

2011-2016 General Fund Revenue
Forecast with Initial Proposed Preliminary
Budget Estimates

Lynnwood Administrative Services
Department

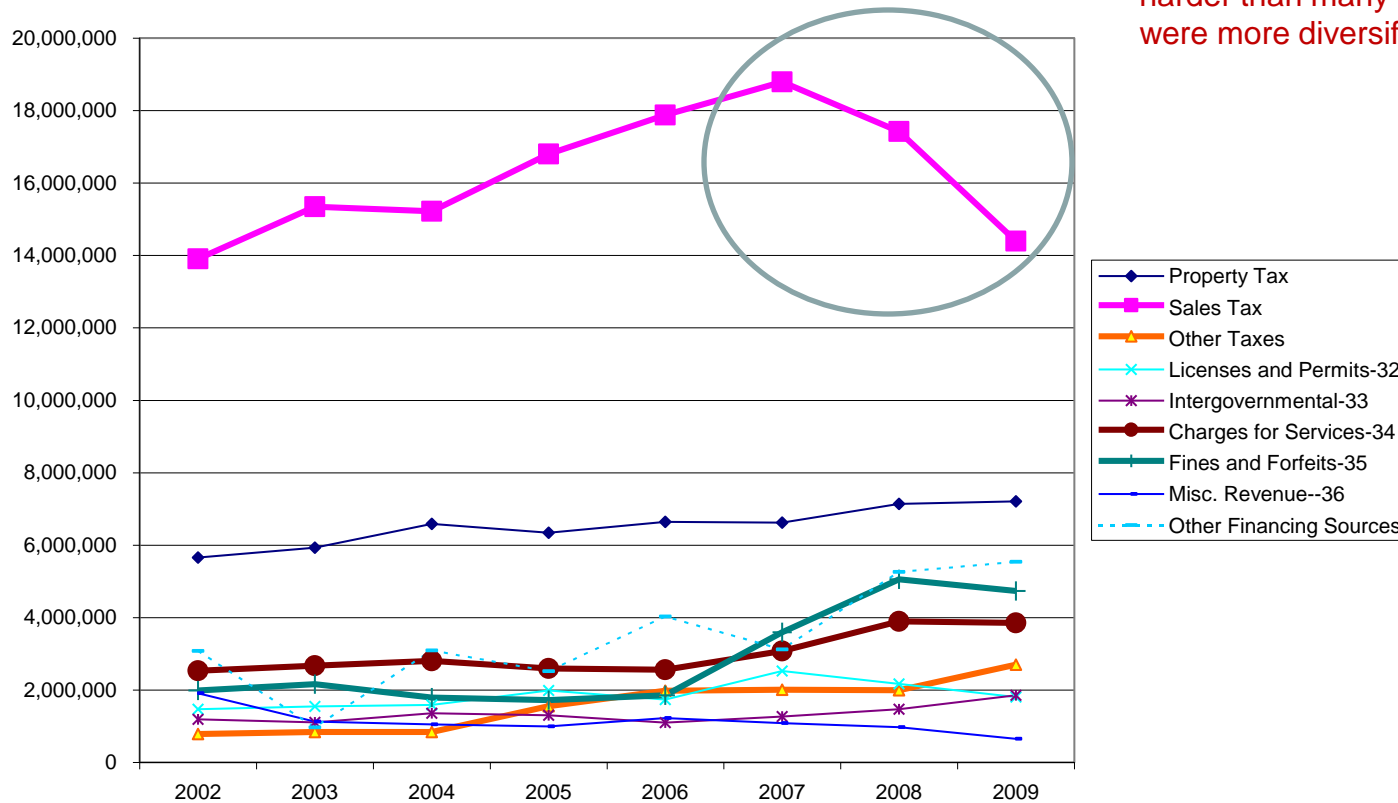
July 19, 2010

BUDGET DRIVERS REVENUES

Sales taxes in 2010 are \$4.4 million less in 2009 than 2007.

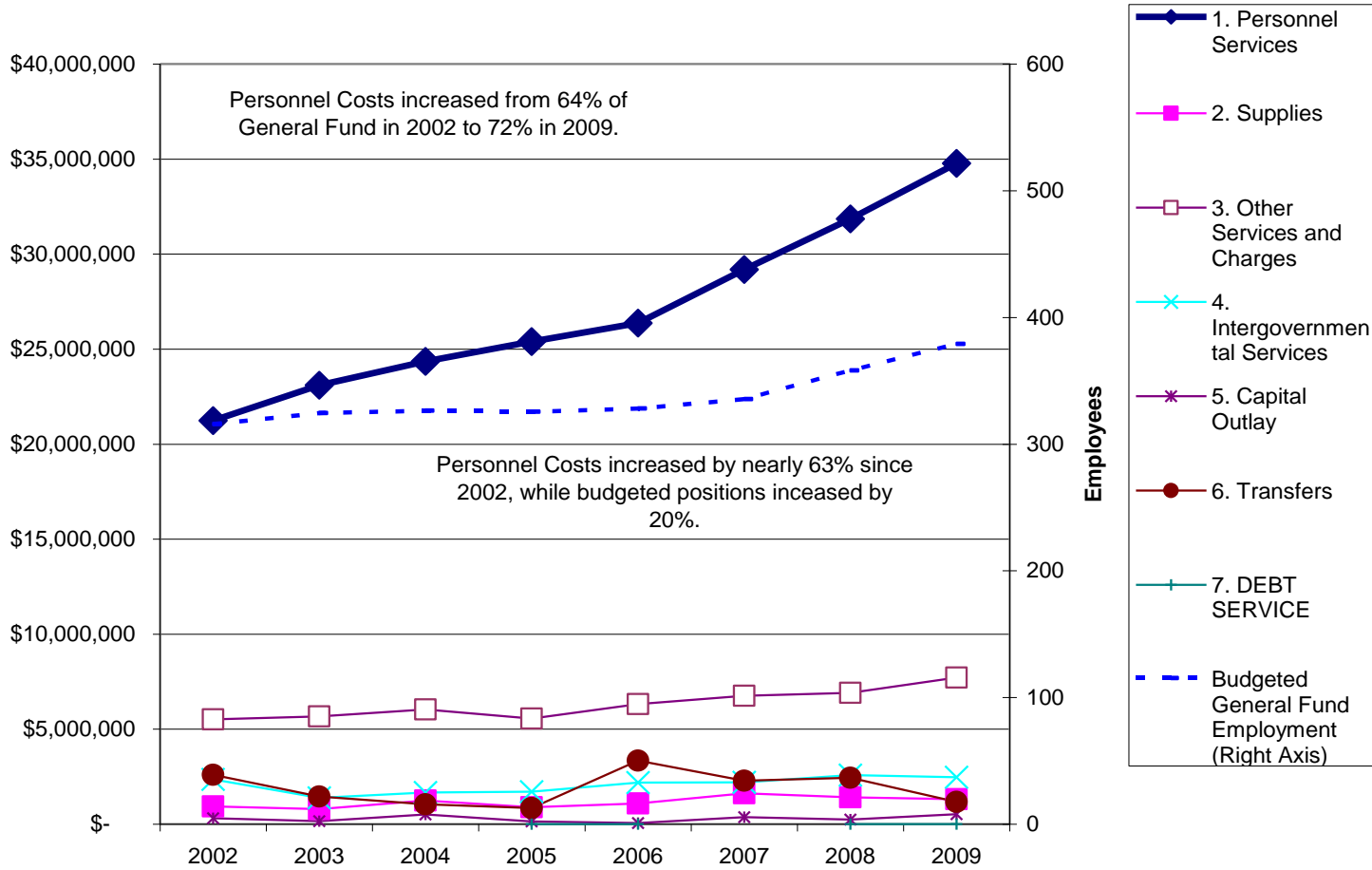
Preliminary
Revenue Trends 2002-2009
Lynnwood, Washington

Because of the city's reliance on the sales tax, Lynnwood was hit much harder than many cities that were more diversified.



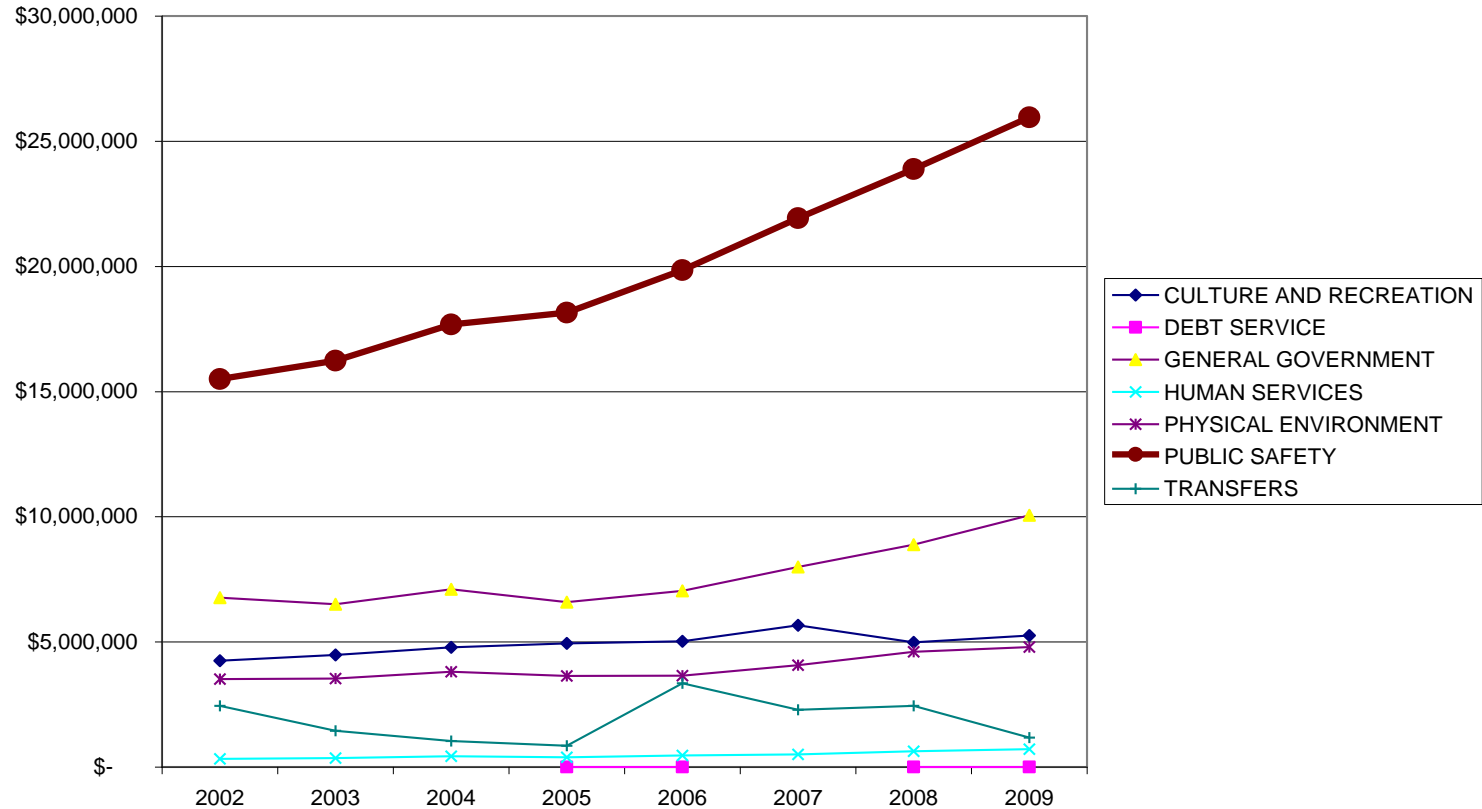
BUDGET DRIVERS EXPENDITURES

City of Lynnwood, Washington
General Fund Costs by Object Class
2002 to 2009



From another point of view, quality public safety services have been a primary driver of costs.

City of Lynnwood, Washington
General Fund Costs by Function
2002 to 2009



Forecast Overview

- **Driven by Sales Taxes**
 - Sales tax revenues fell from 68% of taxes in 2007 to 54% in 2010.
- **Three Forecasts**
 - High
 - Based on State Forecast—which anticipates a return to peak sales Tax collections in 2012.
 - Medium
 - **Base forecast used for biennial budget.**
 - **Based on slower overall recovery—return to peak in 2013-2014.**
 - Low
 - Assumes continuing economic stagnation.
 - No “double dip.”
- Forecast assumes that Lynnwood recovery will lag behind state and nation.

Washinton State Forecast Council Forecast of State Taxable Sales

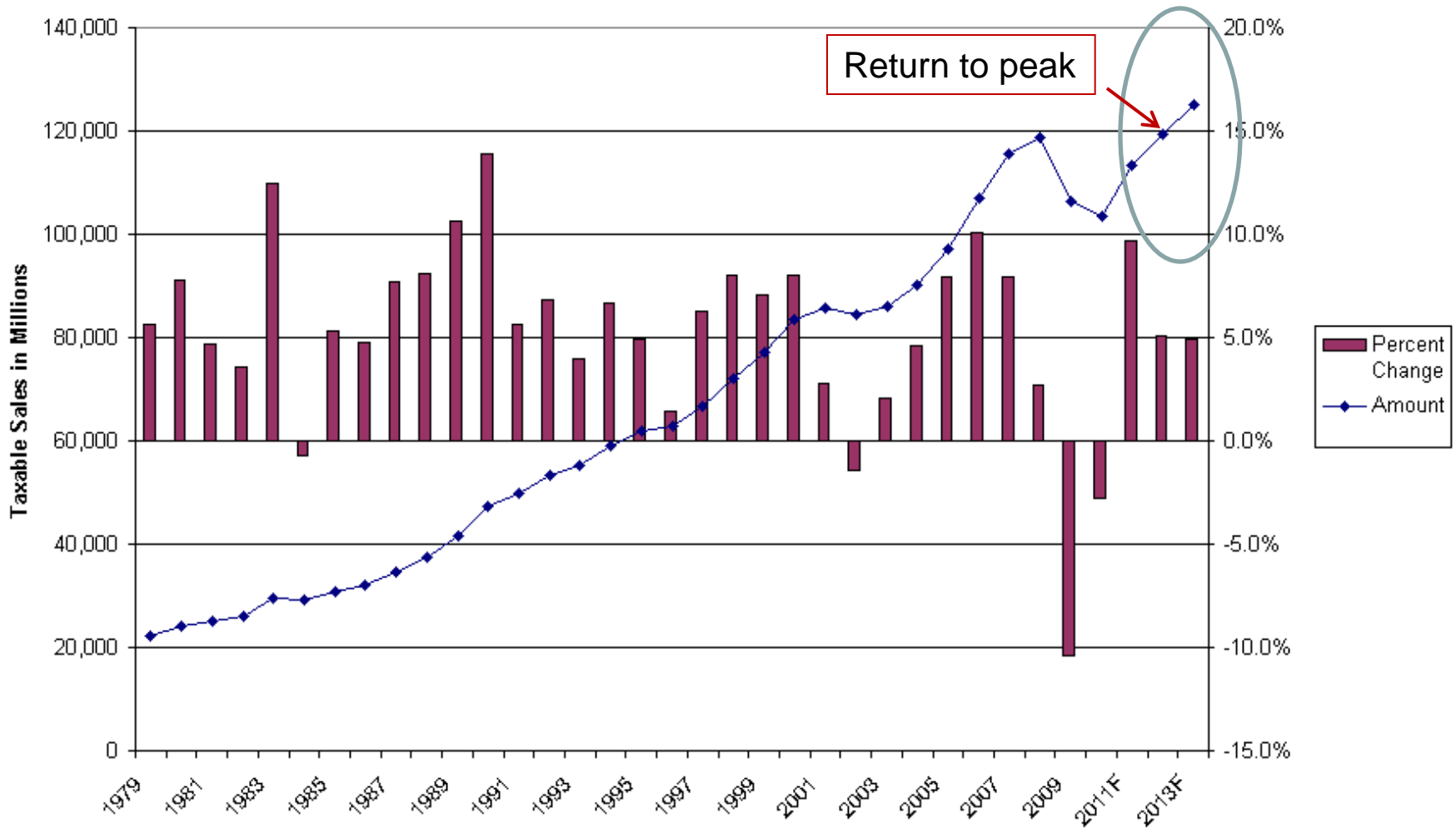
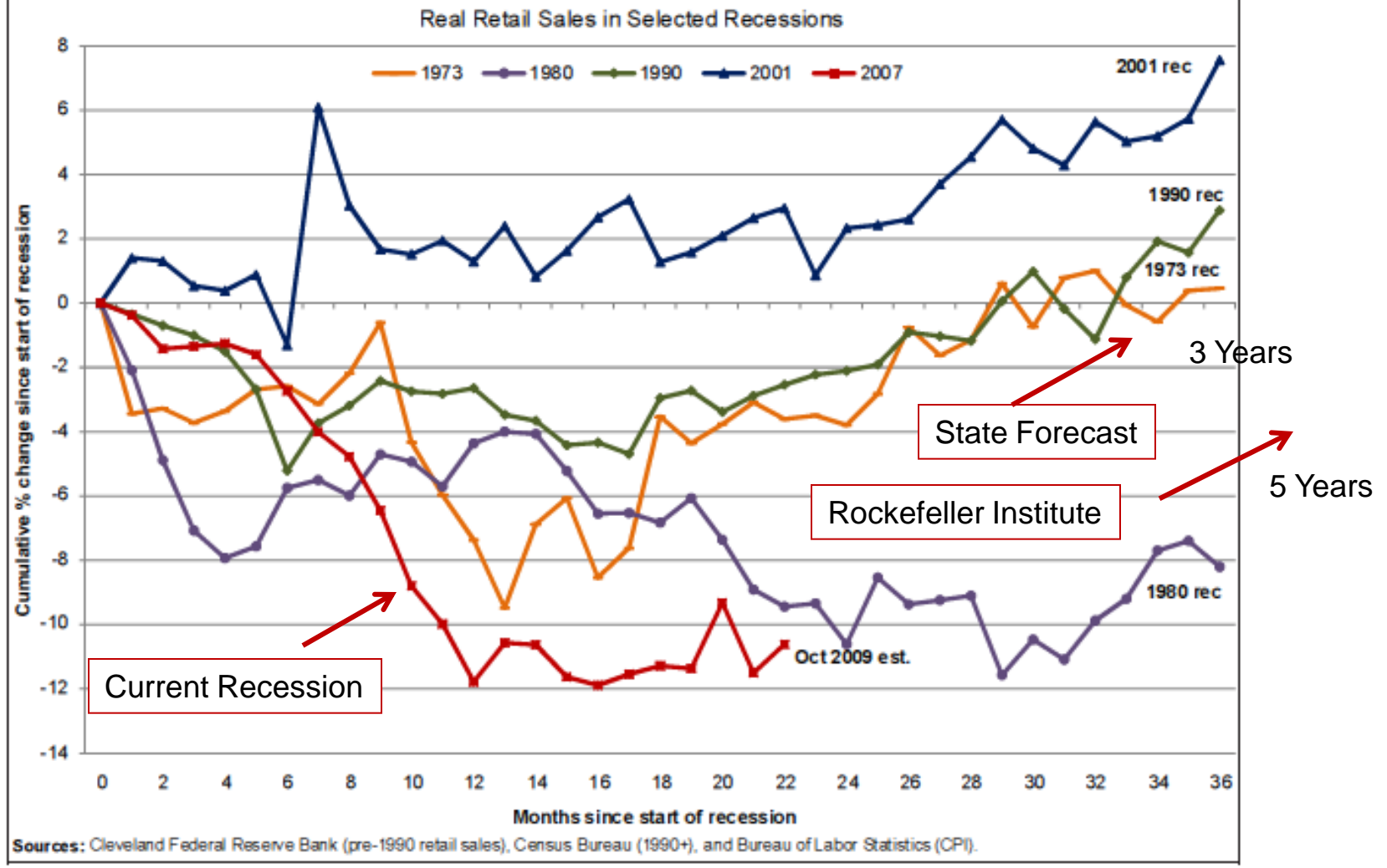


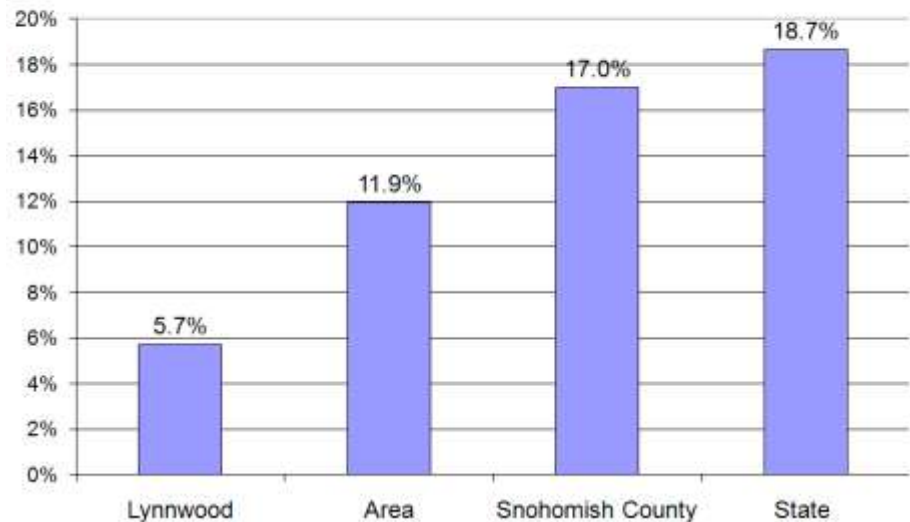
Figure 6. Real Retail Sales — A Sales Tax Driver — Were Hit Hard



Lynnwood recovery will lag behind state

- Lynnwood has small amount of construction which leads recovery.
- Lynnwood has further to go:
 - Must increase 28.6% to return to peak.
 - State only 15.7%.
- Lynnwood must wait for full return of consumer confidence. State can rely on other sectors.
 - 69% of taxable sales in Lynnwood are retail; only 43% in State
 - Lynnwood is heavily dependent of mall sectors (25% of sales), State is more diversified (only 12% in mall sectors).

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



Other Revenues

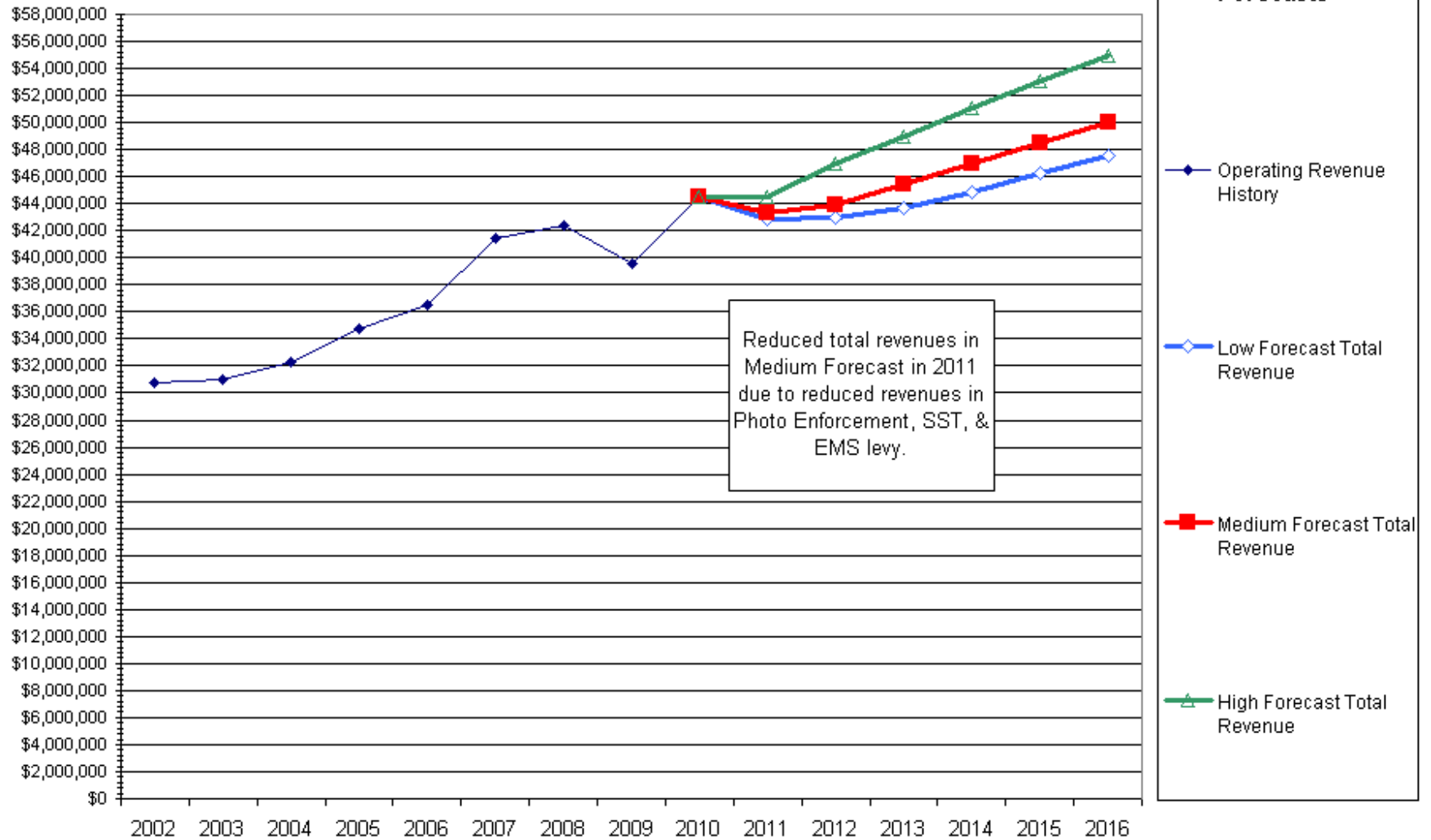
- Forecasted by factors appropriate for each such as:
 - Population
 - Inflation
 - Development activity
 - Trends in collections
 - Special calculations
- Assumptions about each factor consistent with overall economic assumptions for sales taxes in each forecast.

Other Significant Assumptions

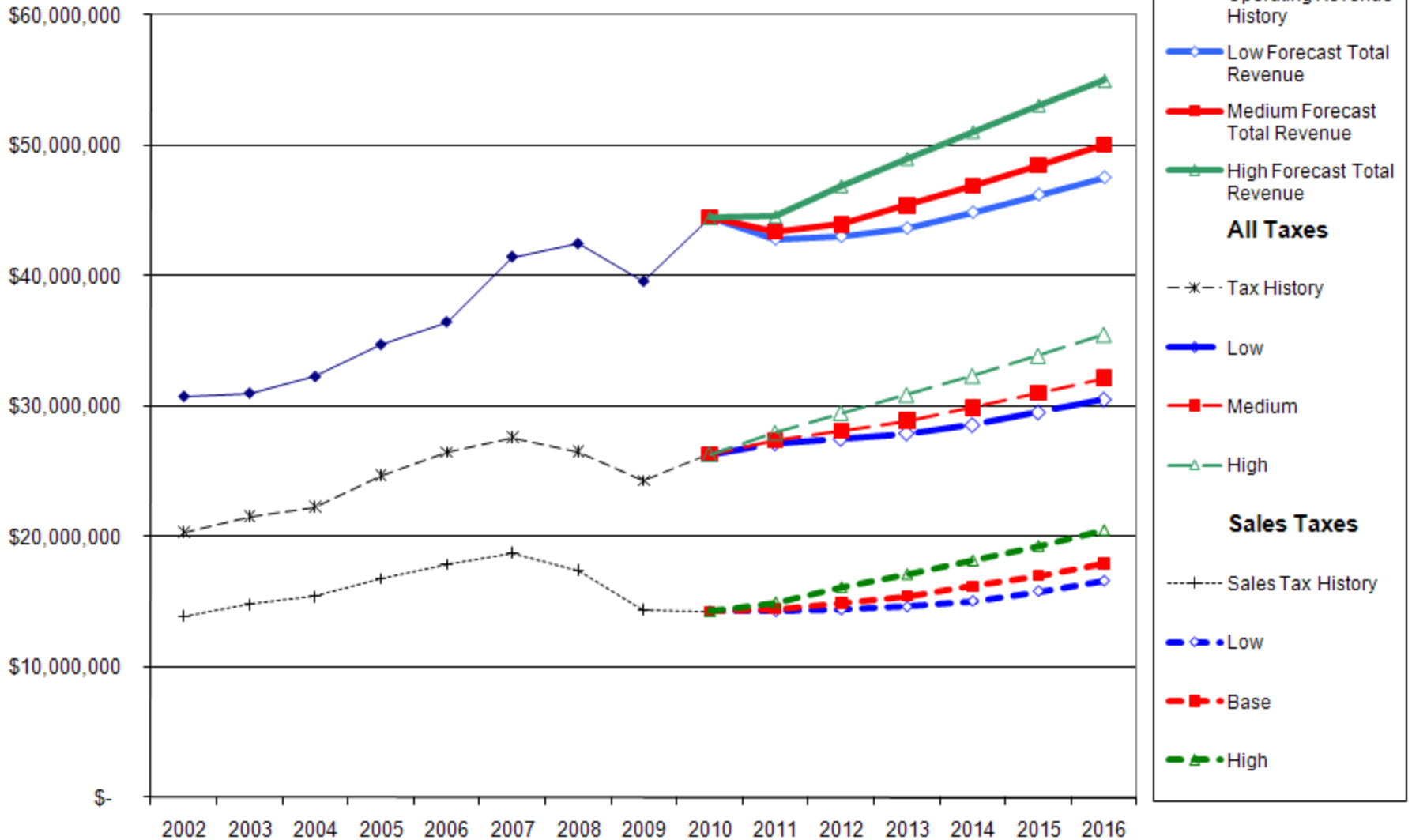
- EMS levy will drop in 2011 due to declining property values (will increase gradually thereafter).
- Streamlined Sales Tax (SST) mitigation will continue to decline.
- Photo enforcement will continue but with reduced revenues due to reduced hours of school zone enforcement.

Forecast Results

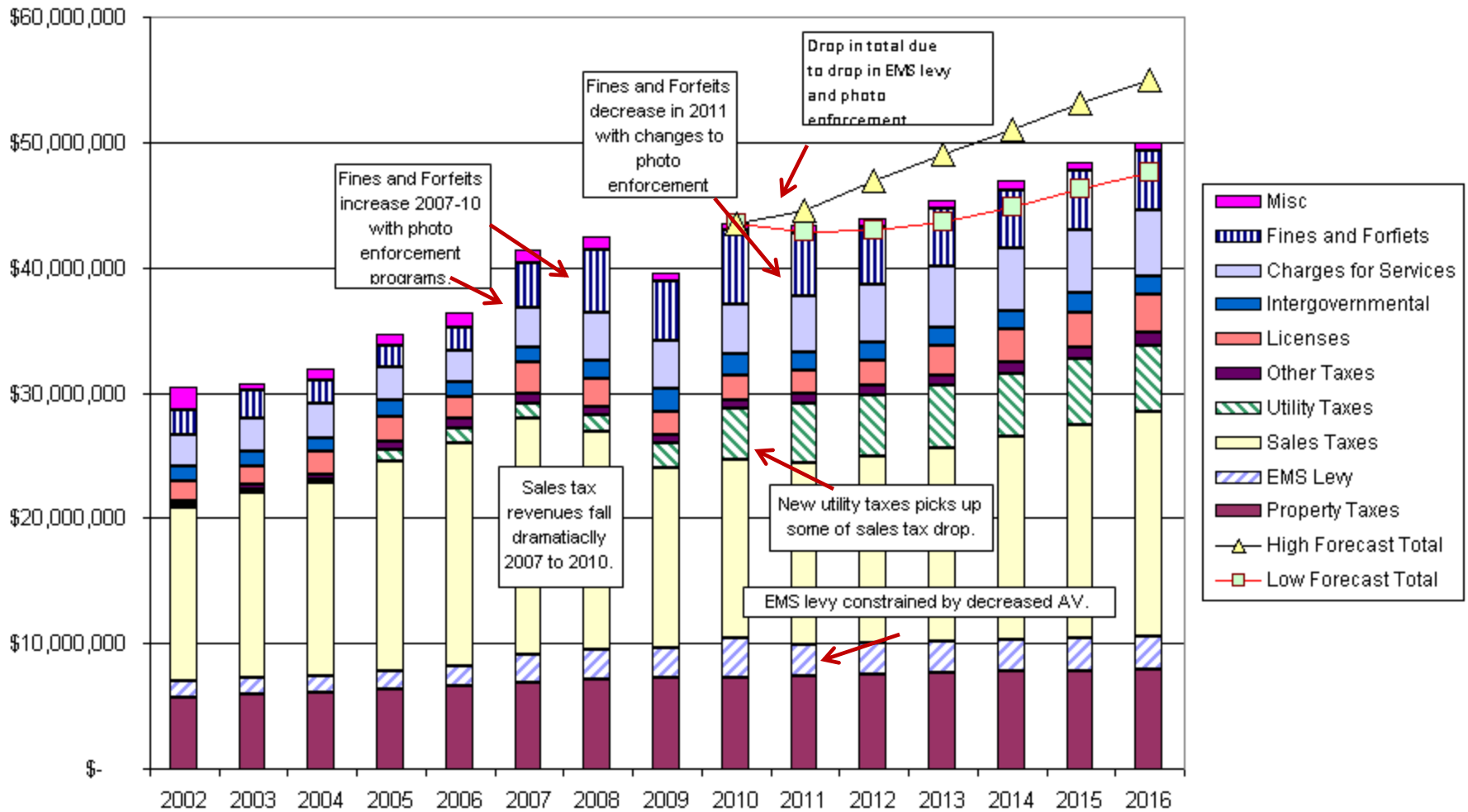
General Fund Alternative Forecasts



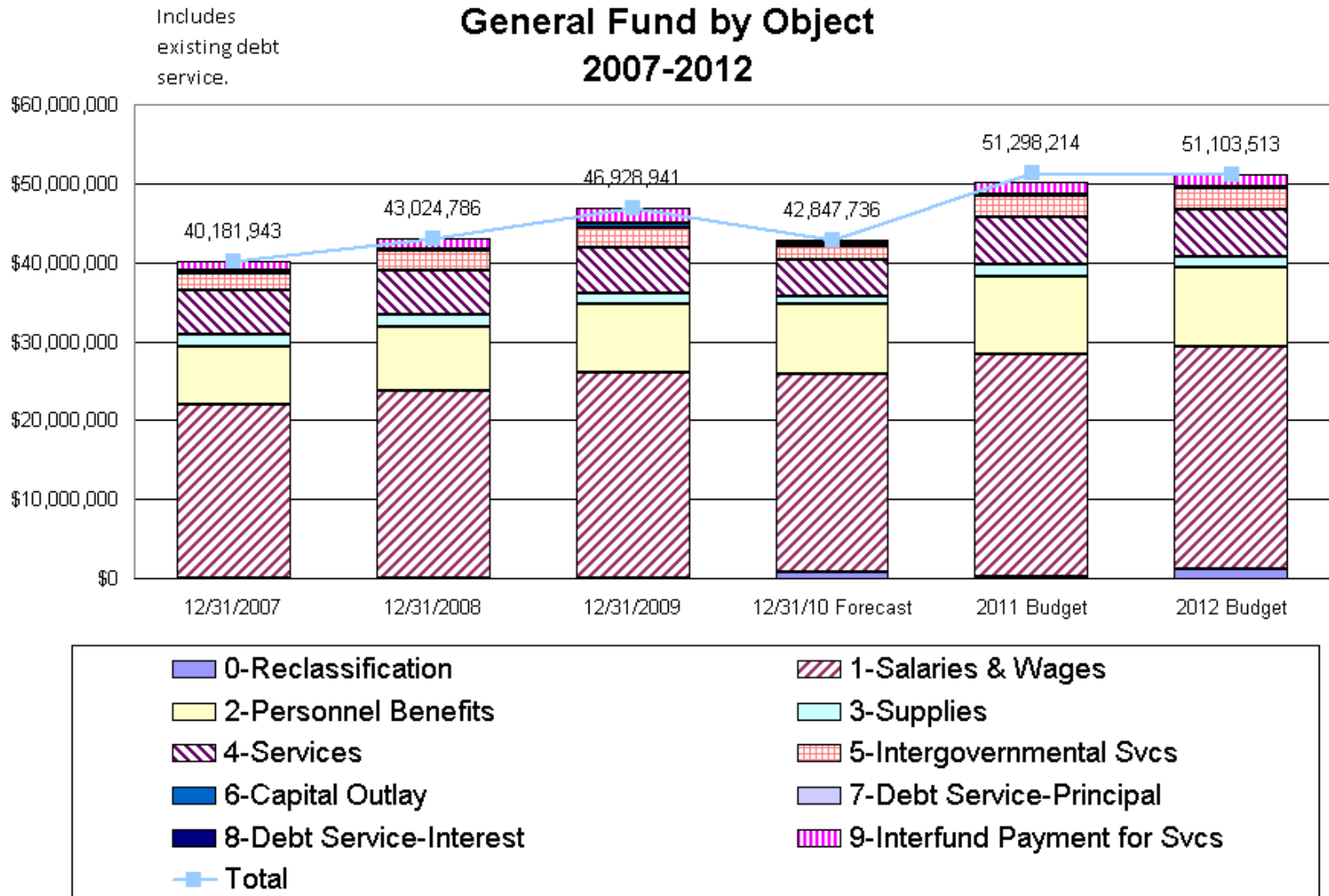
General Fund Alternative Forecasts



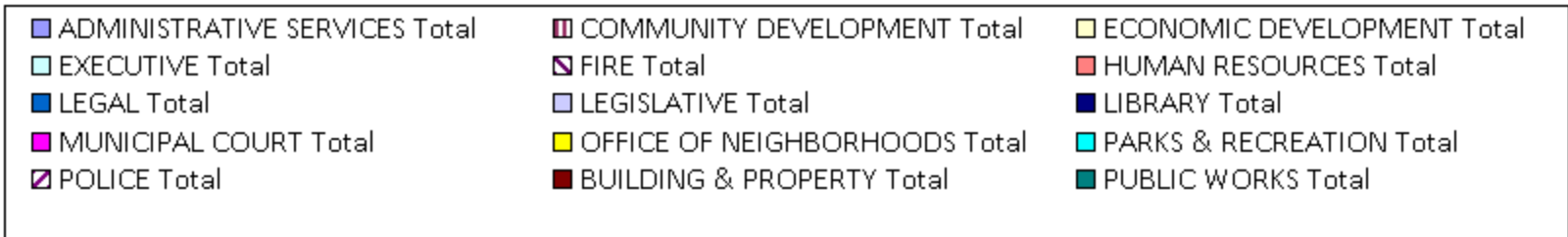
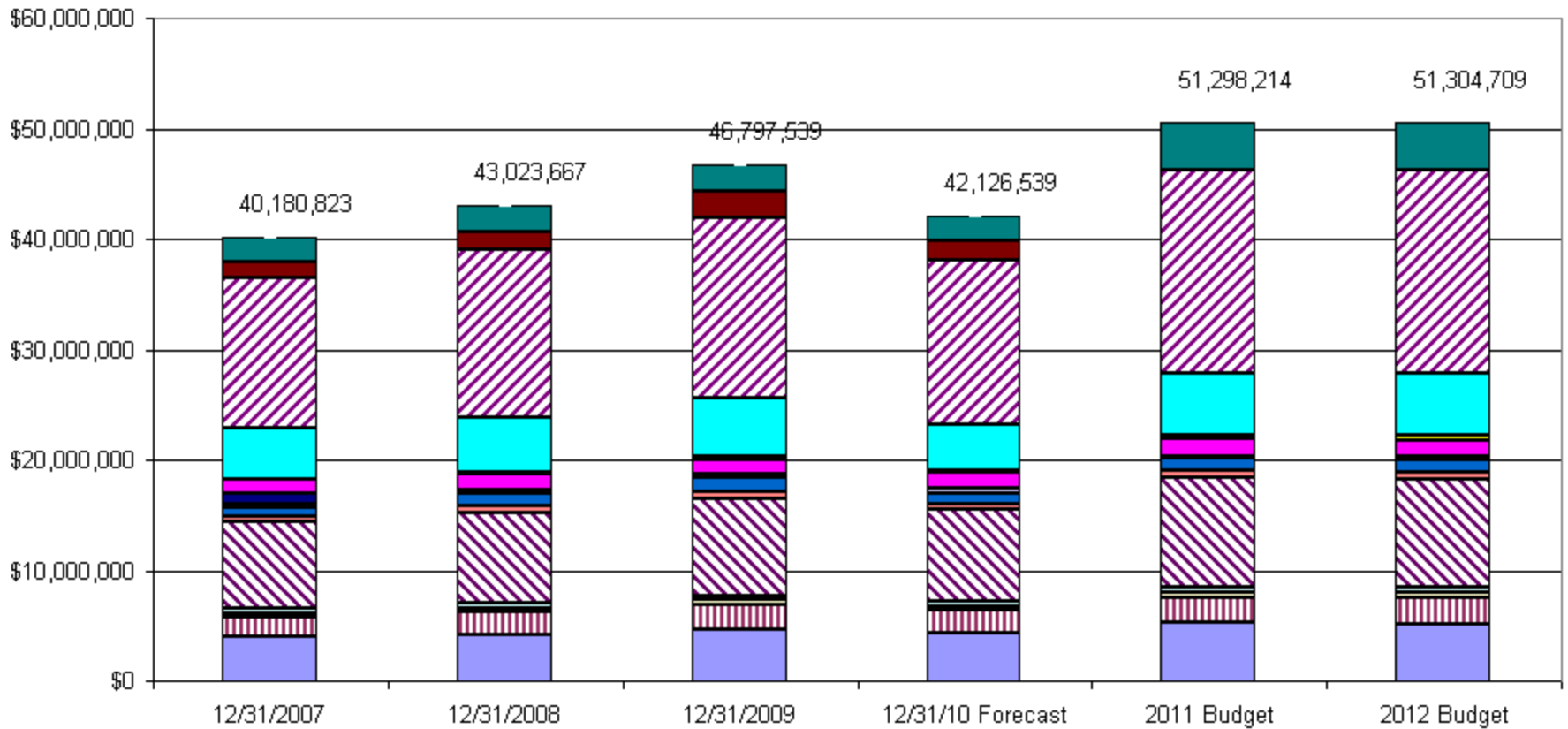
General Fund Forecast Based on Medium Range Assumptions By Revenue Source and Compared to High and Low Forecast



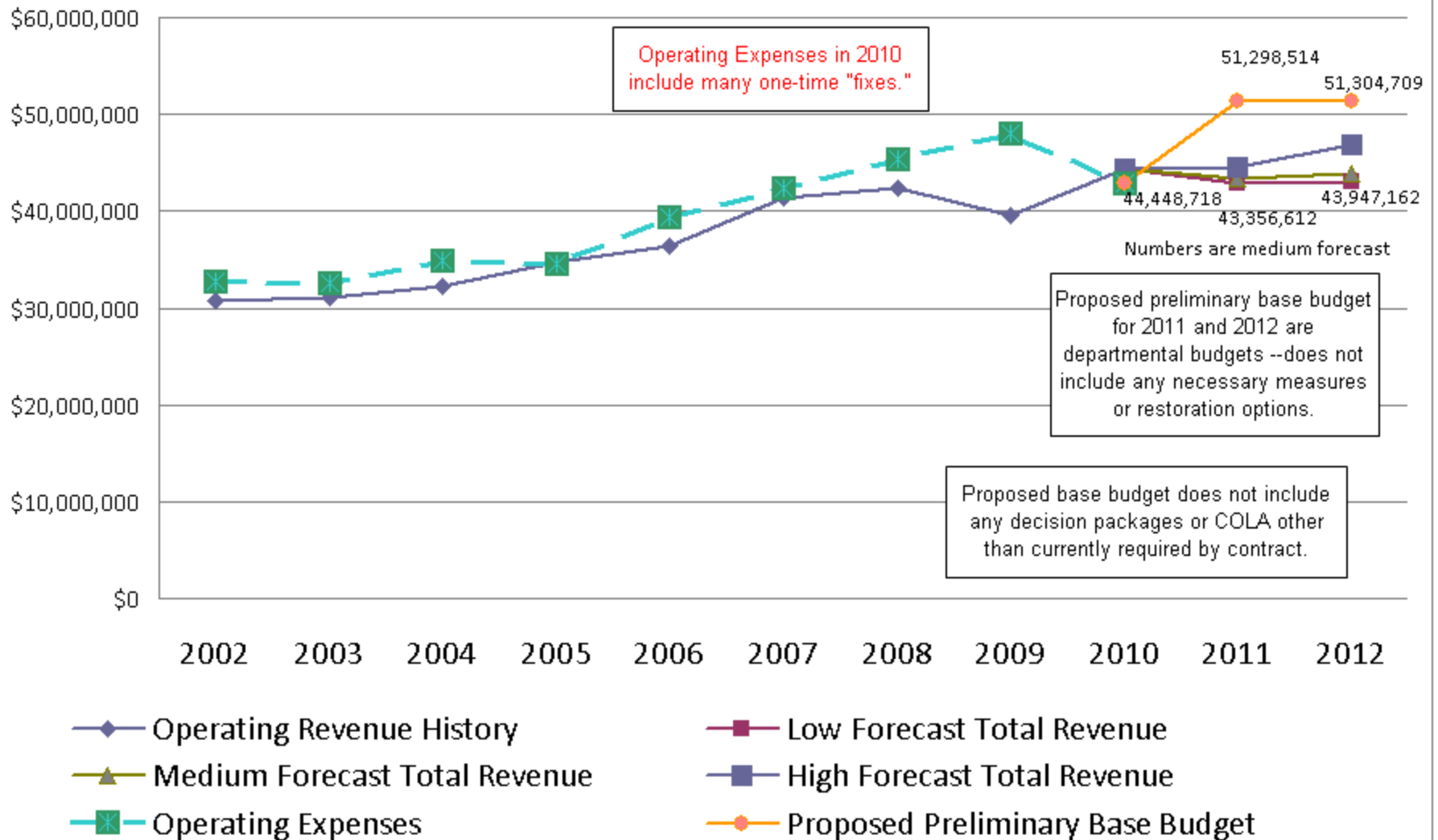
Proposed Preliminary Budget Summary



General Fund Operating Expenses by Department



General Fund Alternative Forecasts Compared to Proposed Preliminary Base Budget



Budget Balancing and Other Policy Issues and Considerations

| | |
|--|----------------|
| Base Budget | |
| Forecasted Revenues | \$ 87,303,774 |
| Proposed Preliminary Budget by Departments | \$ 101,187,964 |
| Other needs and policy issues: | |
| Existing Debt Service | \$ 1,414,959 |
| Debt Service on Recreation Center | \$ 2,039,850 |
| AFSCME Labor Agreement | \$ 400,000 |
| Loan from Water Utility | \$ 3,052,366 |
| Recreation Center Operations (net) | \$ 383,797 |
| Revenue Stabilization (fund 198) | \$ 2,000,000 |
| Restore Capital Development | \$ 1,300,000 |
| Restore Program Development Fund | \$ 600,000 |
| Restore Criminal Justice Fund | \$ 200,000 |
| ERR Restoration | \$ 883,000 |
| Library Contribution to Capital Projects | \$ 2,200,000 |
| Revenue Stream for Capital Projects | \$ 820,447 |
| Maintain General Fund Balance | \$ 4,000,000 |
| Street fund transfer | \$ 572,000 |
| Current revenue estimates assumes following as being maintained | |
| Photo enforcement revenue | \$ 4,838,172 |
| Street fund property and sales tax allocations | \$ 1,870,728 |
| Solid waste sales tax allocations | \$ 91,122 |