

GENERAL FUND

Revenues

The General Fund is used to account for general purpose revenues, which are used to fund general governmental services, excluding utilities. Over the past 10 years, the City has fared well with revenues rising faster than expenditures. The City has enjoyed a number of years of strong permit activity, and this has produced strong sales tax revenues and additional property tax on new construction. Following are descriptions of the City's major revenue sources accompanied by historical tables and graphs.



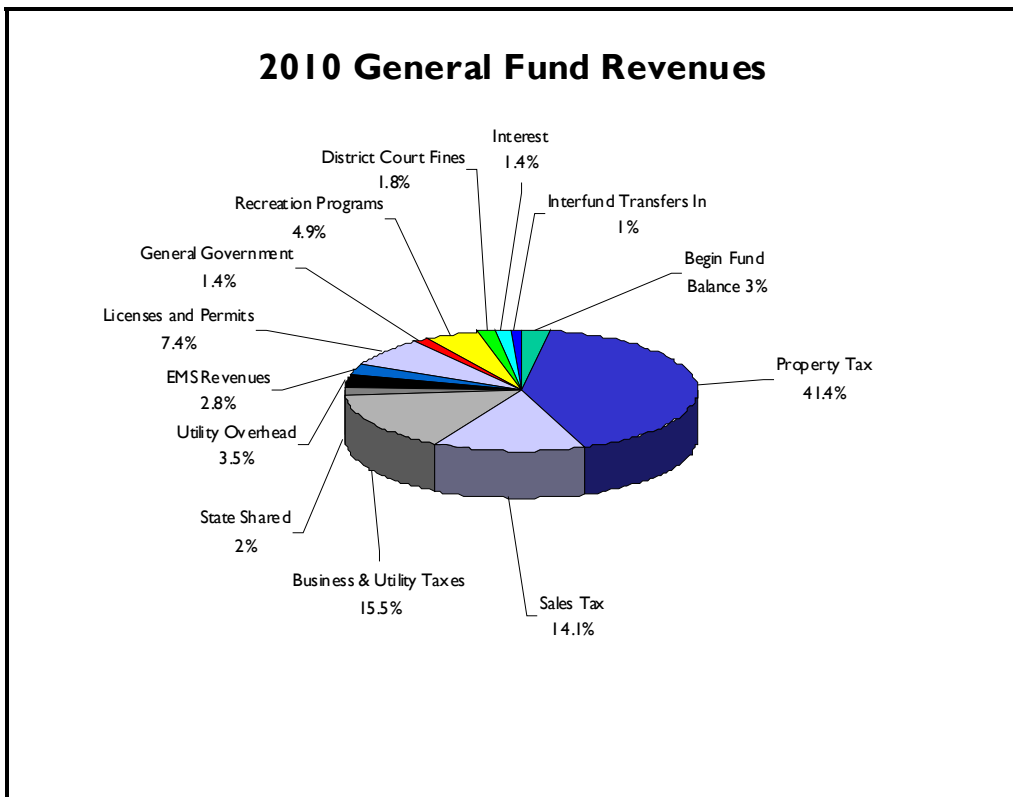
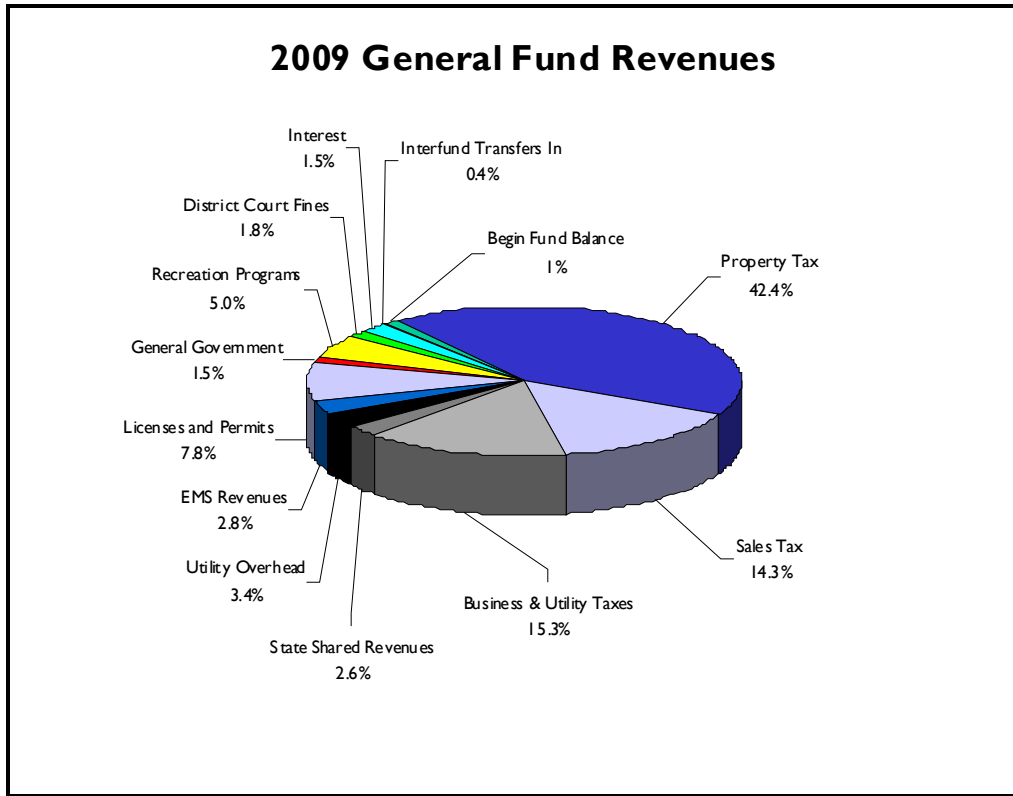
General Fund

Revenue Summary

There are four major revenues that comprise 79% of the 2009-2010 General Fund budget: property tax, sales tax, business and utility taxes, and license and permit fees. The permit category has grown significantly over the past five years due to the development boom (particularly in the Town Center) permit fee increases, which raised the level of cost recovery on the work required. The table below breaks down General Fund revenues by category for 2007-2010. Following that is a graph depicting the percentage of each revenue source relative to the total amount budgeted in each year of the biennium.

Description	2007 Actual	2008 Forecast	2009 Budget	2010 Budget
RESOURCES				
Budgeted				
Beginning Fund Balance	\$ 1,378,876	\$ 2,471,219	\$ 290,389	\$ 657,507
Property Tax	9,305,222	9,418,055	9,948,387	10,214,291
Sales Tax	3,967,184	3,687,000	3,349,000	3,472,000
Business & Utility Taxes	3,223,613	3,377,374	3,586,700	3,815,000
State Shared Revenues	678,936	696,208	600,635	610,055
Utility Overhead	716,000	739,400	808,500	863,800
EMS Revenues	514,618	656,175	664,430	694,400
Licenses and Permits	2,249,083	1,844,201	1,822,325	1,833,725
General Government	612,034	204,986	343,229	350,889
Recreation Programs	996,596	974,540	1,180,883	1,197,590
District Court Fines	374,945	400,000	420,000	437,000
Interest	344,453	320,000	343,300	353,000
Interfund Transfers In	-	-	85,347	192,145
Total Budgeted Resources	\$ 24,361,562	\$ 24,789,158	\$ 23,443,125	\$ 24,691,402
Not Budgeted				
Beginning Fund Balance (Reserved)	1,467,038	1,620,305	2,142,129	1,484,622
TOTAL RESOURCES	\$ 25,828,600	\$ 26,409,463	\$ 25,585,254	\$ 26,176,024

General Fund



Property Tax

Property tax plays an essential role in financing operations of the City of Mercer Island, accounting for 41-42% of total budgeted resources in 2009-2010. In 2008, Mercer Island property owners paid a total of \$9,418,055 in property taxes to support general City services. In 2009, the General Fund levy amount is \$9,948,387.

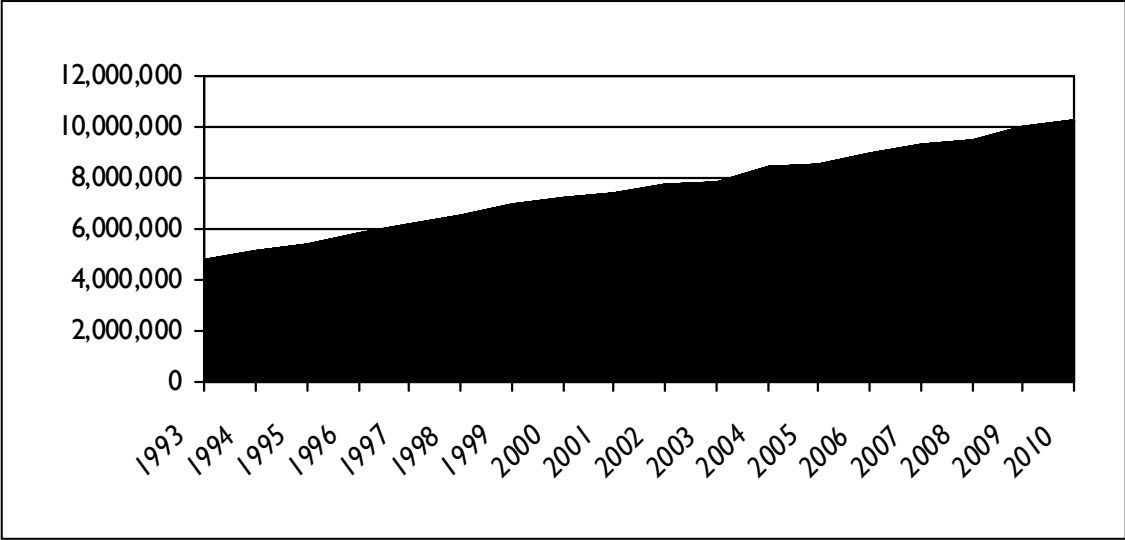
There are two types of property tax collected by the City: regular levy and voter approved levy. The regular levy portion may be used for any purpose that the City deems necessary. In Mercer Island, as in most cities, the property tax levy supports the General Fund, which is where most of the City's general government operations are budgeted and accounted for. Voter approved levies are for specific purposes, such as funding new park capital improvements and/or park operations and maintenance, and may not be used for any purpose other than what the voters approved. For information about the voter approved taxes levied by the City, see "City Debt" in Section D (Budget Summary).

Each November, as required by Washington State law, the City Council sets the property tax levy for the coming year. Up until November 1997, this levy was restricted to a maximum of 106 percent of the previous year's levy plus the amount associated with "new construction" (i.e. additions to the property tax rolls). However, in 1997, the Washington State Legislature passed Referendum 47 on to the voters of the state who in turn approved it by a 60% majority. This referendum set a limit on property tax increases of the *lesser of 106% or the rate of inflation, whichever was less*. In 2001, Initiative 747 passed in the State which further changed the property tax law. Initiative 747 limits the property tax levy to a maximum of 101% of the previous year's levy, or the rate of inflation, whichever is less. Since the rate of inflation is normally above 1%, the effective limit on the property tax levy increase will normally be 1%. The initiative also allows higher property tax increases if approved by the voters, a provision that was already in the statutes. Beginning in 1995, before the state law was changed, the Council decided to begin ramping down the property tax increases by 0.5% per year, with the goal of eventually matching the inflation rate. The Council reached that goal in 1999. Below is a table and chart of the General Fund property tax receipts since 1993, including the budgeted increases for 2009 and 2010.

Year	Amount	% Change	Year	Amount	% Change
1993	\$ 4,701,000		2002	\$ 7,602,108	2.8%
1994	5,083,656	8.1%	2003	7,776,612	2.3%
1995	5,344,355	5.1%	2004	8,416,000	8.2%
1996	5,824,072	9.0%	2005	8,518,954	1.2%
1997	6,065,315	4.1%	2006	8,925,023	4.8%
1998	6,500,000	7.2%	2007	9,305,222	4.3%
1999	6,849,930	5.4%	2008	9,418,055	1.2%
2000	7,158,934	4.5%	2009	9,948,387	5.6%
2001	7,397,242	3.3%	2010	10,214,291	2.7%

General Fund

Property Tax Revenues: 1993-2010



Sales Tax

Until 2000, sales tax revenue was made up of two components—regular sales tax and "sales tax equalization". Combined, these revenues accounted for about 16% of the 1999 General Fund budget. In 1999, however, an initiative changed the law and the City no longer receives sales tax equalization (see discussion below). Sales tax revenue is estimated to be about 14% of total budgeted resources in 2009-2010.

- **Sales and Use Tax:** Cities and towns are authorized under 1970 state law to levy a sales and use tax of one-half cent per dollar. In 1982, the State authorized an additional half-cent sales and use tax for cities and towns. Mercer Island levies the full amount allowed.
- **Sales Tax Equalization:** The law that provided for "Sales Tax Equalization" went into effect in 1983. The purpose of sales tax equalization was to provide a means for guaranteeing a minimum amount of sales tax to each city and town in Washington. That allowed cities with little commercial activity to receive, through a combination of the sales tax it "earns" and equalization, at least 70 percent of the statewide average per capita sales tax. The amount of sales tax equalization each city received was computed on their prior year's sales tax receipts. In 1999, however, Initiative 695 was passed by the voters which eliminated the Motor Vehicle Excise Tax, which was the source of funds for the distribution of sales tax equalization dollars. The effect of the initiative was to bring Mercer Island's total "sales tax" receipts back to the same level that they had been in 1987. This change resulted in a loss of about \$1,000,000 in revenue per year.

As illustrated in the chart that follows, the City's sales tax, even with equalization, was very uneven and fairly unpredictable. Because of the uncertainty of equalization and the economy during the mid-1990's, the City has historically used a very conservative figure for predicting sales tax during each biennial budget. This conservative approach helped the City weather the demise of the sales tax equalization revenue.

As was done for 2007-2008, the sales tax revenue budgeted in 2009-2010 was primarily based on the current and projected development activity levels in the City, taking into account building permits that have been issued to date as well as those that are expected to be issued by mid-2009. In addition, any new retail square footage in the Town Center is incorporated into the projection. Most of the growth in sales tax revenue can be attributed to the construction sector, which was up 29.2% in 2007 and is up 12.8% as of mid-2008, as evidenced by the redevelopment of the Town Center. Construction-related sales tax continues to make up about one-half of the City's total sales tax receipts, which is why so much attention is paid to development activity in the sales tax forecast.

How long this spike in construction-related sales tax will continue is difficult to forecast especially given the current economic downturn. There are two proposed developments in the Town Center for which plans have not been submitted yet: 1) redevelopment of the old Safeway site, and 2) phase II of The Mercer. If these projects move forward, this construction-related sales tax spike could be extended through mid-2010. However, given the current economic environment, the 2009-2010 Budget assumes that neither project breaks ground. Accordingly, for the 2009-2010 biennium, a \$350,000 reduction in construction-related sales tax is projected for 2009 (relative to 2008), and an additional \$400,000 reduction is projected for 2010 (relative to 2009), due to the mid-2009 completion of two major projects in the Town Center, a significant decline in residential construction, and the postponement of the two proposed Town Center projects noted above.

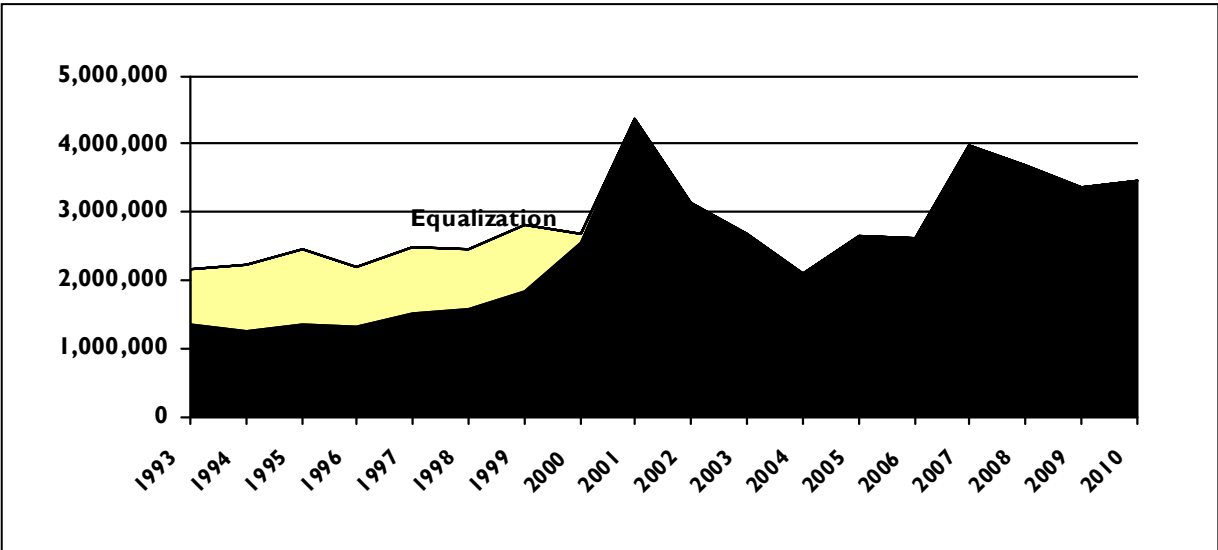
Helping counteract this projected decline in construction-related sales tax is the enactment of the Streamlined Sales Tax measure by the state legislature in 2007, which took effect on July 1, 2008. As a result, destination-based sales tax revenues not only from Washington state businesses but also from participating mail order and internet based businesses will begin flowing to the City in September 2008. While it is too early to accurately predict annual receipts from this new source, Finance staff is only budgeting an additional \$200,000 in sales tax revenue for 2009 and \$350,000 for 2010 relative to 2008 given the current and projected state of the economy. This represents a \$400,000 reduction in 2009 and a \$300,000 reduction in 2010 from the streamlined sales tax forecast by the Washington State Department of Revenue.

Following is a table and chart containing actual sales tax receipts for 1993-2007 and projected receipts for 2008-2010, broken down into "regular" sales tax and "equalization" components.

Year	Sales Tax	Equalization	Total	% Change
1993	1,350,470	797,437	2,147,907	
1994	1,254,845	965,135	2,219,980	3.4%
1995	1,352,936	1,107,887	2,460,823	10.8%
1996	1,321,582	868,634	2,190,216	-11.0%
1997	1,506,579	966,245	2,472,824	12.9%
1998	1,570,792	896,194	2,466,986	-0.2%
1999	1,845,161	968,395	2,813,556	14.0%
2000	2,890,410	158,178	3,048,588	8.4%
2001	4,356,551	-	4,356,551	42.9%
2002	3,128,841	-	3,128,841	-28.2%
2003	2,685,252	-	2,685,252	-14.2%
2004	2,565,501	-	2,565,501	-4.5%
2005	2,643,672	-	2,643,672	3.0%
2006	2,627,513	-	2,627,513	-0.6%
2007	3,949,552	-	3,949,552	50.3%
2008	3,675,000	-	3,675,000	-7.0%
2009	3,340,000	-	3,340,000	-9.1%
2010	3,460,000	-	3,460,000	3.6%

General Fund

Sales Tax and Equalization Receipts: 1993-2010

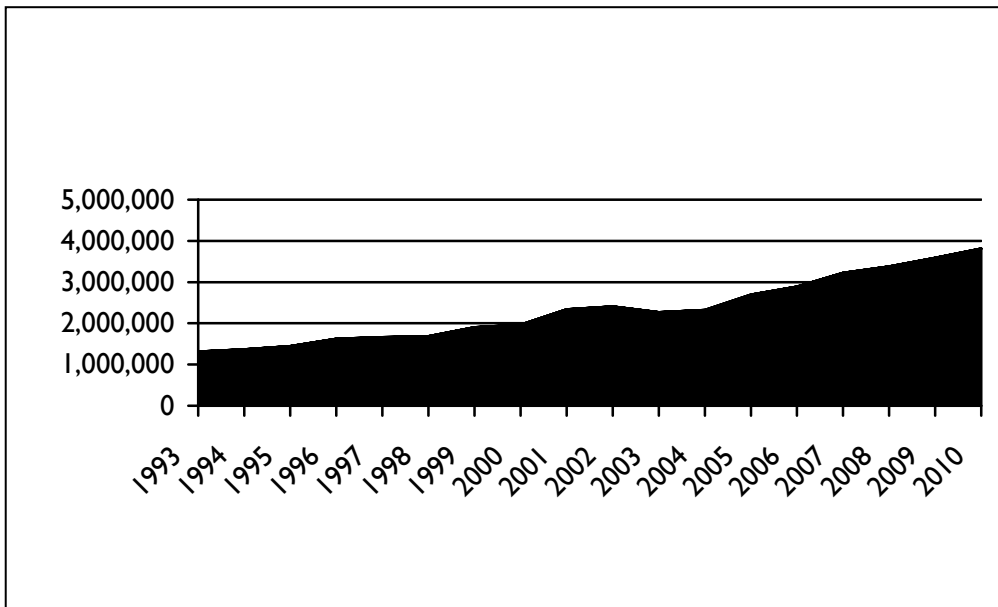


Utility Taxes

This revenue category comprises about 15.5% of total budgeted resources in 2009-2010. The City charges a tax on the gross receipts of the public and private utilities doing business on Mercer Island. Cities are limited by state law to charging no more than 6% on electric power, gas, and telephone utilities. Puget Sound Energy, US West (Quest), AT&T, and a variety of small long distance carriers are subject to a 6% tax rate. Two other major utilities, Eastside Disposal and Comcast Cable, are subject to a 7% tax rate. Although cities can charge a utility tax on water, sewer, and storm water utilities, the City of Mercer has not charged such a tax since 1985. As can be seen from the table and chart below, the utility tax growth has been very strong since 2005. Because Mercer Island has had a low housing growth rate, revenue growth from utility taxes is highly dependent on utility rate increases and on weather conditions that affect the use of gas and electric heat.

Year	Amount	% Change	Year	Amount	% Change
1993	\$ 1,311,219		2002	\$ 2,409,176	3.1%
1994	1,365,000	4.1%	2003	2,266,915	-5.9%
1995	1,440,317	5.5%	2004	2,325,000	2.6%
1996	1,621,913	12.6%	2005	2,695,376	15.9%
1997	1,663,792	2.6%	2006	2,891,000	7.3%
1998	1,687,617	1.4%	2007	3,223,613	11.5%
1999	1,898,546	12.5%	2008	3,377,374	4.8%
2000	1,967,000	3.6%	2009	3,586,700	6.2%
2001	2,337,863	18.9%	2010	3,815,000	6.4%

Utility Taxes: 1993-2010



Shared Revenues

This revenue category consists of both State shared revenues as well as grants and other revenues from King County and the Federal Government. It comprises about 2.5% of total budgeted resources in 2009-2010. Below is a brief description of each of the major components.

- **Liquor Excise Tax and Liquor Profits** – Liquor sales are taxed at the rate of 15% on the sales price for individuals and 11.4% for Class H licenses. Cities and towns split 28% of the total collected based on population. Additionally, 32% of the tax imposed on wine sales (75 cents per gallon) is allocated to cities and towns. The profits of the Liquor Control Board are divided among the state, counties, and cities (after deducting a fixed amount for alcoholism research). The cities split 40% based on population. Over the years, the per capita amount has declined as more cities have incorporated, thereby reducing the amount received by each city.
- **Marine Patrol Revenue** – Revenue for marine patrol services provided by Mercer Island is included in this category and comes from two sources. First, the City receives revenue from the four cities that contract with Mercer Island for marine patrol services. Second, Mercer Island receives a portion of the vessel registration fee revenue, because it provides marine patrol services. The tax is received by the State of Washington and passed on to the City through King County.
- **Federal Grants** – When major storms occur and the area is declared a federal disaster site, the City sometimes receives reimbursement for some of the damage. These storms and the reimbursement are variable and impossible to predict. The federal government is becoming more and more restrictive on the activities for which a City can request reimbursement.

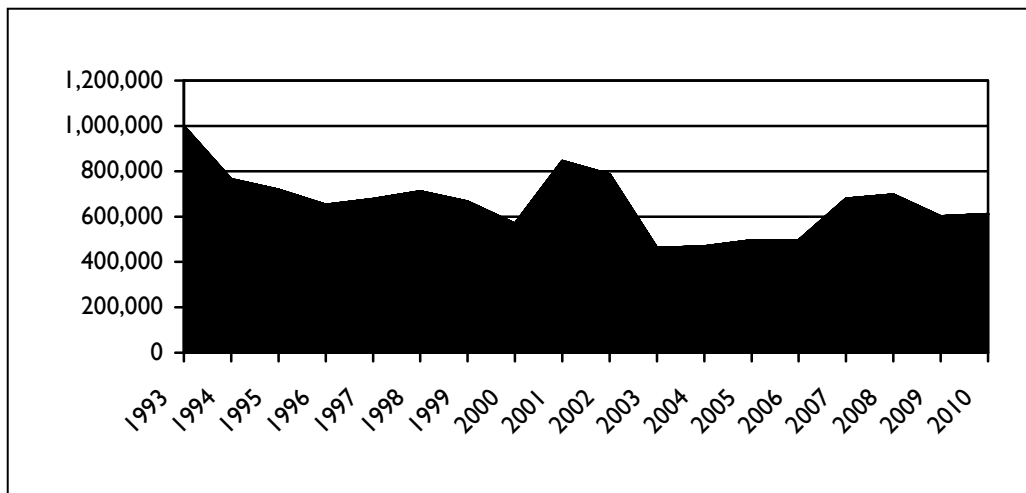
Actual revenues for 1993-2007 and estimated revenues for 2008-2010 are displayed in the table and graph that follow. In 1993, the City received revenue from the State to implement the Growth Management Act. In 1993, the City also received \$185,513 from the federal government due to a winter storm. In 2000, due to Initiative 695, the City lost \$223,191 in motor vehicle excise tax that had

General Fund

been programmed in the budget. At the same time the City received \$186,558 from “new” money granted by the State. The revenue spike in 2007 and 2008 was largely due to Federal FEMA reimbursements for windstorm related costs in December of 2006. Because there is so much variability in each of these sources, each individual component of shared revenues is reviewed and then forecast individually.

Year	Amount	% Change	Year	Amount	% Change
1993	\$ 997,875		2002	\$ 785,431	-7.0%
1994	764,355	-23.4%	2003	461,495	-41.2%
1995	718,302	-6.0%	2004	468,182	1.4%
1996	652,101	-9.2%	2005	495,451	5.8%
1997	676,706	3.8%	2006	494,660	-0.2%
1998	710,930	5.1%	2007	678,936	37.3%
1999	665,536	-6.4%	2008	696,208	2.5%
2000	568,743	-14.5%	2009	600,635	-13.7%
2001	844,115	48.4%	2010	610,055	1.6%

Shared Revenues: 1993-2010



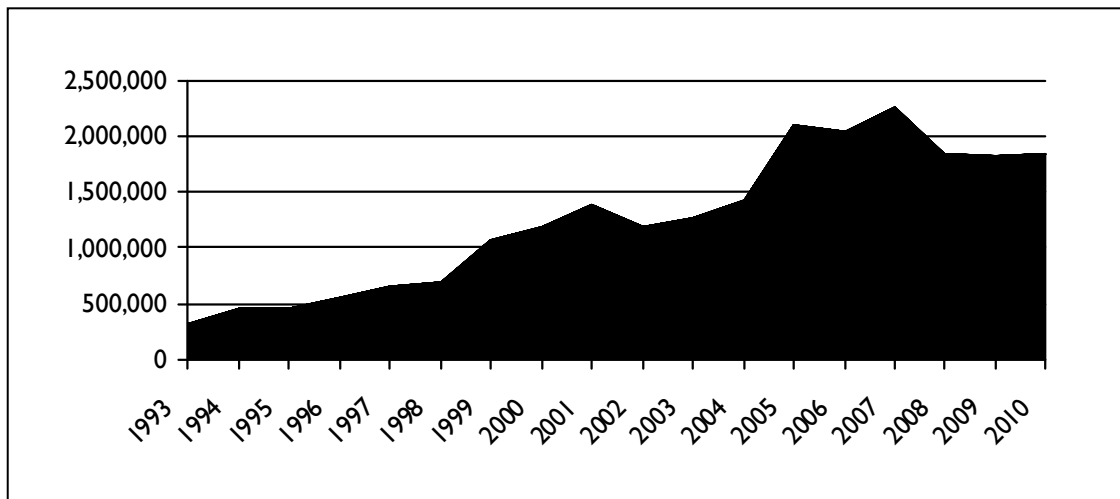
License, Permit, and Zoning Fees

License, permit, and zoning fees represent about 7.5-8.0% of total budgeted resources in 2009-2010. This revenue category consists of all fees related to development, cable franchises, and business licenses. Development activity, both locally and regionally, has slowed significantly from the record pace experienced over the last four years. More specifically, residential development, which is down 33% as of mid-2008, is not expected to pick up significantly until 2010, with one notable exception. Shorewood Heights is planning to build 124 apartment or condominium units in 2009. As for the Town Center, Development Services staff predict that development activity will continue to slow down in 2009 and 2010. In terms of revenue, a \$446,000 reduction in development fees is projected for 2009 (relative to 2008), and an additional \$20,000 reduction is projected for 2010 (relative to 2009). Finally, cable

franchise fees are projected to grow 8% annually and business license fees are projected to be flat in 2009-2010. Actual revenues for 1993-2007 and estimated revenues for 2008-2010 are displayed in the table and graph that follow.

Year	Amount	% Change	Year	Amount	% Change
1993	\$ 324,664		2002	\$ 1,193,398	-13.7%
1994	450,539	38.8%	2003	1,263,956	5.9%
1995	464,478	3.1%	2004	1,420,500	12.4%
1996	552,463	18.9%	2005	2,098,943	47.8%
1997	650,711	17.8%	2006	2,034,500	-3.1%
1998	694,865	6.8%	2007	2,249,083	10.5%
1999	1,068,026	53.7%	2008	1,844,201	-18.0%
2000	1,183,300	10.8%	2009	1,822,325	-1.2%
2001	1,382,951	16.9%	2010	1,833,725	0.6%

License, Permit & Zoning Fees: 1993-2010

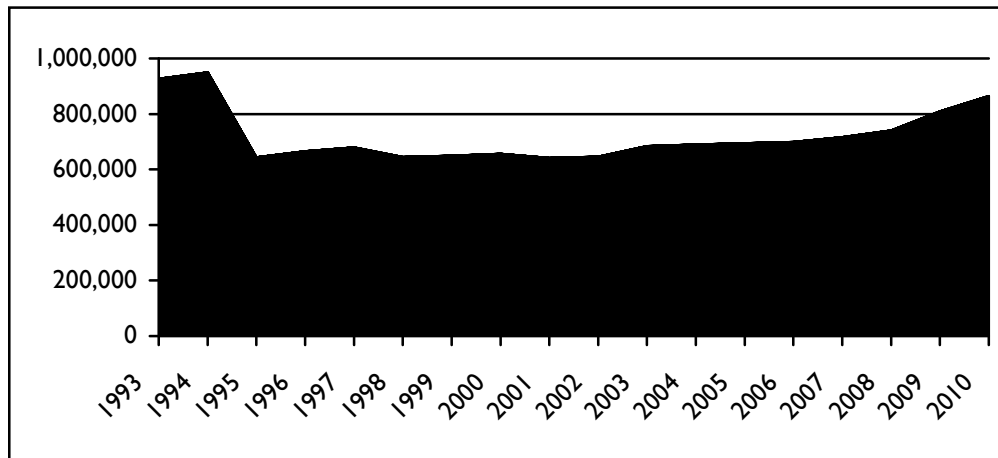


Water and Sewer Utility Overhead

Water and sewer utility overhead charges make up about 3.5% of total budgeted resources in 2009-2010. Various General Fund departments perform a variety of administrative services for the City's water and sewer utilities, including accounting, information technology, personnel, and legal services. These charges for services are revenue to the General Fund and expenses of the utilities. They are based on percentages listed in the Interfund Administrative Charges policy in Section C (Budget Policies). From 1995 to 2008, the charges have remained relatively flat. Prior to 1995, staff project engineering time was included in the overhead charge rather than charged directly to the capital projects of each utility, which is what happens currently. Below is a graph of water and sewer utility overhead charges for 1993-2010.

General Fund

Water & Sewer Utility Overhead Charges: 1993-2010



All Other Revenues

All the remaining revenue categories comprise about 15% of the total budgeted resources in 2009-2010. Following is a brief description of the remaining revenue categories.

- **Interfund Transfers In** – This category includes amounts transferred in from other funds in support of General Fund operating expenditures.
- **Emergency Medical Service Levy** – Beginning in 1990, the City began receiving a portion of the 25 cents that was voted on by the citizens for 911 emergency service. At that time, the City reduced the EMS fee that it charged citizens so that Mercer Islander taxpayers would pay roughly the same as they did before the new law. In 1996, when the City decided to add 4 new firefighters because of the high volume of aid calls, the fee was increased to help pay for that enhanced level of service.
- **Recreation Programs** – This category includes the fees that are charged for recreation programs offered by the City as well as fees charged at the Community Center. The fee structure now in place brings in about 45% of the cost of those programs. See the Parks & Recreation Financing policy in Section C (Budget Policies) for more information.
- **Interest** – The money of the City is pooled for investment purposes and allocated to various funds per the Investment Earnings policy in Section C (Budget Policies).
- **Beginning Fund Balance** – This consists of several reserves (revenue stabilization, emergency, and LEOFF I long-term care), surplus revenues and expenditure savings from a prior year, and dedicated funding for one-time costs and expenditure carryovers. For 2009-2010, the “budgeted” beginning fund balance represents the amount of the projected 2008 General Fund surplus needed to fund one-time service package costs.

GENERAL FUND

Expenditures

The General Fund is the general operating fund of the City and encompasses the following major activities, excluding utilities: fire and police services, street and park maintenance, development services, court services, recreation services, legal services, financial services, and general administration. In this section the expenditures are shown by major functional category.



General Fund

Budget Analysis

A summary analysis follows comparing the 2008 Approved Budget to the 2009-2010 Preliminary Budget, broken down by year, with “General Inflationary Increases,” “Other Significant Changes,” and “Service Packages” separately identified for 2009 and 2010.

2009 Analysis	Budget	% Change 2008-2009
2008 Approved Budget	23,976,945	
Plus 2009 General Inflationary Increases	1,092,697	4.6%
Plus (Less) 2009 Other Significant Changes:		
Luther Burbank Park Maintenance Levy Changes	241,520	
Liability, property & other insurance costs (WCIA)	167,141	
Internal fleet charges (driven primarily by fuel costs & addition of 3rd Marine Patrol boat)	109,119	
Police & Fire dispatch costs (reflects half a year with NORCOM)	116,150	
Jail costs	71,000	
Police patrol overtime	69,221	
Council meeting broadcasting	30,000	
Summer Celebration (move to Luther Burbank Park)	29,035	
Recycling services (increase in number of events)	18,000	
Emergency preparedness supplies	15,500	
Moved urban forest management to Street Fund	(107,496)	
Prior year one-time costs & carryovers	(1,346,048)	
2007 year-end surplus transfer to other funds	(1,584,150)	
Subtotal	(2,171,008)	-9.1%
2009 Base Budget	22,898,634	-4.5%
Plus 2009 Service Packages:		
Total one-time costs	328,642	
Total ongoing costs (before expenditure savings)	373,151	
Total expenditure savings	(157,302)	
Subtotal	544,491	2.3%
2009 Final Budget	23,443,125	-2.2%

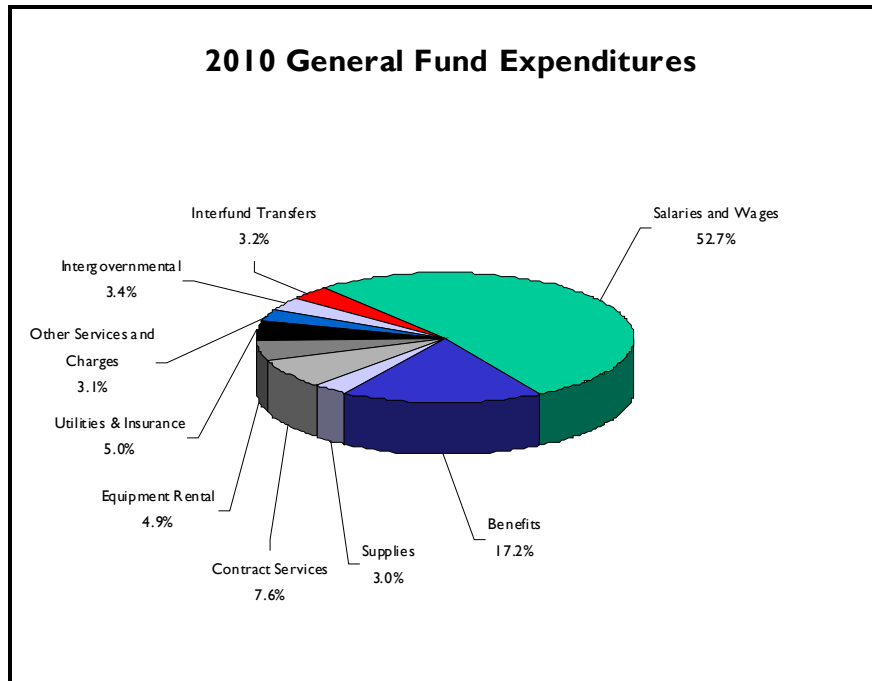
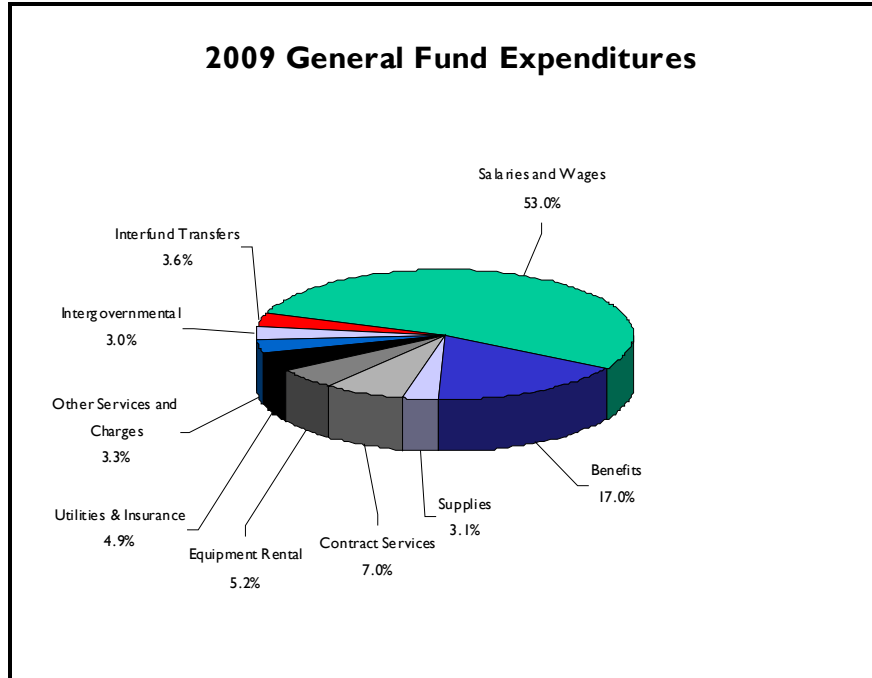
General Fund

2010 Analysis	Budget	% Change 2009-2010
2009 Final Budget	23,443,125	
Plus 2010 General Inflationary Increases	958,583	4.1%
Plus (Less) 2010 Other Significant Changes:		
Police & Fire dispatch costs (reflects first full year with NORCOM)	127,919	
Prior year one-time costs (service packages with costs in 2009 only)	(16,725)	
Subtotal	111,194	0.5%
2010 Base Budget	24,512,902	4.6%
Plus 2010 Service Packages:		
Total new one-time costs	178,500	
Total new ongoing costs (before expenditure savings)	-	
Total new expenditure savings	-	
Subtotal	178,500	0.8%
2010 Final Budget	24,691,402	5.3%

Expenditure Summary

Presented in the table below are expenditures by category for 2007-2010, followed by two pie charts depicting the percentage of each category relative to total budgeted expenditures in 2009 and 2010.

Description	2007 Actual	2008 Forecast	2009 Budget	2010 Budget
USES				
Budgeted				
Salaries and Wages	11,219,420	11,672,862	12,426,937	13,018,494
Benefits	3,206,681	3,729,572	3,992,714	4,254,247
Supplies	649,188	646,231	720,555	751,896
Contractual Services	1,510,563	2,050,028	1,620,610	1,834,669
Equipment Rental	1,035,183	1,018,284	1,208,330	1,215,805
Utilities & Insurance	998,438	985,764	1,156,242	1,236,430
Other Services and Charges	681,425	819,448	767,499	760,122
Intergovernmental	548,329	685,606	694,717	830,753
Interfund Transfers	1,887,848	2,369,150	855,521	788,986
Total Budgeted Expenditures	\$ 21,737,076	\$ 23,976,945	\$ 23,443,125	\$ 24,691,402
Not Budgeted				
Ending Fund Balance	4,091,524	2,432,518	2,142,129	1,484,622
TOTAL USES	\$ 25,828,600	\$ 26,409,463	\$ 25,585,254	\$ 26,176,024



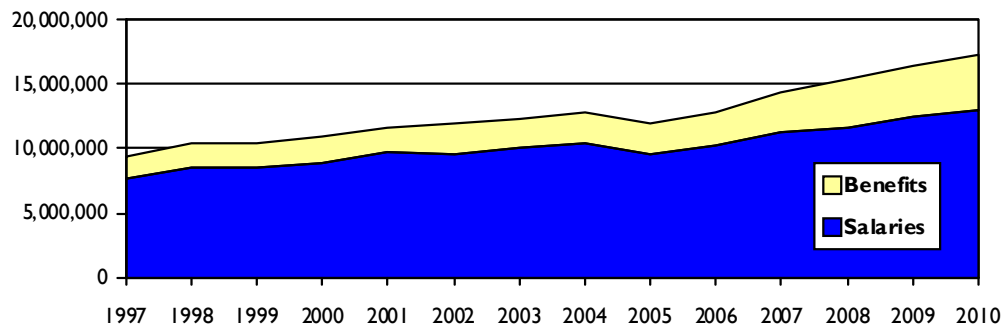
Salaries and Benefits

The largest expenditure categories are salaries and benefits, which together comprise about 70% of the 2009-2010 Budget. Annual salary increases are driven by annual cost of living and step increases bargained by the City's unions, which cover about 65% of all City employees.

General Fund

Included in the salary category are permanent full-time and part-time employees, contract employees, summer labor, and casual labor used by the Maintenance Department and Parks & Recreation Departments. General Fund salaries and benefits are budgeted at a total cost of \$16.4 million in 2009 and \$17.2 million in 2010. Together, salaries and benefits are up 5.0% in 2009 and 5.3% in 2010. The increase in 2009 is primarily due to an average citywide cost of living increase of 5.0% (due to CPI-W ranging from 4.9% to 6.2%), an average citywide step increase of 1.5%, employee healthcare premium increases, and state retirement rate increases. See the Long Term Compensation policy in Section C (Budget Policies) for more information.

Salary and Benefit Costs: 1997-2010



Supplies

The supplies category includes most office, operating, and maintenance items that employees need to fulfill their job responsibilities. Common examples include paper, printer and copier toner, cleaning supplies, fuel and oil, sand, gravel and fertilizer. As a percentage of total budgeted expenditures this category has consistently hovered around 3.0%. This trend continues in the 2009-2010 Budget.

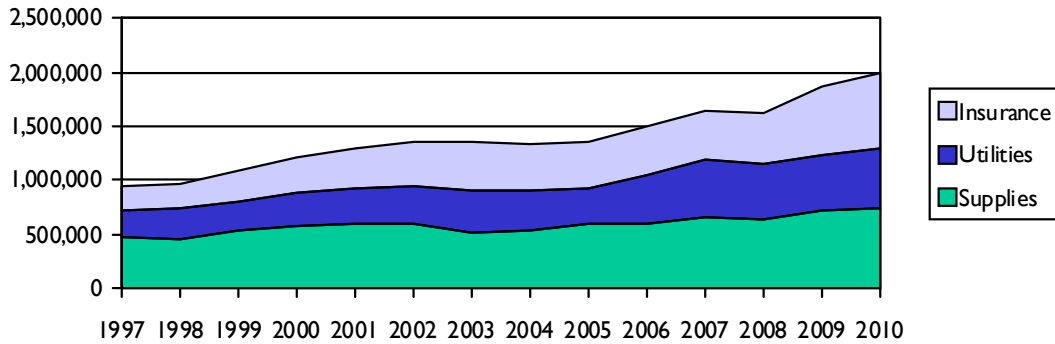
Utilities

The utilities category includes all the major utility costs – water, sewer, storm water, electricity and gas. Also included is the cost of dumping waste (e.g. from excavations and cleaning of ditches). For 2009, the following utility rate increases are expected: 10.5% for water, 8.0% for sewer, 5.5% for storm water, 9.5% for electricity and 5.3% for gas. Given these significant rate increases, the City continues to promote conservation efforts by all departments.

Insurance

The City now buys all liability and property insurance through the Washington Cities Insurance Authority (WCIA). WCIA is mostly self insured for liability purposes and has been building a cash reserve from the member cities over the past 10 years to help keep premium costs down and to provide a higher amount of liability coverage. Liability insurance premiums are based on a combination of number of worker hours and the City's previous 5 years of liability claims. In 2009, the City's liability insurance premium is going up 23.6%, or about \$98,000, due to an unusually high number of claims over the past 5 years. Specific actions are being taken by the City to address these problem areas, which are concentrated in the water and sewer utility areas. In 2007, the City's number of claims was just above the pool average, indicating that the measures initiated in late 2006 are having a positive impact.

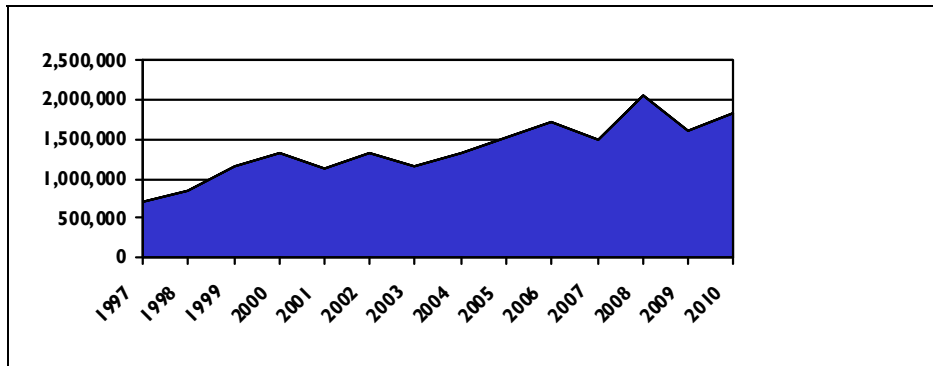
Supplies, Utilities, and Insurance Costs: 1997-2010



Contractual Services

This category includes all the individuals and firms with which the city contracts for services. Included are the following: consultants, landscaping services, janitorial, outside legal services, and recreational class instructors. Below is a graph of contracted services expenditures for the period 1997-2010.

Contractual Services: 1997-2010

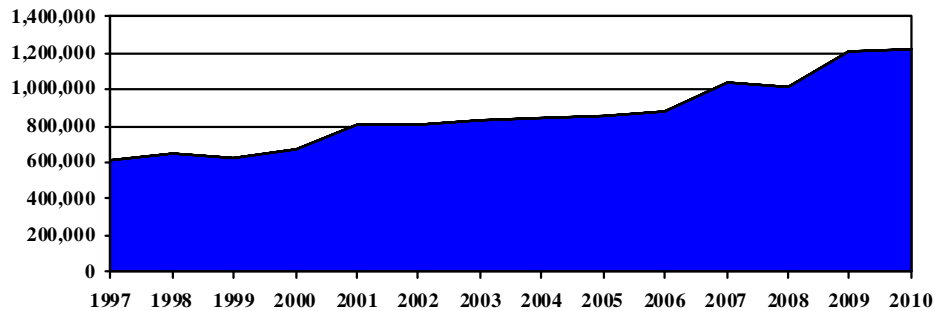


Equipment Rental

This category includes "rental and replacement charges" assessed to each department by the Equipment Rental Fund for the City's vehicle fleet and by the Computer Equipment Fund for the City's computers. Replacement cost, useful life, salvage value, and department needs are assessed biennially when the rates are established. See the Reserves—Equipment Replacement policy in Section C (Budget Policies) for more information.

General Fund

Equipment Rental: 1997-2010



Other Services and Charges

This category consists of a variety of miscellaneous payments, including advertising, printing, travel, communications, postage, subscriptions, tuition and registrations, election costs, copying, and miscellaneous charges.

Intergovernmental

This category includes charges for services from other governmental agencies. Examples include mandatory contributions to the King County Alcoholism program and Puget Sound Clean Air Agency and voluntary payments to support the Association of Washington Cities, Suburban Cities Association, and domestic violence agencies and youth programs. Expenditures in this category have typically been quite modest with small increases from year to year.

Interfund Transfers

Interfund transfers consist of two types: 1) transfers to fund ongoing costs/programs; and 2) transfers to fund significant one-time operating or capital costs. Transfers for ongoing costs/programs are ultimately funded by the general revenues of the City. Transfers for one-time operating or capital costs are funded by the General Fund's prior year's surplus, which is generated by excess revenues over what was budgeted and expenditure savings. The disposition of the prior year's surplus is usually finalized by the Council in June.

There are two long standing, ongoing annual transfers, which are budgeted again in 2009-2010: 1) a \$250,000 capital transfer to the Technology & Equipment Fund to support the City's technology projects and fund the purchase of larger pieces of equipment that are outside the scope of departmental budgets; and 2) a \$465,000 operating transfer to the Youth & Family Services Fund help support ongoing operating costs. See the YFS Financing policy in Section C (Budget Policies) for more information.