
2012 BUDGET OVERVIEW

This budget section is preceded by the Mayor's Message, which is delivered to the City Council at the first budget hearing. The Mayor's Message is intended to be read in concert with this overview section.

2012 Financial Overview

Total City

The City's Operating Budget is comprised of 58 separate funds, each with a unique purpose. The budget funds day-to-day expenditures for a variety of services. Among these are police and fire protection, water and sewer services, transit, street maintenance, parks and the library, debt service, and support services. These basic services are funded by user fees, taxes, permits, grants, state-shared revenue and other charges. The budget can vary greatly from year to year depending on construction projects and equipment replacement schedules. As summarized below, the total City expenditure budget decreased by \$41.0 million between 2011 and 2012.

| <u>Expenditure Budget</u> | <u>Adopted 2011</u> | <u>Adopted 2012</u> | <u>% Increase (Decrease)</u> |
|----------------------------------|--------------------------------|--------------------------------|---|
| General Government | \$ 108,890,196 | \$ 110,434,583 | 1.4% |
| Special Revenue Funds | 39,555,005 | 33,453,045 | -15.4% |
| Debt Service | 2,069,000 | 2,029,000 | -1.9% |
| Enterprise Funds | 144,991,628 | 109,468,328 | -24.5% |
| Internal Service Funds | 27,648,788 | 26,916,357 | -2.6% |
| Police & Fire Pension Funds | <u>5,221,676</u> | <u>5,028,894</u> | <u>-3.7%</u> |
| Total Expenditure Budget | \$ 328,376,293 | \$ 287,330,207 | -12.5% |

The total City revenue budget decreased by \$30.7 million in 2012, from \$295.4 to \$264.7 million, excluding beginning fund balances. The City's ending fund balance budgets decreased by \$5.7 million from \$165.0 million in 2011 to \$159.3 million in 2012.

Additional information on the revenue, expenditure, and fund balance changes for various funds can be found in the Financial Summary section of the budget.

General Government

The city's Strategic Outlook financial model functions as a key tool in the general government budget development process. As the budget develops, all changes are processed through the Outlook to forecast the five-year impacts. The City maintains a fund balance policy that limits operating expenses to operating revenues and targets the General Government Fund balance at 20% of operating revenues.

At the beginning of the 2012 budget process, the model projected a \$9.5 million operating deficit for 2012. Subsequent revisions to the revenue forecast and expenditure budget eliminated the projected deficit, bringing 2012 operating expenditures in line with 2012 operating revenues.

The primary guidelines used for the annual budget development were as follows:

- Adhere to sound fiscal management practices
- Maintain the discipline of limiting current expenses to current revenues
- Maintain, to the extent possible, the current level of public services that our residents enjoy

These guidelines carried forward from 2011 as the city confronted yet another unusually challenging budget year. The chief constraints facing the City budget for the year 2012 included:

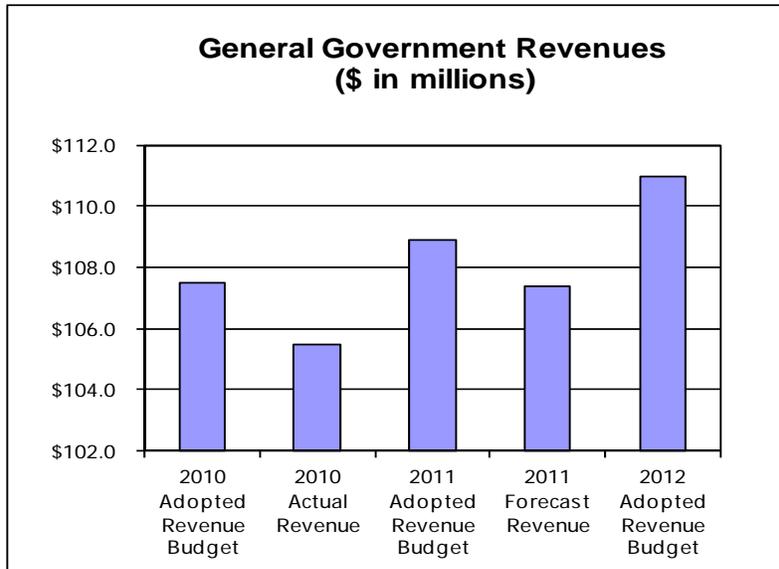
- Stagnant retail sales and utility tax revenues
- Minimal activity in new residential and commercial building projects
- Limit on property tax revenue growth to 1% on the base, plus adjustments for new construction and annexations
- Higher employee health care and PERS/LEOFF retirement funding costs

Major budget changes to balance the 2012 budget are listed below.

| 2012 Budget Balancing | |
|---|---------------------|
| 2012 Estimated Annual Deficit as of 12/01/10 | \$ (9,461,690) |
| Budget Changes: | |
| Update revenue forecasts for the following: | |
| Property tax | 93,370 |
| B & O tax | (1,329,879) |
| Sales tax | 118,720 |
| Utility taxes | (165,117) |
| State shared revenues | (224,135) |
| Internal cost allocations | 322,466 |
| Grant revenues | 378,474 |
| All other revenues | (92,064) |
| Adjust CPI impact on labor contract COLAs | (1,002,768) |
| Eliminate COLA for appointive employees and elected officials | 470,000 |
| Lower estimates for steps/longevity/turnover and other labor-related costs | 352,388 |
| Eliminate 9 vacant positions | 770,939 |
| Increase vacancies held open | 480,019 |
| Transfer 2.5 police officers from Criminal Justice to General Fund | (316,302) |
| Suspend annual Police and Fire pension reserve contribution for 2012 | 4,348,077 |
| Reduce contribution to Facilities Maintenance Reserve | 250,000 |
| Reduce contribution to MVD Replacement Fund | 1,293,507 |
| Reduce Street Improvement funding | 250,000 |
| Reduce Parks projects funding | 150,000 |
| Reset per capita book budget rate | 55,222 |
| Update jail fee budget | 760,840 |
| Reduce SNOPAC fee according to new assessment | 214,805 |
| Eliminate property enforcement contingency and parking mgmt PSA | 150,000 |
| Prefund 2012 Facilities and MVD reserves and prefund General Fund insurance premiums with 2011 under expenditures | 2,108,000 |
| Adjust for net changes in other misc. expenditures | 25,128 |
| Total Budget Changes: | <u>\$ 9,461,690</u> |
| Revised Annual Balance | <u>\$ -</u> |

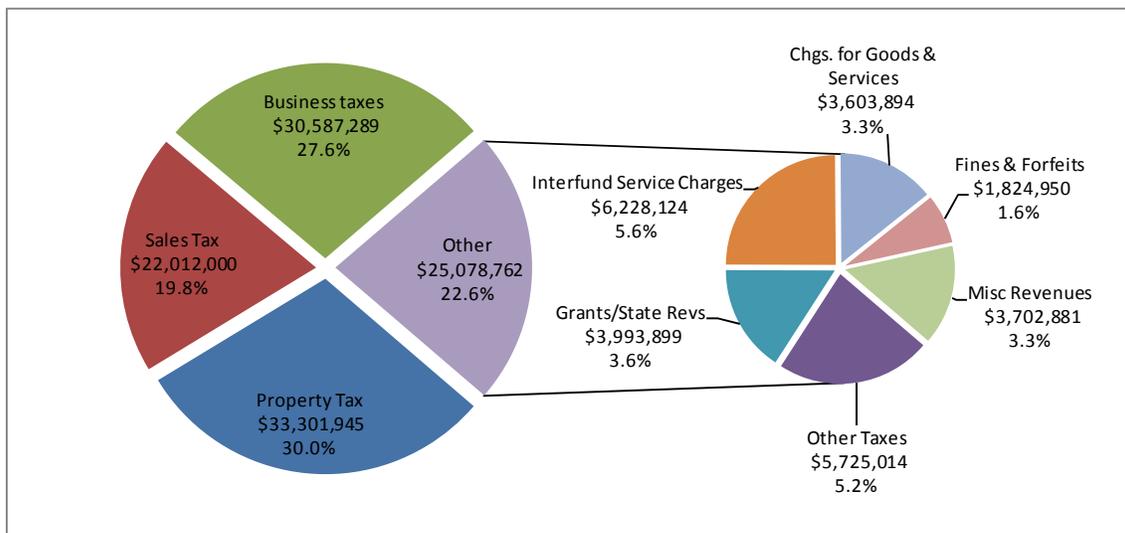
General Government Revenues

The 2012 general government revenue budget, excluding beginning fund balance, is \$110.4 million - a 3.35% increase over the 2011 year-end forecast. It provides for an ending fund balance of \$22.1 million, or 20% of operating revenues, and maintains compliance with the city's reserve balance policy.



Everett strives to maintain a diverse and stable revenue base to shelter public services from short-term fluctuations in any one revenue source. The current economic development activities, combined with property tax growth limits, are helping to move the city toward a more balanced revenue base, as shown in the graph below.

General Government Revenue Sources



Special Revenue Funds

The city has 17 Special Revenue Funds which account for the proceeds of specific revenue sources that are restricted for specific expenditure purposes. These funds are all related to General Fund type operations. Budget details can be found in the Special Revenue section of the 2012 Operating Budget. Items of note include:

- The Downtown Improvement Fund, together with the Traffic Mitigation Fund, will continue to fund work on the Hoyt Streetscape Improvement project. The primary revenue source will be parking fines.
- The EMS Division of the Fire Department has a \$7.5 million operating budget that is funded by a property tax levy and transport fees. Voters reaffirmed their commitment to the paramedic program by approving a six-year levy lid lift to increase the EMS levy rate to the maximum permissible rate of \$0.50 per \$1,000 assessed valuation in April 2010. While the restoration of the levy rate raised the allowable collections for 2011, subsequent reductions in assessed value and the \$0.50 levy rate ceiling have reversed some of the initial gain. The net result is that 2012 EMS property tax revenue is forecast to be lower than in 2011.
- The Real Estate Excise Tax Fund will provide funding for the Plaza project next to the Everett Performing Arts Center. This project is expected to be completed by the end of 2012.
- The Capital Improvement Reserve Fund provides funding for debt service for the City's obligations relating to the Events Center Land acquisition and the Conference Center construction, debt support to the Everett Public Facilities District; and funding for the Municipal Court building project.
- Both the Real Estate Excise Tax Fund and the Capital Improvement Reserve are funded with Real Estate Excise Taxes, which have declined precipitously since 2007. Both of these funds will make adjustments as necessary until the real estate market improves.

Enterprise Funds

The City has seven enterprise funds that are mainly self-supporting and expected to operate like private businesses. Items of note include:

Utilities (Water, Sewer and Surface Water Management): Overall, Everett Utilities' service revenues are projected to grow by approximately 2.1% for 2012, based on a scheduled rate increase. The rate change is necessary to address the City's capital replacement and improvement programs, and to finance inflation-based cost increases in operations and maintenance. The estimated impact to the average residential customer is approximately \$3.80 per month for water, filtration, sewer, and surface water combined, which still compares favorably to neighboring utility agencies. In addition, Utilities issued \$51 million in revenue bonds in 2011 to ensure cash flow for Utilities' capital replacement and improvement programs.

The net change in service expenses are projected to be \$0.1 million. Some of the major changes include \$0.7 million in additional debt service, a \$1.1 million increase in labor costs, and a \$0.9 million increase in interfund professional services, counterbalanced with reductions in outside professional services, vehicle replacements, and repairs and maintenance of \$1.7 million, \$0.4 million, and \$1.0 million, respectively.

The 2012 budget adds an assistant planner to support efforts of regulatory compliance with public works maintenance and operational activities and an operator-in-training at the Water Pollution Control Facility to ensure minimum staffing levels required for plant operations. Additionally, four Street department employees have been temporarily assigned to Utilities to work on the surface water maintenance project. This includes inspection and cleaning of all catch basins, retention basins, storage vaults, ditches, culverts, and manholes; in order to maintain compliance with Department of Ecology Phase II Stormwater regulations.

Utilities strives to maintain a balance between preserving essential services for its customers while minimizing the cost of service. We continue to invest in our future, efficiently manage our resources, and provide a high level of service to city residents and purveyors.

The Transit Fund is budgeted to maintain the levels of service implemented on November 21, 2010, without a fare increase. However, as operating revenues continue to experience a slow recovery, Everett Transit may consider changes in services in 2012 or early 2013.

Everett Transit continues to upgrade its fleets of fixed route and paratransit vehicles with the assistance of federal grant funds. As nine fixed route buses and five paratransit vans are replaced over the next two years, emphasis will be placed on environmentally friendly hybrid vehicles. Transit is making bus stop improvements along the major travel corridors, also with the assistance of federal grant funds.

Transit continues to coordinate services with sister agencies to facilitate regional travel for the citizens of its service area, including support of the BRT service along Evergreen Way within the City limits as well as the seamless fare service provided by ORCA. Within the ORCA (One Regional Card for All) system implemented in May 2009, special pricing plans are available to employers, schools, and social service agencies through Business Accounts aimed at encouraging commute trip reduction and improving the environmental footprint of the City.

Capital Expenditures

The total budgeted capital expenditures by major category for 2012 are listed below. Further detail can be found in the Capital Improvement Program section of this document.

2012 Budgeted Capital Expenditures

| Category | Included in Operating Budget | Included in Capital Budget | Total | Percent of Total |
|--------------------|---|---------------------------------------|----------------------|-----------------------------|
| General Government | \$ 7,235,738 | \$ 10,743,802 | \$ 17,979,540 | 22.2% |
| Transit | 2,382,532 | - | 2,382,532 | 2.9% |
| Parks & Recreation | 1,125,000 | 2,310,037 | 3,435,037 | 4.2% |
| Transportation | 5,317,089 | 10,912,808 | 16,229,897 | 20.1% |
| Utilities | 758,500 | 40,046,500 | 40,805,000 | 50.5% |
| TOTAL | \$ 16,818,859 | \$ 64,013,147 | \$ 80,832,006 | |

Economic Environment

The national and local economy declined severely from 2008 through 2009. The depth and length of this recession and its impact on the local economy is still ongoing. Although it has been determined that the national recession ended in June 2009, local economists believe that our region's economy bottomed out in early 2010. In 2011, we saw modest improvement in some areas but further decline in others. We expect similar economic performance in 2012.

Construction permitting, housing prices and housing sales produced mixed results in 2011, with continued reductions in single family, duplex, and residential alterations, and improvement in multi-family, new commercial, and commercial alterations. Housing sales and pending sales increased in 2011, but housing prices continued to drop. We do not expect any significant change in this area in 2012.

| Local Housing Industry Indicators | | | |
|--|---------------|---------------|---------------|
| | <u>2010</u> | <u>2011</u> | <u>Change</u> |
| <u>City of Everett Construction:</u> | | | |
| Single Family Permits | 53 | 41 | -22.6% |
| Single Family Valuation | \$ 10,321,008 | \$ 8,206,193 | -20.5% |
| Duplex Permits (Units) | 6 | 4 | -33.3% |
| Duplex Valuations | \$ 868,962 | \$ 640,872 | -26.2% |
| Multi-Family Permits (Units) | - | 2 | |
| Multi-Family Valuations | \$ - | \$ 16,933,935 | |
| Commercial Permits | 10 | 11 | 10.0% |
| Commercial Valuations | \$ 17,413,444 | \$ 29,844,191 | 71.4% |
| Residential Alterations | 252 | 221 | -12.3% |
| Residential Alterations Valuation | \$ 6,771,252 | \$ 3,795,686 | -43.9% |
| Commercial Alterations | 279 | 315 | 12.9% |
| Commercial Alterations Valuation | \$ 42,922,390 | \$ 44,009,394 | 2.5% |
| <u>Home Sales Trends for Snohomish County:</u> | | | |
| November Sales | 572 | 806 | 40.9% |
| November Pending Sales | 854 | 1,041 | 21.9% |
| November Average Sales Price | \$ 289,269 | \$ 254,126 | -12.1% |
| November Active Listings | 5,129 | 3,817 | -25.6% |
| Sources: City of Everett Engineering Department, Snohomish County Business Journal | | | |

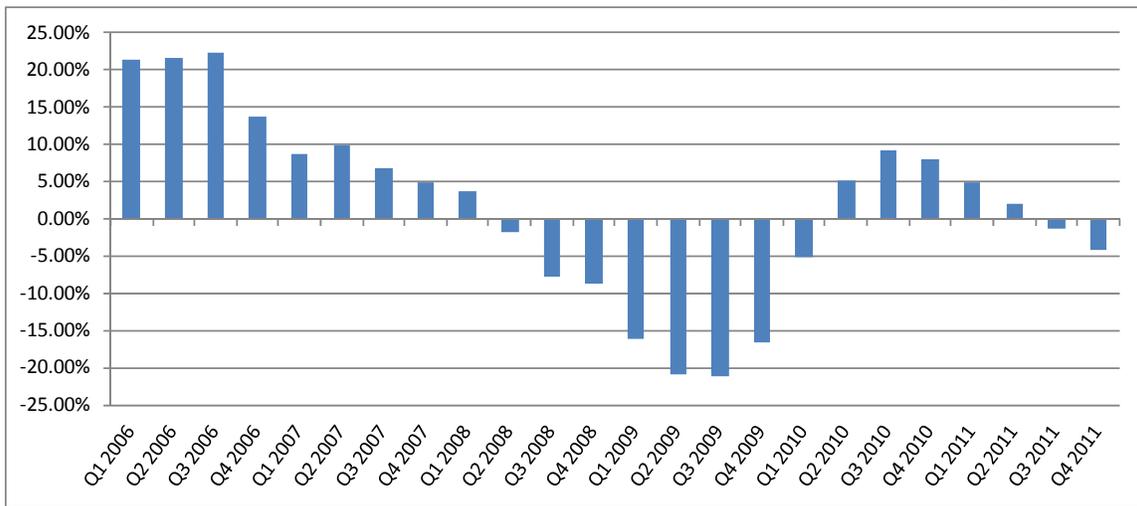
As of December 2011, the unemployment rate in Snohomish County was 8.2%. Employment is expected to grow slowly throughout 2012 and 2013.

| Snohomish County Unemployment Rate (not seasonally-adjusted) | Dec 2007 | Dec 2008 | Dec 2009 | Dec 2010 | Dec 2011 | % Change 10-11 |
|--|----------|----------|----------|----------|----------|-------------------|
| | 4.5% | 7.6% | 10.8% | 9.8% | 8.2% | -16.3% |
| Source: Washington State Employment Security Department | | | | | | |

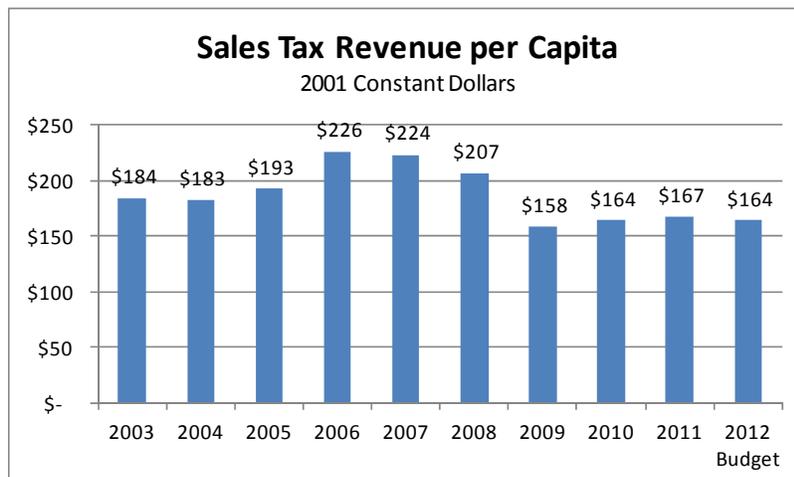
The City's three largest sources of tax revenue are property tax, sales tax, and business & occupation tax. Property taxes are limited to 1% annual growth in Washington State. Because the City's regular levy rate is well under the legal limit, declining property values have not affected property tax revenues. In contrast, the struggling economy has had an enormous impact on city sales tax revenues.

The City began to see noticeable declines in retail sales tax in mid-2008, after experiencing extraordinary growth in 2006 and 2007. As shown in the chart below, sales tax revenues declined for 6 consecutive quarters starting June 2008 in comparison to the same quarter in the previous year. This trend began to turn around, beginning April 2010 with increases every quarter for 4 quarters compared to the same quarter in the previous year. Since then, activity has slowed, with a return to negative performance in the last two quarters of 2011. Sales tax revenues are expected to remain fairly flat for 2012 with modest growth in the next few years.

Sales Tax Annual Quarter over Prior Year Quarter % Change



The 2009-2012 reduction in sales tax revenue is shown in the chart below with annual sales tax revenue translated into constant dollars so that the impact of inflation is removed. There is a substantial decrease between 2006 and 2009 in the taxes available to provide services to our residents. Adjusted for inflation and population growth, real taxable retail sales may not fully recover for many years. Although the City has been able to develop budgets for 2009 through 2012 with minimal service reductions, some of the adjustments made are not sustainable for the long term. If current economic conditions continue for the next few years, the City may have to re-set the level of services that citizens currently enjoy, setting a priority on those that are vital and mandatory.

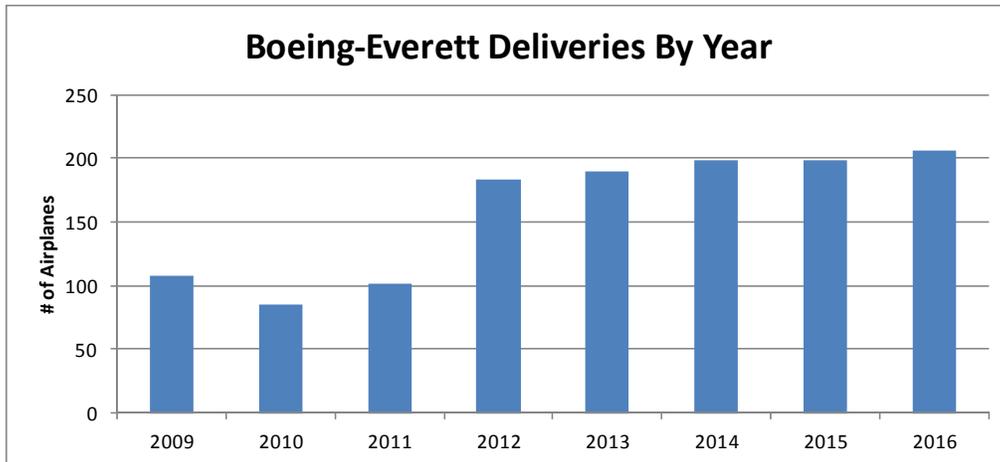


The chart below breaks out sales tax into business categories, with most categories showing improvement in 2011. Manufacturing's large increase was due in part to audit adjustments. However, it would still be up 20.3% without those adjustments--a good sign that the economy in this area is improving. The Construction category's decrease of 32.8% was due in large part to the completion of the Providence Everett Medical Center. Based on known upcoming projects the construction category is expected to increase by approximately 15% in 2012.

The city's largest business category, Retail Sales, is expected to grow 4.5% in 2012. As shown below, most categories within retail sales showed some growth in 2011 over 2010. This trend is expected to continue into 2012.

| Sales Tax Revenue | | |
|-------------------------------|-------------------------------|---|
| Category: | % Change 2010-2011 | Category as % of 2011 Retail Sales |
| Manufacturing | 58.5% | 6.7% |
| Wholesale | 22.2% | 7.2% |
| Information | 12.5% | 4.3% |
| Food Services/Accomod. | 4.5% | 6.9% |
| Retail | 2.7% | 33.6% |
| All Other Categories | 0.2% | 33.6% |
| Construction | -32.8% | 7.8% |
| Total Sales Tax | 2.1% | 100.0% |
| Retail Sales: | | |
| <u>Areas of Strength</u> | | |
| Nonstore Retailers | 12.5% | 3.1% |
| Sporting Goods | 8.3% | 3.9% |
| Motor Vehicle | 7.8% | 27.5% |
| Gas Stations | 7.7% | 2.8% |
| Building/Garden | 1.4% | 5.4% |
| Electronics | 4.4% | 6.5% |
| Clothing | 3.5% | 3.9% |
| Furniture | 2.9% | 2.5% |
| Health/Personal Care | 1.2% | 3.3% |
| <u>Areas of Weakness</u> | | |
| Misc Retailers | -6.4% | 9.1% |
| Food & Beverage Stores | -2.3% | 6.5% |
| General Merchandise | 0.1% | 25.7% |
| Total Retail Sales Tax | 2.7% | 100.0% |

The City's business and occupation tax, which is based on gross business receipts, showed a 21% increase in 2011. The deferral of Boeing's 787 airplane delivery schedule has impacted the city's B&O tax forecasts for the past few years. However, deliveries are expected to ramp up in 2012 and remain strong for the next several years. The chart below shows actual and forecast airplane deliveries for an eight year period. Boeing builds or assembles 747's, 767's, 777's and 787's in Everett.



Monthly real estate excise tax (REET) receipts (0.5% of the value of real estate transactions) began to fall in September 2007 and have continued with very low activity throughout 2011. REET is a vital funding source for park and road projects and debt service payments. The following chart illustrates the impact of the Great Recession on REET revenues, beginning with a precipitous drop in 2008 that was followed by an even greater decline in 2009. While the City saw a small uptick in REET revenues in 2011, the housing market is expected to continue to recover at a very slow pace; therefore, 2012 REET revenue has been budgeted conservatively.



City of Everett - 2012 Priorities and Current Initiatives

The City of Everett current initiatives focus on keeping our City services strong while preparing for future opportunities.

1. Foundation of a Great Community

- **Financial Health**

The City continues to live within its means and is maintaining compliance with the fund balance policy. Our long-standing conservative approach to financial management is helping us to cope with the challenges presented by the national recession.

Everett's revenue and general obligation debt rating was reaffirmed by Standard & Poor's at AA+ in November 2011. This rating means Everett taxpayers likely will pay lower interest rates on bonds issued for capital improvements than they would have if the City held a lower credit rating.

The 2012 budget maintains the City's essential service levels, but Administration continues to watch the changing dynamics of the economy and is prepared to make adjustments as necessary.

- **Public Safety**

The Police Department is developing a new strategic plan that will lay a blueprint for police operations and service delivery over the next five years.

Construction for a much-needed new municipal court began in 2011. We expect the project to be complete and the new facility open for business in 2012.

The Residential Graffiti Removal Program continues into its fourth year in 2012.

- **Streets**

The City will make an \$11 million investment in streets in 2012, including the annual overlay program, completing the final segment of the 112th Street corridor project (14th Avenue SE to Highway 527), beginning the 41st Street to West marine View Drive project, and continuing the design and replacement of the Broadway Bridge at Hewitt Avenue.

- **Water/Sewer Utilities**

The City continues its substantial and long-term infrastructure and utilities investments to provide safe and reliable drinking water and wastewater treatment. In the next decade, the City will spend more than \$100 million to improve drinking water and wastewater systems to meet growth demands and regulatory requirements. The City provides drinking water to more than 530,000 people in Everett and Snohomish County, and sewer service to more than 120,000 people in Everett and adjacent areas.

2. Investment and Redevelopment

- Current large projects in the planning stages or underway in Everett include:

The Everett Community College expansion, which will conclude with a doubling of the campus size by 2015.

The Farmer's Market and residential living project.

The new Marriott Courtyard Hotel on surplus City property.

Phase 2 of the Hoyt/Rucker Avenue Streetscape project.

- **Economic Development Focus**

The fundamentals of a strong and increasingly diverse economy exist in Everett, including aerospace, Naval Station Everett, the health care community, the Port of Everett, and the SW Everett light industrial area.

The City will participate in the Economic Alliance--the newly formed consolidation of Snohomish County's economic development organizations.
- **Regional Energy Roundtable**

Everett is at the center of Secretary of Navy Ray Mabus' energy initiatives and pursuit of a "Green Fleet." Included in the roundtable are University of Washington, Western Washington University, SnoCo PUD, Boeing, Puget Sound Energy, Puget Sound Regional Council, Washington Technology Industry Assn., and Pacific NW defense Coalition, among others.
- **Commercial Air at Paine Field**

The City supports the development of commercial flights at Paine Field. A 2008 study showed that the City could attract more and larger high-tech businesses if commercial air service were more convenient. The study also said that regularly scheduled passenger flights could stimulate tourism and other economic development in the region.
- **Higher Education**

Boeing has consolidated its engineering and R&D functions for commercial airplanes in Everett, and needs 1,000-plus professional engineers each year. The City and Washington State University are seeking an avenue to locally serve the critical engineering needs of our aerospace-based economy.

The City believes that Everett is the best location for a new four-year university that will provide the upper-division and advanced-degree access that our students, families, and employers seek. Everett and Snohomish County continue to be among the most under-served areas of the state. Bringing a four year university to Everett is in the forefront of our goals for this community.

In 2011, the City was successful in obtaining legislation to transfer operation and administration of the University Center of North Puget Sound to Washington State University. The Governor has asked the legislature for \$7.6 million for WSU to create 60 new engineering student slots, which, if approved, will help us move forward on this effort.
- **Navy**

In December 2010 the Navy announced that the USS Nimitz will make its homeport in Everett arriving in January 2012. It will replace the USS Lincoln, which is departing for a four-year refueling overhaul. Naval Station Everett has 6,000 employees.

3. Improving our Quality of Life

- **Parks**

In 2011 the City completed a master plan for Senator Henry M. Jackson Park and is currently seeking funding for construction. The Parks Department will also seek Council approval in 2012 to replace soccer field #1 at Kasch Park at an estimated cost of \$1 million.
- **Community Events**

The City will continue popular community events such as Sorticulture, Music in the Parks, Jetty Island Days, and Cinema Under the Stars.

Other Planning Processes

In addition to the strategic budget model, the capital improvement plan, and the economic development plan, the City of Everett has numerous boards, commissions, and committees that play a role in helping to plan for the city's future. These include, but are not limited to: Animal Control Board, Council of Neighborhoods, Cultural Commission, Diversity Advisory Board, Historical Commission, Housing & Community Development Board, Housing Authority, Human Needs Advisory Committee, Library Board, Lodging Tax Advisory Board, Parks Commission, Planning Commission, Public Facilities District Board, Salary Commission, Senior Center Advisory Board, Transportation Advisory Committee, Tree Committee, Mayor's Youth Council, Neighborhood Associations and various ad hoc committees. These groups mainly have an advisory role to the City, and were created either by code or assignment.

The Future – Principal Issues Facing the City

There are a number of issues facing the City of Everett that present significant challenges or opportunities as we look to future years. These include legislative changes, regulatory changes, world events, and economic factors. This section describes and updates these subjects for events occurring subsequent to the November/December budget hearings.

The Economy

The Consumer Price Index (CPI) has a significant impact on the City budget. City bargaining unit cost-of-living adjustments and many other City contracts are tied to CPI. The June 2010 to June 2011 CPI resulted in a 3% CPI-based wage increase for union employees for the 2012 calendar year—the first increase in 2 years. Appointive employees and elected officials, for the third consecutive year, will not receive a cost of living increase in 2012. The strategic budget assumes low CPI growth for 2012 and a moderate growth in CPI for all future years.

The 2012 revenue budget is \$2.1 million higher than the 2011 budget and was balanced with minimal service cuts and no layoffs. However, 2012 appears to be another challenging year. If sales taxes or other revenues dip significantly below the budget, the City is prepared to take additional cost-cutting measures.

Boeing Production

The Boeing Co. delivered its first 787 Dreamliner jet in September of 2011. Boeing currently has 847 orders for the 787. The Boeing 747, 767, and 777 are also built in Everett and have unfilled orders of 107, 50, and 253 respectively.

In October 2009, Boeing announced that it would set up a second production line for the 787 Dreamliner in South Carolina. Since the dawn of the jet age, virtually all Boeing airliners have been assembled in either Everett or Renton, Washington. The City and State intend to work together to ensure that Washington State remains the center of aerospace manufacturing, both nationally and internationally. The set up of the second production line outside of Everett is not expected to have an impact on the current strategic outlook. 787 production will be at full capacity for many years, contributing to a stable business environment for our community.

In 2011, the Pentagon awarded the contract for the U.S. Air Force Aerial Tanker Program to the Boeing Company. The tankers will be assembled in Everett, supporting 9,000 jobs in our state, providing \$400 million in economic benefits and supporting some 70 suppliers across the state. The contract will provide orders for the first 179 tankers.

Boeing is, by far, the largest employer in Snohomish County with 32,000 employees. Boeing is expected to hire more workers in 2012. It is unknown how many of those jobs will be in Snohomish County.

Riverfront District Development

The riverfront property east of Everett is a valuable City asset and is in the process of becoming an important gateway to the community. At 221 acres, it is one of the largest developable pieces of property available along I-5 between Everett and Tacoma. The City's development plan for this site includes a mix of retail, residential, and recreational use.

In April of 2005, pursuant to a formal request for proposal process, the City selected Oliver McMillan as the prospective developer of Everett's Riverfront Property. In 2007, City Council approved a plan that will develop 100 acres including high quality mixed-use retail and residential projects. The remaining 100 acres will remain as wetlands. Site work began in 2007.

The City has been preparing for the Riverfront development for many years by mitigating environmental issues, studying uses, and developing access. This preparation has been funded by a combination of grants, settlements, insurance recoveries, and general tax revenues. This is an important project for the city, which will have a major impact on revenues and expenditures in the future. The strategic budget sets aside \$50,000 each year for Riverfront expenses. Currently, the developer and the City are waiting out the recession before substantial construction occurs. The City obtained bond funding for the Solid Waste portion of this project in 2010. Once private development gets underway, bonds may be issued to construct the planned public amenities.

B&O Tax Credit

In March 2010 the City amended the Business and Occupation tax ordinance by adding a tax credit for expansions that create 50 or more new jobs within four quarters. The taxpayer may claim a credit of one thousand dollars per new position, subject to a cap of \$500,000 per taxpayer. The added positions must remain filled for at least three years.

The City has received several taxpayer inquiries regarding the tax credit, but no applications to date. Tax credit applications are possible in 2012, but have not been included in the strategic budget.

State of Washington/U.S. Government

The state legislature has an extremely challenging budget to balance for the 2011-2013 biennium. It is unknown how any budget reductions may affect the City. The City receives various state-shared revenues including Streamlined Sales Tax Mitigation, Criminal Justice Assistance, Liquor Revolving Account, Liquor Excise Tax Account, and Motor Vehicle Fuel Tax. The City also receives various operating program grants, mainly related to public safety; and some capital grants.

Additionally, the state legislature works on a multitude of issues that could impact the City budget. No new state legislative impacts are included in the strategic budget.

The U.S government also provides grant funding for City programs, mainly in the areas of road construction, transit and Community Housing Improvement Program (CHIP) funding. Additionally, the U.S. legislature works on a multitude of issues that could impact the City budget. No new federal legislative impacts are included in the strategic budget.

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