

# Financial Report of Revenues and Expenses

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**2nd Quarter 2009**



**proud past, promising future**

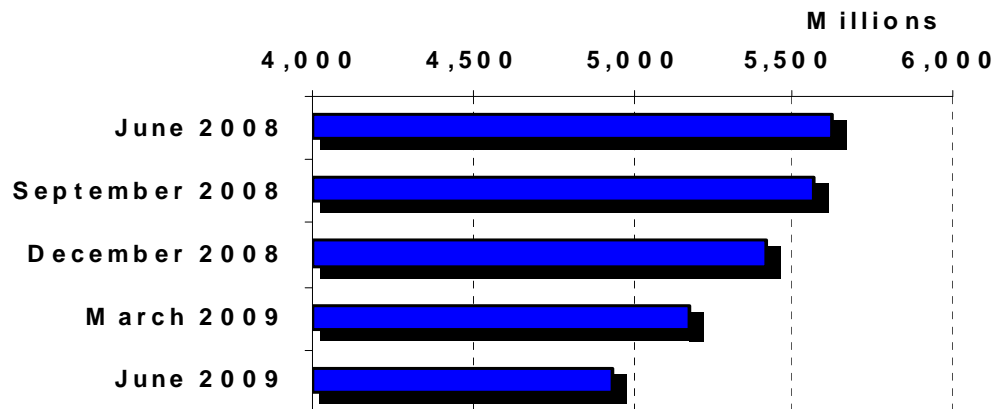
**CLARK COUNTY**  
WASHINGTON

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# COUNTY LEADING INDICATORS

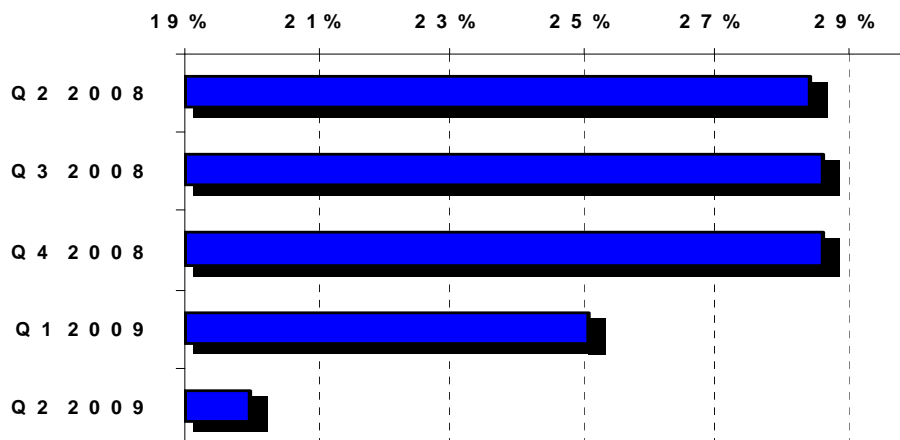
## Total County Retail Sales (12 Months)



Clark County retail sales declined in the 2009 second quarter. For the 12 months ending June 30, 2009, the county incurred \$4.9 billion in retail sales, the lowest 12 month total since the second quarter of 2005. Unincorporated retail sales have decreased approximately 16 percent for the same 12 months. The construction component as a percent of retail sales continues to have a significant negative impact. For the most recent quarter, the construction component of retail sales was 20 percent, the lowest level in the past 5 years. In an average year, the percent is approximately 30 percent..

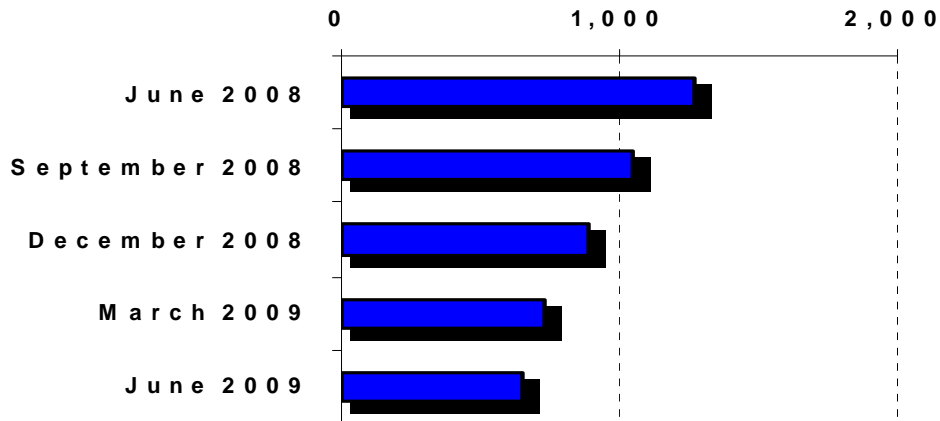
Construction sales, as a percent of retail sales, reached a high of approximately 38 percent in 2005 and early 2006. There was a sharp drop of 4.3 percent in the 2006 fourth quarter. Since then, the decline was gradual, approximately one percent per quarter, with large drops of 3.5 and 5 percent in the two most recent quarters. Compared to construction, the decrease in retail sales in other areas is relatively minor. The second biggest area of decline is automotive which has seen only an approximate 1.5 percent drop from the prior year's quarter.

## Construction As A Percent of Retail Sales



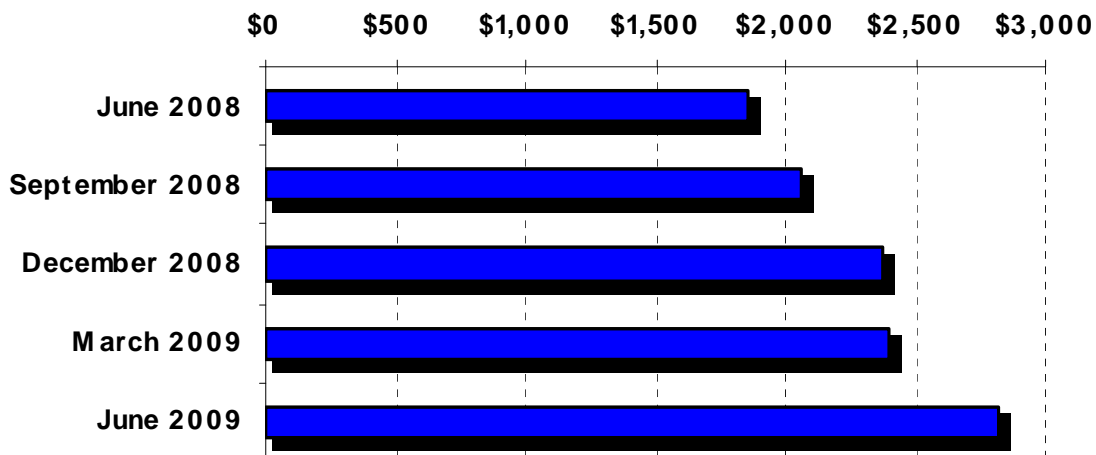
# COUNTY LEADING INDICATORS

## Building Permits (12 Months)



The County experienced unprecedented growth in 2004-2005. Since then, indicators have declined. For the quarter ending June 2009, building permits showed a slight improvement over the 2009 first quarter and the 2008 fourth quarter, however, based on historical averages, 2009 permit activity remains weak. Revenues associated with construction activity have declined accordingly. (See pages 40-41) The average value of building permits reflects the value of construction projects.

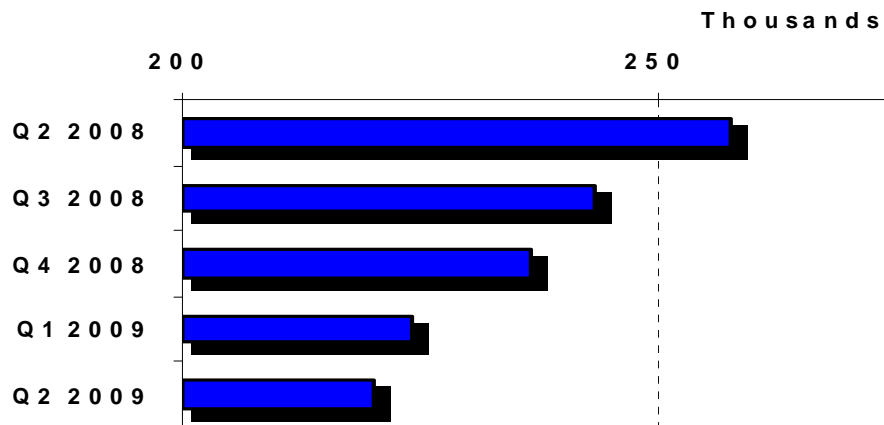
## Average Value Building Permits



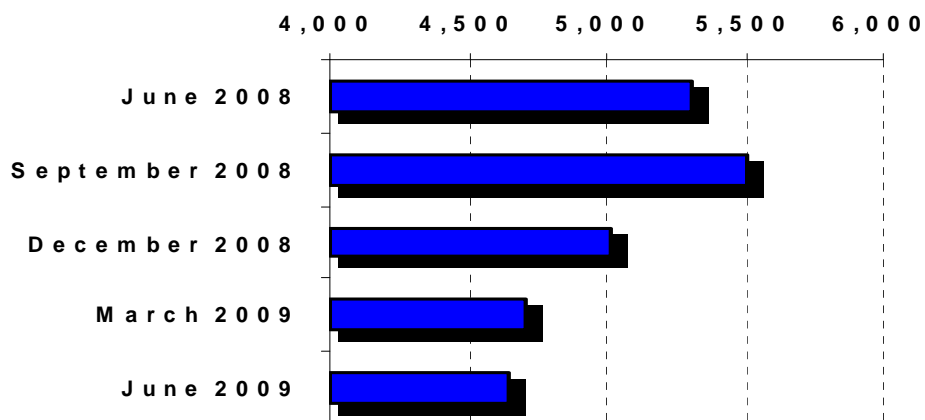
## COUNTY LEADING INDICATORS

Home sales are also an indicator of the economic activity in the County. Over the past year, home sales have declined approximately 12.4 percent and home prices 14.5 percent. The percent decline in building permits, decline in home sales, and continued decline in home prices indicate that building industry is still in stressful conditions. This may also indicate construction is reaching a low point in this cycle. The 2009 second quarter existing home sales decline was the smallest decline in the past year.

### Median Home Sales Price



### Existing Home Sales (SAAR)



Leading indicators that began declining in late 2005, continued to decline in 2009. Building permits began declining in the first quarter of 2005, development service fees the second quarter of 2005, sales tax the third quarter of 2006, and REET the fourth quarter of 2005. In the 2009 second quarter, building permit revenue and development service fees experienced a quarter over quarter revenue increase for the first time since the second quarter of 2005. REET reached a high point in the 2005 fourth quarter and continues to decline.

## COUNTY LEADING INDICATORS

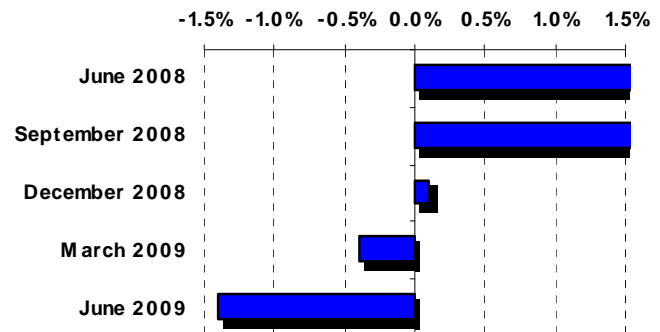
There are many indicators of Clark County's economic health and general direction. This section includes a few of the indicators that are relevant to current issues and concerns within the County.

The Inflation Rate dropped dramatically in 2009, indicative in the global economic slowdown. The annual rate for the 12 months ending June 2009 was a 1.4 percent decrease.

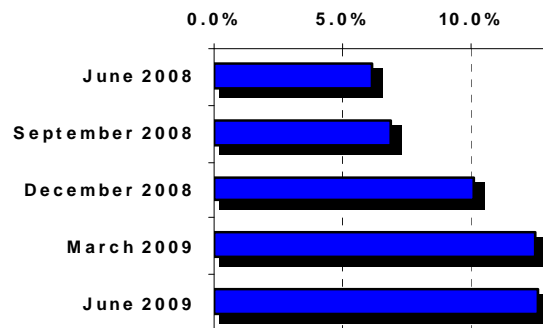
The Clark County Unemployment Rate for 2006-2007 was relatively stable, fluctuating between 5.5-6.0 percent. In the past three quarters, the unemployment rate surged to the current rate of 12.6 percent.

Jail Bed Days are of a particular concern due to the finite space to house inmates. Total bed days have dropped below 300K. Statistics indicate 50 percent of the inmates are sentenced, 41 percent are felons, and 60 percent are jailed one week or less.

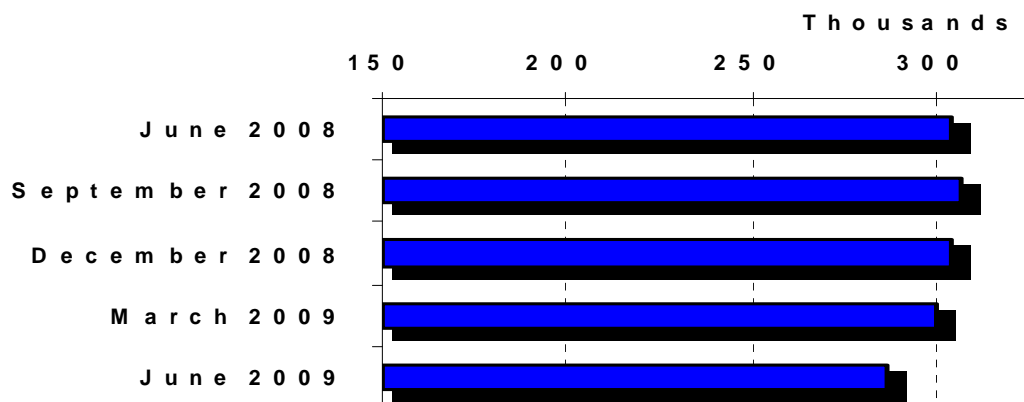
**Annual Inflation Rate (12 Months ending)**



**Clark County Unemployment Rate**



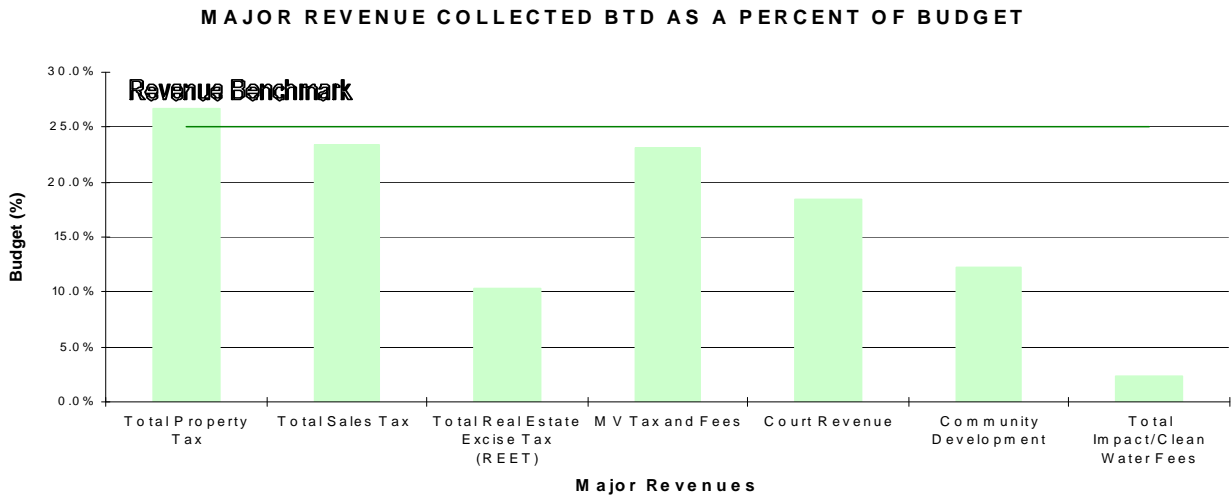
**Jail Bed Days (12 Months)**



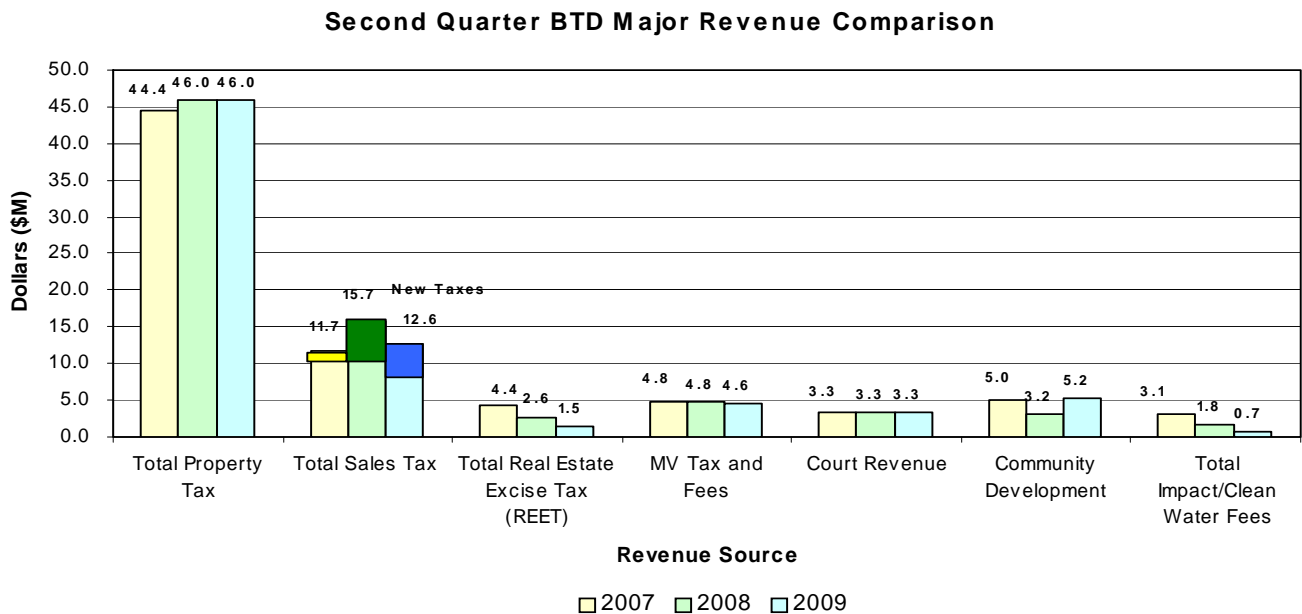
## COUNTY REVENUE OVERVIEW

In the 2009 second quarter, the County collected \$151.3M or 19.1 percent of the 09-10 current budgeted revenues. Community Development revenues include \$2.7M General Fund transfer to support the fund balance. The \$151.3M excludes interfund transfers and fiduciary funds.

Taxes collected of \$67.1M represent 25.1 percent of budgeted tax revenues. As the graph below indicates, many revenue streams are lagging below the benchmark for the quarter. Some revenues, such as property taxes are not earned evenly throughout the budget period and some revenues such as court revenues are billed on a one month lag.

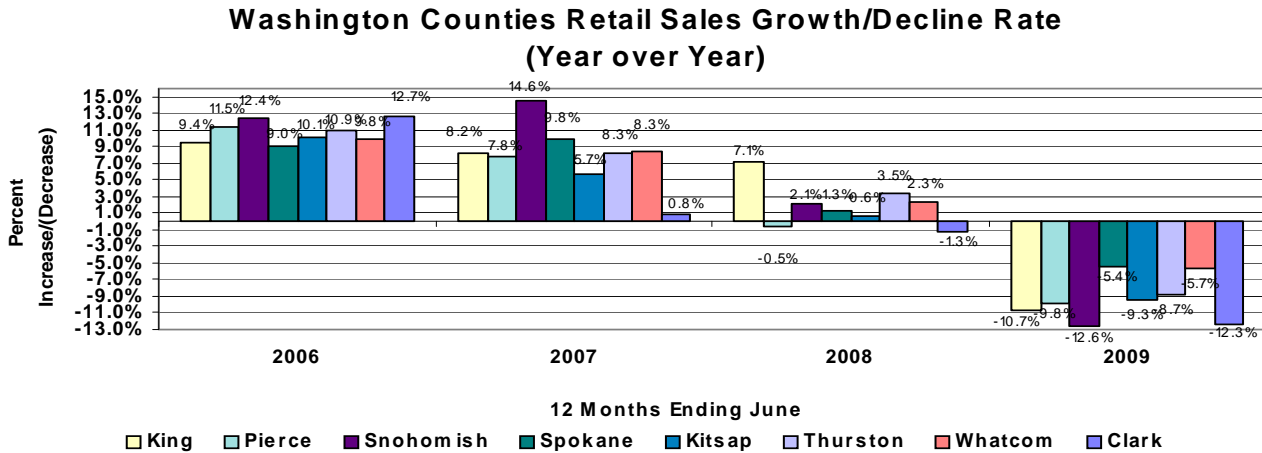


Another way to assess trends is to compare revenue types over time. The following chart shows revenue collection for major revenue sources through the second quarter ending in the year indicated. Including new taxes, sales tax revenue shows a decline of \$3.1M from the 2008 second quarter.

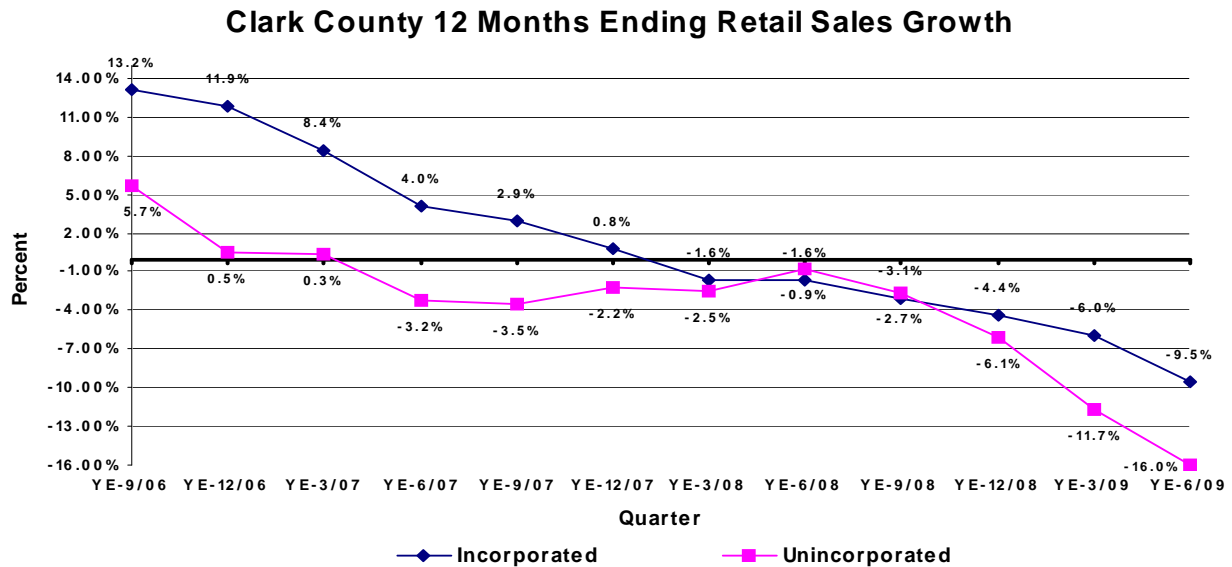


# SALES TAX REVENUE

In the past twelve months, all major counties have experienced a decline in retail sales. Clark County's retail sales declined at a rate of 12.3 percent for the 12 months ending June 2009. Sale tax revenue, at the current pace will decrease approximately \$4M-\$5M from 2008, but should approximate the recently revised budget.



Unincorporated Clark County will receive approximately \$11M (basic 0.5 percent) in retail sales tax revenue in 2009. This represents 42 percent of the basic retail sales tax received in the entire county. The retail sales decline is now entering its third year. The decline has been less in incorporated areas than in unincorporated Clark County.

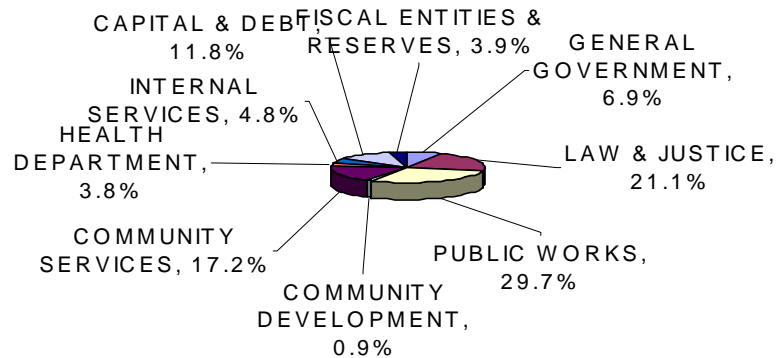


Historically, construction spending in unincorporated Clark County is about 30 percent of retail sales. In the past two years, construction spending declined from a high of 38 percent in late 2005-early 2006 to the current 20 percent.

## COUNTY EXPENSE OVERVIEW

Spending, as represented by the 2009-2010 budget has shifted marginally from the prior biennial budget. Community Services, Capital and Debt, and Public Works have declined slightly. General Government, Internal Services, Fiscal Reserves, and the Health Department have stayed approximately the same. Community Services and Law and Justice have seen a slight increase.

### Clark County Expense Distribution 2009-2010 Budget



Total biennial Clark County expenses through the 2009 second quarter are approximately 19.4 percent of budget. The expenditure percentage is heavily weighted by capital and debt transfers including impact fees and REET. These revenues are transferred as need rather than evenly spent. General fund supported activities; general government, law and justice, and internal services are spending at 101 percent of the 2008 pace and are 24.9 percent of budget.

### CLARK COUNTY EXPENSE DISTRIBUTION

(Dollars in thousands)

	2Q08	2Q09	09-10 Budget	09/08	YTD/Budget
GENERAL GOVERNMENT	\$ 13,837	\$ 13,266	\$ 60,606	95.9%	21.9%
LAW & JUSTICE	45,540	47,127	184,385	103.5%	25.6%
PUBLIC WORKS	61,469	41,809	259,682	68.0%	16.1%
COMMUNITY DEVELOPMENT	5,435	3,361	8,475	61.8%	39.7%
COMMUNITY SERVICES	22,819	24,456	150,422	107.2%	16.3%
HEALTH DEPARTMENT	8,584	8,215	32,928	95.7%	24.9%
INTERNAL SERVICES	11,599	10,917	41,883	94.1%	26.1%
CAPITAL & DEBT	12,023	16,164	102,761	134.4%	12.6%
FISCAL ENTITIES & RESERVES	6,555	7,441	33,931	113.5%	21.9%
<b>TOTAL</b>	<b>\$187,862</b>	<b>\$172,757</b>	<b>\$875,073</b>	<b>92.0%</b>	<b>19.4%</b>

## GENERAL FUND

The 2009 second quarter fund balance in General Fund has decreased significantly from 2008. Year-to-date, operating expenditures have exceeded revenue by \$5.4M. For comparison, the 2008 second quarter operating loss was \$6.1M, in 2007 the loss was \$0.8M.

### FUND 0001-GENERAL FUND CONDENSED HISTORY

	ACTUAL							
	2005 \$ M	2006 \$ M	Change 06/05	2007 \$ M	Change 07/06	2008 \$ M	Change 08/07	2009 \$ M
Total Revenue	119.4	124.1	3.9%	134.3	8.2%	136.7	1.8%	63.9
Total Expenses	115.9	121.6	4.9%	133.3	9.7%	143.2	7.4%	69.2
Surplus/(Deficit)	3.5	2.5		1.0		(6.5)		(5.4)
One-time In	-	0.2		-		2.3		-
One-time Out	-	-		(1.2)		(3.1)		(2.7)
Net Gain/(Loss)	3.5	2.7		(0.3)		(7.3)		(8.1)
Fund Balance	15.5	18.2		17.9		10.7		2.6
Designated	3.1	3.2		4.1		4.6		1.9
Undesignated	12.4	15.0		13.8		6.1		0.7
June Fund Balance	12.9	13.4		14.9		7.6		0.7

General fund revenue collected in the 2009 second quarter is as expected. Certain revenues, including sales taxes, REET administrative fees, recording fees, and motor vehicle fees are lagging behind the prior year and close to the newly revised budget. Some revenues, for example, 6211 are billed quarterly and have yet to be recognized, however appear to be on budget. The notable exception is investment earnings which, due to lower fund balance and quicker distribution, will likely be approximately \$4M lower than budget.

### FUND 0001-GENERAL FUND QUARTERLY AND YTD COMPARISON

	Quarter Ending (3 months)			YTD Ending		
	Jun-09	Jun-08	Change	Jun-09	Jun-08	Change
Total Revenue	45.8	44.1	1.6	63.9	64.3	(0.4)
Total Expenses	35.0	35.7	(0.7)	69.2	70.4	(1.1)
Surplus/(Deficit)	10.8	8.4	2.4	(5.4)	(6.1)	0.8
One-time In	-	-	-	-	-	-
One-time Out	(2.7)	-	(2.7)	(2.7)	-	(2.7)
Net Gain/(Loss)	8.1	8.4	(0.3)	(8.1)	(6.1)	(1.9)

## GENERAL FUND

<b>FUND 0001-GENERAL FUND ACTUAL VS. BUDGET</b>							
	ACTUAL	BUDGET	ACT/BUD	ACTUAL	BUDGET		ACT/BUD
	2009	Annual		09-10	Adopted	Current	2009/10
	\$ M	\$ M		\$ M	\$ M	\$ M	Current
Total Revenue	63.9	142.2	44.9%	63.9	284.7	274.3	23.3%
Total Expenses	69.2	139.0	49.8%	69.2	283.5	275.7	25.1%
Surplus/(Deficit)	(5.4)	3.3		(5.4)	1.2	(1.4)	
	-	-		0.0	-	-	
	(2.7)	-		(2.7)	-	-	
Net Gain/(Loss)	(8.1)	3.3		(8.1)	1.2	(1.4)	
Fund Balance END of pe	2.6	-		2.6	-	-	

General fund expense through 2009 second quarter is \$69.2M or 25.1 percent of the newly revised (current) budget . The percent of expenses spent suggests, as was the case in 2008, that the budget is tight and there is little expectation for expense savings. Reductions to actual expenses in the remaining 18 months are intended to bring expenses in line with revenues.

Each biennial budget sets aside an amount to deal with contingencies. Contingencies are generally items that are known, not part of the baseline budget, and the amount may be estimated. For example, contingency items include labor settlements, earned leave buybacks and payoffs, and merit increases. For the 2009-2010 biennium, approximately \$4M is available for contingencies. Currently, the anticipated savings from the reduced PERS obligation is included in contingency.

<b>GENERAL FUND DEPARTMENT 308 CONTINGENCY</b>					
Account	Description	09-10 Adopted Budget	2009 Activity	2010 Activity	Current Budget
0001.000.308.508200.324BTD	Food/Water (Jail)	-			-
0001.000.308.508200.211BTD	PERS/LEOFF	-	2,700,000		(2,700,000)
0001.000.308.508200.414BTD	Medical/Dental (Jail)	-			-
0001.000.308.508200.498BTD	Judgements & Damages	-			-
0001.000.308.508200.997BTD	Salaries/Benefits	4,037,234	(178,648)		4,215,882
Available Balance		4,037,234	2,521,352	-	1,515,882



































































