

March 2006



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General Fund Status

The General fund's cash balance the end of this quarter is only: \$741,927 versus \$1,210,853 last year for the same time period. This is the lowest our balance has been in several years. Our total collections for General fund year to

date are \$4,345,594 versus this time last year at \$4,390,778. Whereas the expenditures to date are \$3,603,667 versus \$3,179,926 last year for the end of the first quarter.

We have been going through a robust period, as we dive into the detail of our revenue stream we are starting to see a slight decrease from a year ago. We will discuss it further as we get into the discussions of the individual revenue streams.

GENERAL FUND DEPARTMENTS BUDGET UPDATE

DEPARTMENT	BUDGET 2006	2006 Y-T-D SPENT	2006 % USED	2005 Y-T-D SPENT	2005 % USED
Legislative/ Council	\$122,626	\$30,941	25.2	\$26,718	22.5
Executive/Mayor	221,118	55,727	25.2	52,257	24.1
Finance/ Administrative Services	1,681,722	645,221	38.8	575,730	37.5
General/Personnel	279,917	66,633	23.8	58,567	22.1
Legal	239,849	59,057	24.6	52,023	23.9
Police	3,545,596	958,157	27.0	802,105	24.9
Fire	2,825,954	666,681	23.6	621,693	24.8
Parks & Recreation	1,020,120	192,992	18.9	169,506	19.7
Planning & Facilities	1,487,990	328,177	22.1	253,392	17.8
Development Services	1,201,786	269,223	22.4	246,097	22.1
Public Works:					
- Engineering	176,124	34,142	19.4	32,899	19.4
- Street	1,190,165	258,649	21.7	228,811	22.5
TOTAL	\$13,993,017	\$3,565,601	24.4	\$3,119,798	24.64

The above table does not include ending fund balance, contingency reserve, or operating transfers.

SPECIAL POINT OF INTEREST:

- Consumer Price Index (CPI) :
Seattle-Tacoma: 3.2%
- Unemployment rate:
4.8%

Property Tax

Property tax collections are slightly below what we would expect at this time of the year. Normally, at this time we would have over 2% reported and we are at 1.8%



For further discussion on Property tax please turn to page 6.

<u>2006</u>	<u>2005</u>
\$41,467	\$55,641

Retail Sales & Use Tax

The city's portion of the Sales & Use Tax is \$36,068 below from a year ago at this time. Last year at this time we had collected \$1,025,119 and at the end of this quarter our collections are at \$989,051.

The decrease is from "one-time" sales tax transactions; construction. Our "on-going" tax base is stable, so that is good news. The concern is there is nothing to fill the hole

as the construction is completed. If additional retail from our current inventory does not arrive we have a large deficit in this tax stream to deal with in the future. For now we are ok, but the fact that every month in this first quarter is less than a year ago, is not a good sign, so we will monitor this revenue and the City's B&O tax revenue to watch for the sign of construction slowing.

Local Business and Occupation Tax

The City's Business & Occupation tax is charged to all businesses that do business within the city.

Whether or not they are located here. The rate is 1/10 of 1% on the gross receipts and if you are engaged in the business of rendering any type of service the rate is 2/10 of 1%.

We watch this revenue stream with the same amount of vigilance as we do the sales tax because of its economic volatility.

Collections are ahead of last year during the same time period. 2005's first quarter brought \$378,157 and this year's first quarter's collections are: \$381,214.

But as with *Sales & Use* tax the major portion of the increase is from a "one-time" source: construction.

We have been watching very diligently activity related to the B&O during the legislative session. We expected the business industry to advocate several changes. It looks like at

this point, there will be no additional negative legislation. Although, we are still dealing with the apportionment bill from 2004, affective 2008.

The Department of Revenue was required to do a survey of our business on the apportionment issue, and a sufficient number of our businesses did respond enough that they were able to determine that when apportionment takes affect it will impact us with a minimum of \$150,000 annually.

Development Fees

Development Fees include building permits, plan-checks, street plan check/inspections and water/sewer/storm plan checks.

Year	Y-T-D
2000	\$93,903
2001	154,242
2002	103,343
2003	169,902
2004	277,604
2005	289,642
2006	202,875

This grouping is significantly behind the collections from a year ago.



The overall budget in this grouping is at 28% of budget. Although, *plan-check fees* are nearly double what they

TYPE	2006	2005
Building Permits	\$80,340	\$138,126
Plan-Checks	99,035	51,731
Miscellaneous	23,500	99,785
Total	\$202,875	\$289,642

were a year ago, and that is a good sign. We need to be aware of this, as this could translate into the end of the construction environment, which would mean we are nearing our financial hurdles.

Utility Taxes



The City of Tumwater imposes a utility tax on telephones, telegraph, electrical energy, natural gas, brokered natural gas, solid waste, water, sanitary sewerage, and storm drainage at the rate of 6 percent.

Council policy direction is that one-half (3%) is to be for the support of general fund and the other half is for the capital improvement fund. This reporting is for the entire amount collected.

This category of tax receipts is right at

the 25% mark for budget projections. This was a revenue we were very concerned about

Year	Y-T-D
2000	530,375
2001	593,697
2002	542,939
2003	519,120
2004	513,144
2005	548,803
2006	610,540

when the Brewery closed, but with the current construction activity the revenue has been doing well. Not only do we have additional inven-

tory, we have had rate increases.



General Fund Contingency Reserve Status

After the dust settled with the final budget of 2006 the Council contingency reserve started with \$46,736, which is below the Council policy of \$100,000. The tight budget environment did not allow for more. The adjustments for this quarter have been: \$20,000 Littlerock Rd. Subarea Plan; \$1,500 Chamber Way signs; \$6,750 Police Retro pay; \$9,000 temporary in Court, and \$6,475 Project Access, leaving \$3,011.

Hotel-Lodging Tax Status

The sole source of revenue for this program that supports the core "Historical Activities" and "Tourism Activities" is the Hotel/Motel tax. This is a 4% tax on the cost of renting a room in a Hotel or Motel within the city.

Year	Y-T-D
2000	25,640
2001	22,351
2002	30,450
2003	33,833
2004	35,047
2005	39,966
2006	45,499

The first 2% is derived by taking 2% of the state's 6.5% sales tax and rebating it back to the community for local programs to promote tourism and the additional 2%, that was authorized in 1998, is to be used solely

for paying for tourist promotion, acquisition and/or maintenance of tourism-related facilities.

We are still in the situation that the outflows (expenses) are more than the inflows (revenues) of the historical program.

The operating expense year to date for the historical program is: \$31,819 whereas the revenue to support the program is: \$25,423.

But, there is good news on the fund balance for this quarter is \$173,905 and last year at this time it was \$162,198.

This is a good trend toward the \$250,000 policy.

This fund also has requirements for donations to support the main program. The donation budget is now down to \$4,500 and in the first quarter of this year 19% of that has been collected.

There has been some additional changes of usage that will apply to this fund from the Attorney General's office, that we will be dealing with in the future.



R.E.E.T Collections

Other than utility tax, real estate excise tax (R.E.E.T) is the other major funding source for the Capital Improvement Fund.

This tax is levied on all sales of real estate at the rate one-half percent.

The active real estate market shows in this revenue. The overall sales are high and that includes new inventory and re-sales.

Year	Y-T-D
2000	81,521
2001	33,887
2002	47,220
2003	65,997
2004	188,857
2005	230,467
2006	237,947

Tumwater Valley Golf Course

The Tumwater Valley Golf Course has been a member of the city family for 9 years now. We acquired the course in May of 1996. Since that time we have spent considerable time and money in getting the course up

to "par". Both the Course and the Equipment were in bad disrepair. It was allowed to degrade considerable over the years. In fact, the equipment was fully depleted along with the carts, so new carts and golf course equipment was purchased.

There is a table provided indicating the revenues and expenses for year to date from 2001 to current. As of this date the line of credit from the Sewer Fund is at \$415,244. Last year at this time it was at \$551,001, so we have made

significant headway. The current line of credit the Council approved is up to \$1,000,000. The revenues and costs are so very dependent upon the weather, that it is almost impossible to predict. The revenues are significantly down for the year; and the expenses are significantly up for the year. The Parks & Recreation quarterly report will address this further.

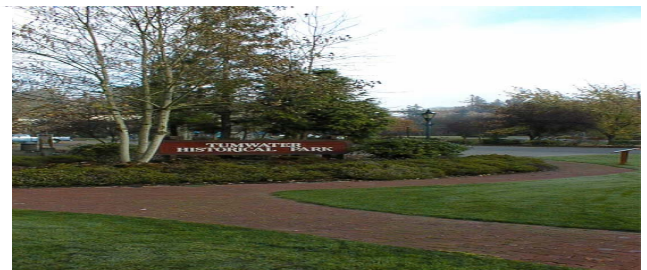
Type	2001	2002	2003	2004	2005	2006
Green Fees	\$59,206	\$41,878	\$46,574	\$49,556	\$76,221	\$45,343
Pro Shop	18,852	16,973	14,405	23,737	33,282	21,832
Cart Rental	1,664	5,513	7,177	9,114	12,532	7,117
Driving Range	11,447	7,290	8,684	12,888	14,381	8,178
Restaurant Lease	5,071	7,676	8,488	12,816	8,898	8,418
Miscellaneous	3,572	6,477	2,820	2,885	4,003	4,935
Total Revenues	\$99,812	\$85,807	\$88,148	\$110,996	\$149,317	\$95,823
Operations	\$96,345	\$81,352	\$63,352	\$95,703	\$83,649	\$110,986
Maintenance	63,819	76,521	86,235	88,457	60,194	92,028
Total Expenses	\$160,164	\$157,873	\$149,587	\$184,160	\$143,843	\$203,014
Debt	\$25,783	\$29,382	\$29,691	\$9,977	\$205,473	\$169,016

Cultural & Recreational Fees

The Parks & Recreation Department collect fees for various classes and sporting events.

The Finance Department tracks only the categories that are required by the accounting structure.

Everything seems to be on track and within a reasonable range from previous years, except for the Youth program, obviously far more activity there.



Type	2002	2003	2004	2005	2006
Ball Field User Fees	\$1,035	\$735	\$230	\$0	\$0
Historical Park User Fees	1,185	1,550	1,750	1,800	1,875
Recreation Fees	24,338	22,580	23,166	23,807	30,666
Recreation Youth Program				2,851	10,787
Total	\$26,558	\$24,865	\$26,146	\$28,458	\$43,328



Public Works

	Inflows		Outflows		Year-to-date Fund Balance
	2006	2005	2006	2005	
WATER	\$736,915	\$862,911	\$750,735	\$459,384	\$6,617,039
SEWER	1,152,807	1,377,290	1,210,809	1,055,537	6,066,206
STORM	228,456	224,276	226,661	167,243	2,089,372
TOTAL	\$2,118,178	\$2,464,477	\$2,188,205	\$1,682,164	\$14,772,620

Utility Funds

WATER

The Water Fund, has connection fees to date collected of \$125,360, whereas last year at this time that amount was \$288,960. We estimated the budget to have \$1,003,500 in this category, therefore we have collected 12.5% of that amount.

The water sales are historically where they should be even with the additional hook-ups from this past year at \$492,896. Last year at this time we had collected \$455,405.

Whereas, that is only 19% of the budget it is the time of year for less water consumption and we feel confident about our budget target being met.

Whereas, our construction portion of the budget has spent nearly 26% of the budget at \$333,172 and primarily on the project to complete improvements to the existing reservoirs that improves circulation of the water in the tanks.

SEWER

The city's portion of the sewer service collections for this fund are just slightly ahead at \$276,319 as last year's collections were \$251,396.

The connection fees this year though are only at \$60,772 (10.6% collected) versus \$172,434 this time last year.

Construction projects at this point and time are almost exclusively the

project to complete the 88th Avenue pump station. As \$182,598 out of the \$214,109 spent has been for that project.

STORM

Collections in the storm drain fund for monthly fees have a very small variable from year to year. This year to date collections are: \$195,752 (25.7% of budget) whereas last year's to date number was \$186,778.

\$685,000 in project funds are budgeted for this utility. As of this date only a very small amount, \$3,992, has been expended for preliminary engineering work.



Property Tax

Continued from page 2, the main reason that property tax is lower this quarter than last year's is the adjustment to the City's property tax receivable by the Department of Revenue. Qwest, filed an appeal on the assessed value of all their personal property. Since the Department of Revenue assesses all Utilities, the appeal was filed with the State, as in addition, it affected properties across the State. The State Attorney General's office defended the Department of Revenue, but the case did not rule in our favor. It was a huge ruling that refunded Qwest a large amount of

dollars. The affect to just Thurston County tax districts was \$740,270. But, because the City of Tumwater has very little Qwest property in the City our receivable for property tax was lowered by a total of: \$8,260. This amount was "netted" out of our distribution this month, as it is an adjustment from prior periods. Meaning it was for taxes paid in a previous tax year and refunded to Qwest. The only other change that will come, is our future total assessed value of *state assessed utilities* will be lowered by this contested amount.



Municipal Court

Under the direction of the Municipal Court Judge Tumwater Municipal Court hears misdemeanor and gross misdemeanor criminal cases including criminal traffic, all non-criminal traffic infractions, and parking tickets for violations occurring within the City limits.

This quarters activities are: 780 Infractions filed, along with 192 Criminal cases and 31 Driving while under the influence cases. We have had 1,212 proceedings in Court during this quarter.

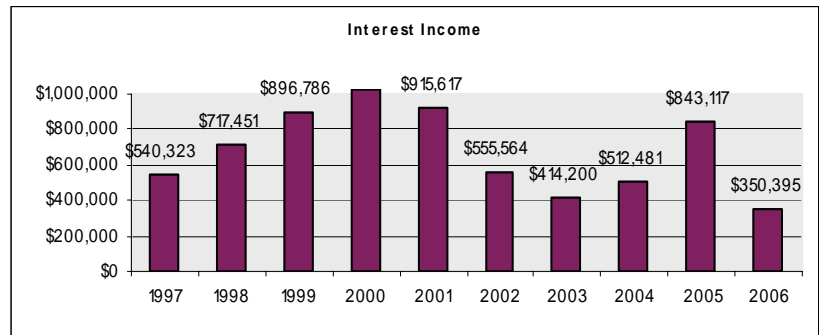
The Court also provides traffic diversion classes, for those qualifying defendants that will attend a 4-hour traffic class and have the infraction dismissed.

Year	Collections
2002	\$29,213
2003	51,608
2004	48,503
2005	\$45,614
2006	\$62,457

City-Wide Interest Income

The Federal Reserve continues to raise rates as speculation mounts as to when the increases will end. During this phase of the Market cycle, the short duration of the Local Government Investment Pool (LGIP) and Variable rate bonds will allow us to keep pace with increasing rates. The interest rates through the first quarter of 2006 has allowed us to have 49% of the \$714,750 budgeted for the year. It has been a long time since this revenue source was

something to talk about, because of the low, low interest rates. The chart provided shows how the interest income has gone up and down over the past nine years.



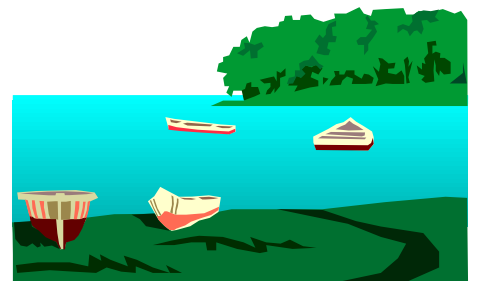
Barnes Lake Management District

This was the first year of the Lake Management District assessment billings. All 109 parcels were billed in January giving the property owners 30 days to pay their assessments.

The Annual assessments ranged from as low as \$77.00 to as high as \$240. The total assessment for the entire district was: \$17,305, the total paid as of the end of March, although, was \$14,504.

Out of the 109 parcels, we still have 20 parcels equaling: \$2,801, not paid.

Because it was the first year, we asked the vendor, that is doing the billing, to give a "one-time" reminder letter to the outstanding landowners. Thereby giving them another 30 days to pay, now those that have not paid will receive another billing reminder that has the late fee attached, per our Fee Resolution.



Departmental Issues

The **Financial Services** division of the Finance Department is knee deep in preparations of the city's annual financial report that is required by state law.

The deadline for the annual report is the end of May. It ultimately is what is the basis for the city audit, done by the Washington State Auditor's Office. This information is used for the statistical data base managed by the State Auditor's Office. This data base is used by all the State Agencies

and the State Legislature for all their research data on bills and various other financial related matters.

It not only requires a tremendous amount of staff time, but a lot of coordination between this department and several other departments of the city, because of one of the major components is the composite grant reporting.

Again this year, we will meet that deadline, but it does take a tremendous amount of staff resources.

But, most of the staff just continue their basic monthly duties, receipting monies, billing utilities, paying bills, doing payroll, tax reporting (to the state), tax reporting to us, and keeping up with business licensing. And now learning new software and doubling their work load. That in itself keeps my staff on their toes.

They are a great bunch and consistently amaze me with what they deal with on a regular basis.

Our **Information Technology** division continues to be whirling with activity. We are either repairing, replacing, or acquisitioning computers, printers, telephones, etc. And every day we have new, old and unique issues. We have significant projects going on, with major upgrades of systems and increased web activity.

The **Risk Management** portion of the Department has had average amount of activity this past quarter. We have had 17 incidents filed since the first of the year. We have had 4 claims filed, but only 2 were paid by the Washington Cities Insurance Authority.

We still have 8 active claims from the prior year, that may or may not become lawsuits. Sometimes if the claim's process is lengthy it is because they have retained an Attorney and are planning on filing a suit.

The **City Clerk's Office** continues to provide excellent service in the maintenance of the city's television reader board and more importantly serving as the city's web page master.

The web page is used more and more. More of our citizens, on a daily basis, look to it for their information. Therefore, the page must be kept current. We have very good cooperation amongst all Departments to keep us updated on their goings on, so we can keep the web page and reader board timely.

Also, this division of the department continues to provide service to the Administration for the city council agenda preparation and dissemination. Lastly, but most importantly, the major project of records management that includes the city-wide imaging continues.

Special Project: A tremendous amount of time this past year has been spent on the conversion of our Software. We are still working on the financial system conversion, we have accomplished general ledger, that includes all expenses and revenue reporting and payroll at this time. We have been very successful, so far in the conversions. Fixed assets was next and went well. We also have the GASB 34 report writer now. We soon will have Capital Projects, a new component, that replaces a very inadequate "job costing" program. This links Finance with Public Works! We also have a Human Services module that links Payroll with General Services. The next phase along with Capital Projects is the budget module (I am excited!) Budget is now done all by hand. These modules have the ability to eliminate duplication of our efforts and streamline process.

Our city **2006 Budget** is out and we are very proud of the product. This year not just the **Budget At a Glance** is on the web page, we put the entire budget document on the web page. We are no longer produce as many documents and have therefore significantly cut the production costs.

We continue to work diligently to improve the product every year and we believe this year is one of the best ever. Believe it or not we are starting on the preliminary work for 2007, so if you have any suggestions, or want to provide feedback please let us know.