

Quarterly Overview Summary:

CITY WIDE-ALL FUNDS

City wide (All Funds) Revenues for the nine month period ending September 30th totaled \$185.4 million, which is 72% of the Annual Budget. It is expected that with the recording of the 2nd half Property Tax receipts that revenues for the entire fiscal year will exceed Budget.

City wide Operating Expenditures YTD total \$108.0 million which is 64% of the annual budget and 2% above the same period for 2010. Due to good expense control management the current forecast is that total Operating Expenses for the entire year will be less than that budgeted.

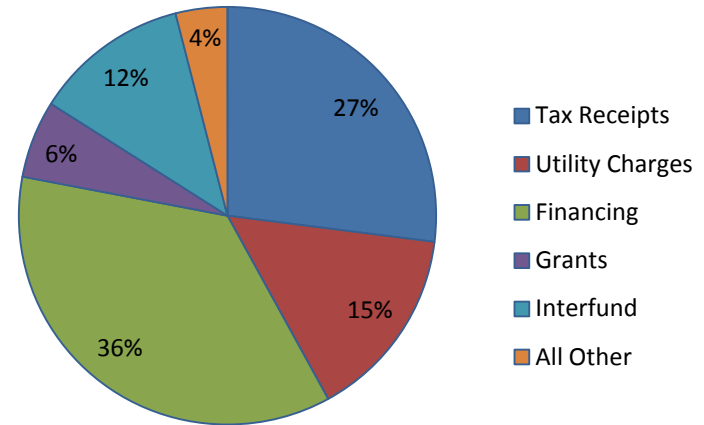
Capital expenditures for the nine month period are only 14% of budget and total just \$11.4 million YTD. Budgeted funds for many of the current capital projects are anticipated to be carried forward and re-budgeted as a re-appropriation in 2012.

Payments for *Debt Service and other transfers* totaled \$10 million YTD and are 9% higher than recorded at this time last year.

Total Cash and Investments have risen to \$180.3 million. This total includes the investment of \$52 million in bond proceeds from two bond issues this year.

YTD Revenues

Total \$185.5 million



YTD Operating Expenses

Total \$108.0 million



GENERAL FUND

Overview: The General Fund has seen a significant growth YTD in tax receipts. Sales Tax is up 10% from the same period of 2010. Approximately, 1/5 of the increase is due to a one-time state amnesty program. Business and Occupation Taxes are also up (6%) YTD. Despite increases in labor costs, overall expenses are at the same level as last year.

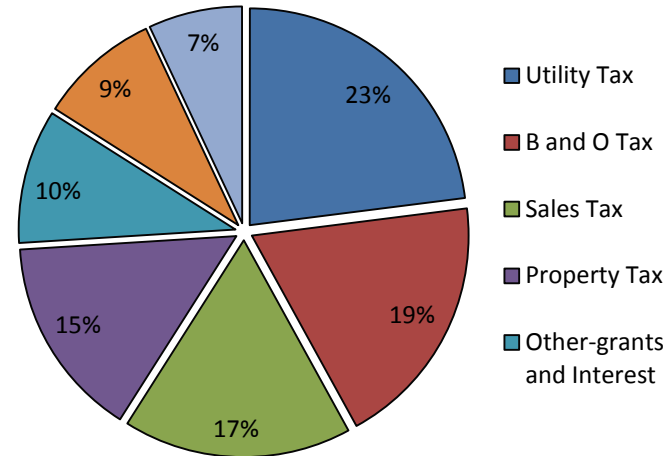
Revenues: Despite a 26% reduction in grant and entitlement revenues and a 16% reduction in interest earnings overall revenues are up 4% from 2010. Revenues totaled \$45.4 million, which is 72% of budget.

Operating Expenses: Of the 14 departments funded by the General Fund only four have higher expenses YTD than recorded for the same period of 2010. Costs have risen for the Hearing Examiner (up 2%) at the Library (up 3%) in Fire (up 4%) and Police (up 6%). No department is currently exceeding budget

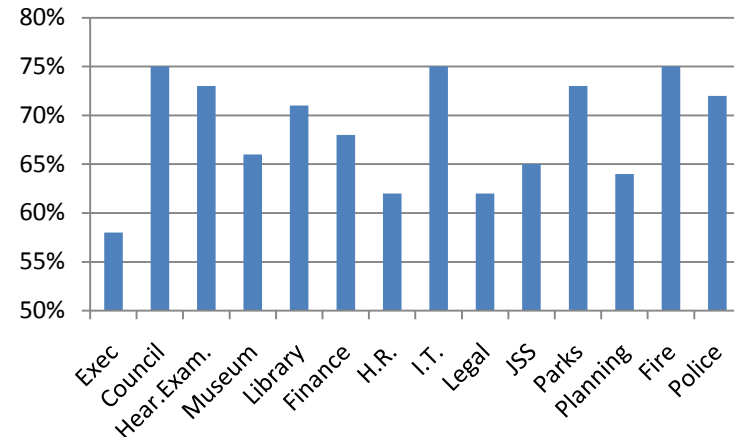
Capital and Debt Service: Due to budget pressure capital expenses in the GF have been nominal. Debt service on existing debt is up 10% from last year to \$2.7 million. Debt service is budgeted for \$4.2 million.

Trends: Despite slowing growth rates the forecast is for year-end revenues to exceed Budget by about \$600 thousand. The higher revenues and on-going expense control is expected to reduce the budgeted \$1.7 million deficit to about \$500 thousand.

YTD General Fund Revenues



% of Budget Spent



STREET FUND-#110

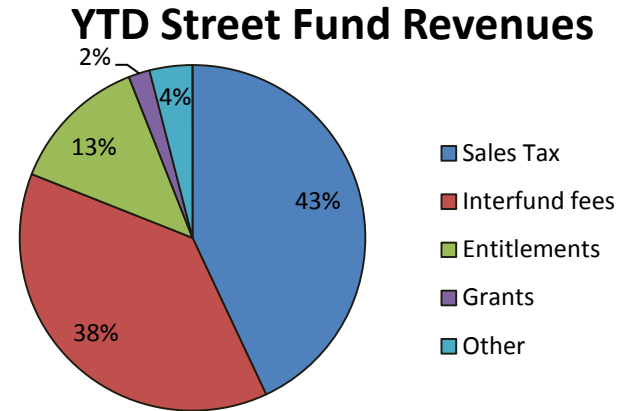
Overview: The Street Fund has seen a continuing decline in total revenues and is now at a projected revenue level which matches that received in 2006.

Revenues: Revenues have totaled \$12.7 million through September and are down 15% from last year for the same period. This is despite a 5% growth in Sales Tax receipts. Receipts from Federal Grants are down almost 90% from last year’s low level, and are only 2% of Street Fund receipts YTD.

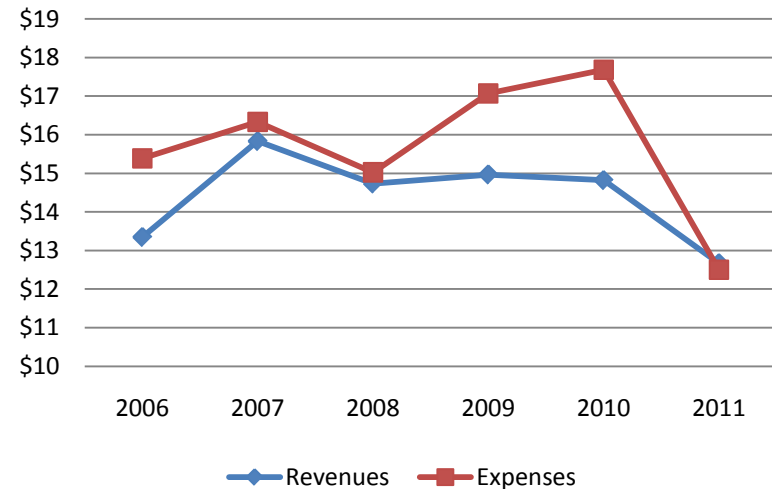
Operating Expenses: Overall Operating expenditures totaled \$9.9 million through three quarters; this is 1% below last year at September 30. Overall costs have risen for Salaries/Benefits (up 3%) and Interfund-Warehouse services which are up 6%. Professional Service costs have fallen by 27% when compared to last year.

Capital and Debt Service: Capital expenses totaling \$2.4 million are only 1/3 of the amount spent at this time last year. The overall Street Fund capital budget for 2011 is \$21.9 million.

Trends: With Federal and State grants declining in availability and other revenues well below historic highs, staff expects this fund to continue to struggle to find sufficient resources to fulfill all of the capital and maintenance needs for city streets. Due to low expenditures on some of the larger projects the year-end fund balance is expected to exceed the budgeted total.



**YTD Comparison
in millions**



WATER FUND-#410

Overview: The malaise in new construction has severely impacted this fund as revenues from system development charges continue to come in at a fraction of that level experienced prior to the recession. The decline of this revenue stream along with new regulations and requirements as well as declining overall water usage by customers has negatively impacted this fund.

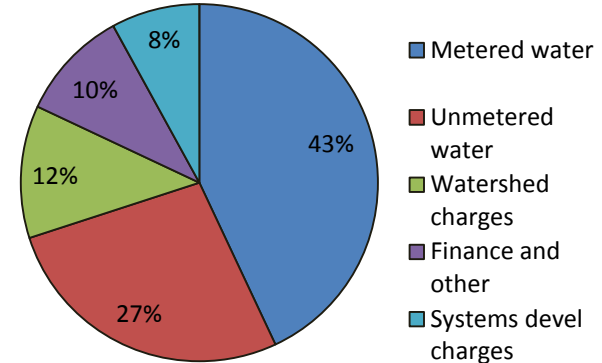
Revenues: Due to rate increases, total revenues rose to \$13.7 million through September 30th. Revenues for Water Operations are up 8% YTD while same period revenues for Watershed Activities have fallen by 3%.

Operating Expenses: For the period, total Operating Expenses grew by 16% and totaled \$9.8 million. Costs rose in all broad expense categories with Supplies and Services up 28% and Inter-governmental Services, Fees and Taxes up 36%. Total expenses are well within the authorized budget.

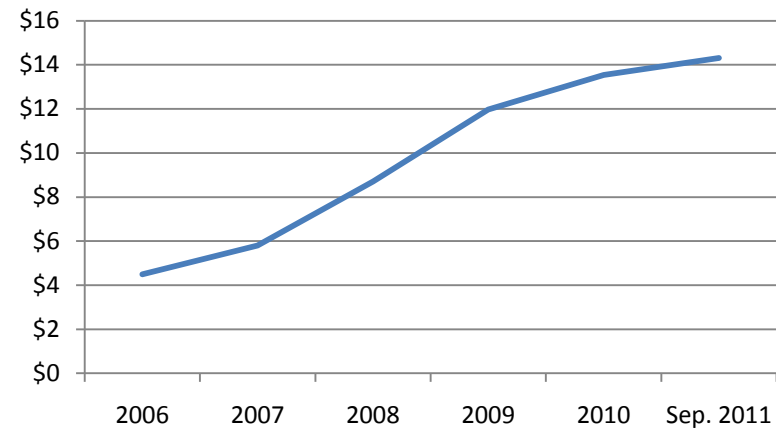
Capital and Debt Service: Capital expenses have reached \$2.1 million for 2011 with \$770 thousand being spent on watershed land acquisitions. This is up 50% from that spent for land purchases in all of 2010. Total Debt Service paid to date is \$2.3 million.

Trends: This fund has been impacted by the recession and rising costs of regulatory and watershed management. New revenue proposals will require careful financial analysis regarding on-going revenue viability as well as establishing priorities for the use of those revenues.

YTD Water Fund Revenues



Watershed Land Acquisition
cumulative since 2006, in millions



WASTEWATER FUND-#420

Overview: In September, a Revenue Bond issue was closed with funds totaling \$43 million set aside for various capital projects within the Water and Wastewater Funds. The largest project planned is the expansion of the Post Point Treatment Plant.

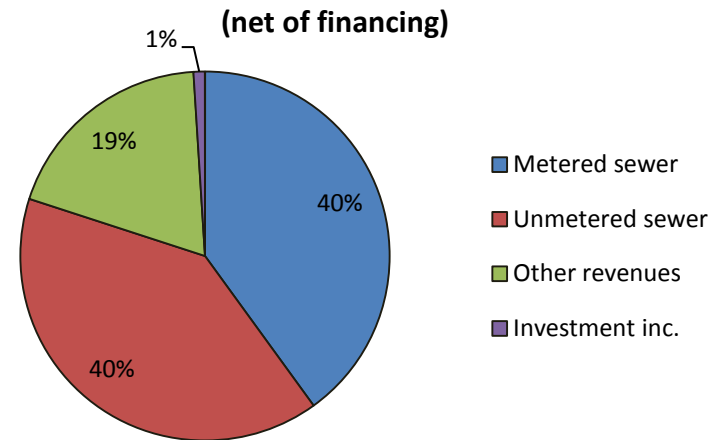
Revenues: Due to rate increases, total revenues rose to \$13.0 million (net of bond revenues) through September 30th. Revenues for all revenue categories except investment earnings were up.

Operating Expenses: For the nine month period, total Operating Expenses grew by 6% and totaled \$8.9 million. Costs rose in all broad expense categories with supplies up 14% and labor costs up 6% from the same period of 2010. Inter-governmental Services, Fees and Taxes are up 5%. Total expenses are well within the authorized budget.

Capital and Debt Service: Capital expenses have reached \$2.4 million so far in 2011 which is down 23% from last year at this time. Total Debt Service paid to date is \$2.7 million.

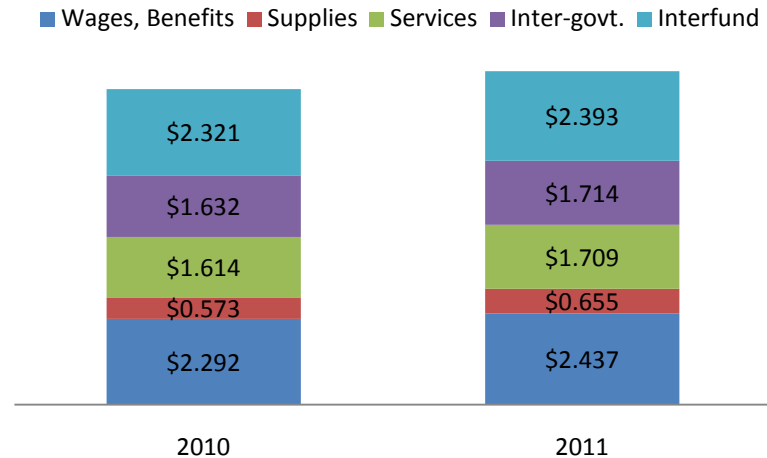
Trends: As with the Water Fund this fund has financially been impacted by the recession and significant reductions of water usage from conservation. The issuance of debt in September will result in a continuation of the current debt service payment over the next several years.

YTD Wastewater Fund Revenues



Wastewater Expenses

YTD Comparison (millions \$)



STORM AND SURFACE WATER FUND-#430

Overview: This fund is well on target to meeting its fund balance budget at year-end. Revenues are up YTD 14% while expenses are tracking 10% below September 2010 figures.

SOLID WASTE FUND- #440

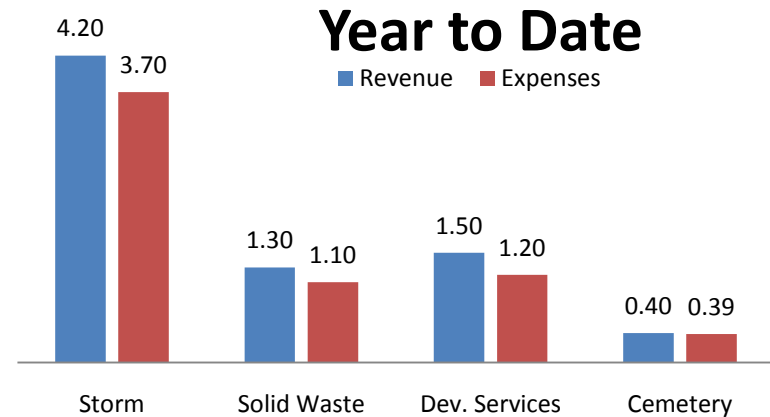
Overview: This fund is budgeted to spend more than it takes in for 2011 on environmental cleanup of the Eldridge Landfill. Overall YTD revenues exceed expenses by \$130 thousand. Revenues are down 3% from last year while expenses are 34% higher than that spent at this time in 2010.

DEVELOPMENT SERVICES FUND-#475

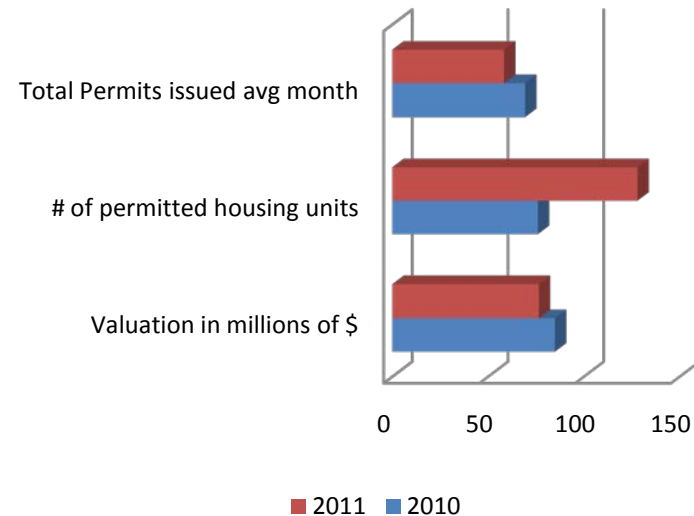
Overview: The fund has recorded YTD revenues of \$1.5 million that are 7% above last year at this time, reflecting a small improvement in revenue activity. Expenses have been reduced by over 8% (down \$107 thousand). Overall this fund is anticipated to be at year-end, slightly above budget in revenues and below budget in expenses with an improving fund balance.

CEMETERY FUND-#456

Overview: The fund is on track to meet the revenues and expense budget however revenues have fallen by 9% from last year while expenses are 1% higher. The fund balance has grown by 2%.



YTD Permit Data



PARKING FUND-#465

Overview: Parking revenues are 2% below last year. Although Vehicle Parking and Facility Rental revenues are both up, revenues from Parking Infractions have dropped by 18% from that recorded in 2010. Good expense control has been in place and expenses are 5% lower than last year and tracking well below budget.

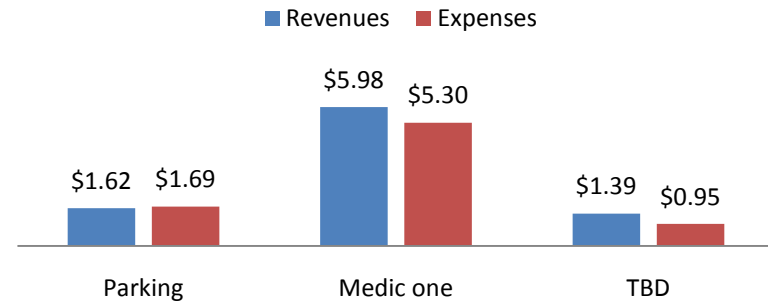
MEDIC ONE FUND-#470

Overview: This fund has recorded revenues totaling \$6.0 million YTD which is 4% above last year and is on target with that budgeted. Operating Expenses are well below budget and 4% below last year's costs. Labor costs are currently 6% below last year. Operating Expenses to date, total \$5.3 million.

TRANSPORTATION BENEFIT DISTRICT- #161

Overview: This special revenue fund began recording sales tax revenues in June, 2011. Total receipts YTD are \$1.391 million. This is 66% of the annual budget. Expenses to date have been \$946 thousand. \$218 thousand has been spent to reimburse the Whatcom Transit Authority for Sunday bus and para-transit service.

Rev/Exp for selected funds
in millions



TREASURY DATA AS OF SEPTEMBER 30, 2011

Summary Totals

Total Cash	\$ 23,152,196
Total Investments	\$157,119,754
Total Cash and Investments	\$180,271,950
Year to date Interest Received	\$ 983,744
Effective rate of interest earned	1.36%

Weighted average maturity of investment portfolio is 2.27 years

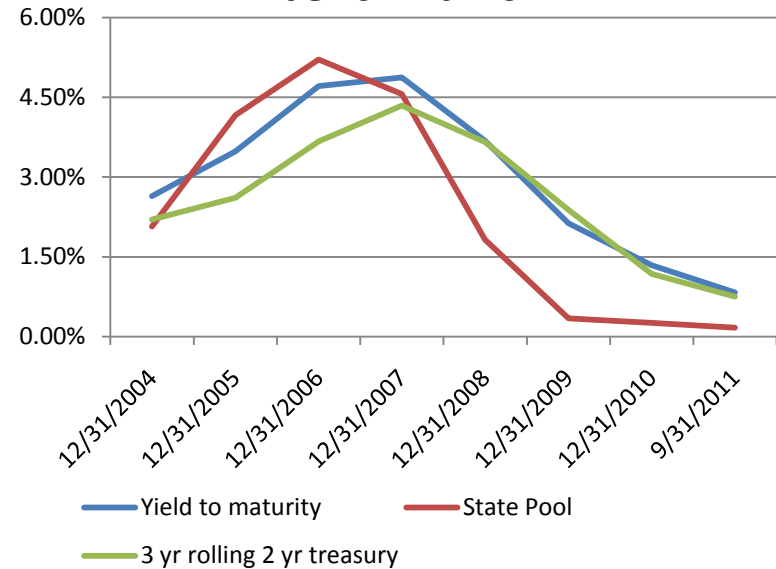
Investment allocation

U. S. Treasuries	0%
Federal Agencies -Callable	19%
Federal Agencies-Non-Callable	32%
Municipal Bonds	11%
Certificates of Deposit	3%
State Local Gov't Investment Pool	35%

Investment by issuer

State Local Gov't Investment Pool	35%
Federal Home Loan Bank	20%
Federal Home Loan Mortgage	13%
Federal Farm Credit Bank	10%
Federal Nat. Mortgage Assn.	7%
Sterling Savings Bank Cert. of Dep.	3%
Washington State-G.O.	3%
Connecticut State-G.O.	3%
NW Open Access Network	2%
Oregon State School-G.O.	1%
Other municipal bonds	2%

Yield to maturity compared to benchmarks



The current yield to maturity of the portfolio is .83%. This yield exceeds the benchmark 2 year treasury as measured on a rolling three year average by 8 basis points.