

April 3, 2012

TO: Department Heads, Administrator, Mayor and Council  
From: Rob Orton  
Subject: Finance Report February 2012

**Highlights:**

- REET: 18 residential homes sold---slightly above average for February
- 17 new single family home permits issued through February
- 500+ license renewals in February for TBD

The City's overall budget performance through **February 2012** is summarized in the following table:

<b>CITY OF SNOQUALMIE</b>					
<b>2012 Year-to-date Budget Performance</b>					
<b>Thru February 29, 2012</b>					
Fund Groups	Budget 2012	Year-To-Date 2/29/2012	% Expended	% of Year Elapsed	
<b>GENERAL FUNDS</b>	<b>\$11,638,773.00</b>	<b>\$ 1,525,096.02</b>	<b>13.1%</b>		
<b>SPECIAL REVENUE FUNDS</b>	<b>4,476,277.00</b>	<b>523,110.51</b>	<b>11.7%</b>		
<b>DEBT SERVICE FUNDS</b>	<b>627,290.00</b>	<b>-</b>	<b>0.0%</b>		
<b>CAPITAL PROJECTS FUNDS</b>	<b>10,830,743.00</b>	<b>1,271,348.20</b>	<b>11.7%</b>		
<b>ENTERPRISE FUNDS</b>	<b>7,174,740.00</b>	<b>923,742.57</b>	<b>12.9%</b>		
<b>INTERNAL SERVICE FUNDS</b>	<b>2,824,140.00</b>	<b>479,937.84</b>	<b>17.0%</b>		
<b>GRAND TOTALS:</b>	<b>\$37,571,963.00</b>	<b>\$ 4,723,235.14</b>	<b>12.6%</b>		<b>16.67%</b>

With 16.7% of the year complete, City budgets are 12.6% expended. Like last month, the expenditures in the internal service funds (city departments that charge each other for services), are slightly ahead of the trend because the Risk Management Fund paid total City insurance premiums for the year in one lump sum in January.

The debt service funds, which show no expenses in 2012, have, for the most part, annual or semi-annual principal and interest payments.

Major sources of revenue in the general fund for February 2012 were as follows:

CITY OF SNOQUALMIE							
2010-2011 Analysis of Major Fund Revenue Sources							
Thru February 29, 2012							
				Year-To-Date	Year-To-Date		
				2/28/2011	2/29/2012	\$ Change	% Change
Total General Fund Revenues				\$ 1,292,731	\$ 1,014,623	\$ (278,108)	-22%
Major Revenue Sources							
Property Taxes				\$ 34,177	\$ 41,332	\$ 7,156	21%
Sales & Use Taxes - General				\$ 283,910	\$ 242,263	\$ (41,647)	-15%
Sales & Use Taxes - One-Time				\$ 39,300	\$ 53,461	\$ 14,161	N/A
Sales & Use Taxes - Criminal Justice				\$ 34,971	\$ 40,060	\$ 5,089	15%
B&O Taxes				\$ 101,129	\$ 105,127	\$ 3,998	4%
Utility Taxes				\$ 311,945	\$ 360,631	\$ 48,686	16%
Total				\$ 805,433	\$ 842,875	\$ 37,442	5%

#### **Fund Balance, Reserves and one-time Revenue**

Total general fund revenue is down 22% through February but this is largely a timing matter related to a specific contract for services for which payment has not been recorded.

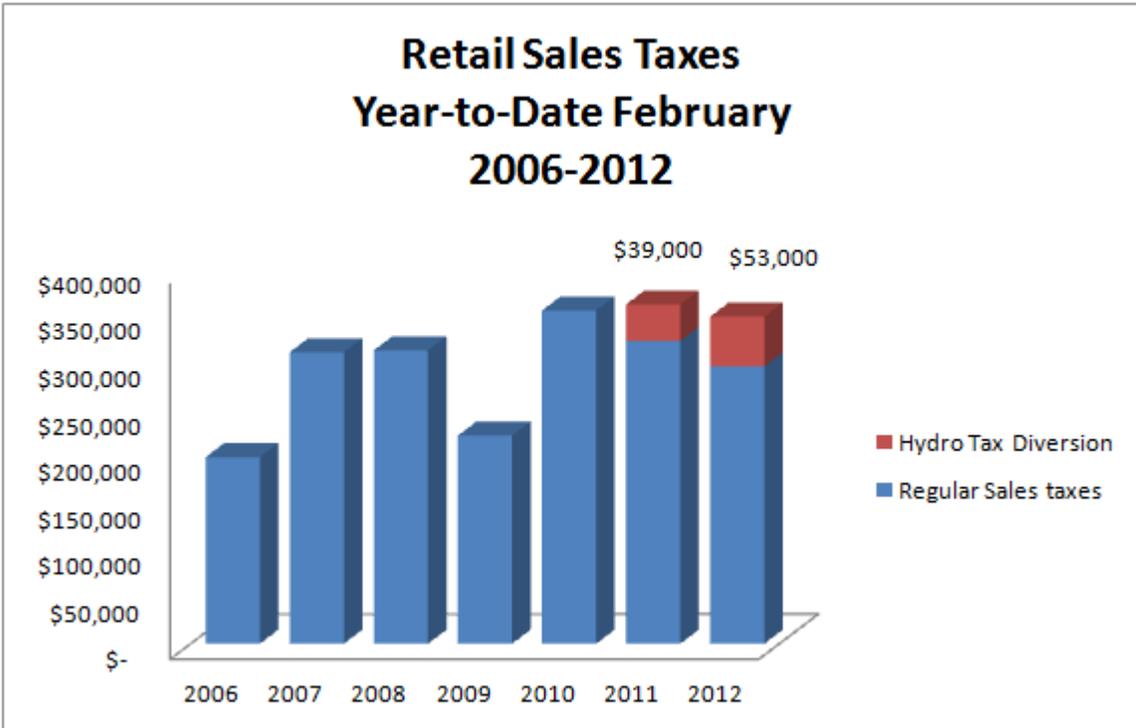
Note that “general” sales taxes are distinguished from “one-time” tax revenue which is income generated by the PSE hydroelectric project. This is discussed in the following section.

The general fund balance was \$1.1 million at February end while reserves were at \$2,480,000. The fund balance level declined mainly due to the \$1 million cash outflow for purchase of the Community Center. Reserves are improving with the diversion of one-time sales tax revenue mentioned above.

#### **Sales taxes**

The actual activity through February is for the months of November and December 2011 but the revenue reported was received in 2012, as there is a two month lag in reporting.

The graph below shows total tax income but also illustrates the effect of removal of taxes on the PSE Hydro Rebuild project. Council has determined that this is a one-time revenue stream that will end in March 2013 and thus should be isolated from income used to fund ongoing operations. These funds are being transferred to general fund reserves.



Absent the hydro tax diversion, sales tax revenue has declined about \$42,000 in 2012.

The table below compares the retail taxing sectors between 2011 and 2012 (Note: these figures are taxable sales rather than revenue):

<b>Taxable Retail Sales by Sector</b>					
<b>December 2011 (Cash to City: February 2012)</b>					
Sector		December '11	December '10	Change	% of Total
Utilities		\$ 1,866	\$ 7,273	-74.3%	0%
Construction		\$ 8,622,000	\$ 6,687,000	28.9%	41%
Manufacturing		\$ 446,000	\$ 410,000	8.8%	2%
Wholesale Trade		\$ 1,040,000	\$ 1,969,000	-47.2%	5%
Retail Trade		\$ 3,765,000	\$ 2,301,000	63.6%	18%
Information		\$ 614,000	\$ 892,000	-31.2%	3%
Finance and Insurance		\$ 135,000	\$ 118,000	14.4%	1%
Real Estate Rental/leasing		\$ 393,000	\$ 414,000	-5.1%	2%
Professional/Sci/Technical		\$ 2,090,000	\$ 6,998,000	-70.1%	10%
Administrative/Support/Remediation		\$ 917,000	\$ 640,000	43.3%	4%
Arts, Entertain/Recreation		\$ 453,000	\$ 384,000	18.0%	2%
Accommodation/Food Services		\$ 2,084,000	\$ 2,013,000	3.5%	10%
Other Services		\$ 400,000	\$ 406,000	-1.5%	2%
Public Administration		\$ 186,000	\$ 115,000	61.7%	1%
	Total, major sectors	\$ 21,146,866	\$ 23,354,273	-9.5%	

In what has become a redundant feature of this report, "Construction" leads all sectors with \$8.6 million in sales or 41% of the total for the period.

New residential home construction and supporting specialty trades accounted for \$2.8 million (presumably related to SRII building in large part) while \$1.5 million of the total was for "commercial institutions" likely including the last of the City Community Center costs or part of the PSE substation construction---both performed by the same contractor.

\$3.8 million in sales is attributed to the hydroelectric project at Snoqualmie Falls.

The decline in "Wholesale Trade" looks to be large drops in sales of durable goods---especially computer services and lumber sales. A good portion of the decrease is from a few companies who reported large sales in the same period last year but none in 2011-12.

"Retail" moved ahead of last year by nearly \$1.5 million. Furniture and interior fixtures as well as electronic equipment provided the increases. Home furnishing sales also improved---and appear related to building activity on the Ridge (judging by the firms reporting). The "holiday" months are included in this period and may have aided sales.

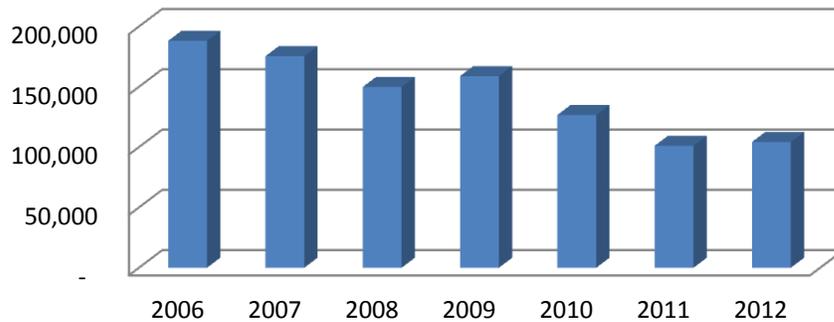
The huge downward swing (\$5 million) in the "Professional, Scientific and Technical" category is attributed to four firms---none local. They report under the headings of "engineering services (electrical contracting)" and "customer computer programming".

Sales related to accommodation and entertainment (largely outdoor recreation) improved noticeably. As this data includes both "shoulder" and winter seasons, these results are encouraging.

### **Business and Occupation Taxes**

The City's B and O tax is .0015% of gross receipts or about \$1.50 per \$1,000 of business gross sales. Year-to-date receipts through February are charted below:

## Business and Occupation Taxes Year-to-Date February 2006-2012



Tax revenue through February is within a few thousand dollars of 2011 but still well below the pre-recession years. Year-to-date taxes are primarily 4<sup>th</sup> quarter returns from the year previous plus annual returns from those companies qualified to do so.

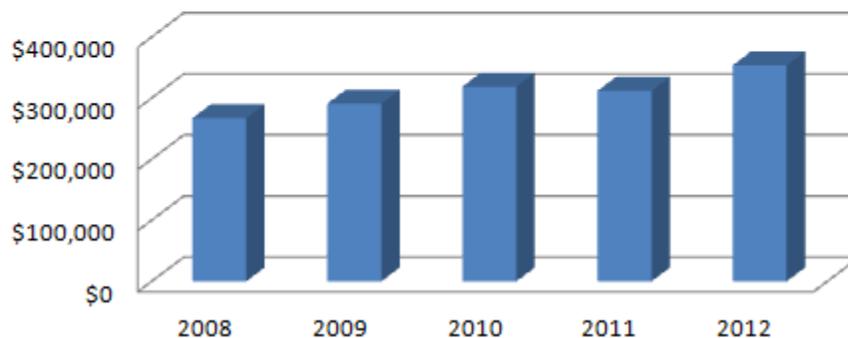
### Utility tax revenue

Utility taxes are derived from a tax on sales from city-owned utilities, state regulated utilities (gas, power, cable and telephone) and solid waste collection. These taxes are the third largest general revenue resource behind property and sales taxes.

In 2011, the utility tax rate on city utilities and garbage collection rose from 6% to 9% to provide income for the new infrastructure bond issue sold last year.

A comparison of total utility tax revenue through the month of February is shown on the following graph:

## Utility Taxes Year-to-Date (February) 2008-2012



All utility tax sources are ahead of 2011.

### **Real Estate Excise Taxes (REET)**

18 properties sold in February at an average price of \$366,000. Cumulative unit sales for the year (at 36) is the highest since 2008 but falling prices resulted in about the same revenue as 2011 (\$90,000).



The exceptional period was 2008---but the entire year was exceptional with 365 properties changing hands---a year after the official housing crash.

REET revenues year-to-date February follow:

### Real Estate Excise Taxes Year-to-Date February 2006-2012



This version of the above chart is adjusted to separate tax revenue from large commercial tract and building sales in 2008 and 2011 that have tended to skew what otherwise would be “regular” residential sales.

The large sale in 2008 was between Wells Fargo and Phillips Corporation while Pulte/Quadrant purchase and sale account for the large transaction in 2011.

Although unit sales are up in 2012, declining prices produced little change in revenue--\$90,000 compared to \$87,000 last year.

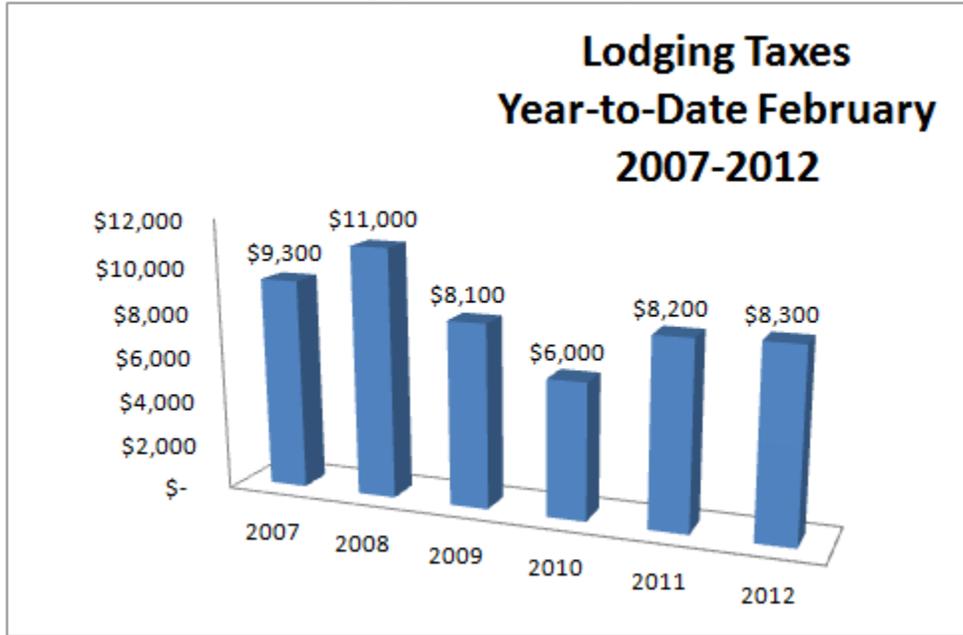
The trend in average prices is shown below:



The City issued seven single family housing permits February past bringing the year-to-date total to 17.

**Lodging Tax Receipts (Hotel/Motel or Lodging Tax)**

Lodging tax receipts through February 2012 are not impressively changed from 2011 but are at least maintaining ground with last year:



**Investments**

At the end of February, the City’s cash and investment balances stood as follows:

City of Snoqualmie					
Cash & Investment Report					
For the month ending February 29, 2012					
<b>Checking Account - KeyBank</b>		\$	380,159		
<b>Checking Account - Bank of America</b>		\$	3,392,568		
<b>LGIP Account</b>		\$	5,836,387		
<b>Investment Account</b>		\$	7,124,973		
		<b>\$</b>	<b>16,734,088</b>		

The portfolio balance declined \$1.6 million from January largely as a result of closing the purchase of the Community Center.

The “LGIP” or “Local Government Investment Pool”, managed by the State Treasurer, allows cities to ride on the back of the State’s huge portfolio. The investments are completely liquid. In February, the LGIP yielded .14%.

The investment account comprised of government agency securities, is unchanged from year-end (these securities have fixed yields and can be held to maturity). Collectively, the return on these bonds is higher than our other investments but then again, they are not as easily convertible to cash.

The cash and investment balance is at the end February. Of course, the balances change daily and the end-of-month are but a temporary snapshot.

**Other updates:**

**Transportation Benefit District:** The City received \$10,040 in TBD fees in February-- equivalent to 507 license renewals. In 2011, about 4800 licenses were renewed over the nine month period the new fee was in effect. The 2012 budget is based on 5400 new car tab fees. It is certain we will exceed that figure.

**City Debt:**

Total of all City debt from bonds and loans is \$16,660,000 or about \$1,520 per capita.

Please contact me if you have questions.

Rob Orton