



Finance Department Third 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 third quarter with a cash & investment balance of \$2,233,173, which is \$90,025 higher than the end of September last year.

Receipts for General Fund through September total \$11,096,008 or \$55,512 more than in September 2007.

General Fund expenditures through September ended up at \$11,614,207 which is \$531,733 greater than the \$11,082,474 figure from 2007.

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



GENERAL FUND DEPARTMENTS BUDGET UPDATE

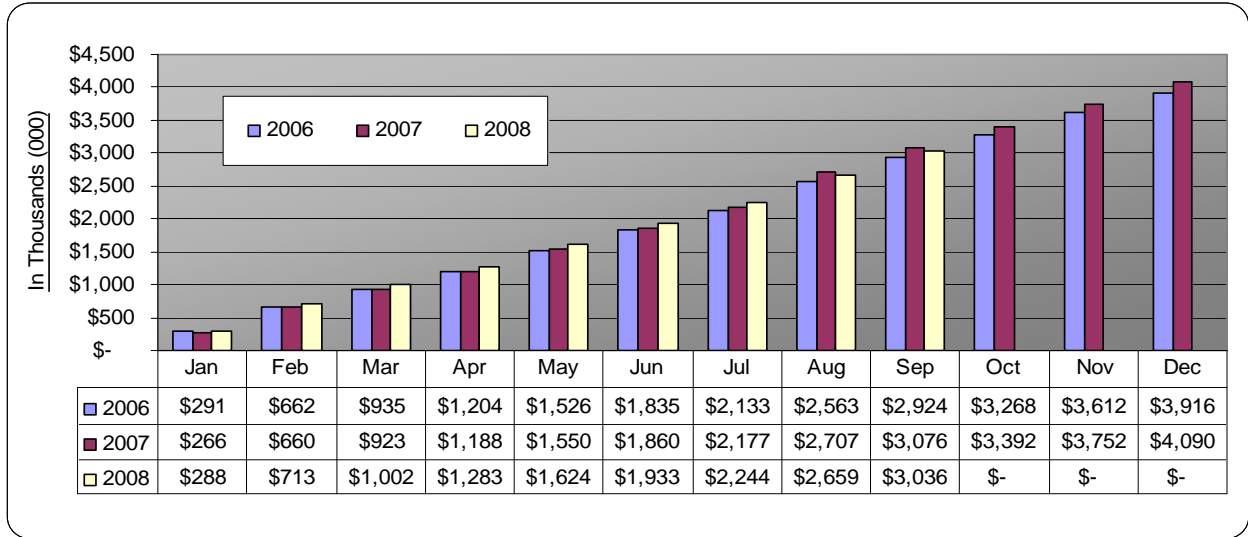
Department	YTD-2008	% of Budget	YTD-2007	% of Budget
Legislative	\$ 96,104	78.44	\$ 86,819	73.42
Administration	193,776	75.35	181,933	76.83
Finance	1,390,083	71.80	1,428,615	76.30
Human Resources	231,157	73.26	213,404	71.15
Legal	219,976	80.58	204,944	82.26
Parks & Recreation	781,242	71.19	714,552	70.48
Police	2,731,329	73.34	2,608,768	73.22
Fire	2,465,434	73.51	2,203,738	70.39
Engineering	117,632	65.08	103,496	58.98
Planning & Facilities	1,197,638	71.82	1,197,702	77.14
Development Services	1,170,164	70.32	1,129,098	88.48
Street	921,172	72.66	908,482	77.99
Transfers	98,500	53.47	100,926	73.50
TOTAL	\$ 11,614,207	72.39%	\$ 11,082,474	74.15%

Retail Sales & Use Tax

Sales tax revenue is still reporting higher than budget through the month of September, 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.



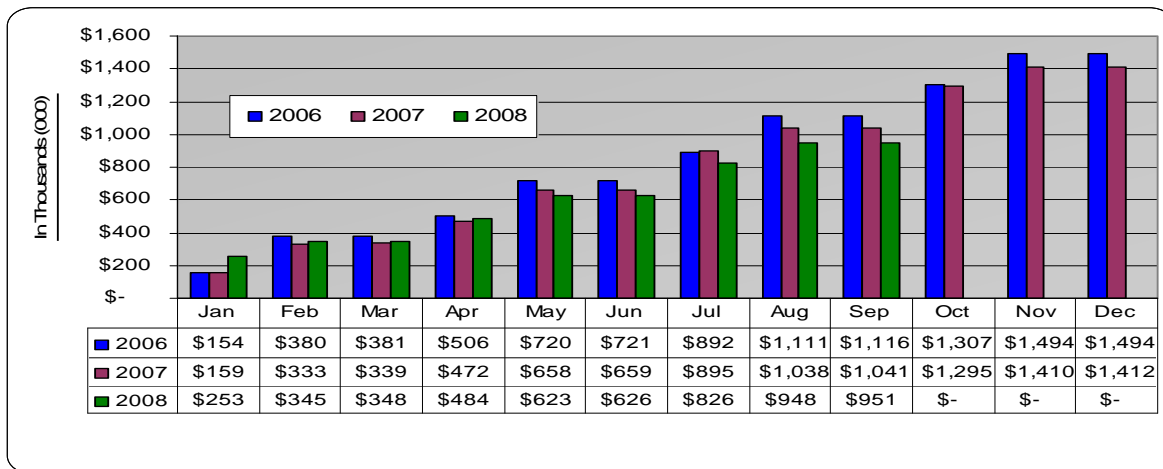
Local Business & Occupation Tax

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
\$1,947,529	\$2,213,407

The first half of the year's property taxes were due on April 30th, and received on June 10th. At the end of the third quarter we've received 57.65% of the \$3,839,166 budgeted for the year. The second half is due on October 30th and remitted to the city by the County Treasurer on November 10th.



Real Estate Excise Tax



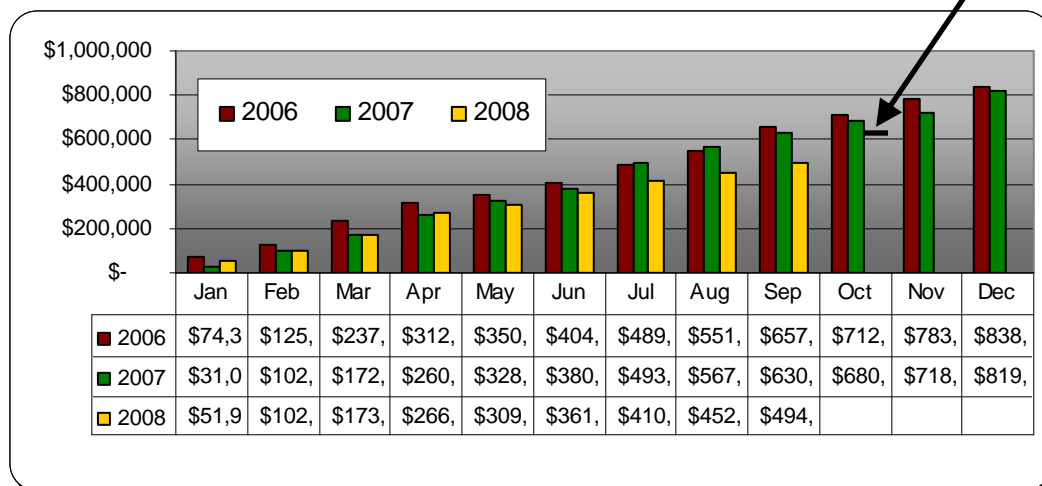
Real Estate Excise Tax is budgeted at \$750,000 in the Capital Improvement-Transportation Fund. This tax is levied on the all sales of real estate at the rate of one-half percent.

As of the end of the third quarter, we've received a cumulative total of \$494,189, or 65.89% of budget.

The sale of new and existing homes has dropped dramatically this year, and we expect to fall short of budget by 20%.

(October 10th update: October revenue has been received, showing a huge increase in sales. In fact, it's the largest monthly receipt so far this decade. Several commercial properties changed

hands in September that make up the majority of the \$133,047 received. The arrow on the chart shows where the October cumulative total of \$627,236 is situated in relation to prior years. Even with this unusual month, we expect that revenue for the year will be 8% to 10% below budget.)



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.

In total, for all utility tax imposed on services, we are at 78.78% of our budget at the end of the quarter, or \$110,936 ahead.

The increase can be attributed to the annexation in February and rate adjustments that were not included in the original budget.

Utility	2007	2008
Electricity	\$ 874,827	\$ 979,319
Natural Gas	413,403	423,620
Solid Waste	84,654	85,752
Telephone	417,595	463,327
Water	128,506	132,228
Sewer	161,250	179,406
Storm	41,109	47,186
TOTAL	\$ 2,121,344	\$ 2,310,838

Lodging Tax

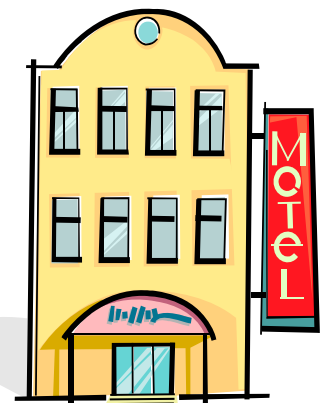


The city receives a 4% tax on the cost of renting rooms in hotels and motels within the city. Half of this revenue funds the general operations of the city's historical activities, including the Henderson House Museum, and the other half funds tourism promotion by the city and other organizations during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

Our budget was set at \$210,000

for the year, and we continue to receive revenue beyond our expectations, although the hospitality industry expects a decline in coming months. We expect to exceed the budget for the year by 10% to 15%, or by approximately \$20,000 to \$30,000.

Year	Budget	Year-to-Date	% of Budget
2007	\$199,000	\$190,982	95.97%
2008	\$210,000	\$187,643	89.35%



CITY OF TUMWATER
MONTHLY FINANCIAL SUMMARY
REPORT FOR THE MONTH OF - September 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	Total Expended	
Legislative	\$122,512					\$122,512	\$84,710	\$11,394	\$96,104	
Administration	\$257,158					\$257,158	\$171,865	\$21,911	\$193,776	
Finance	\$1,936,042					\$1,936,042	\$1,272,983	\$117,100	\$1,390,083	
General Services	\$315,516					\$315,516	\$201,733	\$29,423	\$231,157	
Legal	\$272,985					\$272,985	\$194,102	\$25,874	\$219,976	
Parks & Recreation	\$1,097,420					\$1,097,420	\$701,938	\$79,304	\$781,242	
Police	\$3,724,295					\$3,724,295	\$2,427,038	\$304,291	\$2,731,329	
Fire	\$3,353,706					\$3,353,706	\$2,206,327	\$259,107	\$2,465,434	
Engineering	\$180,746					\$180,746	\$105,594	\$12,038	\$117,632	
Planning & Facilities	\$1,667,668					\$1,667,668	\$1,051,176	\$146,462	\$1,197,638	
Development Services	\$1,664,118					\$1,664,118	\$1,044,423	\$125,741	\$1,170,164	
Street	\$1,267,776					\$1,267,776	\$792,996	\$128,175	\$921,172	
Fund Equity	\$1,453,595					\$1,453,595	\$88,004	\$10,496	\$98,500	
GENERAL FUND	\$17,313,537	\$2,751,372	\$13,013,902	\$833,479	\$13,847,380	\$17,313,537	\$10,342,889	\$1,271,318	\$11,614,207	\$2,233,173.58
Cumulative Reserve Fund	\$480,000	\$437,179	\$459,791	\$592	\$460,382	\$480,000	\$520	\$0	\$520	\$459,862.01
TOTAL GENERAL FUND	\$17,793,537	\$3,188,551	\$13,473,692	\$834,071	\$14,307,763	\$17,793,537	\$10,343,410	\$1,271,318	\$11,614,727	\$2,693,035.59
E-Link & Fiber	\$34,693	\$18,556	\$60,280	\$78	\$60,358	\$34,693	\$0	\$0	\$0	\$60,357.64
Domestic Violence Advocacy/Prevention	\$7,200	\$4,957	\$5,380	\$24	\$5,404	\$7,200	\$0	\$0	\$0	\$5,403.94
Drug Monies	\$4,855	\$849	\$7,462	\$0	\$7,462	\$4,855	\$790	\$0	\$790	\$6,672.46
K-9 Fund	\$6,100	\$8,382	\$8,566	\$10	\$8,576	\$6,100	\$996	\$32	\$1,028	\$7,547.64
Lodging Tax	\$386,200	\$184,307	\$359,124	\$23,016	\$382,141	\$386,200	\$222,382	\$23,143	\$245,525	\$136,615.64
Recreation Youth Programs	\$82,272	\$52,911	\$71,703	\$1,836	\$73,538	\$82,272	\$19,477	\$7,284	\$26,761	\$46,777.26
Park Board	\$26,750	\$10,853	\$35,853	\$0	\$35,853	\$26,750	\$22,474	\$0	\$22,474	\$13,379.50
Historical Commission	\$25,000	\$33,751	\$43,751	\$0	\$43,751	\$25,000	\$0	\$2,838	\$2,838	\$40,912.62
Development & Special Fees	\$7,700,000	\$7,026,825	\$7,836,690	\$59,165	\$7,895,854	\$7,700,000	\$125,818	\$25,656	\$151,475	\$7,744,379.63
SPECIAL REVENUE FUNDS	\$8,273,070	\$7,341,391	\$8,428,809	\$84,128	\$8,512,937	\$8,273,070	\$391,937	\$58,954	\$450,891	\$8,062,046.33
Capital Improvement-General Gov't	\$3,308,302	\$1,560,522	\$2,496,308	\$26,827	\$2,523,134	\$3,308,302	\$859,486	\$34,866	\$894,352	\$1,628,782.38
Capital Improvement-Street Const.	\$9,054,424	\$2,162,701	\$3,295,492	\$67,182	\$3,362,674	\$9,054,424	\$812,716	\$25,338	\$838,054	\$2,524,620.56
CONSTRUCTION FUNDS	\$12,362,726	\$3,723,223	\$5,791,800	\$94,009	\$5,885,809	\$12,362,726	\$1,672,202	\$60,204	\$1,732,406	\$4,153,402.94
Utility Bond Debt Service	\$475,260	\$0	\$42,628	\$0	\$42,628	\$475,260	\$0	\$0	\$0	\$42,628.13
Utility Bond Debt Reserve	\$478,006	\$478,006	\$478,006	\$0	\$478,006	\$478,006	\$42,628	\$0	\$42,628	\$435,377.87
G.O. Debt Service	\$678,493	\$220,344	\$491,418	\$37,780	\$529,198	\$678,493	\$137,751	\$10,496	\$148,247	\$380,951.50
DEBT SERVICE FUNDS	\$1,631,759	\$698,350	\$1,012,052	\$37,780	\$1,049,832	\$1,631,759	\$180,379	\$10,496	\$190,875	\$858,957.50
Water Fund	\$11,800,010	\$8,859,562	\$11,317,885	\$491,485	\$11,809,370	\$11,800,010	\$3,732,279	\$272,504	\$4,004,783	\$7,804,587.35
Sewer Fund	\$11,099,284	\$5,294,818	\$9,874,644	\$460,483	\$10,335,127	\$11,099,284	\$4,224,819	\$921,345	\$5,146,163	\$5,188,963.66
Storm Drain Fund	\$3,250,440	\$2,174,339	\$3,050,347	\$94,639	\$3,144,986	\$3,250,440	\$669,855	\$76,366	\$746,221	\$2,398,765.66
Barnes Lake Management District	\$33,500	\$22,702	\$42,439	\$0	\$42,439	\$33,500	\$294	\$0	\$294	\$42,145.36
Golf Course Operations	\$2,005,394	\$1,000	\$1,379,647	\$178,328	\$1,557,976	\$2,005,394	\$1,378,647	\$178,328	\$1,556,976	\$1,000.00
ENTERPRISE FUNDS	\$28,188,628	\$16,352,421	\$25,664,963	\$1,224,936	\$26,889,898	\$28,188,628	\$10,005,893	\$1,448,543	\$11,454,436	\$15,435,462.03
Fleet & Equipment	\$3,988,327	\$1,861,564	\$3,000,752	\$137,206	\$3,137,958	\$3,988,327	\$1,236,915	\$77,592	\$1,314,507	\$1,823,450.51
INTERNAL SERVICE FUNDS	\$3,988,327	\$1,861,564	\$3,000,752	\$137,206	\$3,137,958	\$3,988,327	\$1,236,915	\$77,592	\$1,314,507	\$1,823,450.51
Intergovernmental Deposits	\$0	\$444,759	\$1,314,165	\$145,421	\$1,459,586	\$0	\$811,016	\$138,730	\$949,746	\$509,840.19
Police Reserves	\$4,350	\$2,120	\$2,170	\$3	\$2,173	\$4,350	\$0	\$0	\$0	\$2,173.19
Christmas Program	\$21,624	\$16,592	\$17,263	\$22	\$17,285	\$21,624	\$35	\$0	\$35	\$17,250.16
Employee Flexible Benefits	\$50,000	\$14,270	\$39,338	\$3,134	\$42,472	\$50,000	\$24,069	\$2,032	\$26,101	\$16,370.34
TRUST & AGENCY FUNDS	\$75,974	\$477,741	\$1,372,936	\$148,580	\$1,521,516	\$75,974	\$835,120	\$140,762	\$975,882	\$545,633.88
GRAND TOTAL	\$72,314,021	\$33,643,240	\$58,745,004	\$2,560,709	\$61,305,713	\$72,314,021	\$24,665,856	\$3,067,868	\$27,733,724	\$33,571,988.78