

TO: Mayor Marchione and Members of the City Council
 FROM: Mike Bailey, Finance and Information Services Director; 425-556-2160
 SUBJECT: **Quarterly Financial Report**
 DATE: October 19, 2010

In light of the current economy the Council requested a quarterly briefing with regard to each quarter's financial report. To help 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 continues to remain between a 4 and 5 (where it was illustrated during our last quarterly presentation). This is based on data consistent with the revised financial forecast presented during the mid-biennium review. A thorough 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. **Good** - 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