



City of Des Moines

2nd Quarter 2008 Financial Report

September 4, 2008

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General Governmental Operations Overview

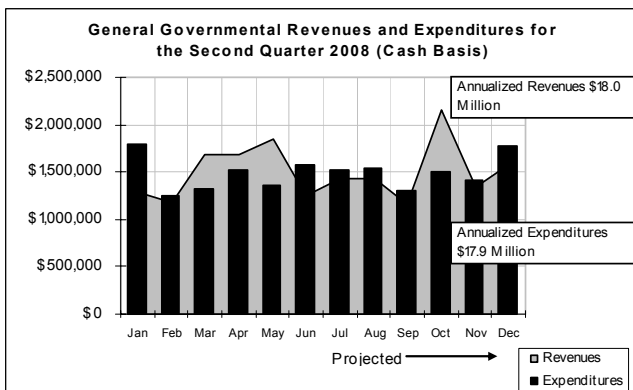
The general governmental operating funds include the general and street funds. These funds support general governmental operations including administration, municipal court, law enforcement, planning and development services, building, street maintenance, park maintenance and operations, recreation programs, and senior services and programs.

The graph depicting monthly revenues and expenditures for the general governmental funds reflects actual results through June 2008 and projections from July through December 2008. The projections are based on the 2008 adopted budget and allocated monthly based on 2007 actual results.

General governmental revenues through June 2008 totaled \$8,917,595. The revenue total approximates actual collections and represents 49.7% of the 2008 adopted budget. In comparison, revenues for the first six months of 2007 totaled \$8,211,816, or 46.1% of the 2007 adopted budget. The 2008 revenues increased 8.6% over 2007's actual results for six months of activity. Significant revenue increases for 2008 are attributed to business & occupation taxes, utility taxes, charges for services, interfund revenues, and miscellaneous revenues. Detail information on second quarter to date general governmental revenues follows in this report.

General governmental expenditures for the first six months of 2008 totaled \$8,833,960, or 49.6% of the 2008 adopted budget. In comparison, expenditures for the first six months of 2007 totaled \$8,334,444, or 46.8% of the 2007 adopted budget. Overall, 2008 expenditures through June 2008 exceeded 2007 for the comparative period by \$499,516, or 6%. A discussion of 2008 expenditures year-to-date through June 2008 in comparison to 2007 and each year's respective adopted budgets follows in this report on page 4.

The general and street fund ending fund balances as of June 30, 2008 are presented as follows. The results show a combined ending fund balance of \$181,379. The general and street funds had combined cash and investments totaling \$1,582,033 as of June 30, 2008.



Item	General	Street	Total
Beginning Fund Balances	\$ 753,414	\$ 307,687	\$ 1,061,101
Revenues through June 2008	8,451,562	466,034	8,917,595
Less 2007 Revenue Accruals	(1,071,198)	(1,817)	(1,073,015)
Subtotal Revenues	7,380,364	464,217	7,844,580
Expenditures through June 2008	(8,335,521)	(498,439)	(8,833,960)
2007 Deferred Revenues	109,658	-	109,658
Ending Fund Balances	\$ (92,085)	\$ 273,464	\$ 181,379

General Governmental Revenues

Table 1 on page 4 provides a detailed review of general governmental revenues for the first six months of 2008 compared with 2007. Major revenue sources include property taxes, sales taxes, business and occupation taxes, utility taxes, licenses and permits, intergovernmental revenues, and charges for services.

Property taxes received to date through June 2008 totaled \$1,515,274, or \$55,078 above 2007’s results of \$1,460,196, representing 53.3% and 52.3% of each year’s respective adopted budgets.

Sales taxes reported for the first six months of 2008 include sales taxes distributed for the months of November 2007 through April 2008. There is a two month lag in receiving sales tax revenues from the Washington State Department of Revenue. Sales taxes received through June 2008 total \$984,948 and represent 35.3% of the 2008 adopted budget. One-time sales taxes of \$170,730 are included with this amount and relate to sales taxes on construction activities generated from the following projects: Mt. Rainier High School, Judson Park Expansion, and Midway Elementary. Sales taxes for the comparable period in 2007 totaled \$1,002,242 with one-time sales taxes of \$147,736 included with this amount generated from construction activities for the Mt. Rainier High School and Judson Park Expansion. Overall, sales taxes for 2008 decreased \$17,294, or 1.7%, over 2007’s actual results. Sales taxes received in January and February 2008 accrued to 2007 totaled \$365,053 and will not be reflected in the final total sales taxes reported for 2008. The following provides a comparison of sales taxes by category for the first six months of 2008 compared to the comparable period for 2007.

Category	2008	2007
Construction	\$319,039	\$318,424
Manufacturing	11,049	15,424
Wholesale	40,956	28,895
Retail	208,753	212,129

Category	2008	2007
Food & Beverage	87,590	91,792
Restaurants	133,875	127,955
Other	183,686	207,623
Total	\$984,948	\$1,002,242

Criminal Justice sales taxes were enacted by the voters in November 1990 providing for one-tenth of one percent sales taxes and are distributed to cities based on a population formula. Criminal justice sales taxes for the first six months of 2008 totaled \$345,682, or 49.4% of the 2008 adopted budget. In comparison, results for the first six months of 2007 totaled \$338,639, or 53.8% of the 2007 adopted budget.

Business & Occupation taxes received in the first six months of 2008 totaled \$406,369 representing 73.9% of the 2008 adopted budget. The 2008 revenues exceeded 2007’s actual results by \$62,460, or 18.2%. Included in June 2008 year-to-date revenues were business and occupation taxes accrued to 2007 totaling \$241,087. These revenues will not be included in the final 2008 results.

Franchise fee collections on television cable and solid waste through June 2008 year-to-date totaled \$369,763 representing 48.8% of the 2008 adopted budget. In comparison, for the first six months of 2007, franchise fees totaled \$351,900, or 54.8% of the 2007 adopted budget. Franchise fees through June 2008 year-to-date exceeded 2007’s actual results by \$17,863, or 5.1%. Franchise fees collected in January 2008 accrued to 2007 totaled \$58,032 and will not be included in the final 2008 results.

Utility tax collections for the first six months of 2008 totaled \$1,730,697, or 58.4% of the 2008 adopted budget, reflecting a 10.9% increase over 2007 utility taxes of \$1,560,496 for the same comparable period. Utility taxes collected in January and February 2008 accrued to 2007 totaled \$379,826 and will not be included in the final 2008 results.

Licenses and permits through June 2008 year-to-date reflect a decrease of \$174,027 over 2007. The decrease primarily relates to permits issued for construction activity for the Judson Park expansion received in January 2007. In the fourth quarter 2007, the city received \$34,693 for 2008 business license fees, and \$38,234 for 2008 crime-free housing endorsement fees. These revenues were deferred for 2007 and will be included in the 2008 final revenue results. The following provides the revenue categories included with licenses and permits and revenues reported through June 2008 year-to-date.

Category	2008	2007
Business Licenses	\$ 89,623	\$67,703
Crime-Free	194,748	237,272
Bldg Permits/Base	280,048	323,492
Bldg Permits/One-Time	0	104,273
Animal Licenses	24,531	21,090
Concealed Gun Permits	1,964	2,354
Land Clearing Permits	100	8,857
Total	\$591,014	\$765,041

Intergovernmental revenues are primarily state shared revenues that are distributed on a population based formula. The city’s intergovernmental revenues consist of the state local government assistance, MVET criminal justice funding, street fuel tax, liquor excise tax and liquor board profits, federal, state, and local grants. In addition, this revenue source includes interlocal revenues received for providing court services to the City of Normandy Park, and for providing an instructor to the Washington State Criminal Justice Training Center Intergovernmental revenues for the first six months of 2008 totaled \$713,547, or 44.9% of the 2008 adopted budget. The 2008 revenues exceeded 2007’s actual results for the comparable period by \$13,234, or 1.9%.

Charges for services include general fees such as passports and false alarm fees plus right-of-way permits, engineering plan review, zoning, plan check, park recreation and senior service program fees. June 2008 year-to-date results totaled

\$1,216,530, or 60.8% of the adopted budget. For the comparative period of 2007 results totaled \$912,426, or 32.8% of the adopted budget. The 2008 results increased \$304,104, or 33.3% over 2007 actual results. Parks Recreation and Sr. Services program revenues represented \$141,105 of the increase for this revenue category. In March 2008, the city received \$207,057 in zoning and plan check fees for the Parkside Elementary project. In January 2007, the city received \$216,665 in engineering plan review, zoning, and plan check fees for the Judson Park Expansion project.

Parks Recreation and Sr. Services programs are considered primarily self-sustaining, whereby revenues support program activities. The following provides June 2008 year-to-date results comparing total program revenues including facility rentals, contributions, and miscellaneous revenues plus support from Normandy Park for Sr. Programs against program expenditures.

Item	Rec	Senior
	Programs	Programs
Revenues	\$ 456,727	\$ 52,909
2007 Deferred Revenues	36,357	374
Expenditures	(486,913)	(29,891)
Excess (Deficit)	\$ 6,171	\$ 23,392

Fines and forfeits for the first six months of 2008 totaled \$156,639 representing 52.2% of the 2008 adopted budget. In comparison, revenues for the first six months of 2007 totaled \$119,463, or 42.7% of the 2007 adopted budget. The 2008 actual results exceed 2007 by \$37,175, or 31.1%.

Interest earnings for June 2008 year-to-date totaled \$86,222, representing 42.6% of the 2008 adopted budget and exceeding 2007’s actual results by \$14,578. In 2008, interest earnings from the Revenue Stabilization Fund, Airport Defense Fund, Police Services Restoration Fund, Equipment Rental Replacement Fund, and the Computer Equipment Replacement Fund are recognized in the General Fund except for interest earnings on Equipment Rental Replacement Fund and Computer Equipment Replacement Fund

reserves held by non-general governmental funds. The City’s investment strategy is to externally invest outside of the Washington State Local Government Investment Pool (LGIP) to mitigate the effects of declining investment yields due to the Federal Reserve rate cuts. The City’s external investment portfolio totals \$5 million with yields ranging from 5.01% to 2.94%. The current federal funds rate is 2%. The June 2008 LGIP yield was 2.29%. In June 2007, the LGIP yield was 5.21%.

Interfund revenues for the first six months of 2008 totaled \$499,069, or 42.7% of the 2008 adopted budget. In comparison, \$381,599 was received in the first six months of 2007, representing 36.2% of the 2007 adopted budget.

Miscellaneous revenues include facility rentals, contributions and donations, Labor and Industries

reimbursements, and reimbursements for security for privately held public events. Also included are employer funded ICMA 401A (Social Security Replacement) contributions forfeited for non-vested terminated employees. In March 2008, \$103,722 in forfeitures was recognized and will be utilized for paying 2008 current IMCA 401A employer contributions. Miscellaneous revenues through June 2008 totaled \$234,748, or 143.2% of the 2008 adopted budget, and exceeded 2007’s actual results for the comparable period by \$84,983 primarily as a result of the forfeitures.

Operating transfers-in occurring in the first six months of 2008 include \$37,195 transferred from the Airport Defense Fund and \$18,800 transferred from the 1995 GO Bond Fund – Police Facility. The \$18,800 will be utilized for office remodeling at the main police building.

Table 1: General Governmental Revenues

Revenue Source	2008 Actual	2008 Budget	% Bgt	2007 Actual	2007 Budget	% Bgt	\$ Chg over 2007	% Chg Over 2007
Property Tax	\$ 1,515,274	\$ 2,844,448	53.3%	\$ 1,460,196	\$ 2,791,618	52.3%	\$ 55,078	3.8%
Sales/Use Tax	984,948	2,787,660	35.3%	1,002,242	2,027,500	49.4%	(17,294)	-1.7%
Criminal Justice	345,682	700,000	49.4%	338,639	630,000	53.8%	7,043	2.1%
B & O Taxes	406,369	550,000	73.9%	343,909	600,000	57.3%	62,460	18.2%
Franchise Fees	369,763	757,100	48.8%	351,900	642,000	54.8%	17,863	5.1%
Utility Taxes	1,730,697	2,962,000	58.4%	1,560,496	2,630,000	59.3%	170,200	10.9%
Other Taxes	8,847	111,000	8.0%	53,832	112,300	47.9%	(44,985)	-83.6%
Total Taxes	\$ 5,361,579	\$ 10,712,208	50.1%	\$ 5,111,215	\$ 9,433,418	54.2%	\$ 250,365	4.9%
Licenses/Permits	\$ 591,014	\$ 1,749,146	33.8%	\$ 765,041	\$ 2,434,730	31.4%	\$ (174,027)	-22.7%
Intergovernmental	713,547	1,588,517	44.9%	700,313	1,539,334	45.5%	13,234	1.9%
Charges for Svc	1,216,530	2,001,873	60.8%	912,426	2,782,625	32.8%	304,104	33.3%
Fines/Forfeits	156,639	300,000	52.2%	119,463	280,000	42.7%	37,175	31.1%
Interest Earnings	86,222	202,500	42.6%	71,644	139,800	51.2%	14,578	20.3%
Interfund Revenues	499,069	1,169,398	42.7%	381,599	1,054,622	36.2%	117,469	30.8%
Misc Revenue	234,748	163,880	143.2%	149,765	160,955	93.0%	84,983	56.7%
Other Financing Sources	2,253	0	N/A	350	0	N/A	1,903	543.6%
Operating Transfers-In	55,995	69,264	80.8%	0	0	N/A	55,995	N/A
TOTAL REVENUES	\$ 8,917,595	\$ 17,956,786	49.7%	\$ 8,211,816	\$ 17,825,484	46.1%	\$ 705,780	8.6%

General Governmental Expenditures

As discussed in the overview section, general governmental expenditures for the first six months of 2008 totaled \$8,833,960, or 49.6% of the 2008 adopted budget. In comparison, expenditures for 2007’s first six months totaled \$8,334,444, or

46.8% of the 2007 adopted budget. Expenditures for June 2008 year-to-date increased \$499,516, or 6% over 2007’s comparable period. Salaries and benefits represent 82.7% of the 2008 increase in expenditures over 2007’s actual results. Table 2 on page 5 provides a breakdown by expenditures classification (line item) and by department for

2008 compared with 2007 and each year's respective budgets.

While expenditures by category appear to be trending normally for salaries, benefits, supplies, and other services, we expect salaries and benefits to trend higher for 2008 once all labor contracts are finalized. Intergovernmental expenditures for 2008 are trending lower primarily due to jail expenditures. Capital outlay for 2008 includes \$40,000 valued for the waterfront mural artwork.

Some department 2008 expenditures are trending differently than the prior year. The Executive Department expenditures are trending lower for 2008 primarily due to the delay in hiring for the Assistant City Manager position. The Judicial 2008 expenditures percentage increase over 2007 relates primarily to public defender costs. A funding shortfall of \$61,000 exists for the 2008 public defender contract. A budget amendment is pending that will recognize grant revenues from the state for \$31,589 with the balance to come from the General Fund's ending fund balance.

The Finance Department 2008 expenditures appears to be trending lower than 2007, but June year-to-date expenditures for both years include artwork of \$40,000 in 2008 and \$88,500 in 2007 that require budget amendments. The Legal Department's 2008 expenditures are trending lower due to providing prosecution services with city staff and elimination of external prosecution contract. The Planning, Building, and Public Works Department 2008 percentage variance in spending pattern from 2007 is attributed to staff vacancies. Parks, Recreation, and Sr. Services expenditures through June 2008 are slightly above budget as a result of increased program activities that have corresponding increased program revenues.

Operating transfers-out for 2008 includes \$53,153 for the Mt. Rainier Pool subsidy and \$45,050 for gas taxes from the Street Fund to the Arterial Street Fund. In 2007, \$51,602 was transferred for the Mt. Rainier Pool subsidy, \$57,675 for gas taxes, and \$9,116 to the Municipal Capital Improvements Fund for field house renovations.

Table 2: General Governmental Expenditures

Item	2008 Actual	2008 Budget	% Bgt	2007 Actual	2007 Budget	% Bgt
Line Item:						
Salaries and Wages	\$ 4,202,844	\$ 8,646,544	48.6%	\$ 3,950,911	\$ 8,182,597	48.3%
Personnel Benefits	1,442,156	3,123,916	46.2%	1,280,997	2,831,626	45.2%
Supplies	455,572	623,480	73.1%	394,482	529,308	74.5%
Other Services	1,345,862	2,892,465	46.5%	1,208,037	2,644,166	45.7%
Intergovernmental	312,676	834,177	37.5%	386,143	943,598	40.9%
Capital Outlay	45,131	66,800	67.6%	226,562	508,628	44.5%
Interfund Payments	931,517	1,352,159	68.9%	768,919	1,129,378	68.1%
Operating Transfers-Out	98,203	268,002	36.6%	118,393	1,041,418	11.4%
TOTAL	\$ 8,833,960	\$ 17,807,543	49.6%	\$ 8,334,444	\$ 17,810,719	46.8%
Department:						
Legislative	122,365	224,048	54.6%	120,188	224,393	53.6%
Executive	274,905	602,061	45.7%	258,658	482,091	53.7%
Judicial	665,377	1,388,900	47.9%	651,259	1,448,635	45.0%
Finance	565,863	1,058,973	53.4%	542,242	948,290	57.2%
Legal	242,686	512,175	47.4%	249,761	489,968	51.0%
Law Enforcement	3,836,915	7,507,329	51.1%	3,606,048	6,902,045	52.2%
Planning, Bldg & Public Works	2,150,708	4,599,203	46.8%	2,055,768	5,065,027	40.6%
Parks, Rec, Sr Services	876,939	1,656,852	52.9%	732,127	1,449,552	50.5%
Operating Transfers-Out	98,203	258,002	38.1%	118,393	800,718	14.8%
TOTAL	\$ 8,833,960	\$ 17,807,543	49.6%	\$ 8,334,444	\$ 17,810,719	46.8%

Police Services Restoration Fund

The property tax levy lid lift approved by voters on May 16, 2006 resulted in creating this special revenue fund to accumulate property taxes from the levy lid lift and to fund expenditures to restore police department staffing to previous year’s levels as provided in the ballot measure. The following provides the revenues and expenditures and ending fund balance for the first six months of 2008. The 2007 revenue accruals are for property taxes received in January and February 2008.

Beginning Fund Balance	\$ 607,182
Revenues	780,288
Less 2007 Revenue Accruals	(8,513)
Expenditures	(774,274)
Ending Fund Balance	\$ 604,683

Major expenditures during the first six months include six vehicle purchases, mobile data terminals, radios, fire arms, and other equipment supporting the restored crime free task force, and new staffing.

Special Revenue Funds

Special Revenue Funds are established to account for the proceeds of specific revenue sources that legislation has legally restricted for specified purposes. The following provides June 2008 year-to-date activity for the other city special revenue funds.

Fund	Begin			Ending
	Fund Bal	Rev	Exp	Fund Bal
Revenue Stabilization	\$ 803,924	\$ -	\$ -	\$ 803,924
Airport Defense	37,195	-	37,195	-
Facility Repair & Repl	350,308	44,188	14,626	379,870
Police Drug Seizure	21,304	8,262	6,948	22,618
Traffic Impact Fees	4,253	383,398	383,265	4,386
Mr. Rainier Pool	140,382	98,470	47,834	191,018
Hotel-Motel Tax	5,561	9,179	-	14,740

Capital Improvement Funds

The general governmental capital improvement funds include the Arterial Street Fund and the Municipal Capital Improvements Fund.

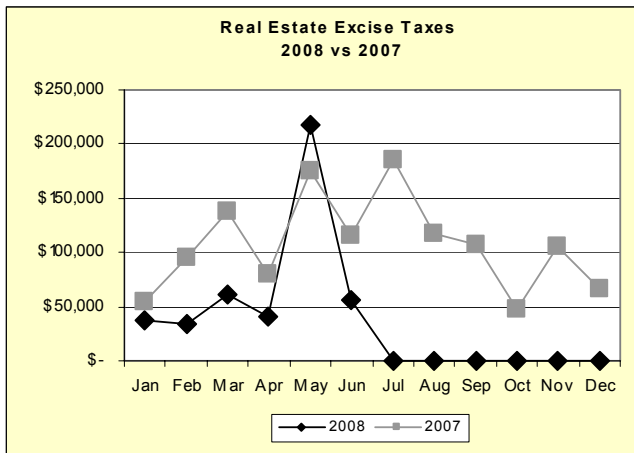
Project expenditures in the Arterial Street Fund through the first six months of 2008 totaled \$3,690,961, or 55% of the 2008 adopted budget of \$6,707,649. Expenditures primarily relate to the 16th Avenue South Improvement Project, 2006 slide repairs for the Marine View Drive Bridge and Des Moines Memorial Drive, 2007 slide repairs for the Des Moines Memorial Drive, and 2006 windstorm damage repairs for the Saltwater State Park Bridge. The Arterial Street Fund faces a revenue shortfall primarily due to the delay in receiving the Port of Seattle payment for the street vacation right-of-ways in the Des Moines Creek Business Park. Staff has proposed to the City Council different strategies for resolving the shortfall including the use of interfund loans, public works trust fund loans, and issuing bonds.

The Municipal Capital Improvements Fund provides for the acquisition, development, and major maintenance of parks and municipal facilities.

June 2008 year-to-date capital expenditures totaled \$959,385. Design work continues on the Field house park and playground repair project totaling \$20,848. The Des Moines Beach Park projects incurred expenditures for architectural services, utility work, and dredging of the creek totaling \$127,593. Design work for the Des Moines Creek Trail totaled \$15,515 through June 2008. Field house renovations totaled \$63,332. The transfer to the Arterial Street Fund was accelerated to its budgeted amount of \$595,000 to help resolve the cash flow shortfall.

A major revenue source for the Municipal Capital Improvement Fund is real estate excise taxes. Real estate excise taxes are levied on sales of real estate measured by the full selling price. The state levies this tax at the rate of 1.28 percent. All cities may levy a quarter percent tax, and cities planning under GMA may levy a second quarter percent. The City of Des Moines levies both the first quarter and second quarter percent. The City received \$458,444 in real estate excise taxes for the first six months of 2008, representing 31.1% of

the 2008 adopted budget of \$1,360,000. Lower than expected real estate excise taxes for 2008 is expected for the remainder of the year due to the slowdown in the housing market. In comparison, real estates excise taxes for the first six months of 2007 totaled \$648,778, or 51.9% of the 2007 adopted budget of \$1,250,000. Real estate excise taxes received January 2008 in the amount of \$67,109 represent December 2007 activity that was accrued for 2007 financial statement purposes. The following graph depicts real estate excise taxes as incurred monthly rather than as distributed to the city. For example, real estate excise taxes January through June 2008 represent distributions February 2008 through July 2008.



A large apartment complex was sold in May 2008 contributing to the total \$217,417 in real estate excise taxes reported for the month.

Marina

The Marina’s internal accounting structure includes three funds. The Marina Revenue Fund includes all operating activities of the Marina. The Marina Repair and Replacement Fund is considered a reserve fund that is utilized for

unusual or extraordinary maintenance and repairs. The Marina Depreciation and Improvement Fund provides for all major capital improvements.

Marina operating revenues for the first six months of 2008 were \$156,386 above 2007’s results for the comparable period. Revenues primarily contributing to this increase include fuel sales - \$85,217, monthly, winter and overnight moorage - \$77,790, dry storage - \$8,820, and ICMA 401A forfeitures - \$6,617 offset by a decline in revenues for reimbursements from the Marina capital fund - \$28,035 and interest earnings - \$6,849. Marina operating expenses for the second quarter 2008 year-to-date exceeded 2007 second quarter year-to-date results by \$180,198. The increase in expenses primarily relates to unleaded and diesel fuel purchases - \$100,780, and interfund charges - \$44,206.

The 2008 expenses incurred in the Marina Repair and Replacement Fund included repair work for the E & F Docks transformer and for fence rental and railing repairs caused by a vehicle accident. The 2007 expenses of \$29,466 relate to repairs of the office roof and fuel dock damaged during the December 2006 windstorm.

Costs incurred in the first six months of 2008 for Marina capital projects total \$318,984, and include new decking for N & M docks, the M dock electrical upgrade, bulkhead replacement design and engineering services, water main and power lines relocation, piling replacement, security cameras, and engineering and design services for the dredging project.

Table 3 summarizes the Marina Funds’ second quarter year-to-date results for 2008 compared with 2007.

Table 3: Marina Funds

Item	2008 Actual	2008 Bgt	% Bgt	2007 Actual	2007 Bgt	% Bgt
Marina Revenue Fund						
Revenues	\$ 1,832,314	\$ 4,162,071	44.0%	\$ 1,675,928	\$ 3,856,356	43.5%
Expenses						
Operations	1,432,035	2,932,488	48.8%	1,222,519	2,732,174	44.7%
Capital Outlay	6,523	17,500	37.3%	26,523	12,337	215.0%
Debt Service	3,386	196,549	1.7%	9,941	329,513	3.0%
Transfer to Capital Fund	76,869	604,928	12.7%	79,632	569,278	14.0%
Total Expenses	\$ 1,518,813	\$ 3,751,465	40.5%	\$ 1,338,615	\$ 3,643,302	36.7%
Excess (Deficit)	\$ 313,502	\$ 410,606	76.4%	\$ 337,313	\$ 213,054	158.3%
Beginning Fund Balance	979,113	1,038,811	94.3%	772,960	690,563	111.9%
Ending Fund Balance	1,292,615	1,449,417	89.2%	1,110,273	903,617	122.9%
Reserve for Debt Service	332,128	712,257	46.6%	373,000	531,730	70.1%
Unreserved Ending Fund Balance	\$ 960,487	\$ 737,160	130.3%	\$ 737,273	\$ 371,887	198.3%
Marina Repair & Replacement Fund						
Revenues	\$ 6,342	\$ 14,401	44.0%	\$ 8,129	\$ 17,910	45.4%
Expenses	3,946	20,000	19.7%	29,466	20,000	147.3%
Excess (Deficit)	\$ 2,395	\$ (5,599)	-42.8%	\$ (21,338)	\$ (2,090)	1021.0%
Beginning Fund Balance	333,690	290,811	114.7%	321,274	321,445	99.9%
Ending Fund Balance	\$ 336,085	\$ 285,212	117.8%	\$ 299,936	\$ 319,355	93.9%
Marina Depreciation & Improvement Fund						
Revenues	\$ 111,189	\$ 5,649,928	2.0%	\$ 142,846	\$ 2,629,278	5.4%
Expenses						
Capital Outlay	318,984	3,147,661	10.1%	166,173	3,235,448	5.1%
Debt Service	76,869	519,214	14.8%	79,632	369,741	21.5%
Transfer to Marina Rev Fund	-	383,504	0.0%	-	158,730	0.0%
Total Expenses	\$ 395,853	\$ 4,050,379	9.8%	\$ 245,804	\$ 3,763,919	6.5%
Excess (Deficit)	\$ (284,664)	\$ 1,599,549	-17.8%	\$ (102,958)	\$ (1,134,641)	9.1%
Beginning Fund Balance	2,297,144	1,947,031	118.0%	2,564,552	2,540,861	100.9%
Ending Fund Balance	\$ 2,012,480	\$ 3,546,580	56.7%	\$ 2,461,594	\$ 1,406,220	175.1%

Surface Water Management

The Surface Water Management Utility includes both an operating fund and a capital fund. Table 4 on page 9 provides second quarter year-to-date results for 2008 compared to 2007.

Surface Water Management operating revenues for the first six months of 2008 are 15.9% above 2007's actual results primarily due to increased storm drainage and hook-up fees. Operating expenses through the second quarter 2008 are above 2007's results by \$127,814. Operating expenses primarily contributing to this increase

include \$35,982 for NPDES water quality grant expenses, \$25,719 for interfund charges, \$15,300 for the Des Moines Creek Basin O&M maintenance, and \$12,567 for professional services connected with the lower Des Moines Creek evaluation.

Capital expenses through the second quarter 2008 totaled \$186,180, and include \$18,784 for the Barnes Creek Detention Facility, \$23,063 for the lower Des Moines Creek Channel Modifications, and \$140,845 transfer to the Arterial Street Fund for the Des Moines Memorial Drive slide repairs.

Table 4: SWM Funds

Item	2008 Actual	2008 Bgt	% Bgt	2007 Actual	2007 Bgt	% Bgt
SWM Operating Fund						
Revenues	\$ 1,051,144	\$ 1,975,236	53.2%	\$ 906,597	\$ 1,717,737	52.8%
Expenses						
Operations	701,818	1,569,536	44.7%	578,754	1,378,589	42.0%
Capital Outlay	729	10,600	6.9%	208	-	N/A
Transfer to Capital Fund	240,250	480,500	50.0%	236,021	472,042	50.0%
Total Expenses	\$ 942,797	\$ 2,060,636	45.8%	\$ 814,983	\$ 1,850,631	44.0%
Excess (Deficit)	\$ 108,347	\$ (85,400)	-126.9%	\$ 91,614	\$ (132,894)	-68.9%
Beginning Fund Balance	830,040	653,345	127.0%	463,735	372,272	124.6%
Ending Fund Balance	\$ 938,387	\$ 567,945	165.2%	\$ 555,349	\$ 239,378	232.0%
SWM Capital Fund						
Revenues	\$ 266,171	\$ 883,100	30.1%	\$ 655,866	\$ 840,625	78.0%
Expenses						
Capital Outlay	186,180	408,000	45.6%	414,671	443,600	93.5%
Total Expenses	\$ 186,180	\$ 408,000	45.6%	\$ 414,671	\$ 443,600	93.5%
Excess (Deficit)	\$ 79,991	\$ 475,100	16.8%	\$ 241,195	\$ 397,025	60.8%
Beginning Fund Balance	686,577	398,960	172.1%	697,026	768,095	90.7%
Ending Fund Balance	\$ 766,568	\$ 874,060	87.7%	\$ 938,221	\$ 1,165,120	80.5%

Internal Service Funds

The internal service funds for the city include the following funds:

- Equipment Rental Operations
- Equipment Rental Replacement
- Computer Equipment Operations
- Computer Equipment Replacement
- Self-Insurance
- Unemployment Compensation

Table 5 summarizes the activity occurring in these funds for the first six months of 2008 compared with the same period for 2007.

This report has been prepared by the Finance Department. If you would like additional information, or have questions about this report, please call 206-870-6512.

Paula A. Henderson
Finance Director

Table 5: Internal Service Funds

Fund	Item	2008 Actual	% Bgt	2007 Actual	% Bgt
Equipment Rental Operations	Begin Fund Bal	\$122,176		\$133,793	
	Revenues	289,758	51.3%	260,443	51.4%
	Expenses	305,262	51.3%	279,943	52.4%
End Fund Bal		\$106,673		\$114,293	
Equipment Rental Replacement	Begin Fund Bal	\$869,820		\$1,098,008	
	Revenues	164,096	47.0%	134,451	47.6%
	Expenses	105,818	38.3%	395,536	84.8%
End Fund Bal		\$928,097		\$836,922	
Computer Equipment Operations	Begin Fund Bal	\$71,372		\$29,377	
	Revenues	242,989	60.6%	150,005	50.0%
	Expenses	229,263	52.6%	159,235	54.4%
End Fund Bal		\$85,097		\$20,148	
Computer Equipment Replacement	Begin Fund Bal	\$342,066		\$329,658	
	Revenues	59,346	40.9%	29,331	34.8%
	Expenses	107,408	37.4%	35,770	37.0%
End Fund Bal		\$294,004		\$323,219	
Self-Insurance	Begin Fund Bal	\$118,437		\$73,765	
	Revenues	551,342	97.8%	483,794	95.1%
	Expenses	484,953	82.9%	441,493	96.9%
End Fund Bal		\$184,826		\$116,066	
Unemployment Comp	Begin Fund Bal	\$348,682		\$312,121	
	Revenues	19,300	41.8%	19,767	47.9%
	Expenses	8,888	44.4%	2,829	11.3%
End Fund Bal		\$359,094		\$329,059	