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# **Six-Year General Fund Revenue Forecast**

Initial General Fund Revenue Forecast for the 2011-2012  
Biennial Budget Process

City of Lynnwood, Washington

Prepared by the Department of Administrative Services

Patrick Dugan,  
Interim Finance Director

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# Six-Year Revenue Forecast

## INTRODUCTION AND OVERVIEW

Revenue forecasts have been prepared for the General Fund by revenue category. Consistent with city financial policies, forecasts have been prepared for a medium (or base) forecast, a high forecast, and a low forecast. The medium forecasts reflects an analysis of city revenue trends against a moderate range of economic assumptions, while the high forecast reflects more optimistic forecast assumptions and the low is based on more pessimistic forecast assumptions.

The high forecast reflects the forecasts of the Washington State Economic and Revenue Forecast Council adjusted to reflect local conditions. The Forecast Council is responsible for preparing the official financial forecasts for the State of Washington. This state level forecast assumes a relatively robust recovery in the state, generally resuming by 2011 state revenue flows that were generated at the peak of economic activity in 2008 (State Fiscal Year) before the advent of the great recession in the fall of calendar 2008 year. This set of assumptions reflect past experience in several recessions where recovery was achieved within three years of the previous peak of activity (which was for this state, 2008)

The medium forecast reflects a more cautious view of the ability of governmental revenues to rebound after this recession. This view anticipates that the depth of this recession will require a longer time frame for recovery, reaching the previous peak five years later, rather than three as assumed by the state. The medium forecasts apply economic perspectives that have been expressed by the Rockefeller Institute, the Public Policy Institute of the State University of New York.

The low forecast reflects more stagnant economic conditions with a very slow recovery from the current recession. While these assumptions take a much more conservative view than the other forecasts, it does not reflect a worse case set of assumptions that would be reflected in what economists refer to as a “double dip” recession. Such a forecast would anticipate another substantial decline in important revenues such as the sales tax, rather than a stagnate pattern of a prolonged period of little or no growth as reflected in the low forecast.

While the base of assumptions applied in these forecasts are derived from alternative economic forecasts and assumptions at the state and national levels, the assumptions related to these forecasts must be adapted to local conditions. This adaptation is made primarily on the basis of the analysis contained in the mid year financial report. As noted there, the city is heavily dependent on sales tax to support city services. Variations in this revenue, account for most of the current adverse fiscal conditions that the city is experiencing. As such, the forecast methodology presented here is focused on anticipating how these revenues might change over the next several years in response to the various economic scenarios described above.

1 This is the initial forecast of the 2011-2012 Biennial Budget Process. The first two years of the  
 2 medium forecast will be used as the revenue estimates for the budget. The initial forecast will  
 3 be reevaluated and revised throughout the budget process as new information becomes  
 4 available. All forecast data is in nominal dollars (i.e. including inflation).

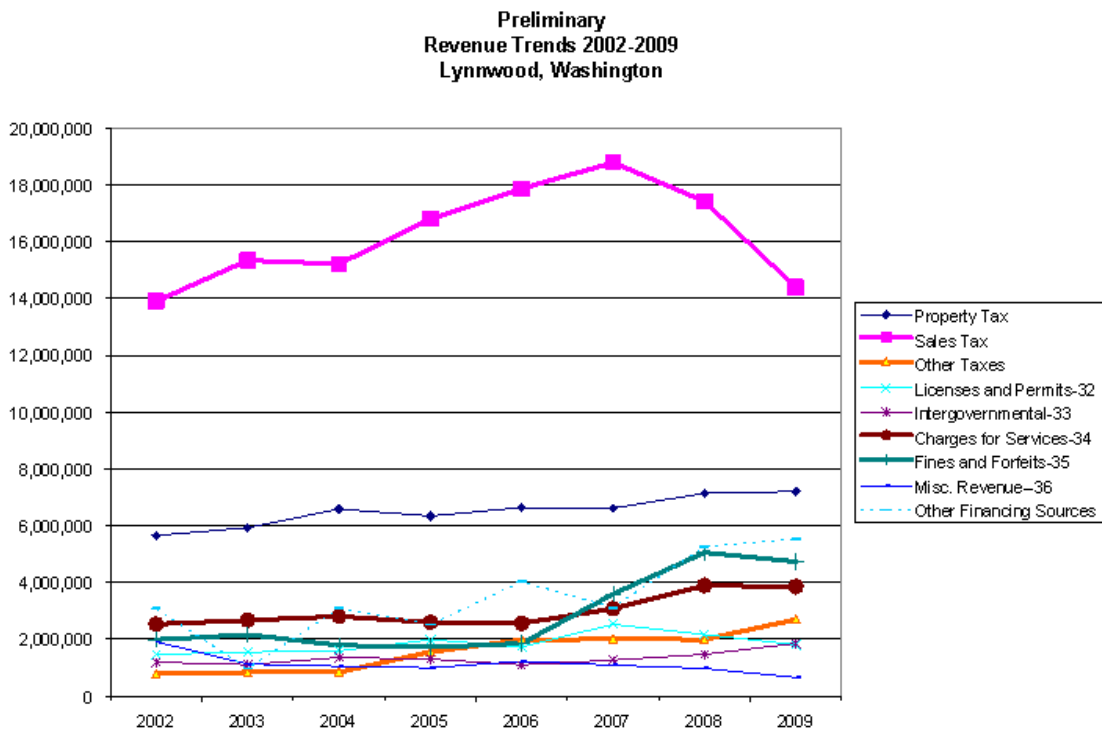
5 **FORECAST METHODOLOGY**

6 **Sales Tax**

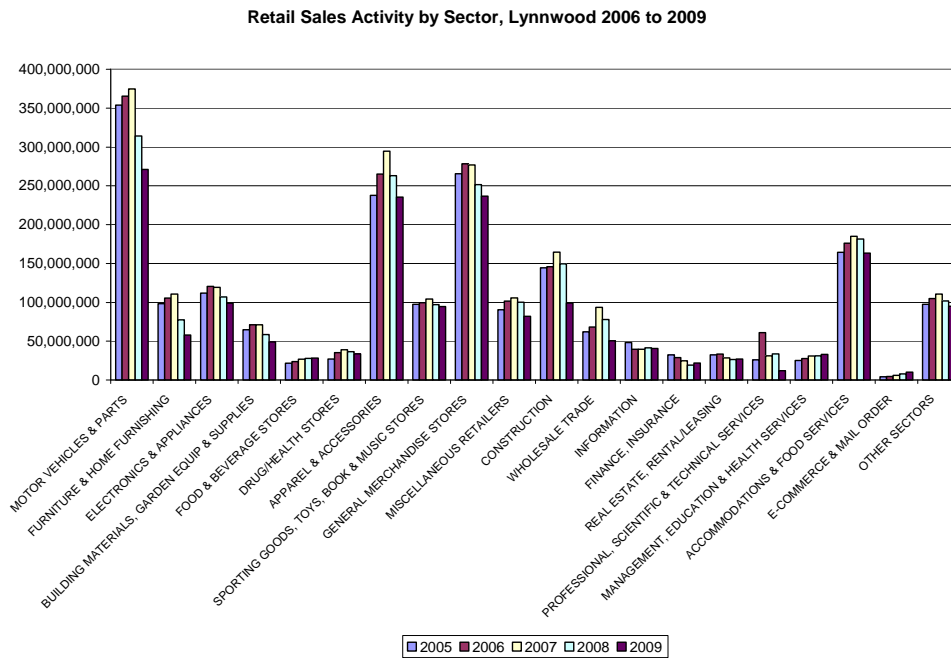
7 **Sales Tax Trends**

8  
 9 Sales tax is the major driver of the City of Lynnwood’s financial fortune. The relationship  
 10 between these revenues and total City revenues is portrayed on Figure 1. As shown, sales tax  
 11 revenue has dramatically fallen since reaching a peak in 2007. Between 2007 and 2009 the City  
 12 lost more than \$5.5 million in sales tax revenues, a drop of almost a quarter of sales tax  
 13 revenues. To regain the 2007 peak, sales taxes would need to grow by a third. The drop in  
 14 sales tax revenues created a loss in total revenue of over \$2 millions, in spite of a \$2 million  
 15 growth in other revenue categories.  
 16

17 Figure 1

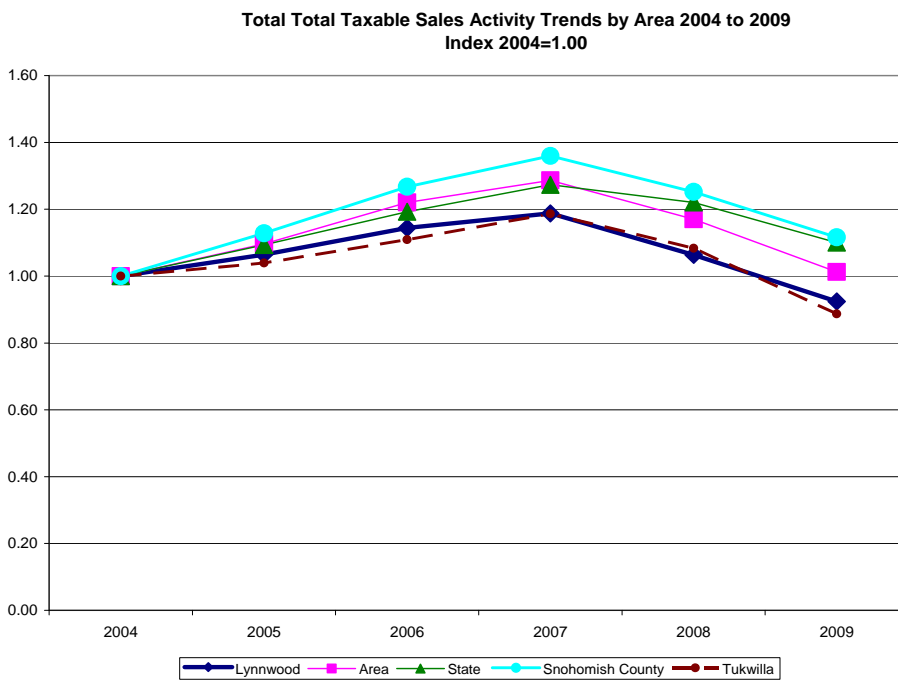


1 Figure 2



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4 Figure 3

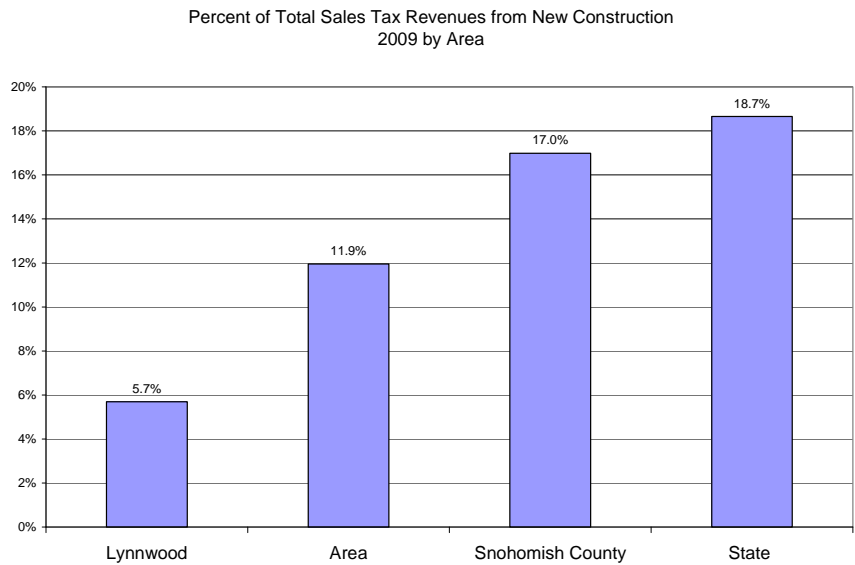


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7 Figure 2 shows that sales tax losses during this period occurred in all revenue categories. Most  
8 notably in all sectors the city is most dependent on.<sup>1</sup> Figure 3 shows that not only was the drop  
9 in taxable sales activity in Lynnwood greater than the city's immediate market area, the county,

1 and the state, but the city’s taxable sales growth was slower than these areas prior to the  
 2 advent of the recession.

3  
 4 Figure 4



5  
 6 The above graphs and other graphs presented in the mid-year financial report, note the  
 7 following key points for anticipating further sales tax growth as economic conditions improve.

- 8
- 9 • In 2009, mall related taxable sales activity (in apparel and accessories, and general  
 10 merchandise—including department stores) constituted 28% of taxable sales activity,  
 11 which is significantly higher than the state average of 13% and the county average of  
 12 17%.
  - 13 • Lynnwood is losing market share in mall oriented retail (apparel and general  
 14 merchandise) both in the long term (2004) and in the recession (since 2007). This lost is  
 15 both in SW Snohomish County and more dramatically as a share of the entire county.  
 16 This suggests that since 2002, a large amount of mall oriented activity has shifted to  
 17 northern Snohomish County.
  - 18 • Automotive sales (16% of Lynnwood taxable sales activity) have responded to the  
 19 recession very similarly from place to place.
  - 20 • The taxable sales sector quickest to rebound in a recession is construction. Construction  
 21 makes up a low percent of total taxable sales in Lynnwood; about 10% (10% in 2004 and  
 22 7% in 2007 dropping to 5.7% in 2009) in a good year compared to 20-25% in most other  
 23 cities (21% statewide in 2007). Figure 4 presents the percent of total sales tax revenue  
 24 in a poor year, 2009. Since Lynnwood has a low portion of its revenue in the  
 25 construction sector this will result in a much slower recovery then the state and other  
 26 areas with larger construction activities.
    - 27 ○ Law & Justice sales tax should rebound sooner since the tax base is countywide  
 28 and includes more new construction. However, this is offset by a slower rate of  
 29 population growth in Lynnwood than the county as a whole.

- 1       • Figure 3 indicates that relative to 2004, the sales activity is almost 20% less than the  
2       state level. This gap indicates that in a recovery, the city has more ground to cover than  
3       the state. Taxable sales in Lynnwood must grow almost twice as much to regain the  
4       2007<sup>2</sup> level of activity (28.5% compared to 15.7%).
- 5       • While the market share of the City of Lynnwood in all types of taxable sales activity has  
6       slipped since 2004, in general and during the recession in particular, the city does have  
7       the built capacity to eventually achieve its past peak of activity (and probably beyond).

8

9       Given these observations, this forecast reflects the following assumptions; it is very probable  
10      that the recovery of sales tax revenues in the city will lag well behind sales tax growth of the  
11      state and many other areas, irrespective of the forecast.<sup>3</sup> Nonetheless, city taxable sales  
12      activity should reach its 2007 previous peak. Once at the peak, sales taxes should resume a rate  
13      of growth similar to its growth prior to the recession.

#### 14

#### 15   **Sales Tax Forecasts by Others**

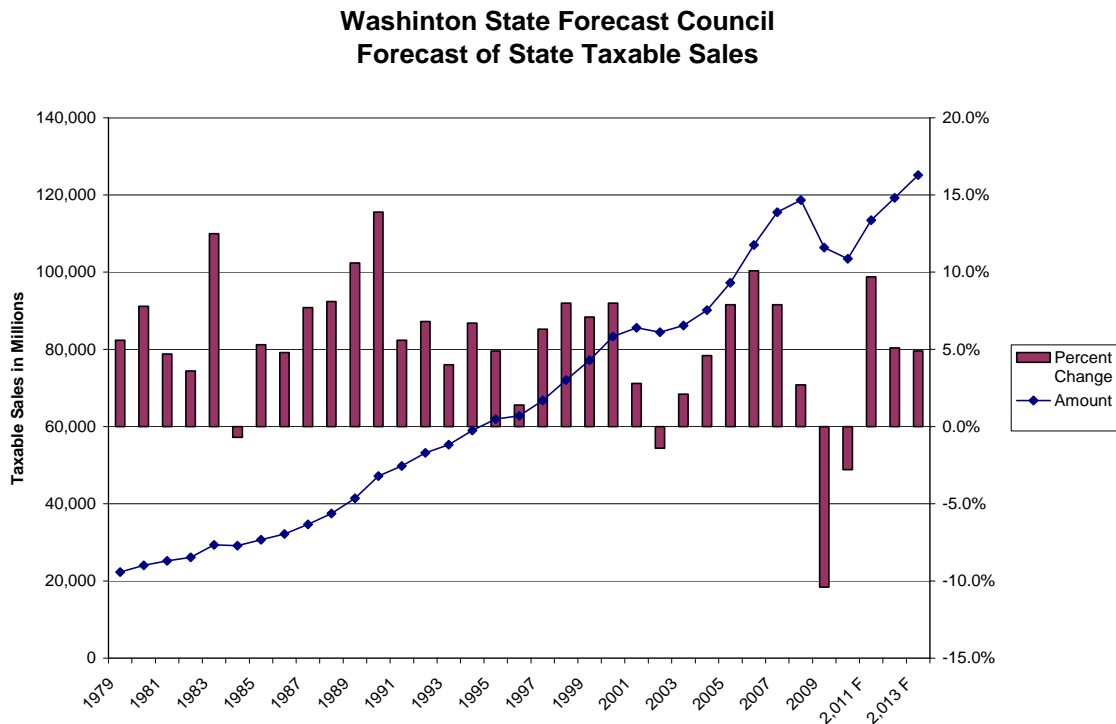
16

17      There are a wide range of forecasts for fiscal recovery from the economic recession.

18

19      The Washington State Economic and Revenue Forecast Council is forecasting a brisk recovery of  
20      sales tax revenues, returning to their peak collection in 2008 by 2012; with a 9.7% increase in  
21      2011 from 2012. This reflects the point of view that the recession in Washington will follow the  
22      patterns of other recessions and will recover to its previous peak in 3 years after the peak. The  
23      sales tax forecasted by the council is portrayed on Figure 5.<sup>4</sup>

1  
2 Figure 5



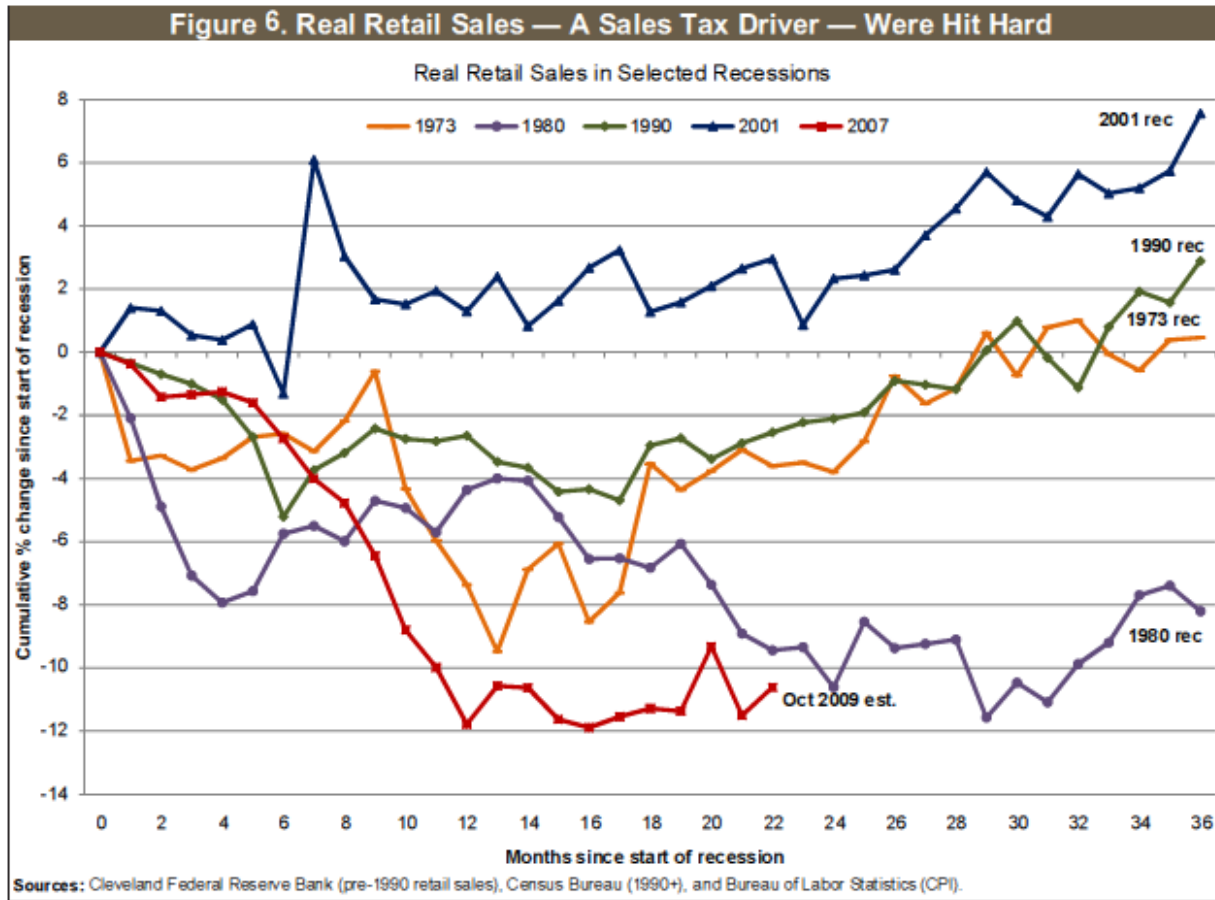
3  
4  
5 Other local governmental fiscal experts forecast a much slower recovery, especially in sales tax  
6 revenues. These experts note that this recession is deeper than most, most closely resembling,  
7 but even deeper than the 1980 recession, which took up to five years for recovery. This is  
8 illustrated in Figure 6, taken from: "Recession or No Recession, State Tax Revenues Remain  
9 Negative Another Double-Digit Decline in Third Quarter 2009; Weakness Extends to End of  
10 Year," by Lucy Dadayan and Donald J. Boyd of the Rockefeller Institute January 2010.<sup>5</sup>

11  
12 As Donald J. Boyd, *Senior Fellow Rockefeller Institute The Public Policy Institute of the State*  
13 *University of New York* has noted:

14  
15 "Most economists expect slow economic recovery. Consumption recovery is likely to be  
16 modest given housing overhang, auto oversupply, efforts by consumers to rebuild  
17 balance sheets." **September 2009**

18  
19 "State fiscal troubles far from over. In "normal" recovery tax revenue can take 3-5 years  
20 to reattain prior peak. In slow-growth economic recovery, fiscal recovery will take longer  
21 still." *January 28, 2010*

1  
2 Figure 6



3  
4  
5 Application of Sales Tax Forecasts

6  
7 The City of Lynnwood forecast applies the assumptions of the Washington State Economic and  
8 Revenue Forecast Council adapted by the assumptions noted above for Lynnwood for the High  
9 Forecast. However, instead of sales tax revenues reaching the 2007 peak in 2012 as forecasted  
10 by the Forecast Council For the State, the Lynnwood forecast anticipates a lag between sales  
11 activity in the City and the state, with the City reaching its peak in late 2014.

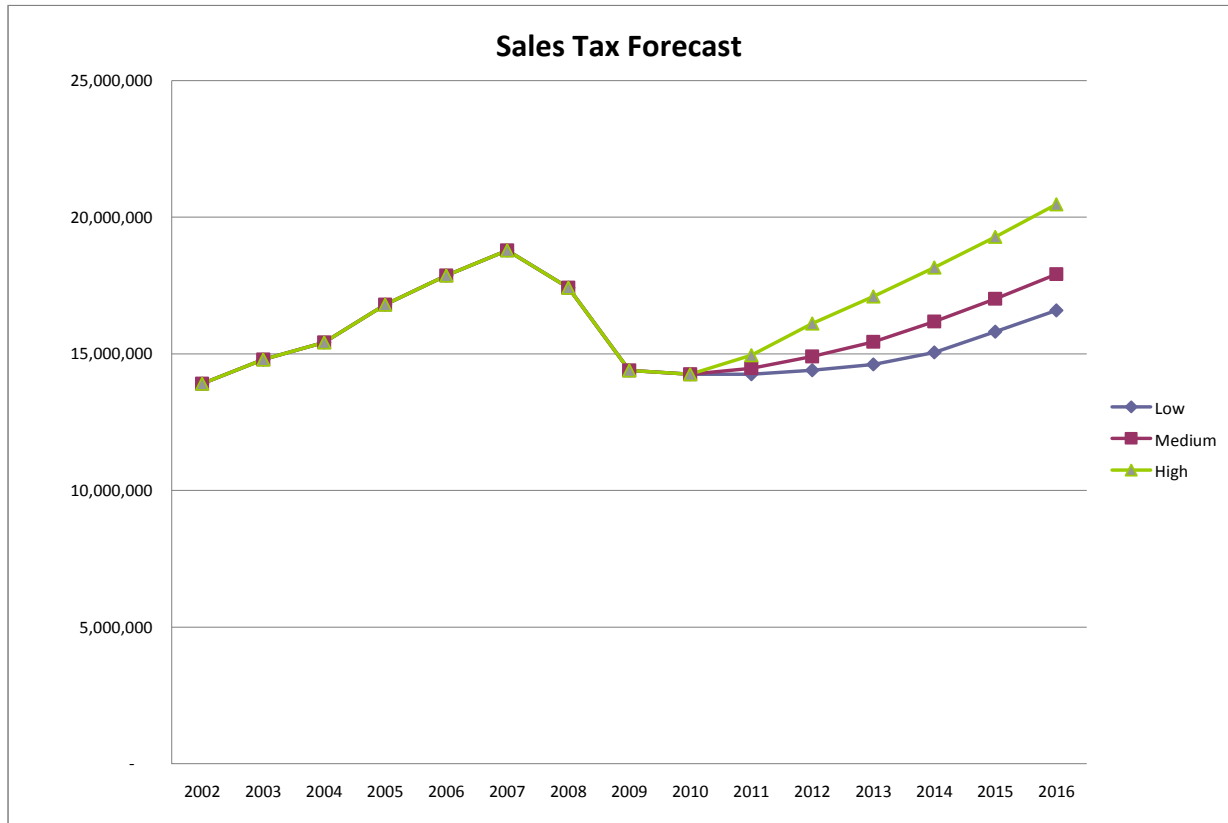
12  
13 The medium forecast applies the perspectives of the Rockefeller Institute applied through the  
14 Lynnwood assumptions, which lags behind the recovery of revenues that the Institute  
15 anticipates for states nationwide. Under these assumptions, Lynnwood reaches its previous  
16 peak in 2016.

17  
18 The low forecast does not apply any particular forecast methodology, but reflects the general  
19 fear that the economy will be very slow in recovering—experiencing a prolonged period of  
20 stagnation. The Lynnwood low sales tax forecast anticipates very low rates of growth through  
21 the next biennium, gradually picking up thereafter, but still at relatively low growth rates as

1 compared to the other forecasts. City sales activity does not reach the previous peak through  
 2 the forecast period.

3  
 4 The alternative sales tax forecasts are presented in figure 7.

5  
 6 Figure 7



7  
 8

9 **Other Taxes**

10

11 **Property Taxes**

12

13 **General Property Tax**

14

15 As compared to sales taxes, forecasting property taxes is more straight-forward. In Washington  
 16 law there are two legal limits on the amount of sales taxes the city can levy. Property taxes  
 17 cannot exceed \$3.10 per thousand of Assessed Value. The current tax rate of the city is 1.504,  
 18 well under this limit. The second limit restricts the amount the city can levy with a council vote  
 19 to 1% above the amount of the previous levy plus the value of new construction. Since the city  
 20 assessed value would have dropped by more than half for the first limit to apply, the second  
 21 limit is the operative one for the general levy. Here, the two significant variables are whether

1 the council will apply the 1% and the value of new construction. All of the forecasts assume the  
2 1% each year.

3  
4 The value of new construction added to the assessed value has been very low in the county  
5 during the recession. The 2008 value applied in the 2009 tax rolls was only 0.368% of the  
6 assessed value (this means the taxes levied in the city increased by only 0.368% between 2008  
7 and 2009 due to new construction). In the next year, 2009 for 2010 taxes, the amount was only  
8 slightly higher 0.545%. The high forecast uses the 2008 for 2009 taxes and increases this  
9 amount in subsequent years by the State Forecast Council forecast of housing starts for each  
10 year. The medium forecast starts with the rate of 2009 for 2010 and applies the Forecast  
11 Council forecast for construction (which is a decline in 2011), but forecasts a pick up of housing  
12 starts in 2013. The low forecast maintains the lower forecast of construction activity though  
13 the forecast.

14

#### 15 **EMS Levy**

16

17 The EMS levy is also a property tax. But unlike the general property tax, the tax will be at its  
18 limit of \$.50 per thousand assessed value in the 2009 for 2010 tax roll. This means the levy will  
19 be limited by the amount of assessed value. The collapse of the housing market has caused  
20 assessed value to drop. Recently the city received new valuations of its property from the  
21 County assessor. These values dropped by 20%. Applying this factor to the assessed value of  
22 the city would cause the EMS levy to fall by 20% in 2011. It is generally assumed that these  
23 values will stop free falling in 2012 and resume at least a bit of growth. As long as the assessed  
24 value increases by at least 1% each year after 2011, the EMS levy will follow the increases of the  
25 general property tax after 2012. Consequently, each forecast applies the general property tax  
26 increases to the EMS levy after 2011.

27

#### 28 **Utility Taxes**

29

30 The utility tax is a relatively stable tax compared to the sales tax. While the general economy  
31 does affect receipts, the City has little history on this tax to gage its performance under varying  
32 economic conditions. In the long run, the utility tax tends to be driven strongest by population  
33 and to a lesser extent by general business growth. It also tends to increase with inflation as  
34 utilities increase their rates to keep pace with their costs.<sup>6</sup> The revenue from these taxes is  
35 then increased by assumptions regarding inflation and population growth. Population is  
36 forecasted at the rate that would be needed to achieve the GMA growth allocation to the city  
37 between 2010 and 2025 (1.45% per year). The medium forecast applies the rate of growth that  
38 occurred over the last decade (0.66 percent). The low forecast applies a lower rate of half the  
39 current growth rate (0.33 Percent). Assumed inflation rates are noted in the table below under  
40 Inflation Driven Revenues.<sup>7</sup>

1

**2 Admission and Gambling Taxes**

3

4 Admission taxes are forecasted at varying rates based on past trends. Gambling taxes are  
5 forecasted on the basis of population growth described above under utility taxes.

6

**7 Other Revenues**

8

9 Other revenues tend to be driven by a variety of factors

10

- 11 • Revenues such as fees for development permits, increase or decline with changes in  
12 construction and development.
- 13 • Revenues such as fees for recreational services tend to increase with population and are  
14 often increased to keep pace with inflation.
- 15 • Revenues such as charges for rents tend to be consistent from year to year changing  
16 only to keep pace with inflation.
- 17 • Finally, some revenues are somewhat independent of socio economic conditions and  
18 tend to change with factors somewhat unique to them.

19

**20 Development Related Revenues**

21

22 Building permits, found in Non-Business Licenses under Licenses and Permits, are a prime  
23 example of development related revenues. Other planning related permits are found in  
24 Economic Environment and Utilities and Environment under Charges for Services. These  
25 permits tend to rise with development activity and fall when development activity drops. There  
26 are a wide variety of these permits ranging from building permits to zoning variances. Since  
27 these permits tend to be required at different stages of the development process they  
28 somewhat vary as to when they are generated. Some of these revenues tend to be early in the  
29 development process while others are later in the process. Some can linger in the pipeline, well  
30 after the development climate sours. During this recession, Lynnwood has experienced this  
31 trend.

32

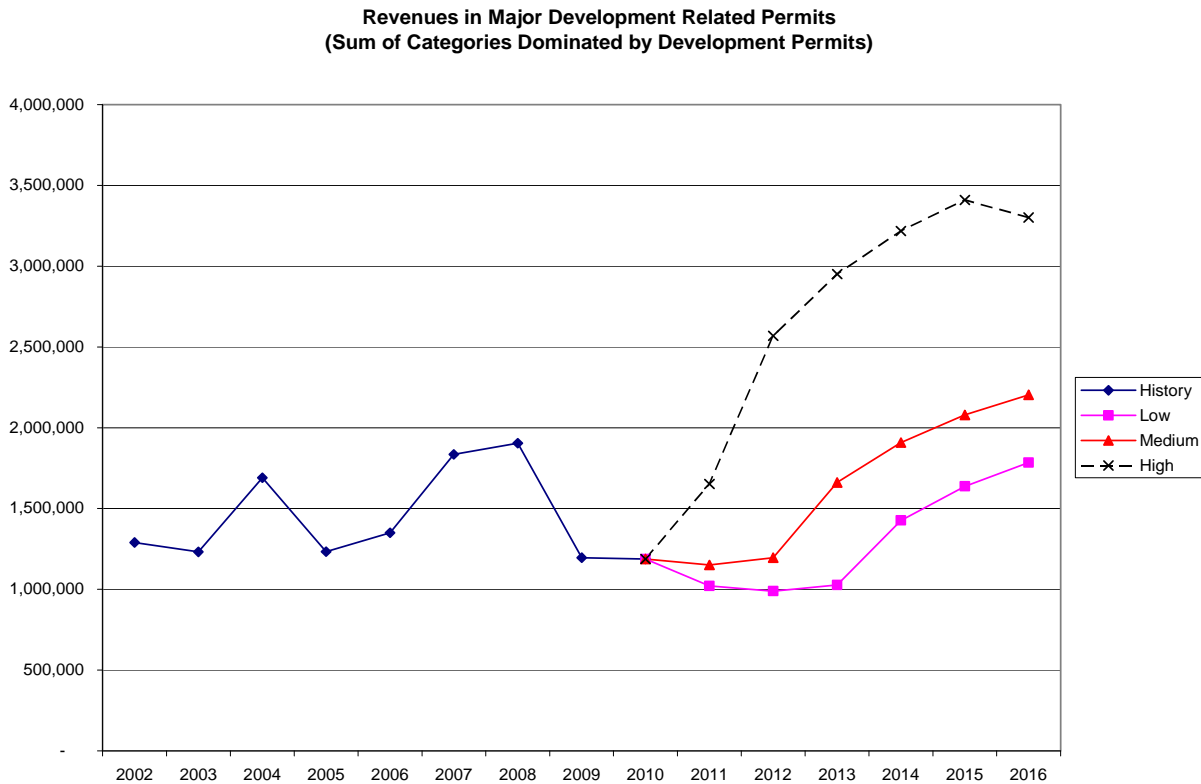
33 Although, when in the development process the revenue generated varies among the types of  
34 permits, these differences tend to average out during the development cycle. Revenue from  
35 these permits are based on construction related factors forecasted by the Washington State  
36 Economic and Revenue Forecast Council. The medium forecast starts with the rate of 2009 for  
37 2010 and applies the Forecast Council forecast for construction (which is a decline in 2011)  
38 picking up the forecast of housing starts in 2013. The low forecast maintains the lower forecast  
39 of construction activity.

40

41 As illustrated by Figure 8, this category of revenue has the most contrast between forecasts.  
42 Since the high forecast applies the assumptions of the State Forecast Council that anticipates a

1 relatively early recovery, this forecast assumes a resumption of a high level of development  
 2 activity reflecting general state economic growth. While such increased number of permits will  
 3 generate more revenues, this activity will also increase expenses to provide the related increase  
 4 in services. In contrast to the high forecast, the other two forecasts reflect economic  
 5 assumptions that will tend to defer a resumption of construction activity, even declining  
 6 through the next biennium.

7  
 8 **Figure 8**



9  
 10 **Population Related Revenues**

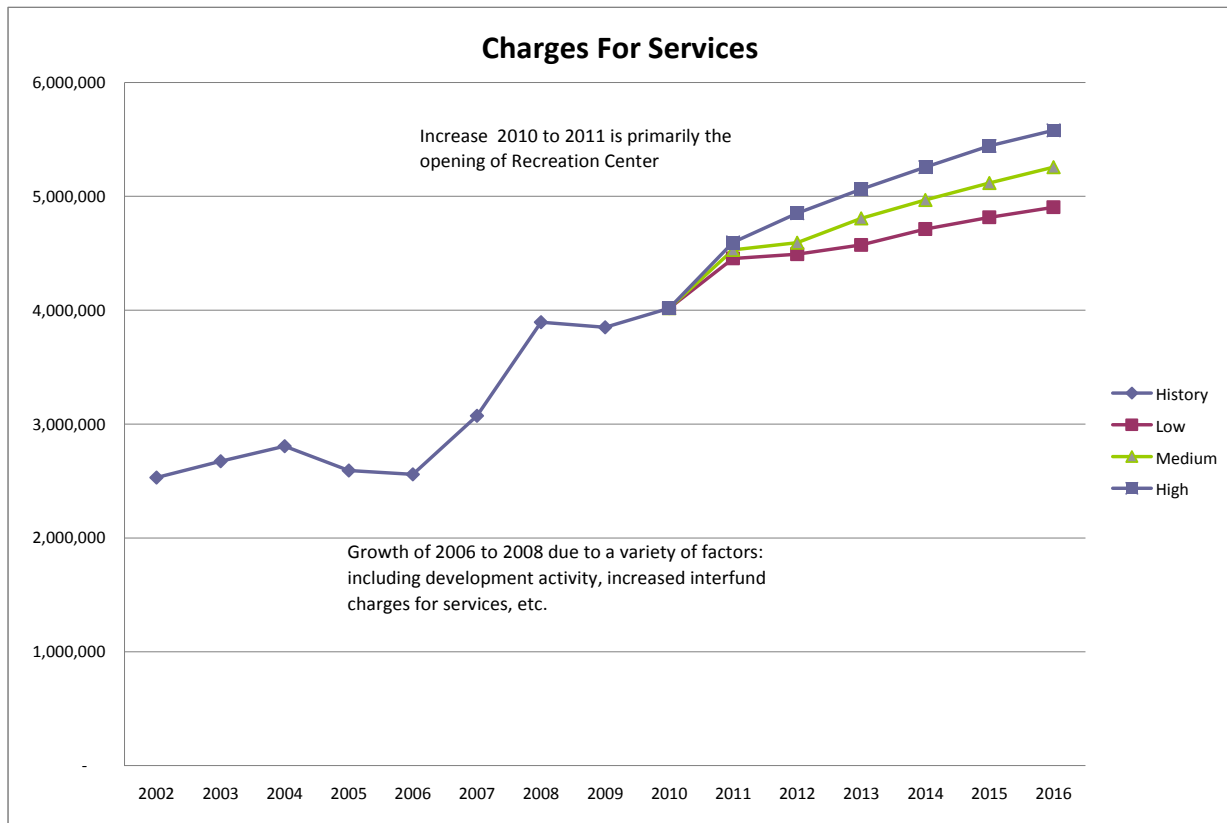
11  
 12 A number of fee based revenues respond to population growth, more people generate more  
 13 demand for services and thus more revenue. Usually these fees are periodically adjusted to  
 14 keep pace with inflation. The population growth factors used to forecast these revenues are  
 15 listed above under Utility Taxes. Recreation fees (Culture and Recreation) are a prime example.  
 16 Other fees in this category include:

- 17 • The Security of Persons and Property consisting of jail and related incarceration
- 18 activities and recently emergency services transport fees (this new source of income
- 19 accounted for 70% of this category during the first half of 2010.)
- 20 • State Shared Revenues are liquor profits and taxes collected by the state and are shared
- 21 among cities on the basis of population.<sup>8</sup>
- 22 • Grants vary substantially from year to year and are difficult to rely on for long range
- 23 planning. This forecast estimates future revenues on the basis of population growth

1 since there tends to be a loose relationship between size of city and its ability to secure  
 2 grants. To err on the conservative side for this irregular revenue, inflation has not been  
 3 applied.

4  
 5 While many of the charges for services are population driven, the general category has changed  
 6 dramatically in recent years due to a variety of factors, as noted on figure 10.

7  
 8 Figure 9



9  
 10  
 11 Court fees are also an example of a population driven revenue. The more people the more  
 12 infractions. However, these revenues are more driven by population growth in the general  
 13 region. The growth rate needed (1.7% per year) by all the urban growth areas of the county to  
 14 meet the population allocation is used for the high forecast. Similarly, the somewhat lower  
 15 growth rate (1.5%) to meet the allocation to the Southwest Urban Growth Area is used for the  
 16 median forecast. Just the City of Lynnwood growth rate is used for the low forecast. The  
 17 medium forecast for the photo red and school zone enforcement program also assumes that  
 18 the number of infractions will decline over time to reach 75% of the volume in 2016; 70% for  
 19 the low and 80% for the high. Between 2010 and 2011 there is a drop in revenue in this  
 20 category reflecting a reduction in enforcement hours enacted by the council in July.

21 **Inflation Driven Revenues**

22

1 Some revenues are driven primarily by inflation. The inflation rates used in this  
 2 analysis are presented below.

3

Inflation rates	2011	2012	2013	2014	2015	2016
Low	0.5%	1.4%	1.5%	1.0%	1.0%	1.0%
Medium	0.7%	1.6%	2.1%	2.1%	2.1%	2.1%
High	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Medium is based on Washington State Forecast Council forecast of Seattle Consumer price index.						
High and low are estimated around this forecast for contrast.						

4

5 General governmental services (under Charges for Services) currently consist of charges for  
 6 custodial services to the library. Occasionally other charges may be added but these have  
 7 generated only a minor amount of revenues. It is assumed that the current contract will  
 8 dominate this category but will be adjusted to keep pace with inflation.

9

10 Interfund service charges (under Charges for Services) are costs charged to other funds for  
 11 services provided by the general fund. These are assumed to keep pace with inflation.

12

13 **Other Revenues**

14

15 The remaining revenue categories are not easily forecasted. However, since they comprise only  
 16 a small share of total revenues, varying estimates do not materially affect the overall results of  
 17 the forecast. Consequently not a great deal of time needs to be spent analyzing these revenues  
 18 and they can be approximated appropriately by using past trends or similar basic statistical  
 19 techniques.

20

21 Business licenses are driven by complex business environment considerations that in Lynnwood  
 22 are not closely related to population growth. Various periods of activity have been used to  
 23 estimate trends in this category; the medium is based on the trend from 2006 to 2009.

24

25 There are a variety of intergovernmental service fees that are provided by the City of Lynnwood. These  
 26 are forecasted on the basis of trending different periods of time to produce a high, low and  
 27 median change of growth.

28

29 Under miscellaneous revenues, there are a variety of rents that are forecasted at current rates  
 30 adjusted for inflation.

31

32 Sales Tax Mitigation (under Intergovernmental Revenue—State Shared) is provided to the City  
 33 to compensate for the loss of sales tax revenue due to changing the recording of the sales tax  
 34 from the point of purchase to the point of delivery. This revenue source is intended to  
 35 gradually fade away (in theory replaced by the growth of internet sales tax revenue). While the  
 36 amount the city gets is determined by a complex formula, this formula and the related data

- 1 inputs are not readily understood. What is clear is the revenues will be phasing out and the
- 2 forecast assumes this phases out at different rates (75% per year for the low forecast, 50% per
- 3 year —the current rate—for the medium, and 25% for the high). The PUD privilege tax is also
- 4 under Intergovernmental Revenue—State Shared, it grows consistently from year to year and is
- 5 forecasted by a trend line.

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**FORECAST RESULTS.**

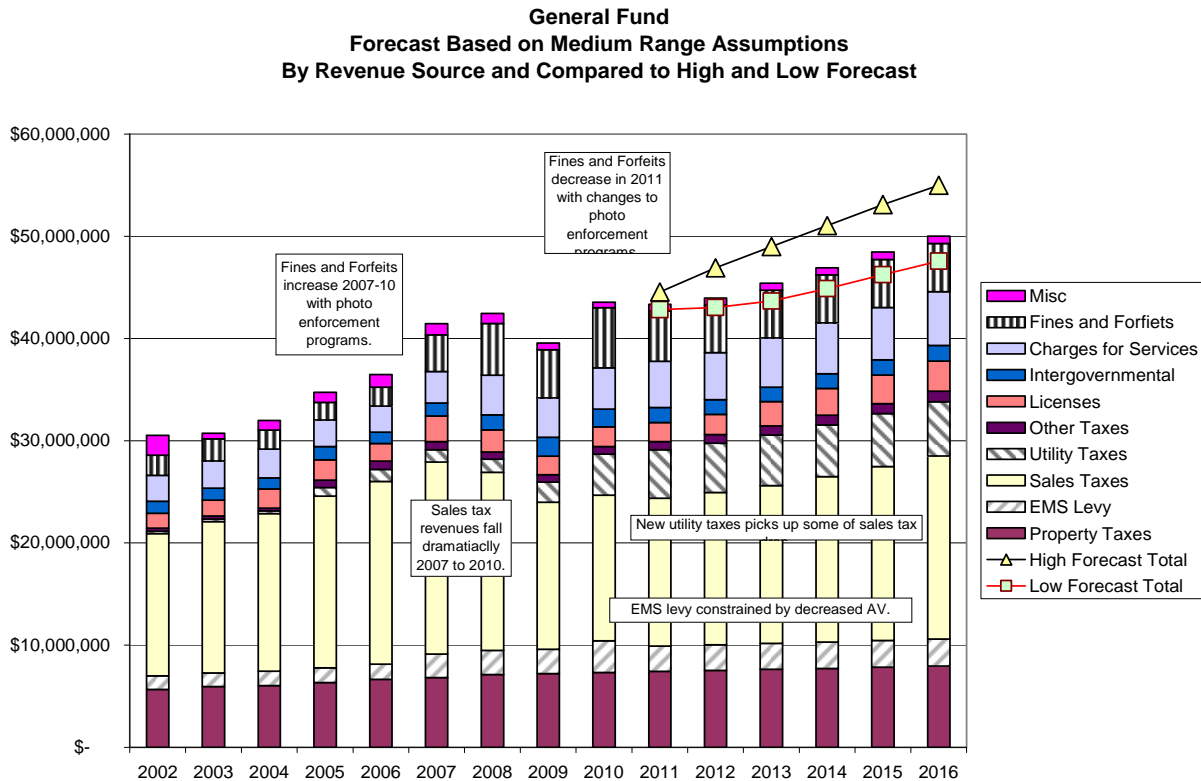
Table 1 below presents the summary of the forecasts. A more detail presentation follows the analysis below in tables 2 through 4.

Table 1								
Summary of Forecasts								
	2009	2010 Estimate	2011	2012	2013	2014	2015	2016
<b>Low Forecast</b>								
Property Taxes	7,207,325	7,318,664	7,404,174	7,490,683	7,578,202	7,666,745	7,756,321	7,846,944
Sales Taxes	14,393,803	14,257,065	14,257,065	14,399,635	14,615,630	15,054,099	15,814,982	16,591,892
Utility Taxes	1,977,291	4,014,532	4,729,093	4,802,368	4,886,115	4,957,487	5,029,983	5,103,621
Other Taxes	720,476	746,448	777,300	809,825	844,102	880,212	918,087	957,814
Licenses	1,802,636	1,920,669	1,814,923	1,844,170	1,930,055	2,302,614	2,525,488	2,697,375
Intergovernmental	1,850,490	1,746,066	1,395,686	1,387,680	1,379,980	1,398,040	1,416,293	1,434,741
Charges for Services	3,850,209	4,017,782	4,454,461	4,491,784	4,573,783	4,713,208	4,815,001	4,904,553
Fines and Forfeits	4,733,938	5,897,100	4,847,708	4,615,430	4,628,319	4,643,871	4,659,526	4,675,285
Miscellaneous	651,308	520,685	675,358	680,554	688,166	697,705	709,109	720,608
EMS Levy	2,371,287	3,094,916	2,475,933	2,504,861	2,534,127	2,563,736	2,593,690	2,623,994
Grand Total	39,558,762	43,533,928	42,831,700	43,026,989	43,658,479	44,877,717	46,238,480	47,556,827
Percent of Medium			98.8%	97.9%	96.1%	95.6%	95.4%	95.1%
Amount of Difference from Medium			(524,912)	(920,173)	(1,749,443)	(2,041,988)	(2,221,387)	(2,468,817)
<b>Medium Forecast</b>								
Property Taxes	7,207,325	7,318,664	7,418,811	7,520,329	7,623,235	7,727,550	7,833,292	7,940,482
Sales Taxes	14,393,803	14,257,065	14,470,921	14,905,048	15,441,630	16,182,828	17,017,862	17,916,405
Utility Taxes	1,977,291	4,014,532	4,741,487	4,833,111	4,945,944	5,061,768	5,180,667	5,302,724
Other Taxes	720,476	746,448	791,512	836,581	881,657	926,739	971,828	1,016,922
Licenses	1,802,636	1,920,669	1,882,255	1,974,142	2,386,064	2,630,882	2,818,779	2,970,718
Intergovernmental	1,850,490	1,746,066	1,464,282	1,441,614	1,419,883	1,454,783	1,490,561	1,527,243
Charges for Services	3,850,209	4,017,782	4,530,175	4,593,827	4,806,247	4,969,159	5,116,995	5,256,364
Fines and Forfeits	4,733,938	5,897,100	4,903,015	4,647,228	4,662,905	4,678,686	4,694,572	4,710,564
Miscellaneous	651,308	520,685	678,223	685,469	696,200	708,337	721,050	734,189
EMS Levy	2,371,287	3,094,916	2,475,933	2,509,813	2,544,157	2,578,971	2,614,261	2,650,034
Grand Total	39,558,762	43,533,928	43,356,612	43,947,162	45,407,923	46,919,704	48,459,867	50,025,644
<b>High Forecast</b>								
Property Taxes	7,207,325	7,318,664	7,433,449	7,550,033	7,668,447	7,788,717	7,910,873	8,034,946
Sales Taxes	14,393,803	14,257,065	14,948,532	16,108,538	17,104,108	18,161,208	19,283,640	20,475,443
Utility Taxes	1,977,291	4,014,532	4,790,445	4,955,944	5,127,671	5,305,869	5,490,792	5,682,701
Other Taxes	720,476	746,448	818,256	898,103	986,912	1,085,706	1,195,629	1,317,955
Licenses	1,802,636	1,920,669	2,358,866	3,168,441	3,539,934	3,816,731	4,033,706	4,002,739
Intergovernmental	1,850,490	1,746,066	1,534,918	1,505,755	1,536,635	1,574,658	1,584,059	1,641,760
Charges for Services	3,850,209	4,017,782	4,596,013	4,852,172	5,062,535	5,257,039	5,443,600	5,580,768
Fines and Forfeits	4,733,938	5,897,100	4,914,242	4,671,174	4,705,813	4,740,954	4,776,605	4,812,774
Miscellaneous	651,308	520,685	682,731	696,581	711,386	726,685	742,338	758,603
EMS Levy	2,371,287	3,094,916	2,475,933	2,514,765	2,554,206	2,594,266	2,634,954	2,676,280
Grand Total	39,558,762	43,533,928	44,553,384	46,921,507	48,997,646	51,051,832	53,096,197	54,983,970
Percent of Medium			102.8%	106.8%	107.9%	108.8%	109.6%	109.9%
Amount of Difference from Medium			1,196,772	2,974,345	3,589,723	4,132,127	4,636,330	4,958,326

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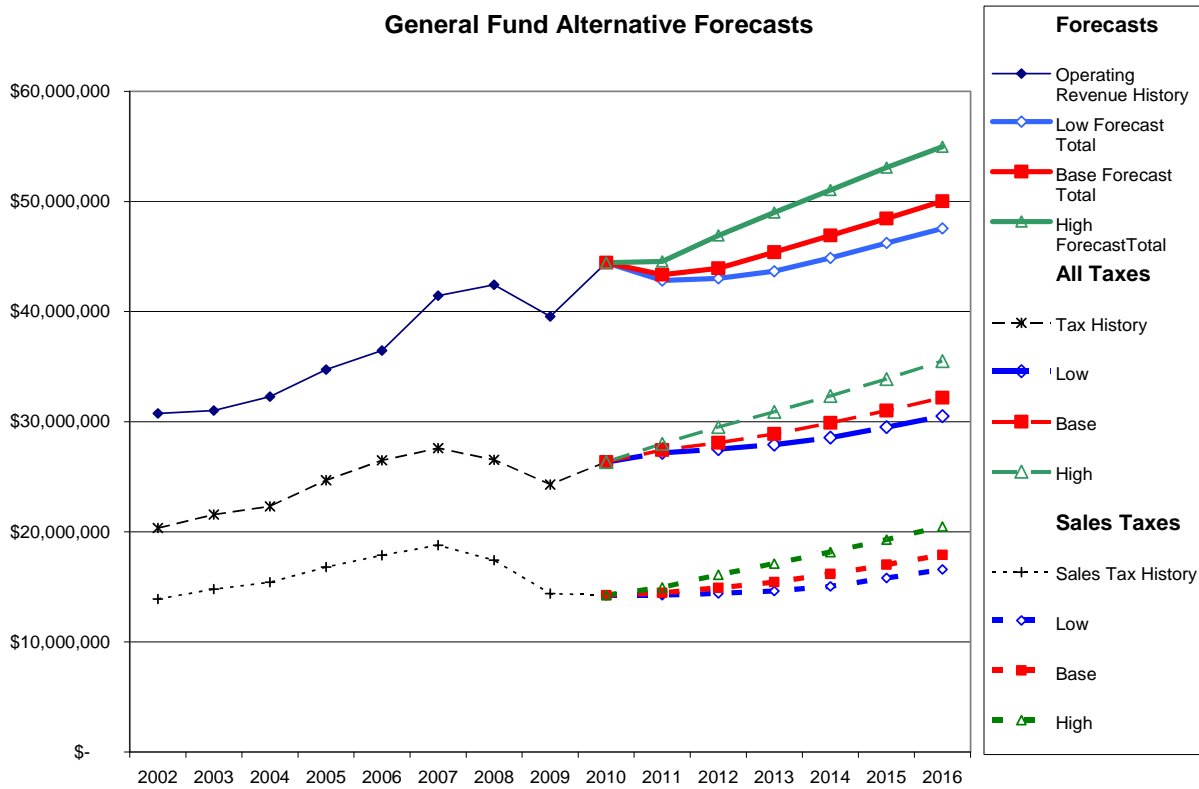
Figure 10 presents the median forecast trended with past receipts. The lines on the graphic portray the other two forecasts. Figure 11 present the forecasts broken into sub parts for total taxes and sales taxes.

1  
2 Figure 10



3  
4  
5 As noted on the graphic, total revenues dropped dramatically between 2008 and 2009, lead by  
6 the decline in sales tax that occurred in 2007 and after. Revenues increased into 2010 primarily  
7 due to an increase in photo enforcement (in Fines and Forfeitures) and by the addition of utility  
8 taxes. The forecast shows 2011 picking up from the revenue increases in 2010, but total  
9 revenues nonetheless will tend to stall into 2011 and 2012. While some categories such as  
10 charges for services will increase significantly, these increases will be offset by a drop in photo  
11 red income due to a change in the hours of enforcement in school zones and a drop in the EMS  
12 levy due to a decline in assessed value.

1 Figure 11



2  
3

4 Figure 12 tends to highlight other aspects of the forecasts. While sales tax is still stalling in all  
 5 forecasts, other taxes led by the new utility taxes are picking up some of the slack, helping to  
 6 resume to near prerecession levels. Other revenues then help the total to rise above  
 7 prerecession levels but dropping down again as some revenue categories slump.

LOW DETAILED FORECAST												
	2009-2010 Biennium (Est)	2011-2012 Biennium	2013-2014 Biennium	2015-2016 Biennium	2009	2010 EST	2011	2012	2013	2014	2015	2016
TAXES												
PROPERTY TAXES	50,635,604	54,670,142	56,482,592	60,019,644	24,298,894	26,336,709	27,167,631	27,502,511	27,924,049	28,598,542	29,519,373	30,500,271
SALES TAXES	14,525,989	14,894,857	15,244,947	15,603,266	7,207,325	7,318,664	7,404,174	7,490,683	7,578,202	7,666,745	7,756,321	7,846,944
ADMISSION TAXES	28,690,867	28,696,700	29,669,728	32,406,874	14,393,803	14,257,065	14,257,065	14,399,636	14,615,630	15,054,099	15,614,962	16,591,892
UTILITY TAXES	1,164,349	1,309,026	1,443,132	1,590,977	566,185	606,154	638,557	670,469	703,975	739,156	776,096	814,881
	5,991,823	9,531,461	9,643,603	10,133,604	1,977,291	4,014,532	4,729,093	4,802,368	4,886,115	4,967,457	5,029,983	5,103,621
Cable	771,950	660,621	666,091	709,196	447,369	324,581	327,286	333,335	340,205	345,886	351,662	357,534
Util Tax-Electric	606,905	1,840,460	1,911,419	1,975,798	-	606,905	911,804	928,623	947,796	963,623	979,714	996,074
Util Tax-Gas	158,046	478,520	496,969	513,735	-	158,046	237,069	241,451	246,426	250,542	254,726	258,979
Util Tax-Phone/Pager	3,523,650	4,057,640	4,214,289	4,366,209	1,529,922	1,993,728	2,010,341	2,047,499	2,089,697	2,124,592	2,160,070	2,196,140
Util Tax-Sewer	273,688	622,878	632,001	643,074	-	273,688	410,531	412,347	414,626	417,375	420,144	422,930
Util Tax-Storm	78,817	236,973	239,600	242,788	-	78,817	118,225	118,748	119,404	120,196	120,993	121,795
Util Tax-Water	119,265	342,880	346,681	351,295	-	119,265	171,062	171,818	172,768	173,914	175,067	176,228
Solid Waste	305,357	612,064	618,850	627,086	-	305,357	305,357	306,707	308,402	310,448	312,507	314,579
Utility Cable Tax	154,145	479,225	497,702	514,452	-	154,145	237,419	241,607	246,790	250,911	255,101	259,361
GAMBLING AND OTHER TAXES	302,575	278,099	281,182	284,924	164,291	136,284	136,743	139,356	140,126	141,056	141,991	142,933
LICENSES & PERMITS	3,723,305	3,659,092	4,232,669	5,222,863	1,802,636	1,920,669	1,844,923	1,844,170	1,930,055	2,302,614	2,525,488	2,697,375
BUSINESS LICENSES AND PERMITS	1,927,109	2,075,829	2,295,605	2,515,390	971,611	965,499	1,010,443	1,065,367	1,120,330	1,175,274	1,230,218	1,285,162
NON-BUS LICENSES & PERMITS	1,796,196	1,583,263	1,937,064	2,707,473	831,025	955,171	804,480	778,783	809,725	1,127,340	1,295,270	1,412,213
INTERGOVERNMENTAL	3,596,556	2,783,365	2,778,020	2,851,034	1,850,490	1,746,066	1,395,686	1,367,680	1,397,960	1,398,040	1,416,293	1,434,741
GRANTS	405,294	287,369	290,554	294,421	264,837	140,457	143,367	144,001	144,797	145,757	146,724	147,697
INTERGOVERNMENTAL SERVICES	985,168	996,873	975,366	994,217	513,557	471,611	476,147	480,726	485,349	490,017	494,730	499,488
STATE IMPACT REVENUES	1,304,448	558,568	493,738	509,740	652,224	652,224	290,383	268,185	244,869	248,869	252,870	256,870
CHARGES FOR SERVICES	7,867,991	8,946,245	9,286,991	9,719,554	3,850,209	4,017,762	4,454,461	4,491,784	4,573,783	4,713,208	4,815,001	4,904,553
CULTURE & RECREATION	1,925,934	2,336,676	2,403,719	2,484,657	1,188,806	737,128	1,168,836	1,167,839	1,191,830	1,211,811	1,232,047	1,252,620
ECONOMIC ENVIRONMENT	560,222	407,151	498,135	696,255	346,516	213,706	206,860	200,272	208,228	289,906	333,091	363,164
GENERAL GOVERNMENT	450,334	539,413	539,413	539,413	180,628	269,706	269,706	269,706	269,706	269,706	269,706	269,706
INTRFND/INTERDEP SLS & SRVCES	3,009,490	3,066,147	3,149,441	3,212,745	1,494,648	1,514,842	1,522,416	1,543,730	1,566,886	1,582,555	1,598,361	1,614,364
SECURITY OF PERSONS & PROPERTY	1,895,210	2,578,772	2,678,196	2,768,387	621,854	1,273,356	1,277,579	1,301,193	1,328,010	1,350,186	1,372,732	1,395,655
UTILITIES & ENVIRONMENT	26,801	18,087	18,087	18,087	17,757	9,044	9,044	9,044	9,044	9,044	9,044	9,044
FINES AN FORFEITS	10,631,037	9,463,139	9,272,190	9,334,912	4,733,938	5,887,100	4,847,708	4,615,430	4,628,319	4,643,871	4,659,526	4,675,285
CIVIL PARKING INFRACTION PENAL	5,673,374	4,809,364	4,566,811	4,566,811	2,090,360	3,583,014	2,525,949	2,283,405	2,283,405	2,283,405	2,283,405	2,283,405
CRIMINAL COSTS (and Other)	4,957,663	4,653,785	4,705,380	4,768,001	2,643,578	2,314,086	2,321,759	2,332,025	2,344,914	2,360,466	2,376,121	2,391,880
MISCELLANEOUS	1,171,993	1,355,912	1,385,871	1,429,717	651,308	520,685	675,358	680,554	688,166	697,705	709,109	720,608
INTEREST	304,441	477,892	490,219	516,080	218,601	65,640	236,531	239,362	242,566	247,653	254,561	261,519
OTHER	867,552	878,020	895,651	913,637	432,507	436,045	436,828	441,192	445,600	450,052	454,548	459,089
TOTAL	77,626,487	80,877,896	83,438,333	88,577,623	37,187,475	40,439,012	40,355,767	40,522,128	41,124,352	42,313,981	43,644,790	44,932,833
EMS PROPERTY TAX	5,486,203	4,980,794	5,097,963	5,217,634	2,371,287	3,094,916	2,475,933	2,504,861	2,534,127	2,563,736	2,593,690	2,623,984
GRAND TOTAL	83,092,690	85,858,690	88,536,196	93,795,307	39,558,762	43,533,928	42,831,700	43,026,989	43,658,479	44,877,717	46,238,480	47,596,827

MEDIUM DETAILED FORECAST												
	2009-2010 Biennium (Est)	2011-2012 Biennium	2013-2014 Biennium	2015-2016 Biennium	2009	2010 EST	2011	2012	2013	2014	2015	2016
<b>TAXES</b>												
PROPERTY TAXES	50,635,604	55,517,799	58,791,352	63,180,181	24,298,895	26,336,709	27,422,730	28,095,069	28,892,466	29,898,886	31,003,649	32,176,532
SALES TAXES	14,525,989	14,939,140	15,350,786	15,773,774	7,207,325	7,318,664	7,418,811	7,520,329	7,623,235	7,727,550	7,833,292	7,940,482
ADMISSION TAXES	28,650,888	29,575,989	31,624,458	34,994,267	14,393,603	14,257,065	14,470,921	14,905,048	15,441,630	16,162,828	17,017,862	17,916,405
UTILITY TAXES	1,164,349	1,348,768	1,525,354	1,701,940	566,185	608,164	652,310	696,457	740,604	784,790	828,897	873,043
	5,991,823	9,574,597	10,007,712	10,483,391	1,977,291	4,014,532	4,741,467	4,833,111	4,945,944	5,061,768	5,180,667	5,302,724
	771,950	666,524	701,300	740,793	447,369	324,561	329,021	336,503	345,848	355,452	365,324	375,469
	606,905	1,844,340	1,943,486	2,052,932	606,905	606,905	911,804	932,536	968,434	986,051	1,012,408	1,040,524
	158,046	479,528	505,306	533,762	-	158,046	237,069	242,459	249,193	256,113	263,226	270,536
	3,523,650	4,087,953	4,307,708	4,590,293	1,529,922	1,993,728	2,020,999	2,066,953	2,124,356	2,183,352	2,243,987	2,306,306
	273,688	823,785	834,749	845,658	-	273,688	410,531	413,254	415,956	418,754	421,531	424,327
	78,817	237,234	240,391	243,590	-	78,817	119,009	119,009	119,798	120,593	121,393	122,198
	119,265	343,268	347,826	352,455	-	119,265	171,062	172,196	173,338	174,488	175,645	176,810
	305,357	612,739	620,894	629,157	-	305,357	305,357	307,382	309,421	311,473	313,539	315,618
	154,145	480,236	506,052	534,549	-	154,145	237,419	242,817	249,560	256,491	263,614	270,935
	302,575	279,326	263,043	286,810	164,291	138,284	139,201	140,124	141,054	141,989	142,931	143,879
	3,723,305	3,856,397	5,016,946	5,789,496	1,802,636	1,920,669	1,882,255	1,974,142	2,366,064	2,630,882	2,818,779	2,970,718
	1,927,109	2,065,034	2,312,416	2,541,798	971,611	965,499	1,012,844	1,070,190	1,127,535	1,184,881	1,242,225	1,299,572
	1,796,196	1,773,363	2,704,530	3,247,698	831,025	965,171	869,410	903,953	1,258,529	1,446,002	1,576,553	1,671,146
	3,596,566	2,995,896	2,874,666	3,017,804	1,850,490	1,746,066	1,441,614	1,441,795	1,419,883	1,454,783	1,490,561	1,527,243
	405,294	288,636	292,478	296,370	264,837	140,457	143,841	144,795	145,755	146,722	147,695	148,675
	985,168	986,647	1,047,515	1,112,139	513,557	471,611	485,941	500,706	515,920	531,596	547,748	564,391
	901,646	987,833	1,040,936	1,089,955	419,872	481,774	488,364	499,469	513,340	527,596	542,246	557,307
	1,304,448	642,780	493,738	509,740	652,224	652,224	346,136	296,644	244,869	248,869	252,870	256,870
	7,867,991	9,124,001	9,775,406	10,373,360	3,850,209	4,017,782	4,530,175	4,593,827	4,806,247	4,969,159	5,116,995	5,256,364
	1,925,934	2,344,398	2,441,921	2,579,436	1,188,806	737,128	1,172,699	1,171,699	1,204,239	1,237,682	1,272,055	1,307,381
	580,222	553,101	843,526	1,012,936	346,516	213,706	271,164	281,937	392,527	460,989	491,717	521,220
	450,334	539,413	539,413	539,413	180,628	289,706	269,706	269,706	269,706	269,706	269,706	269,706
	3,009,490	3,075,299	3,198,031	3,333,758	1,494,648	1,514,842	1,525,446	1,549,853	1,582,400	1,615,631	1,649,559	1,684,200
	1,895,210	2,592,749	2,732,127	2,885,985	621,854	1,273,356	1,281,802	1,310,948	1,347,355	1,384,773	1,423,230	1,462,755
	26,801	19,042	20,369	21,832	17,757	9,044	9,368	9,684	10,020	10,369	10,729	11,102
	10,631,037	9,550,242	9,341,591	9,405,136	4,733,938	5,897,100	4,903,015	4,647,228	4,862,905	4,678,686	4,694,572	4,710,564
	5,673,374	4,838,172	4,566,811	4,566,811	2,090,360	3,583,014	2,554,767	2,283,405	2,283,405	2,283,405	2,283,405	2,283,405
	4,957,663	4,712,070	4,774,760	4,838,325	2,643,578	2,314,086	2,348,248	2,363,822	2,379,500	2,395,281	2,411,167	2,427,158
	1,171,993	1,363,692	1,404,537	1,455,239	651,308	520,685	678,223	685,469	696,200	708,337	721,050	734,189
	304,441	488,672	508,886	541,602	218,801	85,640	241,395	244,777	250,600	258,286	266,502	275,100
	867,552	878,028	895,651	913,637	432,507	435,045	436,828	441,192	445,600	450,052	454,546	459,069
	77,626,487	82,318,028	87,204,500	93,221,216	37,187,475	40,439,012	40,880,679	41,437,349	42,863,766	44,340,734	45,845,606	47,375,610
	5,466,203	4,985,745	5,123,127	5,264,294	2,371,287	3,094,916	2,475,933	2,509,813	2,544,157	2,578,971	2,614,261	2,650,034
	83,092,690	87,303,774	92,327,627	98,485,510	39,568,762	43,533,928	43,356,612	43,947,162	45,407,923	46,919,704	48,459,867	50,025,644

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HIGH DETAILED FORECAST												
	2009-2010 Biennium (Est)	2011-2012 Biennium	2013-2014 Biennium	2015-2016 Biennium	2009	2010 EST	2011	2012	2013	2014	2015	2016
<b>TAXES</b>	<b>50,635,604</b>	<b>57,503,301</b>	<b>63,226,637</b>	<b>69,391,981</b>	<b>24,296,895</b>	<b>26,336,709</b>	<b>27,990,682</b>	<b>29,512,619</b>	<b>30,887,137</b>	<b>32,341,500</b>	<b>33,880,935</b>	<b>35,511,046</b>
PROPERTY TAXES	14,525,989	14,983,482	15,467,163	15,945,619	7,207,325	7,318,864	7,433,449	7,550,033	7,668,447	7,788,717	7,910,873	8,034,946
SALES TAXES	28,660,868	31,057,070	35,266,316	39,759,084	14,393,803	14,257,065	14,948,532	16,108,538	17,104,108	18,161,208	19,283,640	20,475,443
ADMISSION TAXES	1,164,349	1,433,743	1,781,743	2,214,209	566,185	606,164	677,965	756,778	842,522	939,221	1,047,019	1,167,190
UTILITY TAXES	5,991,823	9,746,369	10,453,540	11,173,483	1,977,291	4,014,532	4,790,445	4,955,944	5,127,671	5,305,869	5,490,792	5,682,701
Cable	771,950	686,143	740,864	801,118	447,369	324,581	335,876	349,267	363,192	377,672	392,730	408,368
Util Tax-Electric	606,905	1,859,960	2,011,228	2,174,796	-	606,905	911,804	946,157	985,959	1,025,269	1,066,146	1,108,652
Util Tax-Gas	188,046	483,590	522,919	565,448	-	188,046	237,064	256,521	266,570	277,198	288,250	300,000
Util Tax-Phone/Pager	3,523,650	4,208,462	4,550,730	4,920,634	1,529,922	1,993,728	2,063,103	2,145,358	2,230,893	2,319,837	2,412,328	2,508,506
Util Tax-Sewer	273,688	827,018	851,187	876,052	-	273,688	410,531	416,487	422,529	428,658	434,877	441,185
Util Tax-Storm	78,817	238,165	245,125	252,289	-	78,817	118,225	119,940	121,680	123,445	125,236	127,053
Util Tax-Water	119,265	344,605	354,676	365,041	-	119,265	171,052	173,543	176,061	178,615	181,206	183,836
Solid Waste	305,357	615,144	633,121	651,623	-	305,357	305,357	303,787	314,281	318,840	323,465	328,158
Utility Cable Tax	154,145	484,303	523,891	566,281	-	154,145	237,419	246,884	256,727	266,963	277,807	288,675
GAMBLING AND OTHER TAXES	302,575	282,616	290,875	299,375	164,291	136,284	140,290	142,325	144,390	146,465	148,610	150,766
<b>LICENSES &amp; PERMITS</b>	<b>3,723,305</b>	<b>5,527,307</b>	<b>7,356,665</b>	<b>8,036,446</b>	<b>1,802,636</b>	<b>1,920,669</b>	<b>2,358,866</b>	<b>3,168,441</b>	<b>3,539,934</b>	<b>3,816,731</b>	<b>4,033,706</b>	<b>4,002,739</b>
BUSINESS LICENSES AND PERMITS	1,927,109	2,089,820	2,328,250	2,566,680	971,611	955,499	1,015,106	1,074,714	1,134,321	1,193,929	1,253,536	1,313,144
NON-BUS LICENSES & PERMITS	1,796,196	3,437,487	5,028,415	5,469,766	831,025	965,171	1,343,758	2,093,727	2,405,613	2,622,802	2,780,170	2,689,596
<b>INTERGOVERNMENTAL</b>	<b>3,596,556</b>	<b>3,040,673</b>	<b>3,111,292</b>	<b>3,225,019</b>	<b>1,850,490</b>	<b>1,746,066</b>	<b>1,534,918</b>	<b>1,505,955</b>	<b>1,536,635</b>	<b>1,574,658</b>	<b>1,584,059</b>	<b>1,641,760</b>
GRANTS	405,294	292,036	300,570	309,354	264,837	140,457	144,966	147,069	149,203	151,367	153,563	155,791
INTERGOVERNMENTAL SERVICES	995,168	1,011,451	1,109,763	1,217,631	513,557	471,611	494,000	517,451	542,016	567,747	594,699	622,931
STATE IMPACT REVENUES	1,304,448	720,233	1,099,660	1,189,094	419,872	481,774	494,538	518,415	539,084	560,577	582,927	606,168
STATE SHARED REVENUES	7,867,891	9,448,184	10,319,574	11,024,368	3,850,209	652,224	862,224	322,819	306,332	294,967	282,870	266,870
<b>CHARGES FOR SERVICES</b>	<b>1,925,934</b>	<b>2,362,738</b>	<b>2,504,848</b>	<b>2,708,868</b>	<b>1,168,806</b>	<b>737,128</b>	<b>4,017,782</b>	<b>4,852,172</b>	<b>5,062,535</b>	<b>5,257,039</b>	<b>5,443,600</b>	<b>5,580,768</b>
CULTURE & RECREATION	560,222	761,122	1,113,382	1,211,105	213,706	297,533	346,516	346,516	346,516	346,516	346,516	346,516
ECONOMIC ENVIRONMENT	460,334	539,413	539,413	539,413	180,628	269,706	269,706	269,706	269,706	269,706	269,706	269,706
GENERAL GOVERNMENT	3,009,490	3,128,907	3,287,307	3,453,727	1,494,648	1,514,842	1,545,139	1,563,788	1,623,362	1,663,946	1,705,544	1,748,183
INTRFD/INTERDEP SLS & SRVCES	1,895,210	2,636,162	2,849,476	3,081,719	621,854	1,273,366	1,291,828	1,343,333	1,396,891	1,452,585	1,510,498	1,570,721
SECURITY OF PERSONS & PROPERTY	26,801	20,844	25,148	30,340	17,757	9,044	9,933	10,911	11,984	13,164	14,469	15,861
UTILITIES & ENVIRONMENT	10,631,037	9,585,416	9,446,767	9,589,379	4,733,938	5,897,100	4,914,242	4,671,174	4,705,813	4,740,954	4,776,605	4,812,774
<b>FINES AND FORFEITS</b>	<b>5,673,374</b>	<b>4,844,022</b>	<b>4,566,811</b>	<b>4,566,811</b>	<b>2,090,360</b>	<b>3,693,014</b>	<b>2,860,617</b>	<b>2,283,405</b>	<b>2,283,405</b>	<b>2,283,405</b>	<b>2,283,405</b>	<b>2,283,405</b>
CIVIL PARKING INFRACTION PENAL	4,957,653	4,741,394	4,679,956	5,022,568	2,643,578	2,314,086	2,353,625	2,387,769	2,422,407	2,457,549	2,492,300	2,529,368
CRIMINAL COSTS (and Other)	1,171,993	1,379,312	1,436,071	1,500,941	651,308	682,731	682,731	686,581	711,386	726,685	743,338	758,603
<b>MISCELLANEOUS</b>	<b>304,441</b>	<b>501,292</b>	<b>542,419</b>	<b>587,305</b>	<b>218,801</b>	<b>86,640</b>	<b>245,903</b>	<b>265,389</b>	<b>265,786</b>	<b>276,634</b>	<b>287,790</b>	<b>299,514</b>
INTEREST	867,552	876,020	895,651	913,637	432,507	435,628	436,628	441,192	445,600	450,652	454,548	459,069
OTHER	77,626,487	86,484,193	94,901,006	102,766,933	37,187,475	40,439,042	42,077,451	44,406,742	46,443,440	48,457,966	50,461,243	52,307,690
<b>TOTAL</b>	<b>5,466,203</b>	<b>4,990,898</b>	<b>5,146,472</b>	<b>5,311,233</b>	<b>2,371,287</b>	<b>3,094,916</b>	<b>2,475,933</b>	<b>2,514,765</b>	<b>2,554,206</b>	<b>2,594,266</b>	<b>2,634,954</b>	<b>2,676,260</b>
EMS PROPERTY TAX	83,092,690	91,474,891	100,049,477	108,080,167	39,558,762	43,533,928	44,553,384	46,921,507	48,997,646	51,051,832	53,096,197	54,983,970
<b>GRAND TOTAL</b>	<b>83,092,690</b>	<b>91,474,891</b>	<b>100,049,477</b>	<b>108,080,167</b>	<b>39,558,762</b>	<b>43,533,928</b>	<b>44,553,384</b>	<b>46,921,507</b>	<b>48,997,646</b>	<b>51,051,832</b>	<b>53,096,197</b>	<b>54,983,970</b>

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<sup>1</sup> Sales tax data for the various economic sectors is derived from the Quarterly Business Review reporting system <http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/Default.aspx> of the Washington State Department of Revenue. This source was used in this analysis since it provides detailed information for all areas of the state. These reports report taxable sales activity, and not the distribution of sales taxes. Since there is a two-month lag between the sales activity as reported by the Quarterly Business Review and the distribution of tax revenues, reports based on the review do not necessarily agree with reports based on the distribution for any particular time frame. The difference can be significant since Christmas sales occur in the calendar year of Christmas, while the distribution of tax revenue occurs in the following calendar year.

<sup>2</sup> The State peak occurred in calendar 2007 as noted here, or in the State Fiscal year of 2008 as noted in the forecast of the State forecast council.

<sup>3</sup> Automotive sales often tend to lead in an economic recovery. Since the city has held its market share in this sector in recent years, this might suggest that the recovery of sales tax growth in Lynnwood might be better than the assumption in the text. While automotive is the city's largest single sector, it comprises 16% of total activity, probably not enough of a share of total activity to offset the low proportion of construction activity and the lagging in other sectors. Not placing an accent on the potential of automotive sales in a recovery reflects the conservative nature of this forecast.

<sup>4</sup> Information in this analysis is derived from the Forecast Council web site <http://www.erfc.wa.gov/> in general and the **Washington State Economic and Revenue Forecast**, February 2010, Volume XXXIII, No. 1 in particular.

<sup>5</sup> See [http://www.rockinst.org/about\\_us/staff/researchers/boydd.aspx](http://www.rockinst.org/about_us/staff/researchers/boydd.aspx) for additional information.

<sup>6</sup> This forecast does not yet apply the anticipated rate increases in the city's utilities.

<sup>7</sup> The water utility tax is reduced by 4.38% to reflect a legal requirement for the general fund to reimburse the water utility for water supplied to fire hydrants.

<sup>8</sup> The forecast for 2011 is based on population in this forecast. A more precise estimate can be made later in the budget process when the state releases the per capita amount it will use to distribute these revenues next year.