



TO: Mayor John Marchione and City Council

FROM: Mike Bailey, Finance and Information Services Director; 425-556-2160

SUBJECT: **STAFF REPORT - Quarterly Financial Report**

DATE: February 7, 2012

At the onset of the economic recession the Council requested quarterly briefings with regard to the city's financial status. In our reports to Council we have also included an explanation of a method of assessment of the financial condition. In order to assure a common understanding of the status of the City's finances, we have devised a "Budget Status Scale". It serves as a common point of reference with respect to the overall condition, as well as selected revenues.

We believe the current financial condition of the General Fund remains at 3.0 (the same level as last quarter). This is based on the new 2011 / 2012 biennial budget which is balanced with revenue estimates that we continue to believe are sound. A presentation and an explanation of the financial data will be distributed prior to the meeting.

General Fund Financial Condition Scale

1	2	3	4	5	6	7	8	9	10
Good	Normal	Some Concern	Manageable Problems	Revenue Stress	Revenues Revised	Short-term problems	Long-term problems	Revise Budget	Fundamental Fiscal Stress

Budget Status Scale Ratings

1. **Better than budgeted conditions** – surpluses expected
2. **Normal** – Use typical care in managing expenses
3. **Some short-term concern--** that revenues may not meet budget manage expenses conservatively
4. **Some manageable problems--** modest voluntary budget reductions encouraged to avoid deteriorating financial condition
5. **Revenue revisions** recommended – expenditure targets in place (managed by department directors)
6. **Revenues revised** – expenditures controlled to targets by mayor's office
7. **Short-term problems--** cost savings plans implemented (furloughs, hour reductions, overtime reduced)
8. **Long-term problems--** cost savings plans implemented (layoffs, permanent hour reductions)
9. **Revise Budget** and reductions in services using BP
10. **Fundamental / long-term fiscal stress** – budget revised accordingly