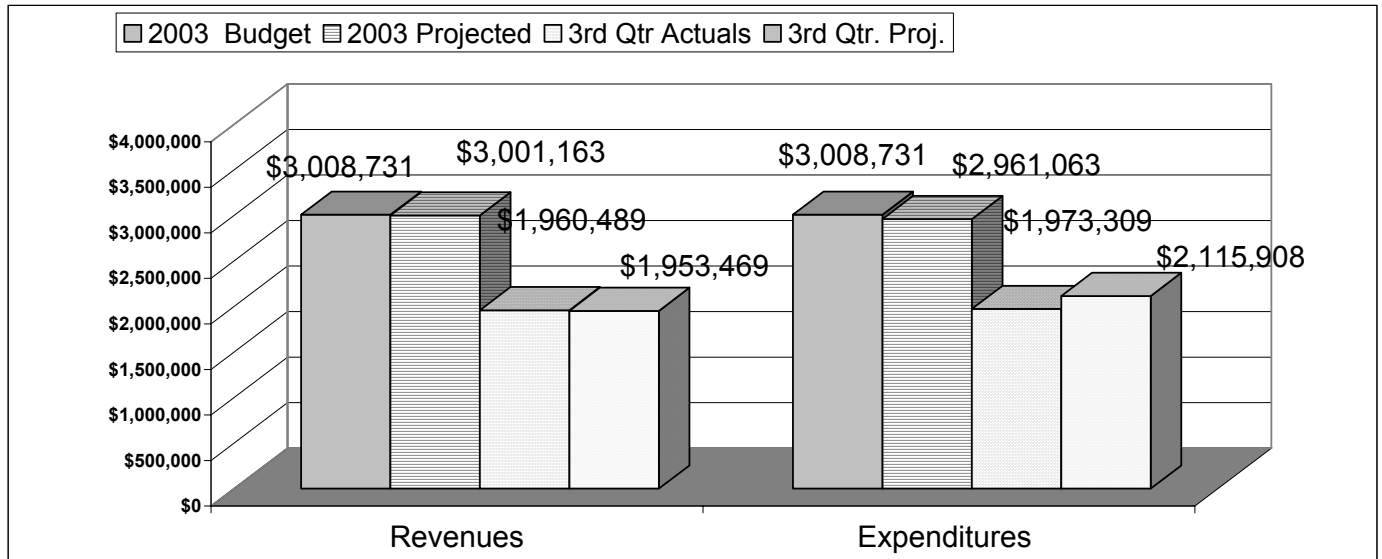


Revenue projections have been lowered from a budget of \$1,859,545 by \$40,503 to \$1,819,042. Revenue projections have been reduced slightly to reflect a lower use of fund balance. The current budgeted use of fund balance is \$105,075. We are now projecting to only use \$58,370. Projected permit revenues have been increased by \$6,202. Through September, Development Services Fund revenues of \$1,391,326 are ahead of projections of \$1,347,761 by \$43,565 or 3.2%. All permit categories are ahead of projections. Year-to-date activity is ahead of the same period in 2002. When compared with 2002, land use/SEPA review activity is up by 29%. Building permits and plan checks are up by 19%. This is the second quarter that we have seen permit revenues above projections and activity above the prior year.



Projected expenditures have been reduced from the current budget of \$1,859,545 by \$40,503 to \$1,819,042. One vacant position is being held open during this period of slower development. Through September, expenditures of \$1,277,323 are behind projections of \$1,384,295 by \$106,972 or 7.7%.

## Street Fund

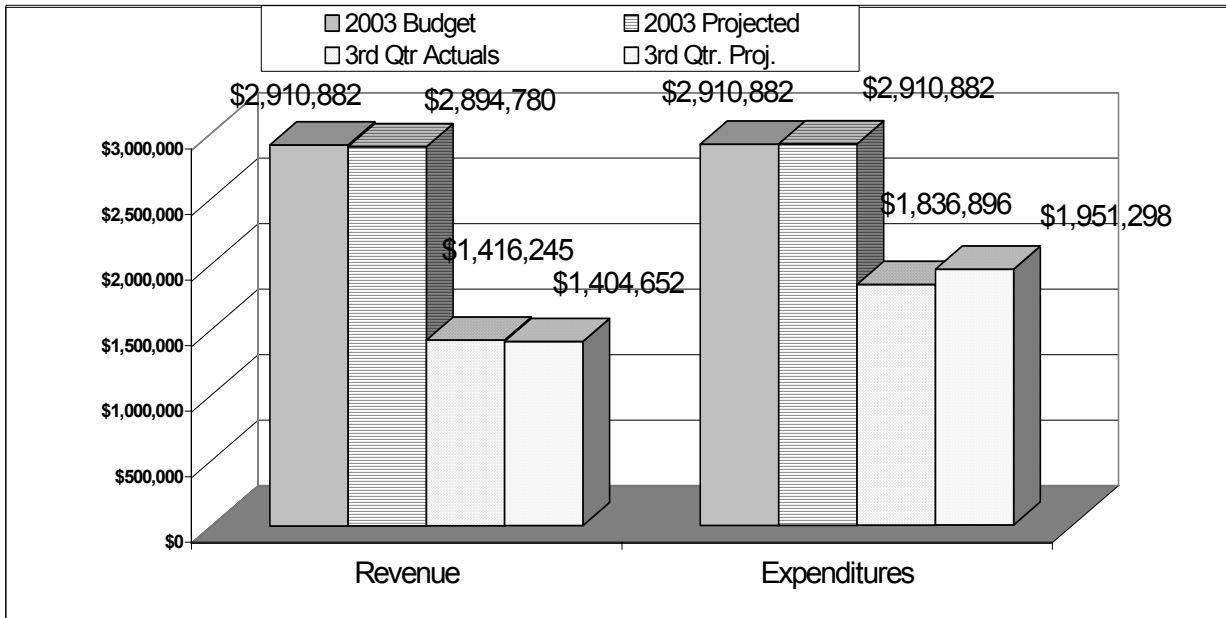


Revenue projections in this fund have been reduced slightly from the budget of \$3,008,731 by \$7,568 to \$3,001,163. This change is only 0.25% of the current revenue budget. Slight increases and decreases have been made in several categories.

Street Fund revenue through the third quarter of \$1,960,489 is ahead of projections of \$1,953,469 by \$7,020, about 1.1%. This includes vehicle license fee revenue that was received early in the year as a result of collections made late in 2002. Investment interest is still behind projections by \$1,525.

Street Fund expenditures of \$1,973,309 are behind projections of \$2,115,908 by \$142,559 or 6.7%. There have been vacant positions in this fund that account for some of the under-expenditure.

## Surface Water Management Fund



Revenue projections have been revised downward from a budget of \$2,910,882 to \$2,894,780, a change of by \$16,102 or 0.55%. Investment earnings have been lowered from \$45,000 to \$28,898. Revenues through September of \$1,416,245 are ahead of projections of \$1,404,652 by \$11,593 or 1%. Storm drainage fees are ahead of projections by \$15,951. Investment earnings are behind projections by \$4,358.

Expenditures totaling \$1,836,896 are behind projections of \$1,951,298 by \$114,402 or 6%. There have been some vacant positions during the year that have resulted in salary and benefit savings. Some contract service billings are also behind schedule. We anticipate that the expenditures will level off by the end of the year.