

MEMORANDUM

DATE: July 14, 2010

TO: Mayor Don Gough
Lynnwood City Council

FROM: Patrick L. Dugan, Interim Finance Director

SUBJECT: Mid 2010 Financial Review of City Finances– as of July 1, 2010

This report provides a review of the City's finances as of June 30, 2010 within the context of the 2009-2010 biennium. The Finance Department provides updates to the summary financial statements on our web site each month and these can be found on our web site under "city finances". In addition, this mid-year review provides a narrative overview of the information presented in those statements. This report incorporates the mid-biennial budget adjustments approved on May 24 of 2010.

The first part of this report presents a overview narrative of the fiscal performance of the city as of July 1, 2010 against the adopted Biennium Budget. This part of the report focuses on the general fund and highlights significant aspects of its fiscal condition. This is followed by a discussion of other major funds summarizing their performance to date. Attached to this report is the cash and investment report as of the end of June. Following the investment report is a month by month tabulation for the first half of 2010 of financial information for all of the City's fund groups.

Background:

The analysis of current financial status is based on a comparison of actual collections of revenues or expenditures compared to a forecast based on the adopted biennial budget. This forecast applies the revenue and expenditure patterns of 2009 and early 2010 to the balance of the adopted 2009-2010 biennium budget as of the end of 2010. Several of the tables in this discussion also notes the percent of budget that was expended or revenue received in various budget categories. For comparison purposes, 75% of the total biennium budget period has elapsed as of the end of June.

GENERAL FUND REVIEW

General Fund Summary

The following table (Table 1) provides a summary of the General Fund budget and actual financial information for the biennium. Overall, the financial condition of the City's General Fund has deteriorated over the course of the biennium. Over the entire biennium as of the end of June 2010 expenditures exceeded revenues by over \$2 million. Most of the deterioration

occurred during 2009. As noted, expenditures exceeded total revenues in 2009 by over \$5.3 million dollars. However, **fiscal performance improved substantially during 2010 with revenues year to date running ahead of expenditures by over \$4.6 million.** This is estimated to continue through the end of the year. The result of the interaction of the two years at the end of the biennium is a deficit of expenditures over revenues of \$581,858.

Table 1: General Fund Overview	Revised Budget	Biennium to Date (BTD)	Biennium Forecast	Biennium Balance	2009 Actual	Year to Date (YTD)	2010 Budget	2010 Forecast
TOTAL REVENUES								
Revenue	93,515,705	66,522,653	90,347,459	(3,168,246)	42,727,160	23,795,493	49,926,419	47,464,940
Expenditures	93,877,829	68,603,932	90,929,315	2,948,514	48,082,976	20,520,956	42,944,494	42,846,338
Balance (Deficit)	(362,124)	(2,081,280)	(581,856)		(5,355,817)	3,274,537	6,981,926	4,618,601
NEW REVENUES (Revenues Minus Transfers --except EMS)								
Revenue	87,335,485	61,068,343	84,162,839	(3,172,646)	39,558,762	21,509,581	46,914,597	44,448,718
Expenditures	91,578,099	67,131,234	89,156,700	2,421,399	46,910,194	20,221,040	41,817,546	42,246,506
Balance (Deficit)	(4,242,614)	(6,062,891)	(4,993,861)		(7,351,433)	1,288,541	5,097,052	2,202,212

The above discussion focuses on total General Fund revenues, including transfers. If transfers were removed, as portrayed on the second half of Table 1, the fiscal performance of the fund is significantly worse. When the transfers of revenues to and from other funds are taken into account (as presented on the second part of Table 1), **there is an operating deficit for the biennium to date (BTD) of over six million dollars.**

Transfers into the General Fund usually are revenues collected in previous years (sometimes called reserves) that are used to support current year activities. (One very significant exception to this character of transfers is the EMS levy which after it is received into the EMS Levy Fund it is transferred to the General Fund to support fire department EMS operations. This transfer is therefore the same as regular tax revenues and should be treated the same as any operating revenue). The original Biennium Budget included \$6.5 of these transfers (excluding the EMS levy) and the mid biennium budget amendments transferred an additional \$5.1 million for the total of \$11.6 million into the general fund to compensate for the poor performance of the fund in 2009. Similarly transfers out of the general fund (identified in Table 3 below as the BARS designation “reclassification”) often are to construction funds to support capital programs and for debt service.

As shown on Table 1 above, removing the transfers-in and the transfers-out so that only new revenues are compared to on-going costs, or “operating costs,” results in a General Fund deficit of just under \$6.1 million dollars for the biennium. This would be considered an “operating deficit” over the course of the biennium. However 2010 operations significantly improve the picture above operations in 2009, but with some qualifications.

Operating revenue collections in 2010 are running substantially above collections in 2009 by over \$4.8 million. This is primarily due to two things, new utility taxes are anticipated to increase “business” tax revenues by \$2 million and the camera red light and school zone enforcement program is expected to add over \$2.3 million in 2010.

On the expense side, 2010 operating expenses are \$4.7 million less than 2009. Operating revenues will actually exceed expenses by \$2 million. However, much of this favorable 2010 operating result is attributable to elimination of ERR rental rates from the fund (\$740,000) and cost reductions in park and recreation due to the temporary closing of the recreation center. Projecting the biennium operating deficit with the restoration of ERR rentals forward into the

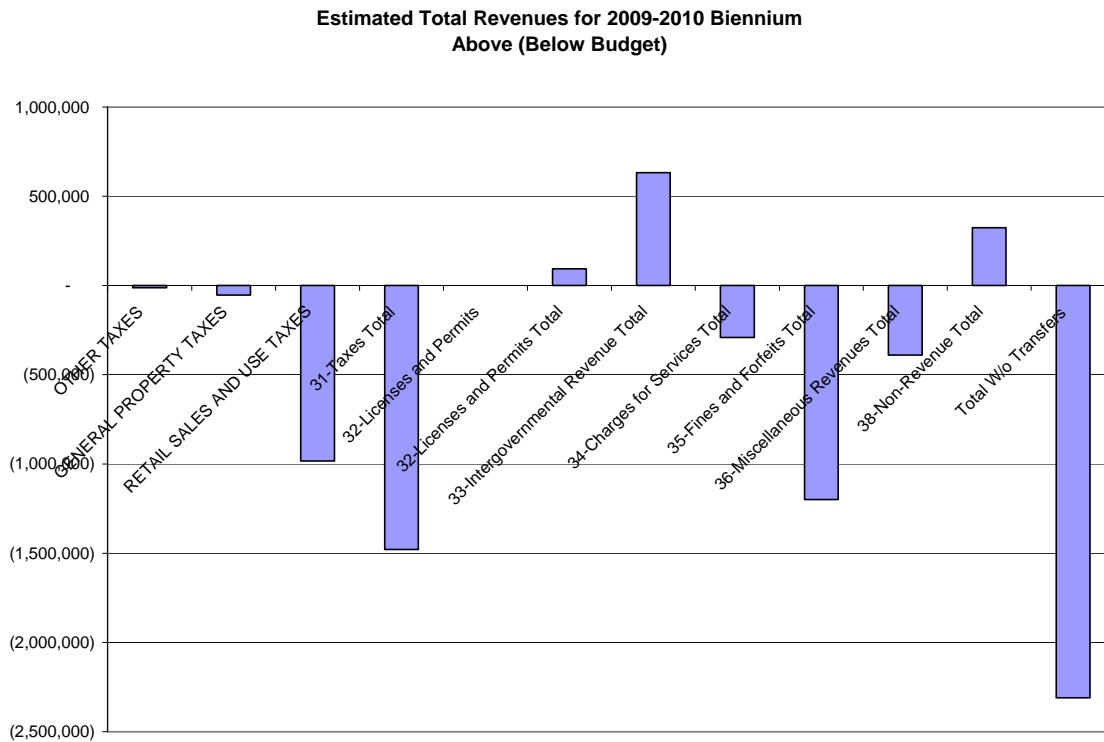
next biennium indicates a continuation of fiscal stress since available reserves have been largely used to cover the operating deficits of 2009 there is little left in reserve to cover this imbalance. This requires either reductions in operations or increasing operating revenues.

Detailed Revenues

Table 2 below presents a detailed analysis and forecast of revenues to the end of the year.

While the collection of revenue varies substantial from month to month during the year, the pattern of collection is relatively consistent from year to year. Consequently, revenues are forecasted on Table 2 based on the pattern of how those revenues were collected in previous years; i.e. if 35% of a revenue category was collected by mid-year last year then it is reasonable to assume that 35% would be collected by mid-year this year and 65% is yet to be collected.

Overall, estimated revenue for the 2009-2010 Biennium is tracking well below budget. At mid-year, revenue for the biennium is forecasted to be about \$2.3 million short of the budgeted amount. Most significantly tax revenues appear to be falling almost \$1.5 million short of target. Almost a million of this short fall is occurring in sales taxes. The short fall in business taxes is occurring primarily in the admission taxes and to a lesser extent the utility taxes that were in place at the start of the biennium (it is too early to tell whether the new utility taxes will achieve the estimates and they are assumed here to meet expectations).



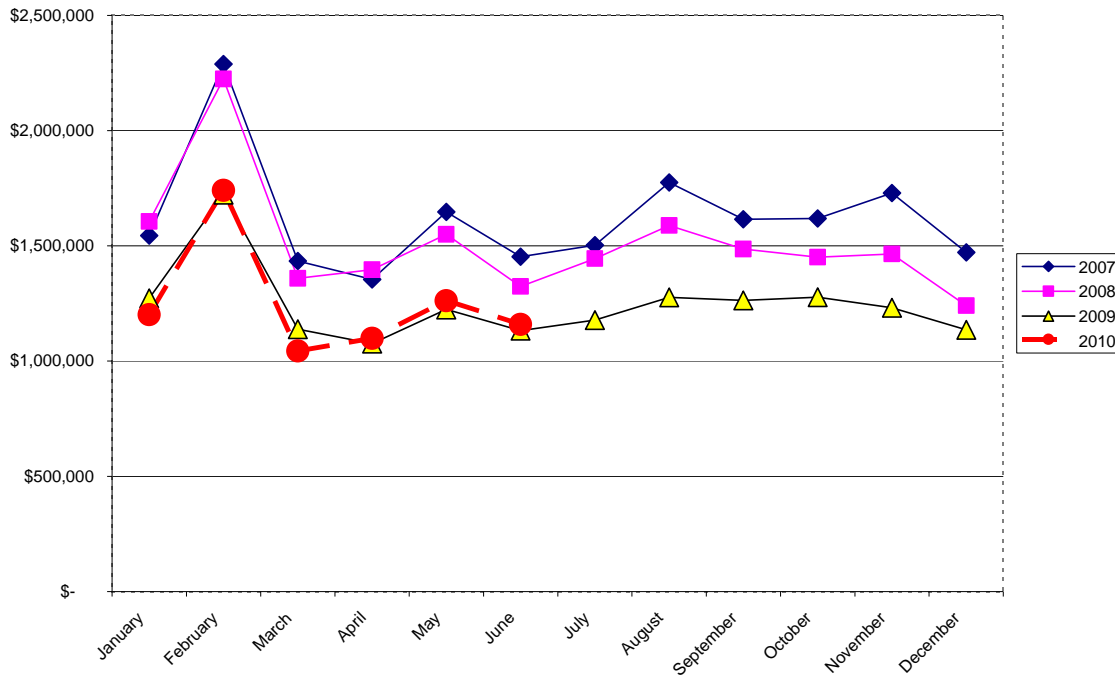
Property taxes – The general fund property taxes tend to be relatively predictable with the most significant variable being the amount of delinquencies. Property taxes are running a bit under budget (although the tax does vary a bit from year to year) probably due to higher than usual delinquencies.

The General fund also receives the EMS levy as a transfer-in closely matches the general property tax pattern of collection.

Sales taxes – As of the end of September sales taxes continue to significantly fall below budget forecast. **As of the end of June 2010 sales tax revenue was estimated to be falling below budget by almost a million dollars.**

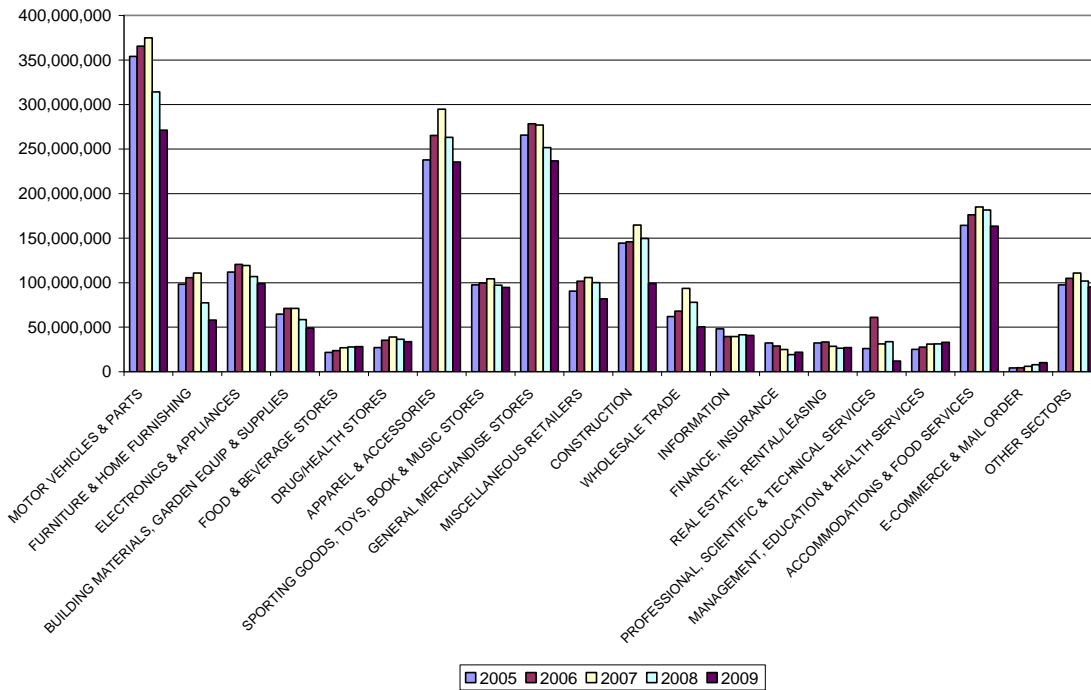
Due to the importance of taxable sales to the fiscal health of the city this mid-year report has taken a particularly close look at taxable retail sales patterns in the city and as compared to other areas. This analysis will be heavily used in preparing the revenue forecasts for the next biennium.

Sales Tax Collections by Month: 2007 to 2010



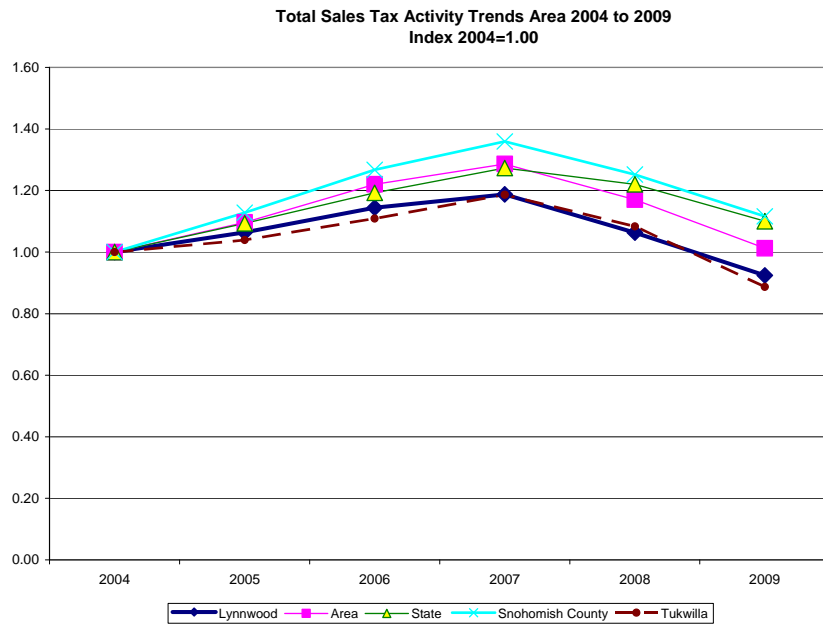
The graph above portrays sales tax collections between 2007 (the peak year for sales tax revenues) by month through 2010. Since the city's receipts of sales taxes lag the actual sales activity by two months, the initial activity in February reflects the holiday season end of the previous year. As shown sales taxes during 2008 gradually began falling behind 2007 collections until collections in 2008 lagged collections in 2007 by just over a quarter of a million dollars per month. In 2009, sales taxes fell dramatically below the declining 2008 level through most of the year. 2010 has now been trending with 2009 activity, running cumulatively below 2009 collections by almost 1%.

Retail Sales Activity by Sector, Lynnwood 2006 to 2009

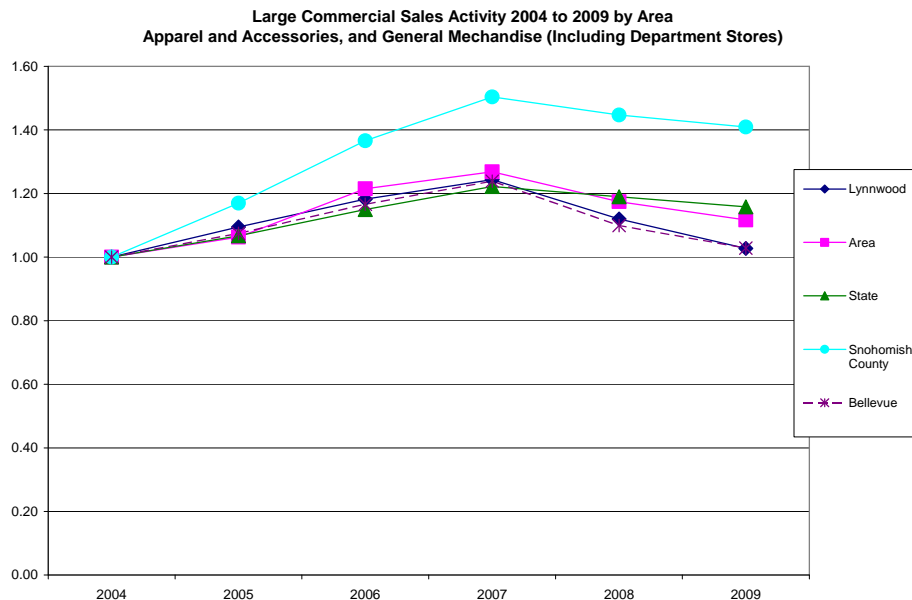


Sales tax collections dropped in all economic sectors since 2007, except for a very few sectors with relatively small amounts of taxable sales activity in the city (such as management services and food and beverage stores). In most cases sales activity have fallen not only well below 2007 activity, they have fallen below 2005 activity. Especially important drops have occurred in the largest sectors in the city, including automotive and the mall oriented larger retail stores (Apparel and Accessories, and General Merchandise (which includes department stores. Particularly large drop has occurred in furniture and home furnishings , which are most affected by SST legislation which changes the location of where sales are transacted from the point of sale to the point of delivery (this change particularly affects the sales of large items which are likely to be delivered to customers who live outside the city).

The next graph compares total taxable sales activity in the City of Lynnwood with other areas, the surrounding market area (defined as the larger cities in the Southwestern Urban Growth area—Everett, Mukilteo, Edmonds, Millcreek and Mountlake Terrace and Lynnwood), Snohomish County and the State. For comparative purposes another mall oriented city, Tukwila is also included. The comparison on this graph and the immediately following graphs are made on the basis of an index with 2004 equaling 1. This index allows a comparison between the areas on how activity was growing before the recession and how the recession has affected each area.

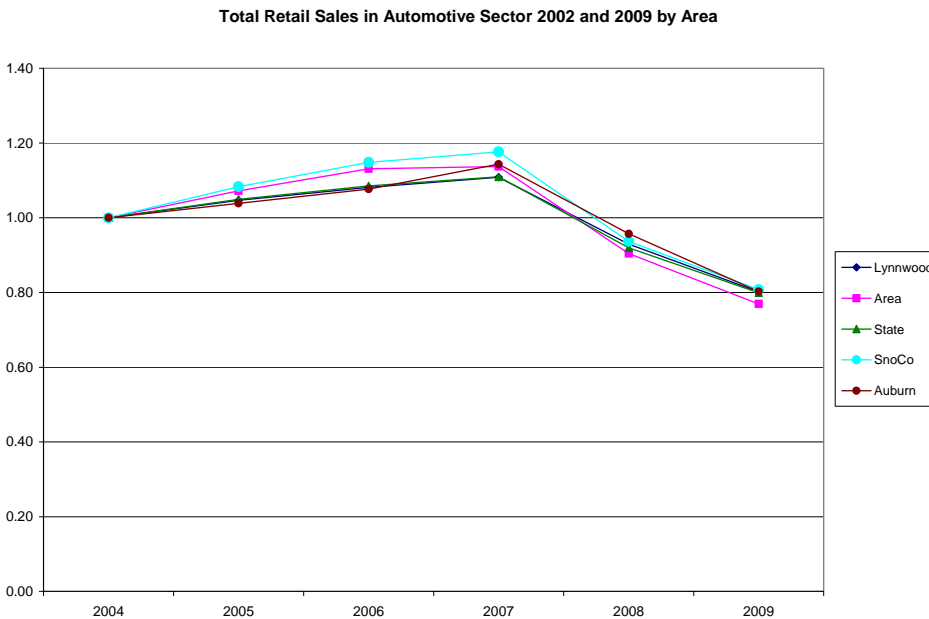


As noted on the first graph of this series, above, while all of the areas compared areas were growing before the recession, Lynnwood generally lagged behind the other areas that the city is a part of. This indicates that while Lynnwood was growing it was nonetheless losing market share to other areas. This occurred even in the city’s immediate market area of southwestern Snohomish County. Since the recession all areas dropped, but the gap between Lynnwood and the larger areas widened, increasing the loss of market share. It is interesting to note that the trends in Lynnwood are very similar to Tukwila and in the mall oriented sales in Bellevue shown below—indicating a shift from larger mall cities in general. It should be noted that 2009 activity in Lynnwood was less than 2004, although in the state and the rest of the county, activity stayed about 10% higher.



The second graph in this series, above, focuses on those sectors that are particularly associated with the mall; Apparel and Accessories, and General Merchandise (including Department

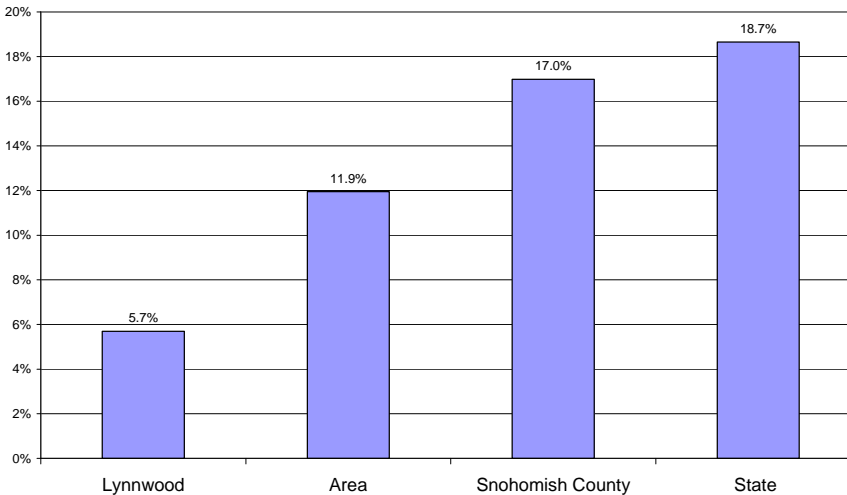
Stores). In these sectors similar trends are found as in total activity, but less dramatic in comparison to the immediate area and the state. However, there is a very wide gap between the city and the county as a whole. This indicates a very substantial shift drop in market share between the city and the rest of the county, probably to the rapidly growing area north of Everett which includes the discount mall on the Tulalip Reservation.



The loss of market share for sales activity in Lynnwood in general and in the mall oriented sectors suggests that, the sales tax grow in a recovery from the recession is likely to be slower than in areas that have been able to retain market share through the recession. This lagging in these mall sectors will be buffered a bit by auto sales which tend to come back sooner than other sectors in a recovery, and sales performance in Lynnwood generally matches competing areas.

The first sector that usually rebounds from a recession is construction. Rapid growth in this sector usually leads in the increase in tax revenues of total revenues after a recession. However, how much of a resurgence of construction revenues is to benefit the total growth is depended on how much of the total revenue is derived from construction activity. Obviously if construction composes a small share of the total the growth of construction income will have a smaller affect than on total growth than in an area that has a high share of its revenue derived from construction. As noted on the graph below, construction composes a relatively small share of total taxable sales activity in Lynnwood than in other areas. This low share again **indicates that sales tax growth in a recovery will lag in Lynnwood relative to other areas.**

Percent of Total Sales Tax Revenues from New Construction
2009 by Area



Other Taxes – While gambling taxes are being collected at a rate close to the budgeted amount, other taxes are generally lagging behind forecast for the biennium.

- Gambling taxes at \$236,978 are close to budgeted amount with having collected 75% at the end of the quarter.
- Cable TV franchise fees at \$516, 949 are above forecast at 95% of budget.
- Admission taxes at \$860,267 are lagging in comparison to budget having collected only 61% of total budgeted revenues of \$1,400,000.
- As part of the mid-biennium budget adjustments the city council enacted new utility taxes. As of June it was too early to see revenues from these new taxes. However, of those taxes that were in existence at the start of the biennium, collections are lagging behind the budgeted amounts, having collected \$3,175,605 of the budgeted \$4,660,563 or 68%

Licenses and Permits are performing well over the course of the biennium and are at \$3,079,360 or 85% of the budgeted \$3,629,889. Some construction related permits are performing particularly well over the course of the biennium, probably from projects left over in the pipeline before the advent of the recession.

Intergovernmental revenues are well ahead of forecast, having collected \$2,432,953 or 82% of the \$2,964,426 budgeted in that category. This category includes a variety of disparate accounts including grant money and state shared revenues.

- Direct Federal grants have collected \$2,130 by the end of June.
- Indirect federal grants have collected \$70,517.
- State grants have collected \$249,396
- State shared revenues for liquor taxes and city shares of liquor profits equal 783,425 or 54% of budget, year to date.

Charges for Services are budgeted to collect \$8,159,199 for the biennium and revenues to date falling behind forecast, having collected only 67% or \$5,477,876 by the end of June 2010.

The major charges for services are broken down into the following categories:

- Parks and Recreation Services is budgeted to collect \$1,685,270 and has collected \$1,505,484 or 89% of budget through September. This category of revenue is estimated to be about \$600,000 less in 2010 than 2009 due to the temporary closing of the recreation center. This reduction is directly related to forecasted reduced costs from 2009 to 2010 in the parks and recreation department.
- The charges for services in the planning department, which includes the plan check fees and other services (but not fees for permits which are included in Licenses and Permits), is budgeted at \$1,042,808 for the biennium but collections are at 45% or \$465,470 through June. This short fall in permit revenue is in sharp contrast to the higher than expected revenue under licenses above. It should be noted that construction related charges and fees in both the charges for service category and the permits and licensing categories are falling short of expectations with only about 61% collected BTM.
- Interfund / Interdepartmental Services revenue is the cost of administrative services paid by the general fund that are provided to other departments. The revenue amounts to \$3,009,490 for the biennium. Since these are set charges, they will be at the budgeted amount at the end of the year.
- Charges for activities related to the security of persons or property are budgeted at \$2,028,156 and only about half that amount has been collected at \$1,049,992.

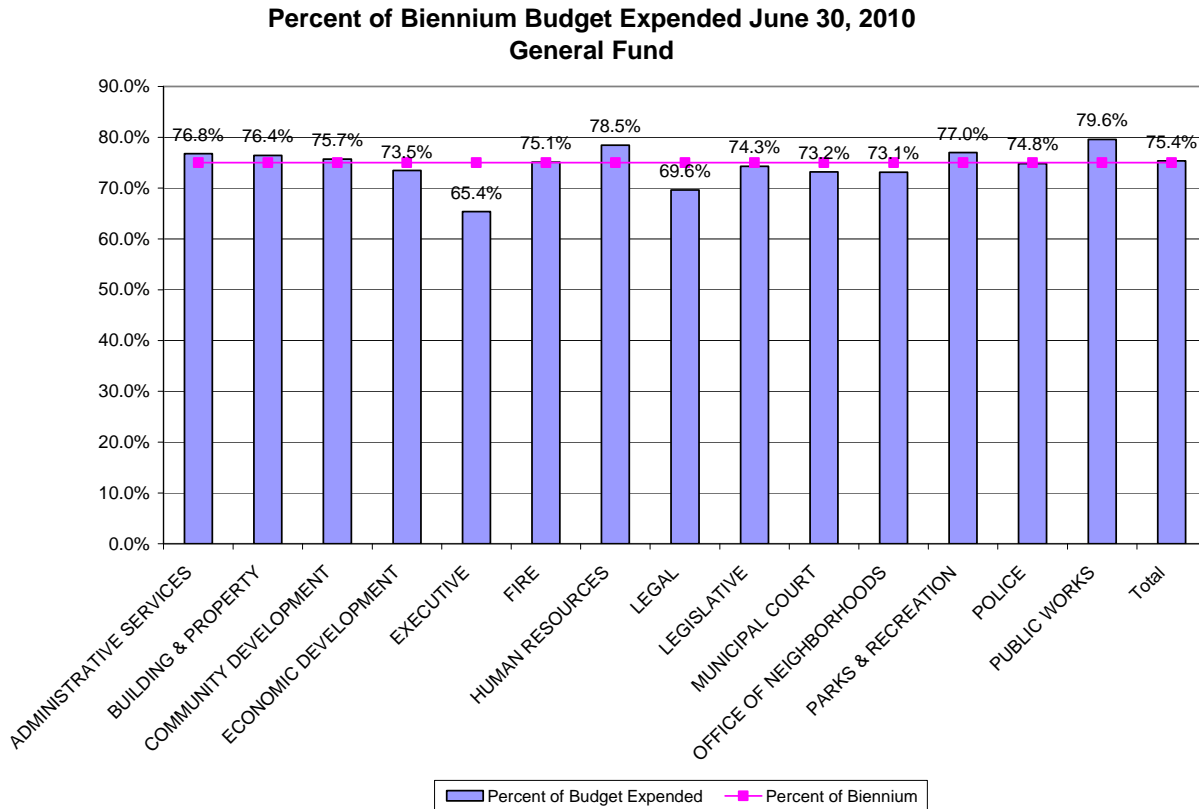
Fines and Forfeits, although significant revenues are being collected from the red light and school zone camera program, court revenues budgeted in this category are below budget. The budget for these revenues is \$12,577,000 and biennium to date collections is only \$8,437,900 or only 67% for the biennium.

Miscellaneous Revenues, consist of rents, sales of property, interest, contributions and other earnings in the general fund. 68% of the budgeted income is anticipated to be from interest earnings. However, due to the recession and related low interest rates, interest earnings are very low, having collected only one third of the budgeted amount for the biennium.

Other Financing Sources are primarily made up of transfers from other funds and one-time collections from sale of assets, budgeted (as amended) at \$11,646,423. These include the EMS Levy fund and other Special Revenue Funds. The EMS levy is budgeted at \$5,466,203 and to date \$3,441,568 has been collected.

General Fund Expenditures Analysis

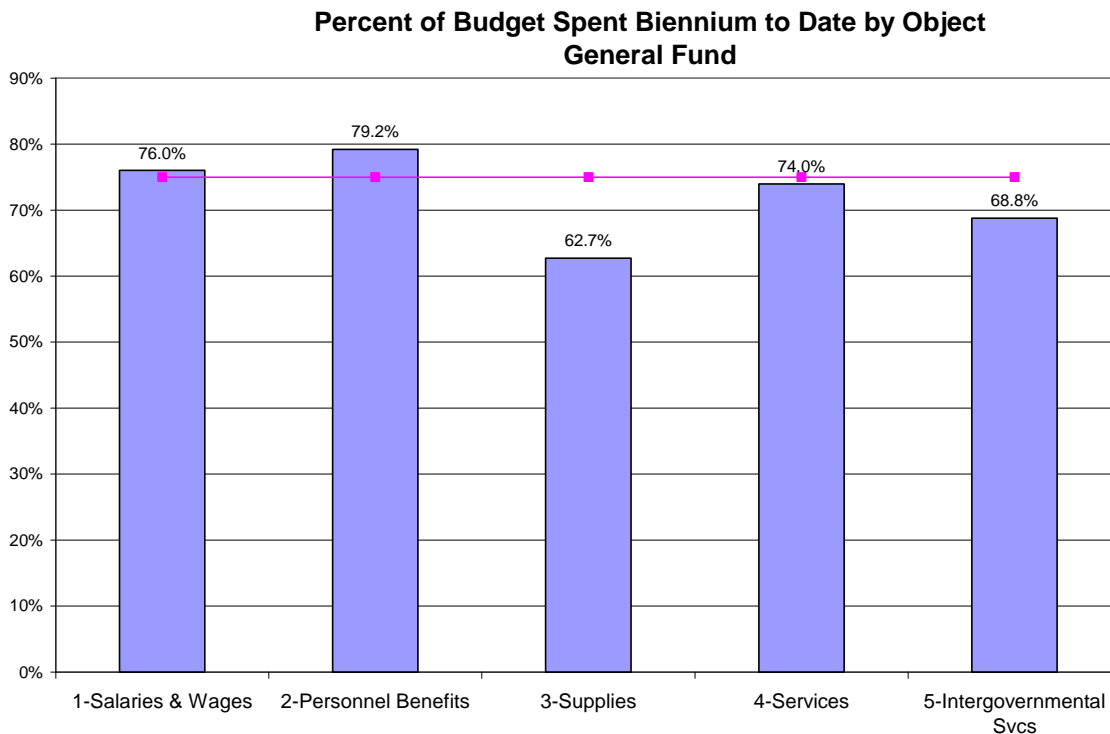
The status of General Fund expenditures may be compared in two ways; by comparing the rate of expenditure occurring in each department with the amount of time that has elapsed under this budget or by comparing the department's expenditures against a forecast of expenditures under this budget.



The graph above compares the expenditures to date with amount of time that has elapsed on this biennial budget; as of the end of June, 75% of the year biennium has elapsed and the total expended is just slightly above that amount for the entire city. The graph compares the percent of the budget spent by each department against this benchmark. As shown only a few of the departments are below this benchmark

The next graphic makes the same comparison by object. While as shown, salaries and benefits are running over budget, the other categories are tending to run under budget.

In previous monthly reports, the performance to date was indicated only by the comparisons of time elapsed against the amount of biennium budget expended. This is a standard rule of thumb comparison throughout finance departments (it is such a standard, most financial management software has the calculation automatically built into budget reports. However, since this calculation indicated some significant shortfalls in the budget, a more detailed analysis of expenditure patterns has been made to more accurately portray actual financial status throughout the general fund.



The biennium to date comparison does not adequately reflect several important factors affecting the expenditure rates in various categories. During 2009 there were several significant labor settlements that added substantial one time only payments that augmented the salary and benefit categories in 2009. These payments distort the average rate of payment in these categories. Similarly, there was a onetime payment early in the year for LEOFF 1 retiree medical coverage that would overstate the average rate of monthly costs in the benefit category. Finally, the biweekly pay system results in some months having three pay periods rather than two. While these factors tend to increase the projected costs if not factored out of the math, there is one factor that tends to increase costs over the average: salaries tend to increase through the year and consequently the average salary costs tend to increase over the year. To account for these considerations the salary and benefit forecast calculations on Table 3 below, are based only on 2010, with the LEOFF 1 medical payment subtracted out for trending, but added back in at the end. The salaries are then forecasted on the basis of the percent of total payroll costs that are usually expended as of June 30th. Other adjustments are made in other categories where anticipated costs can be specifically predicted (such software maintenance contracts).

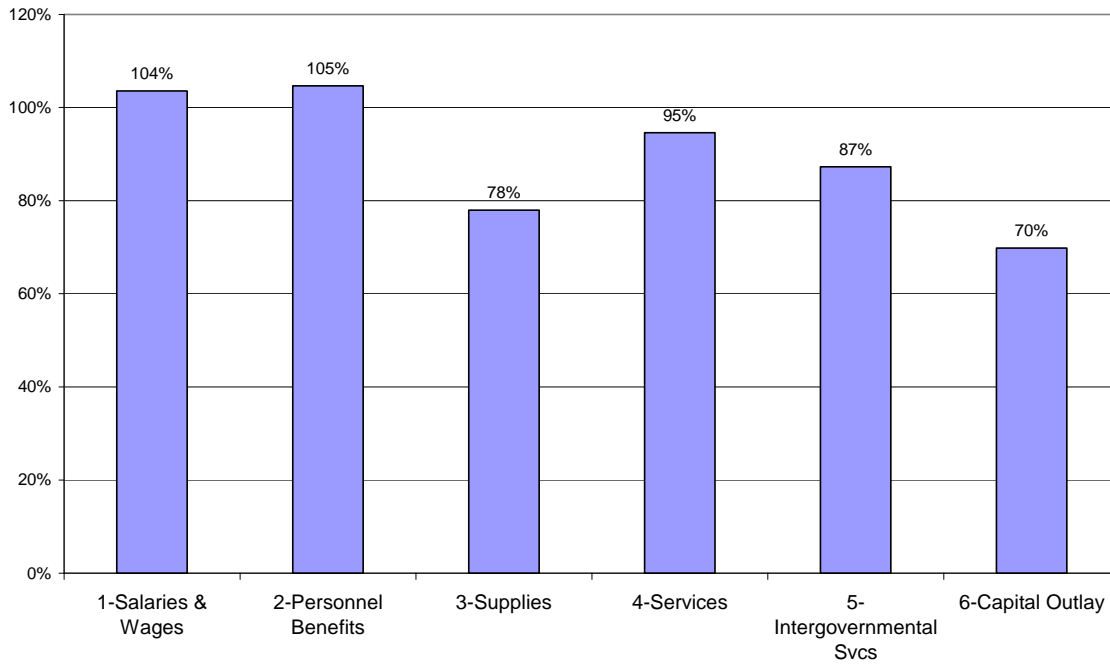
Tables 3 and 4 presents the results of the calculations as the 2010 Forecast. The graphics on the following pages also summarizes the results.

TABLE 3: GENERAL FUND EXPENDITURES BY OBJECT

Object	Revised Budget	Percent of		Biennium Balance	2009 Actual	2010 Budget	YTD	Percent of 2010		
		BTD	Biennium Budget					Biennium Forecast	Budget	2010 Forecast
0-Reclassification	2,299,730	1,532,682	67%	1,892,581	407,149	1,172,782	1,126,948	359,900	32%	719,799
1-Salaries & Wages	49,249,659	37,434,647	76%	51,007,584	(1,757,925)	25,960,391	23,269,267	11,474,255	49%	25,047,192
2-Personnel Benefits	17,000,270	13,462,720	79%	17,790,715	(790,445)	8,803,062	8,197,208	4,659,657	57%	8,967,653
3-Supplies	2,773,261	1,739,399	63%	2,161,969	611,292	1,316,829	1,456,432	422,570	29%	845,140
4-Services	11,084,103	8,199,197	74%	10,486,912	597,191	5,778,688	5,305,415	2,420,510	46%	4,708,224
5-Intergovernmental Svcs	4,897,050	3,368,377	69%	4,275,214	621,836	2,461,540	2,435,510	906,837	37%	1,813,675
6-Capital Outlay	1,352,497	799,362	59%	944,383	408,113	654,341	698,155	145,021	21%	290,042
7-Debt Service-Principal	-	-	-	-	-	-	-	-	-	-
8-Debt Service-Interest	1,765	822	47%	822	943	822	943	-	0%	-
9-Interfund Payment for Svcs	5,219,494	2,066,727	40%	2,369,135	2,850,359	1,934,522	3,284,972	132,206	4%	434,613
Grand Total	93,877,829	68,603,932	73%	90,929,315	2,948,514	48,082,976	45,794,853	20,520,956	45%	42,846,338
Less \$2.8 Million Reserve (Interfund Payment)	2,850,359						2,850,359			
Operations	91,027,470	68,603,932	75%	90,929,315	98,155	48,082,976	42,944,494	20,520,956	48%	42,846,338

Notes
2010 Budget is calculated by the balance of the biennium budget at the end of 2009.
Due to the way the 2010 budget is calculated, the 2010 budget balance is the same as the biennium budget balance.

**Forecasted % of Biennial Budget Spent at Year End
General Fund**



Administrative Services Department
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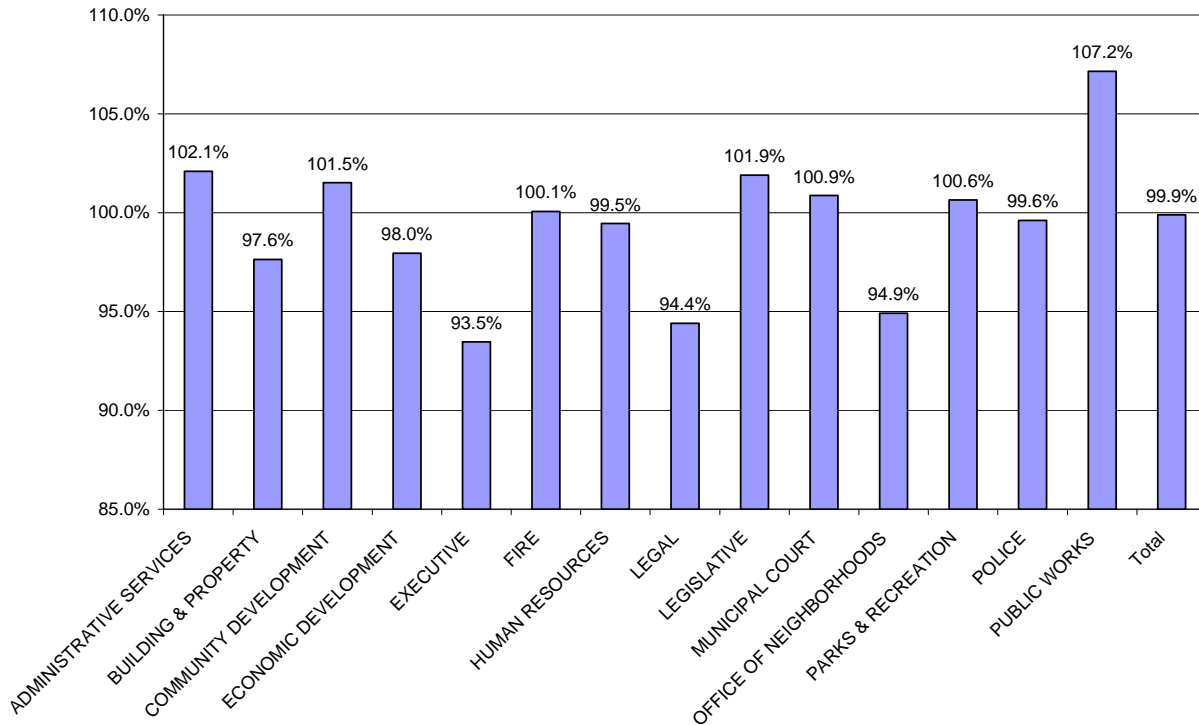
Table 4: GENERAL FUND EXPENITURES BY DEPARTMENT

DEPT	Object	Revised Budget	BTD	% of Biennium Budget	Biennium Forecast	Biennium Balance	2009 Actual	2010 Budget	YTD	2010 Forecast
ADMINISTRATIVE SERVICES										
	0-Reclassification	34,689	17,345	50.0%	17,345	17,344	17,345	17,344	-	-
	1-Salaries & Wages	4,799,893	3,661,766	76.3%	5,011,836	(211,943)	2,524,130	2,275,763	1,137,636	2,487,706
	2-Personnel Benefits	1,349,999	1,154,671	85.5%	1,579,877	(229,878)	760,962	589,038	393,709	818,916
	3-Supplies	814,178	472,558	58.0%	605,692	208,486	339,424	474,754	133,134	266,268
	4-Services	1,500,640	1,336,394	89.1%	1,610,777	(110,137)	929,216	571,424	407,178	681,561
	5-Intergovernmental Svcs	4,937	3,488	70.6%	5,645	(708)	1,331	3,606	2,157	4,313
	6-Capital Outlay	327,942	136,254	41.5%	189,074	138,868	83,434	244,508	52,820	105,640
	7-Debt Service-Principal	-	-	-	-	-	-	-	-	-
	8-Debt Service-Interest	1,765	822	46.5%	822	943	822	943	-	-
	9-Interfund Payment for Svcs	62,430	46,846	75.0%	62,430	-	31,630	30,800	15,216	30,800
	ADMINISTRATIVE SERVICES Total	8,896,473	6,830,143	76.8%	9,083,497	(187,024)	4,688,293	4,208,180	2,141,850	4,395,204
BUILDING & PROPERTY										
	1-Salaries & Wages	1,119,231	832,321	74.4%	1,128,068	(8,837)	583,110	536,121	249,211	544,958
	2-Personnel Benefits	467,897	316,017	67.5%	430,604	37,293	209,917	257,960	106,099	220,686
	3-Supplies	194,615	231,676	119.0%	272,064	(77,449)	191,288	3,327	40,388	80,776
	4-Services	1,709,789	1,313,307	76.8%	1,707,495	2,294	919,119	-	394,188	788,376
	5-Intergovernmental Svcs	-	-	-	-	-	-	-	-	-
	6-Capital Outlay	643,425	459,018	71.3%	497,948	145,477	420,088	223,337	38,930	77,860
	9-Interfund Payment for Svcs	43,576	41,583	95.4%	43,576	-	36,186	7,390	5,397	7,390
	BUILDING & PROPERTY Total	4,178,533	3,193,922	76.4%	4,079,755	98,778	2,359,709	1,818,824	834,213	1,720,046
COMMUNITY DEVELOPMENT										
	1-Salaries & Wages	2,827,421	2,110,457	74.6%	2,856,044	(28,623)	1,482,189	1,345,232	628,269	1,373,856
	2-Personnel Benefits	785,938	681,133	86.7%	917,158	(131,220)	462,591	323,347	218,542	454,568
	3-Supplies	72,469	29,954	41.3%	33,702	38,767	26,205	46,264	3,748	7,497
	4-Services	450,658	310,428	68.9%	398,770	51,888	222,085	228,573	88,342	176,685
	5-Intergovernmental Svcs	-	-	-	-	-	-	-	-	-
	6-Capital Outlay	5,651	-	0.0%	-	5,651	-	5,651	-	-
	9-Interfund Payment for Svcs	41,692	34,441	82.6%	41,692	-	27,559	14,133	6,882	14,133
	COMMUNITY DEVELOPMENT Total	4,183,829	3,166,412	75.7%	4,247,367	(63,538)	2,220,629	1,963,200	945,783	2,026,738
ECONOMIC DEVELOPMENT										
	1-Salaries & Wages	519,383	386,902	74.5%	524,158	(4,775)	271,243	248,140	115,659	252,915
	2-Personnel Benefits	128,870	100,109	77.7%	135,290	(6,420)	67,534	61,336	32,575	67,756
	3-Supplies	2,967	5,631	189.8%	6,430	(3,463)	4,832	(1,865)	799	1,598
	4-Services	87,601	50,024	57.1%	57,753	29,848	42,295	45,306	7,729	15,458
	5-Intergovernmental Svcs	-	-	-	-	-	-	-	-	-
	9-Interfund Payment for Svcs	3,380	2,537	75.1%	3,380	-	1,691	1,689	846	1,689
	ECONOMIC DEVELOPMENT Total	742,201	545,203	73.5%	727,010	15,191	387,596	354,605	157,607	339,415
EXECUTIVE										
	1-Salaries & Wages	410,395	282,777	68.9%	426,665	(16,270)	161,530	248,865	121,247	265,135
	2-Personnel Benefits	134,191	94,802	70.6%	129,615	4,577	62,568	71,623	32,234	67,047
	3-Supplies	21,087	14,911	70.7%	22,876	(1,789)	6,947	14,140	7,965	15,929
	4-Services	194,879	125,354	64.3%	164,495	30,384	86,213	108,666	39,141	78,281
	5-Intergovernmental Svcs	57,500	15,160	26.4%	19,689	37,811	10,632	46,868	4,529	9,057
	9-Interfund Payment for Svcs	18,877	14,163	75.0%	18,877	-	9,441	9,436	4,722	9,436
	EXECUTIVE Total	836,929	547,168	65.4%	782,217	54,713	337,331	499,598	209,837	444,886
FIRE										
	1-Salaries & Wages	10,360,860	7,805,636	75.3%	10,684,318	(323,458)	5,342,885	5,017,975	2,462,751	5,341,433
	2-Personnel Benefits	4,265,710	3,254,209	76.3%	4,206,341	59,369	2,037,054	2,228,656	1,217,155	2,169,287
	3-Supplies	434,793	277,341	63.8%	328,896	105,897	225,785	209,008	51,555	103,111
	4-Services	308,486	253,684	82.2%	328,859	(20,373)	178,509	129,977	75,175	150,351
	5-Intergovernmental Svcs	1,080,977	651,997	60.3%	878,570	202,407	425,424	655,553	226,573	453,146
	6-Capital Outlay	92,354	74,090	80.2%	127,361	(35,008)	20,819	71,535	53,271	106,542
	9-Interfund Payment for Svcs	598,254	556,886	93.1%	598,254	-	602,618	(4,364)	(45,732)	(4,364)
	FIRE Total	17,141,434	12,873,843	75.1%	17,152,600	(11,166)	8,833,094	8,308,340	4,040,749	8,319,506
HUMAN RESOURCES										
	1-Salaries & Wages	750,267	582,306	77.6%	738,211	12,056	450,933	299,334	131,373	287,278
	2-Personnel Benefits	200,892	175,272	87.2%	227,543	(26,651)	126,873	74,019	48,399	100,670
	3-Supplies	24,300	11,427	47.0%	12,862	11,438	9,992	14,308	1,435	2,870
	4-Services	205,674	169,185	82.3%	210,205	(4,531)	128,165	77,509	41,020	82,040
	5-Intergovernmental Svcs	-	-	-	-	-	-	-	-	-
	6-Capital Outlay	14,220	-	0.0%	-	14,220	-	14,220	-	-
	9-Interfund Payment for Svcs	4,370	3,277	75.0%	4,370	-	2,185	2,186	1,092	2,186
	HUMAN RESOURCES Total	1,199,723	941,467	78.5%	1,193,192	6,531	718,148	481,575	223,319	475,044
LEGAL										
	4-Services	2,251,069	1,682,067	74.7%	2,194,795	56,274	1,169,340	1,081,729	512,727	1,025,455
	9-Interfund Payment for Svcs	2,799	2,104	75.2%	2,799	-	1,402	1,397	702	1,397
	LEGAL Total	2,253,868	1,569,467	69.6%	2,127,682	126,186	1,170,742	1,083,126	398,725	956,940
LEGISLATIVE										
	1-Salaries & Wages	340,140	266,803	78.4%	375,303	(35,163)	175,375	164,765	91,428	199,928
	2-Personnel Benefits	246,236	153,809	62.5%	205,685	40,551	105,777	140,459	48,033	99,908
	3-Supplies	6,425	6,393	99.5%	8,697	(2,272)	4,088	2,337	2,304	4,609
	4-Services	161,549	132,647	82.1%	180,813	(19,264)	84,481	77,068	48,166	96,331
	5-Intergovernmental Svcs	-	-	-	-	-	-	-	-	-
	9-Interfund Payment for Svcs	97,713	73,280	75.0%	97,713	-	48,854	48,859	24,426	48,859
	LEGISLATIVE Total	852,063	632,933	74.3%	868,211	(16,148)	418,576	433,487	214,356	449,635

Administrative Services Department
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DEPT	Object	Revised Budget	BTD	% of Biennium Budget	Biennium Forecast	Biennium Balance	2009 Actual	2010 Budget	YTD	2010 Forecast
MUNICIPAL COURT										
	1-Salaries & Wages	1,390,197	1,050,341	75.6%	1,435,949	(45,752)	725,409	664,788	324,932	710,540
	2-Personnel Benefits	421,398	369,401	87.7%	508,888	(87,490)	240,246	181,152	129,155	268,642
	3-Supplies	26,753	20,641	77.2%	24,467	2,286	16,815	9,938	3,826	7,652
	4-Services	780,620	491,346	62.9%	672,632	107,968	310,061	470,559	181,266	362,571
	5-Intergovernmental Svcs	-	-	-	-	-	-	-	-	-
	6-Capital Outlay	-	-	-	-	-	-	-	-	-
	9-Interfund Payment for Svcs	29,518	7,184	24.3%	29,518	-	4,790	24,728	2,394	24,728
	MUNICIPAL COURT Total	2,648,486	1,938,914	73.2%	2,671,455	(22,969)	1,297,321	1,351,165	641,593	1,374,134
NON-DEPARTMENTAL										
	0-Reclassification	2,265,071	1,515,337	66.9%	1,875,236	389,835	1,155,437	1,109,634	359,900	719,799
	6-Capital Outlay	130,000	130,000	100.0%	130,000	-	130,000	-	-	-
	8-Debt Service-Interest	-	-	-	-	-	-	-	-	-
	9-Interfund Payment for Svcs	2,850,359	-	0.0%	-	2,850,359	-	2,850,359	-	-
	NON-DEPARTMENTAL Total	5,245,430	1,645,337	31.4%	2,005,236	3,240,194	1,285,437	3,959,993	359,900	719,799
OFFICE OF NEIGHBORHOODS										
	1-Salaries & Wages	329,196	236,153	71.7%	316,230	12,966	168,675	160,521	67,477	147,555
	2-Personnel Benefits	61,732	66,489	107.7%	89,386	(27,654)	45,289	16,443	21,201	44,097
	3-Supplies	14,737	13,828	93.8%	19,474	(4,737)	8,183	6,554	5,645	11,291
	4-Services	190,671	119,442	62.6%	140,941	49,730	97,943	92,728	21,499	42,998
	5-Intergovernmental Svcs	-	-	-	-	-	-	-	-	-
	9-Interfund Payment for Svcs	-	-	-	-	-	-	-	-	-
	OFFICE OF NEIGHBORHOODS Total	596,336	435,912	73.1%	566,031	30,305	320,090	276,246	115,823	245,942
PARKS & RECREATION										
	1-Salaries & Wages	5,854,984	4,550,153	77.7%	6,010,536	(155,552)	3,319,563	2,535,421	1,230,590	2,690,972
	2-Personnel Benefits	1,761,105	1,465,300	83.2%	1,946,427	(185,322)	1,019,812	741,293	445,488	926,615
	3-Supplies	349,499	165,856	47.5%	191,873	157,626	139,839	209,660	26,017	52,034
	4-Services	1,101,798	803,316	72.9%	991,491	110,307	615,140	486,658	188,176	376,352
	5-Intergovernmental Svcs	35,000	19,388	55.4%	22,086	12,914	16,690	18,310	2,698	5,396
	6-Capital Outlay	-	-	-	-	-	-	-	-	-
	9-Interfund Payment for Svcs	207,928	165,262	79.5%	207,928	-	144,448	63,480	20,814	63,480
	PARKS & RECREATION Total	9,310,314	7,169,274	77.0%	9,370,340	(60,027)	5,255,491	4,054,822	1,913,783	4,114,849
POLICE										
	1-Salaries & Wages	17,362,205	13,146,077	75.7%	18,072,066	(709,861)	8,995,196	8,367,009	4,150,881	9,076,870
	2-Personnel Benefits	6,200,684	4,850,682	78.2%	6,375,251	(174,567)	3,122,341	3,078,343	1,728,341	3,252,910
	3-Supplies	769,663	467,166	60.7%	610,244	159,419	324,088	445,575	143,078	286,156
	4-Services	1,987,132	1,272,803	64.1%	1,646,922	340,210	898,684	1,088,448	374,119	748,238
	5-Intergovernmental Svcs	3,718,636	2,678,344	72.0%	3,349,225	369,411	2,007,463	1,711,173	670,881	1,341,762
	6-Capital Outlay	138,905	-	0.0%	-	138,905	-	138,905	-	-
	9-Interfund Payment for Svcs	1,195,165	1,066,406	89.2%	1,195,165	-	978,685	216,480	87,720	216,480
	POLICE Total	31,372,390	23,481,478	74.8%	31,248,874	123,516	16,326,458	15,045,932	7,155,020	14,922,417
PUBLIC WORKS										
	0-Reclassification	(30)	-	0.0%	-	(30)	-	(30)	-	-
	1-Salaries & Wages	3,185,487	2,522,955	79.2%	3,428,197	(242,710)	1,760,153	1,425,334	762,802	1,668,045
	2-Personnel Benefits	975,618	780,826	80.0%	1,038,650	(63,032)	542,099	433,519	238,726	496,651
	3-Supplies	41,775	22,016	52.7%	24,691	17,084	19,341	22,434	2,675	5,350
	4-Services	153,537	139,200	90.7%	180,963	(27,426)	97,437	56,100	41,763	83,527
	5-Intergovernmental Svcs	-	-	-	-	-	-	-	-	-
	6-Capital Outlay	-	-	-	-	-	-	-	-	-
	9-Interfund Payment for Svcs	63,433	52,760	83.2%	63,433	-	45,033	18,400	7,726	18,400
	PUBLIC WORKS Total	4,419,820	3,517,756	79.6%	4,735,935	(316,115)	2,464,063	1,955,757	1,053,693	2,271,872
	Grand Total	93,877,829	68,603,932	73.1%	90,929,315	2,948,514	48,082,976	45,794,853	20,520,956	42,846,338
	TOTAL Excluding 2.8 Million Reserves	91,027,470	68,603,932	75.4%	90,929,315	98,155	48,082,976	42,944,494	20,520,956	42,846,338
Notes										
2010 Budget is calculated by the balance of the biennium budget at the end of 2009.										
Due to the way the 2010 budget is calculated, the 2010 budget balance is the same as the biennium budget balance.										

Forecasted % of Biennial Budget Spent at Year End
General Fund



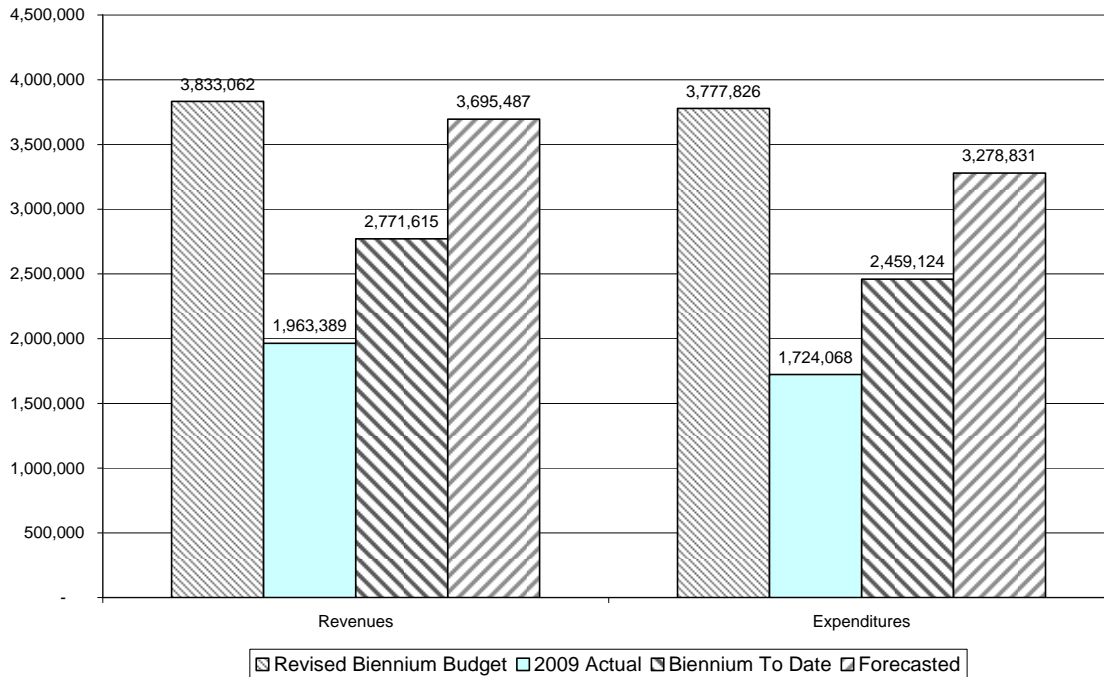
As noted the calculations described above suggests that the general fund expenses will end very near budget, although particular categories and line items will be over budget. The potential cost savings effects of the hiring freeze are not incorporated into this analysis.

In assessing this analysis, significant cost containment is occurring on those controllable items (such as supplies) and the spending trajectory seems to be on a downward course. **The average monthly costs for January through June, are 91% on the average for the same months in 2009.**

Other Major Funds:

While there are numerous funds set up for a variety of purposes, three funds are major operating funds, Street Fund, Water/Sewer Fund, and Golf Fund.

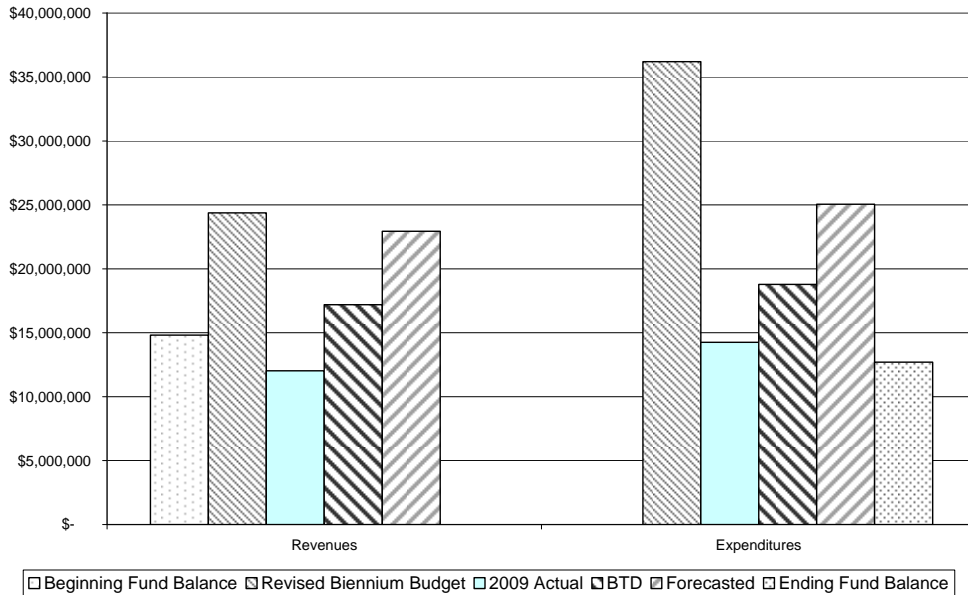
Street Fund Fiscal Picture



The graph above compares the actual revenues and expenditures to biennium to date (BTD) in the Street fund with the adopted budget and the projected amount to the end of the biennium. As of the end of June, 70% of the budgeted revenues were collected and 65% of the budgeted expenses were incurred. In both cases the BTD is just below the budgeted rate. However, since BTD revenues are well above the BTD actual costs, the fund is generating more revenues than it is incurring costs creating a favorable operating result.

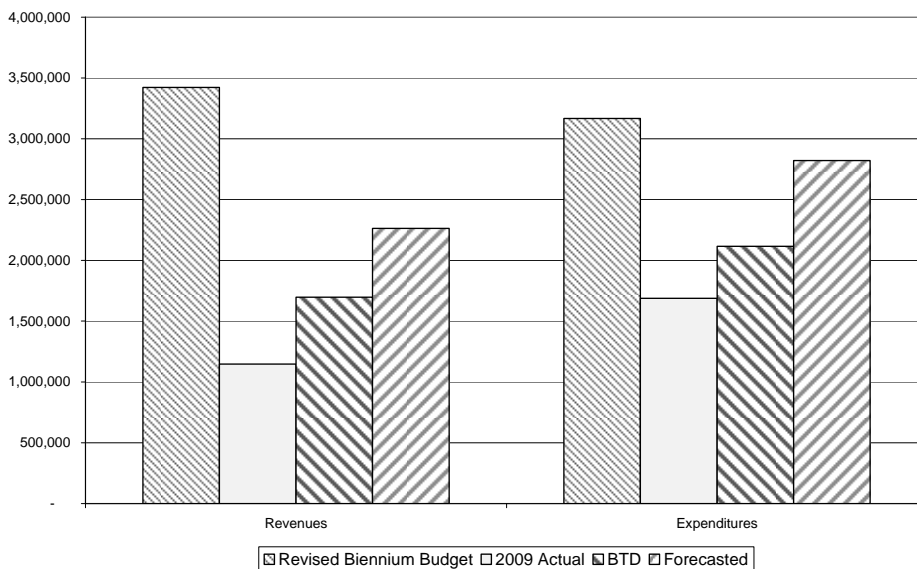
The performance of the water and sewer fund relative to the adopted budget to date has not been as favorable as the operation of the street fund. The graph below compares the actual revenues and expenditures to biennium date in the Water and Sewer Fund with the adopted budget and the biennium forecast to date. As of the end of June, 69% of the budgeted revenues were collected and 70% of the budgeted expenses were incurred. However, collected revenues are significantly trailing costs by over one million dollars. However, as indicated by the graph there are sufficient fund balances in the combined funds to cover the operating loss and the imbalance should be corrected in future budgets by the proposed rate increases that is now before the council.

Joint Water Sewer Operations Fiscal Picture



The graph below compares the actual revenues and expenditures to biennium date in the Golf Course Fund with the adopted budget and the biennium forecast to date. While as indicated both revenues and expenditures are running below the budgeted amounts, actual costs are running well ahead of revenues by \$419,000. However these operating results do not include the summer months when golf course revenues reach their peak. Also, it is expected that adding alcohol beverage sales to the course concessions will boost revenues. Finally the completion of debt service on the course bonds in the near future will reduce costs. The debt service will end in 2011 and will reduce costs by over \$350,000 per year.

Golf Course Fiscal Picture



Other Funds:

The Table 5 presents the budgeted cash balance for each of the City's funds—except multi-year construction funds. Most of the funds have a positive cash balance at end of June. While the ERR operating fund is showing an imbalance that will increase through the remainder of year since ERR rates have been suspend as a fiscal measure to maintain the general fund, there is sufficient balances in the combined operations of the ERR operating funds (510) which maintains the fleet and the equipment reserve fund (511) that replaces the vehicles to cover the operating deficit. However, several funds are running deficits and some corrective course will be needed to resolve the imbalances. As noted above the Golf Course Fund is running a deficit and the solid waste fund is also running a small deficit.

TABLE 5: CITY OF LYNNWOOD ALL FUNDS							
Revenue and Expenditures							
Fund Balance as of June 2010							
	Balance 1/1/2009	2009-2010 Budgeted Revenue	2009-2010 YTD Revenue	Total Funds Available	2009-2010 Budget Exp	2009-2010 YTD Expenditure	Ending Balance
11 General(Note 3)	\$ 5,224,069	\$ 93,515,705	\$ 66,522,653	\$ 71,746,722	\$ 93,877,829	\$ 68,603,932	\$ 3,142,790
101 Stadium	\$ 854,395	2,327,855	1,536,784	\$ 2,391,179	2,270,664	1,761,085	630,094
104 Drug Enforcement	\$ 605,968	447,685	293,761	\$ 899,729	422,784	222,357	677,372
105 Criminal Justice (Note 4)	\$ 1,266,688	1,914,790	952,016	\$ 2,218,704	1,743,820	1,179,965	1,038,739
111 Street	\$ 368,137	3,933,062	2,806,515	\$ 3,174,652	3,777,826	2,466,871	707,781
112 Arterial Street	\$ 311,125	606,395	376,233	\$ 687,358	557,846	75,000	612,358
114 Cum. Parks	\$ 103,171	5,863	12,851	\$ 116,022	-	22,509	93,513
116 Cum. Art	\$ 46,262	204,913	205,972	\$ 252,234	202,790	62,571	189,663
119 Cum. Aid Car	\$ 38,139	34,758	5,940	\$ 44,079	32,545	-	44,079
120 EMS	\$ 183,984	5,095,908	3,714,803	\$ 3,898,787	5,115,181	3,441,568	457,219
121 Tree Fund Reserve	\$ 117,760	50,000	22,615	\$ 138,334	40,000	16,422	121,912
128 Path and Trails	\$ 48,487	54,800	-	\$ 48,487	48,000	-	48,487
144 Solid Waste	\$ 12,400	237,688	95,301	\$ 107,701	237,688	127,391	(19,690)
198 Stabilization Fund	\$ 2,000,000	2,000,000	-	\$ 2,000,000	2,000,000	2,000,000	-
199 Program Development	\$ 1,689,912	2,957,240	30,076	\$ 1,719,988	3,155,266	1,187,187	532,801
201 2001 GO Refunding Bonds	\$ 28,999	330,186	247,785	\$ 276,784	330,186	175,359	101,426
202 Limited Tax GO Ref BDS	\$ -	7,230,890	6,741,161	\$ 6,741,161	7,230,890	5,896,548	844,613
211 1996 LTGO	\$ 205,226	738,211	1,598,962	\$ 1,804,188	1,804,188	1,804,188	-
212 1998 Library GO	\$ 30,469	2,770,970	2,770,970	\$ 2,801,439	2,801,439	2,801,439	-
215 800 MHz Debt Service	\$ 16,041	289,271	217,966	\$ 234,007	289,271	174,073	59,934
216 State Local Loan	\$ 3,859	92,626	69,468	\$ 73,327	92,626	69,468	3,859
217 Energy Conservation	\$ 17,113	130,914	98,050	\$ 115,163	130,914	98,050	17,113
2xx LID Funds	\$ 52,885		825,608	\$ 878,493	-	827,250	51,243
224 LID Guaranty	\$ 489,453		10,157	\$ 499,610		-	499,610
330 Real Estate Excise Tax	\$ 998,243	4,143,572	406,337	\$ 1,404,580	1,931,231	695,310	709,270
331 Real Estate Excise Tax	\$ 1,376,996	4,661,750	401,376	\$ 1,778,372	5,041,654	1,639,743	138,629
333 Capital Develop Plan	\$ 3,194,779	7,669,608	60,836	\$ 3,255,615	6,079,310	2,117,055	1,138,560
411 WS Utility (Notes 1 & 2)	\$ 14,811,467	29,909,400	20,134,642	\$ 34,946,109	40,862,778	20,571,076	14,375,033
460 Golf Course (Note 1)	\$ (288,068)	3,157,272	1,828,673	\$ 1,540,605	3,167,526	2,352,018	(811,413)
510 ER&R (Note 1)	\$ 3,758,760	2,765,208	1,492,392	\$ 5,251,152	2,873,693	2,412,249	2,838,903
511 Equipment Rental	\$ -	2,280,091	998,451	\$ 998,451	2,265,745	1,507,947	(509,497)
512 Central Stores (Note 1)	\$ 210,595	1,561,752	762,119	\$ 972,714	1,471,291	687,473	285,241
513 Joint Shop Operation	\$ -	514,000	172,849	\$ 172,849	514,000	357,909	(185,060)
515 Self Insurance (Note 1)	\$ 732,737	1,515,816	1,078,246	\$ 1,810,983	1,479,236	1,245,371	565,612
519 Res. Retire	\$ 213,872	10,639	4,438	\$ 218,310	-	-	218,310
Total	\$ 38,723,923	\$ 183,158,838	\$ 116,496,006	\$ 155,217,888	\$ 191,848,217	\$ 126,599,386	\$ 28,618,501

Note 1 -- Balance Forward is Working Capital (Current Assets less Current Liabilities)
Note 2 -- WS Utility Fund (411) includes Funds 411, 417, 421, 422, 461 and 471. Does not include depreciation.
Note 3 -- The new Beginning Balance for Fund 11 reflects two prior-budget adjustments: -\$750,000 and -\$131,610.
Note 4 -- The new Beginning Balance for Fund 105 reflects one prior-budget adjustment of \$750,000.