



February 26, 2007

2007 Adopted Budget Message – Moving Renton Forward

Citizens of Renton, and
Honorable Renton City Councilmembers:

We all know Renton as “the center of opportunity in the Puget Sound Region – where businesses and families thrive.” I am pleased to present to you the adopted budget for 2007, which accelerates the momentum we’ve worked to achieve, and **moves us forward** to even greater success.

A budget is not just about balancing the city’s checkbook. Not only does it reflect the values and priorities of those who formulate and approve it, the budget should also reflect the values and priorities of our community.

Earlier this year, I asked the City Council for your budget priorities. You responded by indicating your top priorities and asked that the 2007 budget do the following:

- Uphold the excellent levels of services we provide, while we continue to grow through development and annexations.
- Provide resources to develop an effective approach to emergency preparedness and disaster management.
- Focus on our downtown and ensure it continues to thrive as the “heart” of Renton.
- Encourage citywide development—particularly The Landing.
- Emphasize safety in our downtown and in our neighborhoods.
- Take care of our community and fund our human service needs.

I also asked a group of our employees to provide input on the budget and city priorities. They take pride in the service they provide, but are concerned that their ability to do so in the future may be hampered by being stretched too thin.

During 2006, we’ve kept track of comments, concerns, and suggestions from local business leaders and people who live in our neighborhoods. They want a thriving business climate with opportunities for growing their customer base and clean, safe neighborhoods.



With our 2007 budget, you will see that we have worked hard to address these priorities and needs. The budget also implements needed improvements in capital projects and general operations. It does so while keeping property tax increases to one percent and adds new construction and annexations to the tax base.

HIGHLIGHTS OF THE 2007 BUDGET

The 2007 budget totals \$210,861,478. Of that total, \$58,572,956 represents our capital budgets for 2007, which is 62% more than last year.

I am also projecting that in 2007 we will have an ending balance of our general government fund of approximately \$1 million more than our policy target. This will position us well for 2008.

While these numbers represent an ambitious capital improvement plan, they also signify a responsible approach so that we can continue to provide the high quality services Renton residents have grown to expect.

The 2007 budget anticipates sales tax revenues to grow by 5% over 2006 actual receipts. I believe this is a reasonable estimate, especially when we compare it to the nearly 11% growth in 2006 sales tax revenues over 2005.

This unprecedented growth is no accident. We have worked hard to create a vibrant economy in Renton. We've seen continued economic development and a revitalization of our downtown. We've created a climate for job growth and economic opportunities that benefit the entire community. We are moving Renton forward.

I recommended, and council adopted, a modest increase in our utility rates to pay for maintenance and needed capital improvements. The budget also provides for minor increases in certain user fees to ensure that our residents receive the quality services they expect.

Further, the budget includes the use of prior year budget savings of just over \$400,000 to fund one-time investments in city programs such as replacement of fire fighting equipment and purchase of vehicles to support the needs of additional staff.

Before addressing the specifics of how the 2007 budget moves Renton forward, it is important to briefly consider the significant successes and progress we achieved in 2006.

2006 ACCOMPLISHMENTS

Promoting Citywide Economic Development

- In August, we celebrated the groundbreaking for The Landing. The Landing will change the way Renton is perceived and will be a catalyst for future development in our community.

- Providence Health Systems made Renton their home with offices in the Southgate Office Park.
- IKEA completed an addition of 36,000 square feet of retail space, making the Renton IKEA the largest single-story IKEA store in the world and the highest grossing IKEA store in North America.
- The Federal Reserve commenced construction on its state-of-the art cash processing facility.
- The Seattle Seahawks' announced plans to move their headquarters and training facilities to Renton.
- Conner Homes broke ground on their 20-acre luxury lakefront residential development just south of the Seahawks site.
- We will soon be rolling out the red carpet as we launch our very own DVD showcasing Renton as the "Center of Opportunity."

And the list goes on!

Revitalizing Our Neighborhoods and Communities

- We tentatively secured a \$1.2 million Federal transportation grant for the Sam Chastain Waterfront Trail and we are well on our way to securing the nearly \$5 million required to complete this trail. We are leveraging every Renton dollar with nearly ten dollars of grant money.
- We're constructing a new 10-acre neighborhood park in the Highlands.
- From tree plantings to Clean and Green Saturdays to Clean Sweep Renton, we're working to keep our city beautiful and protect our environment.
- In Community Services alone, we have over 1,700 volunteers contributing the equivalent of over \$370,000 worth of services. We have achieved unprecedented success in our volunteer programs and our neighborhood outreach efforts.

And the list goes on!

Managing our Infrastructure and Planning for Growth

- We have been working diligently with regional agencies to promote Renton projects and get them funded. In 2007, construction will begin on \$300 million in improvements to the I-405 and SR 169 corridors through Renton.
- We made major improvements to the intersection of Duvall Ave. NE and Sunset Blvd. NE. We have also obtained a \$4.7 million grant for the SW 27th/Strander Blvd. project.
- We opened the new Maplewood Water Treatment Facility to provide high quality drinking water and meet our future water needs.
- We obtained an improvement in the city's credit rating - this reduces costs when we borrow money for these important projects.

And the list goes on!

Contributing to the Livability of our Community

Critically important to the city of Renton and our quality of life are public safety services. In 2006, we took several steps to strengthen our law enforcement efforts:

- We implemented our RENSTAT program, which utilizes computer statistics to focus police where they are needed most.
- We have strengthened REACT (Renton Enhanced Abatement and Code Enforcement Team) to include a weekly “hot list” that identifies and resolves the top ten concerns. REACT’s multi-departmental approach addresses community problems through non-traditional methods.
- We implemented E-police, an online web-based police reporting system. Since we started testing this in May 2006, we have already saved over 150 hours of commissioned police officers' time.
- We participated in a weeklong, intensive session of emergency management training at the FEMA training center in Emmitsburg, Maryland, to better prepare us for emergencies.

And the list goes on!

MOVING RENTON FORWARD

We have done well but we have much more to accomplish. This budget is not filled with new initiatives but instead focuses on shoring up our foundation and continuing to deliver the top quality services our citizens and businesses expect and deserve. This wasn’t made any easier by several mandatory cost increases we also had to address.

The good news is that we have increased revenue, and along with our ongoing commitment to increasing our efficiency, that offers us some options. Fortunately, our growth allows us to pay for some unavoidable, significant increases in basic costs and still provide the services that are critical to our quality of life.

Mandatory Cost Increases

The most significant impact to our mandatory costs was the change in retirement system contributions established by the State of Washington. Most cities in Washington are part of the statewide Public Employees Retirement System and pay into that system at rates set by the State. The State has adjusted its funding and, as a consequence, contributions to the retirement system will increase by an average of 44.5% in 2007, or an increase of over \$635,000 of general government contributions alone. This is anticipated to continue in 2008 with another 44% increase, resulting in an increase over two years of just over \$1.8 million.

We’ve worked hard to conserve energy. We are converting our standard traffic signal lamps to energy saving light emitting diodes (LED) that use less electricity, and we’ve purchased high

efficiency pumps to reduce power bills by 20% in 2006. Despite these measures, our energy costs are rising. The city’s energy bill is estimated to increase by \$95,000 in 2007.

Mandatory cost increases in the Police Department include an increase of \$176,627 to the emergency communications system operated by Valley Comm. Additionally, the overtime benefits budget increased by \$142,560 due to the retirement system rate increase.

The Fire Department also saw mandatory cost increases including retirement system costs on the overtime budget of the department and the Valley Comm increases. These mandatory costs totaled \$62,000.

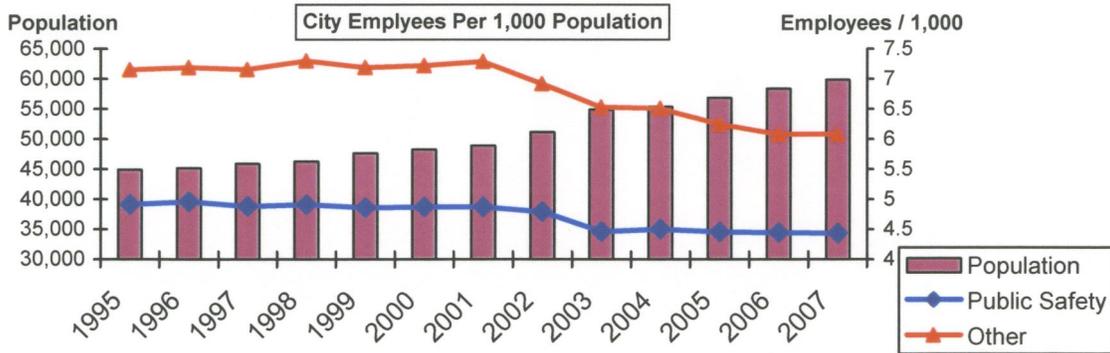
Overall, approximately 11% of the increase to our operating budget is the result of mandatory costs increases.

Maintaining Service Levels

While we have seen our population grow over the past several years, partly due to small annexations and new construction, the ratio of employees per thousand has declined since 2001.

We have focused on efficiency and we’ve worked very hard to stretch every dollar. But we’ve reached the point where we can’t continue to provide good service unless we add more people. Our employees work hard to maintain our quality of life here in Renton and they are proud of what they are able to accomplish. But they told us and the Council told us that we’re stretched too thin and need to add some resources and the adopted budget does that.

The chart below illustrates a couple of key points.



Additional Staff Resources

Overall, this budget adds six public safety employees – four in our Police Department and two in our Fire Department. It also adds 13 employees in other areas of the city for a total increase of 19 employees, or an increase of just over 2% above our current number.

For public safety, this includes two additional police officers, two jail transport officers, one emergency management coordinator, and one administrative support staff member for the Fire Department.

To maintain our basic services, we are adding a code enforcement officer, a street maintenance worker, a construction inspector, a parks worker, a librarian, and workers for water maintenance and surface water maintenance. For our solid waste programs, our budget includes a half-time position to keep our "Clean Sweep" and other programs viable. For the upcoming CIP projects we are including a two-year limited term project manager in our Community Services Department.

To ensure that we provide the best and most efficient services possible, we are adding one analyst and one administrative support staff person in our Human Resources Department, one additional staff support position for growing Information Systems needs, and one half-time records specialist in the City Clerk's office. In Finance, we are adding an investment analyst. If this employee improves investment returns by half a percentage point, it will result in a net increase in revenue of \$80,000.

We have added a "Budget Highlights" section to this budget which will provide more detail to this summary of added positions.

In addition to the positions previously mentioned, there are several other key additions to the budget that address service levels.

The legal budget will receive an additional \$20,000 to assist with costs associated with the REACT nuisance abatement program.

The HR & Risk Management budget includes an additional \$15,000 to offset increased costs of recruitment such as advertising.

In addition, funds are provided to hire public defense in those cases where a conflict of interest exists.

We are also including improvements to the financial systems used by the city to standardize and streamline processes. The software upgrades that will enable these changes will cost \$35,909.

Finally, the State mandates that the city conduct a door-to-door census to determine the population of each area the city annexes. Due to the large annexations anticipated to become effective in 2007 and the loss of a part-time employee the city had used for past census operations, this budget includes \$75,000 to conduct this work.

Moving Forward with Public Safety

I mentioned earlier that it is important that we keep our community safe. In addition to the police officers, jail transport, and emergency management positions identified above, this budget includes initiatives that will leverage our resources in several ways.

We plan to train one or two volunteers in 2007 to help with the enforcement of the disabled parking spaces. We anticipate that the revenues this will generate will be sufficient to add a vehicle that program volunteers can use. It will also help ensure that these spaces are reserved for those who truly need them.

The Police Department was given additional funds to implement a neighborhood traffic program and will also be billing employers the full cost of “off-duty” employment for those private events where a police officer is requested.

The department will address safety concerns by pursuing a traffic enforcement system to monitor drivers running red lights at intersections. This system is successfully being used in many communities and has no financial risk to the City.

Earlier this year, Chief Milosevich implemented the Special Operations Division by combining the current Bicycle Patrol Officers with our REACT officers. This group, consisting of two sergeants and 12 officers, will eventually be housed within the Downtown Parking Garage precinct office, and will be responsible for pro-active response to law enforcement issues citywide. We will also continue to divert our school resource officers to the downtown Transit Center before and after school as needed.

Moving Forward to Create Livability

Our aquatic programs continue to attract national attention. In 2006, 4,700 more people visited the Henry Moses Aquatic Center than in 2005, and gross revenues increased by \$79,000.

In 2006, we added funds to provide night lighting for the Henry Moses Aquatic Center. The 2007 budget proposes adding resources for our aquatic programs to increase our hours of operation. While we anticipate additional fees will be generated, there will be a net budget impact of \$66,200.

As you know, I co-chaired the King County Healthy Families Task Force. This group defined unmet needs for human services countywide. Renton is known as a regional leader in many areas and I believe we need to increase our support for those less fortunate. Therefore, I included an increase of \$157,000 to our Human Services grants. This amount will fund all the projects recommended in 2007 by our Human Services Advisory Committee. This additional funding puts us back in line with the 1% for Human Services funding target we set several years ago. We will also be receiving an additional \$11,683 in housing repair assistance from the federal government, which we added to the budget.

Moving Forward to Promote Economic Growth and Neighborhood Revitalization

Downtown Renton is the heart of our city. By making the right investments for downtown we are laying a solid foundation for its future enhancement and vitality. As The Landing emerges to the north, it is even more essential that we do something to create a stronger identity for our

downtown and encourage shoppers and visitors to explore all that Downtown Renton has to offer.

The budget includes funds to provide gateway and “way-finding” signage for downtown. It also provides for a study of ways to effectively connect the downtown to The Landing, Southport, and Coulon Park, initially, and in the future to the Sounder commuter rail station at Longacres and possibly north to Port Quendall. This study will explore the feasibility of various options, including enhancement of an intra-city shuttle bus or development of some other form of transit technology. The total available for these efforts is \$300,000, funded from our general governmental CIP.

We have identified funds that are needed to assist with the planning efforts associated with the large pending annexations. However, money for the more significant land-use planning and infrastructure needs assessments is expected to come from an agreement with King County. As the agreement is not complete, the budget does not include these funds. Should King County agree to fund these efforts, we will bring them to the Council as an amendment to the budget.

Moving Forward to Complete Major Capital Projects

This budget includes a nearly \$22 million increase in capital improvement projects from 2006. We are in the middle of the most ambitious transportation CIP ever implemented in this city, as well as some significant parks, facilities, and utilities projects.

Please refer to your budget documents for the specific projects and budgets. Major highlights of CIP projects include:

Transportation - large projects such as the SW 27th Street Connection to Strander Blvd., South Lake Washington roadway improvements, widening Duvall Ave NE, and multi-modal transit improvements on Hardie Ave SW.

Airport – precision approach to make our airport safer in all weather conditions, one building demolition, completing the new north and south entrances to the airfield.

General Governmental - the Sam Chastian Waterfront Trail and the Springbrook Creek Wetland Mitigation Bank Trail, CIP projects for major parks and facilities maintenance, Information Services capital projects to increase our efficiency and keep us technologically competitive.

Utilities - the new Hazen 565 Zone reservoir and treatment facility, intertie connections, water and sewer main rehabilitation and replacements, emergency power facilities, lift station replacement and rehabilitation, water treatment facility in Kennydale, Springbrook Creek improvements, and drainage and emergency storm projects.

This impressive list totals nearly \$58.6 million. Moving forward to complete these projects will further provide the infrastructure Renton needs to continue our progress toward becoming “. . . the center of opportunity in the Puget Sound Region – where businesses and families can thrive.”

TO SUMMARIZE

We faced many challenges in developing this budget. Initially we felt we would be hard pressed to address the many needs our thriving city is facing. However, I am convinced that our finances are sound enough to move forward with these recommendations—both operating and capital. Councilmembers, employees, business leaders and citizens have all expressed similar thoughts about what we need to do to keep our city livable. It is time to make the necessary changes to our budget to ensure that we continue our momentum in meeting our business plan goals and objectives.

I want to thank the City Council for your advice and guidance. I want to thank our hardworking city staff for their efforts in helping develop an ambitious budget plan for 2007. I want to thank the community for continuing to offer ideas about how to make Renton even better. I know it will be another successful year of accomplishments as we work together to implement all the ideas that this budget represents.

Sincerely,



Kathy Keolker
Mayor

2007 Budget Highlights

General Government The City Council amended its Financial Management Policies in September 2006. One change was to combine the budgeting and reporting for the activities that are largely supported by taxes into “General Government.”

Revenues General Government revenues performed strongly in 2006 which led to a change in the forecasting method for 2007. Rather than base the 2007 estimates for the major revenues on the 2006 forecast, we instead used an estimate of the actual collections in 2006 as a base. The 2006 budget estimated the major revenues to grow by 2.84% over 2005 actual collections. This is in large part due to using the 2005 estimates to base the original 2006 budget forecast. The table below illustrates the budget and actual revenue collections for each of these years.

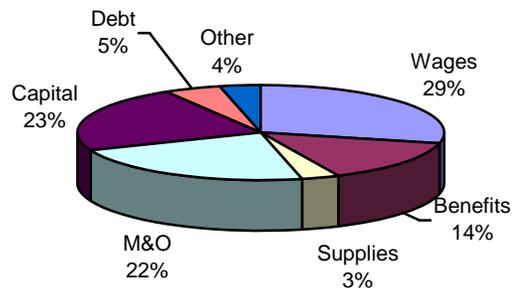
	2005 Budget	2005 Actual	2006 Budget	2006 Actual	% Change	2007 Estimate
Sales Tax	18,792,600	18,692,911	19,503,252	20,349,089	4.34%	21,198,335
Utility Tax	9,599,800	9,585,293	9,895,036	10,443,362	5.54%	11,184,080
Gambling Tax	2,005,000	2,305,120	2,305,000	2,060,745	-10.60%	2,088,680

The net effect is an \$1.8 million increase to fund balance as a result of 2006 activity and increased revenue estimates for 2007. More information about the 2007 revenue estimates can be found in the revenue summary section of the budget.

Expenditures In 2007, all bargaining units of the City are in the second year of three year contracts. A cost of living adjustment (COLA) of 3% is included in each of the contracts and used for non-represented employees as well.

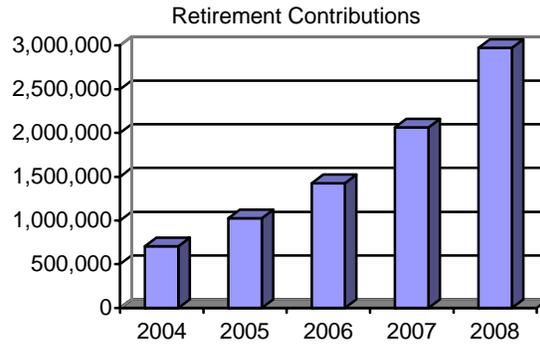
Compensation
Wages

We developed the compensation budget forecasts using the forecast module of our financial system. This enabled more specific estimates to be developed. These included changes in employee step progression (and related pay rates), changes in longevity pay and other changes. As a result, the overall change in wages for the 2007 budget (compared to the 2006 budget) was 2.14%.



Benefits
Retirement System

The most significant benefits change was the change in retirement system contributions established by the State of Washington. The cities in Washington are part of the statewide retirement system (with a few exceptions) and therefore pay into that system at rates set by



the State. The State has adjusted its funding based on its ability to pay. With the recent improvement in the economy, the State is able to increase contributions to the fund and this changes the rates for all of us mandated to participate in the fund. As a consequence, contributions to the retirement system will increase by an average of 44.5% in 2007 or over \$635,000 increase in General Government alone. This is anticipated to continue in 2008 with another 44% increase resulting in an increase over two years of just over \$1.8 million.

Health Insurance

The cost of employee health insurance is also an area of increase each year. In 2007, we anticipate a rate increase of 10%. The change in budget will be less as changes in the personnel composition will result in actual costs in 2007 are projected to be only 6.14% above 2006 budget.

Departments

The General Government budget is composed of numerous departments providing services to the community and internal services to other City departments. We will highlight the major changes for General Government departments in this section. More information about the departments' core services, accomplishments, goals and service measures can be found later in this budget.

Legislative

There are no significant changes to the Legislative budget in 2007. The 2007 budget includes \$15,000 to conduct a citizen survey during the year.

AJLS
.5 FTE

Executive
Judicial

The Municipal Court budget includes a few minor changes. The State of Washington established compensation standards for judges. This budget adjusts Judge Jurado's compensation in line with these standards. As a result the City will receive from the State each year approximately \$25,000 in expense reimbursement.

Public
Defender

In addition, funds are provided to hire public defense in those cases where a conflict of interest exists

Legal	The legal budget will receive an additional \$20,000 to assist with costs associated with the REACT nuisance abatement program.
City Clerk .5 FTE	The City Clerk's office will receive a half-time Records Clerk to assist with increasing work loads for record requests and other duties.
EDNSP	The Economic Development, Neighborhoods and Strategic Planning Department requested funds to assist in the planning efforts associated with large pending annexations. The budget does include \$75,000 for assistance with the census work required after an annexation is complete.
Annexation Efforts	Money for the more significant preliminary planning efforts is to come from an agreement with King County. As the agreement is not complete, the budget does not include these funds. Should King County agree to fund these efforts, we will bring them to the Council as an amendment to the budget.
Downtown Corridor Connection	Another initiative of the department is the enhancement of Renton's downtown area. The budget includes funds to provide "way-finding" signs for the downtown. It also provides for a study of ways to effectively connect the downtown to The Landing, Southport and Coulon Park. The total available for these efforts is \$300,000
Fire Department 2 FTEs	The Fire Department budget addresses numerous needs.
Mandatory Costs	The mandatory costs within this department include the effect of the increases in retirement system costs on the overtime budget of the department. In addition, the emergency communications agency, "Valley Com" passed through increases. These mandatory costs totaled \$62,000.
Emergency Management 1 FTE	Emergency management was an important priority that is being met in the 2007 budget. The department will hire an additional employee to serve as "Emergency Management Director." This director will also require some additional resources as well with a first year budget totaling \$183,442.
Administration 1 FTE	Another priority of the department is additional administrative support. The department felt that the addition of an administrative support position would be the best way to improve overall effectiveness at this point.
Community Services 2 FTEs	The Community Services Department has numerous mandatory increases in the 2007 budget. They include:
Mandatory Costs	<ul style="list-style-type: none"> ▪ Funding shift for block grant funding - \$10,771 ▪ Required environmental safety needs - \$25,400 ▪ Increased rail line crossing fees - \$3,270 ▪ Effect of retirement increases - \$45,300 ▪ Security needs at Renton Community Center - \$6,400

Library 1 FTE	The 2007 budget addresses level of service concerns in several areas as well. Staff at the Renton Library was reduced by one employee in 2005. This has begun to impact service to the extent that a potential reduction in hours would be necessary. The 2007 budget restores this staff position. In addition, collection of past due fines at the library will be strengthened with a potential positive impact on the overall budget. (No increase in fine revenues is included in our forecasts yet)
Human Services	The Human Services grants would be increased by an amount of \$157,000 that will fully fund all the recommended grant projects from the process conducted in 2006. This will raise the City's support of Human Services programs to the policy target of one-percent of budget. In addition, we will be receiving an additional \$11,683 in housing repair assistance from the federal government that we are adding to the budget.
Administration	Additional part time hours are included in the Administration budget (in the amount of \$10,764).
Community Resources	The 2007 budget reflects an assignment of community events from the Mayor's office to Community Services. The total amount of funds being transferred (from various budgets) is \$90,898 but an additional \$3,178 is needed to fully fund these efforts. This is included in the budget.
Parks 1 FTE	To address level of service needs in the parks maintenance area, including the upkeep of the city's newest park, we are adding one parks maintenance worker and associated costs (for a total of \$100,511).
Aquatics Hours	The Henry Moses Aquatic Center received new lighting in 2006. We are adding program hours to this facility in 2007. We expect some additional fees to be generated with a net budget impact of \$66,200. A fee increase was also adopted by the Council in early 2007.
Senior Center	We are proposing a modest increase in funding for Senior Center Health Screenings. We have several programs that will be completely offset by revenues or other funding sources including: concession improvements, support for boards and commissions, Holiday Lights and Veterans Memorial Park.
Non-capital projects	Lastly, a few projects are included in the operating budget. They are an upgrade to the computer software we use for class registration and the addition of a two-year limited term employee to manage the capital construction program.

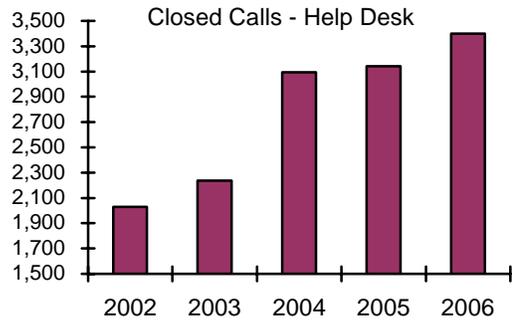
<p>FIS 2 FTE</p>	<p>The Finance and Information Services Department (FIS) now accounts for the Information Services element in a different fund (see below).</p>														
<p>Investment Program 1 FTE</p>	<p>Finance added an employee to coordinate the investment program and to conduct internal audits of city accounts and activity. It is anticipated that if this employee improves investment returns by ½ percentage point, it will result in a net increase in the budget of \$80,000. No estimate has been developed of the potential savings from internal audits.</p>														
<p>System Improvements</p>	<p>Other changes to the Finance budget include improvements to the financial systems used by the city. A project in 2006 resulted in the recommendation to standardize the use of the financial system and streamline processes. The software upgrades that will enable these changes will cost \$35,909 and are included in the budget.</p>														
<p>Human Resources & Risk Management 2 FTEs</p>	<p>Reductions in staff in 2005 have resulted in more difficulty in meeting recruitment turn-around goals. To address this “level of service” issue a personnel analyst is being added in 2007.</p>														
<p>Personnel Analyst 1 FTE</p>	<p>In addition, the department sees significant walk-in traffic and does not have administrative support help to assist these and other needs. A top priority to make others in the department more efficient in their tasks is to add an administrative assistant. This is also included in the 2007 budget.</p>														
<p>Administrative Assistant 1 FTE</p>	<p>The HR & RM budget also includes an additional \$15,000 to offset increased costs of recruitment such as newspaper and other advertisements.</p>														
<p>PBPW 3 FTEs</p>	<p>Changes include the addition of a street maintenance worker, a construction inspector, and a code enforcement officer to address level of service issues. This adds \$76,584, \$94,275 and \$73,483 to the budget respectively. We have also added a vehicle for the inspector.</p>														
<p>Street Maintenance 1 FTE</p>															
<p>Construction Inspector 1 FTE</p>	<p>Other changes to the PBPW budget include an increase in the street maintenance supplies in the amount of \$26,000. This will help keep the level of supplies used constant while prices increase.</p>														
<p>Code Enforcement 1 FTE</p>	<p>The energy bill of the city has increased over the years (as it has for all of us). The energy chart shows the trend and the estimate for 2007 (an increase of \$95,000).</p>														
<p>Supplies</p>															
<p>Energy</p>	<table border="1"> <caption>General Government Energy Costs</caption> <thead> <tr> <th>Year</th> <th>Energy Cost (Approximate)</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>1,150,000</td> </tr> <tr> <td>2003</td> <td>1,200,000</td> </tr> <tr> <td>2004</td> <td>1,350,000</td> </tr> <tr> <td>2005</td> <td>1,450,000</td> </tr> <tr> <td>2006</td> <td>1,550,000</td> </tr> <tr> <td>2007</td> <td>1,650,000</td> </tr> </tbody> </table>	Year	Energy Cost (Approximate)	2002	1,150,000	2003	1,200,000	2004	1,350,000	2005	1,450,000	2006	1,550,000	2007	1,650,000
Year	Energy Cost (Approximate)														
2002	1,150,000														
2003	1,200,000														
2004	1,350,000														
2005	1,450,000														
2006	1,550,000														
2007	1,650,000														

<p>Police 4 FTEs</p>	<p>The Police department also has numerous changes to the 2007 budget. The mandatory cost increases include an increase to the emergency communications system (operated by Valley Com) in the amount of \$176,627. This increase of 18% over last year was higher than usual due to an increasing percentage of calls handled by Valley Com that are related to Renton Police. The increase in the retirement system rates also resulted in a need to increase the overtime benefits budget by \$142,560 just to keep pace with the same number of hours budgeted for 2006.</p>
<p>Mandatory Costs</p>	
<p>Neighborhood Pilot Project</p>	<p>A new “Neighborhood Pilot Project” received \$150,000 from the City Council to address increasing traffic and other problems in City neighborhoods.</p>
<p>Jail Transport 2 FTEs</p>	<p>Level of service challenges exist in the Police department as well. These are exacerbated by the difficult time in hiring and training officers. This budget addresses this in two ways. First, the department will add two jail transport officers. They will be able to transport prisoners freeing police officers from this task. Secondly, the budget adds two additional police officers.</p>
<p>Patrol Officers 2 FTEs</p>	
<p>Disabled Parking Enforcement</p>	<p>Enforcement of the disabled parking permit spaces is on a complaint basis currently. By adding a vehicle which can be used by volunteers, the department will proactively enforce parking in the marked disabled parking spaces.</p>
<p>Off-duty security</p>	<p>Two programs proposed in the department with revenues that offset the costs are also included in the 2007 budget. The first provides off-duty police officers for private events in exchange for reimbursement for their full costs.</p>
<p>Traffic enforcement service</p>	<p>Secondly, the department will pursue a traffic enforcement system to monitor running red lights in intersections. This system is in use in a growing number of communities with good success. The process is to contract with a firm which provides the equipment for a share of the fine revenue generated from the infractions. There will be no financial risk to the City and the system will address the problem of vehicles not respecting the red traffic lights.</p>
<p>Debt Service</p>	<p>The City issued bonds to finance construction of traffic improvements in the Southwest Lake Washington project. The first year’s debt service is provided for by capitalizing the interest and including this amount in the financing transaction. This results in an increase to debt service in 2007 and a transfer in from the project fund for the capitalized interest. The future debt payments will be paid by increased economic activity in retail and other improvements associated with the site.</p>
<p>Fund Balance</p>	
<p>General Fund</p>	<p>The General Government budget utilizes available fund balance in two ways that are significant. First, an amount of \$401,069 is proposed to be appropriated in the General Fund for specific one-time expenditures. The one-time expenditures include funding significant replacements of equipment in the Fire Department (\$300,000) and numerous smaller items associated with the additions to programs described above.</p>

Debt Service	Secondly, a transfer of fund balance in the amount of \$1,225,000 from the debt service fund to the Capital Improvements Fund (Fund 316) is proposed. This will provide funds which are not needed for debt service to be invested in capital improvements and major maintenance of city facilities.
Forecasted Fund Balance	The resulting General Government fund balance will be \$10.2 million as a result of this budget. This represents 12.14% of expenditures and is 2.14% over our financial policy. We fully expect the actual fund balance to be higher than this as a result of better than budget results from 2007.
Special Revenue Funds	This is the end of the General Government Funds
Arterial Streets Fund (102)	There are no significant changes to the Arterial Streets Fund.
Leased Facility Fund (108)	There are no significant changes to the Leased Facility Fund. As a reminder, we now provide for the downtown parking garage in this fund.
Hotel-Motel Tax Fund (110)	Increased revenue in recent years enabled us to forecast some revenue growth in 2007. The amount available for tourism promotion will benefit from this change.
1% for Arts Fund (125)	There are no significant changes to the 1% for Arts Fund.
Cable TV Fund (127)	There are no significant changes to the Cable TV Fund.
Park Memorial Fund (131)	The Park Memorial Fund will contribute to the development of the trail system with money available in the fund.
Debt Service Funds	The only debt service fund which is not a part of General Government (described above) is the Senior Housing Voter Approved Bonds. These bonds will be completely paid off in 2009. This will permit 2008 to be the last year in which taxes are levied to pay this debt service.
Fund 219	
Capital Funds	There are no significant changes to the Community Development, Fire or Transportation mitigation funds. Money from these funds will be used in 2007 to finance related projects as described in the Capital Improvements Plan.
Mitigation Funds (303-305)	
Capital Improvements Fund (316)	The Capital Improvements Fund is the account which implements the current year of the Capital Improvements Plan (CIP) for municipal facilities. Please refer to the CIP for a list of the projects planned for 2007 and the use of City resources to finance those projects. 2007 will see about twice the usual investment in capital facilities and major maintenance than exists in a typical year.
Transportation Improvements Fund (317)	The Transportation Improvements Fund is the account which implements the transportation element of the CIP. 2007 will be the largest year of transportation projects for the City ever, by a large margin. Again, details of the projects and use of City resources for these projects can be found in the CIP section of this budget.

South Lake Washington Infrastructure Fund (318)	The South Lake Washington Infrastructure Fund accounts for the transportation and other improvements associated with “The Landing” project. This mixed use project will house 900 residential units, about 600,000 square feet of retail, restaurants, a multiplex cinema and numerous other amenities. This fund was created in 2006 and will run the length of the project, likely through 2008.
Enterprise Funds	The City operates several enterprise type (or business type) accounts. These include the water, wastewater and surface water utilities; a solid waste utility, the golf course, and the airport.
Utility Funds	The water, wastewater and surface water utility funds are accounted for and budgeted for separately, but are managed as a system in accordance with the City’s Financial Management Policies. The system initiated a comprehensive rate review with the assistance of outside consultants with expertise in this area. Their preliminary efforts were able to be incorporated into the revenue and rate recommendations of the 2007 budget. As a result, the rates were adjusted in 2007 as follows:
Rates	<p>Water – \$ 1.28 per month (5%)</p> <p>WasteWater – \$.70 per month (5%)</p> <p>Surface Water - \$.17 per month (3%)</p> <p>It is anticipated that these rate changes will maintain the viability of the utility funds and the significant maintenance program that each requires to provide reliable and consistent service.</p>
Staff Needs 2 FTEs	The proposed rates include the resources needed for the staff recommendations which are one employee each for the water and surface water utility. These staff will address the level of service issues described earlier.
Solid Waste Utility .5 FTE	The City provides garbage service through its solid waste fund. This service is provided through a contract negotiated by the City. No significant changes are anticipated in the Solid Waste Fund. No change to the rates is being proposed. The current budget will support the addition of a part-time employee and the continuation of the “Clean Sweep Renton” program.
Golf Fund	The Golf Course periodically updates its fees to keep pace with the market and rising costs. 2007 will see a small increase in golf fees. No other significant changes are proposed for the golf course fund.
Airport Fund	The Airport will continue to invest in capital improvements to implement the master plan and improve the quality of facilities. It will continue to update contracts for leases and other business relationships. Money in the budget will support capital investments consistent with the business plan for the airport.

<p>Internal Service Funds</p>	<p>The City operates several “businesses” that provide service internally to other city departments. These include the motor pool (equipment rental), the risk management fund, the employee health insurance fund, the retiree health insurance fund and the information services fund.</p>
<p>Equipment Rental</p>	<p>The Equipment Rental Fund will see a significant increase in its budget for 2007. This results from two things.</p>
<p>Replacement Account</p>	<p>First, the amount of equipment due to be replaced in 2007 is about double the typical amount, approaching \$2.4 million. This will include a new fire pumper truck, an aerial bucket truck and a medic unit. The later two are being considered for replacement by hybrid vehicles.</p>
<p>Reserve Account</p>	<p>Secondly, we continue to work the replacement of all the large fire apparatus into the replacement account. This results in an increase in the amount assessed to the fire department to provide the funds for future replacement.</p>
<p>Information Services 1 FTE</p>	<p>The Information Services Fund was created in 2006 to allocate the costs of the City’s centralized IS program. This fund provides for the technology, telecommunications and print / mail room needs of the City.</p>
<p>IS capital</p>	<p>The budget contains the typical level of funding for investing in technology to leverage the efforts of City staff (\$1.1 million).</p>
<p>Help Desk 1 FTE</p>	<p>The ubiquitous nature of technology results in increasing “help desk” activity. The chart to the right illustrates this trend. In response, an additional full time staff person will be added to the one existing full-time employee and two interns.</p>
<p>Risk Management</p>	<p>The City’s Risk Management program is managed within three funds; the Property & Liability Insurance Fund (502), the Employee Health Insurance Fund (512) and the Retiree Medical Fund (522).</p>



Financial Management Policies

Basic Policy Statement

The City of Renton is committed to the highest standards of responsible financial management. The City, including the City Council, Mayor and staff will work together to ensure that all financial matters of the City are addressed with care, integrity, and in the best interest of the City.

The rules and procedures contained in this section are designed to:

1. Protect the assets of the City of Renton;
2. Ensure the maintenance of open and accurate records of the City's financial activities;
3. Provide a framework of operating standards and behavioral expectations;
4. Ensure compliance with federal, state, and local legal and reporting requirements; and
5. Provide a means for the City Council to update and monitor these policies with the assistance and cooperation of the Mayor's office and the Finance and Information Services Administrator.

Lines of Authority

1. The Renton City Council has the authority to execute such policies as it deems to be in the best interest of the City within the parameters of federal, state, and local law.
2. The Finance Committee has the authority to perform reviews of the organization's financial activity, determine the allocation of investment deposits, and assure that adequate internal controls are in place.
3. The Mayor and CAO have the authority to oversee the development of the annual budget, make spending decisions within the parameters of the approved budget, enter into contractual agreements, make capital asset purchase decisions and make decisions regarding the allocation of expenses within designated parameters. Unless otherwise specified in this document, principal responsibility for complying with the directives enumerated herein shall be vested in the Mayor.
4. Each Department Administrator has the authority to expend city funds within approved budget authority and in accordance with procedures prescribed by the Mayor's Office, and to recommend spending requests within the parameters of the approved budget process to the Mayor.

Accounting Records and Reports

1. Basis of Accounting

- a. The City's Comprehensive Annual Financial Report (CAFR) on its financial activity shall be presented in compliance with Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB).

2. *Basis of Budget*
 - a. The City budget is presented on a cash basis of accounting, with allowance for processing time at year-end.
3. *Fund Accounting*
 - a. The City of Renton's accounting and budgeting systems use a fund accounting consistent with guidance provided by the GASB and the Washington State Auditor's Office.
 - b. The funds are grouped into categories: General Fund, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service, and Fiduciary/Trust.
 - c. The City Council shall create and eliminate funds as appropriate by separate ordinance, or through the budget ordinance.
 - d. Funds shall either be "external" or "internal" for financial reporting purposes.
 - i. Internal funds shall be separate sets of accounts for the purpose of enhancing internal management control only. These funds shall reside within an external fund. For cash management purposes, internal funds may rely on their related external fund without payment of interest or violation of the City's cash management policies. (See Interfund Loan policy for further clarification).
 - e. The City's financial accounting system shall assure that the status and transactions of each account and their relationship to budget authority is clear.
4. *Financial Reporting*
 - a. The CAFR shall be timely and comprehensive and meet or exceed professional industry standards.
 - b. The City's budget documents shall provide for comparison with prior years.
 - c. Revenue and expenditure reports shall be prepared monthly and be available on the City's web site.
 - d. Analysis of the City's monthly report shall be prepared quarterly, coordinated with the Chief Administrative Officer and Mayor, reviewed with the City Council, and available on the City's web site.
 - e. All budget amendments shall be included in the monthly report.
5. *Audit*
 - a. The City shall commission an annual audit of its financial reports and related records to be conducted by the Washington State Auditor's Office.
 - b. At the conclusion of the audit, the auditor shall be available to brief the City Council on the results.
 - c. The results of the audit shall be available to the public.

Policy on Stabilization Funds

Sufficient fund balances and reserve levels are important in the long-term financial stability of the City.

1. The City shall maintain reserves required by law, ordinance and/or bond covenants.
 - a. General Government
 - i. The City shall maintain reserves in the General Fund of at least 10% of total budgeted operating expenditures.
 - ii. In addition, the City shall maintain an additional reserve as a part of the City's Risk Management Funds in a minimum amount of \$5,000,000.

- iii. In addition, the City shall maintain an “Anti-Recessionary Reserve” in an amount of at least 2% of General Government budgeted operating expenditures.
 - b. The City shall maintain reserves in the Enterprise Funds as follows:
 - i. Water Utility Fund: 12% - 25% of total budgeted operating expenses
 - ii. All other Enterprise Funds: 10% - 20% of total budgeted operating expenses
 - c. Reserve balances of other funds shall be set through the budget process in an amount consistent with the purpose and nature of the fund.
- 2. Replacement reserves shall be established for equipment, and computer software should the need continue beyond the estimated initial useful life, regardless of whether the equipment is acquired via lease, gift or purchase. Service charges paid by City departments to the appropriate Internal Service funds should include an amount to provide for replacements.

Financial Planning

- 1) The City shall maintain a long-term (five year) financial planning model.
 - a) The financial planning model shall:
 - i) be based on the currently adopted budget;
 - ii) utilize these policies;
 - iii) be based on assumptions and drivers realistically expected to occur;
 - iv) clearly document the assumptions and drivers used and the results of the use of such assumptions and drivers;
 - v) be designed in such a way to permit analysis of alternative strategies;
 - vi) relate to the related plans of the city to include Service Delivery Plans, Comprehensive Plans, Master Plans, etc.; and
 - vii) shall be prepared for the General Government and such other funds as the deemed necessary.
- 2) Budget development
 - a) The City shall prepare an annual budget that is consistent with:
 - i) state law;
 - ii) the long-term financial planning model;
 - iii) these policies; and
 - iv) industry best practices.
 - b) The City of Renton’s annual budget shall be prepared using the following schedule and process as a general guide:
 - i) Review stakeholder input such as surveys, public forums, neighborhood meeting notes and business community communication.
 - ii) The Mayor, City Council and Chief Administrative Officer will conduct a goal-setting retreat with the Department Administrators updating the Business Plan and other policy guidance.
 - iii) The City Council and Administration will meet to review and discuss the prior year’s audited results, current year budget status, next budget schedule, process, budget guidelines and budget preparation items of interest.

- iv) The Finance & IS Administrator prepares the budget preparation instructions and meets with Department Administrators to distribute budget instructions and discuss budget preparation.
 - (1) The instructions will include policy priorities, estimates of compensation adjustments, internal service and indirect charges.
 - v) Departments will provide to the Finance & IS Department budget estimates and requests conforming to the budget instructions.
 - vi) The Mayor submits a proposed balanced Preliminary Budget to the City Council in conformance with state law.
 - vii) The City Council conducts public hearings on the proposed budget in conformance with state law.
 - viii) The City Council sets the City's property tax levies.
 - ix) The City Council adopts the final budget ordinance.
 - x) The Final Budget Document is published and posted to the city web site.
 - c) Budget amendments should be presented for consideration when the need arises.
 - i) Budget authority shall be at the fund level except for the General Government Funds where it shall be at the department level.
 - ii) Changes resulting in a need to revise the appropriation authority shall be presented as they occur.
- 3) Revenues
- a) Revenue forecasts shall assess the full spectrum of resources available to finance City programs and services.
 - b) The City shall consider the diversification of revenue as a strategy when developing its financial plans.
 - c) Should an economic downturn develop that results in (potential) revenue shortfalls or fewer available resources, the City will make appropriate adjustments to its budget.
 - d) Revenue estimates shall be based on forecasting methods recommended by the Government Finance Officers Association (GFOA) and will typically be more likely to be conservative rather than aggressive.
- 4) Expenditures
- a) Priority shall be given to expenditures that will improve productivity.
- 5) Capital Improvements
- a) A comprehensive six-year plan for City capital improvements shall be prepared annually and adopted by the City Council as part of the City budget.
 - i) All projects included in the Capital Improvement Program (CIP) shall be consistent with the City's Comprehensive Plan.
 - ii) The Capital Improvement Program shall be prepared in consultation with Council Committees for ongoing capital improvements.
 - b) All proposed capital improvement projects shall include a recommended or likely source of funding.
 - c) Private development (including residential, commercial and industrial projects) shall pay its fair share of the capital improvements that are necessary to serve the development in the form of system development charges, impact fees, mitigation fees, or benefit districts.

- d) Capital project proposals should indicate the project's impact on the operating budget, including, but not limited to, long-term maintenance costs necessary to support the improvement.
- e) Capital projects shall be budgeted for on a project life basis (rather than fiscal year).

Policy on Fees and Charges

1. The City shall annually review all fees for licenses, permits, fines, rates and other miscellaneous charges as part of the budget process.
2. User charges and fees shall be established based at a percentage of the full cost of providing the service, unless otherwise provided by statute or regulation.
 - a) Full cost incorporates direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities.
 - b) Other factors for fee or charge adjustments may also include the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.
3. Proposed rate adjustments, user charges and fees shall be presented to the City Council for approval each year as part of the Mayor's proposed Preliminary Annual Budget to the Council.
4. The City shall rigorously collect all amounts due.

Policy on Utility Funds

1. The City shall establish and maintain separate utility operating and capital improvement funds and budgets for each of its utility operations.
2. Utility rate studies shall be conducted every six years to update assumptions and ensure the long-term solvency and viability of the City's Utilities.
3. Utility rates and capital fees shall be reviewed annually and necessary adjustments made to avoid major rate increases.
4. The City shall use system development charges, grants and low interest loans to fund capital projects where possible. Overall, the utilities should maintain a debt to equity ratio of 60/40.
 - a) Each Utility should fund an amount of the cost equal to the annual "depreciation expense" of capital assets less debt service principal payments.
5. System Development Charges (SDCs) shall be established at levels to ensure that all customers seeking to connect to the City's utility systems shall bear their equitable share of the cost of both the existing and future systems.
6. Debt financing of utility improvements will be consistent with the utility master plans, council rate policies and other factors so as to smooth the effect of major improvements on utility rates.
7. The City shall strive to maintain minimum debt service "coverage" with the net revenue (gross operating revenue of the Utilities less operating and maintenance expenses) of the combined Utilities being 1.25 - 1.5 times the actual debt and the net revenue of the individual Utility being at least 1.25 times the actual debt.

Policy on Debt Issuance and Management

1. Long-term borrowing shall be confined to capital improvements or similar projects with an extended life when it is not practical to be financed from current revenues. The City shall not use long-term debt to finance current operations.
2. Debt payments shall not extend beyond the estimated useful life of the project being financed. The City shall keep the average maturity of general obligation bonds at or below fifteen years, unless special circumstances arise warranting the need to extend the debt schedule.
3. The City shall work to maintain strong ratings on its debt including maintaining open communications with bond rating agencies concerning its financial condition.
4. With Council approval, interim financing of capital projects may be secured from the debt financing market place or from other funds through an interfund loan as appropriate in the circumstances.
5. The City may issue interfund loans when appropriate and consistent with a separately adopted City Council policy on the subject.
6. When issuing debt, the City shall strive to use special assessment, revenue or other self-supporting bonds in lieu of general obligation bonds.
7. Long-term general obligation debt shall be utilized when necessary to acquire land or capital assets based upon a review of the ability of the City to meet future debt service requirements. The project to be financed should also be integrated with the City's long-term financial plan and Capital Improvement Program.
8. General obligation debt should be used when the related projects are of a benefit to the City as a whole.
 - a) General Obligation Bond (Voted):
 - Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project.
 - b) Limited Tax General Obligation Bond (Non-Voted):
 - The City should avoid issuing general obligation (non-voted) debt beyond eighty percent (80%) of its general obligation debt capacity.
9. The City shall use refunding bonds where appropriate when cost savings can be achieved of at least 4% (NPV), restructuring its current outstanding debt and/or improving restrictive bond conditions.
10. The City's financial team for the issuance of debt shall consist of the Council, Mayor, CAO, Finance & IS Administrator, applicable department management (related to the projects to be financed), City Legal Counsel, designated bond counsel, financial advisor and underwriter in order to effectively plan and fund the City's capital improvement projects.
 - a) Through a competitive selection process conducted by the Finance & IS Administrator with consultation with the Mayor, Chief Administrative Officer and Legal Counsel, the City Council shall approve the most qualified financial advisor / underwriter and bond counsel.
 - b) These services shall be regularly monitored by the Finance & IS Administrator.
11. The City shall evaluate the best method of sale for each proposed bond issue.
 - a) Unless the City would benefit from a pre-arranged (negotiated) sale of debt, it shall typically use a competitive sale format.

- b) When a negotiated sale is deemed advisable (in consultation with the Mayor and City Council) the Finance & IS Administrator shall negotiate the most competitive pricing on debt issues and broker commissions in order to ensure the best value to the City.
 - c) When a negotiated sale is used, the City shall use an independent financial advisor to advise the City's participants in matters such as structure, pricing and fees.
12. The City shall comply with IRS regulations concerning use of, and reinvestment of bond proceeds.
- a) The City shall monitor and comply with IRS regulations with regard to potential arbitrage earnings. If arbitrage earnings are believed to be above amounts provided by IRS regulations, the City will set aside earnings in order to pay the appropriate amount to the federal government as required by IRS regulation.

Related Policies

- Investment Policy
- Contracting Policy (Purchasing Authority)
- Interfund Loans

City Funds and Fund Structure

GENERAL GOVERNMENTAL FUNDS:	Proposed	Key	Report
000 General	000 General	A	E
	001 Community Services (former 101)	A, NEW	I (000)
	003 Street (former 103)	A, NEW	I (000)
	006 Library / Museum (former 106)	A, NEW	I (000)
004 Community Dev Block Grant	004 Community Dev Block Grant	A	I (000)
007 Parking Garage Maintenance	Combine w/108 Leased Properties	DEL	N/A
010 Fire Memorial	010 Fire Memorial	A	I (000)
011 Fire Health and Wellness	011 Fire Health and Wellness	A	I (000)
101 Community Services	Combine with General change fund number to 001	DEL	N/A
103 Street	Combine with General change fund number to 003	DEL	N/A
106 Library	Combine with General change fund number to 006	DEL	NA
201 Ltd GO Bonds Gen Govt Misc Debt	201 Ltd GO Bonds Gen Govt Misc Debt	A	I (215)
207 1978 Limited GO Bonds	207 1978 Limited GO Bonds	A	I (215)
215 Gen Govt Misc Debt Service	215 Gen Govt Misc Debt Service	A	E
Total General Government	Total General Government		
SPECIAL REVENUE FUNDS:	SPECIAL REVENUE FUNDS:		
102 Arterial Street	102 Arterial Street		E
	108 Leased Properties Fund		E
110 Hotel Motel	110 Hotel Motel		E
118 Reserve for Paths & Trails	118 Reserve for Paths & Trails		E
125 1% For Art	125 1% For Art		E
127 Cable Communication	127 Cable Communication		E
131 Park Memorial	131 Park Memorial		E
DEBT SERVICE FUNDS:	DEBT SERVICE FUNDS:		
219 1989 Unlimited GO Bonds	219 1989 Unlimited GO Bonds		E
220 L.I.D. Debt Service	Close, fund balance to 406	DEL	N/A
CAPITAL PROJECT FUNDS (CIP):	CAPITAL PROJECT FUNDS (CIP):		
301 City Hall/Garage CIP	– Close –	DEL	N/A
303 Community Dev Mitigation	303 Community Dev Mitigation		E
304 Fire Mitigation	304 Fire Mitigation		E
305 Transportation Mitigation	305 Transportation Mitigation		E
306 Leased City Properties	Move to 108	DEL	N/A
307 Aquatics Center	Close to Fund 316	DEL	N/A
316 Municipal Facilities CIP	316 Municipal Facilities CIP		E
317 Transportation CIP	317 Transportation CIP		E
318 Landing CIP	318 Landing CIP		E

City Funds and Fund Structure (continued)

GENERAL GOVERNMENTAL FUNDS:	Proposed	Key	Report
ENTERPRISE FUNDS:	ENTERPRISE FUNDS:		
401 Waterworks Utility	Closed (FB already moved)	DEL	N/A
402 Airport	402 Airport		E
403 Solid Waste Utility	403 Solid Waste Utility		E
404 Golf Course	404 Golf Course		E
405 Water Utility	405 Water Utility	B	E
406 Waste Water Utility	406 Waste Water Utility	B	I (405)
407 Storm Water Utility	407 Storm Water Utility	B	I (405)
416 King County Metro	416 King County Metro	B	I (405)
421 Waterworks Utility Construction	Closed (FB already moved)	DEL	N/A
	422 Airport CIP	NEW	I (402)
424 Golf Course Capital	424 Golf Course Capital		I (404)
425 Water Utility Construction	425 Water Utility Construction	B	I (405)
426 Waste Water Utility Construction	426 Waste Water Utility Construction	B	I (405)
427 Storm Water Utility Construction	427 Storm Water Utility Construction	B	I (405)
451 Waterworks Revenue Bond	451 Waterworks Revenue Bond	B	I (405)
461 Waterworks Bond Reserve	461 Waterworks Bond Reserve	B	I (405)
471 Rate Stabilization	471 Rate Stabilization	B	I (405)
481 2004 Water/Sewer Bond	481 Water/Sewer Bonds	B	I (405)
INTERNAL SERVICE FUNDS:	INTERNAL SERVICE FUNDS:		
501 Equipment Repair/ Replacement	501 Equipment Repair/ Replacement		E
502 Insurance	502 Insurance		E
503 Information Services	503 Information Services		I (501)
512 Insurance, Healthcare	512 Insurance, Healthcare		I (502)
522 Insurance, Leoff1 Retirees HC	522 Insurance, Leoff1 Retirees HC		I (502)
FIDUCIARY FUNDS:	FIDUCIARY FUNDS:		
601 Firemen's Pension	Firemen's Pension (change fund number to 611)		E
604 Special Deposits	Special Deposits (change fund to 650)		E
ACCOUNTING FUNDS:	ACCOUNTING FUNDS:		
GWS Government-wide Statements	GWS Government-wide Statements		Ia
901 Bank Surplus	901 Bank Surplus		Ia
910 General Fixed Asset Account Group	910 General Fixed Asset Account Group		Ia
950 General Long-term Debt Account Group	950 General Long-term Debt Account Group		Ia
631 Claims Clearing	631 Claims Clearing		Ia
632 Payroll Clearing	632 Payroll Clearing		Ia

- A. General Government Funds share general revenues. Therefore, no interest shall be charged for loans between funds.
- B. Water Utility Funds shall be managed as a system such that balance sheet accounts are merged for management and reporting purposes.
- E. External Fund for Reporting Purposes
- I. Internal Fund for Management Purposes
- Ia. Internal Fund for Accounting Purposes

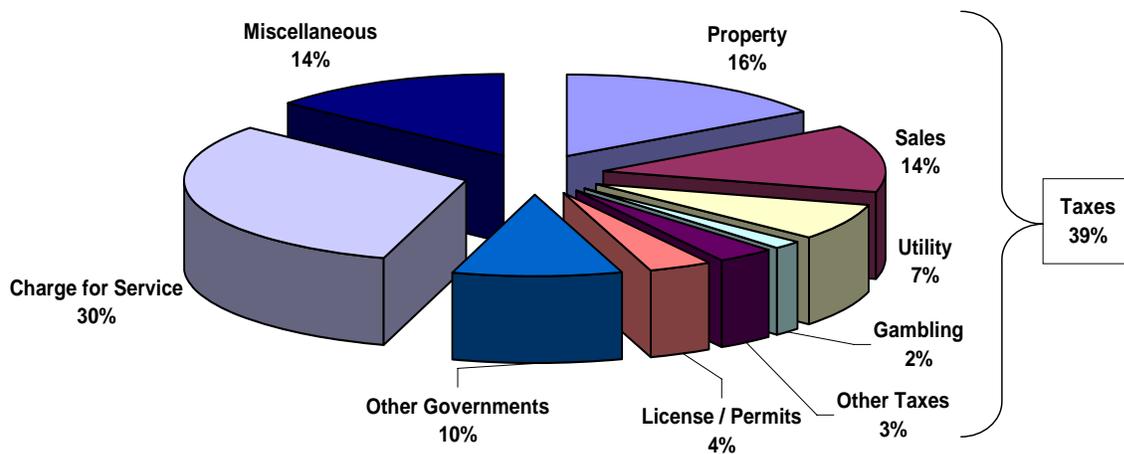
Major Revenues

Revenue / Economic Review

As a non-charter code city, the City of Renton has statutory authority to levy or assess all revenues generally available to all classes of cities and towns in Washington State. This section analyzes the major revenues utilized and available to the City.

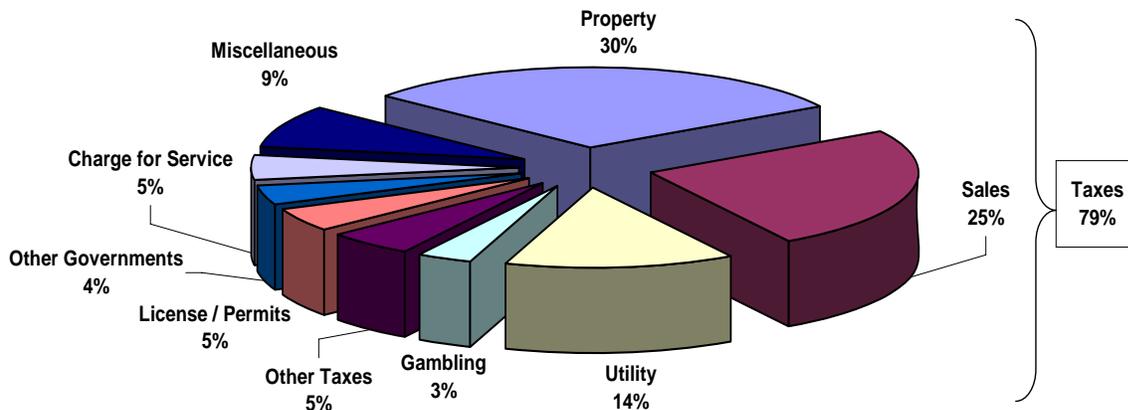
Revenues by Type – All Funds

Includes General Government, Dedicated Funds, Capital Projects, Utilities, Golf Course and Internal Funds



Revenues by Type – General Government Funds

Includes General Fund (Police, Fire, Administration, Economic Development, Public Works), Parks, Streets, Library / Museum, and related Debt Service



Voter Initiatives

Voters have approved for the ballot and subsequently passed a series of initiatives aimed at reducing and limiting the future growth of governmental revenues (or taxes depending on your perspective). They have been:

- **Initiative 695** - November of 1999
 - Reduced motor vehicle excise taxes to \$30
 - Required voter approval of future tax increases
 - Ruled unconstitutional by the Washington State Supreme Court
 - Motor vehicle excise tax subsequently reduced by State Legislature
 - \$640,000 annual tax reduction in Renton (based on actual receipts in 1999)
- **Initiative 722** - November of 2000
 - Would have repealed any tax or fee increases in the last half of 1999
 - Limited property tax growth to 2% per year
 - Ruled unconstitutional by Washington State Supreme Court
- **Initiative 747** – November 2001
 - Establishes new property tax "limit factors"
 - 1% or Implicit Price Deflator increase (whichever is less) over the highest of the district's three previous annual property tax levies
 - Taxing districts could levy higher than the limit factor with voter approval
 - Currently ruled unconstitutional by appellate court, under review to Supreme Court
- **Initiative 776** – November 2002
 - Limits total motor vehicle license fees to \$30
 - Reduces transportation funding

These initiatives have dramatically altered the local government revenues available to fund community services and programs. The issues raised by each are included in the detailed discussions below.

General Fund - Taxes

Property Tax – statewide average rate \$2.80

State laws regarding the property tax have evolved over the past century. While remaining relatively stable for most of the 20th century, many changes have occurred in the last few years. The property tax laws are very complicated and difficult to comprehend. Here are some of the highlights.

Limits -

- The Constitution limits total regular property taxes to 1% of assessed values or \$10 per \$1,000.
- The Constitution permits “excess levies” to exceed the 1% limitation. (These are typically voted general obligation bonds such as for school levies.)
- Cities are limited to \$3.60 per \$1,000 of assessed value.
- The maximum increase in annual property tax levies is limited to Implicit Price Deflator or 1% (whichever is less) over the highest amount levied since 1986.
 - Cities that have not previously used all of their available property tax capacity can use it in future years. This is known as “banked capacity.”
 - New construction and newly annexed areas are subject to the previous year’s tax rate and not subject to the IPD, or 1% limitations, when first added to the tax rolls.
- The Council sets the next year’s tax levy by ordinance.
 - A public hearing is required each year that focuses on the overall financial need for the property tax to pay for services and on the amount of proposed increase for the budget year.

Mechanics

- The County Assessor provides assessed values to the County Treasurer as the basis for the tax computation. In King County, the Assessor updates the taxable values each year.
 - The Assessor revalues subject properties annually. The reassessments are illustrated in the graph below.
- The County Treasurer assesses the tax each February for that year.
- Assessed values are market driven. The amount that can be levied is set by Council and regulated by State law and the constitution. The levy rate is derived from these other two factors. The following illustrates this dynamic using real information from the City of Renton and various assumptions for the future.

Example using average home value in Renton

	2004	2005	2006	2007	2008	2009	2010
Value ¹	233,500	249,600	269,800	283,290	319,976	335,975	352,774
revaluation	5%	7%	5%	13%	5%	5%	5%
Levy Rate ²	\$ 3.240	\$ 3.220	\$ 3.045	\$ 2.813	\$ 2.675	\$ 2.573	\$ 2.475
City Tax	\$ 756.54	\$ 803.71	\$ 839.08	\$ 847.47	\$ 855.95	\$ 864.50	\$ 873.15
Total Taxes ²	\$ 2,687.59	\$ 2,990.21	\$ 3,224.11	\$ 3,256.35	\$ 3,288.91	\$ 3,321.80	\$ 3,355.02
levy rate	11.51	11.98	11.95	11.49	10.28	9.89	9.51

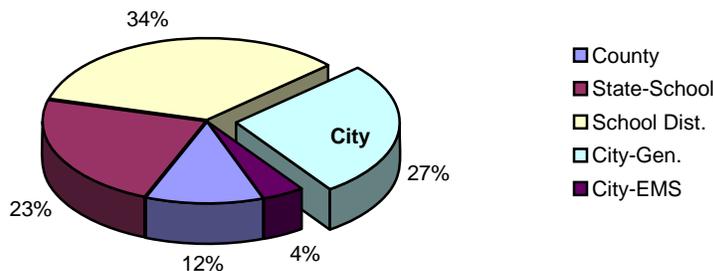
Notes:

- 1 - The 2006 home value illustrated is the average home value in Renton as reported by the County Assessor
- 2 - Levy rate includes property tax for bond financing approved by voters related to senior housing
- 3 - Assumes 1% growth limit on total taxes which can be affected by voted school levies

Effect of City Council Policy Decisions Regarding Property Tax

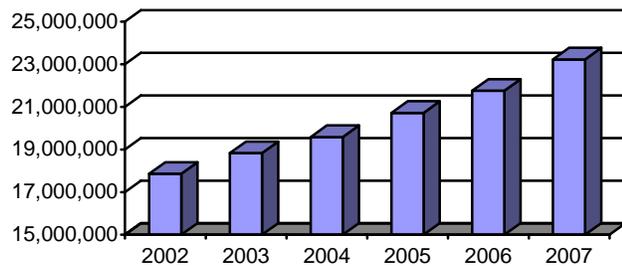
Raising the tax levy on existing properties by 1%, while assessed values increase, still results in a lower tax levy as the 1% increase is less than the increase in assessed values.

Total Property Tax Assessed in Renton



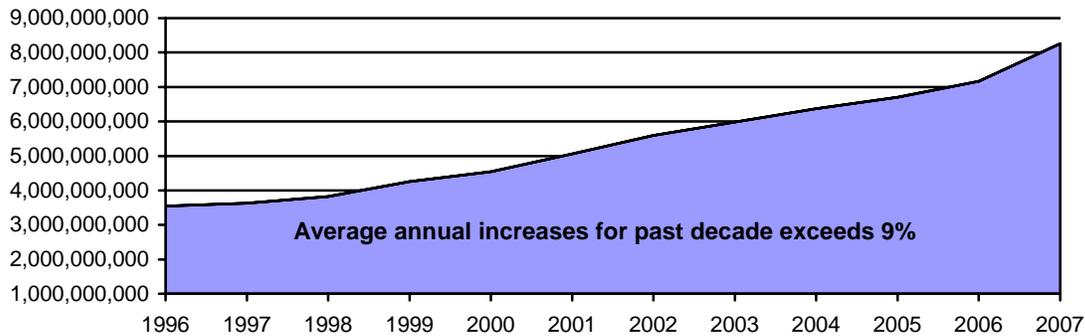
An increase of 1% results in about \$209,316 of new revenue in 2006. The additional increased revenue results from assumptions that additions to the tax base from new construction will be about \$300,000,000.

Total Property Taxes

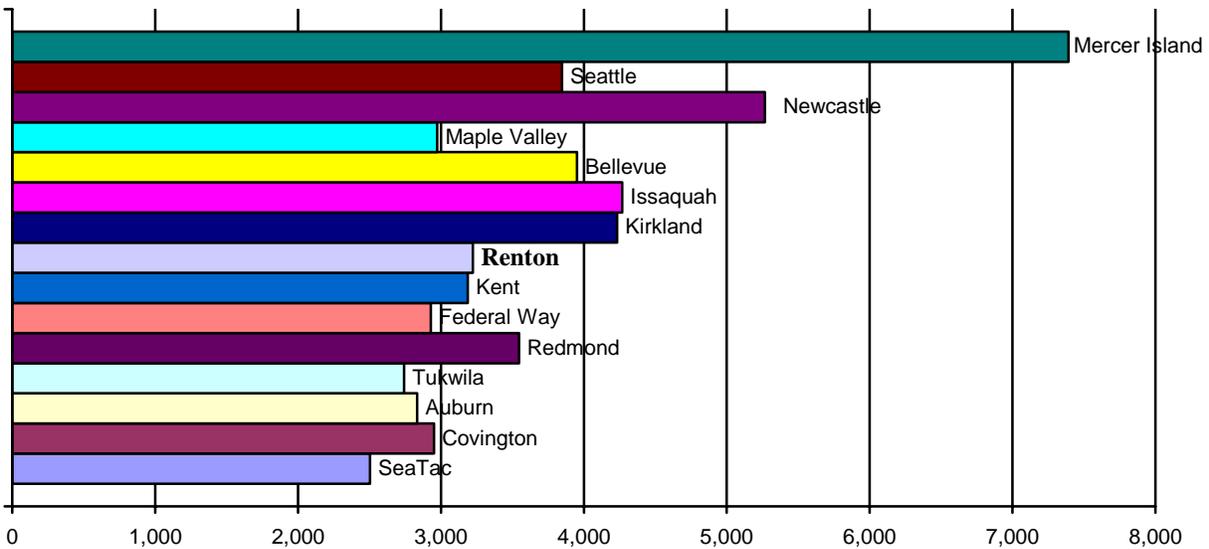


Property Taxes	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast
Assessed Values	6,476,973,084	6,975,246,063	7,878,821,831	8,272,762,923	8,686,401,069	9,120,721,122
Levy Rate	3.1245	3.0448	2.6833	2.5810	2.4827	2.3881
Base Tax Levy	20,724,400	20,931,644	21,140,960	21,352,370	21,565,894	21,781,553
Rate of increase		1.00%	1.00%	1.00%	1.00%	1.00%
New Construction		311,710,459	300,000,000	200,000,000	200,000,000	200,000,000
Annexations		13,599,794	79,000,000	150,000,000	1,000,000	1,000,000
Total Assessed Value		7,300,556,316	8,257,821,831	8,622,762,923	8,887,401,069	9,321,721,122
Total Tax Levy	21,011,539	22,086,055	23,623,763	24,873,515	25,694,621	26,511,156
Total rate of increase		5.11%	6.96%	5.29%	3.30%	3.18%

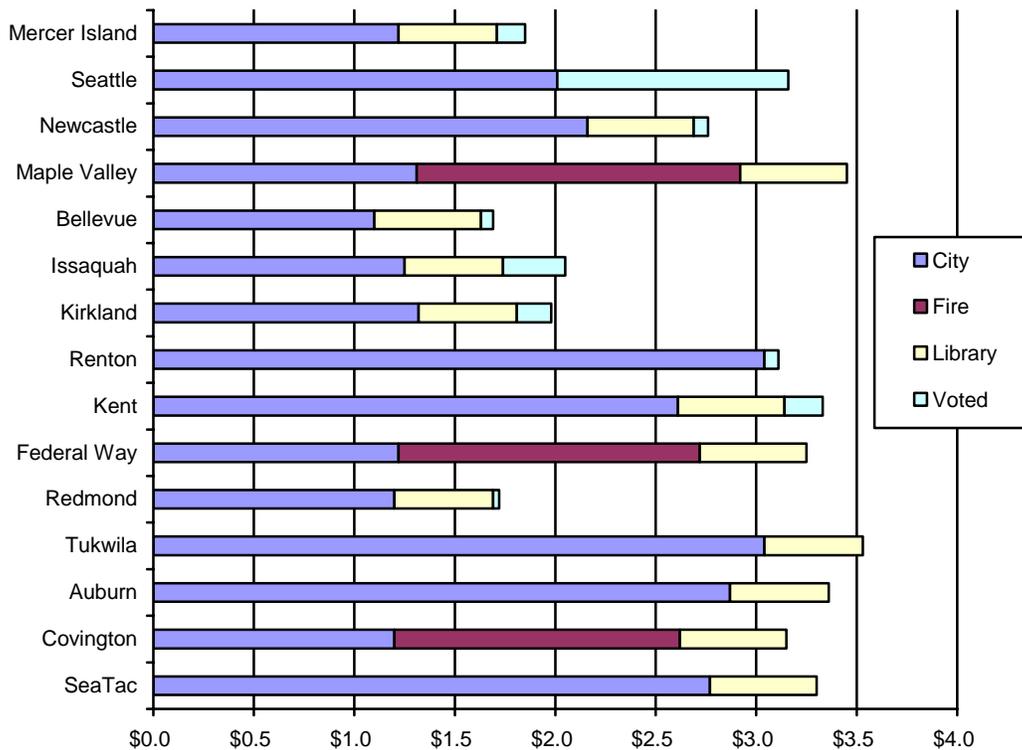
Changes in Assessed Valuation



Total Property Taxes on Typical Home in Selected King County Cities



City (municipal services) Property Tax Rates in Selected King County Cities



Prospects for the future – The City has a very vibrant property tax base. The latest increase in assessed values of existing property was over 12%. While the values have increased, tax policy instituted by the City kept the growth in tax amount below the growth in assessed value resulting in a reduced tax levy (assessed value ÷ tax amount = levy rate).

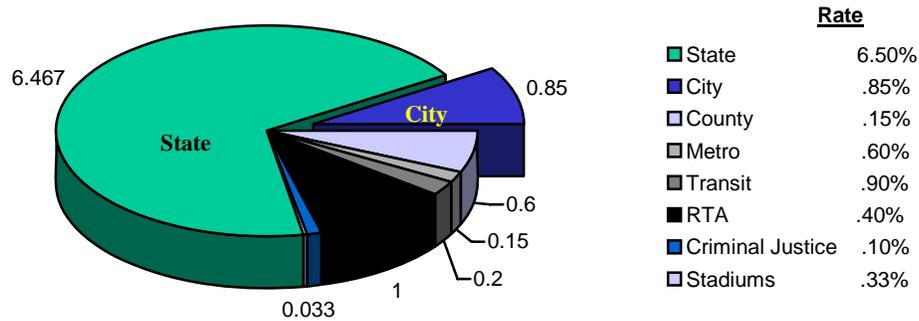
The effect of recent initiatives has been to reassign the policy role for tax policy from the City Council to the people by requiring a vote on tax increases above one-percent. (See explanation at the beginning of this section).

The forecast for future years assumes the Council continues to control the growth of property tax revenues to one-percent for each year.

Sales Tax – 278 of 288 cities impose full .85% for General Government

Sales taxes are collected by the State and distributed to the City. The rate available to cities is made up of two components. The first component is .5%. The second is also .5% of which .15% is provided to the County resulting in a total amount for City general revenues of .85%. There is an additional .01% sales tax restricted to use in City criminal justice programs as well.

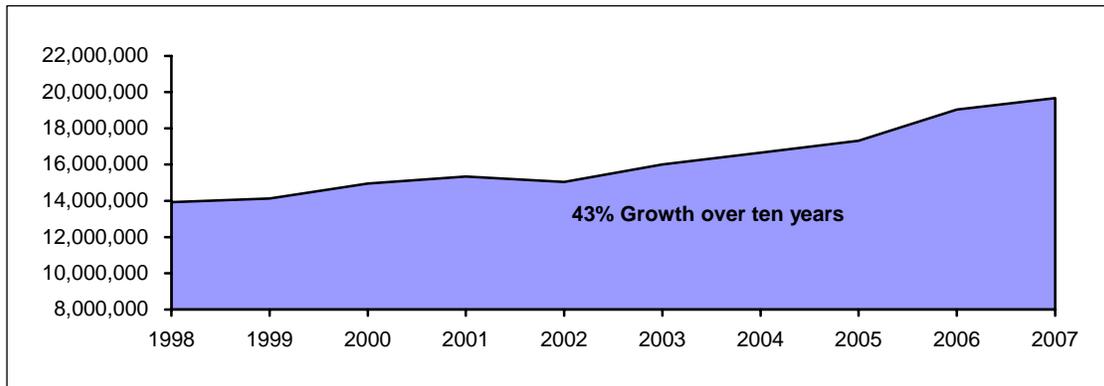
The overall tax rate in Renton is 8.8%. Therefore, the City receives less than ten percent of the total sales tax collected. Below is a graph that illustrates the distribution of the sales tax.



This table depicts the history of the sales tax and the forecast.

(thousands)	2002 Actual	2003 Actual	2004 Actual	2005 Budget	2006 Budget	2006 Forecast	2007 Forecast
Total Tax	15,038	16,007	16,654	17,108	18,038	18,918	19,886
Percent Change	-1.99%	6.45%	4.04%	2.73%	5.43%	10.58%	5.12%

Total Sales Tax Receipts



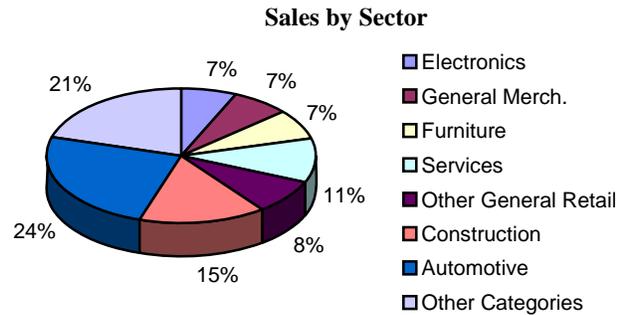
The City’s overall tax base is well balanced. The automotive sales and construction categories of sales taxes are the largest. This suggests the need to be vigilant in watching these aspects of our economy to prepare for any potential down-turns.

Economic Review / Prospects for the Future – The regional economy was strong during much of the 1990’s. As a result, the sales tax revenues grew an average of 6.7% per year during that time. The national recession in 2001 and 2002 had a dampening effect on retail sales. Since 2000, sales taxes have grown 4.5%.

The regional economy continues to diversify. The Boeing Company is still the major employer in the region, but now it is joined by Microsoft and numerous biotech and other companies. However, the regional recession affected many industries. The aerospace industry experienced significant layoffs and a sharp drop in airplane orders from which it continues to recover. The technology sector went from the “dot.com” days, to the “dot.bust” days and has since recovered as well.

The retail activity began to decline in mid-2001. Sales in 2002 were actually 2% less than 2001; however, sales have since grown in 2003 and 2004 by 6.4% and 4.0% respectively.

City budgets are typically very reliant on sales tax, and sales tax can be affected by cyclical / big ticket items. Automobile sales represent 24% of total sales in the City. These are subject to greater economic swings than most other sources of local government revenues.

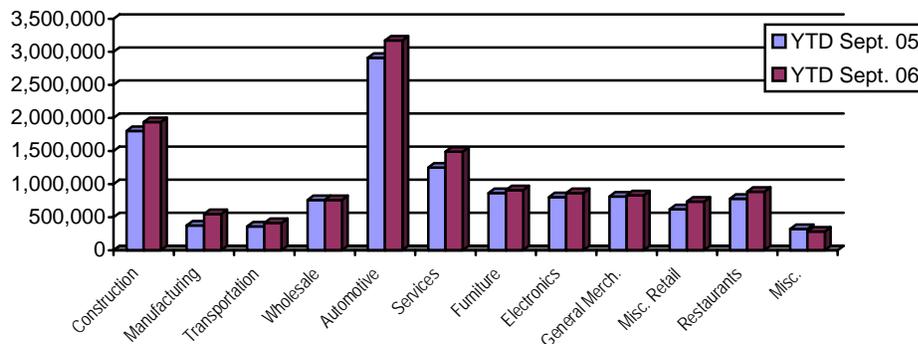


A forecast for sales taxes was prepared for the City by Doug Pedersen and Associates. The key observations provided by this report include:

- The number of Boeing employees has dropped 25% over the past six years. Boeing is expected to regain only a small number of those jobs, reaching about 12,000 in 2007.
- During the decline of Boeing jobs (six years) all other employment in the City has remained constant (despite the recession of the past few years).
- A pickup in the Boeing 737 production and employment in the general Puget Sound area should result in population and employment growth in Renton at 2% per year, twice the regional pace.
- Taxable retail sales will **grow at 8.2%**, about two percentage points higher than regional growth. We have forecasted slightly more conservative sales tax revenues for purposes of this budget.

Additionally, recent and planned expansions at some of the City’s larger retail centers should also help the City reach its forecasts for sales tax growth in 2007.

Change in Sales Tax by Sector



For the longer term, Renton will continue to attract commercial, retail and residential development interest. The work is underway to develop / redevelop the Boeing site is a good example of the prospects that exist. This project, known as “The Landing” will add 900 plus

residential units and 600,000 square feet of retail, including a major entertainment district, to the City's core. The City will continue to be proactive in its efforts to keep our local economy moving forward.

Voter Initiatives and the "Streamlined Sales Tax"

The sales tax should not be impacted by voter initiatives; however, a likely change in State law may have a significant impact. A complex issue known as "Streamlined Sales Tax" and a component of it called "sales tax sourcing" would displace up to \$1 million in Renton sales taxes annually. The tax would be allocated by the State to the delivery destination rather than the original point of sale. For example, if a business products retailer delivered its goods via truck to a point outside the City, that delivery destination would be credited with the sale rather than Renton. Without a way to resolve this dislocation of local revenues the cost to Renton would be about 1/5th of its retail sales tax. Cities such as Renton have worked hard to find a way to adopt the new rules without harming our ability to meet service needs of our communities. We believe the SST legislation will be adopted by the 2007 State Legislature with provisions to fully mitigate the impact on the City's tax revenues.

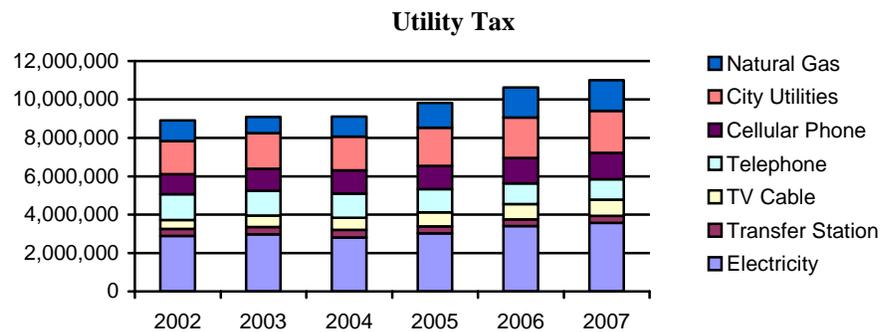
Business and Occupation Tax (B&O) - 35 of 288 cities impose

The City of Renton does not levy a B&O tax. State law permits a tax of up to .2% on business activity with specific exceptions. It is estimated that a .2% B&O tax would result in revenues of several million dollars annually.

The B&O tax is unpopular with the business community, as it makes no provision for profitability of the business. State law specifically directs that the tax not be passed on to consumers (directly). As a result, the tax is imposed in 35 of the 288 cities in Washington State. There is no plan to propose a B&O tax in Renton.

Utility Taxes – average of 133 of 288 cities impose

State law enables cities to levy utility taxes on natural gas, telephone and electricity in an amount up to six percent (6%) of the total charges (unless a vote of the people permits a higher rate or a higher rate was "grandfathered" such as in Seattle). A tax is also permitted on solid waste, water, sanitary sewer and storm sewer utilities. No rate limitation exists on this second category of utilities.



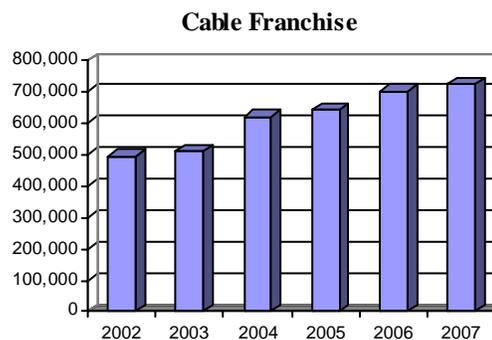
Utility Taxes					2006	2007	\$	%
	2002	2003	2004	2005	Forecast	Forecast	Difference	Difference
Electricity	2,899,375	2,977,193	2,820,262	3,020,807	3,447,254	3,619,617	172,363	5.00%
Transfer Station	365,149	387,710	395,038	372,871	352,203	366,603	14,400	4.09%
TV Cable	464,019	595,989	626,565	731,313	810,514	859,145	48,631	6.00%
Telephone	1,334,234	1,289,485	1,250,640	1,203,973	1,059,514	1,038,324	(21,190)	-2.00%
Cellular Phone	1,043,568	1,137,232	1,219,051	1,202,599	1,341,066	1,394,709	53,643	4.00%
City Utilities	1,724,730	1,856,450	1,756,462	1,995,337	2,113,431	2,219,103	105,672	5.00%
Natural Gas	1,067,570	836,315	1,038,968	1,292,733	1,606,266	1,686,579	80,313	5.00%
TOTAL	8,900,647	9,082,377	9,108,991	9,821,638	10,730,248	11,184,080	453,832	4.23%

This revenue source could be affected by Federal legislation. Congress has considered various bills that would limit the definition of “telephones” as it relates to emerging technology. This could eliminate such services as Digital Subscriber Lines (DSL) and Voice Over IP (VOIP) from taxation as a part of the telephone utility.

Cable TV Franchise – 145 of 288 cities impose

Federal regulation of the cable TV industry determines the City’s role. The law permits a franchise fee on cable television of up to 5%. The City of Renton levies the 5% franchise fee. Below is the table depicting revenue from this source.

Revenue increases directly relate to numbers of households and the rates charged by the industry.



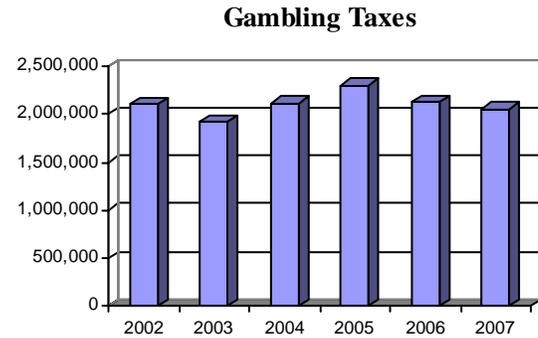
	2002	2003	2004	2005	2006	2007
	Actual	Actual	Actual	Actual	Forecast	Forecast
Cable Franchise Fee	492,479	509,786	619,926	640,845	709,214	730,490
Rate of Change		3.51%	21.61%	3.37%	10.67%	3.00%

This revenue source should not be impacted by proposed initiatives.

Gambling Tax – 128 of 288 cities impose

A variety of gambling taxes are permitted by State law. This tax applies to bingo games, raffles, amusement games, pull-tabs, and card games played within the city limits. State law stipulates that this tax is to be used for related law enforcement services. The law enforcement budget is several times higher than the amount of gambling taxes received. The table below depicts the types of gambling taxes permitted.

	Tax Rates	
	Maximum	City
Bingo / Raffles	5%	5%
Amusement Games	2%	2%
Punchboard / Pull Tabs	10%	10%
Card Room Tax	20%	10%



Below is the activity from this tax.

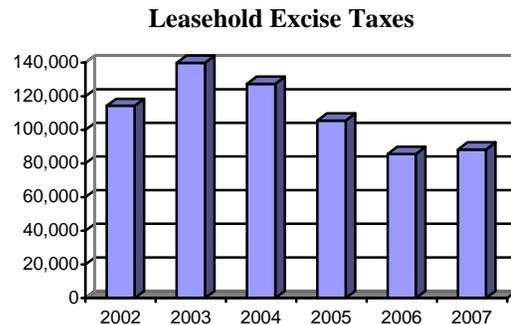
	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Gambling Taxes	2,106,457	1,922,211	2,117,985	2,305,071	2,083,680	2,187,864
Rate of Change		-8.75%	10.18%	8.83%	-9.60%	5.00%

This revenue source should not be impacted by proposed initiatives.

Leasehold Excise Tax

This is a tax collected by the State on private party leases for property that is in public ownership and therefore does not pay property tax. The State rate is 12.4% of which the City is given 4%.

The amounts of this tax are typically not significant, but will vary significantly based on the private tenants residing within public properties.



Below is the activity from this tax source:

	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Leasehold Excise	114,329	139,906	127,418	105,579	83,473	85,977
		22.37%	-8.93%	-17.14%	-20.94%	3.00%

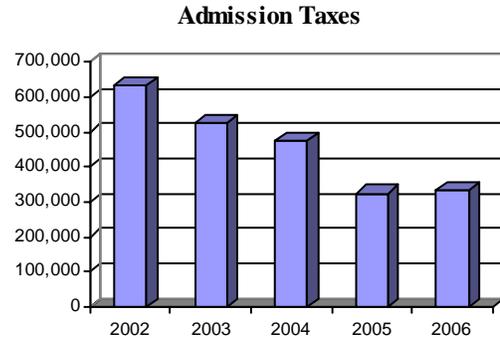
As the City owns and leases space to private parties, such as in Renton City Hall, the 200 Mill Building, and the Pavilion Building, leasehold excise taxes will be paid in lieu of property taxes.

This revenue source should not be impacted by proposed initiatives.

Admissions Tax – 47 of 288 cities impose

State law provides for a 5% tax on admissions. The City tax rate is the maximum 5% and applies to all private activity for which an entrance fee is assessed.

The tax decreased from 2002 levels due to a reduction in Cirque du Soleil performances.



	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Admission Tax	632,715	526,846	476,424	259,669	217,683	224,214
		-16.73%	-9.57%	-45.50%	-16.17%	3.00%

This revenue source should not be impacted by proposed initiatives.

Taxes – Summary

In total, the taxes assessed by the City of Renton for 2007 total over \$60.4 million, an increase of about 3.16% above the amounts estimated to be collected in 2006. The actual amounts estimated for 2006 will exceed the amounts used to develop the budget by about 4.35%

The effect of voter initiatives on future revenue flexibility and potential legislative action impacting sales tax revenues are concerns for future budgets.

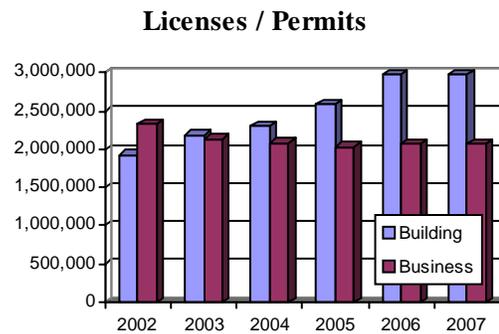
Other Revenues

A variety of other revenues are part of the resources available to cities to provide services to citizens. These include:

○ **Licenses and Permits**

	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Building Permits	1,927,102	2,186,611	2,298,133	2,591,596	2,977,414	3,227,414
Business License	2,333,878	2,139,911	2,086,040	2,036,865	2,068,920	2,118,920
Total	4,260,980	4,326,522	4,384,173	4,628,461	5,046,334	5,346,334

- Business Licenses - No increase in the business license fees is proposed for 2006. Eighty percent of the business license fees are specifically used for transportation improvements in Fund 317. The balance is in the General Fund.
- Buildings and Structure Permits activity fluctuates with the economy. Significant development at a few large commercial sites will keep revenues higher than anticipated for 2006. Revisions to some residential permit fees are proposed resulting in an increase



to the estimate of \$250,000 in 2007.

○ **Intergovernmental:**

	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
State Shared Rev.	520,488	559,554	669,783	735,400	760,400	776,297
Gas Tax	1,113,837	1,124,415	1,131,300	1,139,600	1,226,100	1,400,654
County License Fee	466,822	11,684	-	-	-	-
Fire District Contract	1,054,478	1,113,213	1,165,639	1,488,250	1,300,000	1,300,000
Other	1,262,071	896,545	1,010,369	290,154	200,000	180,000
Total	3,950,874	3,693,727	3,977,091	3,653,404	3,486,500	3,656,951

- State Shared Revenues – This account includes liquor taxes, liquor “profits”, and criminal justice funding. The amount is set by the State based on population of the incorporated areas.

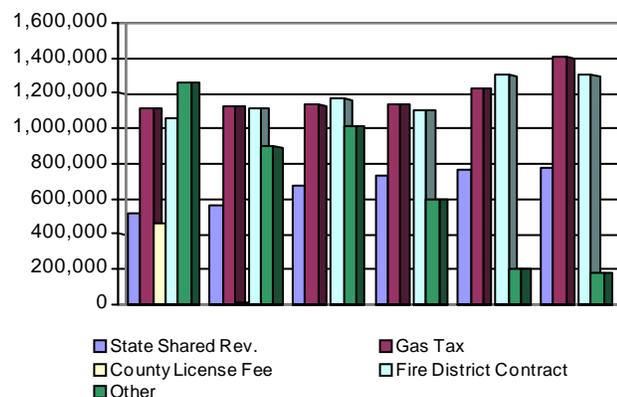
- Gas Tax includes both the maintenance portion and the amount restricted to use on City arterials. This entire source is restricted by the State for use on the City’s transportation system.

- County License Fees are the \$15 addition to the car tabs that were rescinded by Initiative 776. This was originally dedicated to transportation system improvements.

- Fire District Contract – The City provides service to Fire District 25. This contract is related to that service.

- Other Intergovernmental revenues include prisoner room and board, COPs Ahead Grant, and other operating grants. No capital grants are included in these amounts.

Intergovernmental

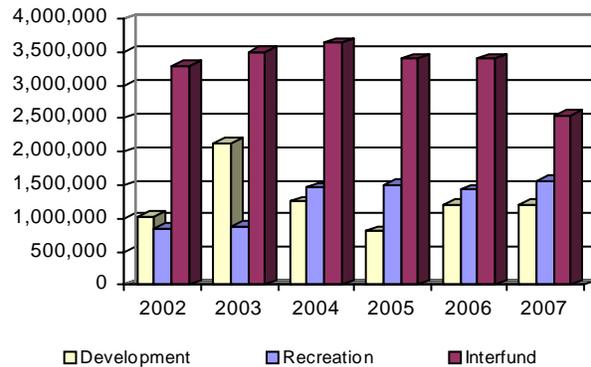


○ **Charges for Services:**

	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Safety & Security	561,518	427,236	458,608	676,000	656,300	698,120
Development	1,035,736	2,136,196	1,256,978	808,900	1,213,700	1,213,700
Recreation	844,788	876,668	1,458,540	1,511,800	1,468,000	1,573,200
Mitigation Fees	1,912,319	1,237,051	1,820,252	1,025,000	1,025,000	1,250,000
Interfund	3,298,317	3,510,572	3,645,150	4,095,351	3,456,400	2,552,933
Other	67,229	88,924	207,205			
Total	7,719,907	8,276,647	8,846,733	8,117,051	7,819,400	7,287,953

- Safety and Security fees primarily consist of home detention and electronic monitoring fees.
- Development plan check fees have grown with the growth in the economy, with 2005 expected to have actual results well above budget estimates. As a result, we have increased the 2006 estimate above the 2005 budget.

Charges for Service



- Recreation fees increased in 2004 as a result of the opening of the Aquatic Center. The quality of the programs is attested to by the high demand for service.
- The interfund service charge is assessed to other City funds for services rendered by the General Fund. These include payroll, accounting, legal, personnel, information services and other services. Other interfund assessments are for engineering services support of capital projects. The decrease reflects assessing service fees for technology services in a different manner.

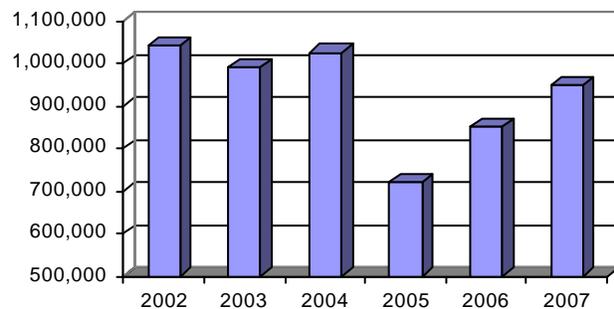
Fines and Forfeits:

	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Total	1,043,199	991,753 -4.93%	1,025,151 3.37%	720,312 -29.74%	852,350 18.33%	949,900 11.44%

Fines assessed by the City include traffic citations, parking violations and misdemeanor fines assessed by State law through the court system. Forfeitures include amounts seized enforcing narcotics laws. Fines are also collected at the library for overdue books.

- Most of the revenues are collected by the Municipal Court. The fluctuation in this revenue source is a result of changes in law enforcement activity and the results from a higher court decision overturning some past court decisions.
- Forfeitures are obtained by the police department narcotics unit. Amounts from forfeitures are used exclusively in narcotics enforcement activities.

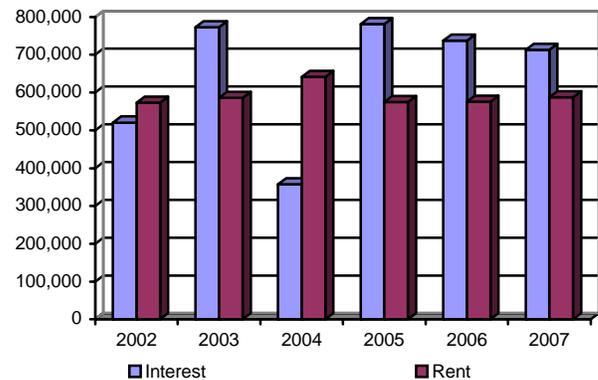
Fines and Forfeits



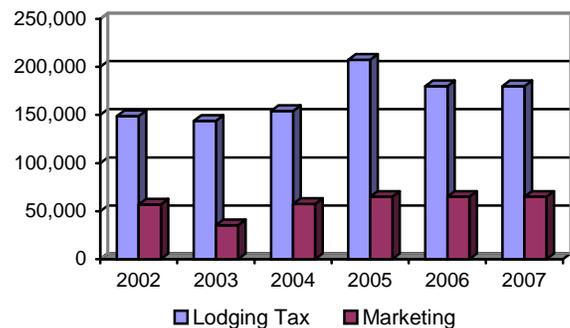
Miscellaneous :

	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Interest Earnings	520,510	772,446	357,389	781,260	737,400	873,000
Rents	573,033	585,956	641,345	574,900	575,400	587,400
Total	1,093,543	1,358,402	998,734	1,356,160	1,312,800	1,460,400

- Interest income results from investing the City's reserve cash in accordance with State law and City policy. The lower interest rates have limited the return on these investments over the recent years. In 2007, increased focus on investments should result in increased earnings. We have shown the General Government interest earnings separately from the other City funds.
- A majority of the rents revenue comes from the recreation activity.

Interest and Rents**Special Revenue Funds –**

Hotel Motel Taxes – A 1% tax is levied on the sale or charge for lodging in accordance with RCW 82.08 and RMC 5.18.1. The tax was authorized in 1998. Revenues generated are to be used for capital items related to tourism. Tourism is defined as anything that brings in someone who is not from Renton. The State law permitting the City to levy this tax requires a city over 5,000 population to have a “Lodging Tax Advisory Committee” of at least five members appointed by the Council. The committee reviews the proposed use of the revenue (if it changes) and advises the mayor and council.

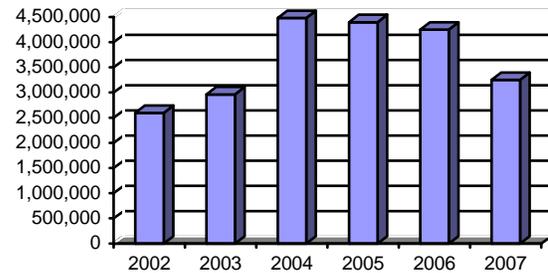
Lodging Tax

	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Lodging Tax	148,797	143,960	154,114	207,324	180,000	180,000
Marketing Contribution	56,901	35,525	57,500	65,000	65,000	65,000
Interest Earnings	3,740	2,363	5,528	5,000	5,000	5,000
Total	209,438	181,848	217,142	277,324	250,000	250,000

Capital Project Funds –

Real Estate Excise Tax (REET) –The REET is available to fund various capital improvements. It is authorized by State law in two parts, with each having slightly different types of capital improvements that can be funded by the tax. The City has imposed the first ¼% REET since at least 1985 and the second ¼% since 1992. The anticipated revenues to be derived by the REET can fluctuate quite a lot based primarily on larger commercial real estate activity.

Real Estate Excise Tax



	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Debt Service	1,297,662	1,584,211	2,251,358	1,250,000	1,250,000	2,350,000
CIP Fund	1,297,662	1,380,402	2,231,993	3,173,910	3,000,000	900,000
Total	2,595,324	2,964,613	4,483,351	4,423,910	4,250,000	3,250,000

Enterprise Funds –

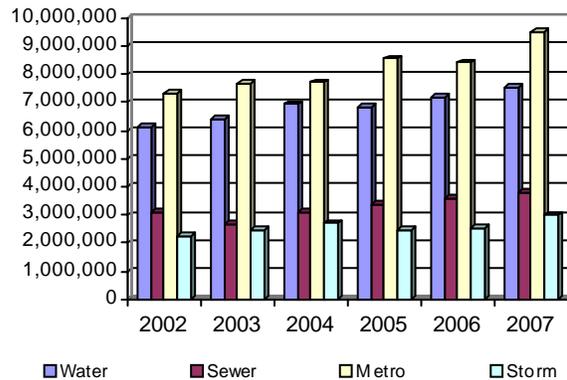
Water and Sewer Rates – The water, sewer and storm sewer rates fund most of the costs associated with providing these services in our community. (Other sources include hookup fees and interest earnings.)

The rates were not increased for many years. However, as costs have increased, the need to maintain the systems and keep up with increased costs has necessitated a careful review of the rates. A rate study was conducted in 2006. The recommendation was to raise rates to maintain service at current levels. The comparative rates chart to the right illustrates the average monthly utility bill for a single family residence from services provided for (or arranged for) by the City.

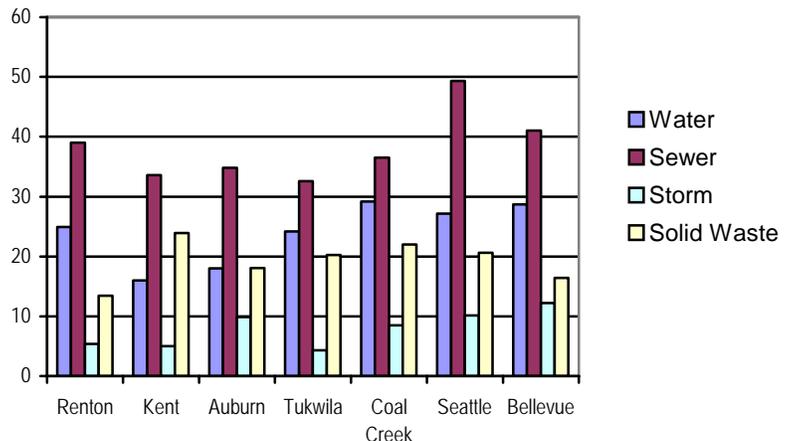
The City is very competitive with similar / neighboring jurisdictions.

The proposed rate increases are: Water 5%, Wastewater 5%, and Storm Sewer 3%.

Water and Sewer Fees



Comparative Utility Fees (from 2006)



King County sets the rate for “Metro”. This is the cost of treating wastewater.

	2002 Actual	2003 Actual	2004 Actual	2005 Budget	2006 Forecast
Water Sales	6,120,656	6,401,984	6,938,951	6,844,600	7,164,939
Sewer Service	3,074,720	2,663,528	3,109,350	3,390,400	3,583,100
Metro Sewer Charge	7,338,790	7,678,319	7,707,187	8,553,600	8,418,000
Storm Sewer	2,227,355	2,442,811	2,709,055	2,439,200	2,540,281
Total	18,761,521	19,186,641	20,464,544	21,227,800	21,706,320

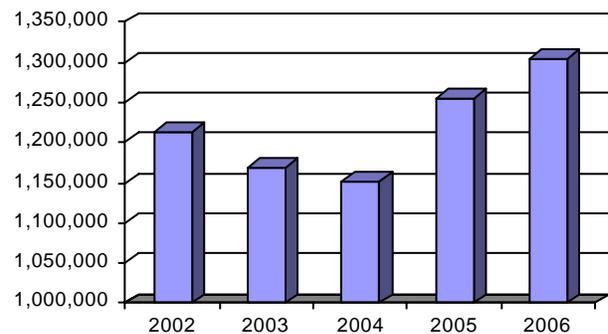
Golf Fees – The City golf course fund was created by Ordinance 3884 in 1985. Maplewood Golf Course is owned and operated by the City. The course is managed by the Community Services Department and it is operated as a separate enterprise fund of the City. It is anticipated that user fees from customers will pay the operating and capital costs of the golf course.

The golf course is also a water utility resource as it is the location of city wells that provide drinking water to our community. The use of this space as a golf course helps preserve the quality of the well water for future generations.

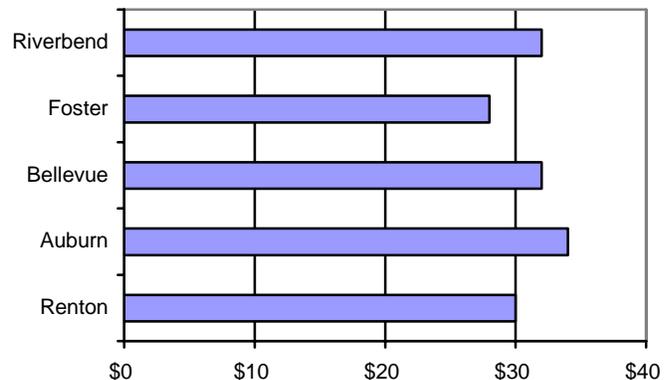
The golf course has a tradition of moderate increases in rates (such as greens fees) every other year. Increases in these rates are included in the 2007 budget.

The comparative rates chart to the right illustrates that the Renton course rates are comparative with the market. These rates are weekend rates for 18 holes of golf.

Golf Course Green Fees



Comparative Golf Fees



	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast
Course Revenue	1,873,218	1,828,357	1,816,305	1,752,645	1,941,880	1,964,165
Concessionaire / Pro Shop	417,559	406,206	423,362	450,829	465,000	500,300
Total	2,290,777	2,234,563	2,239,667	2,203,474	2,406,880	2,464,465

2007 Fund Balance Summary

The City Council revised the financial policies in 2006, including the “Policy on Stabilization Funds” (which can be found on page 1-21 of this budget). This summary compares the adopted 2007 budget to the adopted policy.

General Government:

Policy: *The City shall maintain reserves in the General Fund of at least 10% of the total budgeted operating expenditures.*

Analysis: The following table illustrates compliance with the policy. The City estimates revenues based on anticipated actual receipts and fully funds all authorized expenditures (there is no allowance for vacant positions, etc.). As a result, revenues collected in excess of estimates and expenditures below budget appropriations results in additions to fund balance. It is the City’s practice to utilize these increases to fund balance which exceed policy thresholds in a subsequent year’s budget for non-recurring items.

General Government	2006 Budget	2006 Actual	2007 Budget
Beginning Balance	10,593,628	10,593,628	12,451,461
Revenues	73,967,484	74,402,129	80,356,649
Expenditures	<u>74,840,302</u>	<u>72,544,296</u>	<u>82,592,418</u>
Ending Balance	9,720,810	12,451,461	10,215,692
% of Expenditures	12.99%	17.16%	12.37%
Policy Threshold	10.00%	10.00%	10.00%
Over / (Under)	2.99%	7.16%	2.37%

Policy: *In addition, the City shall maintain an additional reserve as a part of the City’s Risk Management Funds in a minimum amount of \$5 million.*

Analysis: The “Additional Reserve for General Government Budgets” found in Fund 502 (Risk Management) is \$6.1 million in the 2007 budget (page 6-64).

Policy: *In addition, the City shall maintain an “Anti-Recessionary Reserve” in an amount of at least 2% of General Government budgeted operating expenditures.*

Analysis: The “Anti-Recessionary Reserve” found in Fund 502 (Risk Management) is \$2.1 million in the 2007 budget (page 6-64).

Enterprise Funds:

Policy: *The City shall maintain reserves in the Enterprise Funds as follows:
 Water Utility Fund: 12% to 25% of total budgeted operating expenses
 All other Enterprise Funds: 10% to 20% of total budgeted operating expenses*

Analysis: The following tables illustrate compliance with the policy. The City combines all utility funds for purposes of compliance with this policy and financial reporting (see the Financial Management Policies, page 1-20).

Water Utility Funds	2006 Budget	2006 Actual	2007 Budget
Beginning Balance	3,719,512	3,719,512	8,029,290
Revenues	26,704,148	27,984,015	25,488,600
Expenditures	<u>24,039,034</u>	<u>23,674,237</u>	<u>25,104,248</u>
Ending Balance	6,384,626	8,029,290	8,413,642
% of Expenditures	26.56%	33.92%	33.51%
Policy Threshold	12.00%	12.00%	12.00%
Over / (Under)	14.56%	21.92%	21.51%

Airport	2006 Budget	2006 Actual	2007 Budget
Beginning Balance	2,456,497	2,456,497	1,650,095
Revenues	2,654,043	1,393,293	954,191
Expenditures	<u>2,642,600</u>	<u>2,199,695</u>	<u>2,341,464</u>
Ending Balance	2,467,940	1,650,095	262,822
% of Expenditures	93.39%	75.01%	11.22%
Policy Threshold	12.00%	12.00%	12.00%
Over / (Under)	81.39%	63.01%	-0.78%

Golf Course	2006 Budget	2006 Actual	2007 Budget
Beginning Balance	1,035,127	1,035,127	1,048,002
Revenues	2,421,880	2,324,575	2,464,465
Expenditures	<u>2,421,880</u>	<u>2,311,700</u>	<u>2,464,465</u>
Ending Balance	1,035,127	1,048,002	1,048,002
% of Expenditures	42.74%	45.33%	42.52%
Policy Threshold	12.00%	12.00%	12.00%
Over / (Under)	30.74%	33.33%	30.52%

Solid Waste (Garbage)	2006 Budget	2006 Actual	2007 Budget
Beginning Balance	1,370,980	1,370,980	1,726,483
Revenues	9,670,248	10,025,751	9,565,016
Expenditures	<u>9,670,248</u>	<u>9,670,248</u>	<u>10,917,695</u>
Ending Balance	1,370,980	1,726,483	373,804
% of Expenditures	14.18%	17.85%	3.42%
Policy Threshold	12.00%	12.00%	12.00%
Over / (Under)	2.18%	5.85%	-8.58%