



February 2009

2008 Year End Financial Report

General Fund & Street

The year 2008 was challenging for the City as we witnessed the national economy enter into a recession. Since national economic trends impact City fiscal conditions, the slowing economy put direct pressure on the budget. Although we were able to finish 2008 under the General Fund and Street Budgets, it will be difficult to continue this trend in the future.

Expenditures in the General Fund and Street Fund both came in under budget in 2008, with an overall savings of just over \$800,000. In addition, revenues were on target, with just over 100% of revenues collected in the GF and Street Fund at year end.

General Fund & Street Revenues

Fund	2008 Budget	2008 Actual	% Collected
General Fund			
Taxes	10,601,124	10,673,914	100.7%
Intergovernmental	618,819	651,821	105.3%
Licenses/Permits	424,456	366,664	86.4%
Charges for Service	4,639,585	4,521,314	97.5%
Miscellaneous	976,364	1,055,605	108.1%
Total GF	17,260,348	17,269,318	100.1%
Street	1,514,060	1,549,675	102.4%
Total GF & Street	18,774,408	18,818,993	100.2%

FUND RESERVES—2008

General Fund: \$3,992,425

Street Fund: \$688,230

General Fund & Street Expenditures

By Department	2008 Budget	2008 Actual	% Spent
City Council	74,847	65,517	87.5%
City Manager Office:			
Administration	541,988	487,061	89.9%
Customer Commitment	12,793	5,785	45.2%
Human Resources	219,075	216,278	98.7%
City Clerk	157,397	146,988	93.4%
Community Services	135,875	132,062	97.2%
Community & Econ. Development:			
Planning	319,908	304,103	95.1%
Building	203,289	199,837	98.3%
Code Compliance	32,627	32,029	98.2%
Finance	2,235,255	2,107,555	94.3%
Fire (excluding Medic I)	2,415,230	2,397,047	99.2%
Legal	1,094,157	1,052,497	96.2%
Police	4,425,319	4,231,994	95.6%
Public Works:			
Admin./Engineering	1,617,251	1,562,322	96.6%
Parks & Recreation	2,666,740	2,500,897	93.8%
Facility Maintenance	540,597	516,176	95.5%
Street Fund	1,550,400	1,469,248	94.8%
CIP Transfers	1,850,000	1,850,000	100.0%
Street Transfers	418,000	418,000	100.0%
TOTAL GF & Street	20,510,748	19,695,396	96.0%

By Function	2008 Budget	2008 Actual	% Spent
Personnel	12,743,479	12,312,403	96.6%
Supplies	811,701	648,024	79.8%
Charges for Services	3,375,144	3,121,429	92.5%
Intergovernmental	3,367,306	3,368,691	100.0%
Capital	213,118	244,849	114.9%
Total GF & Street	20,510,748	19,695,396	96.0%

Property Tax Revenue

	2008 Budget	2008 Actual	% Collected
Regular Levy:			
General Fund	\$ 3,400,755	\$ 3,397,812	99.91%
Street	477,524	477,524	100.00%
Total Regular Levy	3,878,279	3,875,336	99.92%
Special Levy:			
2001 Refunding G.O. Bond (Sr. Center/Fire)	390,112	387,516	99.33%
2005 Refunding G.O. Bond (Library)	277,200	275,417	99.36%
Total Special Levy	667,312	662,933	99.34%
All Property Taxes	\$ 4,545,591	\$ 4,538,269	99.84%

The City collected just under 100% of budgeted Property Taxes, or approximately \$7,000 less than budget.

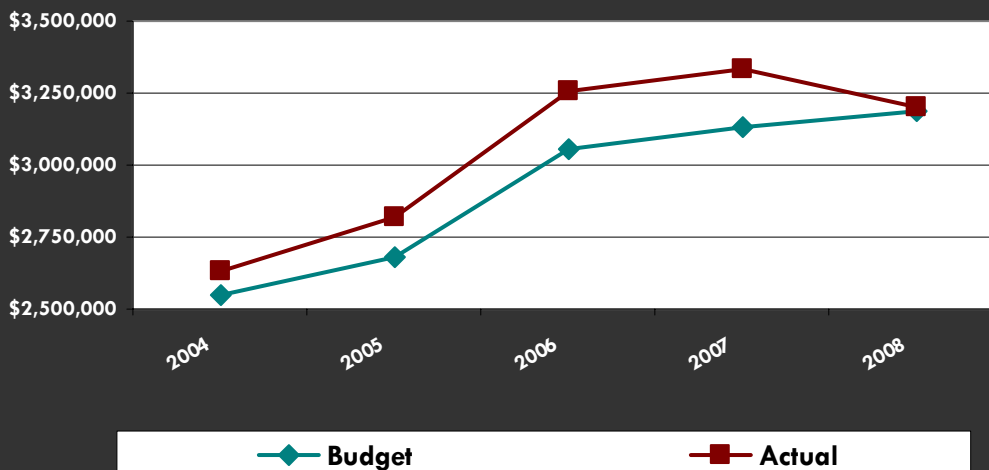
Sales Tax Revenue

Despite the slowing economy in 2008, the City received just over 100% of budgeted sales tax revenue, or approximately \$16,000 more than budget. However, the City received \$135,000 less than 2007, and the lowest level of sales tax revenue since 2005. A number of businesses in Port Angeles closed their doors in 2008, and a few others reduced their work force. This trend may continue to negatively impact sales tax revenue into 2009 and beyond.

Sales Tax Revenue

Year	2008 Budget	2008 Actual	% Collected
2004	2,550,000	2,633,330	103.27%
2005	2,681,500	2,822,760	105.27%
2006	3,054,597	3,254,674	106.55%
2007	3,135,023	3,336,476	106.43%
2008	3,185,023	3,201,417	100.51%

Sales Tax - Budget vs. Actual



In 2008, the City received \$135,000 less sales tax revenue than 2007, and the lowest level since 2005.

Overall utility tax revenue ended the year with just over 100% of budgeted taxes collected. Utility tax is the most stable tax revenue source in the General Fund as it does not tend to fluctuate much during tough economic times. Increases in this revenue source are primarily the result of rate increases in the utilities, as opposed to growth in the customer base.

Utility tax collections will continue to be impacted by weather conditions, primarily in the Electric and Water utilities.

Utility	2008 Budget	2008 Actual	% Collected
Electric	\$ 1,866,120	\$ 1,844,955	98.87%
Water	384,620	367,849	95.64%
Wastewater	438,960	474,822	108.17%
Solid Waste Collection	222,880	235,178	105.52%
Transfer Station	385,416	359,856	93.37%
Stormwater	55,200	56,311	102.01%
Telephone	470,000	501,888	106.78%
Total	\$ 3,823,196	\$ 3,840,859	100.46%

Community & Economic Development

Residential and commercial construction significantly slowed down in 2008, and revenues in Community and Economic Development were impacted sharply by this trend. In 2008, the City collected 81% of budgeted building permit revenue, or nearly \$125,000 less than 2007. This was also the lowest level of building permit revenue since 2002.

Overall, the City collected just over 85% of budgeted revenues in Community and Economic Development (CED). Revenue sources in CED were budgeted more conservatively in 2009, with the anticipation that construction activity will remain at a slower pace into 2009 and possibly beyond.

Building permit activity continues to be one of the best indicators of the state of the economy.

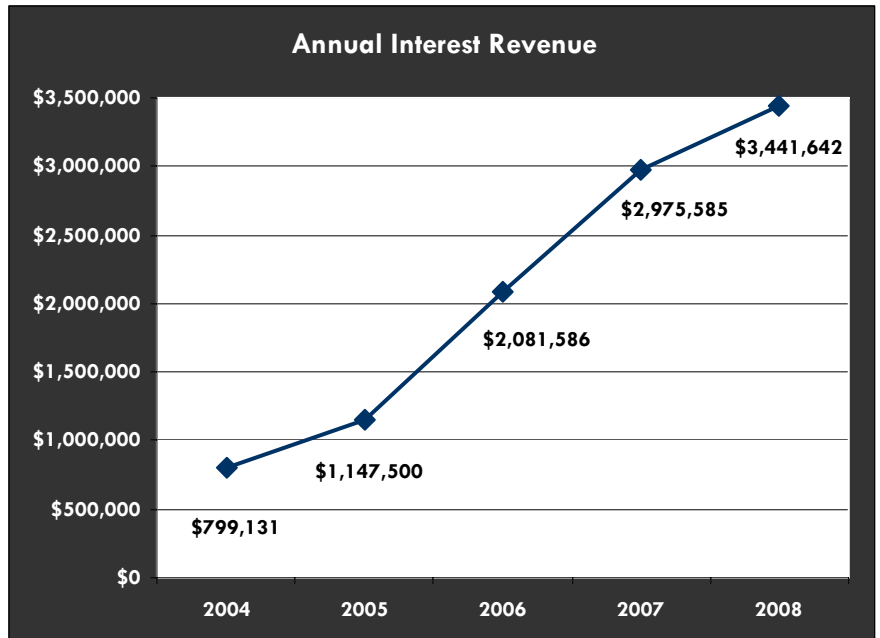
Revenue Source	2008 Budget	2008 Actual	% Collected
Building Permits	\$ 200,000	\$ 162,468	81.23%
Plumbing Permits	13,000	10,727	82.52%
Mechanical Permits	15,000	18,274	121.83%
Sign Permits	3,571	4,482	125.51%
Plan Checking Fees	80,000	67,009	83.76%
Planning Permits	7,075	8,500	120.14%
Zoning Fees	6,025	5,174	85.88%
Total Revenue	\$ 324,671	\$ 276,634	85.20%

Year	# of Permits
2004	754
2005	781
2006	677
2007	810
2008	607

The number of building permits issued in 2008 decreased 25% from 2007 levels, and an additional 11% decrease is expected in 2009.

The City's interest revenue has increased 15% in the last year, and has nearly doubled since 2005. The City's investment portfolio continues to perform well, due in large part to our moderate investment strategy. We will continue to monitor our investments closely to ensure we maintain the best possible return, while at the same time ensuring protection of principal and maintaining adequate liquidity.

In order to comply with Federal requirements, the City must value all investments to the market value on December 31. Depending on market conditions, this valuation results in a gain or loss on investments. In 2008, we realized a gain on investments of over \$500,000. However, based on the City's investment policy, we keep investments until maturity, so be aware that this is only a paper gain and therefore not available for spending.



Other Tax Revenue Sources

The year 2008 witnessed a significant decline in the real estate market, both on a local and national level. Revenue in the real estate excise tax funds is generated when real estate is sold within the City. REET funds experienced a 43% decline in revenue in 2008, and the year 2008 brought in the lowest level of revenue since 2001.

Real Estate Excise Tax

REET 1 & 2 Revenue

Year	\$ Amount	% Change
2000	250,216	119.76%
2001	252,866	1.06%
2002	316,666	25.23%
2003	400,907	26.60%
2004	502,486	25.34%
2005	561,999	11.84%
2006	722,313	28.53%
2007	533,963	-26.08%
2008	304,015	-43.06%

Gas Tax Revenue

Year	Actual	\$ per capita
2004	259,183	20.59
2005	396,108	21.33
2006	434,257	23.20
2007	459,652	24.19
2008	435,257	23.21

Gasoline tax revenue is generated at the State level from the 37.5 cents per gallon tax on gas purchases. This tax is allocated to cities on a per capita basis, with the money specifically designated for street-related purposes.

The per capita rate decreased nearly \$1 from 2007 to 2008, resulting in a 5% decrease in the gas tax revenue received by the City in 2008. Generally, as the price of fuel increases, the number of gallons purchased declines. We are anticipating a 3% increase in the gas tax revenue received by the City in 2009.

Gas prices have been unpredictable in the last year which makes it difficult to anticipate how much revenue we can expect in 2009 and beyond.

The City imposes a 2% tax on all charges for lodging at hotels, motels, or similar establishments, which is taken as a credit against the 6.5% portion of the state sales tax. In 1998, the Council approved a second 2% hotel/motel tax, resulting in a combined retail sales and hotel/motel tax rate of 10.4% for lodging establishments.

In 2008, the City collected nearly 1.5% more hotel/motel tax revenue than the previous year. In 2009, this revenue was budgeted 2% lower than the actual amount collected in 2008.

Hotel/Motel Tax Revenue

Year	\$ Amount	% Change
1999	362,389	13.06%
2000	370,520	2.24%
2001	379,938	2.54%
2002	388,323	2.21%
2003	381,295	-1.81%
2004	429,885	12.74%
2005	448,242	4.27%
2006	460,158	2.66%
2007	498,158	8.26%
2008	493,647	-0.91%