



Building Community ✦ Driving for Excellence

Financial Report

For the period January 1, 2011
through March 31, 2011
(Unaudited)

Summary

United State Economy

The U.S. economy grew at an annual rate of 1.8 % from January through March. This was less than the expected growth of 4%; compared to growth of 3.1% in the fourth quarter of 2010. Current geopolitical developments have slowed economic recovery. First, the volatility in oil prices due to the unrest in the Middle East. Next is the tragedy in Japan, which is the world's third largest economy. Economists seem to think there will be an increase in economic growth through the spring. Consumers are less certain as they see the continued increase in the cost of food and gasoline.

Washington State Economy

"The Washington economy continued to grow at a slower pace in February and March after fairly strong growth at the end of 2010 and early 2011. The Japanese earthquake and tsunami continue to pose a threat to the state's economy. Japan is the state's third largest export market. Eventually reconstruction activity will be a plus for our state's economy but in the near term the devastation has disrupted supply chains and reduced demand for Washington products."

Local Economy

- Sales tax revenues for the city are approximately 4% less than the projections. Since sales tax revenue is the largest revenue contribution in the General Fund any drop below projections is considered significant. The City continues to closely monitor sales tax revenues.
- Amazon.com, Inc. (NASDAQ: AMZN) announced plans to open an approximately 500,000-square-foot fulfillment center in Sumner. Amazon will create several hundred full-time jobs at the facility this year, in addition to hundreds of seasonal jobs during the holiday season.

Source: May 11, 2011 Economic & Revenue Update, Washington State Economic & Revenue Forecast Council

GENERAL FUND

Cash and Investment Activity

The available General Fund operating cash and investment balance was \$893,610 on March 31, 2011. This is approximately 11.94% of General Fund expenditure budget. City of Sumner's Reserve Policy requires, as a minimum, at least one month or 8% of budgeted expenses.

The City of Sumner's guidance for investing the City's money is found in RCW 35.39. The state law tends to follow the "prudent investor rule" with the focus being on protecting principle. Below we have provided a recap of the city investments, where they are held and interest rates.

Current City Investments & Rates

Fund	Investment	Amount	Rate
General Fund	State Pool	\$ 30,000	0.23%
General Fund	US Agencies	732,012	0.75% - 5.38%
General Fund Reserves	State Pool	963,764	0.23%
General Fund Reserves	US Agencies	150,000	1.25%
Special Revenue Funds	State Pool	225,000	0.23%
Special Revenue Funds	US Agencies	175,000	0.46% - 1.02%
Debt Service Funds	State Pool	1,772,498	0.23%
Capital Project Funds	State Pool	407,155	0.23%
Capital Project Funds	US Agencies	400,000	0.46% - 0.80%
Enterprise Funds	State Pool	8,831,207	0.23%
Enterprise Funds	US Agencies	2,898,342	0.46% - 5.38%
Internal Service Funds	State Pool	532,039	0.23%
Internal Service Funds	US Agencies	781,176	0.46% - 1.25%
Trust & Agency Funds	State Pool	952,417	0.23%
Trust & Agency Funds	US Agencies	1,700,097	0.50% - 0.88%
Total Investments		\$ 20,550,707	

The financial information presented in this report has been prepared using a modified cash basis of accounting which is another comprehensive basis of accounting (OCBOA) and is not presented in accordance with Generally Accepted Accounting Principles (GAAP).

Revenues

General Fund revenue collections biennium to date through March 31, 2011 were \$1,844,571.

GENERAL FUND REVENUE ANALYSIS – Biennium to date through March 31st:

Major Category/Account	2011/2012 Budget	Biennium to Date - Actual	% Coll.
Taxes	\$12,604,200	\$1,450,235	11.51%
Property Tax	2,018,700	35,028	1.74%
Retail Sales Taxes	6,150,000	695,215	11.30%
Other Sales and Use Taxes	478,000	60,340	12.62%
Business Taxes	3,838,500	648,540	16.89%
Other Taxes	119,000	11,112	9.33%
Licenses and Permits	\$843,500	\$68,375	8.11%
Business Licenses & Permits	387,000	49,810	12.87%
Building Permits	420,000	15,963	3.80%
Other Licenses and Permits	36,500	2,602	7.13%
Intergovernmental	\$969,750	\$155,094	15.99%
Federal Grants	-	-	-%
State Grants & Entitlements	906,950	146,393	16.14%
Intergovernmental Service	62,800	8,701	13.86%
Charges for Service	\$474,460	\$27,588	5.81%
General Government	55,600	5,085	9.14%
Security of Persons & Property	36,000	7,054	19.6%
Physical Environment	-	-	-%
Plan Checking Fees	230,000	9,558	4.16%
Fire Review Fees	97,860	5,148	5.26%
Other Fees	55,000	743	1.48%
Fine and Forfeits	\$478,700	\$114,406	23.90%
Miscellaneous Revenues	\$106,000	\$14,833	13.99%
Interest Earnings	70,000	3,850	5.50%
Contributions/Donations & Other Miscellaneous Revenues	36,000	10,983	30.5%
Non-Revenues	-	-	-%
Other Financing Sources	117,000	14,040	12.00%
TOTAL GENERAL FUND REVENUES	\$15,593,610	\$1,844,571	11.83%

The City of Sumner's allocates the biennial budget appropriation totals between the two years to 48% for 2011 and 52% for 2012 which will allow for comparisons of budget to actual each year since costs generally increase in the second year. This report is for the period of January 1, 2011 through March 31, 2011 and the expected percentage of the budget used equals 12.5%.

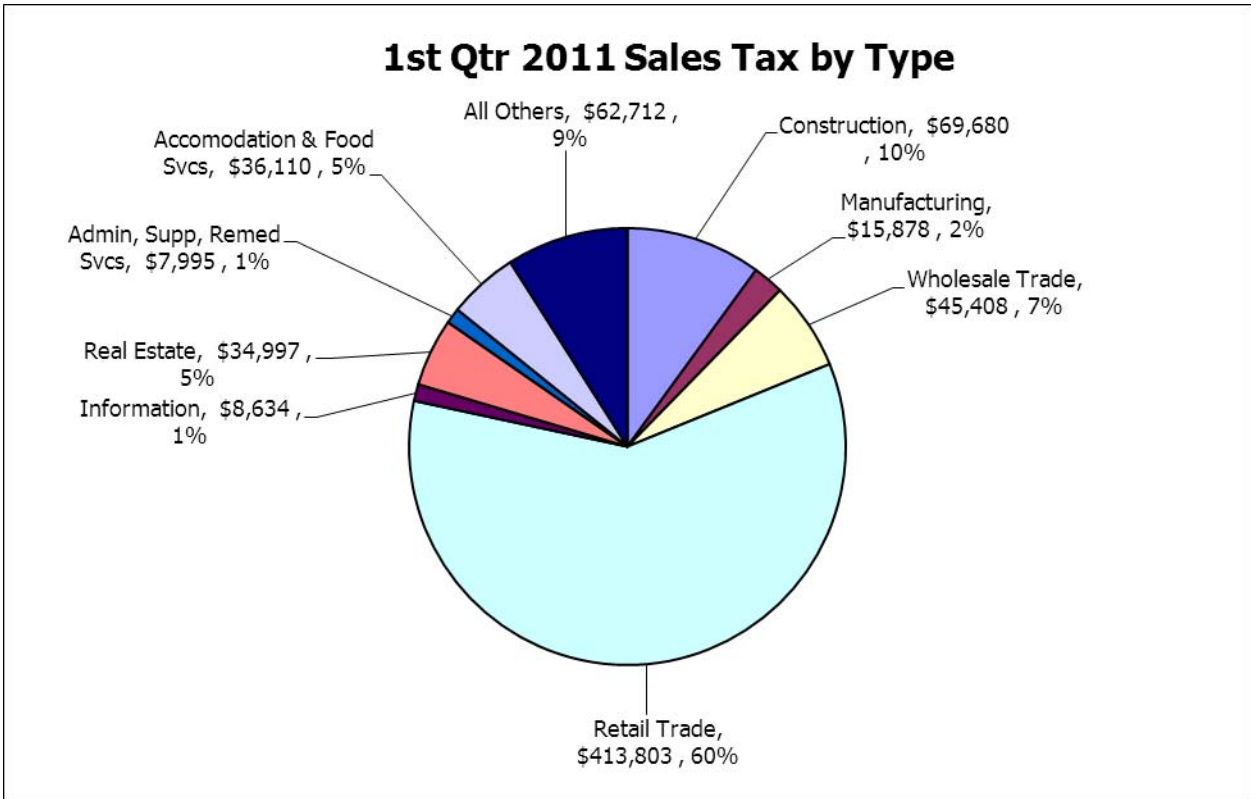
Property Tax

- Budgeted property tax revenue is 12.95% of the General Fund. Property tax revenues are received during the May/June (second quarter) and November/December (fourth quarter). The amount of revenue is based on the assessed value and is estimated using the Pierce County Assessor's data. Thus far our collections are consistent with our projections.

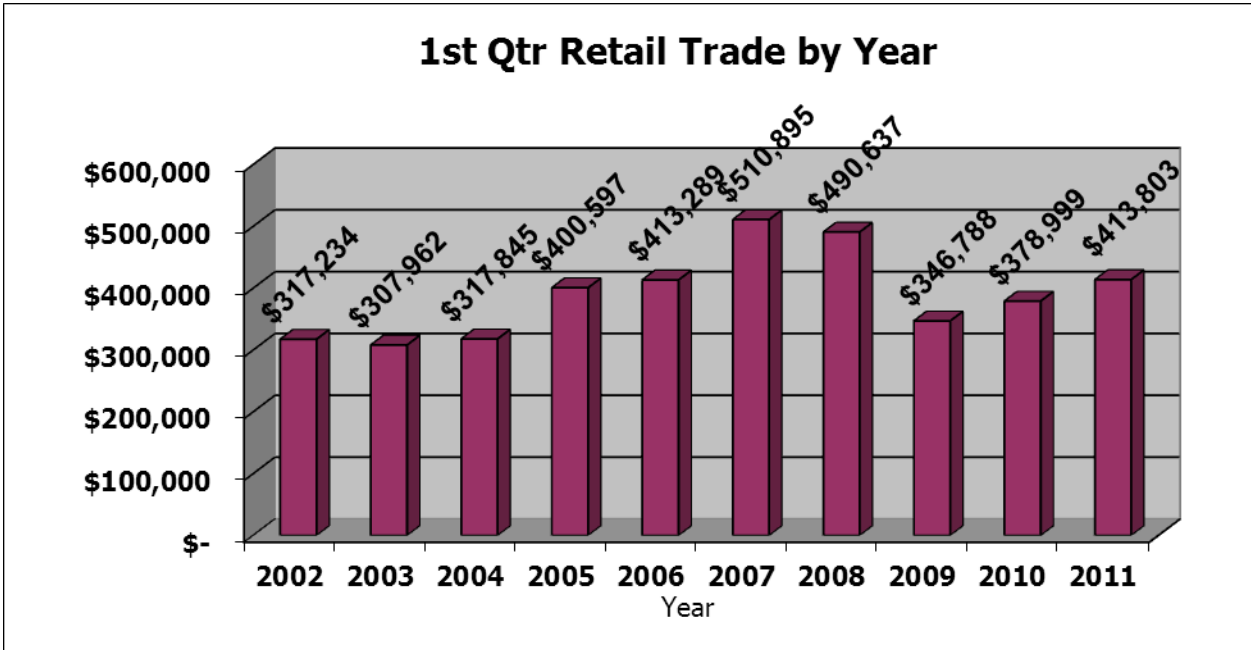
Sales Tax

- Sales tax revenue is the largest revenue contributor in the General Fund. Total retail sales tax collections through the end of March were \$695,215.

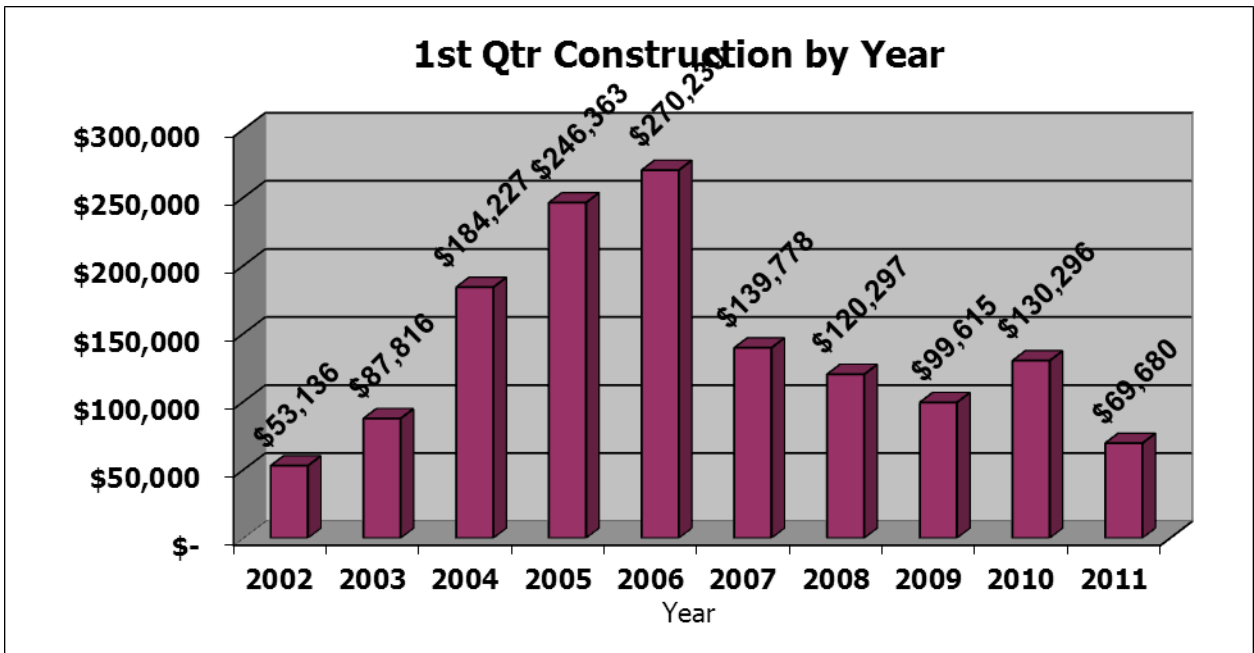
Month	2011 Data		Historical Information				
	Budget	Actual	2010	2009	2008	2007	2006
January	\$ 225,100	\$ 224,654	\$ 204,684	\$ 206,082	\$ 276,754	\$ 290,173	\$ 307,141
February	\$ 286,940	\$ 290,594	\$ 273,341	\$ 283,907	\$ 365,275	\$ 412,560	\$ 431,156
March	\$ 211,489	\$ 179,967	\$ 234,020	\$ 184,941	\$ 265,102	\$ 277,764	\$ 248,336
April	\$ 209,499		\$ 225,926	\$ 184,771	\$ 281,716	\$ 308,383	\$ 264,031
May	\$ 259,802		\$ 249,135	\$ 225,413	\$ 310,883	\$ 371,486	\$ 321,568
June	\$ 231,720		\$ 251,276	\$ 192,112	\$ 272,676	\$ 359,778	\$ 276,474
July	\$ 236,124		\$ 233,326	\$ 213,571	\$ 306,367	\$ 315,709	\$ 301,521
August	\$ 263,455		\$ 259,546	\$ 228,418	\$ 314,026	\$ 310,186	\$ 334,759
September	\$ 255,169		\$ 253,427	\$ 186,142	\$ 270,548	\$ 283,832	\$ 349,941
October	\$ 255,591		\$ 257,511	\$ 247,325	\$ 263,932	\$ 376,624	\$ 355,742
November	\$ 275,263		\$ 265,634	\$ 243,224	\$ 254,607	\$ 355,833	\$ 376,800
December	\$ 241,849		\$ 221,238	\$ 210,590	\$ 221,536	\$ 331,517	\$ 347,815
YTD	\$ 2,952,001	\$ 695,215	\$ 2,929,064	\$ 2,606,496	\$ 3,403,422	\$ 3,993,844	\$ 3,915,284



The City of Sumner receives the majority of its sales tax revenue from two categories: Retail Trade – 60% and Construction – 10%.



Retail trade sales tax revenue for the year to date through March 31st is 9.18% higher than the same period last year.



Construction-related sales tax for the year to date through March 31st is over 50% lower than the same period last year. Construction-related activities continue to be significantly impacted by the loss of access to credit. Credit conditions have improved and consumers with good credit have access to reasonably priced credit. Large businesses with strong balance sheets are able to obtain credit directly through the bond market. Credit still remains tight for small businesses especially in construction-related activities.

Licenses and Permits & Charges for Services

- These revenue categories continue to be affected by the slow-down in construction and are currently at 8.11% of the budgeted revenue. Building permits, plan check fees and fire review fees are 56.74% of the total. We continue to closely monitor permit activity.
- With the news of Amazon locating in the City of Sumner we anticipate an increase in permit activity during the 2nd or 3rd quarter 2011.

Intergovernmental Revenue

- Intergovernmental revenues include monies received for federal and state grants; monies received from the State of Washington for Sales Tax Mitigation, Liquor Board Profits, Liquor Excise Taxes and Criminal Justice revenues. Revenues are \$146,393 from state entitlements; and \$8,071 from intergovernmental services.

Fines and Forfeitures

- Fines and Forfeitures are monies received by the City of Sumner's Municipal Court for traffic and parking infractions, as well as other criminal traffic infractions.
- Revenues for the biennium to date are \$114,405, or 23.90% of budgeted projections. We anticipate this revenue source to continue to slightly exceed budgeted projections.

EXPENDITURES

- For this report, the budget period is 12.5% complete. In the Expenditures section, departments with 12.5% or less of “% of Budget Used” are at or below budget for the biennium. Most of the departments have been performing within budget parameters. For those that have expended more than 12.5%, reasonable and appropriate causes exist and are explained below:

GENERAL FUND EXPENDITURE ANALYSIS – Biennium to date through March 31st:

Departments	2011/2012 Budget	Biennium to Date - Actual	% Spent
Legislative	157,450	19,953	12.67%
Municipal Court	730,830	78,811	10.78%
Executive	589,090	75,709	12.85%
Finance	574,990	98,898	17.20%
Legal	402,640	48,690	12.09%
Human Resources	359,820	40,527	11.26%
Law Enforcement	7,495,760	1,120,515	14.95%
Community Development	1,329,920	166,564	12.52%
Senior Center	346,140	47,314	13.67%
Community & Human Services	60,000	-	-%
Parks and Recreation	962,310	120,291	12.50%
Building and City Hall	263,610	34,558	13.11%
Non-Departmental	2,321,050	260,956	11.24%
TOTAL GENERAL FUND REVENUES	\$15,593,610	\$2,112,786	13.55%

- Legislative – The amount budgeted for insurance was \$500 which is incorrect. The budget should have been \$1,500. This will be corrected in our next budget amendment. After this adjustment the legislative department’s is at 12.59%.
- Executive – Insurance expenditures are \$4,760 which is 48% of the line item budget. This is due to the annual insurance payment.
- Finance – Professional Service expenditures are \$21,292 which is 42% of the line item budget. This is due to the annual payment of the financial software maintenance costs.
- Law Enforcement – Insurance expenditures are \$47,004 which is 48% of the line item budget. This is due to the annual insurance payment. Intergovernmental Professional Service expenditures are \$26,330 which is 48% of the line item budget. This is due to the City of Sumner’s annual payment to Metro Animal Services program. In addition, Salaries and Benefits for the Communication Center are \$56,912 which is 73% of the line item budget. This is due to the final payments to the communication center’s staff.
- Senior Center – Insurance expenditures are \$5,618 which is 48% of the line item budget. This is due to the annual insurance payment.
- Building & City Hall - Insurance expenditures are \$9,615 which is 49% of the line item budget. This is due to the annual insurance payment.

Street Fund:

	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>
Beginning Cash & Investments	\$ -	\$ 10,542	
Revenues:			
Licenses & Permits	22,500	1,945	8.64%
Motor Vehicle Excise Tax	390,000	46,229	11.85%
Fees & Charges	86,250	1,430	1.66%
Interest Earnings	-	5	-
Miscellaneous Revenue	-	1,473	-
Operating Transfers	1,350,050	162,006	12.00%
Total Revenues	<u>\$ 1,848,800</u>	<u>\$ 213,088</u>	<u>11.53%</u>
Expenditures:			
Road & Street Maintenance	442,940	60,191	13.59%
Traffic & Pedestrian Services	665,350	77,193	11.60%
Road & Street Administration	597,510	46,801	7.83%
Operating Transfers Out	97,400	11,688	12.00%
Total Expenditures	<u>\$ 1,803,200</u>	<u>\$ 195,873</u>	<u>10.86%</u>
Ending Cash & Investments	<u>\$ 45,600</u>	<u>\$ 27,757</u>	

Funding for the residential street program is provided by the General Fund. Amounts transferred to the Street Fund have been limited to what is actually required. So the Street Fund continues to manage its limited resources extremely well.

We will closely monitor the motor vehicle excise tax to budget projections and make adjustments if deemed necessary.

Arterial Street Fund:

	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>
Beginning Cash & Investments	\$ -	\$ (1,510)	
Revenues:			
Indirect Federal Grants	1,730,130	310,422	17.94%
Interest Earnings	-	42	-
Contributions & Donations	-	12,993	-
Capitla Contributions	59,350	-	-
Operating Transfers	408,600	-	-
Total Revenues	\$ 2,198,080	\$ 323,457	14.72%
Expenditures:			
Professional Services	-	130	-
Capital Projects:			
Traffic & Main Intersection	640,000	117,748	18.40%
East Valley Resurfacing Phase I	1,477,470	1,672	0.11%
Stewart Rd Corridor	25,000	35,099	140.40%
136th Avenue	50,000	4,550	9.10%
Total Expenditures	\$ 2,192,470	\$ 159,199	7.26%
Ending Cash & Investments *	\$ 5,610	\$ 162,748	

Beginning cash & investments have a negative balance because the City of Sumner was waiting for reimbursement for the Traffic & Main Intersection project.

Traffic & Main Intersection Project – Construction continues on the intersection after being put on hold for the winter. Anticipate construction being completed in June 2011.

East Valley Resurfacing Phase I – The environmental review is complete and the project is currently in the design phase.

Stewart Road Corridor Improvement Project – Currently working on completing the punch list items for the sewer portion of the project.

136th Avenue Project – The City of Sumner has executed an interlocal agreement with the City of Pacific. Public works is starting the process to form an LID as part of the project funding.

Water Utility Fund

	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>	<u>Projected thru YE</u>
Beginning Cash & Investments	\$ 2,000,000	\$ 1,944,427		\$ 1,944,427
Revenues:				
Water Permits	58,550	1,060	1.81%	28,104
Water Sales	3,558,120	366,419	10.30%	1,707,898
Penalties & Fees	263,600	39,132	14.85%	126,528
Water Meter & Installation	40,000	602	1.51%	19,200
Intergovernmental Revenues	285,000	-	0.00%	-
Interest & Other Earnings	177,110	24,612	13.90%	85,013
Special Assessment Principal	247,080	-	-	118,598
Other Miscellaneous Revenues	-	2,004	-	4,000
Contributed Capital	230,000	(19,767)	-8.59%	110,400
Proceeds from Long-term Debt	4,651,280	-		
Total Revenues	\$ 9,510,740	\$ 414,062	4.35%	\$ 2,171,637
Expenses:				
Administration General	1,617,150	201,835	12.48%	776,232
Maintenance	1,239,680	110,124	8.88%	595,046
Operations - Customer Service	163,530	26,182	16.01%	78,494
Operating Transfers Out	222,560	26,707	12.00%	106,829
Debt Service	1,957,500	519	0.03%	939,600
Capital Projects	5,033,000	7,601	0.15%	500,000
Total Expenses	\$ 10,233,420	\$ 372,968	3.64%	\$ 2,996,202
Ending Cash & Investments	\$ 1,277,320	\$ 1,985,521		\$ 1,119,862

The revenue stream for the Water Utility is affected by the seasonal nature of water sales. Typically a larger percentage of water sales occur during summer months. Budgeted intergovernmental revenues are for a FEMA grant that will provide a water tower with a seismic retrofit.

Operations-Customer Service expenses are higher than the projections. This is due to charges to professional services for annual payments for financial software maintenance costs.

Sewer Utility Fund

	Budget	Actual	% Used	Projected thru YE
Beginning Cash & Investments	\$ 1,874,000	\$ 2,913,854		\$ 2,913,854
Revenues:				
Sewer Permits	62,730	810	1.29%	30,110
Bonney Lake - Construction True-up	161,350	-	-	161,350
Sewer Service Charges	7,249,210	882,215	12.17%	3,479,621
Sewer Service - Bonney Lake	2,262,060	156,227	6.91%	1,085,789
Sewer Service - Other Fees & Charges	67,600	7,656	11.33%	32,448
Plan Check Fees	44,720	400	-	21,466
Interest & Other Earnings	281,470	2,193	0.78%	135,106
Rents & Leases	70,000	5,000	7.14%	33,600
Special Assessments Principal	494,760	-	0.00%	237,485
Other Miscellaneous Revenues	4,000	-	0.00%	1,920
Contributed Capital	179,020	13,972	7.80%	85,930
Interfund Loan Repayment	2,050,000	-	-	2,050,000
Proceeds from Long-term Debt	3,552,720	-	-	-
Total Revenues	\$ 16,479,640	\$ 1,068,473	6.48%	\$ 5,274,713
Expenses:				
Administration General	1,532,300	194,970	12.72%	735,504
Maintenance	1,476,200	102,392	6.94%	708,576
Operations - Customer Service	215,190	32,172	14.95%	103,291
Operating Transfers Out	251,000	30,120	12.00%	120,480
Sewer Treatment Plant Department	3,511,960	457,855	13.04%	1,685,741
Debt Service	4,245,620	67,604	1.59%	2,037,898
Capital Projects	6,533,000	39,232	0.60%	600,000
Total Expenses	\$ 17,765,270	\$ 924,345	5.20%	\$ 5,991,490
Ending Cash & Investments	\$ 588,370	\$ 3,057,982		\$ 2,197,078

Operations-Customer Service expenses are higher than projections. This is due to charges to professional services for annual payments for financial software maintenance costs.

Storm Sewer Utility Fund

	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>	<u>Projected thru YE</u>
Beginning Cash & Investments	\$ 6,399,820	\$ 6,603,165		\$ 6,603,165
Revenues:				
Storm Sewer Permits	73,390	1,920	2.62%	35,227
Storm Sewer Charges	3,531,850	439,429	12.44%	1,695,288
Intergovernmental Revenue	84,750	103,846	-	40,680
Interest & Other Earnings	172,080	2,323	1.35%	82,598
Rents & Leases	5,200	-	0.00%	2,496
Miscellaneous Revenue	-	-	-	-
Contributed Capital	183,380	5,028	2.74%	88,022
Total Revenues	<u>\$ 4,050,650</u>	<u>\$ 552,546</u>	<u>13.64%</u>	<u>\$ 1,944,312</u>
Expenses:				
Administration General	1,461,590	159,892	10.94%	701,563
Maintenance	916,280	105,233	11.48%	439,814
Operations - Customer Service	202,020	33,750	16.71%	96,970
Operating Transfers Out	529,110	28,093	5.31%	253,973
Debt Service	540,950	-	0.00%	259,656
Capital Projects	4,379,000	28,482	0.65%	700,000
Total Expenses	<u>\$ 8,028,950</u>	<u>\$ 355,450</u>	<u>4.43%</u>	<u>\$ 1,750,413</u>
Ending Cash & Investments	<u><u>\$ 2,421,520</u></u>	<u><u>\$ 6,800,261</u></u>		<u><u>\$ 6,797,064</u></u>

Operations-Customer Service expenses are higher than the projections. This is due to charges to professional services for annual payments for software maintenance costs.