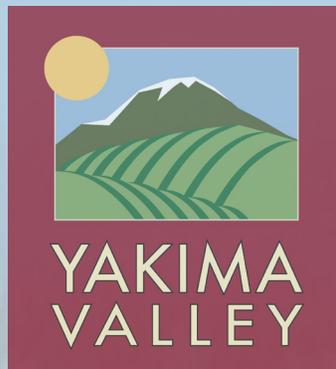


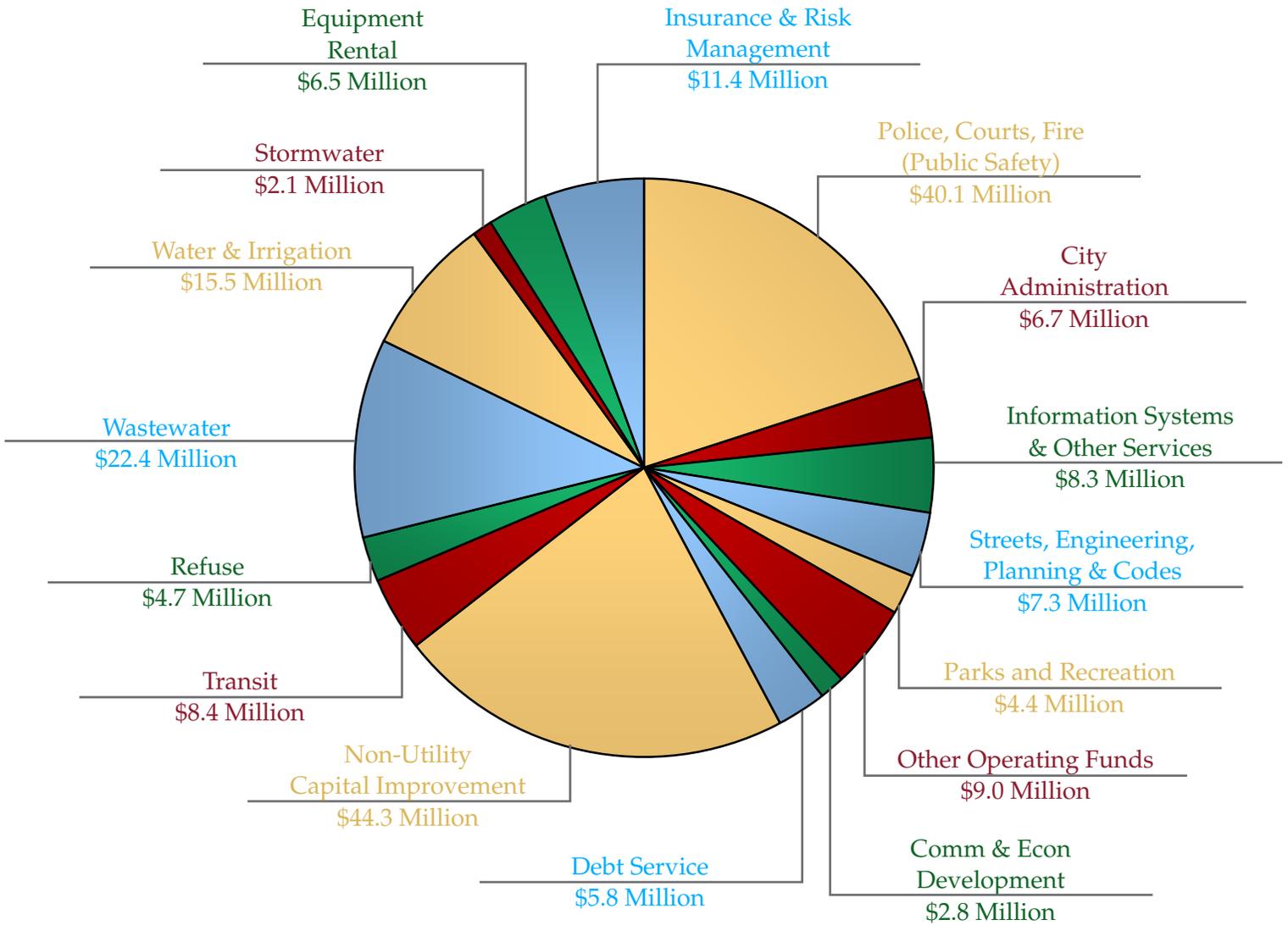
City of *Yakima*
Washington

2009 Budget Forecast

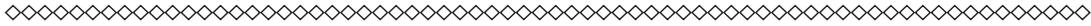


Mount Adams, Washington

2009 BUDGET FORECAST

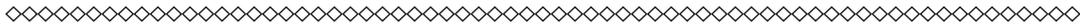


\$199.7 MILLION



VISION STATEMENT

To create a culturally diverse, economically vibrant,
safe, and strong Yakima community



MISSION STATEMENT

To provide outstanding services that meet the community's needs

To govern responsibly by effectively managing and protecting public resources

To build trust in government through openness,
diverse leadership, and communication

To strategically focus on enhancing Yakima's quality of life



STRATEGIC DIRECTION PRIORITIES

Maintain and Improve Public Health and Safety

Promote Economic Development and Diversification

Build and Utilize Strategic Partnerships

Preserve and Enhance Yakima's Quality of Life

Efficiently Manage Public Resources and Ensure Fiscal Stability

Provide Responsive Customer Service and Effective Communications



ADOPTED MARCH 2008

2009 BUDGET FORECAST
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Cover courtesy of: USGS/Cascades Volcano Observatory

INTRODUCTION: TRANSMITTAL MEMO



OFFICE OF THE CITY MANAGER
129 North Second Street
City Hall, Yakima, Washington 98901
Phone (509) 575-6040

M E M O R A N D U M

October 21, 2008

To: The Honorable Mayor and
Members of the City Council

FROM: Dick Zais, City Manager
Rita M. DeBord, Finance Director
Cindy Epperson, Deputy Director, Accounting and Budget

SUBJECT: 2009 BUDGET FORECAST

We are pleased to present to the City Council and to the citizens of the City of Yakima the City's Budget Forecast for the year 2009.

The City's 2009 Budget is lean and balanced within existing resources. It maintains essential municipal services and invests in our future. The Budget is based on City Council's new Strategic Priorities and continues to reflect strong fiscal discipline and restrained spending throughout all City departments, as necessitated by the distressed economy and our conservative tax climate. Yakima has been managing through tough economic times for many years, and will continue to do so responsibly and proactively to meet our communities municipal service needs and live within our means.

2008 YEAR-END FORECAST

Our current projections indicate that 2008 year-end expenditures will be less than budgeted in all General Government (taxpayer supported) operating funds and in total for all funds, citywide. This is primarily due to the City's focus on controlling and curtailing expenditures throughout the year and deferring some capital projects that will be carried forward to next year.

This close monitoring and analysis of current and projected revenues and expenditures by the Council Budget Committee and City Staff allows for preventative measures and adjustments to spending when and where needed and helps ensure fiscal stability for the City. It is precisely due to the City's strong fiscal management that the City received a significant upgrade in its credit rating this year. In August 2008, Standard and Poor's upgraded the City's overall credit rating from "A", to "A Plus" and stated that the City has a "stable outlook". In their report, Standard and Poor's attributed this credit rating upgrade largely to the City's strong fiscal management. Additionally, in September of 2008, the City received an "Unqualified Opinion", the highest rating possible, from the State Auditor's in regards to the City's 2007 financial audit.

The following chart compares the 2008 amended budget to the 2008 year-end expenditure estimates and to the 2009 proposed budget, by type of Fund.

**2008 VS. 2009
EXPENDITURE BUDGET COMPARISON ⁽¹⁾**

| FUND | 2008 | 2008 | | '08 vs. '09 |
|--|----------------------|----------------------|----------------------|-------------------------|
| | YEAR-END ESTIMATE | AMENDED BUDGET | 2009 BUDGET | AMENDED BUDGET % CHANGE |
| General | \$47,545,767 | \$48,472,230 | \$50,521,573 | 4.2% |
| Parks | 4,349,657 | 4,420,907 | 4,377,598 | (1.0%) |
| Street & Traffic | 5,858,678 | 6,213,833 | 6,045,680 | (2.7%) |
| TOTAL GENERAL GOVERNMENT ⁽²⁾ | <u>\$57,754,102</u> | <u>\$59,106,970</u> | <u>\$60,944,851</u> | 3.1% |
| Community Development ⁽³⁾ | 4,291,336 | 4,679,359 | 2,174,807 | (53.5%) |
| Utilities / Other Operating | 54,767,519 | 56,214,358 | 58,091,756 | 3.3% |
| Capital Improvement | 27,722,473 | 49,122,820 | 56,562,187 | 15.1% |
| Contingency/Operating Reserves | 3,106,807 | 3,346,595 | 3,155,709 | (5.7%) |
| Employee Benefit Reserves | 12,358,414 | 12,942,068 | 12,964,562 | 0.2% |
| General Obligation Bonds | 2,585,964 | 2,587,115 | 2,717,782 | 5.1% |
| LID Debt Service | 187,000 | 187,000 | 207,000 | 10.7% |
| Water / Sewer Revenue Bonds | 3,713,534 | 3,960,460 | 2,860,417 | (27.8%) |
| Trust and Agency Funds | 25,000 | 27,000 | 25,000 | (7.4%) |
| TOTAL CITYWIDE BUDGET ⁽⁴⁾ | <u>\$166,512,149</u> | <u>\$192,173,745</u> | <u>\$199,704,071</u> | 3.9% |

(1) See Exhibit I for an expenditure detail by individual fund.

(2) General Government - The 2009 General Government expenditure budget is approximately \$1.8 million or 3.1% above the 2008 amended budget.

(3) The 2009 budget includes an estimate of the 2009 grant awards only. The 2008 amended budget includes the 2008 grant awards and awards carried forward from the previous years.

(4) Citywide Expenditures - The Citywide Expenditure budget is approximately \$7.5 million or 3.9% above the 2008 amended budget.

2009 BUDGET

GENERAL GOVERNMENT BUDGET

The proposed 2009 General Government (taxpayer supported) budget includes the General Fund, Parks Fund and the Streets and Traffic Fund. Over 60% of these tax-supported budgets are spent on public safety services including Police, Fire, Courts and support to these departments from the Information Systems, Finance, Legal, and Human Resources divisions.

The proposed 2009 General Government budget reflects an increase of approximately 3.1% over the prior year despite significantly higher cost increases imposed on the budget by known and anticipated increases in public safety and related criminal justice costs, substantial private sector price increases for fuel, private utilities, health insurance, construction materials, chemicals and the like, together with negotiated labor settlements and State mandated retirement costs for employees.

CITY-WIDE BUDGET

The proposed 2009 total city-wide expenditure budget of \$199.7 million is balanced within existing resources and reflects a modest increase of 3.9% despite considerably higher increases in costs of providing services to our citizens and the increased costs associated with major capital projects, as outlined, above and as compared to the change in the Consumer Price Index as noted below.

The September 2008 Consumer Price Index (CPI-W) for the Seattle-Tacoma-Bremerton area was 6.2% - well above the increase in the City's 2009 budgeted expenditures. Cost increases have outpaced the growth in existing operating revenues for several years; this has necessitated close monitoring, continual "belt tightening" and a constant search for efficiency improvements within all City departments. Staff has made every effort to absorb cost increases within existing budgets to the greatest extent possible. This is an on-going effort in all departments which becomes increasingly challenging each year as departmental budgets are, and have been for some time, very lean.

While budgets have increased in absolute dollars, they have not kept up with the increase in the related costs associated with providing existing critical and essential core services. In 2006, the City Council became increasingly aware and concerned over this situation and adopted a 2007 Policy Issue which authorized the formation of a Council Budget Committee. Over the past two years, the Council Budget Committee has invested considerable time in reviewing the City's General Government Budget and has recently undertaken the difficult task of prioritizing the General Government services provided to our citizens in a proactive effort to be prepared to adjust budgets, and the related services, when/if this becomes necessary in order to ensure that the City continues to operate within its means.

NEW STRATEGIC PRIORITIES

Individual families and businesses within the City, the State and across the entire nation are currently facing significant financial pressures and no one knows how long the current financial crisis may last. In these trying economic times, it is critical to have a common Vision and defined Strategic Priorities in order to help ensure the City's limited resources are applied to the highest priorities.

The entire City Council is vested in the effort to provide the highest priority services to our citizens. As part of this effort, in March of this year, the City Council adopted revised and updated Strategic Priorities for the City; as follows:

- **Maintain and Improve Public Health and Safety,**
- **Promote Economic Development and Diversification,**
- **Build and Utilize Strategic Partnerships,**
- **Preserve and Enhance Yakima's Quality of Life,**
- **Efficiently Manage Public Resources and Ensure Fiscal Stability, and**
- **Provide Responsive Customer Service and Effective Communications.**

The Council's Strategic Priorities form the foundation for the City's 2009 Budget. The City Manager and Department Heads utilize these Strategic Priorities as guiding principles upon which programs and services are developed, assessed and budgeted. The City's budget is a critical tool utilized by Council and staff to continually move the City closer to the Council's ultimate goal – or Vision - for the City: To create a culturally diverse, economically vibrant, safe and strong Yakima community.

Strong fiscal disciplines and a steady hand to “steer our corporate ship” safely through the rough financial waters is also critical in these unprecedented and distressing financial times. The principal fiscal disciplines utilized by staff to instill the necessary monetary discipline into the City's budget are City Management's initial budget guidelines, which places limitations on the reliance on reserves, and the level of projected year-end cash balances in the General Fund.

Staff has long utilized these measures when preparing the City's budget; however, due to the severe financial crisis the nation is currently experiencing and the uncertainty as to how much worse this situation may still become, or how long it may last, City Management implemented new, even more conservative, guidelines this year. In the past, the guideline for dependency on beginning cash balances (i.e.: reserves) in the General Government budget was a maximum of 5%; this has been lowered to 4% for the 2009 budget. The minimum General Fund ending cash (reserve) balance guideline remains at not less than 7% of annual operating expenditures.

The 2009 General Government budget contains no new taxes, no major service reductions, and no layoffs of City personnel. Staffing levels remain very constant throughout City departments. There are no new FTE's (full time equivalents) in the General Government funds and only two additional FTE's proposed in the 911 Dispatch Center and 3 FTE's in the Utility Divisions – 2 in Storm Water and 1 in the Water Division. Although there are many needs throughout the various departments of the City, there are significantly fewer new Policy Issues in 2009 as compared to prior years as there simply is no funding available to support additional programs, services or the related budget expenditures. 2009 Policy Issues largely focus on increasing efficiencies / effectiveness of existing resources through technology improvements and re-organizations of existing staff. City departments have absorbed many cost increases in an effort to reduce the pressure on the City's budget and minimize impacts to citizens.

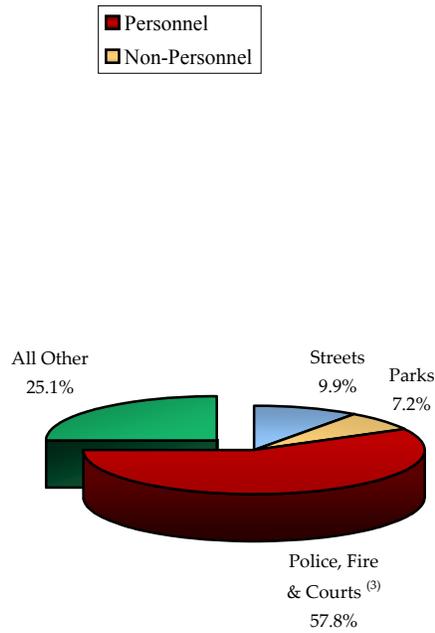
The City continues to receive a significant fiscal benefit from outside agencies, primarily in the form of local, state and federal grants. The 2009 budget includes over \$29 million in operating and capital grants and an additional \$3.5 million in state shared revenues and \$4.7 million in inter-governmental revenues from various contracts and services – for a total of \$37.6 million. This represents a major infusion of cash, jobs and other economic stimulus to our community primarily from sources outside the City; however, this also represents revenues that may not be sustainable in the future.

Refer to the Supplemental Information Section for a complete list of the Grants and other "external" revenues.

The following chart identifies how the 2009 General Government funds are allocated.

2009 GENERAL GOVERNMENT BUDGET

| Organizational Unit | 2009 Forecast Budget | Dollars in Millions | | | | | | | | | | | | | | | | | | | | | | % of Total Budget |
|--|----------------------------|---------------------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|-------------------------|
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | |
| Police | \$22,607,681 | | | | | | | | | | | | | | | | | | | | | | | 37.1% |
| Fire | 8,916,125 | | | | | | | | | | | | | | | | | | | | | | | 14.6% |
| Streets & Traffic Op. | 6,045,680 | | | | | | | | | | | | | | | | | | | | | | | 9.9% |
| Parks | 4,377,598 | | | | | | | | | | | | | | | | | | | | | | | 7.2% |
| Information Systems | 2,482,128 | | | | | | | | | | | | | | | | | | | | | | | 4.1% |
| Transfers ⁽¹⁾ | 2,232,275 | | | | | | | | | | | | | | | | | | | | | | | 3.7% |
| Code Administration | 1,782,792 | | | | | | | | | | | | | | | | | | | | | | | 2.9% |
| Financial Services | 1,516,266 | | | | | | | | | | | | | | | | | | | | | | | 2.5% |
| Legal | 1,455,786 | | | | | | | | | | | | | | | | | | | | | | | 2.4% |
| Police Pension* | 1,387,957 | | | | | | | | | | | | | | | | | | | | | | | 2.3% |
| Municipal Court* | 1,386,829 | | | | | | | | | | | | | | | | | | | | | | | 2.3% |
| Customer Services | 1,248,127 | | | | | | | | | | | | | | | | | | | | | | | 2.0% |
| Engineering | 1,204,407 | | | | | | | | | | | | | | | | | | | | | | | 2.0% |
| Planning | 898,184 | | | | | | | | | | | | | | | | | | | | | | | 1.5% |
| City Manager | 518,756 | | | | | | | | | | | | | | | | | | | | | | | 0.9% |
| Human Resources | 488,048 | | | | | | | | | | | | | | | | | | | | | | | 0.8% |
| Records | 438,888 | | | | | | | | | | | | | | | | | | | | | | | 0.7% |
| City Hall Maintenance | 421,583 | | | | | | | | | | | | | | | | | | | | | | | 0.7% |
| Indigent Defense | 385,000 | | | | | | | | | | | | | | | | | | | | | | | 0.6% |
| Intergovernmental* | 348,039 | | | | | | | | | | | | | | | | | | | | | | | 0.6% |
| Purchasing | 257,362 | | | | | | | | | | | | | | | | | | | | | | | 0.4% |
| City Council | 214,540 | | | | | | | | | | | | | | | | | | | | | | | 0.4% |
| Sundome* | 150,000 | | | | | | | | | | | | | | | | | | | | | | | 0.2% |
| State Examiner* | 103,000 | | | | | | | | | | | | | | | | | | | | | | | 0.2% |
| Hearings Examiner* | 51,000 | | | | | | | | | | | | | | | | | | | | | | | 0.1% |
| Probation | 25,000 | | | | | | | | | | | | | | | | | | | | | | | 0.0% |
| District Court* | 1,800 | | | | | | | | | | | | | | | | | | | | | | | 0.0% |
| Total | \$60,944,851 | | | | | | | | | | | | | | | | | | | | | | | 100.0% |
| Fire Pension & Benefits ⁽²⁾ | \$1,619,203 | | | | | | | | | | | | | | | | | | | | | | | 2.7% |



* Fixed, Mandated or Contractual Costs.

(1) Transfers represent General Fund dollars that are re-allocated or transferred to other funds for use by those funds. These dollar amounts will be utilized by the other funds to pay for services, and thus become expenditures of those funds. 2009 budget includes \$880,000 transfer to Public Safety Communications for dispatch services and the balance goes to other government funds (e.g: Parks and Recreation, Contingency, Debt Service, etc.)

(2) Fire Pension, although classified as an operating reserve fund, is included here because it is supported primarily with General Government resources.

(3) 57.8% of General Government resources is spent on Public Safety, including police, fire, municipal and district courts, transfers to public safety communications and police pension.

2008 VS. 2009 REVENUE AND EXPENDITURE OVERVIEW

REVENUES

- General Government – Total 2009 projected General Government revenue budget is approximately \$58.9 million or 3.2% greater than the 2008 year-end revenue estimate of \$57.1 million.
- Citywide – Total 2009 projected Citywide revenue is approximately \$187.0 million or 14.2% greater than the 2008 year-end estimate of \$163.7 million.

Refer to chart on the next page for more information.

EXPENDITURES

- General Government:
 - 2008 Year-end expenditure estimate is approximately \$57.7 million, or \$1.4 million, below the amended budget of \$59.1 million.
 - 2009 proposed expenditure budget is approximately \$60.9 million; 3.1% greater than the 2008 amended budget of \$59.1 million. The increase of approximately \$1.8 million is primarily due to increases in negotiated labor costs, State pension mandates, health care costs, utility costs, criminal justice costs, and the annualized impacts of the staff increases mid-year 2008 for the Deputy Police Chief.
- Citywide:
 - 2008 Year-end expenditure estimate of \$166.5 million is approximately 13.4% less than the amended budget of \$192.2 million. This savings is primarily due to the administration of management's strict spending controls and the deferral of some capital projects that will not be completed by year-end.
 - 2009 proposed Citywide budget is approximately \$199.7 million; 3.9% greater than the 2008 amended budget of \$192.2 million. The increase is mainly due to capital projects, grant funding and inflationary pressures noted previously.

Note: The City, with the support of the labor unions, imposed a wage freeze ("0" percent wage adjustment) for all employees in 2007, which saved the City approximately \$1.5 million in labor costs the first year, and made a significant contribution to the City's ability to maintain services and ensure a stable and balanced budget in 2007 and 2008. However, the negotiated labor settlements for 2008 and 2009 reflect some "catch-up" provisions in wages for employees, causing a larger percentage increase in 2009 than would otherwise have been experienced. The average 2009 wage increase for all employees is 5.0%; however, the 3-year (2007, 2008 & 2009) average wage increase for all employees is 3.7%. This wage adjustment is 1.2% less than the average increase in the Consumer Price Index (CPI) of 4.9% for each year of the 3-year period.

More information regarding the City's 2008 and 2009 revenue and expenditures is included in the balance of this report. Refer to chart on the next page for more information on General Government revenues and expenditures. And Refer to Exhibit I for 2009 revenue and expenditure information by fund.

PROJECTED ENDING CASH BALANCE / RESERVE

As previously stated, management's fiscal discipline over General Government operating budgets includes conservative guidelines which restrict expenditures and helps ensure minimum cash reserves are maintained.

Note: the City maintains Reserves to: meet potential revenue shortfalls, provide for emergencies, meet cash flow needs, fund unbudgeted policy issues, and accommodate unforeseen expenditures and other contingencies.

2009 REVENUE AND EXPENDITURE COMPARISON

| | 2009 PROJECTED REVENUE | 2009 PROPOSED EXPENDITURES | DIFFERENCE | 2009 EXPENDITURE AS % OF REVENUE | 2009 ESTIMATED BEGINNING BALANCE | 2009 ESTIMATED ENDING BALANCE | 2009 ENDING BAL AS A % OF EXP. |
|---------------------------------|---------------------------------------|---|----------------------|---|---|--|---|
| General | \$48,896,585 | \$50,521,573 | (\$1,624,988) | 3.3% | \$5,933,646 | \$4,308,658 | 8.5% |
| Parks & Recreation | 4,244,385 | 4,377,598 | (133,213) | 3.1% | 432,950 | 299,737 | 6.8% |
| Street/Traffic Operations | 5,764,810 | 6,045,680 | (280,870) | 4.9% | 1,147,588 | 866,718 | 14.3% |
| TOTAL GENERAL GOVERNMENT | <u>\$58,905,780</u> | <u>\$60,944,851</u> | <u>(\$2,039,071)</u> | 3.5% | <u>\$7,514,184</u> | <u>\$5,475,113</u> | 9.0% |

The 2009 proposed General Government Revenue and Expenditure budget, as illustrated in the chart above:

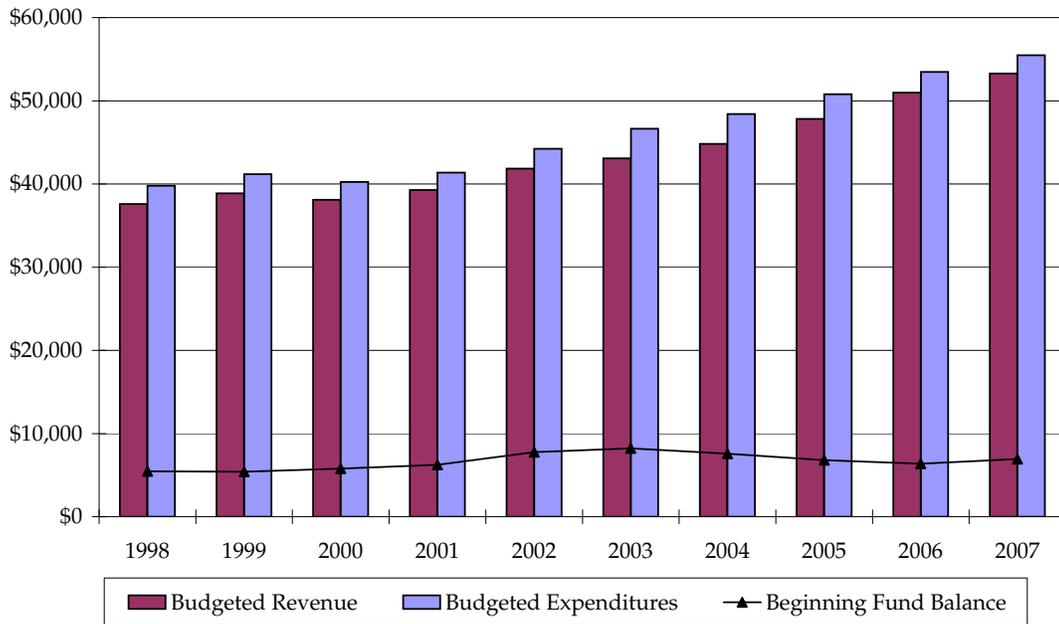
- Indicates that the budget is balanced utilizing approximately \$2 million of the estimated beginning fund balance; a dependency on beginning cash (reserves) of 3.5%; and
- Projects the 2009 ending cash balance (reserves) to be approximately \$5.5 million or 9.0% of the 2009 expenditures.

Both percentages are within the established new guidelines of a maximum of 4.0% dependency on beginning cash, and a minimum year-end cash balance of 7.0% of annual expenditures. These formulas were established to guide the budget development process and to assist in managing and controlling expenditures throughout the year. These formulas have proven to be very reliable and effective in maintaining the City's strong fiscal position over the years.

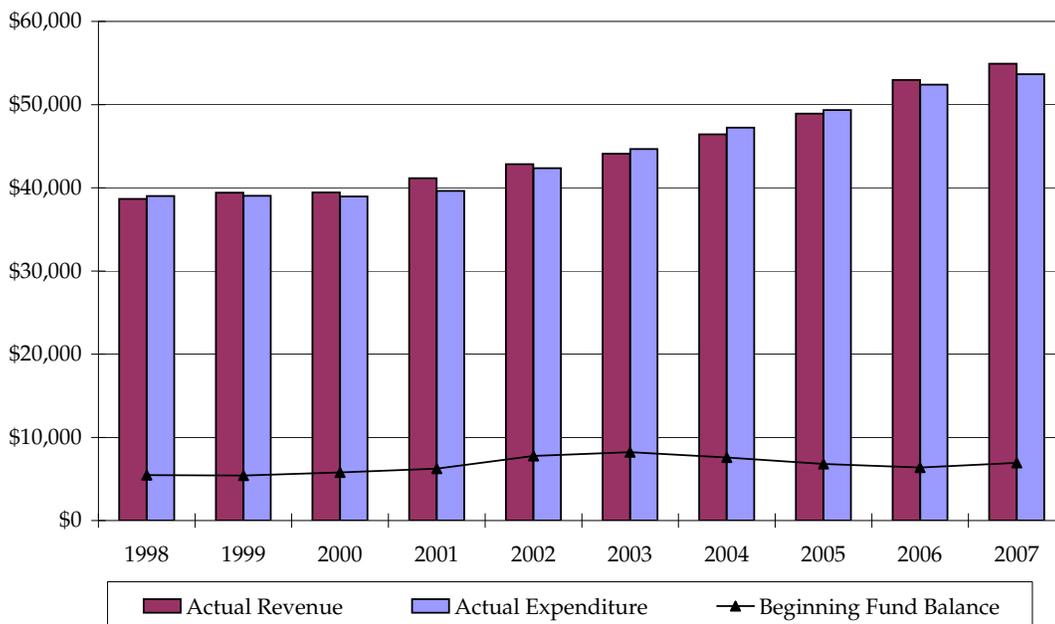
Additionally, revenues and expenditures are estimated conservatively in developing the budget, with the expectation that the actual revenues will be somewhat stronger and actual expenditures will be less than budgeted; i.e.: resulting in an effective balanced budget. By budgeting in this manner, the City is positioned well to absorb unexpected expenses or drops

in revenue should these conditions occur without catastrophic impacts to its financial position. Further, in six out of the past ten years, total revenues for both General Fund and for all General Government Funds have exceeded total expenditures in these funds – even though the budget was built based on the utilization of cash reserves. Only in four of the past ten years have expenditures actually exceeded revenues. Below are two historical charts illustrating the revenues and expenditures over the past ten years – Budgets vs. Actual results.

GENERAL GOVERNMENT - AS BUDGETED
(in thousands)



GENERAL GOVERNMENT - ACTUAL RESULTS
(in thousands)



The use of reserves to support the City's budget is a normal practice that consistently garners effective results; however, it requires careful monitoring, discipline, and control to ensure that a prudent level of cash reserves is maintained. Nevertheless, as described in subsequent pages of this section, General Government reserves are near minimum levels, and could be depleted by the end of 2011 unless additional cost reductions and/or revenue enhancements are attained. The Council Budget Committee continues to meet regularly to review General Government budgets and services and to address the sustainability of these services for the future.

2009 BUDGET DEVELOPMENT

The following budget goals and guidelines formed the overall foundation and priorities for the 2009 proposed budget:

- Place primary focus on Council's six Strategic Priorities / areas of emphasis – Public Health & Safety, Economic Development, Strategic Partnerships, Quality of Life, Public Resources and Fiscal Stability, and Customer Service and Communications;
- Preserve minimum operating cash reserves and allocate necessary funds for non-discretionary fixed, mandated and contractual costs.
- Submit a balanced spending plan for operating and capital budgets;
- Implement and maintain the strict budget spending constraints issued in April 2008 by the City Manager;
- Implement cost reductions and operational efficiencies wherever possible to minimize costs to our citizens, offset potential revenue shortfalls and to maintain a balanced budget.
- Incorporate the City's Six-Year Capital Facilities Plan for Utilities, Streets, Parks, Public Safety, and Community and Economic Development projects.

City Management has maintained close supervision, discipline and control over City spending during 2008 and in planning and preparing the 2009 budget.

THE REMAINDER OF THIS SECTION INCLUDES:

- Overview of the 2008 challenges and accomplishments and the 2009 Budget Focus (relative to the six Council Strategic Priorities);
- A Three Year Outlook (projected revenues and expenditures); and
- 2009 Budget Highlights

INTRODUCTION: CITY'S FISCAL CONDITION

As we watch the current financial crisis and economic recession that is gripping the entire nation, staff is closely monitoring and assessing the impacts experienced around our state and within our local economy. We are aware that many cities and counties within the state have, or soon will be, announcing large employee layoffs and drastic reductions in services to their citizens, due to the severe fiscal challenges they face. The City of Yakima is not currently facing this desperate a fiscal situation. Thus, the City has no employee layoffs included in the 2009 budget and we are not forecasting the need for any significant layoffs in the next year.

Out of necessity, the City has historically controlled and restrained costs. In past years, the agricultural industry was the sole significant economic driver for the City. When other areas of the state may have been prospering, if agriculture was suffering, the local economy suffered. Since the forces of nature are largely unpredictable and can have significant negative impacts on agriculture, the only prudent approach to fiscal management for the City has always been one of caution and restraint, so that when the local economy slumped the City was able to "ride out the storms" without huge fluctuations in services to our citizens. In addition to a local economy that had been very susceptible to the ups and downs of one industry, over the past ten years the voters of the state have approved several initiatives that, together, have had a significant negative impact on critical City revenues.

For the above reasons, the City has already put in place many of the cost reduction measures now being undertaken by other cities and counties in our state. As an example:

- **Staff Reductions:** The per/capita number of General Government employees has actually decreased over the past decade, from 7.1 full-time equivalents per every 1,000 population in 1997 to 5.9 in 2007.
- **Wage Freezes:** The City, with the support of the labor unions, implemented a freeze (0% increase) on salary and wages, for all employees, for two out of the past eight years (2001 and 2007).

Further past cost containment measures incorporated into our existing budgets are reflected in the expenditure comparisons noted below:

- **General Government Expenditures Comparisons (includes 12 Cities):***
 - **Payroll** – The City of Yakima has the fourth lowest average per/capita payroll costs (Note: the City of Yakima is a full-service municipality offering services not provided by other cities in the comparison).
 - **Total Expenditures** – The City of Yakima has the second lowest total expenditures per/capita

* The cities utilized in the above comparisons are those cities in Washington State with populations between 30,000 and 90,000, and include: Auburn, Bellingham,

Kennewick, Kent, Kirkland, Pasco, Renton, Richland, Redmond, Olympia, Walla Walla and Yakima. Data was compiled from the State Auditor's Local Government Comparative Statistics. (Refer to Section III for more information on these and other comparisons and to view charts that reflect the individual rankings of each city included in the comparisons.)

OVERVIEW OF THE CITY'S FISCAL CONDITION AND STRATEGIC PRIORITIES – 2008 AND 2009

During the first quarter of 2008, the City Council reviewed the City's Vision, Mission, and Strategic Priorities and in March 2008 the Council updated these fundamental elements, which will form the basis for many critical decisions for the City for years to come. The City Council re-affirmed the existing Strategic Priorities of Public Health and Safety, Strategic Partnerships, Economic Development and Diversification and Quality of Life. Additionally, Council raised Effective Public Resources and Fiscal Stability and Customer Service and Effective Communications to Strategic Priorities for the City.

In support of Council's six new Strategic Priorities, City management placed significant emphasis on these priorities in their operating decisions and in the administration and development of the 2008 and 2009 budgets. Additionally, cost containment and efficiency improvements continue to be a focus and an emphasis in every expenditure decision.

The following pages contain summary information regarding 2008 accomplishments and 2009 budget objectives, categorized into the six areas of Strategic Priorities noted above.

STRATEGIC PRIORITY - PUBLIC HEALTH AND SAFETY

- Safe Community Action Plan - In May 2007, Council approved the first phase of its Safe Community Action Plan (SCAP), which will provide more than \$700,000 in additional funding annually. This funding comes primarily from additional property tax revenues anticipated as a result of the annexation of the library, which was approved by voters in April 2006. These funds provide for 7 new uniformed police officers, a crime analyst, a crime-free rental housing clerk and enhancements to the City's prosecution and Municipal Court services. The new police officers are assigned to a dedicated Proactive Enforcement Unit allowing the Police Department to expand its successful Emphasis Patrol program which targets high-crime areas in the City.
- Criminal Justice Enhancements – A 0.3% sales tax increase, approved by Yakima County voters in 2004, has enabled important enhancements to be made to the City's Criminal Justice System. The tax currently funds 5 officers and 1 detective in the Yakima Police Department, 1 assistant City attorney, 1 legal assistant, 2 Municipal Court clerks, a ¾ time Municipal Court commissioner and 1 animal control officer. A significant portion of the City's share of the sales tax funds continues to be dedicated to increased inmate housing costs at Yakima County facilities. Scheduled to sunset

in 2010, preparations are underway by Yakima County to submit a ballot measure to voters to renew the tax.

- Local and State Anti-Crime Legislation - During the 2008 Washington State Legislative session, the Yakima City Council and our 14th District State legislative delegation led a successful effort to change state law to provide a clearer definition of criminal street gag activity and to increase penalties for such activity. Additional bills supported by the City of Yakima were passed by the Washington State Legislature including legislation that stiffened penalties for eluding police and strengthened laws related to identify theft.
- Grants –the City received two federal appropriations over the past year, (1) \$347,000 Bureau of Justice Assistance grant to help strengthen the City’s gang resistance and intervention programs, (2) \$353,000 U.S. Department of Justice Office of Community Oriented Policing Services (COPS) technology program for technology and equipment to assist with graffiti surveillance, crime trend analysis and data collection, and (3) “Staffing for Adequate Fire and Emergency Response (SAFER) Act grant has funded 3 Yakima Fire Department firefighter positions for the past 2-plus years.
- Street / Traffic Safety Enhancements – 4 locations will receive crosswalk enhancements in 2008, based on a study of 21 crosswalk locations and concerns raised by community members over public safety; new street lights were installed in 13 residential areas over the past year; 19 intersections have received significant signal modifications / upgrades or new signals in 2007 - 2008.

2009 POLICY ISSUES - PUBLIC HEALTH AND SAFETY:

1. *City Management* – (1) Wastewater / Enhance Security at the Wastewater Treatment Plant, and (2) Stormwater / Stormwater Program
2. *CEA Department / Codes* – Humane Society Contract
3. *Fire Department* – (1) Support Services / Fire Station 94 Remodel, and (2) Public Safety Communications / Transfer and add Dispatch positions
4. *Public Works Department* – Refuse / Upgrade Solid Waste Maintenance Worker to Solid Waste Code Compliance Officer
5. *Outside Agency Requests:*
 - *Fourth of July Committee*
 - *Citizens for Safe Yakima Valley Communities*
6. *Intergovernmental Agency Requests:*
 - *Yakima County Emergency Management*
 - *Clean Air Authority*

STRATEGIC PRIORITY – ECONOMIC DEVELOPMENT AND DIVERSIFICATION

- Downtown Yakima Futures Initiative (DYFI)– Phases I and II of the DYFI project have been completed and Phase III is in progress and is expected to be completed by year-end. Nearly \$11 million in public funds has been invested in the “renaissance of Downtown Yakima”. A combination of funding from the State Legislature, State Community Trade and Economic Development, Federal Housing and Urban Development and City resources have paid for significant improvements in the downtown area, including sidewalk, lighting and landscaping improvements and an enhanced overall look and feel to the downtown. Additionally, the private sector has invested more that \$50 million in Downtown Yakima in the past 3 years alone. The Association of Washington Cities recognized the DYFI with its 2008 Municipal Excellence Award for Economic Development.
- Tax Incentives - A program approved by Council in 2006 and aimed at encouraging downtown housing, is being utilized by a developer to transform a former department store into luxury loft condominiums.
- Renewal Community Revitalization – the full \$12 million received annually from the federal Commercial Revitalization Deduction project was allocated in both 2007 and 2008, encouraging economic development by providing tax incentives for creating jobs in Yakima and providing significant economic stimulus to the community.
- Yakima Resources Development - the City applied for, and was awarded, funding from the state Local Infrastructure Financing Tool (LIFT) program to assist in making improvements to roads, utilities, etc on and near the Yakima Resources property in northeast Yakima.
- River Road – approximately \$7 million in major improvements to River Road, which included utility upgrades, road widening, traffic signal installation and new sidewalks, were completed in the summer of 2008.
- Water Rights - In early 2008, the City entered into a Memorandum of Understanding with Yakima County, Nob Hill Water Association, Yakima Tieton Irrigation District and the Yakima Valley Canal Company that will allow for additional future residential growth while maintaining maximum flexibility for irrigation water providers.
- SIED Program – The City secured a \$428,000 Supporting Investments in Economic Development (SIED) award (combined loan and grant) to build a new street near the Creekside Business Park and \$25,000 SIED grant to fund a study to evaluate infrastructure needs on and near the Yakima Resources property.
- Annexations - Five annexations have been completed since the start of 2005; these have added more than 3,800 to the City population and over \$348 million in assessed values. Annexations provide many benefits to the City and our citizens; including

a significant increase in buildable lots within the City. Development in these newly annexed areas has been spurred by the utility infrastructure and other urban services now provided by the City.

- Investments in Infrastructure – Over \$56 million is included in the 2009 budget for major capital projects; the magnitude of these investments will provide a substantial economic boost to the local economy – creating jobs and stimulating growth. These projects are largely funded by Federal or State Grants; thereby significantly lessening the burden on our local citizens who need these infrastructure upgrades but could not otherwise afford this level of investment. The City’s plans for construction projects over 2008 and 2009 include: \$18.8 M - Railroad Grade Separation; \$1.4 M - 16th Avenue & Washington Avenue reconstruction; \$1.6 M - William O. Douglas trail enhancements; \$2 M Nob Hill bridge repair; \$3 M – Irrigation system improvements; \$2.4 M – Domestic Water system improvements; \$5.6 M - Wastewater facility projects and sewer improvements; nearly \$1 M – Transit capital investments; \$1.3 M – Parks improvement projects and \$9.7 M Capitol Theatre improvements (many projects in-progress.)

2009 POLICY ISSUES - ECONOMIC DEVELOPMENT AND DIVERSIFICATION

- *CEC Department* – Tourism Promotion / (1) Management Fee Increase; (2) Equipment Replacement and System Upgrades, and (3) Market Analysis and Visitor Profile
- *Public Works Department* – Streets / Corridor Study
- *Outside Agency Requests:*
 - Yakima County Development Association
 - Yakima County Development Association (New Vision)
 - Yakima Chamber of Commerce
 - Hispanic Chamber of Commerce
 - Yakima Basin Storage Alliance
 - Yakima-Morelia Sister City Association
 - Committee for Downtown Yakima

STRATEGIC PRIORITY – STRATEGIC PARTNERSHIPS

- Critical Areas Ordinance - Early this year, the City and Yakima County jointly adopted an updated Critical Areas Ordinance. The Ordinance guides development in order to protect critical areas such as wetlands, wildlife habitat, geologic hazard areas and flood hazard areas.
- Probation Services - The City celebrated the 2-year anniversary of the consolidation of the City/County probation services this year. The merger has proven successful in containing costs and ensuring continuation of high-quality services.

- Regional Aquatics Facility - In 2007 a study was initiated on the possibilities and interest in financing and construction of a regional aquatics center. This project and study will continue into 2009.
- A Stormwater Policy Group - consisting of representative from the cities of Yakima, Union Gap, Moxee, and Sunnyside, and Yakima County have worked for the past several years to achieve cost-effective compliance with new state and federal storm water mandates. Updated Ordinances and final Interlocal agreements are near completion and implementation of assessment fees is planned for January 2009.
- Regional Soccer Complex – Yakima Youth Soccer Association and the City partnered to submit a grant application to the Washington State Recreation and Conservation Office for funding to build a multi-field soccer complex on property owned by the City.
- Dispatch Services - In 2007, the City of Yakima entered into an agreement with the City of Selah to provide law enforcement dispatch services to them.
- First Tee of Yakima – The City partnered with The First Tee of Yakima to kick-off its inaugural season at two local golf courses. The First Tee is a character development program that utilizes golf to attract kids between the ages of 5 and 18.

2009 POLICY ISSUES - STRATEGIC PARTNERSHIPS

- *City Management* – Stormwater / Personnel Staffing Levels

STRATEGIC PRIORITY – QUALITY OF LIFE

- Skate Park - Construction began on Yakima’s \$360,000 state-of-the-art skate park at Kiwanis Park mid-year 2008, with completion expected by end of the year. The Gateway Sports Complex, located in Kiwanis Park, was recently named the best new sports complex in the state.
- West Valley Community Park – final transfer of this park from Yakima County to the City was completed mid-2008. The City assumed responsibility for maintenance of the park, which is provided through a contract with a private lawn care company and a partnership with the West Valley School District.
- William O. Douglas Trail – Grant funding received in 2007 from the Washington State Department of Transportation is allowing for continued development of this trail, which links Yakima to Mount Rainier National Park.
- Summer Parks Activities - Many summer activities were provided to our citizens in our community parks, including a successful “Summer Concert Series”; the Yakima Folk Life Festival; and the “Outdoor Summer Cinema” series showing outdoor movies in many City parks.

- AmeriCorps Program – Now in the 2nd year of a 3-year contract, this program is meeting the needs of thousands of kids in the community by coordinating weekday after school services, weekly Night Action events and the Children of prisoners mentoring program.
- Grants – The Washington State Department of Transportation approved three separate grant applications submitted by the City totaling \$1.3 million. The money will be used to buy and renovate the historic Yakima Trolley barn, construct a bike/pedestrian pathway along 6th Avenue that will connect with the Greenway and Naches River areas and to continue development of the William O. Douglas Trail, a recreation corridor linking Yakima to Mount Rainier National Park.

2009 POLICY ISSUES - QUALITY OF LIFE

- *CED Department* – Codes / Management Fee Increase
- *Public Works Department* – Streets / (1) Corridor Study, (2) Parks /Develop Upper Kiwanis Park, and (3) Parks / Solicit RFP requests for leasing of Fisher Park
- *Outside Agency Requests:*
 - Sunfair Association
 - Allied Arts ArtsVan
 - Retired Senior Volunteer Program
 - Seasons Music Festival
 - Yakima Symphony Orchestra
- *Intergovernmental Requests:*
 - Clean Air Authority

STRATEGIC PRIORITY – PUBLIC RESOURCES AND FISCAL STABILITY

- Council Budget Committee – Formed in 2007, this Council committee meets regularly and is focused on establishing General Government service priorities and ensuring the sustainability of essential, core services, into the future through budget / service reductions and/or revenue enhancements.
- Cost Containment - Strict cost-containment measures over the past two years, including the employee salary and wage freeze in 2007 and the elimination of approximately \$900,000 in General Government expenses eliminated in both the 2008 and the 2009 budgets, have minimized the need for the City to dip into reserves to cover General Government expenses.
- Outside Funding – Nearly \$38 million of the 2009 budgeted revenues will come from resources other than taxes, rates, fees or other charges collected by the City of Yakima. These revenues will be provided from State and Federal grants, Intergovernmental contracts for services and State-shared revenues.

- Financial Audit and Credit Rating – The City received its 23rd consecutive “unqualified” audit report from the Washington State Auditor’s office for the 2007 fiscal year. And, the nationally recognized rating agency, Standard and Poor’s (S&P), upgraded the City’s overall credit rating from “A” to “A Plus”, primarily due to the City’s sound fiscal management and track record of strong cash reserves.

Additionally, In May of 2008, the City received a two-step upgrade, from “A” to “AA minus”, of its Water and Wastewater utilities credit rating from Standard and Poor’s.

- Performance Audit - In April 2008, the Yakima City Council invited Washington State Auditor Brian Sonntag to conduct an independent, comprehensive performance audit of City operations. This audit will be designed to look at the efficiency, effectiveness, and productivity of City programs and services and whether they are producing the desired results.
- Purchasing / Bidding – The City “piggy backs” on contracts already completed by other governmental entities and utilizes “joint bidding” which combines the City’s purchasing power with that of other entities; these practices reduce costs and improve staff efficiency.
- Automation / Technology – the City is utilizing automation and technology to improve employee efficiency, some examples of this include: the utilization of handheld and laptop computers in the field by code inspectors; bid specifications are now provided electronically; a 7-year effort to fully automate all refuse routes was completed this year; on-line job applications – nearly 70% are now received electronically. Additionally, several technology projects are in progress and scheduled for completion in the near future.

2009 POLICY ISSUES – PUBLIC RESOURCES AND FISCAL STABILITY

- *City Management* – (1) Water & Irrigation / Reorganization, and (2) Legal / Increase Part-time Legal Assistant to Full Time
- *CED Department* – (1) ONDS / Reorganization, and (2) Engineering / Reorganization
- *Public Works Department / Streets* – Eliminate Senior Sign Specialist and Upgrade 2 Part-time Specialists to full time.

STRATEGIC PRIORITY – CUSTOMER SERVICE AND COMMUNICATIONS

- Council Meeting Coverage - In February 2008, Y-PAC expanded its coverage to include monthly meetings of several City Council Committees, including: Council’s Public Safety, Economic Development, Transit/Transportation Planning, Budget, Neighborhood Development and the Downtown Futures committees.

- State of the City – In July 2008, the City Council made a presentation to the Greater Yakima Chamber of Commerce general membership which outlined some of the major projects, programs and initiatives overseen by various Council committees during the past year.
- Public Disclosure Audit – In the five years from 2001 and 2006, the number of Public Disclosure Requests (PDR) increased 75% (from 31 to 207) and the growth appears to be continuing as 2007 saw a 15% increase over 2006 and through June of 2008, the City had received more than 150 PDR. The results of an independent performance evaluation by the State Auditor’s office found the City’s compliance (response to such requests) to be outstanding and among the best for all cities in the State.
- City’s Website - In 2008, the City Council meetings were made available on the City’s website additionally, several new links have been added to the front page of the City’s website, including: links to CrimeWeb.net (a national clearinghouse for law enforcement information) and YakimaTransit.org. (Bus riders can now log onto this website and find out where buses are and when they will arrive at a particular stop). Additionally, programs and services offered by the City’s Parks and Recreations Division are posted on the City’s website.
- Community Relations – communication efforts with the media was increased this year as reflected by the increase of approximately 10% in the averaged number of media contacts per month in 2008 by the Community Relations Manager (average of 55 contacts per month in 2008).
- Customer Service – in addition to the items noted above, many programs and initiatives have been undertaken to enhance services to our citizens and ratepayers, including: Yakima Transit now has six heavy-duty buses which are ADA handicapped accessible, with “low-floors” and all buses are now outfitted with new equipment that provides both voice and visual announcements providing assistance to visually and hearing impaired riders; a new Utility Customer Information Brochure, which contains information regarding rates and services for all five City Utilities, was prepared and distributed to customers; only once in the past 5 years, has the City needed to return a permit fee under its money back guarantee policy regarding the timely issuance of a residential or commercial building permits.

2009 POLICY ISSUES – CUSTOMER SERVICE AND COMMUNICATIONS

- *Finance Department* – (1) Utility Services / Consolidation of Positions, and (2) Information Systems / Records Management System
- *Public Works Department* – (1) Transit / Purchase of 35 foot Bus, and (2) Refuse / Upgrade solid Waste Maintenance Worker to Solid Waste Code Compliance Officer

2009 GENERAL GOVERNMENT BUDGET DEVELOPMENT

In the past, City management's tight spending controls and conservative approach to fiscal expenditures has allowed the City to consistently provide citizens with the basic and essential services they have enjoyed for years and come to expect. During the past several years, management has continued to "do more with less" by absorbing many private and public sector cost increases and unfunded mandates that have been "levied" on the City in order to continue to provide existing critical and essential services for our citizens.

In the development of the 2009 General Government budget, City management continued to impose spending restraints and to reduce spending wherever possible without jeopardizing essential services. This resulted in budget reductions that helped to offset a considerable portion of the general cost increases that the City experienced as a result of on-going consumer price increases. Following is a summarized list illustrating where the majority of over \$900,000 of budget reductions occurred:

2009 EXPENDITURE REDUCTIONS SUMMARY - BY TYPE

| EXPENDITURE TYPE | As INCORPORATED IN 2009 FORECAST | |
|---------------------------|-------------------------------------|---------------|
| | AMOUNT | % OF TOTAL |
| Salary/Wages and Benefits | (\$36,000) | 3.9% |
| Overtime | (93,000) | 10.2% |
| Professional Services | (416,500) | 45.5% |
| Supplies / Small Tools | (117,000) | 12.8% |
| Debt Service | (219,000) | 24.0% |
| Capital Outlay | (33,000) | 3.6% |
| TOTAL | (\$914,500) | 100.0% |

2009 EXPENDITURE REDUCTIONS SUMMARY - BY DEPARTMENT

| DEPARTMENT | As INCORPORATED IN 2009 FORECAST | |
|----------------------------------|-------------------------------------|---------------|
| | AMOUNT | % OF TOTAL |
| City Administration | (\$25,500) | 2.8% |
| Finance | (386,000) | 42.2% |
| Municipal Court | 0 | 0% |
| Police | (115,000) | 12.6% |
| Fire | (93,000) | 10.2% |
| CED | (40,000) | 4.4% |
| Public Works - Streets & Traffic | (214,000) | 23.4% |
| Public Work - Parks | (41,000) | 4.4% |
| TOTAL* | (\$914,500) | 100.0% |

* The total itemized budget reductions of \$914,500 is approximately 1.5% of the amended 2008 General Government Budget of \$59.1 million

3 YEAR OUTLOOK (2009 – 2011)

The state of the national economy gives good reason for utilizing great caution when forecasting future revenues and expenditures. The City can not afford to rely solely on its past performance to fully insulate it from the growing national economic crisis. The City may face real and severe fiscal challenges in the future as the effects of the national financial crisis and economic recession continue to bear down on our local economy.

One effective tool that management has utilized over the past few years to proactively help prepare the City for future economic challenges is the creation of a 3-year Outlook that is based on projected revenues and expenditures. This Outlook, however, takes a little different perspective than do many otherwise similar forecasts. This 3-year Outlook is not representative, and does not reflect, what we believe “will be” the true fiscal status of the City in the next three years; but, rather it illustrates what “would be” the fiscal status of the City if no corrective action is taken in the ensuing years.

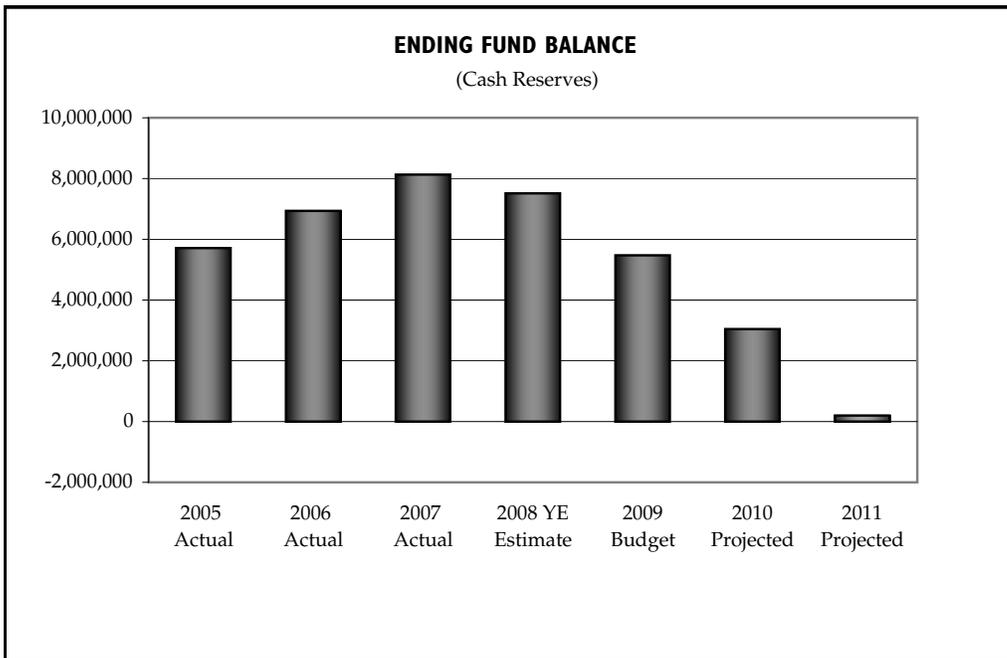
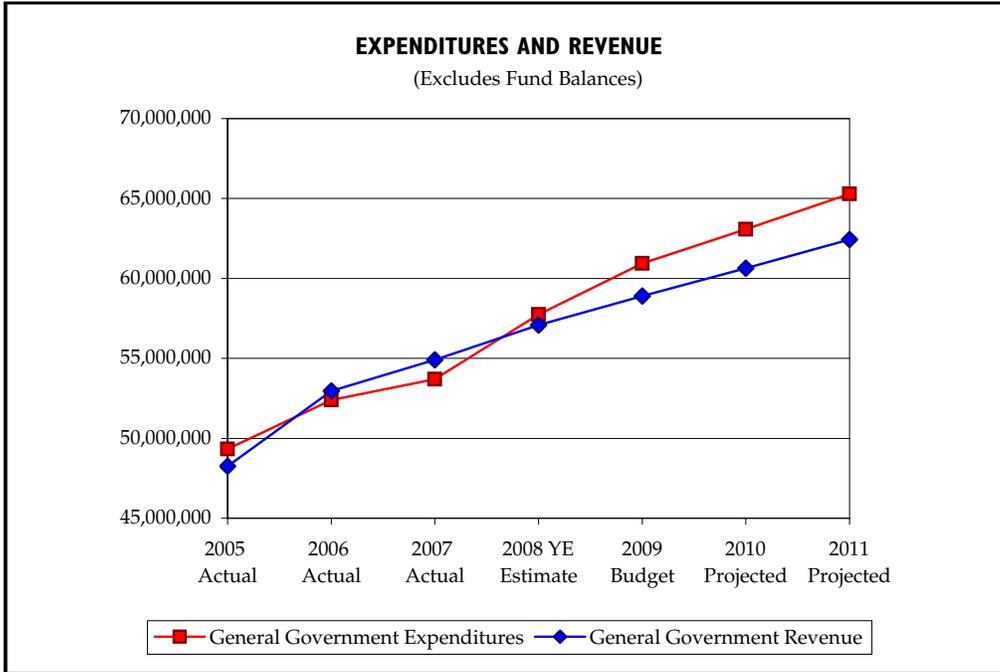
The difference in these two future perspectives is significant. By law, the City must implement a balance budget, and; therefore, an “actual” 3-year Outlook would only illustrate what we already know – the City will have a balance budget and cash reserves will not go negative. However, the perspective shown on the following pages illustrates the City’s fiscal status over the course of the next three years – IF – no corrective action is taken to change course. This perspective provides a critical view of the direction the City is currently moving and the level, or severity, of actions that may be necessary to change course and prevent the City from experiencing the negative fiscal position that would otherwise result.

The charts on the next page depict the negative impact that the rising costs and revenue restraints anticipated over the next three years are projected to have on the City’s fiscal resources - should no corrective actions be taken.

Assumptions underlying the revenue and expenditure projections on the next page:

- 2008 revenue and expenditure projections are based on current year-end estimates;
- 2009 projections reflect the City’s proposed 2009 budgeted revenues and expenditures;
- 2010 and 2011 expenditures are based on an estimated average increase of 3.5% each year;
- 2010 and 2011 total revenues are projected to increase an average of 3.0% in each year based on the following estimated increases:
 - Property Tax Revenue - 2.0% annually, overall. (1% general increase, per maximum allowed under I-747, plus approximately 1.0% growth each year.);
 - Utility Tax Revenue – 4.5% annually;
 - Sales Tax 3.0% annually; and
 - All other Tax Revenue - 3.0% annually

**GENERAL GOVERNMENT
SEVEN YEAR COMPARISONS***



* **Note:** The above charts are included solely to show the adverse fiscal impacts on the City's General Government Cash Reserves should no action be taken to offset the above revenue and expenditure projections. This is presented for illustrative purposes only, as the City would take proactive, corrective actions to preserve the cash reserve balance.

SUMMARY

The City's 2009 budget is balanced within existing resources, maintains existing essential services and invests in our future. However, the 2009 General Government budget includes approximately \$2 million of cash reserves. As previously stated, management's revenue and expenditure estimates are intentionally conservative and, therefore, staff does not anticipate that the full amount of cash reserves budgeted will ultimately be necessary to achieve a balanced budget. Management's 2008 year-end General Government forecast reflects the use of approximately \$675,000 of cash reserves to maintain a balance budget.

The City recognizes that it may be necessary in the coming years to reduce spending and related services, and/or increase revenues, in order to continue to provide existing critical and essential services to our citizens. With this in mind, Council increased their focus on the City's General Government services and related expenditures in 2006 with the authorization of a Council Budget Committee. The primary focus of this Council Committee is to prepare a plan to ensure the City's ability to provide essential services to our citizens and to ensure the fiscal health and stability of the City into the foreseeable future. This will likely be accomplished by the identification of permanent, ongoing reductions in General Government spending; however, the Committee will also review and evaluate potential new revenue options.

The Council Budget Committee has been meeting regularly for the past two years and is currently focusing their primary attention on developing General Government service priorities. Once developed, these priorities will then be applied to the development of future General Government budgets and operating plans. This will position the City to be prepared to make the difficult decisions regarding budget / service reductions and revenue enhancements in the future, should they become necessary.

The most significant and critical factor that has contributed to the City's current stable financial condition is "demonstrated good financial management" and "good financial policies and practices"; as confirmed by Standard and Poor's, a nationally recognized and independent rating agency, in their report regarding their reasons for upgrading the City's credit rating this past summer. With the City Council's steady hand providing direction and the solid financial oversight of City management, the City is well positioned to weather the financial and economic storms and remain fiscally sound and to continue to provide the critical and essential services our citizens desire and deserve well into the future.

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INTRODUCTION: BUDGET HIGHLIGHTS

This 2009 budget proposal is the result of a process that spans several months and includes detailed, in depth reviews and budget discussions with employees in every department of the City. As part of this process the City Administration and Budget staffs have carefully examined all major spending programs and obligations, and implemented cost savings and expenditure reductions wherever possible without severely jeopardizing essential services.

City staff is continually assessing proposals from various legislative, regulatory and political bodies, citizen initiatives, citizen groups, etc. in an effort to identify, analyze and prepare the City for the impacts that may result should various proposals become a reality. Additionally, staff monitors changes in revenue and expenditure trends that, if continued over time, could reduce the City's ability to continue to provide existing basic and essential services to our citizens. This section incorporates an overview of the proposed 2009 budget with a discussion of known or anticipated significant changes in the City's revenues and/or expenditures and the related impacts thereof on the City's fiscal condition over the next few years.

THIS SECTION IS BROKEN INTO THE FOLLOWING CATEGORIES:

- › Expenditures
- › Major Capital Projects
- › Debt Service Costs
- › Changes in Funding (Budget) Authorization (includes personnel and staffing)
- › Resources

EXPENDITURES

PERSONNEL COSTS

Management implemented a "freeze" on wages and salaries for all employees in 2007. Even though this saved \$1.5 million citywide in the first year alone, 2008 and 2009 wage increases included some "catch-up" All but one of the bargaining units has reached negotiated settlements for 2009, and the total cost, citywide, is approximately \$2.6 million for 2009 over 2008. YPPA remains the only bargaining unit currently without a contract for 2009.

Additionally, the State mandated an unfunded increase in the City's 2009 State retirement plan contributions of approximately 12% or \$350,000 citywide. This comes on top of an 18% increase in 2008 over 2007.

The self insured medical fund experienced a reasonably good claim year in 2008. The rates were adjusted on an average of about 5.5% for 2009, resulting in an additional cost of about \$350,000 citywide.

FUEL

Oil prices continued to hit record high prices per barrel through July, 2008. To be conservative, the 2009 budget contains an estimated increase of 10% or about \$115,000 across all funds in the fuel accounts, although recent oil commodity futures prices indicate the price of oil and gas may be abating. Additionally, the high oil costs also affect other operating supplies, such as asphalt used by the Street department. These effects have been considered in the 2009 Budget Forecast development.

MAJOR CAPITAL PROJECTS

Capital project funds for 2009 are budgeted at approximately \$56.6 million. The 2009 proposed budget includes new capital expenditures and a carryover of ongoing projects previously approved by Council, as follows:

| <u>PROJECT</u> | <u>BUDGETED AMOUNT</u> |
|--|------------------------|
| Water and Wastewater Capital Projects (Including Wastewater Facilities Improvement) | \$7,935,100 |
| Major Street Construction Projects | |
| 66th Avenue and Summitview Signalization | 665,000 |
| Nob Hill Bridge Repair | 2,000,000 |
| 16th Avenue and Washington Reconstruction | 1,358,000 |
| William O. Douglas Trail Enhancement | 696,883 |
| Railroad Grade Separation | 18,800,000 |
| Other Street Projects and Debt Service Payments | 5,754,655 |
| Total Major Street Construction Projects | 29,274,538 |
| Transit Capital | 920,750 |
| City Hall Rehabilitation | 400,000 |
| Parks Capital Improvements | 1,275,000 |
| Fire Capital | 1,618,100 |
| Capitol Theatre Expansion | 9,728,750 |
| Criminal Justice/Capital Expenditures | 1,143,014 |
| Convention Center Capital | 268,000 |
| Central Business District Improvements | 257,235 |
| Irrigation System Improvements | 2,986,700 |
| Stormwater Capital | 325,000 |
| Local Improvement District (LID) Construction | 430,000 |
| TOTAL CAPITAL PROJECTS | \$56,562,187 |

To fund these major projects, the City has:

- Secured grant funding and ongoing, dedicated street funding for a significant portion of the street projects.
- Funded projects through the use of rates, reserves, grants and State loans and the issuance of debt.
- Due to the nature of this category, it tends to fluctuate from year to year. Refer to Section V, Capital Improvements, for more information on the above projects.

DEBT SERVICE COSTS

Most municipal organizations must issue long term bonded debt to finance capital projects and improvements, and Yakima is no exception. This category includes the cost of principal and interest payments on the City's outstanding bonded debt and capital leases.

- 2009 Budget of \$5,785,119; an 14.1% or \$949,376 decrease over the 2008 amended budget of \$6,734,575. This decrease is primarily due to the retirement of three bonded debt issues.

Due to the nature of this category, it tends to fluctuate from year to year. Refer to Section V, Capital Improvements, for more information on the above projects.

CHANGES IN FUNDING AUTHORIZATION

CHANGES IN PERSONNEL / STAFFING

In the 2008 amended budget, there were several positions that were included for only a partial year. Council has already approved these positions, but the conversion from a partial year to a full year will increase the respective budgets in 2009. Following is a summary of these changes:

Stormwater Implementation – After much planning, City Council approved a Stormwater program that is to ramp up over a few years. The new program is being funded by a utility charge billed on the County's property tax billing, therefore, the first major cash receipt wasn't until April, 2008. Because of the timing of the revenue flow and the recruitment process, the 2008 budget included 5 positions (4 in Stormwater and 1 in Wastewater) that were budgeted for a partial years.

Criminal Justice – Because of the increased workload related to the increased growth in Police Department personnel, Council approved the addition of a Deputy Police Chief in 2008, budgeted to start July 1, 2008. Additionally, Council approved a new dispatch position to address growth in the City and related call volumes, to start April 1, 2008.

The 2009 budget includes the full annualized effect of these positions.

2009 PROPOSED ADJUSTMENTS IN PERSONNEL ⁽¹⁾

| FUND/DEPT | DESCRIPTION | No of POSITIONS | BASE SALARY & BENEFITS ⁽¹⁾ | REMARKS |
|-----------------------------------|-------------------------------|--------------------|--|--|
| GENERAL GOVERNMENT | | | | |
| 041-Engineering | City Engineer | .30 | \$43,200 | 2009 Budgeted Policy Issue (other 70% funded by Utilities) |
| TOTAL GENERAL FUND | | <u>.30</u> | <u>\$43,000</u> | |
| 131-Parks & Rec | 3 Positions to Part time | (.23) | (11,500) | Unfunded due to budget constraints |
| 141-Streets & Traffic Eng | Sr. Traffic Sign Specialist | (1.00) | (63,500) | 2009 Budgeted Policy Issue |
| | Traffic Sign Specialist | .50 | 29,750 | Upgrade 2 3/4 time to full time |
| TOTAL GENERAL GOVERNMENT | | <u>(.43)</u> | <u>(2,050)</u> | |
| OTHER OPERATING FUNDS: | | | | |
| 124-Housing | Eliminate ONDS Manager | (1.00) | (107,000) | 2009 Budgeted Policy Issue |
| 151-Public Safety | Public Safety Dispatcher | 1.00 | 60,000 | 2009 Budgeted Policy Issue |
| | Public Safety Lead Dispatcher | 1.00 | 70,000 | |
| 462-Transit | Eliminate Transit Operator | (.75) | (40,600) | Eliminate Union Gap Route |
| 441-Stormwater | Maintenance Specialist II | 2.00 | 94,000 | 2009 Budgeted Policy Issue |
| 473-Wastewater | Eliminate Lab Tech | (1.00) | (67,000) | 2009 Budgeted Policy Issue To offset 55% of City Engineer |
| 474-Water | Water Treatment Operator | 1.00 | 58,700 | 2009 Budgeted Policy Issue |
| Other Utilities | City Engineer | .70 | 100,800 | 2009 Budgeted Policy Issue |
| 515-Risk Management | Legal Assistant II | .50 | 30,000 | 2009 Budgeted Policy Issue |
| TOTAL OTHER OPERATING FUND | | <u>3.45</u> | <u>198,900</u> | |
| TOTAL CITY-WIDE | | <u><u>3.02</u></u> | <u><u>196,850</u></u> | |

(1) Salary and benefits shown reflect impact on 2009 budget only

In the 2009 budget, Management continues to accommodate Federal and State unfunded mandates (as demonstrated by a net increase of 2 positions in Stormwater, Wastewater, and Water utilities) and provide critical public safety and other essential services. In an effort to minimize costs and increase efficiencies, management has increased, decreased and shifted personnel resources in the 2009 budget. The total net effect of these changes is an increase of 3.02 FTE positions at a net cost of \$196,850 in the 2009 budget.

RESOURCES

Total resources consist of the prior year's ending cash balance plus the current year's revenues. Estimates of these two critical elements of the proposed 2009 budget are noted in the following chart.

TOTAL RESOURCES

| | <u>2008</u> ESTIMATE | <u>2009</u> BUDGET |
|---------------------------|-------------------------|-----------------------|
| GENERAL GOVERNMENT | | |
| Beginning Balance | \$8,186,216 | \$7,514,184 |
| Revenues | 57,082,070 | 58,905,780 |
| TOTAL RESOURCES | <u>\$65,268,286</u> | <u>\$66,419,964</u> |
| CITYWIDE | | |
| Beginning Balance | \$52,336,259 | \$49,568,290 |
| Revenues | 163,744,180 | 187,015,870 |
| TOTAL RESOURCES | <u>\$216,080,439</u> | <u>\$236,584,160</u> |

Each of the five resource categories is listed below and discussed on the following pages.

‣ Resource Categories:

- Taxes (Unrestricted and Restricted/Dedicated)
- Intergovernmental and State Shared Revenues
- Charges for Services
- Miscellaneous / Other Revenues and Financing Sources
- Cash Reserves

TAXES

The following items make up the majority of the City's revenues that are derived from taxes: Sales tax, Property tax, Utility tax (including franchise fees and business license fees), Hotel / Motel tax, Gambling taxes, Other taxes (Real Estate Excise taxes, Tourist Promotion fees, etc.) An overview of each of these major revenue sources for the City is provided below. Section III includes a more detailed discussion of tax revenues allocated to General Government operations.

SALES TAX – This category includes General sales tax, Criminal Justice sales tax, Hotel/Motel tax, and Transit sales tax revenues. The total of the proposed 2009 Sales Tax budget is \$23,794,440; an increase of 3.4% over 2008 estimates.

General (Unrestricted) – This revenue is available for any City purpose; however, it is primarily utilized to support General Government activities (e.g.: fire, police, municipal court, finance, human resources, information systems, etc.) and is currently the largest revenue source for the City's General Fund.

- 2009 Budget is \$14,384,000; approximately \$446,000 or a 3.2% increase over the 2008 year-end estimate.
- 2008 Year-end Estimate is \$13,938,000; approximately \$514,731 or 3.8% over actual 2007 levels.

Criminal Justice (Restricted) – This revenue is dedicated to criminal justice related services such as police officers and equipment, prosecuting attorneys, jail costs and Municipal Court costs.

- 2009 Budget is \$3,034,300; approximately \$115,050 or a 3.9% increase over the 2008 year-end estimate of \$2,919,250.

Note: there are two components to the Criminal Justice Sales Tax revenues: (1) a 1992 voter approved sales tax of 0.1% and (2) a 2004 voter approved sales tax of 0.3%. Both of these taxes are authorized exclusively for criminal justice purposes. (Refer to Section III for a more detailed discussion of this critical revenue source to the City.)

Hotel / Motel Tax (Restricted/Dedicated) – Consists of a 2% distribution of State Sales Tax and 3% local option Hotel/Motel Tax; both dedicated for Tourist Promotion and related debt service.

- 2009 Proposed budget is \$1,278,140; an increase of \$46,000 or 3.73% over the 2008 year-end projection.

Breakdown of 2009 revenue projection:

- \$766,884 - 3% Local Option,
- \$511,256 - 2% State credit; this revenue is dedicated to the payment of debt service on the Convention Center bonds. Tax is scheduled to sunset when all bonds to which this revenue source are pledged, are retired.

Transit Service (Restricted) – Approved by the voters, this revenue is legally restricted to providing transit services and related costs.

- 2009 Budget is \$5,098,000; approximately \$172,000 or 3.5% increase over 2008 year-end estimate.
- 2008 Year-end Estimate is \$4,926,000; approximately \$188,767 or 3.8% increase over 2007 actual levels.

Sales Tax Issues / Comments

Revenue Stability – Due to annexations and strong construction activity over the past few years the city has benefited from stronger than average sales tax revenues. However, new construction has been slowing nationally and is not anticipated to continue at its current pace. Sales tax revenue is a critical revenue source for the city, as it is nearly 24.4% of total general government revenue. However, even strong growth in this significant revenue source is not expected to be sufficient to sustain existing essential services in the future given the much weaker growth in other critical City revenues.

Streamlined Sales Tax – For the past few years, there has been a move underway in the State Legislature to change the basis on which local sales tax revenues are collected/ distributed. In 2008, legislation, known as Streamlined Sales Tax (SST), was passed by the State Legislature which changes sales tax from an origin based to a destination based collection model. This means that taxes on delivered goods would be collected at the point of destination rather than at the point of sale (origin). Washington has used the origin based model until the legislature passed Streamlined Sales Tax reform, effective July, 1st 2008.

The City has worked closely with other cities around the State to ensure that any SST bill passed by the State of Washington includes full mitigation for any revenue losses that would occur to cities, counties and other impacted jurisdictions as a result of changing to a destination based Sales Tax model. This effort was successful; 100% mitigation is included in the SST legislation. However, it is extremely difficult to estimate the impact of the SST legislation on the City's Sales tax revenue. When this legislation was first introduced, the State Department of Revenue (DOR) estimated the impact on the City would be a loss of several hundred thousand dollars; however, a second study by the DOR resulted in an estimated small gain to the City. The City currently anticipates little change (gain or loss) in annual sales tax revenue as a result of the SST legislation. However, should this legislation result in a loss of revenues to the City, there would be a negative impact on the City's 2008 revenues due to a one calendar quarter lag in the distribution of mitigation funding during the transition from the origin to the destination based model.

PROPERTY TAX – The total of the proposed 2009 Property Tax Levy (budget) is \$15,500,765; this includes both General Purpose and Special Purpose (voted) Property Taxes.

General Purpose (Unrestricted) – This is the second largest revenue source for the City's General Fund (second only to general sales tax revenues discussed above) and supports basic services such as Police, Fire, Streets, Parks, Finance and the like.

- The 2009 budget for City-wide general-purpose property tax is approximately \$15.23 million, 2.2% increase over the 2008 year-end estimate of \$14.9 million.
- City Administration is proposing a 1% increase in the property tax levy, as currently allowed by state law, or approximately \$149,000 budgeted revenue increase. Additionally, staff projects new construction revenues to be another 1% or \$150,000, for a total 2.0% increase.

Special Purpose (Restricted) – The 2009 proposed budget includes \$268,000 in Special Purpose Property Taxes; previously approved by voters to pay the debt service on the 1995 Fire Bonds.

UTILITY TAXES, FRANCHISE FEES AND BUSINESS LICENSE TAXES – This category includes revenues from Utility Taxes, Franchise Fees and Business License Taxes. Utility Taxes are the third largest revenue source for the City's General Government Funds (after sales and property tax revenues).

- 2009 City-wide Budget is \$13,419,716 (see restricted/unrestricted break-out below.)

Utility Taxes (Unrestricted) – Utility taxes and Franchise fees are imposed on private and public utilities and make up the majority of this revenue (approximately \$11.7 million); a small portion of the unrestricted revenues comes from the business license tax (\$.5 million). Although revenues from the business license fees are not legally restricted, a portion of which are dedicated to pay the debt service on the Sundome bonds.

- 2009 General Government budget is \$12,182,716; \$397,516 or 3.37% above the 2008 year-end estimate of \$11,785,200.

Utility Taxes (Restricted) – Cable TV; this category includes a franchise fee and utility tax on Cable TV services. These revenues are dedicated to: Criminal Justice related debt service and capital needs, the Capitol Theatre, and Community Relations Division operations - public communications.

- 2009 Proposed Budget is \$1,237,000 or .8% above the 2008 Year-end estimate of \$1,227,000.

OTHER TAXES – This category includes revenues from Gambling tax, Real Estate Excise Taxes (REET) 1& 2, the Tourist Promotion fee and other minor miscellaneous tax revenues.

- 2009 proposed budget is \$2,557,250; a \$11,400 or .4% decrease from the 2008 year-end estimate of \$2,568,650.

Gambling Tax Revenues (Unrestricted) – This category includes revenue from card rooms, bingo, punch-boards and pull-tabs.

- 2009 Proposed Budget of \$931,750 is virtually the same as the 2008 year-end estimate of \$918,400. Revenues from this source appear to have peaked and are beginning to trend down slightly from their higher levels of recent years. (See further discussion in Section III).

Real Estate Excise Tax (REET) (Restricted) – The City imposes a total of 0.5% tax on real estate sales. Low interest rates, spurring new construction of homes, and strong existing home sales have boosted this revenue source in recent years. However, current turmoil in the credit markets has caused a contraction both in new construction and existing home sales nationally. Average home prices are falling and it has become difficult for buyers nation-wide to obtain affordable mortgages. Yakima, however has shown surprising resiliency to these negative influences as average home prices and volume of sales reveal only modest contraction thus far. It can only be speculated at this time how long the difficulties in the housing market will last nationally, or, if conditions in Yakima will deteriorate any further. Yakima has a uniquely stable economy due to its solid agricultural base and central location in Washington State, which may well insulate it from many of the housing related difficulties being suffered by much of the rest of the nation.

- The total 2009 proposed budget is \$1.6 million; \$200,000 below the 2008 budget of \$1.8 million, but down slightly from the 2008 year-end forecast of \$1.62 million. (Each .25% excise tax is expected to generate approximately \$800,000).

The total 0.50% Real Estate Excise tax consists of:

- The first 0.25% was imposed in 1986 and is restricted to use on Public Works capital projects.
- The second 0.25% excise tax became effective January of 2004; these revenues are restricted to capital projects included within the growth management capital facilities plan.

Tourist Promotion Area (TPA) (Restricted) – In 2003, at the request of the local hotel and motel organizations - City Council established a Tourist Promotion Area (TPA) and imposed TPA fees to over-night guest stays. The revenue generated by this fee is restricted to tourist promotion activities and is expected to generate approximately \$405,088 in 2009. The revenue is restricted to enhancing tourism activities.

Tax Revenue Summary – General government funds receive approximately 76% of their unrestricted revenues from taxes. Although tax growth approximates inflation, the cost of providing services to the expanded city is growing at a faster rate. (August 2008 All Urban Consumer CPI-U, U.S. City Average is 5.4%, per the Bureau of Labor Statistics, for the Seattle-Bremerton-Tacoma area.)

INTERGOVERNMENTAL AND STATE-SHARED REVENUES

This category includes revenues to the City from State and Federal grants; that portion of revenues collected by the State that are allocated to the City and restricted local government assistance funding.

- 2009 Budget is \$37,592,290; 17.25% or \$5,531,183 above the 2008 amended budget of \$32,061,107. Grants associated with the Railroad Grade Separation project are increasing by almost \$9 million between years, as the project is moving into construction phase in 2009. (Note: Due to the types of revenues included in this category, it can fluctuate significantly from year to year.)

The major revenue sources in this category include:

- Federal Housing and Urban Development (HUD) - Community Development Block Grant. (CDBG) for 2009 is \$1,620,091.
- State gas tax: 2009 budget is \$1,950,000. This tax is dedicated to city streets and is distributed by the state based on a predefined formula.
- Liquor Profits /Excise Tax: Combined 2009 Budget is \$1,039,500; \$40,500 above the 2008 year-end estimate and \$41,500 above the 2008 budget of \$998,000. A portion

of this revenue is restricted to substance abuse programs. As this is a per capita distribution, recent annexations positively affect this revenue source.

- Federal Transit Administration: 2009 budget is \$1,650,000; the same amount as the year-end estimate. This money is operating assistance dedicated to the City's transit system.
- State Transportation Improvement Board (TIB), Federal Highway Administration (FHA), and State Department of Transportation (WSDOT) funding make up most of the rest of this category.

CHARGES FOR SERVICES

This category of revenues includes charges for more than 100 different services provided by the City that are partially or primarily supported by the users of those services, (example utility rates charged to utility customers.)

- 2009 Budget is \$38,654,686; 5.76% or \$2,105,846 over the 2008 amended budget of \$36,548,840.

Note: the above revenues include the continuation of issues for: 2008 approved policy: (1) 5.5% water rate and (2) 3.5% increase rate for Wastewater.

MISCELLANEOUS / OTHER REVENUES AND FINANCING SOURCES

Revenues grouped into this category include; inter-fund operating transfers (2009: \$13.57 million); debt proceeds (2009: estimated to be \$7.5 million); licenses and permit revenues (2009: \$1.47 million), convention center operating revenues; assessments, such as Local Improvement District (LID), Parking and Business Improvement Area (PBIA), and Stormwater; interest earnings; utility connection charges; and other miscellaneous revenues. (License / permit revenues include charges for building, plumbing, mechanical and sign permits, dog licenses, wastewater discharge permits and other similar miscellaneous revenues.)

- 2009 Budget is \$55,091,635; 5% or \$2,600,611 above the 2008 amended budget of \$52,491,024. The increase is primarily due to the Capitol Theater expansion project private contribution of \$2,300,000.

Due to the types of revenues included in this category, it tends to fluctuate from year to year.

CASH RESERVES

Total City resources consist of revenues (discussed above) and reserves. Prudent fiscal management dictates that reserves be budgeted to prepare the city for potential shortfalls in revenue projections, unbudgeted policy issues which Council may approve, unanticipated expenditure requirements during the budget year and/or other contingencies.

The City endeavors to maintain operating reserves for general government activities in an amount equal to approximately one month's operating budget expenditures, (i.e.: approximately 7% to 8%). The 2009 year-end cash balance (reserves) in general government is projected at 8.37% of the 2009 general government expenditures. On average, operating budgets of other funds (i.e.: funds for non-general government activities such as utilities, economic development, etc.) maintain an operating reserve of one to three months of their operating costs, subject to some one-time expenditures, as necessary, from time to time.

2009 year-end reserves for all funds are projected to be approximately \$32.3 million, as noted in the following chart.

| <u>CATEGORY</u> | <u>RESERVES</u> |
|---|---------------------|
| General Government Funds (incl.: Police, Municipal Court, Fire, Engineering, Finance, Streets, Parks, etc.) | \$5,475,000 |
| Other Operating and Enterprise Funds | 10,328,000 |
| Capital Improvements | 5,765,000 |
| Contingency / Operating | 1,476,000 |
| Employee Benefit | 5,502,000 |
| Trust and Agency | 569,000 |
| Debt Service | <u>3,201,000</u> |
| Total | \$32,316,000 |

Each year the City budget, as a whole, includes cash reserves, most of which are limited to a specific purpose(s); see further information, below, regarding restrictions and dedications of reserve funds. (Refer to Exhibit I for more information on reserve funds.)

RESERVE RESTRICTIONS / DEDICATIONS – The City maintains reserves for many different purposes; some reserve funds are available for emergencies and unanticipated expenditure needs during the year and other reserves are legally or contractually restricted and may only be used for a specific purpose (such as the repayment of debt; support of a specific construction project; payment of retirement expenses and so on.) The dedications and restrictions, if any, on reserves, are noted below.

General Government Reserves – This category is made up of reserves for the general fund, parks fund and the street fund. General fund reserves are primarily unrestricted and maintained to offset unanticipated reductions in revenues, unanticipated expenditures and other emergencies. Parks and Street funds reserves are restricted to operations and maintenance costs within these funds.

Operating and Enterprise Reserves – (1) Operating reserve funds are special revenue funds, which, by law or legislation, are restricted to the operations, maintenance and capital costs for a designated purpose; (example, grants for economic development; assessments on local businesses for parking and business improvements, etc.) NOTE: there may be a small portion of funds in this category which are not legally restricted; (2) Enterprise reserves are generated from revenues received for transit services or from refuse, water and irrigation or wastewater utilities; a separate fund is set up to

track revenues and expenditures for each of these services. Reserves in these funds are restricted in use to the operation and maintenance needs of the specific fund from which they were generated.

Capital Improvement Reserves – – Capital funds are established, by law, to account for the receipt and disbursement of moneys used for the acquisition of capital. Reserves are built up over time to support capital improvements and are designated either for payments on the debt of past improvements or to build a reserve to cover the cost of future improvements.

Contingency and Operating Reserves – These funds include (1) a general contingency fund which is available to cover emergencies and unanticipated expenditures in any fund within the City; although they are primarily designated to cover contingencies in the General Government Funds; (2) a Capitol Theatre reserve fund of approximately \$542,000. This fund was originally established from a \$1 million endowment; the interest on which is utilized for, and restricted to, operating and maintenance costs of the Theatre. During 2008, a portion of the original endowment was utilized to help fund major capital improvements to the Capitol Theatre, therefore the level of the reserve fund has been reduced; (3) a Risk Management reserve fund which covers the City's stop loss insurance costs, excess costs of claims, insurance / professional services costs and other miscellaneous "risk –management related" costs.

Employee Benefit Reserves – Funds in this category are designated for the payment of unemployment compensation, employee health benefits, workers' compensation, employee wellness, and Firemen's relief and pension costs. (NOTE: The City is self insured for the above costs and is required to pay claims as they arise. Therefore it is prudent to keep reserves at a level adequate to pay all claims as they become due.)

Trust and Agency Reserves – ((1) Trust fund reserves are restricted to the purpose(s) for which the trust or endowment was originally designated (for example, cemetery trust fund requires interest on the endowment to be used for operating and maintaining the cemetery; the principal may not be utilized for any purpose); (2) Agency fund reserves are established as "pass through funds" for the purpose of providing payments to a third party and carry a zero balance—the City does not currently have an agency fund.

Debt Service – These funds are restricted to the repayment of debt.

The State of Washington has a law which provides that "one fund cannot benefit" another fund. State law also establishes the rule that a "fund" or a self-balancing set of records be established if revenue sources are restricted for specific purposes. This rule enforces the concept that money collected for a specific purpose must be used for that purpose. (For example, the utility funds are self-supporting; the rates charged are designed to recover the costs of providing the utility services. Therefore, these funds may not be used for police or firefighters.)

Reserves are generally built up over time; they are non-recurring, and once they're spent they're gone (i.e., there is no revenue source that will automatically fund these reserves once they are spent.)

WHAT YOU PAY AND WHAT YOU GET

This section is presented to assist the reader in understanding the taxes they pay, what governmental entity receives those tax revenues and how the City spends their allocated portion. Enclosed, you'll find charts and graphs which identify how much of the taxpayers' dollar comes to the City and what percentage of the City's total revenues each type of tax/charge represents. Also included is (a) an outline of the City taxes and utility charges collected from a typical Yakima household; (b) a depiction of how those revenues are then distributed between the various City services/functions and (c) the amount a typical four-person household pays for these services.

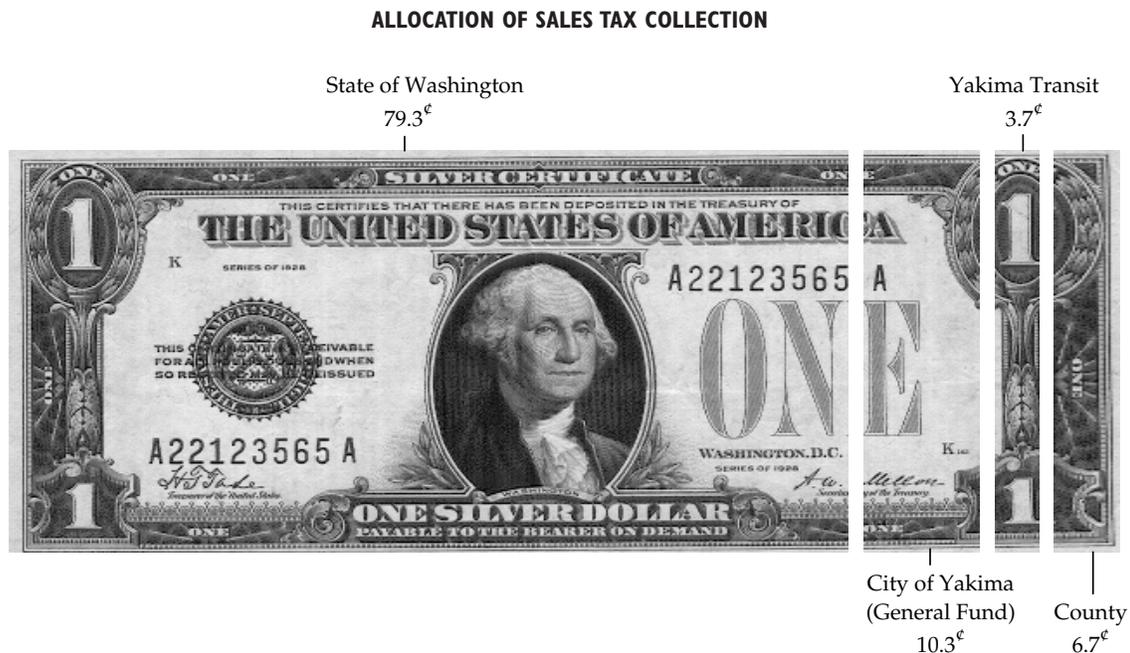
MAJOR TAXES PAID

SALES AND USE TAX

There is a 8.2% sales tax charged on the sale of goods within the City. The vast majority of this revenue is allocated to the State, not the City. The State receives 6.5% while the City receives .85% for the general fund and an additional 0.3% that is restricted for transit services, and .15% goes to the County, and .40% represents county wide taxes for Criminal Justice that is allocated between Cities and the County. (Refer to the following chart for a complete detailed listing of how this revenue is allocated.)

Following is an example of how the sales taxes paid by the consumer are allocated between the City and the State. Based on the assumption that a family with a taxable income of \$40,000 will spend \$10,000 on items on which sales tax will be applied, they will pay approximately \$820 in sales taxes annually. Of this amount, 14.0% or approximately \$115 goes to the City (\$85 or .85% for general fund and \$30 or 0.3% for transit services).

The following chart depicts how much of each dollar of sales tax revenue is allocated to the State, the City and the County.



SALES TAX RATES WITHIN YAKIMA CITY LIMITS
(in descending order by total allocation)

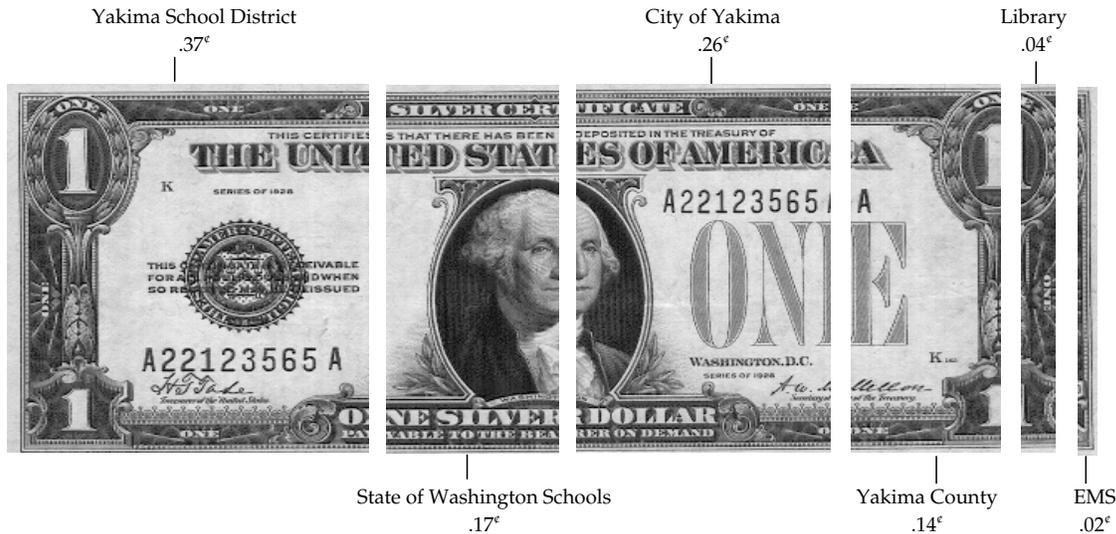
| | RATE | % OF TOTAL | EXAMPLE (\$100 SALE) |
|---|--------------|-------------|-------------------------|
| State of Washington | 6.50% | 79.3% | \$6.50 |
| City of Yakima (General Fund) ⁽¹⁾ | 0.85% | 10.3% | \$0.85 |
| Yakima Transit | 0.30% | 3.7% | \$0.30 |
| Yakima County (Current Expense Fund) ⁽¹⁾ | 0.15% | 1.8% | \$0.15 |
| Yakima County Criminal Justice ⁽²⁾ | 0.40% | 4.9% | \$0.40 |
| TOTAL SALES TAX RATE IN CITY LIMITS | 8.20% | 100% | \$8.20 |

(1) The City charges 1%; however, the county receives .15% of the cities' sales tax collections.
(2) This tax is allocated among the cities and the county to support Criminal Justice uses.

PROPERTY TAXES

The total property taxes paid by property owners within the City of Yakima include taxes levied by several governmental entities: the State, School Districts, Special County-wide voted levies and the City's general and special voter approved levies. The percentage of the total property taxes levied by, and allocated to, each individual governmental entity will change slightly from year to year. The City's portion is generally under 30% of the total amount collected. (Refer to the graph and chart below for how the 2008 property taxes were allocated between these governmental entities.)

2008 PROPERTY TAX DISTRIBUTION



CITY OF YAKIMA PROPERTY TAX – In 2008, a typical City resident pays approximately \$11.75 per thousand of assessed value on property taxes. Only \$3.01, or about 25.7% goes to the City, with the balance divided between the County, schools, and other special districts.

DESCRIPTION OF HOW PROPERTY TAXES ARE LEVIED – The following explanation is included to help the reader understand how property taxes are assessed to the individual property owners. To aid in this explanation, three commonly used terms must be understood. They are Property Tax Levy, Property Tax Rate and Assessed Value.

Property Tax Levy – is the total amount of money that is authorized to be collected.

Property Tax Rate – is the property tax amount that will be applied to every \$1,000 of assessed value; the rate is determined by simply dividing the levy amount by the total assessed value amount and dividing that number by 1,000.

Assessed Value – is the total value, as determined by the County Assessor’s Office, of all property within the City.

In other words, an increase in assessed value does not affect the total amount levied or collected by the governmental entity. Nor does it automatically affect the amount the property owner must pay. The dollar amount of the levy is restricted by law – the assessed value is simply the means to allocate the total dollars among the property owners. A change in one property owner’s assessed value will affect his/her property tax bill only if the change is significant enough to change that property owner’s percentage of the total assessed value of all property within the taxing districts. (Example: if the amount of property tax levied does not change from one year to the next, and every property owner’s assessed value goes up 3%, there will be no change in the property tax owed by any of the property owners. This is due to the fact that everyone’s assessed value increase by the same amount; therefore, every property owner’s percentage of the total tax levy remained the same.)

**PROPERTY TAX CODE AREA #334 (YAKIMA SCHOOLS) - CONSOLIDATED LEVY AND RATES
2007 ASSESSED VALUATION - 2008 TAX YEAR**

| PROPERTY TAX LEVY | 2007 RATE | AMOUNT 2008 LEVY | PERCENT OF LEVY |
|-----------------------------|----------------------|---------------------------------|--------------------------------|
| CITY LEVY | | | |
| General Fund | \$1.472 | \$7,510,918 | |
| Parks & Recreation | .352 | 1,800,000 | |
| Street & Traffic Operations | .827 | 4,220,202 | |
| Firemen’s Relief & Pension | .304 | 1,551,730 | |
| Total Operating Levy | \$2.955 | \$15,082,850 | 25.2% |
| Total Bond Levy | 0.058 | 294,000 | 0.5% |
| TOTAL CITY LEVY | \$3.013 | \$15,376,850 | 25.7% |
| OTHER LEVIES | | | |
| School District #7 | | | 37.3% |
| Operation & Maintenance | \$2.741 | \$13,809,020 | |
| Bond Redemption | 1.636 | 8,242,582 | |
| State Schools | 2.027 | 10,348,490 | 17.3% |
| Library | 0.462 | 2,357,684 | 3.9% |
| Yakima County | 1.498 | 7,644,224 | 14.0% |
| Yakima County Flood Control | 0.087 | 446,117 | |
| Juvenile Justice Bond | 0.063 | 317,449 | |
| EMS Levy | 0.219 | 1,115,803 | 1.9% |
| TOTAL OTHER LEVIES | \$8.733 | \$44,281,369 | 74.3% |
| TOTAL LEVY CODE #334 | \$11.746 | \$59,658,219 | 100.00% |

CITY TAXES AND UTILITY CHARGES

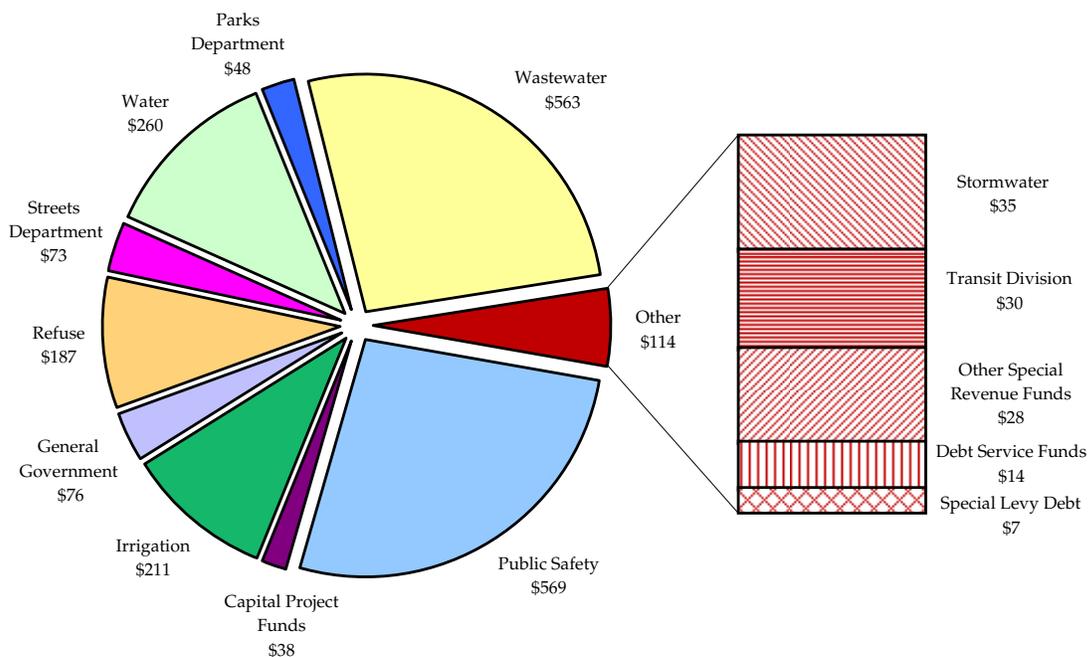
The taxes and utility charges shown in the following charts are only those directly levied by the City. In the cases of sales and property taxes, the 2 major taxes paid directly by Washington residents, only a small portion of the total tax belongs to the City.

To illustrate what a typical household might pay, the following assumptions were made. Property tax based on \$120,000 home; Sales tax based on \$42,000 annual income and \$10,500 taxable purchases; Utilities based on 96 gallon can for Refuse, 1,300 cubic foot monthly consumption for Water/Sewer; Irrigation for 7,000 square foot lot; Stormwater based on impervious surface; Gas/ electricity \$2,400, telephone \$960, cable television \$600. Based on these assumptions, a typical household in Yakima paid approximately \$178 a month, or \$2,139 a year, as depicted in the following charts.

**ANNUAL TAXES AND UTILITY CHARGES LEVIED
BY THE CITY OF YAKIMA ON THE TYPICAL HOUSEHOLD FOR 2008**

| <u>REVENUE</u> | <u>RATE PER 1,000</u> | <u>COST PER HOUSEHOLD</u> |
|--|-----------------------|---------------------------|
| Property Taxes - General | \$2.955/1,000 | \$355 |
| Special Levy Property Taxes | \$0.058/1,000 | 7 |
| Sales Taxes - General | | 121 |
| Transit Sales Tax | | 30 |
| Tax on City-owned Utilities - General | | 132 |
| Tax on Private Utilities - General | | 238 |
| Water, Wastewater and Refuse Utility Charges (excluding Utility Tax) | | 1,010 |
| Stormwater | | 35 |
| Irrigation Assessment | | 211 |
| TOTAL ANNUAL CITY TAXES, UTILITIES AND ASSESSMENT CHARGES | | \$2,139 |

**CITY TAXES AND UTILITY CHARGES
COST TO TYPICAL HOUSEHOLD – \$2,139 ANNUALLY**



GENERAL GOVERNMENT REVENUE

The total 2009 proposed General Government Revenue Budget is approximately \$58.9 million.

The following chart breaks this dollar amount down by the source of the revenue. You'll note that three revenue sources – sales tax, property tax and franchise and utility taxes – generate over 72% of the total general fund revenues.



Note: The term “General Government” refers to basic tax-supported functions. The major functions included in this category are: Police, Fire, Streets and Traffic Operations, Parks and Recreation and Code Administration services. These functions use about 84.9% of General Government revenues. Other administrative services include Information Systems (i.e. computer support), Legal, Finance, and Human Resources – services necessary for any organization to function.

GENERAL GOVERNMENT EXPENDITURES

The following chart depicts the breakdown of the proposed 2009 general government expenditure budget. This breakdown identifies that the City spends over 60% (or approximately \$39.6 million) of its available resources on providing public safety services (Police, Municipal Court, Fire, Code Enforcement and Dispatch services). Additionally, the City allocates over 9.9% of its resources to maintaining and operating the Streets and Traffic Systems and another 7.2% to provide Parks and Recreation programs and services. Providing the existing services in these four basic categories takes nearly 82.1% of all the City’s available general government resources.

Providing the services in these four critical areas is labor intensive; approximately 72.2% of these costs are personnel related. Therefore, any significant budget reductions in these areas will require a reduction in personnel and the related services these individuals perform. Conversely, any significant reductions in the overall general government budget that do not include these four largest areas of the budget will severely limit the services the remaining departments will be able to provide (i.e.: Finance and Legal, Community Planning and Project Engineering; Administration and the Library).

Breaking down the City’s general government budget by these major service areas and identifying the percentage of each available dollar that the City allocates to each of these areas provides the reader with a visual picture of where the focus and priorities of the City have been placed. Additionally, this chart will assist the reader in understanding the difficult challenges facing the City should it become necessary to implement a significant reduction in the City’s proposed budget without affecting the public safety budget and services.

**GENERAL GOVERNMENT EXPENDITURES
(BASED ON 2009 BUDGET OF \$60.9 MILLION)**



ALLOCATION OF EXPENDITURES

Following is a detailed analysis of the City of Yakima’s local tax structure. This analysis shows the various sources of City revenue and identifies what type of services these revenues will fund in 2009. Additionally, this analysis reflects the cost of each of these services to a typical household.

The non-tax funding sources identified include all sources except directly levied taxes (shown in the adjacent column) which are property, sales and utility taxes. The non-local tax amounts are made up of direct charges for services, state shared revenues, grants, interfund charges, beginning balances, and other miscellaneous sources.

Municipal public safety services consume the greatest share of local taxes, \$569 per household per year, or 67.1% of the total general taxes paid. Other General Government services cost \$76 per household annually, or 9.0%. Streets and Parks together cost \$121 per household annually, or 14.5% of general taxes paid.

The utilities combine to cost approximately \$1,010 annually per household. (Many of the costs included in the budgets of the utilities fund State and Federal mandates that local citizens must pay.)

ALLOCATION OF TAXES AND UTILITY CHARGES
(BASED ON 2009 PROPOSED BUDGET - BUDGET NUMBERS IN THOUSANDS)

| | 2009 PROPOSED BUDGET | NON-TAX FUNDING SOURCES | LOCAL TAXES | ALLOCATION OF TAXES COLLECTED | HOUSEHOLD TYPICAL COSTS ⁽¹⁾ | 2009 PERM. BUDGETED POSITIONS |
|---|-------------------------------------|--|------------------------|--|---|--|
| LOCAL DIRECT GENERAL PURPOSE TAX SUPPORTED FUNCTIONS | | | | | | |
| Public Safety (Police Fire & Pensions) | \$40,109 | \$6,340 | \$33,769 | 67.1% | \$569 | 324.50 |
| General Government | 16,221 | 11,688 | 4,533 | 9.0% | 76 | 139.29 |
| Streets Department | 6,046 | 1,732 | 4,314 | 8.6% | 73 | 43.00 |
| Parks Department | 4,378 | 1,504 | 2,874 | 5.7% | 48 | 25.60 |
| Other Special Revenue Funds | 3,637 | 1,946 | 1,691 | 3.4% | 28 | 16.34 |
| Debt Service Funds | 2,451 | 1,607 | 844 | 1.7% | 14 | 0.00 |
| Capital Project Funds | 21,583 | 19,297 | 2,286 | 4.5% | 38 | 0.00 |
| LOCAL DIRECT SPECIAL PURPOSE TAX SUPPORTED FUNCTIONS | | | | | | |
| Special Levy Debt | 475 | 207 | 268 | | 7 | 0.00 |
| Transit Division | 8,404 | 3,306 | 5,098 | | 30 | 50.50 |
| NON-LOCAL TAX SUPPORTED FUNCTIONS | | | | | | |
| Street Construction | 26,777 | 26,777 | 0 | | 0 | 0.00 |
| Refuse-18,767 Residential accounts | 4,676 | 4,676 | 0 | | 187 | 19.00 |
| Wastewater-22,591 Residential accounts | 24,698 | 24,698 | 0 | | 563 | 63.94 |
| Water-17,349 Residential accounts | 9,973 | 9,973 | 0 | | 260 | 30.98 |
| Equipment Rental | 6,181 | 6,181 | 0 | | 0 | 11.85 |
| Public Works Administration | 1,199 | 1,199 | 0 | | 0 | 9.05 |
| Self-insurance Reserve | 4,956 | 4,956 | 0 | | 0 | 0.00 |
| Employee Benefit Reserve | 9,515 | 9,515 | 0 | | 0 | 0.00 |
| Irrigation-10,541 Residential accounts | 6,094 | 6,094 | 0 | | 211 | 9.19 |
| PBIA | 208 | 208 | 0 | | 0 | 0.00 |
| Storm Water | 2,127 | 2,127 | 0 | | 35 | 9.56 |
| TOTALS | \$199,708 | \$144,031 | \$55,677 | 100% | \$2,139 | 752.80 |

(1) Based on 2009 cost for a typical four-person household: Property tax based on \$120,000 home; sales tax based on \$42,000 annual income and \$10,500 taxable purchases; utilities based on 96 gallon can for refuse, 1,300 cubic foot monthly consumption for water/sewer; irrigation for 7,000 square foot lot; gas/electricity \$2,400, telephone \$960, and cable TV \$600.

TAX BURDEN – FEDERAL VS. LOCAL

The Tax Foundation of Washington D.C., publishes a Special Report each April, called “America Celebrates Tax Freedom Day”. This is when Americans will have earned enough money to pay off their total tax bill for the year. Taxes at all levels of government are included, whether levied by the federal government or state and local governments. Tax Freedom Day in 2008 fell on April 23rd, three days earlier than it did in 2007. Tax Freedom Day was on April 26th and April 23rd in 2006 and 2005, respectively. On average in 2008, Americans will work 74 days to afford their federal taxes and 39 more days to afford state and local taxes.

According to the Foundation’s report, “Tax freedom has been a see-saw affair in recent years. In 2000, Tax Freedom Day was celebrated May 3rd, the latest date ever. Then a string of tax cuts between 2001 and 2003 pushed Tax Freedom Day up by more than two weeks, so that it fell on April 16th in 2003 and April 17th in 2004. For the next three years, incomes and tax collections soared, pushing Tax Freedom Day back to April 26th in 2007. Now the stimulus rebates and a projected slowing of income growth have made Tax Freedom Day come three days earlier, on April 23rd.”

Since 1977, state and local tax burdens have risen and fallen from a high of 10.4% in 1994 down to 8.9% in 2008. The report indicates that Washington State is ranked 5th highest in the nation for federal per capita taxes paid in 2008. However, it is ranked 35th in the nation for state and local taxes per capita. This demonstrates that Puget Sound, with a higher cost of living and commensurately higher salaries, generated high federal income tax payments. (Some of the wealthiest people in the world live in Washington State.) It also demonstrates how small the state and local tax burden is in comparison to the total taxes paid – at less than one third of the total tax burden.

For the most part, local taxes cost the least and provide citizens with the services they need and care about the most – they have the most direct bearing on their quality of life. This is also the level where citizens are most empowered to affect government policy and monitor accountability. There are per capita comparisons presented in the Budget, which contrasts the City of Yakima with other similar cities in Washington State. Yakima is consistently below the average in per capita taxes.

GENERAL GOVERNMENT: YEAR IN REVIEW

General Government is the term used to describe basic tax-supported activities, which are included in three funds:

GENERAL FUND

Services provided include; police, fire, code enforcement, planning, legal, municipal and district courts, financial services, purchasing, information systems, etc.

- 2008 Year-end revenue estimate is \$47,228,705 – \$2,174,060 or 4.8% over actual levels for 2007, slightly less than the rate of inflation.
- 2008 year-end expenditure estimate is \$47,545,767 – \$926,463 or 1.9% under the authorized, amended budget of \$48,472,230, due largely to savings in outside jail costs in the Police Department, overtime savings in Police and Fire and salary savings from position vacancies

PARKS AND RECREATION FUND

Services provided include Parks programs and maintenance.

- 2008 year-end revenue estimate is \$4,233,168 – \$4,103 or 0.1% over the actual levels for 2007 – virtually flat. There were several fluctuations in revenue sources demonstrating less reliance on property taxes and higher program income in many areas, netting to little overall change.
- 2008 year-end expenditure estimate is \$4,349,657 – \$71,250 or 1.6% under the 2008 amended budget. The modest decrease is related mostly to salary savings from position vacancies.

STREET FUND

Street and Traffic operations and maintenance.

- 2008 year-end revenue estimate is \$5,620,197 – \$53,501 or 1% less than actual levels for 2007. This decrease is explained primarily by reduced gas tax revenue.
- 2008 year-end expenditure estimate is \$5,858,678 – \$355,155 or 5.7% under the 2008 amended budget. The expenditure savings result primarily from salary savings due to unfilled positions (including the Streets Manager for most of the year).

2008 GENERAL GOVERNMENT ESTIMATED REVENUES AND EXPENDITURES

| | GENERAL FUND | PARKS AND RECREATION FUND | STREET FUND | TOTAL |
|---|---------------------|--------------------------------------|------------------------|--------------------|
| ACTUAL BEGINNING BALANCE | \$6,250,708 | \$549,439 | \$1,386,069 | \$8,186,216 |
| Estimated Actual Revenue | 47,228,705 | 4,233,168 | 5,620,197 | 57,082,070 |
| TOTAL ESTIMATED RESOURCES | 53,479,413 | 4,782,607 | 7,006,266 | 65,268,286 |
| Less: Estimated Expenditures | 47,545,767 | 4,349,657 | 5,858,678 | 57,754,102 |
| ESTIMATED ACTUAL ENDING BALANCE 2008 | \$5,933,646 | \$432,950 | \$1,147,588 | \$7,514,184 |

**GENERAL GOVERNMENT COMPARISON
2008 BUDGET VS. YEAR-END ESTIMATE**

| FUND/DEPARTMENT | 2008 | 2008 | VARIANCE | YEAR-END EST. |
|---------------------------------|---------------------|---------------------|--------------------|----------------------|
| | AMENDED BUDGET | YEAR-END ESTIMATE | | AS PERCENT OF BUDGET |
| Police | \$21,325,811 | \$20,855,954 | \$469,857 | 97.8% |
| Fire | 8,443,241 | 8,431,972 | 11,269 | 99.9% |
| Information Systems | 2,844,751 | 2,841,910 | 2,841 | 99.9% |
| Transfers | 2,342,535 | 2,317,130 | 25,405 | 98.9% |
| Code Administration | 1,645,403 | 1,620,995 | 24,408 | 98.5% |
| Police Pension | 1,412,950 | 1,350,521 | 62,429 | 95.6% |
| Legal | 1,354,666 | 1,364,741 | (10,075) | 100.7% |
| Financial Services | 1,453,768 | 1,439,025 | 14,743 | 99.0% |
| Municipal Court | 1,289,964 | 1,211,943 | 78,021 | 94.0% |
| Engineering | 1,154,964 | 1,097,201 | 57,763 | 95.0% |
| Utility Services | 1,091,136 | 1,054,353 | 36,783 | 96.6% |
| Environmental Planning | 737,706 | 731,261 | 6,445 | 99.1% |
| Records | 490,224 | 420,551 | 69,673 | 85.8% |
| City Manager | 488,608 | 488,174 | 434 | 99.9% |
| Human Resources | 465,627 | 455,619 | 10,008 | 97.9% |
| City Hall Maintenance | 418,299 | 405,187 | 13,112 | 96.9% |
| Indigent Defense | 385,000 | 375,000 | 10,000 | 97.4% |
| Purchasing | 271,231 | 263,617 | 7,614 | 97.2% |
| Intergovernmental | 288,685 | 286,660 | 2,025 | 99.3% |
| City Council | 204,961 | 204,803 | 158 | 99.9% |
| Sun Dome | 150,000 | 150,000 | 0 | 100.0% |
| State Examiner | 103,000 | 100,000 | 3,000 | 97.1% |
| Hearing Examiner | 71,000 | 51,000 | 20,000 | 71.8% |
| Probation Center | 25,000 | 25,000 | 0 | 100.0% |
| District Court | 13,700 | 3,150 | 10,550 | 23.0% |
| TOTAL GENERAL FUND | \$48,472,230 | \$47,545,767 | \$926,463 | 98.1% |
| Parks & Recreation | 4,420,907 | 4,349,657 | 71,250 | 98.4% |
| Street & Traffic Operations | 6,213,833 | 5,858,678 | 355,155 | 94.3% |
| TOTAL GENERAL GOVERNMENT | \$59,106,970 | \$57,754,102 | \$1,352,868 | 97.7% |

The preceding table provides a breakdown of the year-end estimate of General Government budgets for 2008. The largest positive variance (expenditure savings) is in the Police Department and relates to outside jail costs and salary and overtime savings in that budget. In the Streets Division the savings are due to position vacancies including the Streets Manager.

GENERAL FUND THREE YEAR COMPARISON

| | 2006 | 2007 | 2008 YEAR-END |
|--------------------------|--------------------|--------------------|-------------------|
| | ACTUAL | ACTUAL | ESTIMATE |
| BEGINNING BALANCE | \$4,762,269 | \$5,439,858 | \$6,250,708 |
| Revenues | 43,792,879 | 45,054,646 | 47,228,705 |
| TOTAL RESOURCES | 48,555,148 | 50,494,504 | 53,479,413 |
| Expenditures | 43,115,290 | 44,243,796 | 47,545,767 |
| ENDING BALANCE | \$5,439,858 | \$6,250,708 | 5,933,646 |

GENERAL GOVERNMENT: REVENUE TRENDS

The City receives revenue from many different sources; some revenue is available for any government purpose and some revenue is restricted in use to a specific fund(s) and/or a specific purpose. The sources of revenue that are available for use within the General Government Funds (for general purposes or for a restricted purpose within General Fund, Parks or Street Funds) are listed in the following charts, along with a three-year comparison of the amount of revenue received from each source.

For 2009, total General Government revenues are budgeted to be \$58,905,780, \$1,823,710 or 3.2% more than the 2008 year-end estimate of \$57,082,070. Total beginning cash reserves are estimated to be \$7,514,180, \$672,036 or 8.2% less than the 2008 estimate of \$8,126,216. The decline in cash reserves is occurring in the General Fund and Street Fund. The General Fund is impacted by substantial increases in public safety costs and increases in mandated and operating costs. The effects of recent annexations and expected decreases in gas tax revenues, are stretching the Streets Fund resources to deliver services. Sales tax, spurred by construction and durable goods spending, is exhibiting the best overall dollar growth trends. Permitting activity suggests this trend should continue into 2009.

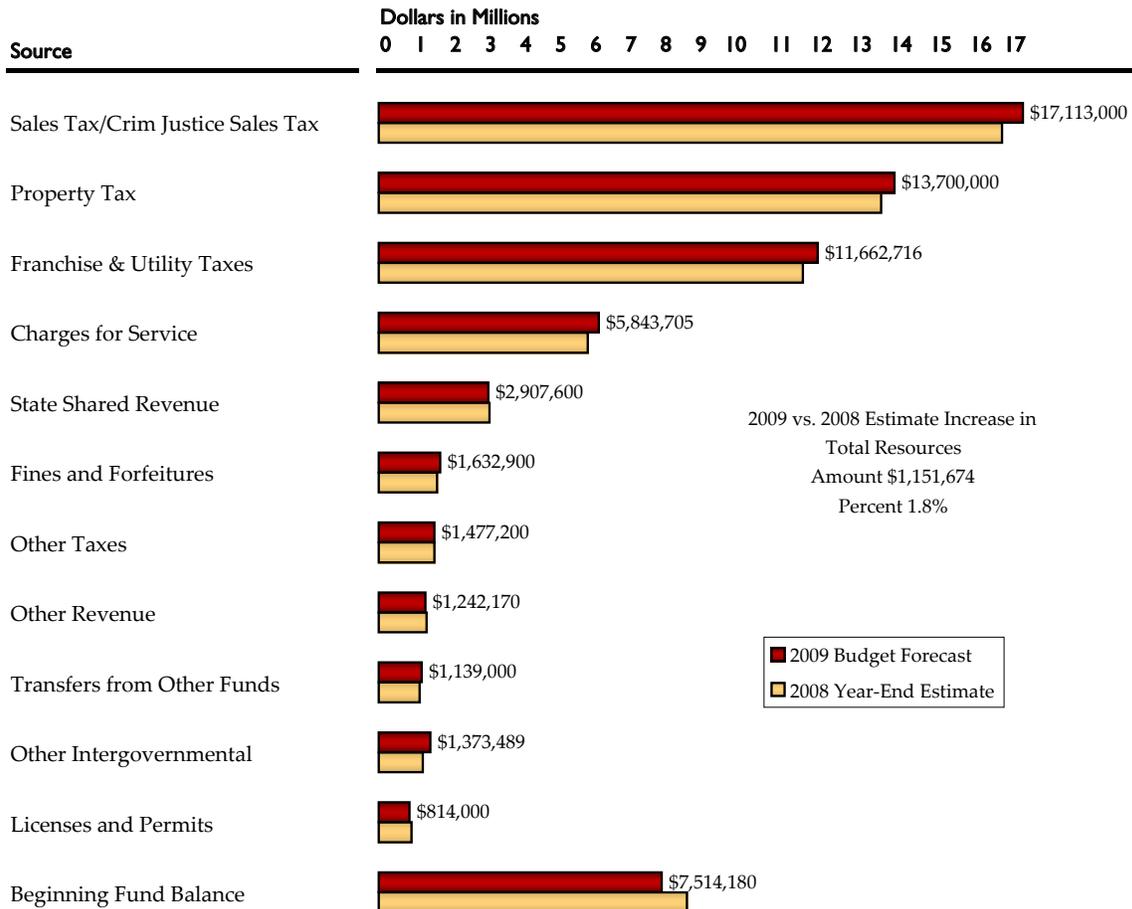
- The modest increase in Franchise and Utility taxes (2008 over 2007) is largely due to the termination of the Bonneville Power Administration Tax Credit and is responsible for a 19% increase in electric utility tax in 2008 over 2007. Natural gas utility tax is actually estimated to decreased in 2008 compared to 2007 due to a rate decrease. Cell phone utility tax showed a 17% increase 2008 over 2007 as mobile communication grows in popularity. It is not predictable whether this tax increase can be sustained in light of current economic conditions.
- State shared revenue is down 2008 over 2007 due primarily to the reduction in the per gallon gas tax caused by a reduction in the number of gallons of gas sold as a result of escalation in fuel prices. This revenue source is not currently being relied upon to last throughout all of 2009, although new programs and changes in existing formulae could change that.
- Fines and forfeitures showed a significant percentage increase in 2008 over 2007 as an increase in the number of Police Officers on the street produces more infractions and misdemeanor penalties being assessed. This is projected to continue into 2009.
- Other taxes are down 2008 from 2007 actuals due to a delinquency with one gambling establishment taxpayer that began in the fourth quarter of 2007 and continued into 2008, resulting in the 2008 decrease. No increase in this source is expected in 2009 as that taxpayer has filed bankruptcy. Otherwise, this category is typically rather flat.
- Other Intergovernmental Revenue up from 2007 to 2008, and then again for 2009 due to expected receipt of higher grant revenue, primarily in the area of Law and Justice. The City continues to actively pursue grants as they become available.

**GENERAL GOVERNMENT RESOURCES
THREE YEAR COMPARISON**

| SOURCE | 2007 | 2008 | PERCENT CHANGE | 2009 | % OF 2009 TOTAL | --- 2009 vs. 2008 --- | |
|----------------------------|---------------------|---------------------|-------------------|---------------------|-----------------------|------------------------|-------------------|
| | ACTUAL | ESTIMATE | | BUDGET FORECAST | | INCREASE (DECREASE) | PERCENT CHANGE |
| General Sales Tax | \$13,423,269 | \$13,938,000 | 3.8% | \$14,384,000 | 24.4% | \$446,000 | 3.2% |
| Crim. Justice Sales Tax* | 2,378,160 | 2,620,000 | 10.2% | 2,729,000 | 4.6% | 109,000 | 4.2% |
| Property Tax | 12,678,715 | 13,348,002 | 5.3% | 13,700,000 | 23.3% | 351,998 | 2.6% |
| Franchise & Util. Taxes | 10,534,541 | 11,265,200 | 6.9% | 11,662,716 | 19.8% | 397,516 | 3.5% |
| Charges for Services | 5,360,155 | 5,551,116 | 3.6% | 5,843,705 | 9.9% | 292,589 | 5.3% |
| State Shared Revenue | 3,000,203 | 2,939,900 | (2.0%) | 2,907,600 | 4.9% | (32,300) | (1.1%) |
| Fines and Forfeitures | 1,420,275 | 1,550,250 | 9.2% | 1,632,900 | 2.8% | 82,650 | 5.3% |
| Other Taxes | 1,666,492 | 1,478,100 | (11.3%) | 1,477,200 | 2.5% | (900) | (0.1%) |
| Other Revenue | 1,393,657 | 1,268,178 | (9.0%) | 1,242,170 | 2.1% | (26,008) | (2.1%) |
| Transfers from other Funds | 1,063,126 | 1,084,000 | 2.0% | 1,139,000 | 1.9% | 55,000 | 5.1% |
| Other Intergovernmental | 1,056,731 | 1,167,324 | 10.5% | 1,373,489 | 2.3% | 206,165 | 17.7% |
| Licenses and Permits | 982,084 | 872,000 | (11.2%) | 814,000 | 1.4% | (58,000) | (6.7%) |
| TOTAL REVENUE | \$54,957,408 | \$57,082,070 | 3.9% | \$58,905,780 | 100.0% | \$1,823,710 | 3.2% |
| Beginning Fund Balance | 6,935,112 | 8,186,216 | 18.0% | 7,514,180 | | (\$672,036) | (8.2%) |
| TOTAL RESOURCES | \$61,892,520 | \$65,268,286 | 5.5% | \$66,419,960 | | \$1,151,674 | 1.8% |

*Some Criminal Justice sales tax is allocated to the Law and Justice capital fund (a non-general Governmental fund) for capital needs. (See section IV for details.)

**GENERAL GOVERNMENT RESOURCES
2008 YEAR-END ESTIMATE AND 2009 BUDGET FORECAST**



GENERAL SALES TAX (SINGLE LARGEST REVENUE SOURCE FOR GENERAL FUND)

- 2009 revenue projection is \$14,384,000 – \$446,000 or approximately 3.2% more than the 2008 year-end estimate of \$13,938,000.

When compared to the rate of inflation, the City has realized three consecutive years of modest growth in this revenue source. 2007 demonstrated 6.4 % growth over 2006, and 2008 to date is about 3.8% above the 2007 levels. This has been mostly a product of new home and commercial construction and durable goods purchases, which has been initiated by a relatively low interest rate environment. Another factor of the new construction appears to be development in newly annexed areas and, to some extent, the City's designation as a renewal community which generates tax incentives to the private sector for capital investments that create jobs in its boundaries. The City has conservatively estimated Sales tax growth for 2009 at 3.2% above 2008 year-end estimates due to anticipated contraction in the new home construction market and related durable goods sales.

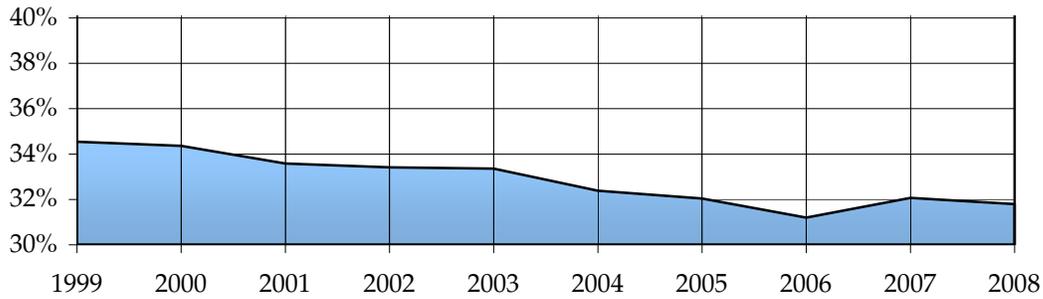
The Streamlined Sales Tax legislation to change the point of sale from origin based to destination based was approved in the 2008 legislative session and began July 1, 2008. The Department of Revenue has issued two separate reports on the effect of this change on local governments, with the first one predicting the City will experience a net loss and the second one a slight net gain. If there is a loss of sales tax revenue as a result of this change, the legislation allows for mitigation, but there would be a lag time of one quarter, if mitigation is warranted. Additionally, a major retailer is moving out of the City limits. Therefore, even though there has been a higher growth rate in sales tax in the most recent two years, Sales Tax has been conservatively budgeted in 2009 at a 3.2% growth rate over 2008 year-end estimates. Over recent years, this has been the average increase in Sales Tax revenues.

In CPI adjusted 2000 dollars, Sales Tax is just above 2000 levels (see constant dollar graph later in this section). The City experienced a slowing of sales tax growth in 2000 caused by several factors, including a downturn in the agricultural industry and the loss of retail shopping from the downtown due to the mall's closing and conversion to other uses. Beginning in 2002, sales tax started a recovery for the reasons mentioned above.

Of the 8.2% sales and use tax collected within the City, the City of Yakima receives only 0.85% (or about 10.4% of the total) in general Sales Tax revenue. The General Government Funds receive the full amount of the City's share of general sales tax revenues. (Note: the City also receives 0.3% sales tax revenues which are restricted for transit purposes and a portion of the 0.4% sales tax revenues which are restricted for criminal justice purposes. The State receives 6.5% and Yakima County receives .15% of the remainder – refer to Section II for more information.)

The following chart identifies Yakima's sales tax revenues as they relate to the total General Fund operating revenues (excluding inter-fund transfer revenues). This revenue source is very sensitive to economic conditions. As the graph below shows, sales tax receipts have trended downward over the past 10 years as a percentage of total revenue in the General Fund, as other revenue sources such as utility tax have generally kept up with inflation. The decrease in the 2008 estimate reflects an expected deceleration in the sales tax growth rate, due to economic conditions.

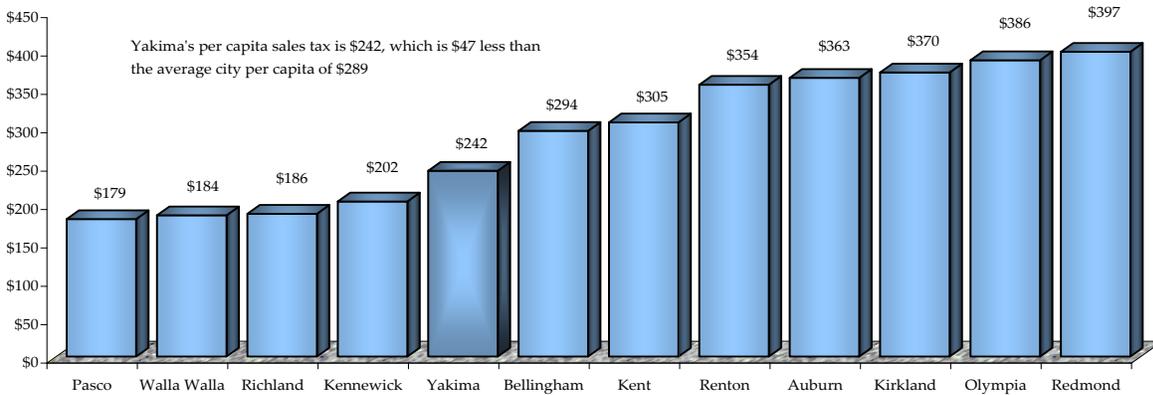
**PERCENT OF SALES TAX
COMPARED TO OPERATING REVENUE
GENERAL FUND**



COMPARISON OF PER CAPITA SALES TAX WITH OTHER WASHINGTON STATE CITIES

The City's sales tax per capita is compared with 11 other similar sized cities throughout the State (see the following chart). The data shown was compiled from the State Auditor's Office statistics, and is the most recent data available. Although sales tax revenue is the City's largest single source of General Government revenue, the City's collections are the fifth lowest out of the 12 comparable cities. The City of Yakima's per capita sales tax is \$242, lower than 7 of the cities compared.

**2006 PER CAPITA SALES & USE TAXES
COMPARABLE CITIES BETWEEN 30,000 AND 90,000 IN POPULATION**
(rounded to the closest dollar)



* Data compiled from the State Auditor's Local Government Comparative Statistics.

CRIMINAL JUSTICE SALES TAX

0.1% Sales Tax – A special 0.1% Criminal Justice Sales Tax was approved by the voters of Yakima County in the November, 1992, General Election and became effective January 1, 1993. The State allocates this 0.1% criminal justice sales tax revenue between the City and the County, based on a predefined formula. The General Fund and the Law and Justice Capital Fund receives the full amount of the City's share of these sales tax revenues; these revenues are restricted to providing criminal justice related services and are allocated based on operating vs. capital needs.

This tax is expected to generate \$1,053,500 for the City in 2009 and is allocated in the City's budget forecast as noted in the following chart.

0.1% CRIMINAL JUSTICE SALES TAX

| FUND | 2007 ACTUAL | 2008 YEAR-END ESTIMATE | 2009 BUDGET FORECAST |
|-------------------------|--------------------|-------------------------------|-----------------------------|
| General Fund | \$885,966 | \$940,000 | \$980,000 |
| Law and Justice Capital | 70,000 | 73,500 | 73,500 |
| TOTAL | \$955,966 | \$1,013,500 | \$1,053,500 |

Since population is a component of the tax distribution, annexations have a positive influence on this revenue. This tax revenue is affected by the same regional economic factors that affect the General Sales Tax revenue, as outlined above.

0.3% Sales Tax – Another special sales tax of 0.3% dedicated to Criminal Justice expenditures was approved by the Yakima County voters in November, 2004, and took effect on April 1st of 2005. The tax is on sales inside the County only and the proceeds are divided between the County and Cities on a predefined formula under which the County receives 60% and all cities within the County share the remaining 40%. Anticipated revenue is depicted in the table below. (Note: Public Safety Communications and Law and Justice Capital Finds are not part of General Government.) This tax is expected to generate \$1,980,800 in 2009, and is allocated in accordance with the following chart.

0.3% CRIMINAL JUSTICE SALES TAX

| FUND | 2007 ACTUAL | 2008 YEAR-END ESTIMATE | 2009 BUDGET FORECAST |
|--|--------------------|-------------------------------|-----------------------------|
| General Fund (for Criminal Justice Expenditures) | \$1,492,194 | \$1,680,000 | \$1,749,000 |
| Law and Justice Capital | 160,000 | 73,500 | 73,500 |
| Public Safety Communications | 145,000 | 152,250 | 158,300 |
| TOTAL | \$1,797,194 | \$1,905,750 | \$1,980,800 |

Exhibit III contains a summary of how these funds have been spent since inception of the tax revenue in June, 2005.

PROPERTY TAX

Property tax provides approximately 23.3% of all General Government revenue in the 2009 budget. The 2009 projection includes a proposed 1% increase in the property tax levy, plus a conservative 1% growth factor for new construction. There were no major annexations that occurred in 2008.

The 2009 request complies with the levy limit restrictions contained in Initiative 747; limiting property tax levy increases to the maximum of 1% or the rate of inflation, whichever is less. (Note: the initiative defines the rate of inflation as measured by the Implicit Price Deflator for consumer goods). Under the initiative, the City could increase the levy by more than 1% if approved by the majority of voters.

This initiative was found to be unconstitutional by the State Supreme Court; however, the State Legislature met in special session immediately after the Court’s decision and voted to make the spirit of 747 State Law. The net effect is as though the initiative passed muster with the Courts.

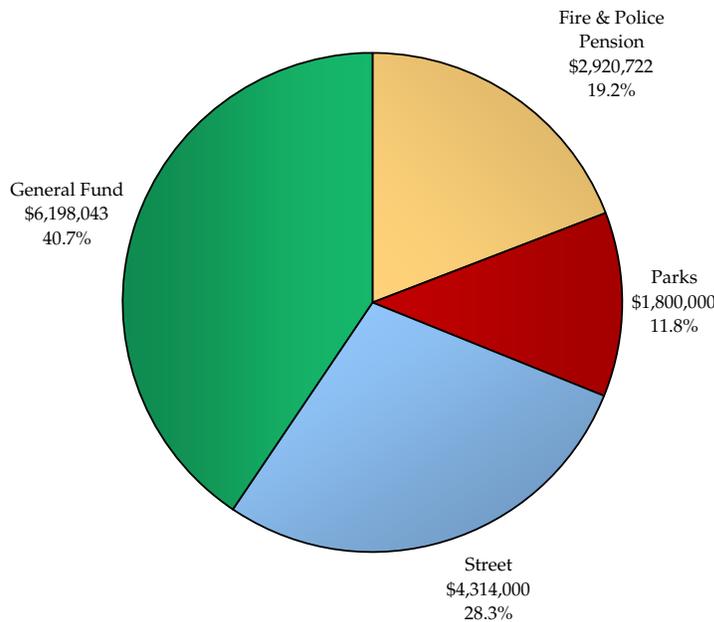
As a point of clarification, the property tax levy is limited to a 1% increase in the dollars levied (about \$150,000 for 2009) - it does not limit growth in assessed value. The 1% limit affects the total dollars levied, while assessed valuation is the mechanism used to allocate the levy ratably among the property owners.

The annual increase in General Government State mandated Retirement contributions of approximately \$200,000 alone is more than the 1% increase in property tax revenues. This 1% restriction on growth will have an adverse effect on all of General Government services, the cost of which will grow exponentially as time passes.

Since most consumer activity (i.e., wages, equipment, etc.) is more closely tied to the Consumer Price Index (CPI), and CPI is greater than 1% in almost all years, the future effect of 1% or less growth in Property Tax is restrictive to the City since Property Tax is one of General Government’s primary revenue sources.

The following graph depicts the 2009 budgeted allocation of the City’s property tax revenues.

**PROPERTY TAX ALLOCATION BY FUNCTION
2009 GENERAL LEVY
PROPERTY TAX TOTAL – \$15,232,765**

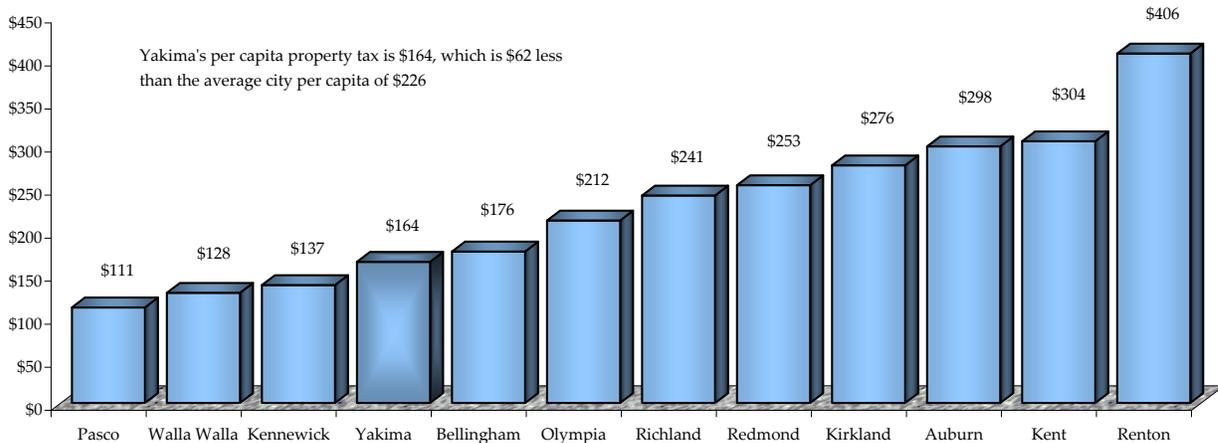


**2009 PROPOSED
GENERAL PROPERTY TAX LEVY**

| | 2007 ACTUAL | 2008 AMENDED BUDGET | 2008 ESTIMATED | 2009 BUDGET FORECAST | 2008 Est. vs. 2009 BUDGET |
|-------------------------------------|---------------------|---------------------------|---------------------|----------------------------|---------------------------------|
| General | \$6,820,513 | \$7,327,800 | \$7,327,800 | \$7,586,000 | 3.5% |
| Parks & Recreation | 1,938,000 | 1,800,000 | 1,800,000 | 1,800,000 | 0.0% |
| Street & Traffic | 3,920,202 | 4,220,202 | 4,220,202 | 4,314,000 | 2.2% |
| SUB-TOTAL GENERAL GOVERNMENT | 12,678,715 | 13,348,002 | 13,348,002 | 13,700,000 | 2.6% |
| Fire Pension | 1,536,367 | 1,551,730 | 1,551,730 | 1,532,765 | (1.2%) |
| TOTAL | \$14,215,082 | \$14,899,732 | \$14,899,732 | \$15,232,765 | 2.2% |

The City has compiled data from the State Auditor’s Office that identifies per capita property tax for comparable cities throughout the State. The following chart compares the City’s per capita property tax income for 2006 (the last year information is available). It shows the City of Yakima’s property tax per capita is \$164, which is \$62 less than the average of all the comparable cities. Yakima ranks fourth lowest in tax per capita of the 12 comparable cities.

2006 PER CAPITA PROPERTY TAXES
COMPARABLE CITIES BETWEEN 30,000 AND 90,000 IN POPULATION
 (rounded to the closest dollar)



* Data compiled from the State Auditor’s Local Government Comparative Statistics.

FRANCHISE AND UTILITY TAXES

Franchise and utility taxes are collectively the third largest category of General Government revenues. They comprise 19.8% of 2009 projected General Government revenues and 23.9% of projected 2009 General Fund Revenues.

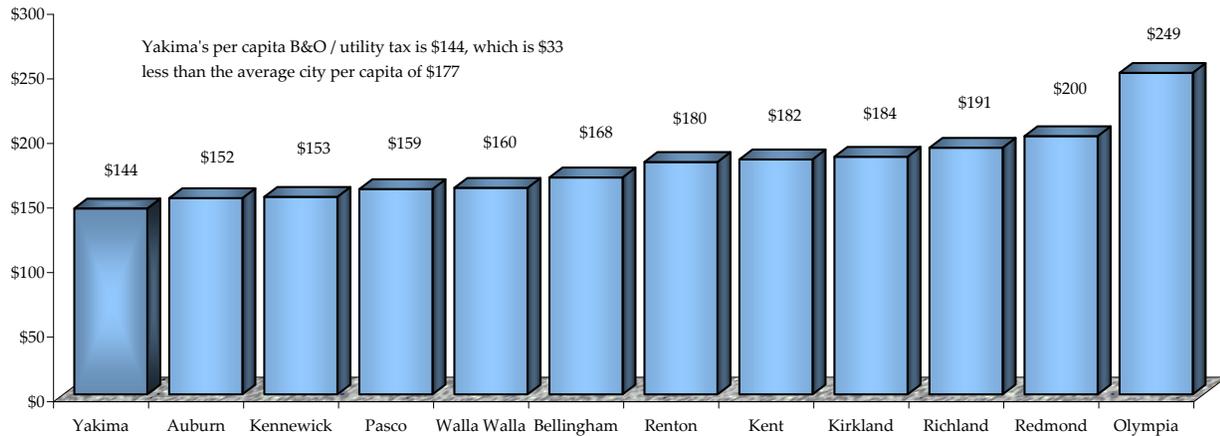
- 2009 projection is \$11,662,716 – \$397,516 or 3.5% above the 2008 year-end estimate of \$11,265,000.

These revenues are largely a function of weather conditions and utility rates in the Valley. In 2008, electric utility taxes grew at 19% over 2007 actuals due primarily to the elimination of a tax credit from BPA. Cellular phone taxes also exceeded growth estimates, coming in at 17% above 2007 actuals as this popular communications mode increased. Increases in both of these sources have been conservatively budgeted in 2009. Franchise and utility taxes combined are the only major revenue source keeping pace with the rate of inflation, primarily because of the growth in customers resulting from recent annexations and rate increases implemented by utility providers. (See constant dollar chart later in this section)

BUSINESS AND OCCUPATION TAX AND BUSINESS LICENSE FEES

The following chart represents Business License Fees, Business and Occupation (B & O) tax, and Utility taxes on private and public utilities. (Note: Yakima does not impose a general-purpose business and occupation tax, which is generally charged on the gross volume of sales.) Yakima’s \$144 per capita B & O/Utility Tax ranks the lowest of the twelve cities in this comparison. This is \$33 below the \$177 average per capita revenue.

2006 PER CAPITA B & O / UTILITY TAXES*
COMPARABLE CITIES BETWEEN 30,000 AND 90,000 IN POPULATION
 (rounded to the closest dollar)



* Data compiled from the State Auditor's Local Government Comparative Statistics.

CHARGES FOR SERVICES

This revenue category consists of revenues from various parks and senior citizen programs, plan checking fees and street and traffic engineering fees, etc. However, the largest component (about half), are fees paid by other City funds for General Fund services (legal, administration, purchasing, etc.); these charges for 2009 reflect an increase due to the normal fluctuation in volume of services provided, and an increase in City Service Charge.

- 2009 projection is \$5,843,705. This is a 5.3% or \$292,589 increase from the 2008 estimate.

STATE-SHARED REVENUE

State-shared revenues are the fifth largest category of revenues received for General Government Operations.

- 2009 projection for all revenues within this category is \$2,907,600; a decrease of \$32,300 from the 2008 year-end estimate of \$2,939,900. The year-end estimate reflects a full year receipt for Criminal Justice High Crime. The pool of high crime cities is reset in July and since the City cannot guarantee it will be in that pool of cities, thereafter, this revenue source is budgeted conservatively.
- Liquor excise and liquor profits taxes are budgeted at \$1,039,500 for 2009 – \$40,500 above the 2008 year-end estimate of \$999,000.
- Gas Tax in Street Fund is budgeted at \$1,350,000 or 3.8% above the 2008 year-end estimate of \$1,300,000 (but still less than 2007 actual levels.) This tax is calculated by the State using population figures as published by the Office of Financial Management (OFM)

FINES AND FORFEITURES

These revenues come primarily from criminal fines and non-criminal penalties assessed in the City of Yakima's Municipal Court, and parking violations. This revenue category is conservatively budgeted at \$1,632,900 for 2009.

OTHER TAXES

This category includes Business Licenses, Gambling Taxes and County Road Tax from annexation. The 2009 projection is \$1,477,200, down 0.1% or \$900 from 2008 year-end estimate because the 2009 projection does not include an estimate representing County Road Tax from Annexation as there were no material annexations in 2008.

OTHER REVENUES

The balance of revenues supporting the general government funds consists of transfers from other funds (other financing sources) and miscellaneous revenues. For 2009, \$2,381,170 is expected to be generated in this category.

The largest revenue sources in this category include:

- Interest income – 2009 projection is \$935,000; equal to the 2008 year-end estimate of \$935,000.
- Operating transfer from other funds – 2009 projection is \$1,139,000 and consists primarily of the transfer of 3.5% of City owned utility taxes to the Parks and Recreation fund.

OTHER INTERGOVERNMENTAL

This category includes revenue received from Government units other than the per capita distributions from the State of Washington. The 2009 budget of \$1,373,489 is up \$206,165 or 17.7% from the 2008 estimate. This increase is mainly due to new public safety grants.

LICENSES AND PERMITS

The 2009 budget is \$814,000, 6.7% or \$58,000 less than the 2008 year-end estimate of \$872,000. This decrease is due to challenges currently being faced in the building industry in general as a result of contraction in the new home market and turmoil in the credit markets, making financing harder to obtain for construction projects.

REVENUE TRENDS – OVERVIEW

- Based on 2009 budgeted revenues and expenditures, the General Government funds will again be forced to rely on reserves to maintain a balanced budget.

This minimal increase in General Government revenues is reflective of an economy confronted with high unemployment and low median income, with modest growth in elastic revenues and existing tax limitations.

The following chart depicts trends over the past nine years (in 2000 Constant Dollars) in sales, property and utility tax revenues; the City's three largest General Government revenue sources. Sales tax exhibited consistent losses from 1999 through 2002. The City boundaries were expanded by a major annexation in 2002, which resulted in some rebound of this revenue source. In 2005, 2006, 2007 and 2008 Sales tax is performing better due to the transitory effects of new construction spurred by low interest rates. With the passage of Initiative 747, property tax levy growth has been constrained to 1%, which is generally below inflation, although the chart does show an increase in 2003 as a result of the annexation, which brings its constant dollar value back to 2000 levels. The constant dollar trend for utility taxes is the only General Government revenue source keeping pace with inflation. This means two of the three major General Government resources are not keeping pace with inflation, even after realizing the growth in tax base from major annexation areas.

**GENERAL GOVERNMENT
SALES, PROPERTY AND UTILITY TAX REVENUE TRENDS
(CONSTANT DOLLAR)**



GENERAL GOVERNMENT RESOURCE COMPARISON

GENERAL FUND

- 2009 projected beginning balance is \$5,933,646 – down \$317,062 from the 2008 beginning balance of \$6,250,708.
- 2009 projected revenue is \$48,896,585 – \$1,667,880 or 3.5% over the 2008 year-end estimate. This increase is due mostly to sales and utility tax growth. Other smaller revenue sources showed modest growth as well.

PARKS AND RECREATION FUND

- 2009 projected beginning balance is \$432,950 – \$116,489 or 21.2% under the 2008 beginning balance of \$549,439. This is largely a function of flat revenue streams and nominal increases in expenditures.
- 2009 projected revenue is \$4,244,385 – \$11,217 or 0.3% over the 2008 year-end estimate. This is mainly due to a flat property tax level in 2009 compared with 2008.

STREET FUND

- 2009 projected beginning balance is \$1,147,588 – \$238,481 or 17.2% under the 2008 year-end estimate. Due mostly to reductions in gas tax revenues below budgeted amounts.
- 2009 projected revenue is \$5,764,810 – \$144,613 or 2.6% over the 2008 year-end estimate. Gas tax revenues are expected to be flat but property tax revenue has been modestly increased.

Total General Government Revenues for 2008 are estimated to be about 3.9% more than 2007 actual revenues.

Total General Government Revenues for 2009 are projected to increase by only 3.2% over 2008 estimates.

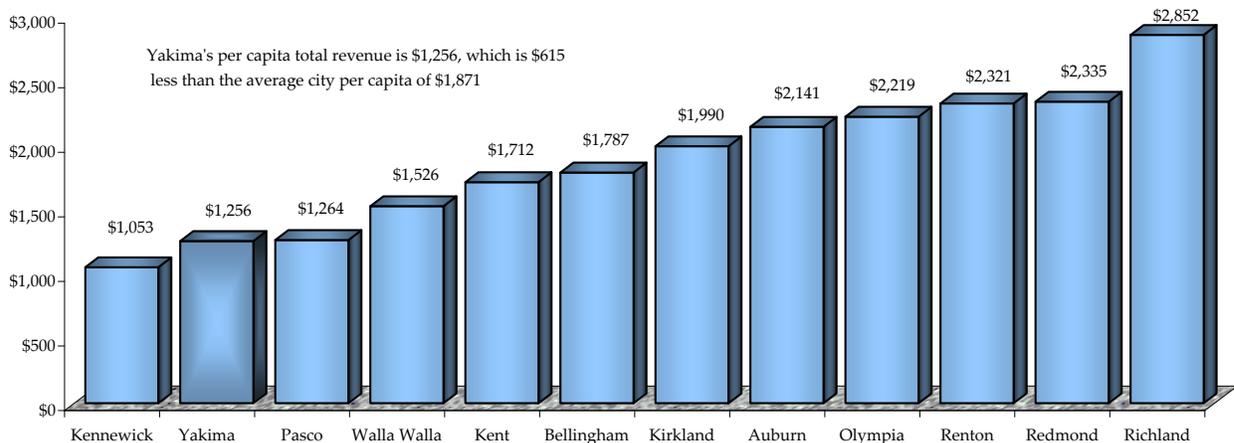
These increases closely approximate the current rate of inflation.

**GENERAL GOVERNMENT
THREE YEAR RESOURCE COMPARISON**

| | 2008 | | 2008 vs. 2007 % CHANGE | 2009 | |
|-------------------------------|-----------------------------|------------------------------------|------------------------------|---------------------------------|------------------------------|
| | 2007 ACTUAL RESOURCES | YEAR-END ESTIMATED RESOURCES | | BUDGET FORECAST RESOURCES | 2009 vs. 2008 % CHANGE |
| | General Fund Revenue | \$45,054,646 | | \$47,228,705 | 4.8% |
| General Fund Beg Balance | 5,439,858 | 6,250,708 | 14.9% | 5,933,646 | (5.1%) |
| Total General Fund Revenue | 50,494,504 | 53,479,413 | 5.9% | 54,830,231 | 2.5% |
| Parks & Recreation | 4,229,066 | 4,233,168 | 0.1% | 4,244,385 | 0.3% |
| Parks Beg Balance | 431,032 | 549,439 | 27.5% | 432,950 | (21.2%) |
| Total Parks | 4,660,098 | 4,782,607 | 2.6% | 4,677,335 | (2.2%) |
| Street & Traffic Fund Revenue | 5,673,698 | 5,620,197 | (0.9%) | 5,764,810 | 2.6% |
| Street & Traffic Beg Balance | 1,064,222 | 1,386,069 | 30.2% | 1,147,588 | (17.2%) |
| Total Street & Traffic | 6,737,920 | 7,006,266 | 4.0% | 6,912,398 | (1.3%) |
| Total Revenue | 54,957,410 | 57,082,070 | 3.9% | 58,905,780 | 3.2% |
| Total Beginning Balance | 6,935,112 | 8,186,216 | 18.0% | 7,514,184 | (8.2%) |
| Total General Government | \$61,892,522 | \$65,268,286 | 5.5% | \$66,419,964 | 1.8% |

The largest revenue source for the General Government Funds is sales tax. Yakima is in the lower half of per capita sales tax compared with similar cities in the State. However, Yakima is also in the lower 1/3 of rankings in all other revenue comparisons per capita and is the second lowest out of the twelve cities compared in combined per capita revenue. Yakima's \$1,256 per capita taxes is \$615 below the average of \$1,871 based on 2006 actual data, as demonstrated in the chart below. The most important conclusion from this analysis is that the City of Yakima has a very limited revenue/tax base compared with most cities of its size in the state, and yet provides similar or enhanced services and programs to its citizens.

2006 PER CAPITA TOTAL REVENUES*
COMPARABLE CITIES BETWEEN 30,000 AND 90,000 IN POPULATION
(rounded to the closest dollar)



* Data compiled from the State Auditor's Local Government Comparative Statistics. Includes state and federal grants, taxes and charges for services, and excludes debt proceeds.

GENERAL GOVERNMENT RESOURCES BY MAJOR CATEGORY

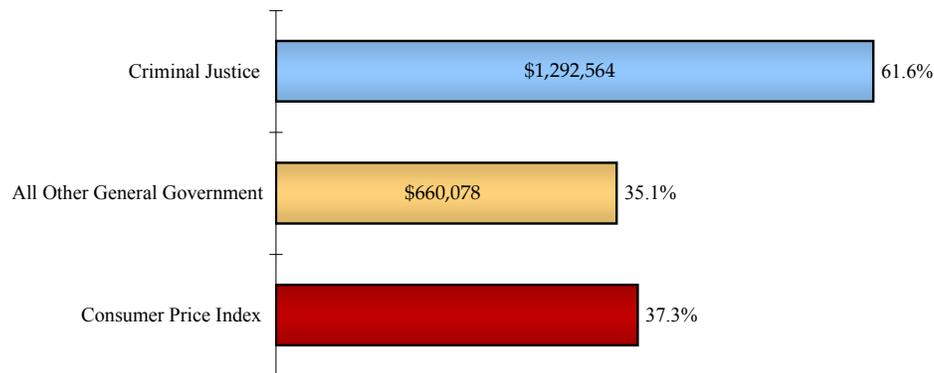
| | 2006 | 2007 | 2008 | 2008 | 2009 | 2009 % |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| | ACTUAL | ACTUAL | AMENDED | YEAR-END | FORECAST | CHANGE FROM |
| | 1 | 2 | BUDGET | ESTIMATE | BUDGET | 2008 Est. |
| | I | 2 | 3 | 4 | 5 | 4-5 |
| GENERAL FUND | | | | | | |
| Property Tax | \$7,363,765 | \$6,820,513 | \$7,327,800 | \$7,327,800 | \$7,586,000 | 3.5% |
| Sales Tax | 12,698,230 | 13,423,269 | 13,675,000 | 13,938,000 | 14,384,000 | 3.2% |
| Criminal Justice Sales Tax | 2,290,157 | 2,378,160 | 2,533,000 | 2,620,000 | 2,729,000 | 4.2% |
| Franchise Tax | 343,320 | 42,079 | 43,000 | 46,200 | 47,586 | 3.0% |
| Utility Tax | 10,319,199 | 10,492,462 | 10,835,792 | 11,219,000 | 11,615,130 | 3.5 % |
| Other Taxes | 1,455,843 | 1,505,176 | 1,461,200 | 1,468,600 | 1,477,200 | 0.6% |
| Licenses and Permits | 741,492 | 982,084 | 871,500 | 872,000 | 814,000 | (6.7%) |
| Intergovernmental Revenue | 2,115,772 | 2,500,346 | 2,595,805 | 2,628,024 | 2,750,889 | 4.7% |
| Charges for Services | 4,182,839 | 4,422,803 | 4,471,293 | 4,578,013 | 4,893,680 | 6.9% |
| Fines and Forfeitures | 1,309,431 | 1,420,275 | 1,378,700 | 1,550,250 | 1,632,900 | 5.3% |
| Miscellaneous Revenue | 832,142 | 974,239 | 945,384 | 936,367 | 925,200 | (1.2%) |
| Other Financing Sources | 100,688 | 53,239 | 1,000 | 4,451 | 1,000 | (77.5%) |
| Transfers From Other Funds | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 0.0% |
| TOTAL REVENUE | 43,792,878 | 45,054,645 | 46,179,474 | 47,228,705 | 48,896,585 | 3.5% |
| Beginning Fund Balance | 4,762,269 | 5,439,858 | 6,250,708 | 6,250,708 | 5,933,643 | (5.1%) |
| TOTAL GENERAL FUND | \$48,555,147 | \$50,494,503 | \$52,430,182 | \$53,479,413 | \$54,830,228 | 2.5% |
| PARKS & RECREATION FUND | | | | | | |
| Property Tax | \$1,901,985 | \$1,938,000 | \$1,800,000 | \$1,800,000 | \$1,800,000 | 0.0% |
| Intergovernmental Revenue | 97,308 | 167,291 | 174,700 | 179,200 | 180,200 | 0.6% |
| Charges for Services | 686,391 | 860,125 | 913,465 | 951,643 | 934,265 | (1.8%) |
| Miscellaneous Revenues | 193,535 | 185,775 | 198,270 | 203,325 | 200,920 | (1.2%) |
| Other Financing Sources | 59,500 | 54,748 | 60,000 | 55,000 | 55,000 | 0.0% |
| Transfers From Other Funds | 1,015,105 | 1,023,126 | 1,045,000 | 1,044,000 | 1,074,000 | 2.9% |
| TOTAL REVENUE | 3,953,824 | 4,229,065 | 4,191,435 | 4,233,168 | 4,244,385 | 0.3% |
| Beginning Fund Balance | 479,487 | 431,032 | 549,439 | 549,439 | 432,950 | (21.2%) |
| TOTAL PARKS & RECREATION FUND | \$4,433,311 | \$4,660,097 | \$4,740,874 | \$4,782,607 | \$4,677,335 | (2.2%) |
| STREET AND TRAFFIC OPERATIONS FUND | | | | | | |
| Property Tax | \$3,314,344 | \$3,920,202 | \$4,220,202 | \$4,220,202 | \$4,314,000 | 2.2% |
| County Road Tax | 508,416 | 161,316 | 0 | 9,500 | 0 | (100.0%) |
| Fuel Tax Street | 1,299,298 | 1,374,901 | 1,430,000 | 1,300,000 | 1,350,000 | 3.8% |
| Other Intergovernmental | 0 | 14,396 | 0 | 0 | 0 | |
| Charges for Services | 34,449 | 77,227 | 15,760 | 21,460 | 15,760 | (26.6%) |
| Miscellaneous Revenue | 22,298 | 57,244 | 60,050 | 60,540 | 60,050 | (0.8%) |
| Other Financing Sources | 26,854 | 68,412 | 0 | 8,495 | 0 | |
| Transfers From Other Funds | 0 | 0 | 0 | 0 | 25,000 | |
| TOTAL REVENUE | 5,205,659 | 5,673,698 | 5,726,012 | 5,620,197 | 5,764,810 | 2.6% |
| Beginning Fund Balance | 1,133,674 | 1,064,222 | 1,386,069 | 1,386,069 | 1,147,587 | (17.2%) |
| TOTAL STREET AND TRAFFIC OPERATIONS FUND | \$6,339,333 | \$6,737,920 | \$7,112,081 | \$7,006,266 | \$6,912,397 | (1.3%) |
| TOTAL GENERAL GOVERNMENT | \$59,327,791 | \$61,892,520 | \$64,283,137 | \$65,268,286 | \$66,419,960 | 1.8% |
| TOTAL REVENUE | \$52,952,361 | \$54,957,408 | \$56,096,921 | \$57,082,070 | \$58,905,780 | 3.2% |
| Total Beginning Fund Balance | 6,375,430 | 6,935,112 | 8,186,216 | 8,186,216 | 7,514,180 | (8.2%) |
| TOTAL RESOURCES | \$59,327,791 | \$61,892,520 | \$64,283,137 | \$65,268,286 | \$66,419,960 | 1.8% |

GENERAL GOVERNMENT: EXPENDITURE TRENDS

The following charts depict the major effect on the General Fund of the increase in criminal justice costs compared to all other cost increases from 1999 to 2009.

Criminal justice costs continue to consume an ever-increasing share of total General Fund resources. In order to pay these costs other General Fund programs are necessarily limited to remain within available resources. See Exhibit III for more information.

**PERCENTAGE INCREASE OF CRIMINAL JUSTICE COSTS
VS. OTHER GENERAL GOVERNMENT FUNCTIONS AND CPI
1999 BUDGET TO 2009 BUDGET**



Criminal Justice includes Police Operations; Pensions; Public Safety Communications; Jail Costs/Security; District and Municipal Court; Prosecution and Indigent Defense; and 40% of Information Systems.

Cumulatively, over the past ten years Criminal Justice budgets have increased over 60%. By comparison, all other General Government expenses have increased by only 35.1%. During this same ten-year period the Seattle-Tacoma Consumer Price Index increased by 37.3%. Criminal justice cost increases are nearly double what increases are for other cost categories.

When the increase in population and boundaries are considered over this same time frame, the fact that other services approximate the rate of inflation demonstrates a real reduction in service costs per capita.

CRIMINAL JUSTICE FUNDING

With the loss of MVET in 2000 and caps on Property Tax Levies, funding available for criminal justice needs is insufficient to offset increases in Criminal Justice costs. (The following chart depicts the growth in Law and Justice operations costs for 2007, 2008 estimate and 2009 budget). The .3% Criminal Justice Sales Tax has helped in addressing some of the issues, but Cities only get 40% of the collected tax, Yakima County gets the other 60%. In response to this situation, in 2007 the City Council adopted the Safe Community Action Plan, which allocated a one time gain in the property tax levy as a result of the library annexation of about \$650,000 to fund additional Police officers in a dedicated pro-active anti-crime unit.

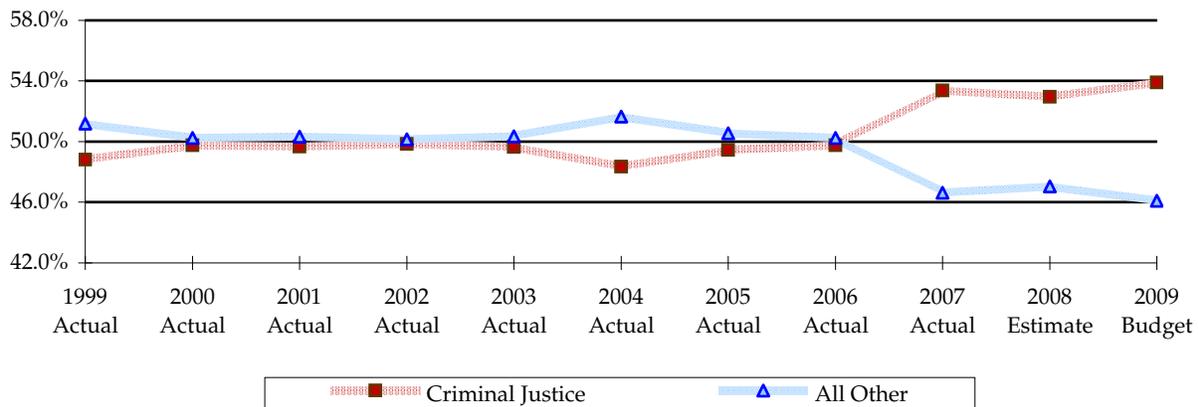
In reviewing the following chart and graph, it should be noted that it includes only General Fund expenditures on criminal justice. Another \$1,143,014 is budgeted in the Law and Justice Capital Fund, (not a General Government fund). Also good to review is the Criminal Justice Expenditures as a Percentage of Total General Fund chart below, which demonstrates that over half of General Fund's budget is dedicated to criminal justice.

**SCHEDULE OF CRIMINAL JUSTICE EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2007 THRU 2009 FORECAST**

| DESCRIPTION | 2007 | 2008 | 2009 | % CHANGE |
|--|---------------------|---------------------|---------------------|----------------|
| | ACTUAL | ESTIMATE | FORECAST | 2009 FROM 2008 |
| Police Operations & Administration | \$16,445,537 | \$17,602,783 | \$19,155,336 | 8.8% |
| Outside/Inside Jail Costs | 3,043,760 | 3,253,173 | 3,452,345 | 6.1% |
| District Court/Municipal Court & Probation | 1,131,555 | 1,240,093 | 1,413,628 | 14.0% |
| Prosecution Costs/Indigent Defense | 1,042,118 | 1,144,634 | 1,232,802 | 7.7% |
| Other Related Expenses | | | | |
| Police Pension | 1,384,894 | 1,350,521 | 1,387,957 | 2.8% |
| Emergency Dispatch Transfer | 415,000 | 440,000 | 440,000 | 0.0% |
| Transfer-Law & Justice Center * | 145,089 | 149,000 | 153,500 | 3.0% |
| Other Related Expenses Total | 1,944,983 | 1,939,521 | 1,981,457 | 2.2% |
| GRAND TOTAL | \$23,607,953 | \$25,180,204 | \$27,235,568 | 8.2% |

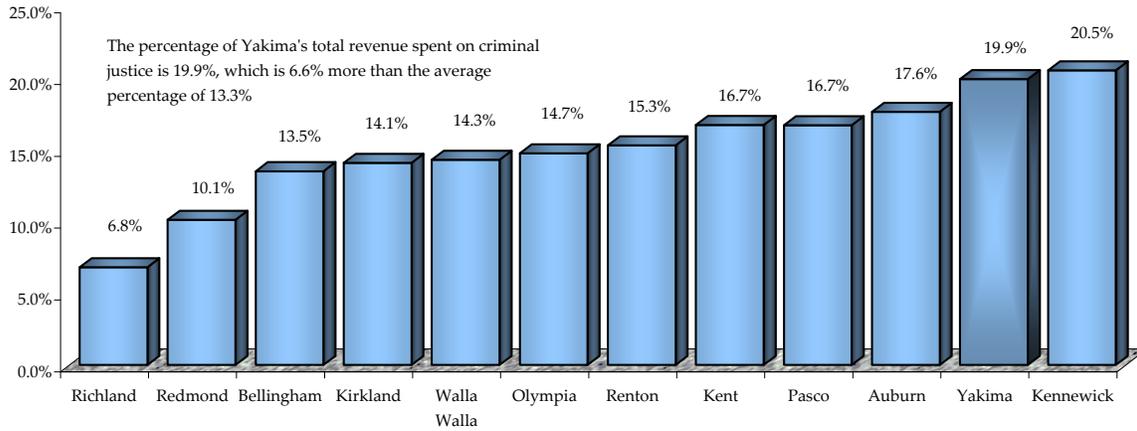
*Utility Tax transfer from General Fund.

CRIMINAL JUSTICE EXPENDITURES AS A PERCENTAGE OF TOTAL GENERAL FUND



The following chart compares per capita criminal justice expenditures with comparable cities based on 2006 data. Yakima has the second highest per capita percentage of revenue spent on Criminal Justice among the 12 comparable cities; Yakima has been first for the last five out of eight years.

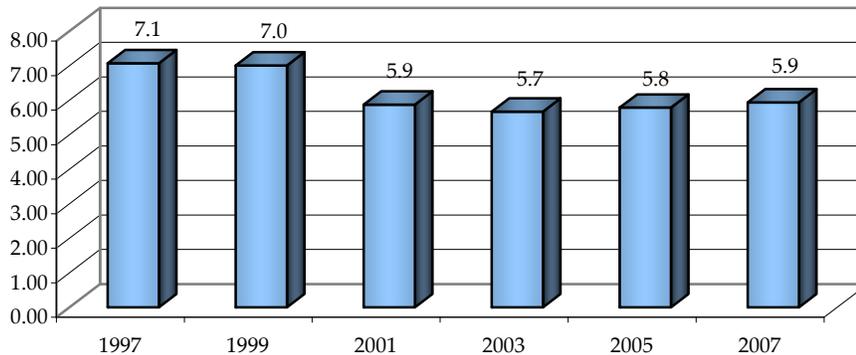
PERCENT OF PER CAPITA TOTAL REVENUE SPENT ON CRIMINAL JUSTICE IN 2006*
COMPARABLE CITIES BETWEEN 30,000 AND 90,000 IN POPULATION
 (rounded to the closest dollar)



* Data compiled from the State Auditor's Local Government Comparative Statistics.

The following chart depicts City-wide staffing levels per 1,000 population.

GENERAL GOVERNMENT BUDGETED POSITIONS COMPARISONS*
FOR THE LAST TEN YEARS



| | 1997 | 1999 | 2001 | 2003 | 2005 | 2007 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Number of General Govt. Employees | 449.0 | 457.2 | 429.0 | 448.9 | 471.1 | 496.3 |
| Employees Per Capita | 7.1 | 7.0 | 5.9 | 5.7 | 5.8 | 5.9 |
| Square Miles | 19.3 | 19.3 | 24.1 | 24.2 | 25.3 | 25.9 |
| Population | 63,510 | 65,262 | 73,040 | 79,220 | 81,470 | 83,646 |

* Does not include temporary employees (number of employees are stated in Full-Time Equivalents).

There are 5 major events that have had significant effect on City Staffing levels:

1. City population has increased 20,136 from 1997 to 2007, or 32%.
2. In 2000 33.21 positions were deleted as a cost containment measure associated with the City's loss of MVET Revenue.

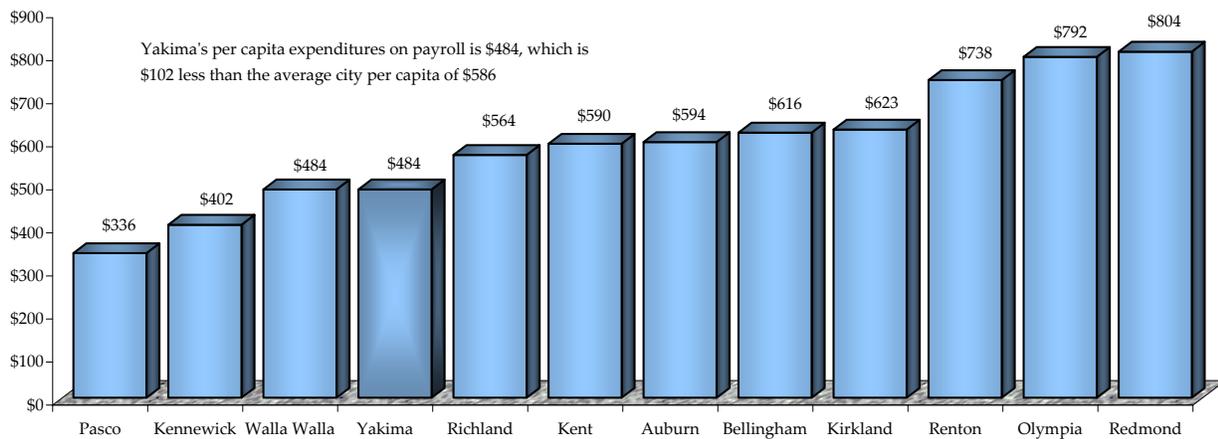
3. 2002 through 2004 36.35 FTE's were added in Police, Fire and Streets to support services to a large newly annexed area.
4. In 2005, 12.75 FTE's in Police, Courts and legal were added as a result of voter approval of a 0.3% increase in the sales tax rate for Criminal Justice.
5. In 2007 9 positions were added in the Police Department as part of the Safe Community Action Plan (SCAP), paid for by the increase in property tax realized when the City annexed to the Rural Library District.

It should be noted that only a net of 47 new FTE positions have been added since 1997, only 10.5% over the past 10 years. Most of these additions were either in response to criminal justice issues, annexations, or both. This is reflective of the next chart on per capita expenditures on payroll, where Yakima is fourth from the bottom of the comparable cities.

SALARY AND BENEFIT COSTS

The following graph is based on information gathered by the State Auditor's Office. It identifies the per capita salary costs. This analysis indicates that the City of Yakima spends, on the average, \$102 less per capita on salaries than other comparable cities. Yakima employs fewer people per capita than 8 other cities. To maintain levels of service during periods of peak workload demands, the City uses contract and temporary labor when possible.

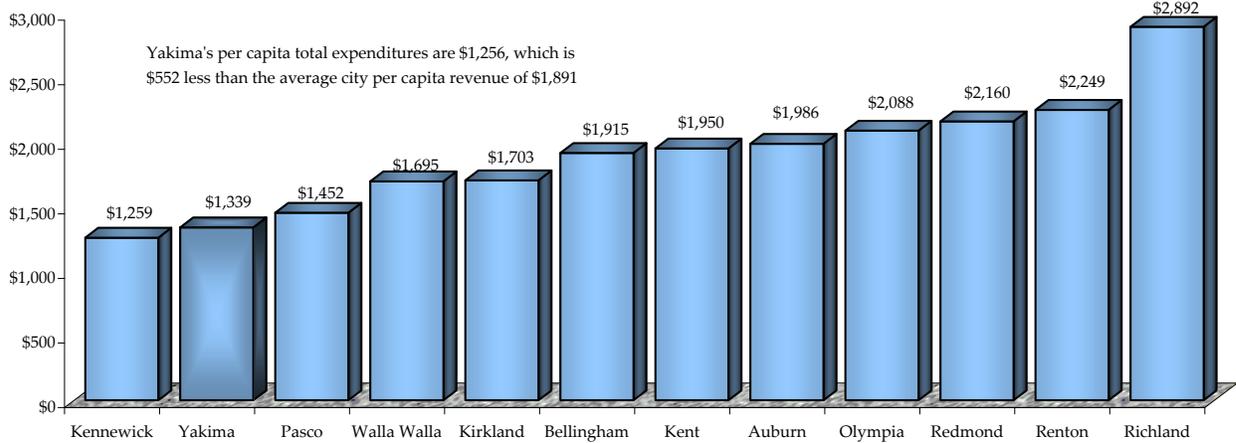
2006 PER CAPITA EXPENDITURES ON PAYROLL
COMPARABLE CITIES BETWEEN 30,000 AND 90,000 IN POPULATION
 (rounded to the closest dollar)



* Data compiled from the State Auditor's Local Government Comparative Statistics.

Finally, total City expenditures per capita are the second lowest of the 12 cities compared, \$552 below the average. Yakima does offer full services (i.e. Police, Fire, Water, Wastewater, Irrigation, Refuse, and Transit) to its citizens. Even though we provide services that many other cities do not provide, we are still next to last in cost per citizen, proving Yakima does "more with less" in delivering important services to our constituency.

2006 PER CAPITA TOTAL CITY EXPENDITURES*
COMPARABLE CITIES BETWEEN 30,000 AND 90,000 IN POPULATION
 (rounded to the closest dollar)



* Data compiled from the State Auditor's Local Government Comparative Statistics.

GENERAL GOVERNMENT: IMPACTS OF FIXED, MANDATED, CONTRACTUAL COSTS

Total General Government Fixed, Mandated or Contractual net cost increases equal \$2,641,915, an increase of 5.5%. However, as stated previously, the total General Government operating budget for 2009 is 3.1% more than 2008 budget. This means that the 2009 budget had to restrain non-mandated spending in order to balance the budget within existing resources.

Notable 2009 mandated and contractual cost adjustments compared with the 2008 amended budget are as follows:

- 2009 projected labor cost increase of \$2,129,996; which includes labor settlements and merit increases.
- Fringe benefits such as social security, special pay and industrial insurance for General Government employee groups accounted for an increase of \$299,726. The increase is a function largely of the full year of positions added in 2008, tracks with the salary increase mentioned above and an industrial insurance surcharge based on history.
- Overtime is reduced by \$34,318 or (2.1%), primarily due to reductions in Fire.
- The total State Retirement cost increased from \$1,900,916 in 2008 to \$2,102,368 in 2009, an increase of \$201,452 or 10.6%, due to employer contributions to State Retirement Systems for both PERS and LEOFF systems being increased in July 2008.
- Medical and Dental costs increased from \$4,037,303 to \$4,215,020 or 4.4% for 2009, based on the City's group history and expected medical cost trends within the City's self-insured health program.
- Fuel costs are budgeted to increase \$76,866 for 2009 due to the volatility in the market. It should be noted that there was an additional appropriation of \$142,850 in 2008. There have been no significant increases in the size or composition of the city's fleet during this time.
- Maintenance expenses are budgeted to increase \$70,307 in 2009 due to an aging fleet as a result of postponement of vehicle replacement.
- Vehicle Rental and Replacement was reduced by \$29,000 in the 2009 budget as a cost containment measure. The practical outcome of this reduction will be the underfunding

of replacement reserves when vehicles are scheduled for replacement, resulting in keeping vehicles in service longer.

- Jail services provided by outside agencies are budgeted at \$1,700,500 for 2009. Year-end estimates for 2008 are \$1,817,000 vs. a budget of \$1,910,000. The primary reason for this positive variance is the utilization of lower valley jails at a lower cost than the Yakima County Jail.
- Election costs fluctuate based on the number of City issues on the ballot. In 2008 we paid for the election of four Council positions (from 2007 ballot) at an estimated cost of \$190,000. In 2009 we will be paying for the voter registration for the 2008 General Elections at an estimated cost of \$125,000. This results in a \$65,000 decrease in 2009 from 2008 costs.
- Overall, Fixed, Mandated or Contractual Costs have increased approximately \$2.6 million or 5.5% from 2008 to 2009.

**GENERAL GOVERNMENT
FIXED, MANDATED, AND CONTRACTUAL COSTS
2008 VS. 2009 COMPARISON**

| | 2008 AMENDED BUDGET | 2009 ADOPTED BUDGET | PROJECTED INCREASE (DECREASE) | PERCENT CHANGE |
|---|------------------------------------|------------------------------------|--|---------------------------|
| Employee Compensation* | \$30,111,257 | \$32,241,253 | \$2,129,996 | 7.1% |
| Overtime | 1,652,018 | 1,617,700 | (34,318) | (2.1%) |
| Special Pay | 339,049 | 396,610 | 57,561 | 17.0% |
| Year-end/Retirement/Termination Cash-Outs | 338,079 | 332,074 | (6,005) | (1.8%) |
| Social Security | 1,260,046 | 1,357,159 | 97,113 | 7.7% |
| State Retirement | 1,900,916 | 2,102,368 | 201,452 | 10.6% |
| Industrial Insurance | 709,447 | 854,499 | 145,052 | 20.4% |
| Life Insurance | 72,758 | 70,228 | (2,530) | (3.5%) |
| Medical & Dental Insurance | 4,037,303 | 4,215,020 | 177,717 | 4.4% |
| Unemployment Compensation | 56,897 | 79,424 | 22,527 | 39.6% |
| Police Pension | 1,412,950 | 1,387,957 | (24,993) | (1.8%) |
| Utility Costs: | | | | |
| Telephone | 122,365 | 122,360 | (5) | 0.0% |
| Electricity | 673,911 | 696,055 | 22,144 | 3.3% |
| Natural Gas | 172,671 | 160,536 | (12,135) | (7.0%) |
| Fuel | 751,297 | 828,163 | 76,866 | 10.2% |
| Vehicle/Equipment Maintenance | 530,305 | 600,612 | 70,307 | 13.3% |
| Vehicle Rentals/Replacement | 299,396 | 270,396 | (29,000) | (9.7%) |
| Liability Insurance Coverage | 655,129 | 687,885 | 32,756 | 5.0% |
| State Examiner | 103,000 | 103,000 | 0 | 0.0% |
| Yakima County Emergency Management | 57,212 | 58,900 | 1,688 | 3.0% |
| Clean Air Authority | 22,062 | 22,394 | 332 | 1.5% |
| Alcoholism | 19,000 | 20,790 | 1,790 | 9.4% |
| Jail Costs - Yakima County | 1,805,000 | 1,595,500 | (209,500) | (11.6%) |
| Jail Costs - Sunnyside | 15,000 | 15,000 | 0 | 0.0% |
| Jail Costs - Toppenish | 25,000 | 25,000 | 0 | 0.0% |
| Jail Costs - Wapato | 65,000 | 65,000 | 0 | 0.0% |
| SunDome Debt Service | 150,000 | 150,000 | 0 | 0.0% |
| District Court Costs | 13,700 | 1,800 | (11,900) | (86.9%) |
| Public Defense | 385,000 | 385,000 | 0 | 0.0% |
| Election Costs | 190,000 | 125,000 | (65,000) | (34.2%) |
| TOTAL FIXED, MANDATED COSTS | \$47,945,768 | \$50,587,683 | \$2,641,915 | 5.5% |
| % OF TOTAL GENERAL GOVERNMENT AMENDED BUDGET | 81.1% | 83.0% | | |

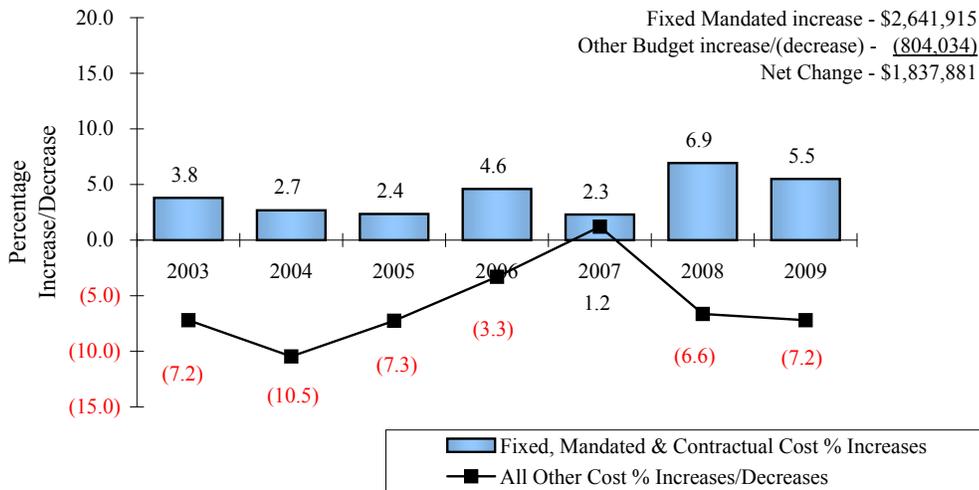
* Steps, annualized position costs, negotiated wages, etc.. Does not include benefits listed elsewhere in this exhibit.

COMPONENTS OF GENERAL GOVERNMENT BUDGET

| | 2008 AMENDED BUDGET | 2009 BUDGET FORECAST | PROJECTED INCREASE (DECREASE) | PERCENT CHANGE |
|--|------------------------------------|-------------------------------------|--|---------------------------|
| General Government Budget | \$59,106,970 | \$60,944,851 | \$1,837,881 | 3.1% |
| Less: Fixed Mandated or Contractual Cost | (47,945,768) | (50,587,683) | (2,641,915) | 5.5% |
| BALANCE | <u>\$11,161,202</u> | <u>\$10,357,168</u> | <u>(\$804,034)</u> | (7.2%) |

The following chart graphically depicts that increases in fixed, mandated and contractual costs in the General Government Funds must be compensated for by reductions in other discretionary costs to maintain a balanced budget.

**ANNUAL BUDGETED PERCENTAGE COST INCREASES
FIXED, MANDATED & CONTRACTUAL COSTS VS. ALL OTHER COSTS ⁽¹⁾**



(1) Fixed, mandated, and contractual costs include salaries and benefits; medical insurance costs; public safety pension expenses; utility costs; liability insurance; jail/security contract expenses; election expenses; debt service and other expenses.

GENERAL GOVERNMENT EXPENDITURE SUMMARY

The following chart illustrate that the total 2009 General Government budget is \$60,944,851, \$1,837,881 or 3.1% more than the 2008 amended budget of \$59,106,970.

2008 - 2009 GENERAL GOVERNMENT BUDGET

| | 2008 | 2008 EST. | 2009 | --- CHANGE 2009 vs. 2008 --- | |
|---------------------------------|---------------------|---------------------|---------------------|--------------------------------------|----------------|
| | AMENDED | YEAR-END | BUDGET | -- PRELIMINARY vs. AMENDED -- | |
| | BUDGET | EXPENDITURES | FORECAST | DOLLARS | PERCENT |
| General | \$48,472,230 | \$47,545,767 | \$50,521,573 | \$2,049,343 | 4.2% |
| Parks & Recreation | 4,420,907 | 4,349,657 | 4,377,598 | (43,309) | 1.0% |
| Street & Traffic Operations | 6,213,833 | 5,858,678 | 6,045,680 | (168,153) | (2.7%) |
| TOTAL GENERAL GOVERNMENT | <u>\$59,106,970</u> | <u>\$57,754,102</u> | <u>\$60,944,851</u> | <u>\$1,837,881</u> | 3.1% |

OTHER OPERATING AND ENTERPRISE FUNDS

2008 year-end estimates for the City's Other Operating and Enterprise Funds are summarized below:

| FUND | 2008 BUDGET STATUS | | | | |
|------------------------------------|---------------------|------------------------|--------------------|------------------------|------------------------|
| | 2008 | 2008 Est. | VARIANCE | 2008 | 2008 |
| | AMENDED BUDGET | ACTUAL EXPENDITURES | | ESTIMATED RESOURCES | EST. ENDING BALANCE |
| Economic Development | \$181,556 | \$178,056 | \$3,500 | \$349,675 | \$171,619 |
| Community Development (ONDS) | 4,679,359 | 4,291,336 | 388,023 | 5,073,881 | 782,545 |
| Community Relations | 547,054 | 531,371 | 15,683 | 1,327,072 | 795,701 |
| Community Services | 590,107 | 399,589 | 190,518 | 425,151 | 25,562 |
| Growth Management | 49,745 | 49,745 | 0 | 49,838 | 93 |
| Cemetery | 257,599 | 256,186 | 1,413 | 325,115 | 68,929 |
| Emergency Services | 1,104,501 | 1,099,125 | 5,376 | 1,269,620 | 170,495 |
| Public Safety Communications | 2,691,381 | 2,682,640 | 8,741 | 2,953,665 | 271,025 |
| Business Improvement (DYBID) | 118,343 | 115,421 | 2,922 | 115,425 | 4 |
| Trolley (Yakima Interurban Lines) | 468,619 | 257,841 | 210,778 | 260,132 | 2,291 |
| Front Street Business Improvement | 3,000 | 3,000 | 0 | 9,715 | 6,715 |
| Tourist Promotion | 1,410,662 | 1,410,662 | 0 | 1,579,308 | 168,646 |
| Capitol Theatre | 304,737 | 304,737 | 0 | 453,532 | 148,795 |
| Public Facilities District Revenue | 1,114,424 | 1,068,424 | 46,000 | 1,204,706 | 136,282 |
| Tourist Promotion Area | 393,000 | 393,289 | -289 | 393,703 | 414 |
| Storm Water Operating | 1,120,506 | 870,948 | 249,558 | 1,121,000 | 250,052 |
| Transit | 7,324,976 | 7,323,528 | 1,448 | 7,918,002 | 594,474 |
| Refuse | 4,500,990 | 4,487,797 | 13,193 | 4,641,932 | 154,135 |
| Sewer | 16,649,719 | 16,622,666 | 27,053 | 18,172,310 | 1,549,644 |
| Water | 7,304,687 | 6,997,875 | 306,812 | 8,598,743 | 1,600,868 |
| Irrigation | 2,668,515 | 2,666,204 | 2,311 | 2,848,151 | 181,947 |
| Equipment Rental | 5,750,023 | 5,622,062 | 127,961 | 9,867,345 | 4,245,283 |
| Environmental | 454,750 | 273,800 | 180,950 | 711,877 | 438,077 |
| Public Works Administration. | 1,205,464 | 1,152,553 | 52,911 | 1,325,609 | 173,056 |
| TOTAL | \$60,893,717 | \$59,058,855 | \$1,834,862 | \$70,995,507 | \$11,936,652 |

All Operating and Enterprise Funds are anticipated to end 2008 with positive fund balances. This analysis includes appropriations approved by Council through September, and a balanced (i.e. revenues equal to expenditures) appropriation request for: General Fund to budget new grant related expenditures; Parks and Recreation primarily for higher user fee volume; the Tourism Promotion Area (TPA); and Downtown Yakima Business Improvement District (DYBID) funds going before Council at their October 7 and 21, 2008 meetings. After considering this proposed budget amendment, all operating funds are anticipating actual expenditures within authorized levels, with the minor exception of the TPA fund – the estimate will be modified for the final budget.

2009 projections for Other Operating and Enterprise Funds expenditures and resources are reflected below. (Resources include the beginning fund balance plus current year revenue, to arrive at a total available to spend.)

PROPOSED 2009 BUDGET

| FUND | 2009 | 2009 | 2009 |
|---|---------------------|---------------------|---------------------|
| | PROJECTED | PROJECTED | PROJECTED |
| | RESOURCES | EXPENSE | BALANCE |
| Economic Development | \$261,619 | \$146,027 | \$115,592 |
| Neighborhood Development (Housing) | 2,962,786 | 2,174,807 | 787,979 |
| Community Relations | 1,400,121 | 566,603 | 833,518 |
| Community Services | 548,274 | 487,712 | 60,562 |
| Growth Management/Commute Trip Reduction Fund | 93 | 0 | 93 |
| Cemetery | 316,679 | 261,638 | 55,041 |
| Emergency Services | 1,229,971 | 1,152,430 | 77,541 |
| Public Safety Communications | 3,183,191 | 3,027,543 | 155,648 |
| Parking & Business Improvement (PBIA) | 210,174 | 204,592 | 5,582 |
| Trolley | 225,053 | 221,621 | 3,432 |
| Front Street Business Improvement Area | 10,250 | 3,000 | 7,250 |
| Tourist Promotion | 1,588,946 | 1,454,205 | 134,741 |
| Capitol Theatre | 463,362 | 318,513 | 144,849 |
| Public Facilities District Revenue | 1,353,282 | 1,194,000 | 159,282 |
| Tourist Promotion Area | 405,502 | 405,088 | 414 |
| Storm Water Operating | 2,045,052 | 1,801,938 | 243,114 |
| Transit | 7,840,074 | 7,482,899 | 357,175 |
| Refuse | 4,769,785 | 4,675,689 | 94,096 |
| Wastewater | 18,252,358 | 16,883,176 | 1,369,182 |
| Water | 8,499,705 | 7,312,616 | 1,187,089 |
| Irrigation | 2,847,197 | 2,786,735 | 60,462 |
| Equipment Rental | 10,214,638 | 6,180,563 | 4,034,075 |
| Environmental | 573,077 | 326,350 | 246,727 |
| Public Works Administration | 1,393,186 | 1,198,818 | 194,368 |
| TOTAL OTHER OPERATING AND ENTERPRISE FUNDS | \$70,594,375 | \$60,266,563 | \$10,327,812 |

See Exhibit I for additional detail of Other Operating and Enterprise Funds.

The following chart depicts resources and expenditures for Major Operating and Utility Fund Operations for 2009. (See Exhibit II for policy issues impacting Operating/Enterprise Budgets.)

2009 RESTRICTED OPERATING AND RESERVE FUNDS

| Division | 2009 Forecast Budget | Dollars in Millions | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|----------------------------|---------------------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| Reserves, Risk Mgmt, Emp Benefits | \$16,145,271 | | | | | | | | | | | | | | | | | | | | | | |
| Cap Theatre, Cemetery, Trust Rsvs | 23,692,882 | | | | | | | | | | | | | | | | | | | | | | |
| Wastewater | 16,883,176 | | | | | | | | | | | | | | | | | | | | | | |
| | 18,252,358 | | | | | | | | | | | | | | | | | | | | | | |
| Water/Irrigation | 10,099,351 | | | | | | | | | | | | | | | | | | | | | | |
| | 11,346,902 | | | | | | | | | | | | | | | | | | | | | | |
| Transit | 7,482,899 | | | | | | | | | | | | | | | | | | | | | | |
| | 7,840,074 | | | | | | | | | | | | | | | | | | | | | | |
| Refuse | 4,675,689 | | | | | | | | | | | | | | | | | | | | | | |
| | 4,769,785 | | | | | | | | | | | | | | | | | | | | | | |
| Equipment Rental | 4,340,563 | | | | | | | | | | | | | | | | | | | | | | |
| | 4,409,035 | | | | | | | | | | | | | | | | | | | | | | |
| Stormwater | 1,801,938 | | | | | | | | | | | | | | | | | | | | | | |
| | 2,045,052 | | | | | | | | | | | | | | | | | | | | | | |
| Special Purpose, Housing, Emer Svs | 12,729,171 | | | | | | | | | | | | | | | | | | | | | | |
| Public Wks Admin, Cable TV, Misc | 15,711,790 | | | | | | | | | | | | | | | | | | | | | | |
| Total Expenditures | \$74,158,058 | | | | | | | | | | | | | | | | | | | | | | |
| Total Resources | \$88,067,878 | | | | | | | | | | | | | | | | | | | | | | |

OPERATING FUNDS

For more information on policy issues that affect these funds see the Policy Issue Summary in Exhibit II.

THE ECONOMIC DEVELOPMENT FUND

This fund reflects resources of \$261,619 and expenditures of \$146,027 for 2009. These funds are planned to be used to spur economic development. Expenditures include an allocation of the Deputy Director of Community and Economic Development position; continuation of professional service agreements with the National Development Council; and continuation of the railroad grade separation and renewal community Federal legislative funding efforts.

THE COMMUNITY DEVELOPMENT FUND (OFFICE OF NEIGHBORHOOD DEVELOPMENT SERVICES - ONDS)

This fund contains programs funded by Housing and Urban Development (HUD), including the Community Development Block Grant (CDBG) and Homeownership (HOME) grants. Expenditures are budgeted at \$2,174,807 and are subject to the public hearing process. With pressures on the Federal Budget, the 2009 budget anticipates a slight decrease in these program grants. Because of the programmatic nature of the Community Development Budget, along with differences in reporting time frame for Federal programs, the City budget is annually adjusted

to reflect the final outcome of prior year programs. The 2009 budget includes a policy issue to reorganize the division to produce a net savings in administrative costs. The 2009 ending balance is projected to be \$787,979.

THE COMMUNITY RELATIONS FUND

The Community Relations fund expects resources of \$1,400,121 for 2009. Expenditures are estimated to be \$566,603, leaving the balance estimated at \$833,518 for year-end, earmarked primarily for capital expenditure on production equipment/cable TV facilities.

THE COMMUNITY SERVICES FUND

Programs in this fund include the 3rd year of the Healthy Families Yakima program, which is a 5-year demonstration project through the Department of Social and Health Services. Total resources, which include grant revenue and match contributions, are estimated to be \$548,274, and expenditures are budgeted to be \$487,712, leaving an ending balance of \$60,562.

THE GROWTH MANAGEMENT FUND

This fund has special projects/grants related to growth management issues that have been accounted for in this fund. There is no activity planned for this fund. The projected ending balance is \$93.

CEMETERY FUND

Resources within this fund for 2009 are projected at \$316,679, expenditures are estimated to be \$261,638, and the estimated ending balance is projected at \$55,041. The Cemetery Fund is depending on a \$50,000 operational subsidy from the Parks and Recreation Fund (down from \$90,000 in 2009).

THE EMERGENCY SERVICES FUND

Resources in this fund reflect revenues of \$1,229,971 and expenditures of \$1,152,430 related to the provision of Emergency Medical Services, and are supported by an allocation of the countywide Special EMS Property Tax Levy, which was renewed by the voters in September 2002. The 2009 ending balance is projected to be \$77,541.

THE PUBLIC SAFETY COMMUNICATIONS FUND

This fund expects resources of \$3,183,191 and expenditures of \$3,027,543 for 2009, leaving a balance of \$155,648 at year-end. This fund accounts for 9-1-1 Calltakers, supported by Yakima County 9-1-1 resources in the amount of \$1,305,566. General Fund expenditures include a transfer of \$880,000 for dispatch. There is a budgeted Policy Issue that made two of the four Lead Dispatchers eligible to be funded from the County 9-1-1 resources which freed up dispatch funds to add 2 additional dispatch positions.

DOWNTOWN YAKIMA BUSINESS IMPROVEMENT DISTRICT (DYBID) FUND

Resources in this fund are projected to be \$210,174, coming primarily from the new Business Improvement District established mid-2008, while expenditures are projected at \$204,592. The ending balance for 2009 is projected at \$5,582. Much of the 2009 budget is targeted toward maintaining the recent downtown revitalization efforts.

THE TROLLEY FUND

This fund projects resources of \$225,053 and expenditures of \$221,621 for 2009, and includes the continuation of a grant-supported improvement project at the Trolley barn. The year-end balance is projected at \$3,432.

THE FRONT STREET BUSINESS IMPROVEMENT AREA FUND

This fund projects resources of \$10,250 and expenditures of \$3,000 – leaving an ending balance of \$7,250 for 2009.

THE TOURISM PROMOTION/YAKIMA CONVENTION CENTER FUND

This funds budget anticipates resources of \$1,588,946 (this includes a transfer of \$135,000 from the Public Facility District) and expenditures of \$1,454,205, and thus is expected to end 2009 with a balance of \$134,741. This budget includes policy issues to increase the annual Management Fee paid to the Visitor and Convention Bureau to operate the Center, and an allocation of Hotel / Motel tax to commission a market analysis and visitor profile study.

THE CAPITOL THEATRE FUND

This fund is expected to have resources of \$463,362 and expenditures of \$318,513 which includes a budgeted policy issue to increase the annual Management Fee paid to the Capitol Theatre Corporation. The ending balance is \$144,849.

THE PUBLIC FACILITIES DISTRICT FUND

The Public Facilities District fund includes resources estimated to be \$1,353,282 for 2009. Expenditures are estimated to be \$1,194,000. Of this amount, \$665,000 is for debt service on the Convention Center bonds issued in 2002 and supplemental support for Convention Center operations, while \$498,000 is designated for the Capitol Theatre expansion project. This leaves a fund balance of \$159,282 at the end of 2009.

THE TOURIST PROMOTION AREA

Accounts for a self-assessment imposed by the lodging industry to promote tourism. Resources are estimated to be \$405,502, with expenditures programmed at \$405,088, leaving a balance at the end of 2009 of \$414.

STORMWATER OPERATING FUND

Expenditures in this fund are estimated to be \$2,801,938 and resources are projected to be \$2,045,052 for 2009. An ending balance of \$243,114 is currently projected for 2009. This is the second year of the new Stormwater Utility - the budget was developed assuming a rate of \$35 per Equivalent Residential Unit (ERU) annually. The expenditure budget includes the planned increase in personnel to perform program tasks and begins the reimbursement of the Wastewater Utility for its advanced funding of the Stormwater program.

TRANSIT FUND

Expenditures in this fund are estimated to be \$7,482,899 and resources are projected to be \$7,840,074 for 2009. Total Transit sales taxes for 2008 are forecast to be \$4,926,000, and are estimated to be slightly more in 2009 – the 2009 budget includes a total of \$5,098,000 with \$4,698,000 allocated to operations and \$400,000 to capital. This fund also includes an operating grant of \$1,650,000. An ending balance of \$357,175 is currently projected for 2009.

THE REFUSE FUND

The expenditure budget in this fund for 2009 is \$4,675,689, and continues the transition to automated routes. Total resources are estimated to be \$4,769,785, and an ending balance is currently projected at \$94,096. The 2009 budget contemplates the addition of 2,500 customers in the 72nd avenue annexation area. As a result of the growing customer base there are 2 policy issues to convert 2 Solid Waste Maintenance workers to a Code Compliance Officer and a Crew Leader position to manage the delivery and pickup of carts.

WASTEWATER FUND

Resources for this fund in 2009 are expected to total \$18,252,358. Expenditures are budgeted at \$16,883,176 and the 2009 year-end balance is currently projected to be \$1,369,182. Transfers of about \$2,281,850 million to Wastewater Construction Funds, \$3,202,766 million to provide for Wastewater Bond redemption and repayments of Public Works Trust Fund Loans, and \$500,000 for a Utility System are currently programmed in this budget. The proposed 2009 Sewer budget includes continued implementation of the Sewer Comprehensive Plan and the Wastewater Facilities Plan. The 2009 projected resources includes a the continuation of a prior year policy issue to implement a rate adjustment of 3.5%

WATER FUND

Resources of \$8,499,705 are projected for 2009 in this fund. Expenditures are estimated to be \$7,312,616 leaving \$1,187,089 at the end of 2009. These costs include \$400,000 transfer to the Capital Fund, and about \$586,750 to provide for Water Bond Debt Service, repayments of Water Public Works Trust Fund Loans and \$100,000 for a Utility System. The 2009 projected resources include the rate adjustment of 5.5% that was approved by Council in 2008.

IRRIGATION FUND

Resources for 2009 are projected to be \$2,847,197 in this fund, and expenditures are estimated to be \$2,786,735, which includes a transfer of \$881,000 to the Irrigation Capital Fund, about \$354,500 to provide debt service for an Irrigation bond and Public Works Trust Fund loan and \$60,000 for a Utility System. The 2009 ending fund balance is projected to be \$60,462.

THE EQUIPMENT RENTAL FUND

The budget for this fund in 2009 is \$6,180,563 of which \$4,206,175 is the maintenance and operations budget, and \$1,974,388 is the Equipment Replacement budget. Resources are expected to be \$10,214,638 while the ending fund balance for 2009 is expected to be \$4,034,075, most of which represents capital equipment replacement reserves.

THE ENVIRONMENTAL FUND

This fund was created to provide for cleanup of environmental hazards. Funding for the program is from a surcharge on vehicle fuel sales in the Equipment Rental Fund. For 2009, \$573,077 in resources is expected to be generated and \$326,350 is expected to be spent. A year-end balance of \$246,727 is projected.

PUBLIC WORKS ADMINISTRATION FUND

Expenditures for 2009 are expected to be \$1,198,818 for this fund. Resources for 2009 are expected to be \$1,393,186 generated from operating funds located in the Public Works complex, resulting in a year-end balance of \$194,368

RESERVE FUNDS – EMPLOYEE BENEFIT RESERVES**THE UNEMPLOYMENT COMPENSATION RESERVE FUND**

Estimated to end 2009 with a balance of \$348,575. Resources are projected to be \$500,708 and expenditures for claims and other related expenses are estimated at \$152,133. Due to an increase of unemployment claims, rates are adjusted from .0019 to .00247.

EMPLOYEES HEALTH BENEFIT RESERVE FUND

Expenditures in this fund for 2009 are projected to be \$9,395,435, while resources are \$12,882,557, leaving an ending balance projected to be \$3,487,122. The 2009 budget includes a rate adjustment of about 5.5%. The insurance board continues to monitor the plan and review potential cost containment measures, with a goal of reducing the magnitude of future annual premium increases.

THE WORKERS COMPENSATION RESERVE FUND

This fund is estimating a year-end balance of \$749,429, the result of resources totaling \$2,443,567 and expenditures of \$1,694,138. Ongoing efforts in claim management and safety training are in place to slowdown of claims/costs. However, the 2009 budget includes a 10% rate adjustment due to an increase in disability claims.

WELLNESS/EMPLOYEE ASSISTANCE PROGRAM (EAP) FUND

Projected total resources for 2009 are \$250,789 in this fund, and expenditures are \$119,476 with a projected year-end balance of \$131,313.

THE FIREMEN'S RELIEF AND PENSION FUND

This fund is projecting resources of \$2,388,977 and expenditures of \$1,603,380, leaving an estimated 2009 year-end balance of \$785,597.

The Fire Pension property tax allocation for 2009 of \$1,532,765, is 1.22% less than the 2008 allocation of \$1,551,730. The City is mandated to allocate property tax to fund pension and LEOFF I medical and long-term care requirements.

OPERATING RESERVES**RISK MANAGEMENT RESERVE**

For 2009, Risk Management Fund departmental contributions totaling \$2,162,000 are programmed from City departments, an increase of 5.0% for most operating divisions. The increase helps pay for liability and other insurance coverage and increased claims costs and to meet reserve requirements. These charges, along with interest earnings, combine for projected 2009 revenues of \$2,602,000.

Total resources to the Risk Management Reserve for 2009 are expected to be \$3,686,140. Based on personnel costs, claims experience and other insurance/ professional services costs, expenditures are estimated to be \$2,783,782, and the year-end 2009 reserve balance is estimated to be \$902,358. These reserve levels are still considered marginal in comparison to the existing liability for incurred claims; however, the combination of reductions in deductible levels and proactive legal overview of land use actions are expected to limit future liability. The reserve balance in this fund will continue to be monitored for adequacy.

GENERAL CONTINGENCY RESERVE FUND

The Contingency Reserve Fund is estimated to end 2008 with a balance of \$334,070. For 2009, \$50,000 is programmed to be transferred from the General Fund to this fund, providing total resources of \$384,070 and \$300,000 is appropriated for contingency purposes during 2009.

CAPITOL THEATRE RESERVE

The Capitol Theatre Reserve projects resources for 2009 of \$561,893. Interest earnings on this balance partially support an annual transfer to the Capitol Theatre Operating Fund Reserve of \$71,927. The projected 2009 ending balance is \$489,966.

GENERAL FUND CASH FLOW RESERVE

General Fund cash flow reserves for 2009 are estimated at \$4,308,658. This source is a contingency for unbudgeted policy issues, results of negotiations for unsettled bargaining units, other unknown expenses and potential revenue shortfalls.

In summation, the City's 2009 General Reserve position is estimated to be as shown in the following chart.

2009 GENERAL RESERVE POSITION

| FUND | 2007 | 2008 | 2009 |
|-------------------------|--------------------|--------------------|--------------------|
| | ACTUAL | ESTIMATED | PROJECTED |
| Contingency Fund | \$359,070 | \$334,070 | \$84,070 |
| General Fund Cash Flow | 6,250,708 | 5,933,646 | 4,308,658 |
| Capitol Theatre Reserve | 575,070 | 23,143 | 489,966 |
| Risk Management Reserve | 1,037,963 | 1,084,140 | 902,358 |
| TOTAL | \$8,222,811 | \$7,374,999 | \$5,785,052 |

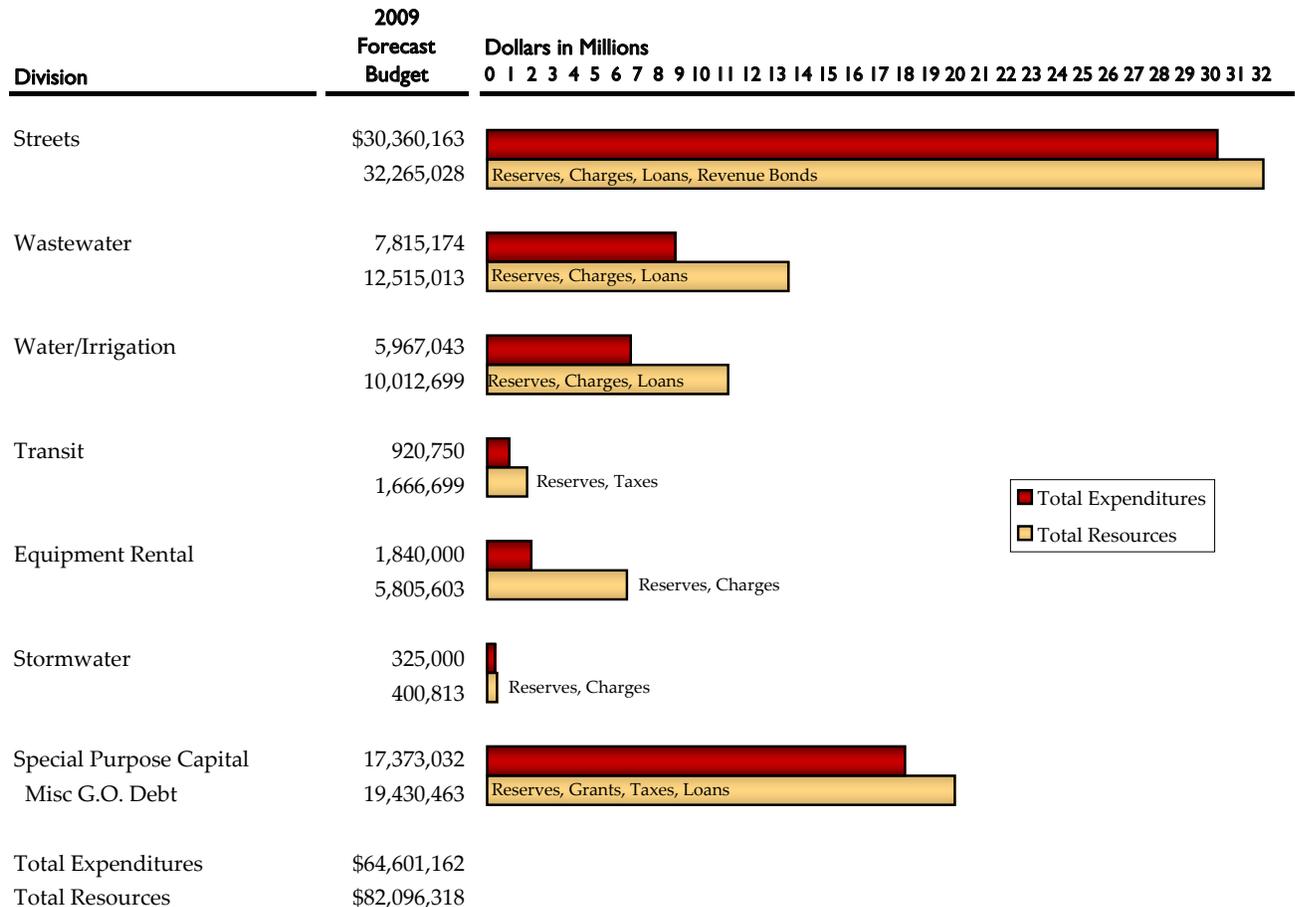
Exhibit I contains additional detail of funds categorized as Operating Reserves.

CAPITAL IMPROVEMENT FUNDS

For 2008, a number of capital improvements were programmed for an amended capital budget of \$49.1 million. However, capital improvement expenditures for 2008 were estimated to be \$27.7 million, a spending level approximately \$21.4 million below budgeted levels. These projects are rebudgeted in 2009 along with additional capital improvements. Examples of the projects being rebudgeted include the Railroad Grade Separation; 16th Avenue & Washington Avenue reconstruction; William O. Douglas trail enhancements; Nob Hill bridge repair; Congdon wastewater main; new well project; and Irrigation system refurbishment. (See Exhibit I for a summary of the status of the capital funds.)

The following describes the relationship of resources and expenditures for major capital budgets of the City.

2009 RESTRICTED CAPITAL AND DEBT SERVICE FUNDS



For 2009, Capital Fund expenditures of \$56,562,187 are estimated as follows, inclusive of carry-over projects from 2008:

STREET/OTHER INFRASTRUCTURE IMPROVEMENT PROJECTS – Total projects of \$28,846,473 (including carryover projects and Debt Service; excluding capital transfers of REET 1 (\$428,065) to support Fire and Parks capital improvement):

- William O. Douglas trail projects / 6th Avenue & Naches bridge (carry-over) – \$492,047 (Federal grants)
- William O. Douglas bridge restoration (carry-over) – \$379,690 (Federal grants)
- Summitview and 66th Avenue signalization (carry-over plus 2009 additional project cost) – \$665,000
- Coolidge Ave / 80th Avenue to 88th Avenue (carry-over plus 2009 additional funding) – \$687,300 (Federal grant and local match)
- Nob Hill overpass repair (carry-over plus additional funding) – \$2,000,000 (Federal grant and REET 2)
- Sixteenth Avenue and Washington Avenue reconstruction (carry-over) – \$1,358,000 (State grant, REET 2 and Private Donations)
- William O. Douglas trail enhancement (carry-over) – \$696,883 (State grants)
- Grind and overlay on 16th Avenue (Nob Hill to Washington Avenue) See Policy Issue Summary, Exhibit II – \$550,000 (REET 2)
- Railroad grade separation – \$18,800,000 (State and Federal grants)
- Debt Service – \$1,121,903
- Other miscellaneous projects including a \$100,000 contingency and \$660,000 utility services system (funded by wastewater, water, and irrigation operating funds) – \$2,095,650

Arterial Street Gas tax and the Real Estate Excise Taxes are the primary local revenue sources for street projects. These revenues are used to match state and federal grants when possible to maximize funding for projects.

IRRIGATION IMPROVEMENT FUND – 2009 projects of \$2,986,700:

- General irrigation system refurbishment Phase III (carry-over) – \$2,000,000
- Hillcrest Buena Vista refurbishment (carry-over plus 2009 additional project cost) – \$620,000
- Capitol Hill refurbishment – \$150,000
- Other irrigation system improvements – \$216,700

DOMESTIC WATER IMPROVEMENT FUND – 2009 projects of \$2,380,100:

- New well project (carry-over plus 2009 additional project cost) – \$1,300,000 (funded by Public Works Trust Fund loan)
- Design Water Treatment Plant Lagoons – \$150,000
- 2009 Water main replacement – \$150,000
- Automated Meter Reading System – \$500,000
- Viola and I-82 water main – \$150,000
- Other water capital projects – \$130,100

FIRE CAPITAL FUND – Total projects of \$1,618,100:

- Purchase of New Ladder Truck (carry-over) – \$800,000
- Machinery and Equipment (2 vehicles, Snowplow, HVAC, Air compressor, Mobile Data Terminal, Public Safety Communication Equipment) – \$177,600
- Fire Station 94 remodel. See Policy Issue Summary, Exhibit II – \$600,000 (funded by REET 1)
- Fire Station 95 Storage Shed – \$27,000
- Other miscellaneous upgrades to equipment and fire stations – \$13,500

WASTEWATER CAPITAL EXPENDITURES – Facility projects and other sewer improvements, including sewer line extension rehabilitation and other costs, total \$5,555,000:

- West Nob Hill sewer main (carry over plus 2009 additional project cost) – \$400,000
- Simpson Lane LID City Participation – \$220,000
- Congdon sewer main (carry over) – \$750,000
- Neighborhood sewer main (carry over) – \$380,000
- Speedway/Race St Interceptor – \$200,000
- Control and Data System Retrofit (carry over plus 2009 additional project cost) – \$2,500,000 (Revenue Bond)
- DAFT (Dissolve Air Flotation Treatment) retrofit (carry over) – \$250,000 (Revenue bond)
- Wastewater Facility security upgrade. See Policy Issue Summary, Exhibit II – \$200,000
- 2009 Wastewater Comprehensive Plan update – \$150,000
- Other Wastewater miscellaneous capital needs (including a \$250,000 contingency) – \$505,000

STORMWATER CAPITAL FUND – 2009 budget of \$325,000:

- Capital Facilities Project (carry-over) – \$150,000
- Coolidge Rd drainage improvement – \$150,000
- Other miscellaneous projects – \$25,000

TRANSIT CAPITAL – The 2009 budget of \$920,750 is for miscellaneous capital needs and vehicle replacement.

- Continuation of repaving project at Public Works – \$167,000
- Bus Replacement plan (1 bus) – \$500,000 (See Policy Issue Summary – Exhibit II)
- Replace Dial-a-ride vehicles – \$98,750
- Other capital needs – \$155,000

PARKS IMPROVEMENTS PROJECTS – \$1,275,000 for various project/capital needs:

- Upper Kiwanis development/land – \$1,175,000 (state grant, line of credit, and contributions) (See Policy Issue Summary – Exhibit II)
- Other capital needs – \$100,000

OTHER CAPITAL PROJECTS / TRANSFERS

- City Hall rehabilitation/refurbishment/contingency – \$400,000 for continued refurbishment projects. (REET 1)
- Transfer of REET 1 to support Fire and Parks capital improvements – \$428,065
- Law and Justice Capital fund – \$1,143,014 for the Police Station/Legal Center related equipment and projects including:
 - Vehicle replacement – \$340,000
 - Technology and Equipment to enhance crime reduction – \$374,014 (Federal grant)
 - Safety and communication equipment for mobile units – \$170,000
 - Other miscellaneous projects and equipment – \$259,000

CONVENTION CENTER CAPITAL IMPROVEMENTS – \$268,000 is programmed for ongoing capital needs of the Center for 2009.

LID CONSTRUCTION – \$430,000 is budgeted for two local improvement districts 1) at North 85th Avenue and 2) Simpson Lane.

CBD CAPITAL IMPROVEMENT – This fund includes \$257,235 for improvements in the Central Business District.

- Contract for maintenance (funded by Parks and Recreation in prior years) – \$50,000
- Other projects / contingency – \$207,235

CAPITOL THEATRE CONSTRUCTION – \$9,728,750 is budgeted for improvements to the Capitol Theatre:

- Phase II of the Capitol Theatre expansion project – \$9,210,000 (bond proceeds and contributions)
- Interfund loan repayment – \$518,750

SUMMARY

Overall, Capital Fund expenditures in the 2009 Budget Forecast are \$56,562,187, which is \$7,439,367 or 15.1% greater than the 2008 amended levels of \$49,122,820. Many areas are in the midst of capital programs such as the utilities, streets and the Capitol theatre expansion. In some instances, the “next” phase as included in the 2009 budget is more than 2008, such as the Railroad Grade Separation, Capitol Theatre expansion, wastewater and water system improvements. In other instances, the ongoing budgets are less than 2008, such as the Phase 3 Downtown Revitalization/ pedestrian improvements and Wastewater capital projects. All of these changes net to an overall increase in the capital fund expenditures for this budget cycle.

BUDGET SUMMARY

DEBT CAPACITY

GENERAL OBLIGATION DEBT

The City is allowed by State statute to issue general obligation debt either by Council approval (Councilmanic) or by a vote of the people. The amount of debt outstanding is restricted by State law to certain percentages of the property tax assessments (called the limitation of indebtedness). In most instances, Councilmanic debt issues have dedicated sources of revenue for repayment, while voted debt is serviced by an additional property tax levy.

As of December 31, 2007 the City had \$34,265,097 of Councilmanic debt issued, of which \$19,057,482 was outstanding. Of the amount outstanding, all have a dedicated revenue source (such as cable TV utility tax, hotel/motel tax, Public Facilities District (PFD) revenues, Real Estate Excise Tax (REET), etc.)

The amount of voted debt issued as of the above date, was \$2,300,000 (refunded), of which \$1,780,000 was outstanding. This represents one bond issue that was used for Fire capital improvements.

- The tax levy on voted debt for 2008 is \$0.05834643 per \$1,000 of assessed valuation, for a total levy of \$294,000.
- The levy on voted debt for 2009 is projected at \$268,000 to cover scheduled debt service.

For 2007, the ratio of net general bonded debt to assessed value is .38%, and the net bonded debt per capita is \$242. These numbers indicate a General Obligation debt burden for Yakima that is well within industry standards. This is appealing to potential investors. The remaining debt capacities (from the limitation of indebtedness calculation) are:

- \$58.0 million for Councilmanic general obligation debt.
- \$49.5 million for voted general obligation debt (in addition to above).
- \$127.6 million for utilities.
- \$127.6 million for parks and open space.

The chart below summarizes the general purpose debt available to the City.

GENERAL PURPOSE DEBT AVAILABLE

| | | LIMIT BY SECTION | CUMULATIVE LIMIT |
|------|--|-----------------------------|-------------------------|
| I. | General Purpose | | |
| | Without a Vote (Includes Capital Leases) | 1.50% | |
| | With a vote | 1.00% | 2.50% |
| II. | Utilities Purpose | 2.50% | 5.00% |
| III. | Open Space and Parks Facilities | 2.50% | 7.50% |
| | TOTAL LEGAL LIMIT | 7.50% | |

The basic percentages for Section I, above, are the maximum levels of General Obligation indebtedness those sections may incur. However, utility or parks indebtedness may each exceed 2.5% and reduce the general indebtedness margin. The percentages are applied to the taxable assessed value (regular levies) of \$5.1 billion.

REVENUE BONDS

Revenue bonds are issued for construction projects or other legal purposes in the water, sewer and irrigation utilities. Repayment of these debt issues is built into the rate structures charged by the utilities.

At December 31, 2007, the amount of revenue bonds issued was \$34,590,000 of which \$24,661,317 was outstanding, \$19,751,317 for the Wastewater/Water Utility and \$4,910,000 for the Irrigation Utility. The revenue bond coverage ratio (net revenues available for debt service/debt service requirements) is 3.62 for the Wastewater/Water Utility, and 3.88 for the Irrigation Utility in 2007. The City's general policy is to maintain a minimum coverage ratio of between 1.4 and 2.0 times debt service. Both utilities exceed that standard and have healthy coverage ratios. This provides a high level of assurance that the City will be financially able to repay its outstanding revenue bonds.

PUBLIC WORKS TRUST FUND LOANS

The City also utilizes Public Works Trust Fund Loans to fund capital projects for street, wastewater, and water divisions. These loans are obtained by competitive process from the State of Washington's Department of Community and Economic Development. Interest rates range from .5% to 3% depending on amount of available matching funds, and are more favorable than bonded debt. The other advantage to using this program is that these loans are not considered to use debt capacity for G.O. debt nor do they have coverage or reserve requirements in the case of utility debt.

At December 31, 2007, the City had \$25,757,747 of Public Works Trust Funds issued, with \$9,799,870 outstanding.

STATE AND FEDERAL MANDATES

In establishing the budget levels for all of the funds of the City, the cost of complying with State and Federal mandates is factored in. The cost of mandate compliance continues to be a heavy burden on City budgets, particularly City operating budgets. The cost of compliance is very high while the revenues received from State and Federal agencies which enact these mandates is minimal. The most significant impacts from State and Federal mandates is the expense of implementing:

- Health Insurance Portability and Accountability Act (HIPAA)
- GASB 34 Financial Statement/Reporting Model
- Safe Drinking Water Act
- Endangered Species Act (4(d) Rules for Salmon Recovery)
- National Fire Protection Association apparatus manning standard
- Americans' with Disabilities Act
- Fair Labor Standards Act
- State Ecology Stormwater Regulations
- State and Federal Retirement Laws
- Growth Management Act (ongoing)
- State mandate which shifted cost to cities for domestic violence, prosecution, adjudication, and incarceration of State charge misdemeanor and gross misdemeanor offenses.

All of the above have had far reaching impacts on most City budgets. Again, few State or Federal funds have been granted to support implementation of these mandates. Additionally, the Legislature continues to consider measures to preserve and recover northwest salmon stock. Most of the measures discussed carried multi-million dollar price tags. This is a potential future mandate that could have dramatic impacts on local governments throughout Washington State.

It should also be noted that while mandates and regulatory requirements continue to be a heavy burden on the City, the City's ability to collect revenues to meet those requirements has been legislatively diminished. New State laws often impair the City's ability to collect revenue for City programs and services. Recent initiatives have reduced the City's ability to meet requirements. It's important for the citizenry to weigh the cost of compliance (i.e. taxes and fees to meet the laws) versus the cost of non-compliance (for example: quality of life issues, fines for non-compliance, and other "hidden" costs such as increased fire and property insurance rates, loss of grant revenue, etc.)

BALANCED BUDGET

The 2009 budget is planned to be balanced as follows:

GENERAL FUND

\$1,624,988 of the total 2009 beginning balance of \$5,933,646 is allocated to meet the current difference between estimated revenues and expenditures. The estimated \$4,308,658 General Fund ending balance will be used as a minimum operating reserve for cash flow needs for unbudgeted policy issues, final bargained settlements and as a general contingency reserve against potential revenue shortfalls, or unforeseen expenditures.

PARKS AND RECREATION FUND

Projected 2009 Parks expenditures are \$4,377,598. The budget includes \$4,244,385 in revenues, along with \$133,213 of the beginning 2009 cash balance to balance the 2009 budget. This will leave a projected operating reserve of \$299,737 for year-end 2009. Even though the Parks Division has recently completed a major capital campaign, adding new parks and facilities, its operating budget is remaining flat relative to inflation. To adequately support the new facilities, a new dedicated revenue source is desirable. The option of establishing a Metropolitan Park District was researched; however, total available revenues within the City limits would not be adequate to maintain the entire Parks system. Other discussion includes reviewing the balance of user fee vs. tax support of programs, and divesting programs that can be performed by the private sector (either for profit or non-profit.)

STREET AND TRAFFIC OPERATIONS FUND

Beginning balance projection for 2009 is \$1,147,588. Revenues of \$5,764,810 along with \$280,870 of the beginning balance will be used to balance the 2009 budget. Total expenditures of \$6,045,680 are programmed for 2009. The year-end balance is projected at \$866,718. Additional personnel were added by Council in 2008 to accommodate growth in the miles of city streets added by recent annexations.

WASTEWATER OPERATIONS FUND

Expenditures for 2009 are budgeted within projected resource levels. Because of the large volume of capital projects in recent years, operating transfers to the Wastewater capital funds were expanded in 2007 and remain at high levels through 2009. This is resulting in the operating reserve balance being reduced from \$2,011,777 at the beginning of 2008, to \$1,549,644 at the end of 2008, and then to \$1,369,182 by the end of 2009. This balance is about 8.1% of the expenditure budget

and is, therefore, still within guidelines. The Stormwater utility is following Council's approved plan to ramp up the program. The 2009 budget includes 2 additional positions and begins the reimbursement of Wastewater for prior Stormwater expenses.

WATER RATES

Water recently developed a cost of service study tied to operating costs and identified capital needs. Council approved a rate adjustment to be phased in over 5 years, starting in 2008. The adjustment included in the 2009 budget is 5.5%.

REFUSE RATES

As Refuse transitions to automated pick-up, this fund is achieving the goal of gradually reducing staffing costs, as the automated trucks only require one operator. For 2009, no rate adjustment is being proposed for Refuse.

CONCLUSION

The City's projected Operating, Enterprise, and Capital Fund expenditures for 2009 are balanced within anticipated revenues and projected cash balances.

The total 2009 Budget is estimated at \$199,704,071 – an increase of \$7,530,326 or 3.9% greater than the 2008 amended budget level of \$192,173,745. Most of this increase is derived from the timing of capital projects, salary adjustments and increased cost in operating supplies/maintenance.

The overall 2009 Budget addresses, within resource limitations, the Critical/Strategic Issues of the City in an ongoing effort to meet citizen needs for municipal services; address the City's Mission and Vision for the future; and satisfy Federal and State mandated responsibilities. (See Exhibit III for a graphic summary of total City budget resources and expenditures.)

THREE YEAR BUDGET COMPARISON – 2008 BUDGET BY CITY FUNCTIONAL GROUPING

| | 2007 | 2008 | | 2008 | 2009 | | 2009 | 2009 | | 2009 |
|---------------------------------------|------------------------|---------------------|----------------------|---------------------|-----------------------|--------------------|---------------------------|----------------------|-----------------------------|------|
| | ACTUAL EXPENDITURES | AMENDED BUDGET | YEAR-END ESTIMATE | AMENDED BUDGET | PRELIMINARY BUDGET | VS 2008 AMENDED | BEGINNING FUND BALANCE | PROJECTED REVENUE | EST. ENDING FUND BALANCE | |
| GENERAL GOVERNMENT | | | | | | | | | | |
| City Council | \$182,758 | \$204,961 | \$204,803 | \$204,961 | \$214,540 | 4.7% | | | | |
| City Manager | 450,429 | 488,608 | 488,174 | 488,608 | 518,756 | 6.2% | | | | |
| State Examiner | 95,467 | 103,000 | 100,000 | 103,000 | 103,000 | 0.0% | | | | |
| Records | 365,783 | 490,224 | 420,551 | 490,224 | 438,888 | (10.5%) | | | | |
| Financial Services | 1,219,856 | 1,453,768 | 1,439,025 | 1,453,768 | 1,516,266 | 4.3% | | | | |
| Human Resources | 410,129 | 465,627 | 455,619 | 465,627 | 488,048 | 4.8% | | | | |
| Legal | 1,308,276 | 1,354,666 | 1,364,741 | 1,354,666 | 1,455,786 | 7.5% | | | | |
| Municipal Court | 1,072,678 | 1,289,964 | 1,211,943 | 1,289,964 | 1,386,829 | 7.5% | | | | |
| Purchasing | 234,303 | 271,231 | 263,617 | 271,231 | 257,362 | (5.1%) | | | | |
| Hearing Examiner | 60,155 | 71,000 | 51,000 | 71,000 | 51,000 | (28.2%) | | | | |
| Environmental Planning | 691,506 | 737,706 | 731,261 | 737,706 | 898,184 | 21.8% | | | | |
| Code Administration | 1,530,132 | 1,645,403 | 1,620,995 | 1,645,403 | 1,782,792 | 8.3% | | | | |
| Indigent Defense | 360,797 | 385,000 | 375,000 | 385,000 | 385,000 | 0.0% | | | | |
| Police | 19,489,297 | 21,325,811 | 20,855,954 | 21,325,811 | 22,607,681 | 6.0% | | | | |
| Fire | 7,941,374 | 8,443,241 | 8,431,972 | 8,443,241 | 8,916,125 | 5.6% | | | | |
| Police Pension | 1,384,894 | 1,412,950 | 1,350,521 | 1,412,950 | 1,387,957 | (1.8%) | | | | |
| Probation Center | 48,233 | 25,000 | 25,000 | 25,000 | 25,000 | 0.0% | | | | |
| Engineering | 1,029,928 | 1,154,964 | 1,097,201 | 1,154,964 | 1,204,407 | 4.3% | | | | |
| City Hall Maintenance | 395,937 | 418,299 | 405,187 | 418,299 | 421,583 | 0.8% | | | | |
| Information Systems | 2,476,068 | 2,844,751 | 2,841,910 | 2,844,751 | 2,482,128 | (12.7%) | | | | |
| Utility Services | 958,592 | 1,091,136 | 1,054,353 | 1,091,136 | 1,248,127 | 14.4% | | | | |
| Intergovernmental | 284,423 | 288,685 | 286,660 | 288,685 | 348,039 | 20.6% | | | | |
| Sun Dome | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 0.0% | | | | |
| District Court | 10,645 | 13,700 | 3,150 | 13,700 | 1,800 | (86.9%) | | | | |
| Transfers | 2,082,216 | 2,342,535 | 2,317,130 | 2,342,535 | 2,232,275 | (4.7%) | | | | |
| TOTAL GENERAL FUND | \$44,233,876 | \$48,472,230 | \$47,545,767 | \$48,472,230 | \$50,521,573 | 4.2% | \$5,933,646 | \$48,896,585 | \$4,308,658 | |
| Parks & Recreation | 4,110,659 | 4,420,907 | 4,349,657 | 4,420,907 | 4,377,598 | (1.0%) | 432,950 | 4,244,385 | 299,737 | |
| Street & Traffic Operations | 5,351,851 | 6,213,833 | 5,858,678 | 6,213,833 | 6,045,680 | (2.7%) | 1,147,588 | 5,764,810 | 866,718 | |
| TOTAL GENERAL GOVERNMENT FUNDS | \$53,696,386 | \$59,106,970 | \$57,754,102 | \$59,106,970 | \$60,944,851 | 3.1% | \$7,514,184 | \$58,905,780 | \$5,475,113 | |

| | 2007 | 2008 | | 2008 | | 2009 | | 2009 | | 2009 | | 2009 |
|---|------------------------|--------------|--------------|--------------|----------|--------------|--------------|--------------|---------|--------------|---------|--------------|
| | ACTUAL EXPENDITURES | AMENDED | YEAR-END | AMENDED | VS 2008 | BEGINNING | PROJECTED | EST. ENDING | AMENDED | FUND BALANCE | REVENUE | FUND BALANCE |
| | | BUDGET | ESTIMATE | BUDGET | AMENDED | FUND BALANCE | REVENUE | FUND BALANCE | | | | |
| OTHER OPERATING/ENTERPRISE | | | | | | | | | | | | |
| Economic Development | \$268,300 | \$181,556 | \$178,056 | \$146,027 | (19.6%) | \$171,619 | \$90,000 | \$115,592 | | | | |
| Community Development | 2,136,382 | 4,679,359 | 4,291,336 | 2,174,807 | (53.5%) | 782,545 | 2,180,241 | 787,979 | | | | |
| Community Relations | 529,918 | 547,054 | 531,371 | 566,603 | 3.6% | 795,701 | 604,420 | 833,518 | | | | |
| Community Services | 105,993 | 590,107 | 399,589 | 487,712 | (17.4%) | 25,562 | 522,712 | 60,562 | | | | |
| Growth Mgmt/Commute Trip Red Fund | 38,106 | 49,745 | 49,745 | 0 | (100.0%) | 93 | 0 | 93 | | | | |
| Cemetery | 315,560 | 257,599 | 256,186 | 261,638 | 1.6% | 68,929 | 247,750 | 55,041 | | | | |
| Emergency Services | 1,019,761 | 1,104,501 | 1,099,125 | 1,152,430 | 4.3% | 170,495 | 1,059,476 | 77,541 | | | | |
| Public Safety Communications | 2,449,375 | 2,691,381 | 2,682,640 | 3,027,543 | 12.5% | 271,025 | 2,912,166 | 155,648 | | | | |
| Parking & Business Improvement Area | 82,826 | 118,343 | 115,421 | 204,592 | 72.9% | 4 | 210,170 | 5,582 | | | | |
| Trolley (Yakima Interurban Lines) | 24,873 | 468,619 | 257,841 | 221,621 | (52.7%) | 2,291 | 222,762 | 3,432 | | | | |
| Front Street Business Improvement Area | 1,200 | 3,000 | 3,000 | 3,000 | 0.0% | 6,715 | 3,535 | 7,250 | | | | |
| Tourist Promotion | 1,258,433 | 1,410,662 | 1,410,662 | 1,454,205 | 3.1% | 168,646 | 1,420,300 | 134,741 | | | | |
| Capitol Theatre | 281,611 | 304,737 | 304,737 | 318,513 | 4.5% | 148,795 | 314,567 | 144,849 | | | | |
| Public Facilities District Revenue | 644,628 | 1,114,424 | 1,068,424 | 1,194,000 | 7.1% | 136,282 | 1,217,000 | 159,282 | | | | |
| Tourist Promotion Area | 381,834 | 393,000 | 393,289 | 405,088 | 3.1% | 414 | 405,088 | 414 | | | | |
| Storm Water Operating | 0 | 1,120,506 | 870,948 | 1,801,938 | 60.8% | 250,052 | 1,795,000 | 243,114 | | | | |
| Transit | 6,386,583 | 7,324,976 | 7,323,528 | 7,482,899 | 2.2% | 594,474 | 7,245,600 | 357,175 | | | | |
| Refuse | 3,809,216 | 4,500,990 | 4,487,797 | 4,675,689 | 3.9% | 154,135 | 4,615,650 | 94,096 | | | | |
| Sewer Operating | 15,908,713 | 16,649,719 | 16,622,666 | 16,883,176 | 1.4% | 1,549,644 | 16,702,714 | 1,369,182 | | | | |
| Water Operating | 6,594,239 | 7,304,687 | 6,997,875 | 7,312,616 | 0.1% | 1,600,868 | 6,898,837 | 1,187,089 | | | | |
| Irrigation Operating | 2,625,516 | 2,668,515 | 2,666,204 | 2,786,735 | 4.4% | 181,947 | 2,665,250 | 60,462 | | | | |
| Equipment Rental | 4,553,864 | 5,750,023 | 5,622,062 | 6,180,563 | 7.5% | 4,245,283 | 5,969,355 | 4,034,075 | | | | |
| Environmental Fund | 50,098 | 454,750 | 273,800 | 326,350 | (28.2%) | 438,077 | 135,000 | 246,727 | | | | |
| Public Works Administration | 1,131,552 | 1,205,464 | 1,152,553 | 1,198,818 | (0.6%) | 173,056 | 1,220,130 | 194,368 | | | | |
| TOTAL OTHER OPERATING/ENTERPRISE | \$50,598,581 | \$60,893,717 | \$59,058,855 | \$60,266,563 | (1.0%) | \$11,936,652 | \$58,657,723 | \$10,327,812 | | | | |
| CAPITAL IMPROVEMENT | | | | | | | | | | | | |
| Arterial Street | \$4,099,997 | \$9,420,282 | \$4,518,816 | \$7,317,146 | (22.3%) | \$1,044,171 | \$6,643,041 | \$370,066 | | | | |
| Transportation Improvement | 37,548 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| C.B.D. Capital Improvement | 2,586,061 | 2,622,227 | 2,342,424 | 2,572,35 | (90.2%) | 379,889 | 35,800 | 158,454 | | | | |

| | | | | | | | | |
|---|--------------|--------------|--------------|--------------|---------|--------------|--------------|--------------|
| Capitol Theatre Construction | 231,664 | 1,281,103 | 1,224,353 | 9,728,750 | 659.4% | 175,983 | 9,873,000 | 320,233 |
| Parks & Recreation Capital | 656,361 | 1,555,838 | 620,900 | 1,275,000 | (18.1%) | 195,423 | 1,240,000 | 160,423 |
| Fire Capital | 1,554,054 | 1,265,272 | 498,000 | 1,618,100 | 27.9% | 1,300,292 | 340,153 | 22,345 |
| Law & Justice Capital | 953,479 | 863,300 | 620,881 | 1,143,014 | 32.4% | 553,690 | 943,514 | 354,190 |
| Public Works Trust Construction | 772,861 | 1,902,702 | 1,660,236 | 1,235,570 | (35.1%) | 1,307,572 | 925,000 | 997,002 |
| REET 2 Capital Construction | 797,381 | 2,016,215 | 958,749 | 1,661,822 | (17.6%) | 1,154,403 | 820,000 | 312,581 |
| L.I.D. Construction Control | 31,635 | 535,000 | 535,000 | 430,000 | (19.6%) | (572,413) | 1,002,413 | 0 |
| Storm Water Capital | 0 | 175,000 | 149,187 | 325,000 | 85.7% | 50,813 | 350,000 | 75,813 |
| Transit Capital Reserve | 61,836 | 2,407,652 | 2,272,652 | 920,750 | (61.8%) | 1,119,199 | 547,500 | 745,949 |
| Convention Center Capital Improvement | 64,997 | 107,682 | 107,682 | 268,000 | 148.9% | 301,178 | 216,200 | 249,378 |
| Cum. Reserve for Capital Improvement | 3,981,060 | 9,419,474 | 1,927,000 | 19,460,000 | 106.6% | 173,350 | 19,465,100 | 178,450 |
| Wastewater Facilities Capital Reserve | 19,620 | 720,000 | 720,000 | 50,000 | (93.1%) | 317,747 | 152,000 | 419,747 |
| Sewer Construction | 2,793,253 | 2,115,000 | 831,000 | 2,220,000 | 5.0% | 2,003,216 | 1,391,350 | 1,174,566 |
| Domestic Water Improvement | 473,612 | 2,065,200 | 628,259 | 2,380,100 | 15.2% | 2,733,561 | 1,708,000 | 2,061,461 |
| Wastewater Facilities | 6,044,548 | 7,187,473 | 6,445,000 | 3,285,000 | (54.3%) | 3,177,482 | 1,161,000 | 1,053,482 |
| Irrigation System Improvement | 2,384,436 | 3,463,400 | 1,662,334 | 2,986,700 | (13.8%) | 3,754,937 | 906,000 | 1,674,237 |
| TOTAL CAPITAL IMPROVEMENT | \$27,544,403 | \$49,122,820 | \$27,722,473 | \$56,562,187 | 15.1% | \$19,170,493 | \$47,720,071 | \$10,328,377 |
| CONTINGENCY/OPERATING RESERVES | | | | | | | | |
| Contingency Fund | \$65,337 | \$300,000 | \$100,000 | \$300,000 | 0.0% | \$334,070 | \$50,000 | \$84,070 |
| FRS/Capitol Theatre Reserve | 71,927 | 571,927 | 571,927 | 71,927 | (87.4%) | 23,143 | 538,750 | 489,966 |
| Risk Management | 2,278,437 | 2,474,668 | 2,434,880 | 2,783,782 | 12.5% | 1,084,140 | 2,602,000 | 902,358 |
| TOTAL CONTINGENCY/OPERATING RESERVES | \$2,415,701 | \$3,346,595 | \$3,106,807 | \$3,155,709 | (5.7%) | \$1,441,353 | \$3,190,750 | \$1,476,394 |
| EMPLOYEE BENEFIT RESERVES | | | | | | | | |
| Unemployment Compensation | \$109,920 | \$154,739 | \$151,139 | \$152,133 | (1.7%) | \$392,158 | \$108,550 | \$348,575 |
| Employees Health Benefit | 8,691,744 | 9,310,906 | 8,897,738 | 9,395,435 | 0.9% | 3,567,557 | 9,315,000 | 3,487,122 |
| Workers' Compensation | 1,242,336 | 1,719,838 | 1,690,592 | 1,694,138 | (1.5%) | 882,267 | 1,561,300 | 749,429 |
| Wellness/EAP Fund | 121,651 | 126,382 | 125,950 | 119,476 | (5.5%) | 130,789 | 120,000 | 131,313 |
| Firemen's Relief & Pension | 1,497,086 | 1,630,203 | 1,492,995 | 1,603,380 | (1.6%) | 780,412 | 1,608,565 | 785,597 |
| TOTAL EMPLOYEE BENEFIT RESERVES | \$11,662,737 | \$12,942,068 | \$12,358,414 | \$12,964,562 | 0.2% | \$5,753,183 | \$12,713,415 | \$5,502,036 |
| TRUST AND AGENCY FUNDS | | | | | | | | |
| Cemetery Trust | \$26,828 | \$27,000 | \$25,000 | \$25,000 | (7.4%) | \$563,181 | \$31,000 | \$569,181 |

| | 2007 ACTUAL EXPENDITURES | 2008 AMENDED BUDGET | 2008 YEAR-END ESTIMATE | 2009 PRELIMINARY BUDGET | 2009 VS 2008 AMENDED | 2009 BEGINNING FUND BALANCE | 2009 PROJECTED REVENUE | 2009 EST. ENDING FUND BALANCE |
|------------------------------|--------------------------------|---------------------------|------------------------------|-------------------------------|----------------------------|-----------------------------------|------------------------------|-------------------------------------|
| DEBT SERVICE | | | | | | | | |
| L.I.D. Guaranty | \$0 | \$0 | \$0 | \$0 | n/a | \$79,982 | \$300 | \$80,282 |
| PFID Debt Service | 459,729 | 459,075 | 459,075 | 460,413 | 0.3% | 151,407 | 460,000 | 150,994 |
| General Obligation Bonds | 2,194,852 | 2,128,040 | 2,126,889 | 2,257,369 | 6.1% | 525,401 | 2,259,389 | 527,421 |
| L.I.D. Debt Service | 253,673 | 187,000 | 187,000 | 207,000 | 10.7% | 74,477 | 213,000 | 80,477 |
| Water-Irrigation/Sewer Bonds | 2,977,059 | 3,960,460 | 3,713,534 | 2,860,417 | (27.8%) | 2,357,977 | 2,864,442 | 2,362,002 |
| TOTAL DEBT SERVICE | \$5,885,313 | \$6,734,575 | \$6,486,498 | \$5,785,199 | (14.1%) | \$3,189,244 | \$5,797,131 | \$3,201,176 |
| TOTAL CITY BUDGET | \$151,829,949 | \$192,173,745 | \$166,512,149 | \$199,704,071 | 3.9% | \$49,568,290 | \$187,015,870 | \$36,880,089 |

POLICY ISSUE SUMMARY

**2009 BUDGET PREPARATION
POLICY ISSUE SUMMARY ⁽¹⁾**

OUTSIDE AGENCIES -- DETERMINED BY COUNCIL POLICY

| COUNCIL POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | NON-PERSONNEL | COMMENTS |
|--|--------------------------------|---------------------------------|-----------------|
| Submitted by Council members Cawley and Lover: Cap and/or Eliminate all Outside Agency Funding | Varies | Net savings: up to \$100,000 | |

OUTSIDE AGENCY REQUESTS

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | NON-PERSONNEL | COMMENTS |
|---|--|--|------------------------------------|
| Yakima County Development Association (New Vision) | General Fund | \$20,000 Additional <u>\$10,000</u> Total Request \$30,000 | Budgeted Unbudgeted |
| Yakima Chamber of Commerce ⁽²⁾ | General Fund | \$5,900 | Budgeted |
| Hispanic Chamber of Commerce ⁽²⁾ | General Fund | \$5,900 | Budgeted |
| Fourth of July Committee ⁽²⁾ | General Fund/Fire | \$5,500 | Budgeted |
| Sunfair Association ⁽²⁾ | General Fund | \$1,000 | Budgeted |
| Yakima Basin Storage Alliance, Black Rock ⁽²⁾ | Water Reserves (60%) General Fund (40%) | \$18,000 <u>12,000</u> \$30,000 | Budgeted |
| Yakima-Morelia Sister City Association ⁽²⁾ | Economic Development Fund | \$2,000 Additional <u>3,000</u> Total Request \$5,000 | Budgeted Unbudgeted |
| Committee for Downtown Yakima | CBD Capital Improvement Fund (321) | \$50,000 | Budgeted |
| Allied Arts ArtsVan | General Fund | \$5,333 | Budgeted |
| Retired Senior Volunteer Program (RSVP) | Parks & Recreation Fund | \$3,000 In-kind \$2,000 | Budgeted |
| Seasons Music Festival (New) | Parks & Recreation Fund or Hotel/Motel Tax | \$8,000 | Unbudgeted |
| Citizens for Safe Yakima Valley Communities: Existing Community Programs | General Fund | \$20,000 | Budgeted |
| Blockwatch & Crime Free Rental Housing Support (New) | General Fund Federal Byrne Grant | \$60,000 | Budgeted |
| Yakima Symphony Orchestra (New) | Parks & Recreation Fund or General Fund | \$10,000 | Unbudgeted |
| | | \$208,633 \$31,000 | Total Budgeted Total Unbudgeted |

(1) Policy proposal figures may be rounded.

(2) These Outside Agency Requests are included in the 2009 Preliminary Budget at the same levels as approved in the 2008 budget.

INTERGOVERNMENTAL AGENCIES

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | NON-PERSONNEL | COMMENTS |
|---|-------------------------|---|----------|
| Clean Air Authority Assessment | General Fund | 2008 Assessment \$22,062 Increase - 1.5% <u>332</u> 2009 Total \$22,394 | Budgeted |
| Yakima County Emergency Management Assessment | General Fund | 2008 Assessment \$57,212 Increase - 3% <u>1,688</u> 2009 Total \$58,900 | Budgeted |
| Yakima Valley Conference of Governments (COG) Membership Assessment | General Fund | 2008 Assessment \$42,581 Decrease - (3.4%) <u>(1,456)</u> 2009 Total \$41,125 | Budgeted |

CITY MANAGEMENT

WASTEWATER / PRE-TREATMENT

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|--|----------------------------------|-----------------------------|---------------|----------|
| Enhance Security at the Wastewater Treatment Plant | Wastewater Facility Capital Fund | | \$200,000 | Budgeted |

STORMWATER

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|--|-------------------------|---|---------------|----------|
| Reaffirm and Update Council Authorized Stormwater Program (continuation of 2008 Policy Issue for mandated activities) | Stormwater Fees | Add 2 Positions \$94,000 | | Budgeted |
| <ul style="list-style-type: none"> Personnel Staffing Levels for 2009: As Revised 9.56 FTE Per 2008 PI <u>8.96 FTE</u> Adjustment .60 FTE | DOE Grant | Reallocate 0.6 positions from Wastewater \$30,000 | | |
| <ul style="list-style-type: none"> Begin reimbursement of Wastewater Utility for advanced funding of Stormwater program | Stormwater Fees | Full year implementation of 4 positions budgeted for partial year in 2008 | | |

WATER / IRRIGATION

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|------------------------------------|-------------------------------|---------------|----------|
| Water and Irrigation Division Reorganization - | Water & Irrigation Operating Rates | 1. Add 1 Water position (OIT) | | Budgeted |
| 1. Add 1 "Operator in Training" (OIT) Position | Water Fund | \$58,700 | | |
| 2. Create Water Treatment Operator II and III positions | | 2. Upgrade Operator Positions | \$6,000 | |
| Transfer Treatment Plant Chief Operators into new positions as eligible | | 3. Upgrade Office Position | \$3,000 | |
| 3. Upgrade Department Assistant III to Water/Irrigation Administration Specialist | Irrigation Fund | Net | \$67,700 | |

LEGAL

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|-------------------------|-----------------------------|---------------|----------|
| Increase Part-Time Legal Assistant Position To Full-Time Legal Assistant Position | Risk Management Fund | Add .50 Position \$30,000 | | Budgeted |

MUNICIPAL COURT

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|-------------------------|-----------------------------|---------------|----------|
| None | | | | |

FINANCE

FINANCIAL SERVICES / UTILITY SERVICES

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|--|--|--|---|----------|
| Continuation of 2008 Finance Department Reorganization Policy Issue - Consolidate Utility Service Representative and Cashier positions | General Fund Revenue – Increase in Utility Transfer for Services: | 2009: Finance (\$5,900) Utility Services <u>13,000</u> Net Expense Increase \$7,100 | Implementation Costs (2009 only): Finance \$1,300 Utility Services <u>9,700</u> Total \$11,000 | Budgeted |
| Total Net Expenditure Increase (including one-time costs) 2009: \$18,100 | 2009 \$22,700 2010 \$26,000 | Annually (ongoing): Finance (\$11,800) Utility Services <u>26,000</u> Net \$14,200 | | |
| Total Net Expenditure Increase 2010: \$14,200 | | | | |

INFORMATION SYSTEMS

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|--|-----------------------------|---|----------|
| Implement a Records Management System for official City records maintained by the City Clerk's office | 2009 Implementation: 50% General Fund - Info Systems 50% Risk Mgmt | | 2009 Implementation: GF/IS \$42,500 Risk Mgmt <u>42,500</u> Net \$85,000 | Budgeted |
| Annual Maintenance Support | 2010: 100% General Fund - Info Systems | | 2010 \$16,000 | |

COMMUNITY AND ECONOMIC DEVELOPMENT

CODES

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|-------------------------|-----------------------------|--|------------------------|
| Increase 2009 Service Contract with Humane Society by 9.1% or \$5,722 | General Fund | | 2008: \$62,878 2009 Increase: 4.0% 2,516 5.1% <u>3,206</u> 9.1% \$68,600 | Budgeted Unbudgeted |

ONDS (OFFICE OF NEIGHBORHOOD DEVELOPMENT)

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|-----------------------------------|---|---------------|----------|
| ONDS Reorganization 1. Eliminate ONDS Manager position 2. Reallocate CED Deputy Director 3. Special Assignment for Operations Supervisor 4. Upgrade Account Specialist to Financial Services Technician | Federal Block Grant (net savings) | 1. Manager (\$107,000) 2. Director 20,000 3. Ops. Sup. 8,000 4. Upgrade 5,000 <u>Net (\$74,000)</u> | | Budgeted |

TOURISM PROMOTION/YAKIMA CONVENTION CENTER

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|--|--|-----------------------------|---------------|----------|
| Increase annual Management Fee from \$645,000 to \$664,350 to adequately support Center operations | Tourist Promotion Operating Fund Hotel / Motel Tax Event revenue | | \$19,350 | Budgeted |
| Equipment Replacement and System Upgrades | Convention Center Capital | | \$217,000 | Budgeted |
| Market Analysis and Visitor Profile | Tourist Promotion Operating Fund Hotel / Motel Tax | | \$30,000 | Budgeted |

CAPITOL THEATRE

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|--|---|-----------------------------|---------------|----------|
| Increase Annual Management Fee from \$197,000 to \$209,000 | Capitol Theatre Operating Fund Hotel / Motel Tax | | \$12,000 | Budgeted |

ENGINEERING

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|--|--|--|---------------|----------|
| Consideration of a Continued Organizational Development for the Engineering Division Addition of full time Division Manager - City Engineer Allocated to: General Fund - 30% \$43,200 Wastewater - 55% 79,200 Water - 8% 11,500 Stormwater - 5% 7,200 Irrigation - 2% 2,900 Total \$144,000 | Wastewater, Stormwater, Water, Irrigation and General Fund | Citywide: Add City Engineer \$144,000 Eliminate Wastewater Lab Tech <u>(\$67,000)</u> Net \$77,000 General Fund: 30% City Eng. \$43,200 Less: 30% CED Deputy Director <u>(\$38,900)</u> Net Increase \$4,300 | | Budgeted |
| 2009 Grind and Overlay - 16th Avenue from Nob Hill to Washington Avenue | REET2 | | \$550,000 | Budgeted |

POLICE

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|-------------------------|-----------------------------|---------------|----------|
| None | | | | |

FIRE

SUPPORT SERVICES

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|--------------------------------------|-----------------------------|---------------|----------|
| Fire Station 94 Remodel | Fire Capital Fund: REET 1 Allocation | | \$600,000 | Budgeted |

PUBLIC SAFETY COMMUNICATIONS

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|---|---|----------------------------|----------|
| Transfer 2 Public Safety Lead Dispatchers from Dispatch to 911 (Supported by additional 911 funding from the County) Add 2 Dispatch positions: Public Safety Dispatcher and Public Safety Lead Dispatcher | Public Safety Communications Fund Increase in County wide 911 contract | Transfer 2 positions (\$179,000) Add Public Safety Dispatcher \$60,000 Add Public Safety Lead Dispatcher \$70,000 <u>Net \$130,000</u> Net Savings to Dispatch \$49,000 | Revenue Increase \$179,000 | Budgeted |

PUBLIC WORKS

STREETS

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|---|--|---------------|----------|
| 40th Avenue Corridor Traffic Movement Improvement Study | Street and Traffic Engineering Fund - Gas Tax | | \$35,000 | Budgeted |
| Eliminate Vacant Senior Sign Specialist And Upgrade Two (2) Part-Time (75%) Sign Specialists To Full-Time | Street and Traffic Engineering Fund | Eliminate 1 Position and Upgrade 2 Job Classes Savings: Net .50 FTE (\$34,000) | | Budgeted |

TRANSIT

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|--|--|-----------------------------|---------------|----------|
| Purchase One 35 foot heavy duty, low floor replacement bus | Transit Capital Fund - Local Sales Tax | | \$400,000 | Budgeted |

REFUSE

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|--------------------------------|------------------------------------|----------------------|-----------------|
| Upgrade Solid Waste Maintenance Worker position to Solid Waste Code Compliance Officer position | Refuse Operating Fund | Net Increase \$3,000 | | Budgeted |
| Upgrade Solid Waste Maintenance Worker position to Solid Waste Crew Leader position | Refuse Operating Fund | Net Increase \$3,125 | | Budgeted |

PARKS AND RECREATION

| DEPT./DIV. POLICY ISSUE REQUEST/JUSTIFICATION | PROPOSED FUNDING SOURCE | PERSONNEL SALARY / BENEFITS | NON-PERSONNEL | COMMENTS |
|---|--|------------------------------------|--|-----------------|
| Solicit requests for proposals (RFP's) to lease Fisher Park starting in 2010 (no fiscal effect in 2009) | Parks and Recreation Fund | | | |
| Develop Upper Kiwanis Park – Phase 1 Financing | Parks Capital 1. State Grant 2. Municipal Debt - Line of Credit or Interfund Loan (repaid from REET1) 3. 2008 and 2009 REET1 Capital allocation | | Parks Capital \$1,225,000 Revenue: 1. Grant \$500,000 2. Debt \$500,000 3. REET1 \$225,000 Net \$1,225,000 | |

EXHIBIT III - SUPPLEMENTAL INFORMATION

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2009 BUDGET DIRECTIVES MEMO

2009 BUDGETED GRANTS AND EXTERNAL REVENUES

CRIMINAL JUSTICE

Criminal Justice Costs
General Government Budgets
Criminal Justice Sales Tax

SALARY AND BENEFIT COSTS

Costs to Total Budget
Operating Funds

RESOURCE AND EXPENDITURE BREAKDOWN

Graphic Portrayal
Total Resources – by Category
Total Resources – by Category and Source
Total Expenditures

2009 BUDGET DIRECTIVES MEMO

MEMORANDUM

April 9, 2008

To: All Department Directors
All Division Managers

From: Dick Zais, City Manager

CC: City Council

Subject: 2008 General Government Budget Directives / Constraints – Effective Immediately

As part of our continuous fiscal monitoring and analysis, and in response to a Council Budget Committee's request for budget reduction options, the Finance Division is in the process of preparing 2008 year-end budget projections and 2009 revenue and expenditure forecasts. While this analysis has not yet been completed, we are preliminarily forecasting a significant gap between projected 2009 revenues and the funding level needed to sustain 2008 level of services into next year, given projected cost increases in the future for mandated, contractual and private sector services. Our projections indicate that the City will be faced with significant increases in the costs of providing existing core services at current levels in the coming year.

Our preliminary assessment indicates significant cost increases in the following areas: fuel; health care; county jail costs; private gas, electric and cellular telephone utilities, and labor settlements. Staff is projecting some increase in revenues, which will partially offset these cost increases. More information will be provided to you over the next several weeks regarding this "revenue / expenditure gap" as we better refine our projections.

Accordingly, we must stay ever vigilant regarding our fiscal status and restrain spending whenever and wherever possible. Therefore, I am continuing the increased constraints on expenditures that I implemented in July of 2007, with a few refinements. The following General Government expenditure constraints are in force and are to be followed by all Department Heads and Division Managers in the operations of your respective areas. I am again directing that the following actions be taken for all General Government Budgets, effective immediately:

1. Vacant Positions (Permanent and Temporary)*:
 - All new vacant positions must be reviewed and approved by the City Manager before proceeding with any hiring process and/or filling of the position.
2. Overtime and Compensatory Time:
 - Overtime or compensatory time is authorized only for emergencies, to maintain minimum staffing levels, shift schedules, to comply with the Fair Labor Standards Act, or to meet extended public works project schedules. Any other exceptions must be

approved by the City Manager.

- Monthly updates of All Overtime and Comp. Time for the previous month must be submitted to the City Manager for review. (Over/Comp Time for Emergency callouts and to meet minimum staffing levels is exempt from this monthly update requirement.)

3. Vehicle Purchases / Fuel Conservation:

- Vehicle purchases authorized in the 2008 budget must be ordered by mid-year or re-approved by the City Manager, thereafter. No non-budgeted vehicle purchase orders are to be processed. Purchase Orders already in process are subject to cancellation upon review by City Manager.
- Equipment Rental Division Manager is directed to implement those gas/fuel conservation measures, identified in 2007, that will reduce the City's fuel consumption by a minimum of a 10%. Likewise, Department Directors and Division Managers are directed to work with the Equipment Rental Division Manager in implementing the conservation measures that will result in this fuel reduction goal.

4. Training and Travel:

- Out-of State Travel/Training is restricted to (a) that required for prisoner transportation and (b) mandatory training not otherwise available within the State of Washington and (c) participation in specialized training and conferences, and for important professional or economic development purposes.

Any exceptions require prior approval by the City Manager before any registrations are processed or other travel arrangements are booked.

- In-State Training should be limited to required, mandatory training (required training includes that necessary for professional certifications), and where appropriate for maintaining professional association relationships, and memberships.
- In-State Travel should be restricted to that necessary to accommodate the approved In-State training, as defined above, or as necessary for the conduct of official City business.

5. Operating Supplies/Repair and Maintenance:

- All individual expenditures greater than \$2,500 that have not been ordered by the end of September must be re-authorized by the City Manager. Exception: those expenditures required for emergency response/repair.
- Directors and Division Managers are expected to operate within their 2008 authorized budgets and are directed to ensure that expenditures – within each service unit - do not exceed the authorized budget. The City Manager's authorization is required to move budget allocations between divisions and/or service units.
- When unexpected or emergency situations occur, all necessary expenditures not budgeted must be absorbed into the Department's authorized budget by the elimination of other budgeted expenditures. ALL exceptions must be pre-approved by the City Manager.

6. Capital Purchases:
 - Same as #5 above - Operating Supplies/Repair and Maintenance
7. Outside Legal Assistance:
 - All requests for engaging outside legal counsel require prior approval by the City Manager.
8. Professional Service Agreements and Maintenance contracts:
 - Are to be reviewed and re-examined with regard to their necessity and justified prior to being re-budgeted for 2009.
9. Outstanding bills:
 - Division Managers are responsible to ensure that an accurate and appropriate invoice is received for all outstanding bills within a reasonable timeframe after the liability is incurred.
 - All outstanding bills/invoices must be submitted to the Finance Department for payment within 30 days of receipt of valid invoice.

Additionally,

Unfortunately, additional cost reduction measures will need to be implemented in the development of the 2009 budget. Further direction will be provided to Department Heads in the near future regarding the City's fiscal outlook for 2009 and 2009 budget development activities that will be commencing soon.

Summary: The costs increases already experienced in 2008 coupled with those currently identified that will impact the 2009 General Government budget appear to be significant. It is imperative that we take action now in order to help minimize the budget reductions that will be necessary in 2009. Therefore, I am implementing the above noted cost constraints, effective immediately. Any and all exceptions to this directive will require my prior approval.

Each of you is asked to communicate the City's budget restraint actions to your managers, supervisors and employees. I would urge you to solicit their involvement and assistance in identifying additional cost reduction suggestions for our consideration.

Budget control over all expenditures must be a top priority for the balance of this year and beyond. It is my desire and expectation that each Department Director and Division Manager will be personally engaged in the control, monitoring, oversight and implementation of these budget constraints and spending restrictions. I will want to review your progress in meeting these budget directives in our monthly departmental meetings, and in the 2009 Budget sessions we will be holding in the coming months.

I appreciate your cooperation; and with the assistance of all employees, we will find a way to continue to provide critical and essential services to our citizens, maintain a balance budget, as required by law, and maintain a strong fiscal condition.

Thank you.

2009 BUDGETED GRANTS AND EXTERNAL REVENUES

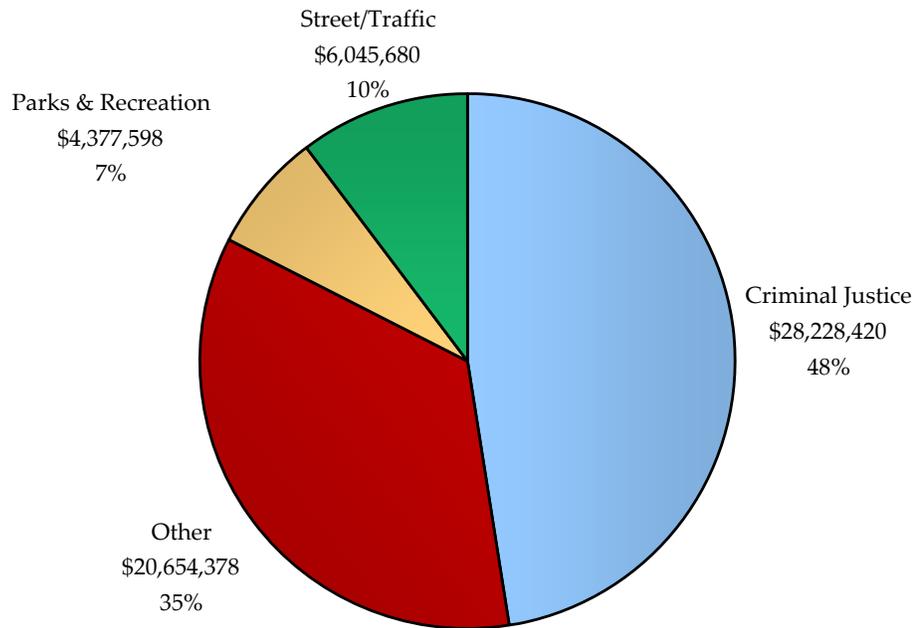
2009 GRANTS

(Federal, State & Interlocal Subsidies)

| DEPARTMENT | DESCRIPTION | AMOUNT OF GRANT |
|---|--|----------------------------|
| Federal / State Capital Grants | | |
| Cum Res for Capital Improvement | Railroad Grade Separation | \$13,810,000 |
| Cum Res for Capital Improvement | Railroad Grade Separation | 4,050,000 |
| Arterial Streets | Nob Hill Bridge Repair | 2,000,000 |
| Arterial Streets | 16th & Washington Reconstruct | 1,063,000 |
| Arterial Streets | W.O. Douglas Trail Enhancement | 696,883 |
| Arterial Streets | W.O. Douglas Trail 6th Ave / Naches | 492,047 |
| Arterial Streets | Coolidge Ave 80th to 88th Ave | 490,000 |
| Parks & Recreation Capital | Upper Kiwanis Develop / Land | 475,000 |
| Arterial Streets | W.O. Douglas Bridge Restoration | 379,690 |
| Law & Justice Capital | Police Cops Tech Grant | 314,814 |
| Arterial Streets | Dept of Transportation RR Crossing Wa Ave | 261,650 |
| Trolley | Trolley Enhancement Project | 213,776 |
| Transit Capital Reserve | WSDOT Grants - Transit Bus | 92,500 |
| Law & Justice Capital | Coverdell Forensic Imp Grant | 59,200 |
| Arterial Streets | Fair Ave/Nob Hill Intersection | 36,900 |
| Law & Justice Capital | JAG Grant | 25,000 |
| Total Federal / State Capital Grants | | 24,460,460 |
| Federal / State Operating Grants - General Government | | |
| Police | Police Bryne Earmark Grant | 266,381 |
| Indigent Defense | Public Defense Grant | 115,000 |
| Police | Auto Theft Prevention Grant | 107,000 |
| Parks & Recreation | AmeriCorps Grant Thru Employ Sec | 72,500 |
| Fire | Homeland Security - SAFER | 60,000 |
| Municipal Court | Judicial Salary Contribution | 50,000 |
| Police | Police Cops Tech Grant | 40,600 |
| Parks & Recreation | ALTC Reimbursement Sen Citizens Svcs Act St | 30,900 |
| Parks & Recreation | Senior Citizen Footcare | 30,200 |
| Parks & Recreation | State Senior Citizen Day Care / Transportation | 10,500 |
| General Fund | Property Taxes | 6,330 |
| Fire | State Patrol Fire Training | 3,000 |
| Total Federal / State Operating Grants - General Government | | 792,411 |
| Federal / State Operating Grants - Other Funds | | |
| Transit | FTA - Current Yr. Operating Grant | 1,650,000 |
| Community Development | Community Development Block Grant | 1,063,841 |
| Community Development | HUD HOME Program | 556,250 |
| Community Services | Healthy Families - Yakima | 487,712 |
| Stormwater Operating | Ecology Mapping Grant | 120,000 |
| Transit | ADA Grant-Dept of Transport | 92,500 |
| Community Development | City Assistance | 90,000 |
| Emergency Services | Dept of Health-Prehospital Grant | 1,726 |
| Total Federal / State Operating Grants - Other Funds | | 4,062,029 |

| DEPARTMENT | DESCRIPTION | AMOUNT OF GRANT |
|---|--|---------------------|
| State Shared Revenue | | |
| Streets | Gas Tax | 1,350,000 |
| General Fund | Liquor Board Profits | 619,500 |
| Arterial Streets | Arterial Street Gas Tax | 600,000 |
| General Fund | Liquor Excise Tax | 420,000 |
| Police | Criminal Justice - High Crime | 336,000 |
| Firemen Relief & Pension | Fire Insurance Premium Tax | 72,800 |
| Police | Criminal Justice - Violent | 49,000 |
| Police | Criminal Justice - Special Programs | 46,000 |
| Police | MVET DUI Payment | 16,000 |
| Parks & Recreation | Criminal Justice - Special Programs | 21,100 |
| Total State Shared Revenue | | 3,530,400 |
| Intergovernmental Contract / Services | | |
| Public Safety Communications | 911 Services Contracts | 1,305,566 |
| Emergency Services | EMS Levy | 1,057,000 |
| Public Facilities District Revenue | PUB Facilities District Revenue | 715,000 |
| Public Facilities District Revenue | State Sales Tax - Capitol Theatre | 498,000 |
| Police | Resource Officers - WV School District | 370,440 |
| Public Safety Communications | Fire Dispatch Services | 177,127 |
| Transit | Selah - Transit Bus Service | 125,000 |
| Public Safety Communications | Police Dispatching Service | 116,205 |
| Police | Union Gap Jail Contract | 100,000 |
| Fire | Fire Training Services | 74,038 |
| Transit | Selah - Transit Dial-A-Ride | 45,000 |
| Public Safety Communications | Information Technical Services | 43,254 |
| Fire | District #10 - Fruitvale | 30,000 |
| Police | Personnel Services - Training | 25,000 |
| Public Safety Communications | Fire District #10 - Fruitvale | 21,000 |
| Parks & Recreation | School District #7 - Swim Programs | 15,000 |
| Public Safety Communications | Electronic Tech Maintenance Contract | 10,760 |
| Fire | Fire Training Programs | 9,000 |
| Police | Police - Fairgrounds | 7,000 |
| Fire Capital | Fire Protection Charge / State Fac | 2,000 |
| Fire | Fire Investigator Services | 600 |
| Total Intergovernmental Contract / Services | | 4,746,990 |
| TOTAL 2009 GRANTS | | \$37,592,290 |

**COSTS VS. OTHER GENERAL GOVERNMENT FUNCTIONS
2009 BUDGET**



This analysis compares Criminal Justice expenditures to other General Government costs. Criminal Justice costs include: Police Department (including jail costs); Police Pension; Court and Probation costs; Prosecution and Indigent Defense (included in the Legal Department budget) and forty percent of Information Systems budget (the amount dedicated to Law and Justice support). This category also includes one-half of the transfer from the General Fund to the Public Safety Communications Fund for Dispatch and the transfer from the General Fund to Debt Service funds to repay debt borrowed for Criminal Justice purposes. This graph reflects the City's efforts to meet Council's Strategic Priorities. Public safety has been a high priority focus of City Council for the last two decades.

GENERAL GOVERNMENT BUDGETS*
1999 THROUGH 2009

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 10 YEAR INCREASE | | |
|----------------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|---------------------|------------|------|
| | AMENDED BUDGET | BUDGET | AMENDED BUDGET | BUDGET | AMENDED BUDGET | BUDGET | AMENDED BUDGET | BUDGET | AMENDED BUDGET | BUDGET | AMENDED BUDGET | BUDGET | AMENDED BUDGET | BUDGET | | VS 2008 | 2009 |
| General Fund | | | | | | | | | | | | | | | | | | | | | | | | | |
| Criminal Justice | \$17,462,994 | \$17,157,733 | \$17,477,709 | \$18,992,948 | \$19,702,698 | \$20,061,761 | \$20,794,116 | \$22,857,422 | \$25,014,331 | \$26,935,856 | \$28,228,420 | 5.2% | 61.6% | | | | | | | | | | | | |
| Other | 15,429,647 | 14,860,211 | 14,914,045 | 15,571,751 | 16,913,032 | 17,476,192 | 17,862,426 | 19,557,208 | 18,856,452 | 19,782,839 | 20,654,378 | 4.6% | 33.9% | | | | | | | | | | | | |
| Parks & Recreation | 3,629,742 | 3,361,230 | 3,456,199 | 3,504,423 | 3,620,410 | 3,832,816 | 3,905,396 | 4,074,592 | 4,199,143 | 4,420,906 | 4,377,598 | (1.0%) | 20.6% | | | | | | | | | | | | |
| Street/Traffic | 3,936,319 | 4,047,156 | 4,218,454 | 4,826,542 | 5,192,894 | 4,883,030 | 5,273,574 | 5,522,653 | 5,907,885 | 6,213,833 | 6,045,680 | (2.8%) | 53.6% | | | | | | | | | | | | |
| Total | \$40,458,702 | \$39,426,330 | \$40,066,407 | \$42,895,664 | \$45,429,034 | \$46,253,799 | \$47,835,512 | \$52,011,875 | \$53,977,807 | \$57,353,434 | \$59,306,076 | 3.6% | 46.6% | | | | | | | | | | | | |
| Consumer Price Index | 162.8 | 168.0 | 174.5 | 181.3 | 184.1 | 185.7 | 190.4 | 194.8 | 203.8 | 210.6 | 223.6 | | 37.3% | | | | | | | | | | | | |

*Excludes double budgeted transfers between general government funds.

CRIMINAL JUSTICE SALES TAX - .3% EXPENDITURES AND REVENUES

| GENERAL FUND | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|------------------|--------------------|--------------------|--------------------|--------------------|
| | ACTUAL | ACTUAL | ACTUAL | YEAR-END ESTIMATE | PROPOSED BUDGET |
| Police Department | | | | | |
| Salaries & Benefits (includes overtime) | \$197,957 | \$455,878 | \$551,699 | \$595,103 | \$669,299 |
| Miscellaneous (uniform/fuel/travel) | 14,436 | 111,659 | 146,601 | 209,000 | 224,060 |
| Liability Insurance | 5,000 | 5,750 | 6,325 | 6,641 | 6,973 |
| Professional Services/R & M Contractors | 0 | 90,574 | 6,322 | 15,000 | 15,000 |
| Yakima County Jail Cost | 65,804 | 415,852 | 423,000 | 330,000 | 443,500 |
| Total Police Department | \$283,197 | \$1,079,713 | \$1,133,947 | \$1,155,744 | \$1,358,832 |

The .3% Criminal Justice funds support six full time Patrol Officers including: all wages, overtime, uniforms, supplies, insurance and training expenses. Additionally, these funds are used for repairs, maintenance, communications and fuel used for additional patrols. A portion of the increased Jail costs are also paid out of this fund.

| | | | | | |
|---|-----------------|------------------|------------------|------------------|------------------|
| Municipal Court | | | | | |
| Salaries & Benefits (includes overtime) | \$24,772 | \$64,150 | \$49,669 | \$117,343 | \$174,422 |
| Professional Services | 26,730 | 70,431 | 72,054 | 55,000 | 58,000 |
| Miscellaneous (office supplies/travel/dues) | 3,939 | 0 | 248 | 18,000 | 20,000 |
| Other Expenses (Crime Victims Comp) | 0 | 6,872 | 0 | 0 | 0 |
| Total Municipal Court | \$55,441 | \$141,453 | \$121,971 | \$190,343 | \$252,422 |

The Criminal Justice funds support two Municipal Court Clerk positions and a 1/2-time Court Commissioner including all wages, overtime, supplies and training. Additionally, this fund supports building security, interpreter services and witness and juror fees associated with processing the court's case load.

| | | | | | |
|---|-----------------|------------------|------------------|------------------|------------------|
| Legal Dept | | | | | |
| Salaries & Benefits (includes overtime) | \$29,635 | \$99,941 | \$99,667 | \$148,134 | \$159,042 |
| Professional Services | 8,480 | 0 | 0 | 12,500 | 5,000 |
| Miscellaneous (office supplies/travel/dues) | 0 | 2,216 | 2,869 | 3,482 | 3,500 |
| Total Legal Department | \$38,115 | \$102,157 | \$102,535 | \$164,116 | \$167,542 |

The .3% Criminal Justice Sales Tax is being used to supplement criminal justice functions throughout Yakima County. This money fully funds one Legal Assistant II position, one Assistant City Attorney II position including mandatory continuing legal education expenses and dues and subscriptions for required Associations.

| | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Information Systems | | | | | |
| Salaries & Benefits (includes overtime) | \$27,804 | \$28,711 | \$27,849 | \$29,533 | \$65,848 |
| Small Tools & Equipment | 0 | 41,166 | 40,100 | 20,336 | 0 |
| Miscellaneous | 0 | 0 | 0 | 10,000 | 10,000 |
| Professional Services/R & M Contractors | 7,461 | 0 | 0 | 1,000 | 0 |
| Data Processing Equipment | 0 | 0 | 25,471 | 38,822 | 0 |
| Total Information System | \$35,265 | \$69,877 | \$93,420 | \$99,691 | \$75,848 |

The portion of the .3% Criminal Justice Sales Tax allocated to Information Systems is used to enhance the effectiveness of the law enforcement and other Criminal Justice personnel through the expanded use of technology. Currently, the emphasis is on mobile technology for the patrol officers. In 2008 approximately one third of these funds are budgeted for temporary salaries used to support the mobile computing and technology infrastructure that has been expanded and enhanced through Criminal Justice Tax over the last two years.

| GENERAL FUND (CONT...) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|----------|----------|----------|-------------------|-----------------|
| | ACTUAL | ACTUAL | ACTUAL | YEAR-END ESTIMATE | PROPOSED BUDGET |
| Animal Control/Codes | | | | | |
| Salaries & Benefits (includes overtime) | \$21,732 | \$59,393 | \$62,988 | \$58,540 | \$71,399 |
| Misc. (uniforms/supplies/fuel/cellular phone) | 0 | 2,303 | 3,965 | 3,590 | 5,447 |
| Total Animal Control/Codes | \$21,732 | \$61,696 | \$66,953 | \$62,130 | \$76,845 |

The .3% Criminal Justice Funds support one full-time Animal Control Officer including all wages, overtime, supplies and communication necessary for this position.

| | | | | | |
|--|---------|----------|----------|---------|---------|
| Human Resources | | | | | |
| Professional Services (employee recruitment) | \$2,554 | \$10,936 | \$11,340 | \$7,500 | \$7,500 |

.3% Criminal Justice funds are used to provide for contract services, testing and other necessary recruitment costs for positions funded by the criminal justice sales tax.

| | | | | | |
|--|------------------|--------------------|--------------------|--------------------|--------------------|
| GENERAL FUND TOTAL EXPENDITURES | \$436,304 | \$1,465,832 | \$1,530,166 | \$1,679,525 | \$1,938,989 |
|--|------------------|--------------------|--------------------|--------------------|--------------------|

OTHER FUNDS:

| | | | | | |
|---|---------|---------|----------|-----------|-----------|
| Public Safety Communication | | | | | |
| Salaries & Benefits (includes overtime) | \$4,508 | \$3,008 | \$56,869 | \$135,796 | \$148,146 |
| General Operations Support | 0 | 67,817 | 0 | 0 | 0 |
| Misc. (uniforms/supplies/fuel/cellular phone) | 0 | 4,978 | 0 | 0 | 0 |
| Small Tools & Equipment | 0 | 0 | 0 | 5,000 | 5,000 |
| Total Public Safety Communication | \$4,508 | 75,803 | \$56,869 | \$140,796 | \$153,146 |

Criminal Justice funds allocated to this department are used for additional positions necessary to accommodate the increased workload generated by law enforcement activities. These funds provide for one full-time call taker and two full-time vehicle maintenance attendants including all wages, overtime and supplies.

| | | | | | |
|-------------------------|----------|-----------|-----------|----------|----------|
| Law & Justice | | | | | |
| Small Tools & Equipment | \$43,194 | \$134,282 | \$5,459 | \$23,000 | \$55,000 |
| Operating Equipment | 0 | 0 | 0 | 0 | 31,000 |
| Vehicles | 39,436 | 25,000 | 81,316 | 0 | 0 |
| Capital Outlay | 0 | 16,616 | 168,369 | 0 | 0 |
| Total Law & Justice | \$82,630 | \$175,898 | \$255,143 | \$23,000 | \$86,000 |

The .3% Criminal Justice funds support Capital expenses related to the new positions, technology and services created with this tax. In 2008 the funds were budgeted to purchase furniture for the new court commissioner and provide matching funds for a grant that will provide laboratory equipment for the crime lab.

| | | | | | |
|--|------------------|--------------------|--------------------|--------------------|--------------------|
| TOTAL EXPENDITURES | \$523,442 | \$1,717,533 | \$1,842,178 | \$1,843,321 | \$2,178,135 |
| Revenue | \$935,203 | \$1,691,359 | \$1,797,194 | \$1,905,750 | \$1,980,800 |
| REVENUE OVER (UNDER) EXPENDITURES | \$411,761 | (\$26,174) | (\$44,985) | \$62,429 | (\$197,335) |
| CUMULATIVE BALANCE | \$411,761 | \$385,587 | \$340,602 | \$403,031 | \$205,696 |

SALARY AND BENEFIT COSTS

COSTS TO TOTAL BUDGET

The following chart represents the relationship of the City's salary and benefit costs to total budget for General Government and other funds of the City. The City's General Fund ranks the highest with salary and benefit costs, representing 75% of total fund expenditures. However, employee compensation and benefit costs for an individual department within the General Fund as a percentage of its total costs range from 47.9% to 93.8%. In several departments (including Police, Legal and Information Systems) if contracted services were excluded, the percentage of salary and compensation costs as a percentage of the division total costs would be considerably higher than what is depicted on the following chart.

Parks, Streets and other operations for the most part are more capital-intensive, and the ratio of salary and benefits to total costs are representative of that type of operation.

Section III includes an analysis based on information gathered by the State Auditor's Office. Figure III-13 identifies the per capita salary costs for Yakima and 11 other comparable cities, and indicates that:

- The City of Yakima spends, on the average, \$102 less per capita on salaries than other comparable cities.
- Yakima employs fewer people per capita than other cities.

To minimize the number of regular employees and to maintain service levels during periods of peak workload demands, the City uses contract and temporary labor when feasible.

OPERATING FUNDS
SALARIES AND BENEFITS AS A PERCENTAGE OF TOTAL DEPARTMENT / FUND BUDGET

| GENERAL GOVERNMENT | 2009 | | |
|--------------------------------------|----------------------|--------------------------------|-------------------------|
| | BUDGET | SALARIES & BENEFITS | LABOR PERCENTAGE |
| Police | \$22,607,681 | \$18,229,365 | 80.6% |
| Fire | 8,916,125 | 8,315,277 | 93.3% |
| Information Systems | 2,482,128 | 1,741,135 | 70.1% |
| Code Administration | 1,782,792 | 1,527,993 | 85.7% |
| Financial Services | 1,516,266 | 1,393,033 | 91.9% |
| Legal | 1,455,786 | 1,275,468 | 87.6% |
| Engineering | 1,204,407 | 1,130,023 | 93.8% |
| Municipal Court | 1,386,829 | 1,124,539 | 81.1% |
| Utility Services | 1,248,127 | 1,014,150 | 81.2% |
| Environmental Planning | 898,184 | 786,347 | 87.5% |
| City Manager | 518,756 | 481,333 | 92.8% |
| Human Resources | 488,048 | 433,566 | 88.8% |
| Records | 438,888 | 262,959 | 59.9% |
| Purchasing | 257,362 | 230,758 | 89.7% |
| City Hall Maintenance | 421,583 | 208,106 | 49.4% |
| City Council | 214,540 | 102,844 | 47.9% |
| Other General Fund Expenditures | 4,684,071 | 0 | 0.00% |
| TOTAL GENERAL FUND | \$50,521,573 | \$38,256,896 | 75.7% |
| Parks & Recreation | 4,377,598 | 2,192,426 | 50.1% |
| Street & Traffic Operations | 6,045,680 | 3,099,764 | 51.3% |
| TOTAL GENERAL GOVERNMENT | \$60,944,851 | \$43,549,086 | 71.5% |
| Economic Development | 146,027 | 52,527 | 36.0% |
| Community Development | 2,174,807 | 704,505 | 32.4% |
| Community Relations | 566,603 | 392,145 | 69.2% |
| Cemetery | 261,638 | 163,601 | 62.5% |
| Emergency Services | 1,152,430 | 835,254 | 72.5% |
| Public Safety Communications | 3,027,543 | 2,586,757 | 85.4% |
| Stormwater | 1,801,938 | 699,555 | 38.8% |
| Transit | 7,482,899 | 3,478,812 | 46.5% |
| Refuse | 4,675,689 | 1,358,296 | 29.0% |
| Sewer Operating | 16,883,176 | 4,973,284 | 29.5% |
| Water Operating | 7,312,616 | 2,360,446 | 32.3% |
| Irrigation Operating | 2,786,735 | 683,606 | 24.5% |
| Unemployment Comp Reserve | 152,133 | 29,706 | 19.5% |
| Employment Health Benefit Reserve | 9,395,435 | 128,741 | 1.4% |
| Workers Compensation Reserve | 1,694,138 | 108,956 | 6.4% |
| Risk Management Reserve | 2,783,782 | 535,905 | 19.2% |
| Equipment Rental | 6,180,563 | 870,848 | 14.1% |
| Public Works Administration | 1,198,818 | 643,561 | 53.7% |
| Other Funds (Capital/Debt Serv. etc) | 69,082,250 | 0 | 0.0% |
| TOTAL CITY-WIDE BUDGET | \$199,704,071 | \$64,155,591 | 32.1% |

RESOURCE AND EXPENDITURE BREAKDOWN

GRAPHIC PORTRAYAL OF CITY RESOURCE CONSUMPTION

The purpose of this section is to graphically present total City resources by category, and distribute them by function and type of expenditure for the 2009 budget year. This “flow of resources” concept is designed to give the taxpayer a basic understanding of how tax dollars and other revenues are spent in the City. We have eliminated interfund transactions (i.e., those items that flow out of one fund and into another; we refer to these as double budgeted items) in order to portray only external revenue sources available to the City.

The broad revenue categories are based upon the State of Washington’s mandated accounting structure. A definition of the terms is included below:

BORROWINGS – Proceeds from long-term debt issued by the City. In 2009 this includes a Councilmanic Bond issue for Capitol Theatre and other General Government projects; Public Works Trust Fund loans for utility capital needs; and potential Local Improvement District (LID) debt issuance.

CAPITAL RESERVES – Accumulated fund balances set aside for specific capital projects.

CHARGES FOR SERVICES – Fees charged to outside users to cover the cost of providing services (e.g. utility rates, golf course and swimming pool fees, transit fare box revenues).

INTERGOVERNMENTAL REVENUES – Revenues received from other governmental agencies (i.e. federal, state, and county). This category includes primarily grants and state-shared revenues (such as gas and liquor tax revenues).

OPERATING RESERVES – Accumulated fund balances in operating funds. Prudent reserves generally are 8% of annual operating budgets.

OTHER – All revenue sources which are not included in other categories. This includes primarily investment income, program income, fines and forfeitures, and licenses.

TAXES – Tax assessments are levied for the support of the governmental entity. Sales tax is the largest item in this category. It is followed by property tax, utility and franchise taxes, and various other business taxes.

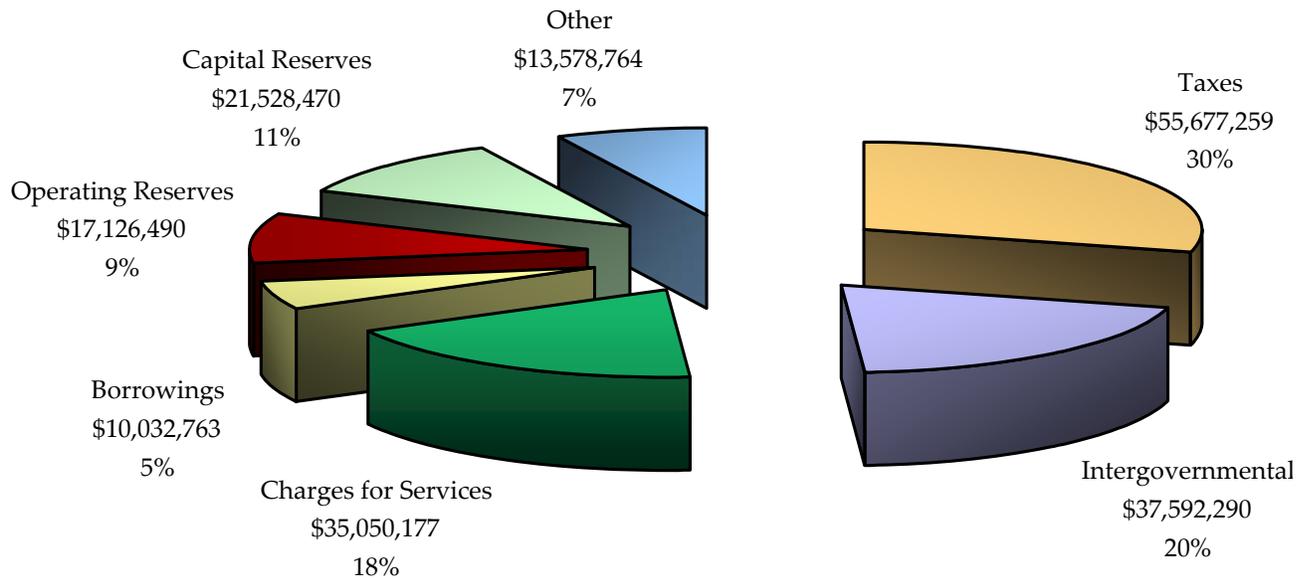
The first graph identifies the total revenue picture by category. The second revenue graph depicts the relationship of the various revenue sources to each function.

Lastly, included is a graphic by major object (or type) of expenditure, net of double budgeted expenditures.

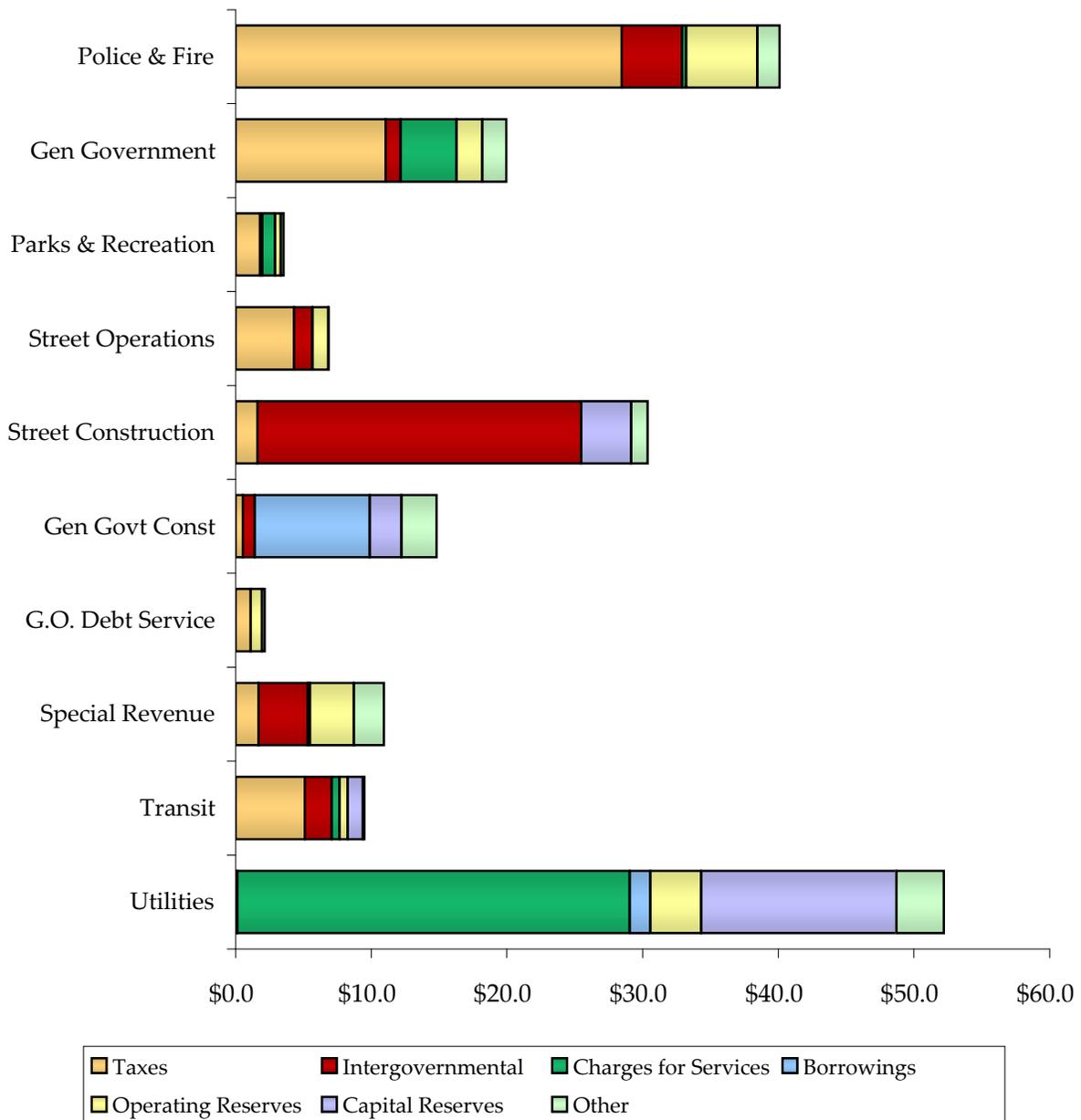
**TOTAL RESOURCES
BY CATEGORY
2009 BUDGET**

TOTAL EXPENDITURES = \$190,586,213

(Excludes Internal Service Funds and other double budgeted resources of \$45,997,944)



**TOTAL RESOURCES
BY CATEGORY AND SOURCE
2009 BUDGET**



(Dollars in Millions)

**TOTAL EXPENDITURES
BY TYPE
2009 BUDGET**

TOTAL EXPENDITURES = \$160,070,389
(Excludes double budgeted expenditures of \$39,633,682)

