



Memorandum

To: City Council Members

From: Mayor Scott Korthuis

Date: October 7, 2024

Re: 2024 Budget Update

Status Report on the 2024 Budget

Revenues in all major accounts are projected to finish the year slightly lower than budgeted, with the exception of Real Estate Excise Tax is currently projected to finish 10% higher than forecast. As you have heard in recent months, the City has started to see some impacts of high inflation as revenues are being outpaced by increasing expenditures and impacting cash reserve balances; this is similar to other cities and counties in the area. The City may be required to adjust its revenue projections as economic trends are monitored. The status of the major revenue sources are as follows:

- **Property Tax** revenue has slowed and has started to demonstrate some delinquencies as being reported by Washington State. Current collections are 2% behind the forecasted budget. As the second half of the year collections come in throughout October and November, Property Taxes are expected to level out and finish at year end on budget.
- **Sales Tax** started very strong in the early months of 2024, exceeding budgeted and historical amounts for January through April. In May, and each month since, sales tax has decreased and come in below budget. Currently, Sales tax collections have 2.2% increase over 2023 Year-to-date (YTD) and are 1% under budget. Sales Tax is projected to finish the year 1% under forecast.
- **Utility Tax** is estimated to finish the year 6% under forecast.

The Water Fund revenues are coming in as expected and are forecasted to remain stable through the rest of the year. Sewer Fund revenues are currently 4% above YTD Budget and estimated to finish the year as forecast.

Expenditures in total are projected to be higher than forecast at year end. The City continues

CITY OF LYNDEN

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to see increasing costs in goods and services as a result of the past few years' inflation. Items such as insurance increases have impacted all departments. The Current Expense funds are as follows:

- *General Government* – the current projection is for General Government to end the year at 7.5% (\$406,000) over budget. The big driver of this overrun is in professional services, where jail and probation services, legal services and planning services are coming in over budget. Additionally, with the receipt of the additional Public Safety tax starting in June, there is a pass through back to the County which increases Jail Services by about \$245,000 beyond what was included in the original budget.
- *Police Department* – current estimates indicate that Police will exceed the budget by 9% or \$441,000. The biggest factor in this overrun relates to Overtime costs and shortage of staff in key positions, as well as unplanned costs related to staffing and background checks. This overrun is inclusive of savings observed through the receipt of only one police car instead of two, and the boiler replacement project coming in under budget.
- *Fire Department* – the current forecast is that Fire will exceed the budget by 33% or \$1.2M. The Quint fire truck was budgeted to only have the first payment made in 2024, but the truck will be available earlier than anticipated and the second payment of \$320,000 occurred in early October. Additionally, the remainder of the truck is expected to be paid (approx. \$800K) through loan proceeds before the end of the year. Other factors include Overtime hours due to staffing shortages and increasing operating costs due to the number of calls and increase in medical supplies.
- *Streets Department* – the Streets Department is expected to end 2024 15% or \$300K over budget. One of the major factors in this is the high school portion of the Bradley Road project was budgeted to be funded from a grant. It was later deemed ineligible and was not included in the 2024 General Fund budget.
- *Parks Department* – As the areas under Parks Department maintenance have grown this year, so have some unplanned expenditures. The Parks Department is expected to exceed the operating budget by 9% or \$100K. This is primarily due to increases in employee benefits, utilities, insurance and having to replace a piece of equipment that was stolen.
- *Community Services Department* – This department is forecasted to come in on budget. Year to date expenditures are only about 43%. However, large projects such as the roof projects for both the Community Center and the Recreation Center are underway and expected to be completed before the end of the year.

Your monthly financial statements for September will provide you with more detailed information.