

# Memorandum

To: Lynnwood City Council  
From: Steven G. Miller, CPA  
CC: Vicki Heilman, Assistant Finance Director  
Date: April 5, 2010  
Re: Review of Historical Budget to Actual Data and March 12, 2010 Scenarios

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This memorandum responds to the scope of work items 1 and 2 and is the deliverable for item 3 contained in the City's contract with Miller & Miller, P.S. This memorandum discusses the following Appendices:

Appendix A Summary of Historical Operating Losses, Projected Operating Losses and Solutions Already Passed or Considered

Appendix B Summary 2010 and 2009 Operating Statements

Appendix C Monthly Operating Budget to Actual Presentations

Appendix D Third Adjustment Scenario Justification

## **Presenting Historical Results**

Budget presentations have mainly focused on the General Fund which is the city's custom. An expanded focus is necessary to fully understand the city operations. In order to produce an operating report for the city, decisions about which funds should be included in such an operating budget to actual comparison are necessary. The following documents the decision:

- **Funds included:** General Fund, Special Revenue Funds, Debt Service Funds and Internal Services Funds.
- **Funds excluded:** All Capital Projects, Enterprise and Fiduciary Funds.

Capital projects are typically budgeted over a multiyear timeframe and involve committed funds, which would not be available for budget solutions. Similarly, Enterprise and Fiduciary Funds would not be available for budget solutions.

Budget and actual revenue and expenditure information was obtained from the City's finance staff from data extracted from the City's financial accounting system. The actual revenue and cost information for each month for the included funds were consolidated into monthly budget to actual comparisons which track both monthly and cumulative year-to-date budget variances. The City does not allocate its biennial budget among months using a projected inflator or other such methodology. As such, we prepared the monthly budget amounts by using 1/24<sup>th</sup> of the biennial amount for each month. This analysis serves as the starting point for more summarized analysis and is provided as Appendix C to this memorandum.

Appendix C is composed of three pages: 1) Monthly budget to actual comparison for revenues and expenditures for the two months in fiscal year 2010, 2) Monthly budget to actual comparison for revenues only for the twelve months in fiscal year 2009, 3) Monthly budget to actual comparison for expenditures only for the twelve months in fiscal year 2009.

Appendix B summarizes the monthly budget to actual comparisons for the year ended December 31, 2009 and the two months ended February 28, 2010. This presentation shows that for the included funds the city "lost" approximately \$3.8 million in 2009 and approximately \$82,000 so far in 2010. Because special revenue funds are consolidated in the analysis the transfer of \$2 million from the revenue stabilization fund to the General fund has no impact on our analysis other than to gross up revenues and expenditures.

We have determined that the budget information presented to the Council on March 17, 2010 uses financial data from the financial system. We also tested the validity of data that we have used by reference to pre-published, unaudited financial statements and review of the year-end cash and investment reconciliation. While budget related information appears to be derived from reliable sources, the information is prepared on a difference basis and focus (General Fund) than the information presented in the attachments to this memorandum (inclusive of funds considered operating). As such, comparing amounts between previously reported amounts and these presentations would not prove fruitful.

### **Determining the Current Budget Situation**

We investigated the available cash and investment position, determined the balances of interfund loans and prepared independent projections for 2010's revenues and expenditures. The result of the assessment of the current position is summarized in Appendix A. This estimate was prepared at a very high level given the time and budget limitations. The details of the projections have been provided to finance staff for their review and challenge, but the results are summarized in Appendix A-1. The results of the independent projections are more conservative in some respects than information previously presented. This is mainly due to the reliance on historical patterns, adjusted only for known and reliable changes (examples, new utility taxes and new school zone fines). Unless spending patterns are evident in the actual results, proposed changes in spending behavior are disregarded. In essence, the operating losses of \$3.9 million for the fourteen (14) months ended February 28, 2010 are expected to continue for the remainder of 2010. The difference in assumptions regarding spending behavior is the main difference between the independent projection and the scenarios previously reported to the Council.

The results indicate that nearly \$1 million in additional budget solutions should be considered. However, it is very important to understand that this conclusion is based on our methodology of including all of the funds that we considered operating as previously discussed. Previous budget presentations focused only on the General Fund. As such, no inference should be made that the previous scenario presentations were unreasonable as further discussed below.

The review of the three scenarios contained in the proposed “Third Amendment to the Biennial Budget” dated March 12, 2010 is summarized in Appendix D. The calculations that underlie each scenario value are provided with commentary as to whether the approach is aggressive or conservative. In addition, the assessment of the current position that is summarized in Appendix A is used as a test to determine whether the current budget situation is fully understood and addressed. Appendix D shows that the previously reported scenarios were based on the actual results through December 31, 2009 as contained in the city’s financial system and the amended remaining budget amounts. We were able to recreate the scenarios, in all material respects. We assessed risk in each of the scenarios and the conclusions are provided at the bottom of Appendix D. Based on this assessment, the decision to use the worst case scenario as the target for budget solutions is wise.

Alternative budget solutions need to be assessed in relation to available financial resources. In other words, you can’t spend what you don’t have. As of December 31, 2009, the City has approximately \$6.6 million in “spendable” fund balance, of which \$2.2 million is related to the operation of the internal service funds. The special revenue funds used to fund a portion of the proposed third adjustment have sufficient spendable fund balance to use for the proposed budget solution.

Some of the proposed budget solutions involve the transfers of funds from Capital Funds. Since most capital funds are committed for specific projects and may be considered as restricted, they are not typically available for transfer for the city’s general operating needs. However, the Capital Development Fund appears to remain uncommitted and, therefore, available for budget solutions. Assuming that this fund will not be used to repay current outstanding amounts for Bond Anticipation Notes (BANS) or for Interfund Loans from the Utility Funds, the following analysis shows that there are sufficient funds for the proposed third adjustment.

Capital Funds with Positive Balances, But Not Available	<u>\$ 4,002,346</u>
Capital Development Plan Fund 333-Available	2,610,793
Capital Funds with Negative Balances Due To:	
Vendors	(153,265)
BANS	(1,913,257)
Utility- Interfund Loans	(1,707,700)
Total Capital Funds with Negative Balances	<u>(3,774,222)</u>
Total Capital Fund Balances	<u>\$ 2,838,917</u>
Available Fund Balances Assuming BAN and Interfund Loans are not Repaid in Near-Term	<u>\$ 2,457,528</u>

This analysis highlights the danger of focusing on one fund in isolation. While the total combined Capital Funds balance is positive (\$2.8 million), it is composed of positive amounts (\$4 million) that **cannot** be used to offset funds in deficit positions (\$3.8 million). Eventually the deficits will need to be made up from some source. It is reasonable to expect that the BANS will be replaced with permanent long term financing that will be repaid via debt service over a long period of time (i.e., 20-30 years, assuming the city is able to obtain long-term financing).

The source of repayment of the utility interfund loans is a less certain assumption but extremely important. By selecting this option as a solution to the city's current budget situation, the city is assuming that the interfund loans can be rolled over for future years **and either** the capital funds will generate future revenues (such as new grants) **or** structural budget changes will be enacted to set the future years' budgeted expenditures for the General and Special Revenue funds at a level sufficiently less than projected revenues to generate funds to repay the utility interfund loans. This would be over and above the General Fund's current utility interfund loan of \$3 million. If all of these assumptions are valid and reasonable, then there are sufficient funds available in the Capital Development Plan Fund (#333) to fund the proposed third amendment.

### **Summary of Conclusions**

- The city has lost \$3.9 million in its operating funds (as defined) through February 28, 2010.
- There is little evidence that past budget amendments have been implemented. Budget projections that assume significant changes in behavior and stringent expenditure control are at risk of understating the magnitude of the budget issues.
- Previous budget presentations are based on the city's financial system data and were reasonably prepared.
- The proposed "Third Adjustment to the 2009-2010 Biennial Budget" presented on March 12, 2010 is feasible if the underlying assumptions regarding the repayment of BANS and Utility Interfund Loans and future fundamental structural budget changes are valid and reasonable.
- The target of \$4.8 million in additional budget revisions for the General Fund (in addition to the first and second budget amendments) is within a range of possible outcomes.

**City of Lynnwood**  
**Appendix A Summary of Historical Operating Losses, Projected Operating Losses and**  
**Solutions Already Passed or Considered**

	A	B
1		
2		
3	<b>Actual Operating Results From Appendix B:</b>	
4	Year Ended December 31, 2009	(3,813,630)
5	Two Months Ended February 28, 2010	(81,786)
6	Operating Losses Biennium to Date	(3,895,416)
7		
8	<b>Projected 2010 Remaining (10 Months) from Appendix A-1</b>	
9	Revenues	48,952,616
10	Expenses	52,828,622
11	Projected Operating Losses	(3,876,006)
12		
13	Total Estimated Shortfall	(7,771,422)
14		
15	<b>Enacted and Proposed Solutions (Operating Departments Only)</b>	
16	First Budget Amendment (3.5%)	3,379,625
17	Second Budget Amendment (1.6%)	901,085
18	Third Proposed Budget Amendment	2,512,662
19		
20	Additional Changes for Consideration (All Operating Departments/Funds)	(978,050)

## City of Lynnwood

### Appendix A-1 Comparisons of Remaining Original and Amended Budget to 2010 Projection

#### Analysis Based on Original Budget

Revenues	Actual 2009	Variance	Original	Remaining	Projection	Variance
			Budget 2009	Budget	2010	
30-Fund Balance	2,000,000	(340,015)	1,659,986	1,319,971	-	1,319,971
31-Taxes	28,549,802	3,332,975	31,882,777	35,215,752	28,172,185	7,043,567
32-Licenses and Permits	1,971,920	(94,475)	1,877,445	1,782,969	1,971,920	(188,950)
33-Intergovernmental Revenue	3,360,916	1,063,955	4,424,871	5,488,826	4,508,241	980,585
34-Charges for Services	4,496,939	584,602	5,081,541	5,666,142	5,755,925	(89,782)
35-Fines and Forfeits	4,630,991	744,009	5,375,000	6,119,009	6,747,448	(628,438)
36-Miscellaneous Revenues	4,507,399	(416,646)	4,090,753	3,674,107	4,811,110	(1,137,003)
38-Non-Revenue	(46,824)	46,824	-	(46,824)	-	(46,824)
39-Other Financing Sources	10,669,668	(5,248,048)	5,421,620	173,571	5,894,216	(5,720,644)
	<u>60,140,810</u>	<u>(326,819)</u>	<u>59,813,991</u>	<u>59,393,524</u>	<u>57,861,044</u>	<u>1,532,479</u>
Less January-February Portion of Projection					<u>(8,908,429)</u>	
Projection for Remaining 10 Months in 2010					<u>48,952,616</u>	

#### **Expenditures**

0-Reclassification	6,423,510	886,600	7,310,111	8,196,711	6,851,674	1,345,037
1-Salaries & Wages	27,372,382	(1,042,110)	26,330,272	25,288,162	27,089,000	(1,800,838)
2-Personnel Benefits	9,311,601	(981,522)	8,330,079	7,348,557	9,232,077	(1,883,520)
3-Supplies	2,437,364	719,964	3,157,328	3,877,292	3,443,734	433,558
4-Services	8,712,721	(368,318)	8,344,403	7,976,085	7,976,085	-
5-Intergovernmental Services	2,523,247	287,856	2,811,103	3,098,958	2,360,195	738,764
6-Capital Outlay	2,491,439	(993,382)	1,498,057	504,675	504,675	-
7-Debt Service-Principal	1,847,970	91,308	1,939,278	2,030,585	1,847,970	182,615
8-Debt Service-Interest	642,706	(248,268)	394,439	146,171	642,706	(496,535)
9-Interfund Payment for Services	2,191,500	(535,354)	1,656,146	1,120,791	2,191,500	(1,070,709)
	<u>63,954,440</u>	<u>(2,183,227)</u>	<u>61,771,213</u>	<u>59,587,986</u>	<u>62,139,615</u>	<u>(2,551,628)</u>
Less January-February Portion of Projection					<u>(9,310,993)</u>	
Projection for Remaining 10 Months in 2010					<u>52,828,622</u>	

#### Analysis Based on Amended Budget

Revenues	Actual 2009	Variance	Original Budget 2009	Remaining	Projection	Variance
				Amended Budget	2010	
30-Fund Balance	2,000,000	(340,015)	1,659,986	4,071,381	-	4,071,381
31-Taxes	28,549,802	3,332,975	31,882,777	31,589,876	28,172,185	3,417,691
32-Licenses and Permits	1,971,920	(94,475)	1,877,445	1,782,969	1,971,920	(188,950)
33-Intergovernmental Revenue	3,360,916	1,063,955	4,424,871	2,651,129	4,508,241	(1,857,112)
34-Charges for Services	4,496,939	584,602	5,081,541	5,229,812	5,755,925	(526,112)
35-Fines and Forfeits	4,630,991	744,009	5,375,000	8,346,009	6,747,448	1,598,562
36-Miscellaneous Revenues	4,507,399	(416,646)	4,090,753	3,630,936	4,811,110	(1,180,174)
38-Non-Revenue	(46,824)	46,824	-	(46,824)	-	(46,824)
39-Other Financing Sources	10,669,668	(5,248,048)	5,421,620	12,442,489	5,894,216	6,548,273
	<u>60,140,810</u>	<u>(326,819)</u>	<u>59,813,991</u>	<u>69,697,777</u>	<u>57,861,044</u>	<u>11,836,733</u>
<b>Expenditures</b>						
0-Reclassification	6,423,510	886,600	7,310,111	10,399,820	6,851,674	3,548,146
1-Salaries & Wages	27,372,382	(1,042,110)	26,330,272	25,021,021	27,089,000	(2,067,979)
2-Personnel Benefits	9,311,601	(981,522)	8,330,079	7,475,445	9,232,077	(1,756,632)
3-Supplies	2,437,364	719,964	3,157,328	3,778,718	3,443,734	334,984
4-Services	8,712,721	(368,318)	8,344,403	8,685,699	7,976,085	709,614
5-Intergovernmental Services	2,523,247	287,856	2,811,103	2,168,977	2,360,195	(191,217)
6-Capital Outlay	2,491,439	(993,382)	1,498,057	1,555,828	504,675	1,051,153
7-Debt Service-Principal	1,847,970	91,308	1,939,278	4,550,585	1,847,970	2,702,615
8-Debt Service-Interest	642,706	(248,268)	394,439	(110,274)	642,706	(752,980)
9-Interfund Payment for Services	2,191,500	(535,354)	1,656,146	2,645,991	2,191,500	454,491
	<u>63,954,440</u>	<u>(2,183,227)</u>	<u>61,771,213</u>	<u>66,171,809</u>	<u>62,139,615</u>	<u>4,032,195</u>

**City of Lynnwood**  
**Appendix B Summary 2010 Operating Statements**

<b>Object Code</b>	<b>Actual Two Months Ended February 28, 2010</b>	<b>Variance</b>	<b>2/28/2010 Amended Budget</b>
<b>Revenues and Other Financing Sources</b>			
30-Fund Balance	-	(505,948)	505,948
31-Taxes	3,702,081	(1,309,559)	5,011,640
32-Licenses and Permits	957,798	644,891	312,907
33-Intergovernmental Revenue	508,640	7,636	501,004
34-Charges for Services	477,086	(333,476)	810,563
35-Fines and Forfeits	422,033	(659,384)	1,081,417
36-Miscellaneous Revenues	247,248	(430,947)	678,195
38-Non-Revenue	29,071	29,071	-
39-Other Financing Sources	330,604	(1,595,409)	1,926,013
<b>Total Revenues and Other Sources</b>	<b>6,674,560</b>	<b>(4,153,126)</b>	<b>10,827,686</b>
<b>Expenditures and Other Financing Uses</b>			
0-Reclassification	148,287	1,253,657	1,401,944
1-Salaries & Wages	3,797,448	568,669	4,366,117
2-Personnel Benefits	1,392,673	6,247	1,398,921
3-Supplies	112,278	405,729	518,007
4-Services	901,622	548,246	1,449,868
5-Intergovernmental Services	287,305	103,714	391,019
6-Capital Outlay	63,195	274,077	337,272
7-Debt Service-Principal	-	533,213	533,213
8-Debt Service-Interest	-	44,369	44,369
9-Interfund Payment for Services	53,539	349,585	403,124
<b>Total Expenditure and Other Uses</b>	<b>6,756,346</b>	<b>4,087,508</b>	<b>10,843,854</b>
<b>Excess of Expenditures Over Revenue</b>	<b>(81,786)</b>	<b>65,618</b>	<b>(16,168)</b>

**City of Lynnwood**  
**Appendix B Summary 2009 Operating Statements**

<b>Object Code</b>	<b>Actual 2009</b>	<b>Variance</b>	<b>Budget 2009</b>
<b>Revenues and Other Financing Sources</b>			
30-Fund Balance	2,000,000	(340,015)	1,659,986
31-Taxes	28,549,802	3,332,975	31,882,777
32-Licenses and Permits	1,971,920	(94,475)	1,877,445
33-Intergovernmental Revenue	3,360,916	1,063,955	4,424,871
34-Charges for Services	4,496,939	584,602	5,081,541
35-Fines and Forfeits	4,630,991	744,009	5,375,000
36-Miscellaneous Revenues	4,507,399	(416,646)	4,090,753
38-Non-Revenue	(46,824)	46,824	-
39-Other Financing Sources	10,669,668	(5,248,048)	5,421,620
Total Revenues and Other Sources	<u>60,140,810</u>	<u>(326,819)</u>	<u>59,813,991</u>
<b>Expenditures and Other Financing Uses</b>			
0-Reclassification	6,423,510	886,600	7,310,111
1-Salaries & Wages	27,372,382	(1,042,110)	26,330,272
2-Personnel Benefits	9,311,601	(981,522)	8,330,079
3-Supplies	2,437,364	719,964	3,157,328
4-Services	8,712,721	(368,318)	8,344,403
5-Intergovernmental Services	2,523,247	287,856	2,811,103
6-Capital Outlay	2,491,439	(993,382)	1,498,057
7-Debt Service-Principal	1,847,970	91,308	1,939,278
8-Debt Service-Interest	642,706	(248,268)	394,439
9-Interfund Payment for Services	2,191,500	(535,354)	1,656,146
Total Expenditure and Other Uses	<u>63,954,440</u>	<u>(2,183,227)</u>	<u>61,771,213</u>
Excess of Expenditures Over Revenues	<u>(3,813,630)</u>	<u>(1,856,408)</u>	<u>(1,957,222)</u>

**City of Lynnwood**  
**Appendix C Monthly Operating Budget to Actual Presentation**

Object Code	10-Jan		10-Feb		YTD Variance
	2/28/2010		2/28/2010		
	Actual	Budget	Actual	Budget	
30-Fund Balance	-	252,974	-	252,974	505,948
31-Taxes	1,697,913	2,505,820	2,004,168	2,505,820	1,309,559
32-Licenses and Permits	340,333	156,454	617,465	156,454	(644,891)
33-Intergovernmental Revenue	413,243	250,502	95,397	250,502	(7,636)
34-Charges for Services	143,359	405,281	333,728	405,281	333,476
35-Fines and Forfeits	3,475	540,708	418,558	540,708	659,384
36-Miscellaneous Revenues	167,536	339,097	79,711	339,097	430,947
38-Non-Revenue	15,753	-	13,318	-	(29,071)
39-Other Financing Sources	160,000	963,007	170,604	963,007	1,595,409
<b>Grand Total</b>	<b>2,941,612</b>	<b>5,413,843</b>	<b>3,732,948</b>	<b>5,413,843</b>	<b>4,153,126</b>

Object Code	10-Jan		10-Feb		YTD Variance
	2/28/2010		2/28/2010		
	Actual	Budget	Actual	Budget	
0-Reclassification	7,051	700,972	141,236	700,972	1,253,657
1-Salaries & Wages	1,744,275	2,183,058	2,053,172	2,183,058	568,669
2-Personnel Benefits	670,596	699,460	722,077	699,460	6,247
3-Supplies	13,909	259,003	98,369	259,003	405,729
4-Services	495,853	724,934	405,769	724,934	548,246
5-Intergovernmental Services	200,566	195,509	86,739	195,509	103,714
6-Capital Outlay	2,497	168,636	60,698	168,636	274,077
7-Debt Service-Principal	-	266,606	-	266,606	533,213
8-Debt Service-Interest	-	22,185	-	22,185	44,369
9-Interfund Payment for Services	7,176	201,562	46,362	201,562	349,585
<b>Grand Total</b>	<b>3,141,923</b>	<b>5,421,927</b>	<b>3,614,423</b>	<b>5,421,927</b>	<b>4,087,508</b>

**City of Lynnwood  
Appendix C Monthly Operating Budget to Actual Presentation**

Object Codes For Revenues	Jan-09		Feb-09		Mar-09		Apr-09		May-09		Jun-09	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
30-Fund Balance	-	138,332	-	138,332	-	138,332	-	138,332	-	138,332	-	138,332
31-Taxes	1,580,615	2,656,898	2,032,073	2,656,898	1,495,996	2,656,898	2,147,518	2,656,898	5,821,447	2,656,898	1,386,061	2,656,898
32-Licenses and Permits	430,732	156,454	345,339	156,454	149,352	156,454	122,154	156,454	84,517	156,454	89,416	156,454
33-Intergovernmental Revenue	392,706	368,739	89,841	368,739	380,587	368,739	156,470	368,739	90,686	368,739	256,299	368,739
34-Charges for Services	205,742	423,462	155,208	423,462	544,284	423,462	158,893	423,462	281,134	423,462	824,024	423,462
35-Fines and Forfeits	301,533	447,917	2,125	447,917	793,909	447,917	1,680	447,917	384,238	447,917	339,464	447,917
36-Miscellaneous Revenues	368,803	340,896	229,010	340,896	329,934	340,896	265,590	340,896	232,577	340,896	610,456	340,896
38-Non-Revenue	8,592	-	25,852	-	(18,111)	-	38,242	-	24,872	-	(70,046)	-
39-Other Financing Sources	120,138	451,802	120,161	451,802	593,702	451,802	4,236,931	451,802	1,170,031	451,802	989,879	451,802
<b>Grand Total</b>	<b>3,408,862</b>	<b>4,984,499</b>	<b>2,999,608</b>	<b>4,984,499</b>	<b>4,269,654</b>	<b>4,984,499</b>	<b>7,127,478</b>	<b>4,984,499</b>	<b>8,089,502</b>	<b>4,984,499</b>	<b>4,425,553</b>	<b>4,984,499</b>

	Jul-09		Aug-09		Sep-09		Oct-09		Nov-09		Dec-09	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
30-Fund Balance	-	138,332	-	138,332	-	138,332	-	138,332	-	138,332	2,000,000	138,332
31-Taxes	1,706,786	2,656,898	1,566,134	2,656,898	1,565,563	2,656,898	2,284,531	2,656,898	5,473,326	2,656,898	1,489,754	2,656,898
32-Licenses and Permits	178,397	156,454	222,644	156,454	72,367	156,454	48,883	156,454	94,587	156,454	133,531	156,454
33-Intergovernmental Revenue	476,338	368,739	132,156	368,739	412,087	368,739	499,180	368,739	132,924	368,739	341,641	368,739
34-Charges for Services	574,304	423,462	407,534	423,462	354,626	423,462	318,311	423,462	383,744	423,462	289,135	423,462
35-Fines and Forfeits	392,146	447,917	761,867	447,917	3,450	447,917	382,979	447,917	346,769	447,917	920,830	447,917
36-Miscellaneous Revenues	503,376	340,896	264,423	340,896	1,106,733	340,896	268,416	340,896	325,655	340,896	2,425	340,896
38-Non-Revenue	24,375	-	13,490	-	23,718	-	21,682	-	301	-	(139,793)	-
39-Other Financing Sources	4,400	451,802	689,921	451,802	491,810	451,802	648,287	451,802	994,559	451,802	609,849	451,802
<b>Grand Total</b>	<b>3,860,123</b>	<b>4,984,499</b>	<b>4,058,168</b>	<b>4,984,499</b>	<b>4,030,354</b>	<b>4,984,499</b>	<b>4,472,269</b>	<b>4,984,499</b>	<b>7,751,865</b>	<b>4,984,499</b>	<b>5,647,374</b>	<b>4,984,499</b>

Variance	Jan-09		Feb-09		Mar-09		Apr-09		May-09		Jun-09	
	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative
30-Fund Balance	138,332	138,332	138,332	276,664	138,332	414,996	138,332	553,329	138,332	691,661	138,332	829,993
31-Taxes	1,076,283	1,076,283	624,825	1,701,108	1,160,902	2,862,010	509,380	3,371,390	(3,164,548)	206,842	1,270,837	1,477,679
32-Licenses and Permits	(274,278)	(274,278)	(188,886)	(463,164)	7,102	(456,062)	34,300	(421,763)	71,937	(349,826)	67,038	(282,788)
33-Intergovernmental Revenue	(23,967)	(23,967)	278,899	254,932	(11,848)	243,084	212,269	455,353	278,053	733,406	112,440	845,846
34-Charges for Services	217,720	217,720	268,254	485,974	(120,823)	365,151	264,569	629,721	142,327	772,048	(400,562)	371,486
35-Fines and Forfeits	146,383	146,383	445,792	592,175	(345,993)	246,182	446,237	692,419	63,679	756,098	108,453	864,551
36-Miscellaneous Revenues	(27,907)	(27,907)	111,886	83,979	10,962	94,941	75,306	170,247	108,319	278,567	(269,560)	9,007
38-Non-Revenue	(8,592)	(8,592)	(25,852)	(34,444)	18,111	(16,333)	(38,242)	(54,575)	(24,872)	(79,448)	70,046	(9,402)
39-Other Financing Sources	331,663	331,663	331,641	663,304	(141,900)	521,404	(3,785,129)	(3,263,725)	(718,230)	(3,981,954)	(538,077)	(4,520,032)
<b>Grand Total</b>	<b>1,575,637</b>	<b>1,575,637</b>	<b>1,984,892</b>	<b>3,560,529</b>	<b>714,846</b>	<b>4,275,374</b>	<b>(2,142,979)</b>	<b>2,132,395</b>	<b>(3,105,003)</b>	<b>(972,608)</b>	<b>558,946</b>	<b>(413,661)</b>

Variance	Jul-09		Aug-09		Sep-09		Oct-09		Nov-09		Dec-09	
	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative
30-Fund Balance	138,332	968,325	138,332	1,106,657	138,332	1,244,989	138,332	1,383,321	138,332	1,521,653	(1,861,668)	(340,015)
31-Taxes	950,112	2,427,791	1,090,765	3,518,555	1,091,335	4,609,891	372,367	4,982,258	(2,816,428)	2,165,831	1,167,144	3,332,975
32-Licenses and Permits	(21,944)	(304,732)	(66,190)	(370,922)	84,087	(286,835)	107,571	(179,264)	61,866	(117,397)	22,922	(94,475)
33-Intergovernmental Revenue	(107,599)	738,247	236,583	974,830	(43,348)	931,482	(130,441)	801,041	235,816	1,036,857	27,098	1,063,955
34-Charges for Services	(150,842)	220,643	15,928	236,571	68,835	305,407	105,151	410,557	39,718	450,275	134,327	584,602
35-Fines and Forfeits	55,770	920,321	(313,950)	606,371	444,467	1,050,838	64,937	1,115,775	101,148	1,216,923	(472,914)	744,009
36-Miscellaneous Revenues	(162,480)	(153,474)	76,473	(77,000)	(765,837)	(842,837)	72,480	(770,358)	15,241	(755,117)	338,471	(416,646)
38-Non-Revenue	(24,375)	(33,777)	(13,490)	(47,267)	(23,718)	(70,985)	(21,682)	(92,667)	(301)	(92,968)	139,793	46,824
39-Other Financing Sources	447,402	(4,072,630)	(238,119)	(4,310,750)	(40,008)	(4,350,758)	(196,485)	(4,547,243)	(542,758)	(5,090,001)	(158,048)	(5,248,048)
<b>Grand Total</b>	<b>1,124,376</b>	<b>710,715</b>	<b>926,331</b>	<b>1,637,045</b>	<b>954,146</b>	<b>2,591,191</b>	<b>512,230</b>	<b>3,103,422</b>	<b>(2,767,366)</b>	<b>336,056</b>	<b>(662,875)</b>	<b>(326,819)</b>

**City of Lynnwood  
Appendix C Monthly Operating Budget to Actual Presentation**

Object Code-Expenditures	Jan-09		Feb-09		Mar-09		Apr-09		May-09		Jun-09	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
0-Reclassification	115,565	609,176	115,565	609,176	320,824	609,176	142,011	609,176	844,150	609,176	859,429	609,176
1-Salaries & Wages	1,751,035	2,194,189	2,000,408	2,194,189	2,328,281	2,194,189	2,020,427	2,194,189	2,047,730	2,194,189	2,055,254	2,194,189
2-Personnel Benefits	482,357	694,173	753,825	694,173	781,644	694,173	1,346,576	694,173	729,237	694,173	722,239	694,173
3-Supplies	41,671	263,111	164,843	263,111	193,868	263,111	280,714	263,111	171,981	263,111	338,958	263,111
4-Services	394,274	695,367	510,062	695,367	793,283	695,367	844,163	695,367	434,742	695,367	1,015,770	695,367
5-Intergovernmental Services	102,723	234,259	132,002	234,259	556,470	234,259	124,992	234,259	236,527	234,259	253,598	234,259
6-Capital Outlay	13,146	124,838	22,276	124,838	2,517	124,838	456,546	124,838	85,792	124,838	663,814	124,838
7-Debt Service-Principal	-	161,606	-	161,606	-	161,606	-	161,606	-	161,606	45,937	161,606
8-Debt Service-Interest	-	32,870	-	32,870	-	32,870	70,272	32,870	84,663	32,870	64,274	32,870
9-Interfund Payment for Services	122,859	138,012	123,672	138,012	137,723	138,012	132,752	138,012	135,388	138,012	422,730	138,012
<b>Grand Total</b>	<b>3,023,631</b>	<b>5,147,601</b>	<b>3,822,653</b>	<b>5,147,601</b>	<b>5,114,610</b>	<b>5,147,601</b>	<b>5,418,452</b>	<b>5,147,601</b>	<b>4,770,210</b>	<b>5,147,601</b>	<b>6,442,005</b>	<b>5,147,601</b>

Object Code	Jul-09		Aug-09		Sep-09		Oct-09		Nov-09		Dec-09	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
0-Reclassification	52,759	609,176	520,439	609,176	392,779	609,176	134,756	609,176	608,596	609,176	2,316,635	609,176
1-Salaries & Wages	3,124,956	2,194,189	2,067,787	2,194,189	2,199,289	2,194,189	2,072,176	2,194,189	2,175,849	2,194,189	3,529,190	2,194,189
2-Personnel Benefits	860,758	694,173	686,852	694,173	690,992	694,173	696,297	694,173	686,344	694,173	874,482	694,173
3-Supplies	181,438	263,111	227,624	263,111	157,323	263,111	310,576	263,111	160,356	263,111	208,011	263,111
4-Services	1,186,361	695,367	628,113	695,367	558,352	695,367	792,958	695,367	551,001	695,367	1,003,642	695,367
5-Intergovernmental Services	145,503	234,259	107,847	234,259	337,144	234,259	86,661	234,259	60,707	234,259	379,073	234,259
6-Capital Outlay	5,981	124,838	128,407	124,838	369,900	124,838	122,934	124,838	504,811	124,838	115,315	124,838
7-Debt Service-Principal	-	161,606	-	161,606	530,000	161,606	-	161,606	-	161,606	1,272,033	161,606
8-Debt Service-Interest	-	32,870	-	32,870	297,250	32,870	522	32,870	-	32,870	125,725	32,870
9-Interfund Payment for Services	134,285	138,012	269,003	138,012	188,651	138,012	134,461	138,012	255,864	138,012	134,111	138,012
<b>Grand Total</b>	<b>5,692,041</b>	<b>5,147,601</b>	<b>4,636,073</b>	<b>5,147,601</b>	<b>5,721,678</b>	<b>5,147,601</b>	<b>4,351,340</b>	<b>5,147,601</b>	<b>5,003,528</b>	<b>5,147,601</b>	<b>9,958,218</b>	<b>5,147,601</b>

Variance	Jan-09		Feb-09		Mar-09		Apr-09		May-09		Jun-09	
	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative
0-Reclassification	493,610	493,610	493,610	987,221	288,351	1,275,572	467,165	1,742,737	(234,974)	1,507,763	(250,254)	1,257,510
1-Salaries & Wages	443,154	443,154	193,781	636,935	(134,091)	502,844	173,762	676,606	146,460	823,066	138,935	962,001
2-Personnel Benefits	211,816	211,816	(59,651)	152,165	(87,471)	64,694	(652,403)	(587,709)	(35,063)	(622,772)	(28,066)	(650,838)
3-Supplies	221,440	221,440	98,268	319,707	69,242	388,950	(17,603)	371,346	91,129	462,476	(75,848)	386,628
4-Services	301,093	301,093	185,305	486,398	(97,916)	388,482	(148,796)	239,686	260,624	500,311	(320,404)	179,907
5-Intergovernmental Services	131,536	131,536	102,256	233,792	(322,211)	(88,419)	109,267	20,848	(2,268)	18,579	(19,340)	(760)
6-Capital Outlay	111,692	111,692	102,562	214,254	122,321	336,575	(331,708)	4,867	39,046	43,913	(538,976)	(495,063)
7-Debt Service-Principal	161,606	161,606	161,606	323,213	161,606	484,819	161,606	646,426	161,606	808,032	115,670	923,702
8-Debt Service-Interest	32,870	32,870	32,870	65,740	32,870	98,610	(37,402)	61,208	(51,794)	9,414	(31,404)	(21,990)
9-Interfund Payment for Services	15,153	15,153	14,340	29,493	290	29,782	5,260	35,043	2,624	37,667	(284,718)	(247,052)
<b>Grand Total</b>	<b>2,123,970</b>	<b>2,123,970</b>	<b>1,324,948</b>	<b>3,448,918</b>	<b>32,991</b>	<b>3,481,909</b>	<b>(270,851)</b>	<b>3,211,058</b>	<b>377,391</b>	<b>3,588,448</b>	<b>(1,294,404)</b>	<b>2,294,045</b>

Variance	Jul-09		Aug-09		Sep-09		Oct-09		Nov-09		Dec-09	
	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative	Monthly	Cummulative
0-Reclassification	556,417	1,813,927	88,737	1,902,663	216,397	2,119,060	474,420	2,593,480	580	2,594,060	(1,707,459)	886,600
1-Salaries & Wages	(930,766)	31,235	126,402	157,636	(5,100)	152,537	122,013	274,550	18,341	292,891	(1,335,001)	(1,042,110)
2-Personnel Benefits	(166,584)	(817,423)	7,321	(810,102)	3,182	(806,920)	(2,123)	(809,043)	7,830	(801,214)	(180,309)	(981,522)
3-Supplies	81,673	468,300	35,487	503,787	105,788	609,575	(47,465)	562,110	102,754	664,864	55,100	719,964
4-Services	(490,994)	(311,087)	67,254	(243,833)	137,015	(106,818)	(97,591)	(204,409)	144,366	(60,043)	(308,275)	(368,318)
5-Intergovernmental Services	88,756	87,995	126,411	214,407	(102,885)	111,521	147,597	259,119	173,551	432,670	(144,814)	287,856
6-Capital Outlay	118,857	(376,206)	(3,569)	(379,775)	(245,062)	(624,836)	1,904	(622,932)	(379,973)	(1,002,905)	9,523	(993,382)
7-Debt Service-Principal	161,606	1,085,308	161,606	1,246,915	(368,394)	878,521	161,606	1,040,128	161,606	1,201,734	(1,110,427)	91,308
8-Debt Service-Interest	32,870	10,880	32,870	43,750	(264,380)	(220,630)	32,348	(188,282)	32,870	(155,412)	(92,855)	(248,268)
9-Interfund Payment for Services	3,728	(243,324)	(130,991)	(374,315)	(50,639)	(424,954)	3,551	(421,403)	(117,852)	(539,255)	3,901	(535,354)
<b>Grand Total</b>	<b>(544,439)</b>	<b>1,749,605</b>	<b>511,528</b>	<b>2,261,133</b>	<b>(574,077)</b>	<b>1,687,056</b>	<b>796,261</b>	<b>2,483,317</b>	<b>144,073</b>	<b>2,627,390</b>	<b>(4,810,617)</b>	<b>(2,183,227)</b>

**City of Lynnwood**  
**Appendix D Appendices to Budget Memorandum-V2**

<u>General Fund Only</u>	Original Budget	(A) Amended Budget (C)	(B) Actual 2009	(A)-(B) Remaining Budget
<b>Baseline Data</b>				
Revenues	91,676,101	89,616,693	42,497,667	47,119,026
Expenditures	91,676,100	89,827,356	47,907,126	41,920,230
Budgeted Gain (Loss)	1	(210,663)	(5,409,459)	5,198,796

**Best Case Scenario:**

Adjustments to arrive at Best Case Scenario:

Revenues from Above				47,119,026
Remove one-time transfer from Revenue Stabilization				(2,000,000)
Other minor adjustments/Difference				(56,000)
Best case revenue projection			(D)	45,063,026
Expenditures from Remaining Budget Above-No Adjustments			(E)	41,920,230
Revised Revenues over Remaining Budget				3,142,796
Other minor adjustments/Difference				(10,062)
Best Case Scenario as Presented				3,132,734

**Most Likely Scenario:**

Revenues from Best Case Above-No Adjustments			(D)	45,063,026
Expenditures from Remaining Budget Above				41,920,230
Assumes 2010 Spending will Exceed Remaining Budget by 9.5%				3,982,422
Adjusted 2010 spending			(E)	45,902,652
Revised Spending over <b>Best Case</b> Revenues				(839,626)
Other minor adjustments/Difference				(10,062)
Best Case Scenario as Presented				(849,688)

**Worst Case Scenario:**

Revenues from Best Case Above-No Adjustments			(D)	45,063,026
Expenditures from Remaining Budget Above				41,920,230
Assumes 2010 Spending will Exceed Remaining Budget by 19.0%				7,964,844
Adjusted 2010 spending			(E)	49,885,074
Revised Spending over <b>Best Case</b> Revenues				(4,822,048)
Other minor adjustments/Difference				(10,062)
Best Case Scenario as Presented				(4,832,110)

**NOTES:**

(C) The amended budget contains the First and Second Amendments plus some administrative budget changes

(D) Projected Revenues are the same in all three scenarios

Projected Revenues are more than 2009 actual revenues as follows:

Projected Revenues	45,063,026
Actual 2009 Revenues	42,497,667
Projected Revenues in excess of actual historical results	(2,565,359)

Normally considered a dangerous assumption to make unless there are new revenues sources in 2010 that did not exist in 2009. There are two such revenues, a new utility tax (\$400K) and fines from School Zone cameras (\$2.6 million) as such this assumption is reasonable.

(E) Only the worst case scenario provides for expenditure patterns in excess of actual historical spending behaviors

The city overspent its 2009 budget by \$2,069,076 or 4.5 %. Assuming spending behavior changes is an aggressive assumption. Shortfall in the **Best Case** and **Most Likely** are as follows:

Best Case 2010 assumption under actual 2009 history	(5,986,896)
Most Likely 2010 assumption under actual 2009 history	(2,004,474)

<b>Conclusion: Cushion (Risk) in Scenarios:</b>	Best Case	(5,986,896)
	Most Likely	(2,004,474)
	Worst Case	1,977,948