



# Finance Department Second Quarter Report

## Economic Summary



At the midpoint of the year, we are at a “tipping point”; attempting to look in to the future to see where we will stand. We are reporting revenues that are generally higher than our budget at the half-year mark, but factors that can affect the remainder of this year and 2009 have not appeared in hard numbers.

In order to get a good grasp on a trend, sales tax and B.& O. tax revenue for July and August are essential. Sales tax for July should become available by the middle of the week of July 21st, and that will be our first real indicator. B.& O. tax is due by the end of July, but payments continue to arrive through the second week of August. Because of the changes in the B.& O. tax law at the beginning of this year, and sales tax law that went into effect on July 1st, determining the impact of an *economic* trend will be more difficult. So far this year, sales tax data indicates that manufacturing, wholesale, and retail trade have increased over last year by an average of 6%, retail food sales up by 6%, construction remained flat, and although there are a number of smaller categories increasing or decreasing, no other major sectors have changed significantly. (Cumulative histories for 2006 through 2008 for B.& O. and sales tax are on page 3).

Real estate sales may be an ominous indicator of how the year will progress. July real estate excise tax (REET) revenue has been received, showing the first major change in our monthly income stream this year, receiving only 42.8% of what we received in July of 2007 (see chart on page 4).

Another new factor that will work in to this year’s projection is the recent annexation of the southwest quadrant of the city. We will begin to add revenue to the General Fund from

state entitlements for motor vehicle excise, liquor excise, liquor profits, and local criminal justice funding. Utility tax on power, natural gas, telephone, and solid waste will continue to increase as well.

Recent news regarding the housing industry is weighing on the minds of most people as they watch the news and follow the financial markets. Along with job losses throughout most areas of the country, the rising cost of fuel, the cost of goods and services in general, and a looming state budget deficit, people are becoming cautious in spending, which is what we may see in the next couple of months.

*Federal Reserve Chairman Bernanke, testifying before the Senate Banking Committee today (7/15), sounded another warning that rising prices for energy and food are elevating inflation risks. The situation, he said, poses "significant challenges" for Fed policymakers as they try to chart the best course for keeping the economy growing, while making sure inflation doesn't dangerously flare up. All the economy's problems, including slumping home values, which threaten to make people feel less wealthy and less inclined to spend in the months ahead, represent "significant downside risks" to economic growth. Over the rest of this year, the economy will grow "appreciably below its trend rate" mostly because of continued weakness in housing markets, high energy prices and tight credit conditions. Inflation has remained high and "seems likely to move temporarily higher in the near term," he warned. (Associated Press)*

As we move forward to the next six weeks, the economic condition of the city will be studied and changes recommended as needed.



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# General Fund Status

The General Fund ended the second quarter with a cash & investment balance of \$2,723,653, which is \$390,662 higher than the end of June last year.

Receipts for General Fund through June total \$7,742,148 or \$197,605 greater than mid-2007.

General Fund expenditures through June ended up at \$7,636,994 which is \$242,320 greater than the \$7,394,674 figure from 2007.

The increases in both revenues and expenditures are in line with the

growth of the budget as adopted for the year. The cash balance is higher than last year at this time, but as discussed on page one, *Economic Summary*, we look to the next two months to tell the story.

Look to the following pages for information on the major sources of revenue.



## GENERAL FUND DEPARTMENTS BUDGET UPDATE

Department	YTD-2008	% of Budget	YTD-2007	% of Budget
Legislative	\$ 64,845	52.93	\$ 63,775	53.93
Administration	128,033	49.76	120,343	49.57
Finance	1,033,799	53.66	1,051,417	56.22
Human Resources	153,043	48.51	141,572	46.61
Legal	139,078	50.95	131,340	51.28
Parks & Recreation	488,833	44.56	449,729	44.36
Police	1,837,454	49.39	1,772,196	49.90
Fire	1,550,964	46.25	1,439,732	45.99
Engineering	80,245	44.40	69,719	39.73
Planning & Facilities	756,184	45.36	741,845	47.79
Development Services	786,207	47.24	741,093	52.52
Street	553,781	43.68	608,704	52.44
Transfers	64,529	35.00	63,204	47.52
<b>TOTAL</b>	<b>\$ 7,636,994</b>	<b>47.60%</b>	<b>\$ 7,394,674</b>	<b>49.47%</b>

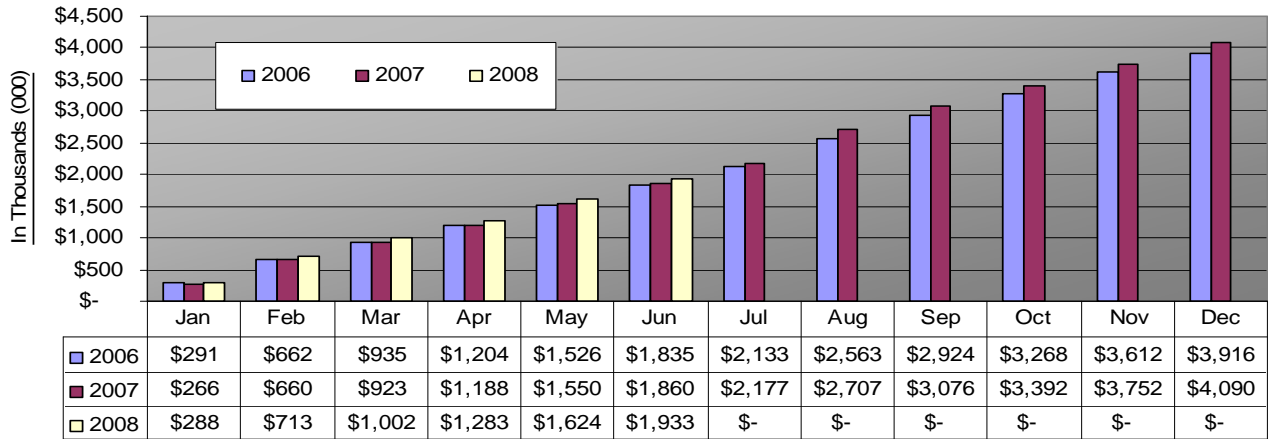


# Retail Sales & Use Tax

Sales tax revenue is still slightly higher than projected through the month of June, with a cumulative total of \$1,933,260, which is 1% more than budget at the mid-year mark, or \$37,107. The budget

for the year is \$3,792,305. The revenue received is always on a two-month delay, so this is sales tax on November 2007 through April 2008 transactions.

It's important to note that at the end of the first quarter we were \$53,471 ahead of the estimated budget amount, so we have lost a bit of ground in the last three months.



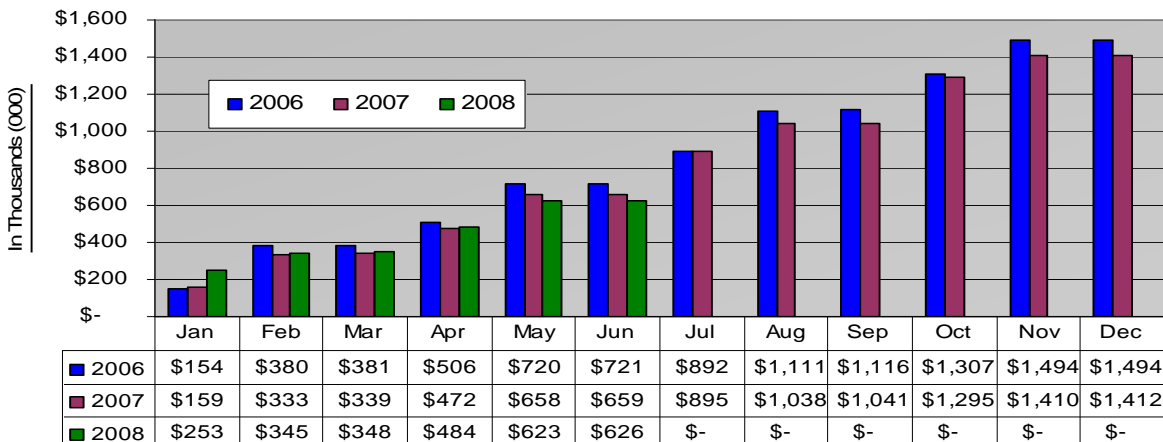
# Local Business & Occupation Tax

We have now received the first quarter of B.& O. tax under the new state law effective January 1st that changes the location of the city receiving revenue. It has changed to the city where tangible goods are delivered rather than the city from which items are sent. The

first quarter revenue was received during the months of April and May.

We're seeing the effect of this new law with revenue that is below the mid-year mark of last year. However, we have lowered the budget in anticipation and we are currently

at 52.20% of budget, or \$26,373 above budget for mid-year (the budget for the year is \$1,200,000). What's difficult to determine is whether the reduction is due solely to the change in the law or if the economic climate has caused part of the reduction.



# Property Tax



YTD - 2007	YTD - 2008
\$1,852,442	\$2,021,661

The first half of the year's property taxes were due on April 30th, and received on June 10th. We've received 52.66% of the \$3,839,166 budgeted for the year, with the excess of 50% attributed to taxes being paid in advance on home sales transactions and from payments of prior years' delinquent taxes.



# Real Estate Excise Tax



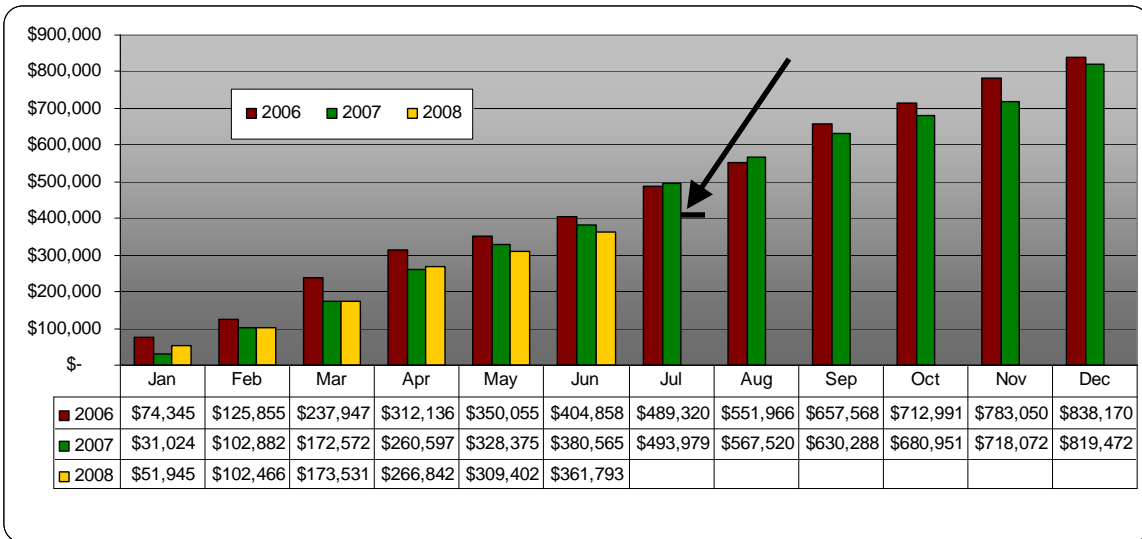
Real Estate Excise Tax is budgeted at \$750,000 in the Capital Improvement-Transportation Fund. This tax is levied on the all sales of real estate at the rate of one-half percent.

As of the end of the second quarter, we've received a cumulative

total of \$361,793, or 48.25% of budget, or \$13,207 short of the mid-year mark.

As noted on page one, *Economic Summary*, we are beginning to experience a drop-off in sales of homes that, up until May, had not reached the Tumwater market.

*(Note: Update from mid-year: July revenue has been received, and a significant reduction in revenue has been recorded. The arrow on the chart shows where the total of \$410,399 is situated in relation to prior years.)*



# 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%.

Half of the revenue received supports the General Fund, and the

other half the Capital Facilities Plan.

Rate changes in electric (up), natural gas (down), LOTT fees (up), and storm drain (up), have caused the variations from year to year. In total, for all utility tax imposed on services other than the city's own utilities, we are at 50.93% of our budget at mid-year, or \$11,616 ahead.

On city-operated utilities, we are at 49.08% of budget, with water lowering the overall picture as

we move in to the high-consumption period. Expect this to balance out to budget projections by the end of the year.

Utility	2007	2008
Electricity	\$ 614,661	\$ 651,380
Natural Gas	312,227	292,865
Solid Waste	55,444	56,624
Telephone	303,599	300,061
Water	66,566	66,900
Sewer	105,108	116,627
Storm	27,208	31,855
<b>TOTAL</b>	<b>\$ 1,484,813</b>	<b>\$ 1,516,312</b>

# Lodging Tax



The city receives a 4% tax on the cost of renting rooms in hotels and motels within the city. Half of this revenue funds the general operations of the city's historical activities, including the Henderson House Museum, and the other half funds tourism promotion by the city and other organizations during the course of the year.

Our budget was set at \$210,000

for the year, but as you can see, we are exceeding the budget by 7.32% at mid-year, and above last year at this time by \$6,367.

it's important to note that if we were to collect at the same rate in the second quarter as the first quarter we would be at 59.40% of budget, so we've lost a bit of ground this quarter.



Year	Budget	Year-to-Date	% of Budget
2007	\$199,000	\$114,005	57.29%
2008	\$210,000	\$120,372	57.32%



**CITY OF TUMWATER  
MONTHLY FINANCIAL SUMMARY  
REPORT FOR THE MONTH OF -**

June 2008

Fund	Revenue			Expenditures			Month-End Fund Cash Balance		
	2008 Budget	2007 Carryover	Previous Balance	Current Month Revenue	Total Revenue	2008 Budget		Previously Expended	This Period
Legislative Administration	\$122,512		\$64,412	\$122,512	\$64,412	\$122,512	\$64,412	\$6,433	\$64,845
Finance	\$257,158		\$106,800	\$257,158	\$106,800	\$257,158	\$106,800	\$21,233	\$128,033
General Services	\$1,936,042		\$923,586	\$1,936,042	\$923,586	\$1,936,042	\$923,586	\$110,213	\$1,033,799
Legal	\$315,516		\$26,539	\$315,516	\$26,539	\$315,516	\$26,539	\$163,043	\$163,043
Parks & Recreation	\$272,985		\$118,377	\$272,985	\$118,377	\$272,985	\$118,377	\$20,701	\$139,078
Police	\$1,097,420		\$403,579	\$1,097,420	\$403,579	\$1,097,420	\$403,579	\$85,254	\$488,833
Fire	\$3,724,295		\$1,537,254	\$3,724,295	\$1,537,254	\$3,724,295	\$1,537,254	\$300,200	\$1,837,454
Engineering	\$3,353,706		\$1,291,774	\$3,353,706	\$1,291,774	\$3,353,706	\$1,291,774	\$259,190	\$1,550,964
Planning & Facilities	\$180,746		\$69,045	\$180,746	\$69,045	\$180,746	\$69,045	\$11,200	\$80,245
Development Services	\$1,667,668		\$625,725	\$1,667,668	\$625,725	\$1,667,668	\$625,725	\$130,459	\$756,184
Street	\$1,664,118		\$651,277	\$1,664,118	\$651,277	\$1,664,118	\$651,277	\$134,930	\$786,207
Fund Equity	\$1,267,776		\$458,992	\$1,267,776	\$458,992	\$1,267,776	\$458,992	\$94,789	\$553,781
	\$1,453,595		\$56,770	\$1,453,595	\$56,770	\$1,453,595	\$56,770	\$7,859	\$64,529
<b>GENERAL FUND</b>	\$17,313,537	\$2,751,372	\$9,484,959	\$17,313,537	\$9,484,959	\$17,313,537	\$9,484,959	\$1,208,864	\$7,636,994
<b>Cumulative Reserve Fund</b>	\$480,000	\$437,179	\$456,522	\$1,167	\$457,690	\$480,000	\$520	\$0	\$520
<b>TOTAL GENERAL FUND</b>	\$17,793,537	\$3,188,551	\$9,941,481	\$1,008,729	\$10,951,209	\$17,793,537	\$6,428,650	\$1,208,864	\$7,637,514
E-Link & Fiber	\$34,693		\$58,732	\$34,693	\$58,732	\$34,693	\$0	\$0	\$0
Domestic Violence Advocacy	\$7,200	\$4,957	\$5,224	\$34	\$5,258	\$7,200	\$0	\$0	\$0
Drug Monies	\$4,855	\$849	\$2,042	\$2,042	\$4,855	\$4,855	\$0	\$0	\$0
K-9 Fund	\$6,100	\$8,382	\$8,508	\$22	\$8,530	\$6,100	\$378	\$388	\$766
Lodging Tax	\$386,200	\$184,307	\$291,738	\$17,144	\$308,882	\$386,200	\$93,925	\$23,209	\$117,134
Recreation Youth Programs	\$82,272	\$52,911	\$67,203	\$0	\$67,203	\$82,272	\$4,104	\$7,529	\$11,633
Park Board	\$26,750	\$10,853	\$35,853	\$0	\$35,853	\$26,750	\$10,417	\$6,057	\$16,474
Historical Commission	\$25,000	\$33,751	\$43,751	\$0	\$43,751	\$25,000	\$0	\$0	\$0
Development & Special Fees	\$7,700,000	\$7,028,825	\$64,250	\$64,250	\$7,640,335	\$7,700,000	\$102,201	\$4,489	\$106,689
<b>SPECIAL REVENUE FUNDS</b>	\$8,273,070	\$7,341,391	\$8,089,003	\$81,585	\$8,170,588	\$8,273,070	\$211,024	\$41,672	\$252,696
Capital Improvement-General Govt.	\$3,308,302	\$1,560,522	\$2,154,640	\$25,149	\$2,179,790	\$3,308,302	\$722,602	\$47,265	\$769,868
Capital Improvement-Street Const.	\$9,054,424	\$2,162,701	\$2,840,930	\$78,533	\$2,919,462	\$9,054,424	(\$13,553)	\$299,605	\$286,052
<b>CONSTRUCTION FUNDS</b>	\$12,362,726	\$3,723,223	\$4,995,570	\$103,682	\$5,099,232	\$12,362,726	\$709,050	\$346,870	\$1,055,920
Utility Bond Debt Service	\$475,260	\$0	\$42,628	\$42,628	\$42,628	\$475,260	\$0	\$0	\$0
Utility Bond Debt Reserve	\$478,006	\$478,006	\$478,006	\$0	\$478,006	\$478,006	\$0	\$42,628	\$42,628
G.O. Debt Service	\$678,493	\$220,344	\$407,622	\$36,284	\$443,907	\$678,493	\$44,770	\$69,505	\$114,275
<b>DEBT SERVICE FUNDS</b>	\$1,631,759	\$698,350	\$885,628	\$78,912	\$964,541	\$1,631,759	\$44,770	\$112,133	\$156,903
Water Fund	\$11,800,010	\$8,859,562	\$10,203,814	\$276,906	\$10,480,721	\$11,800,010	\$2,565,926	\$540,649	\$3,106,574
Sewer Fund	\$11,099,284	\$9,294,818	\$7,630,995	\$449,344	\$8,080,340	\$11,099,284	\$2,500,018	\$710,582	\$3,210,600
Storm Drain Fund	\$3,250,440	\$2,174,339	\$2,666,507	\$104,773	\$2,771,280	\$3,250,440	\$394,021	\$142,493	\$536,514
Barnes Lake Management District	\$33,500	\$22,702	\$41,230	\$1,209	\$42,439	\$33,500	\$203	\$91	\$293
Golf Course Operations	\$2,005,394	\$1,000	\$915,851	\$159,594	\$1,075,445	\$2,005,394	\$914,851	\$159,594	\$1,074,445
<b>ENTERPRISE FUNDS</b>	\$28,188,628	\$16,352,421	\$21,458,398	\$997,826	\$22,456,224	\$28,188,628	\$6,375,019	\$1,553,408	\$7,928,427
Fleet & Equipment	\$3,988,327	\$1,861,564	\$2,554,555	\$164,413	\$2,718,968	\$3,988,327	\$832,554	\$176,258	\$1,008,812
<b>INTERNAL SERVICE FUNDS</b>	\$3,988,327	\$1,861,564	\$2,554,555	\$164,413	\$2,718,968	\$3,988,327	\$832,554	\$176,258	\$1,008,812
Intergovernmental Deposits	\$0	\$444,759	\$905,158	\$108,231	\$1,013,389	\$0	\$402,205	\$123,838	\$526,043
Police Reserves	\$4,350	\$2,120	\$2,155	\$6	\$2,161	\$4,350	\$0	\$0	\$0
Christmas Program	\$21,624	\$16,592	\$17,115	\$44	\$17,159	\$21,624	\$35	\$0	\$35
Employee Flexible Benefits	\$50,000	\$14,270	\$29,938	\$3,134	\$33,071	\$50,000	\$14,582	\$3,625	\$18,207
<b>TRUST &amp; AGENCY FUNDS</b>	\$75,974	\$477,741	\$954,366	\$111,414	\$1,065,780	\$75,974	\$416,822	\$127,463	\$544,285
<b>GRAND TOTAL</b>	\$72,314,021	\$33,643,240	\$48,879,000	\$2,541,562	\$51,420,562	\$72,314,021	\$15,017,888	\$3,566,669	\$18,584,557
									\$32,836,004.87