

INTEROFFICE MEMORANDUM
Finance Department



City of Bothell

DATE: August 2, 2013
TO: Mayor and Council
THROUGH: Bob Stowe, City Manager
FROM: Tami Schackman, Finance Director
SUBJECT: 2013-14 Budget Status Report – Quarter #2



Attached for your review is the City's budget status report as of June 30, 2013.

Staff is projecting that the General Fund will close the second quarter of 2013 with a surplus of \$483,851.* Combined net General Fund and Street Fund results (the Street Fund is subsidized by the General Fund) are projected to generate a \$707,044 surplus*. As indicated in the 2013-2014 budget process and as described in the 2013-2014 budget document, these surplus funds were anticipated and are allocated toward reinstating pre-recession operating reserve levels.

Retail sales tax revenues rebounded in April and May, while construction sales tax and other development-related revenues continued to strengthen in the second quarter. A July 1 fee increase may have caused developers to accelerate permit applications in advance of the increase – staff will be watching these revenues closely in the second half of the year.

Please contact City Manager Stowe or me if you have any questions concerning the attached financial data.

*June sales tax revenue figures will not be available until late August. Staff is utilizing projected accrual figures to estimate final second quarter results.

City of Bothell

2013-2014 Budget Status Report

For the Quarter Ending June 30, 2013

I. BIENNIUM STATUS

On June 30, 2013, the City concluded the first quarter of the 2013-2014 biennium. The budget period described in this report is 25% complete.

Citywide

Citywide 2013 surplus/deficit: \$7,027,707

- General Fund (\$483,851). See detailed discussion below.
- Capital Improvements Fund (\$6,003,275). \$10 million in bank qualified bonds were issued in June, as approved by Council. Capital expenditures continued to progress as programmed in the City's adopted Capital Facilities Plan.
- Arterial Street Fund (\$382,005). Impact and mitigation fees await transfer to the Capital Improvements Fund for transportation projects.
- Self Insurance Fund (-\$243,557). The City's annual insurance premium was paid to the Washington Cities Insurance Authority (WCIA) in January. Collections from City departments are made equally throughout the year.

General Fund

General Fund 2013 surplus/deficit: \$483,851

(General Fund + Street Fund) 2013 surplus/deficit:* \$707,044

*Since the General Fund subsidizes Street Fund operations (the budgeted subsidy for 2013 totals \$794,240), it is also useful to look at the combined financial results for the two funds.

After a slow first quarter, retail sales tax revenues bounced back in April and May. First quarter receipts were down \$252,087 from 2012, but April and May receipts were up \$252,519. Staff is projecting that June revenues (to be received at the end of August) will be slightly higher than 2012.

Development-related revenues remained strong. Construction sales tax was \$255,519 ahead of 2012 levels through May. Building permits, plumbing/mechanical permits, and pre-application fees were twice as high as in the first half of 2012.

General Fund expenditures were slightly ahead of 2012 levels (\$157,000, or 0.8%). However, 2013 figures include \$258,923 in spending for the Biomedical Manufacturing Innovation Partnership Zone (IPZ) project, which is funded by grant revenues.

II. BUDGET VS ACTUAL SUMMARIES

		Inflow/Outflow	2013-14 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$45,654,462	\$227,139,237	20.1%
	Outflow	\$38,626,755	\$231,914,189	16.7%
<u>GENERAL FUND</u>	Inflow	\$19,275,442	\$78,150,611	24.7%
	Outflow	\$18,791,591	\$78,150,611	24.0%

GENERAL/STREET FUNDS	Inflow	\$20,298,824	\$82,273,619	24.7%
	Outflow	\$19,591,780	\$82,273,619	23.8%
CAPITAL IMP FUND	Inflow	\$16,297,623	\$78,568,887	20.7%
	Outflow	\$10,294,348	\$78,354,340	13.1%
UTILITY FUNDS	Inflow	\$6,211,652	\$47,900,657	13.0%
	Outflow	\$6,130,932	\$49,108,980	12.5%

[III. ECONOMIC INFORMATION](#)

[Employment - National](#)

National non-farm payroll employment increased by 588,100 jobs during the second quarter of 2013. The national unemployment rate remained at 7.6% in June.

The number of long-term unemployed (those jobless for 27 weeks or more) dropped slightly to 4.3 million in June, and accounted for 36.7% of the total unemployed.

U.S. GOODS-PRODUCING: -9,000 JOBS		U.S. SERVICE-PROVIDING: +597,100 JOBS	
Construction	+13,000	Wholesale trade	+23,400
Manufacturing	-20,000	Retail trade	+86,400
Mining & logging	-2,000	Transportation/warehousing/utilities	-1,700
		Information	-13,000
		Professional/financial/business	+224,000
		Educational/health services	+72,000
		Leisure/hospitality	+204,000
		Other services	+10,000
		Government	-8,000

[Employment – State](#)

16,100 non-farm jobs were gained statewide during the second quarter of 2013. Washington's unemployment rate fell to 6.8% in June, and the Seattle-Bellevue-Everett rate dropped to 4.7%.

STATE GOODS-PRODUCING: +3,100 JOBS		STATE SERVICE-PROVIDING: +13,000 JOBS	
Construction	+3,600	Wholesale trade	-400
Manufacturing	-300	Retail trade	+3,800
Mining & logging	-200	Transportation/warehousing/utilities	-100
		Information	+400
		Professional/financial/business	+3,900
		Educational/health services	+2,100
		Leisure/hospitality	+5,400
		Other services	-700
		Government	-1,400

[Economic Forecast](#)

In its June report, the State Economic and Revenue Forecast Council indicated that both the U.S. and Washington economies are continuing to move forward at a modest pace. The housing market recovery is accelerating, with construction recovering faster than was expected in March. Aerospace employment is declining due to improvements in productivity, but Boeing's order backlog should keep the downturn relatively mild.

At the federal level, automatic sequester spending cuts have further reduced government spending as the stimulus winds down. The sovereign debt crisis and prolonged recession impacts in Europe remain significant threats to the U.S. economy – if they lead to a financial crisis, the U.S. economy could enter a new recession as well.

CPI Data – Seattle/Tacoma/Bremerton Region

April 2013 – June 2013: +0.7%
 June 2012 – June 2013: +1.2%

IV. GENERAL FUND – REVENUES

There is a one to two month lag between when tax revenues are earned and when they are received. For example, June sales tax will not be received until the end of August.

Where actual receipt data is not yet available, projected accruals have been utilized.

Revenue	Inflow	2013-14 Budget	% of Budget
Property Taxes			
City Levy	\$4,475,779	\$18,322,896	24.4%
EMS Levy	\$417,326	\$1,737,470	24.0%
Total	\$4,893,104	\$20,060,366	24.4%
Property tax is a very stable revenue source. Projected revenues are accrued equally throughout each year. Actual cash receipts occur primarily in April and October.			
The EMS levy is paid by Bothell’s Snohomish County residents, who approved a six-year levy in 2011. King County residents pay an EMS levy directly to the County, which in turn pays the City annually for providing Basic Life Support (BLS) services.			

Revenue	Inflow	2013-14 Budget	% of Budget
Sales/Use Taxes*			
Retail	\$3,452,456	\$16,108,090	21.4%
Construction	\$834,990	\$3,090,000	27.0%
Hotel/Motel	\$135,996	\$597,175	22.8%
Criminal Justice	\$294,813	\$1,322,624	22.3%
Total	\$4,718,255	\$21,117,889	22.3%
	2013 YTD	2012 YTD	Increase/Decrease
Retail	\$3,452,456	\$3,431,311	+0.6%
Construction	\$834,990	\$540,241	+54.6%
Hotel/Motel	\$135,996	\$127,523	+6.6%
Criminal Justice	\$294,813	\$270,863	+8.8%
Total	\$4,718,255	\$4,369,938	+8.0%

*June sales tax revenues will not be received until the end of July/August. The 2013 figures above include projected accruals.

Retail sales tax receipts spiked upward in May – they were nearly \$118,000 (22.5%) greater than in May 2012. Staff expects construction sales tax receipts to remain strong through the 2013-2014 biennium, as post-Great recession development continues.

Revenue	Inflow	2013-14 Budget	% of Budget
Business & Utility Taxes			
Electric & Gas	\$1,728,515	\$7,721,072	22.4%
Cable TV	\$268,366	\$1,134,497	23.7%
Telephone & Cellular	\$915,186	\$4,095,567	22.3%
Water & Sewer	\$245,398	\$1,321,304	18.6%
Sanitation	\$139,987	\$555,470	25.2%
Gambling	\$7,304	\$30,000	24.3%
Utility Tax Rebate	(\$325)	\$0	n/a
Total	\$3,304,432	\$14,857,910	22.2%
	2013 YTD	2012 YTD	Increase/Decrease
Electric & Gas	\$1,728,515	\$1,799,599	-3.9%
Cable TV	\$268,366	\$257,083	+4.4%
Telephone & Cellular	\$915,186	\$966,160	-5.3%
Water & Sewer	\$245,398	\$208,456	+17.7%
Sanitation	\$139,987	\$130,900	+6.9%
Gambling	\$7,304	\$7,866	-7.1%
Utility Tax Rebate	(\$325)	(\$150)	-116.7%
Total	\$3,304,432	\$3,369,914	-1.9%

Revenue	Inflow	2013-14 Budget	% of Budget
Other Taxes	\$3,835	\$74,000	5.2%
Other taxes include leasehold excise taxes and private harvest timber taxes, which are received periodically throughout the year.			

Revenue	Inflow	2013-14 Budget	% of Budget
Franchise/License Rev			
Alderwood Water District	\$157,187	\$645,000	24.4%
Northshore Utility District	\$22,292	\$135,000	16.5%
Frontier/FIOS	\$33,294	\$175,000	19.0%
Business & Sign Licenses	\$473,987	\$1,654,580	28.6%
Total	\$686,759	\$2,609,580	26.3%
	2013 YTD	2012 YTD	Increase/Decrease
Alderwood Water District	\$157,187	\$155,847	+0.9%
Northshore Utility District	\$22,292	\$21,245	+4.9%
Frontier/FIOS	\$33,294	\$37,615	-11.5%
Total	\$212,773	\$214,707	-0.9%
Business license fees are due July 31. The vast majority of fees will be received in the first three quarters of 2013. The YTD figure above represents 2/3 of projected revenue.			

Revenue	Inflow	2013-14 Budget	% of Budget
Non-Bus Licenses & Permits			
Building Permits	\$590,830	\$1,500,000	39.4%
Plumbing/Mechanical	\$114,084	\$300,000	38.0%
Pre-Application Fees	\$20,028	\$100,000	20.0%
Animal Licenses	\$38,730	\$161,400	24.0%
Concealed Weapons	\$4,085	\$16,100	25.4%
Total	\$767,757	\$2,077,500	37.0%
	2013 YTD	2012 YTD	Increase/Decrease
Building Permits	\$590,830	\$249,679	+136.6%
Plumbing/Mechanical	\$114,084	\$57,540	+98.3%
Pre-Application Fees	\$20,028	\$8,178	+144.9%
Total	\$724,942	\$315,397	+129.9%

Permit-related revenues continue to be up significantly from 2012 figures. A July 1 fee increase may have caused developers to accelerate permit applications in advance of the increase. Staff will be watching these revenues closely in the second half of 2013.

Revenue	Inflow	2013-14 Budget	% of Budget
Intergovernmental	\$572,437	\$1,525,200	37.5%
<p>Intergovernmental revenues include grants and entitlements. The inflow figure above includes \$96,667 in PUD Privilege Tax. This represents 2/3 of the projected annual revenue, which will be received in the third quarter.</p> <p>Grant revenues for the Biomedical Manufacturing Innovation Partnership Zone (IPZ) project are included in the inflow figure above. This project's revenues and associated expenditures will be included in the City's 2013 budget amendment.</p>			

Revenue	Inflow	2013-14 Budget	% of Budget
Charges for Services	\$2,798,687	\$9,116,395	30.7%
	2013 YTD	2012 YTD	Increase/Decrease
MVA Fees	\$12,360	\$1,925	+542.1%
EMS Transport Fees	\$198,685	\$156,712	+26.8%
Plan Check Fees	\$775,200	\$336,333	+130.5%
Development Review Fees	\$406,990	\$324,403	+25.5%
Total	\$1,393,235	\$819,373	+70.0%

Charges for services also include recreation program fees.

Implementation of the MVA fee and an increase in the EMS Transport fee were approved by Council in February 2012. The City also began collecting the EMS Transport fee from residents of Fire District 10 beginning in 2013.

Revenue	Inflow	2013-14 Budget	% of Budget
Interfund Svcs – Utilities	\$289,267	\$1,157,068	25.0%
CFP Staff Transfers	\$872,742	\$3,645,828	23.9%
Total	\$1,162,010	\$4,802,896	24.2%

Interfund services represent payments made by the three utility funds for their portion of central City service costs – Finance, HR, City Manager, City Clerk, IS, and Facilities.

Revenue	Inflow	2013-14 Budget	% of Budget
Fines/Penalties/Criminal Costs	\$205,969	\$812,400	25.4%
Other Miscellaneous	\$162,197	\$1,096,475	14.8%
Total	\$368,166	\$1,908,875	19.3%
	2013 YTD	2012 YTD	Increase/Decrease
Fines/Penalties/Criminal Costs	\$205,969	\$188,666	+9.2%
Other Miscellaneous	\$162,197	\$327,119	-50.4%
Total	\$368,166	\$515,785	-28.6%

See General Fund Revenues - Chart 1

V. GENERAL FUND – EXPENDITURES

Expenditure	Outflow	2013-14 Budget	% of Budget
Salaries & Benefits	\$14,907,434	\$60,791,101	24.5%
Maintenance & Operations	\$2,584,865	\$11,785,028	21.9%
Capital	\$172,754	\$101,000	171.0%
Interfund/Op Transfers	\$1,126,539	\$5,473,482	20.6%
Total	\$18,791,591	\$78,150,611	24.0%
	2013 YTD	2012 YTD	Increase/Decrease
Salaries & Benefits	\$14,907,434	\$14,952,546	-0.3%
Maintenance & Operations	\$2,584,865	\$2,534,206	+2.0%
Capital	\$172,754	\$17,396	+893.1%
Interfund/Op Transfers	\$1,126,539	\$1,130,348	-0.3%
Total	\$18,791,591	\$18,634,496	+0.8%

The 2013 M&O and capital figures include \$258,923 in expenditures for the Biomedical Manufacturing Innovation Partnership Zone (IPZ) project. The costs are covered by two grants from the Department of Commerce, and the IPZ project's revenues and expenditures will be included in the City's 2013 budget amendment.

See General Fund Expenditures - Chart 2

See General Fund Revenues vs. Expenditures - Chart 3

VI. OTHER MAJOR FUNDS

		Inflow/Outflow	2013-14 Budget	% of Budget
Street	Inflow	\$1,023,382	\$4,123,008	24.8%
	Outflow	\$800,189	\$4,123,008	19.4%

Subsidy transfers from the General Fund represented \$397,120 of Street Fund revenues during the first two quarters.

		Inflow/Outflow	2013-14 Budget	% of Budget
Arterial Street	Inflow	\$408,421	\$6,132,320	6.7%
	Outflow	\$26,416	\$6,937,054	0.4%

The Arterial Street Fund is funded through impact and mitigation fees. Spending occurs through transfers to the Capital Improvement Fund for transportation projects.

		Inflow/Outflow	2013-14 Budget	% of Budget
Park Reserve	Inflow	\$87,489	\$480,000	18.2%
	Outflow	\$0	\$100,000	0.0%

Park Reserve spending occurs through transfers to the Capital Improvement Fund.

		Inflow/Outflow	2013-14 Budget	% of Budget
Capital Improvement	Inflow	\$16,297,623	\$78,568,887	20.7%
	Outflow	\$10,294,348	\$78,354,340	13.1%

\$10 million in bank qualified bonds were issued in June (as approved by Council in May). The proceeds are being utilized as follows:

- \$4.0 million - repaid outstanding Bond Anticipation Note (BAN) in June
- \$1.5 million - Wexler property purchase necessary for the Multi-way Boulevard
- \$4.5 million - Phase 1 of Boulevard construction

VII. PROPRIETARY FUNDS

Fund		Inflow/Outflow	2013-14 Budget	% of Budget
Water	Inflow	\$1,655,013	\$10,624,378	15.6%
	Outflow	\$1,807,458	\$11,680,279	15.5%
Sewer	Inflow	\$2,654,494	\$15,120,910	17.6%
	Outflow	\$2,330,585	\$15,754,663	14.8%
Storm Drain	Inflow	\$1,902,145	\$22,155,369	8.6%
	Outflow	\$1,992,889	\$21,674,038	9.2%
Equipment Rental	Inflow	\$770,825	\$3,082,272	25.0%
	Outflow	\$719,722	\$3,077,111	23.4%
Self-Insurance	Inflow	\$534,794	\$2,182,524	24.5%
	Outflow	\$778,351	\$2,130,813	36.5%
Asset Replacement	Inflow	\$607,339	\$2,949,558	20.6%
	Outflow	\$713,734	\$6,326,272	11.3%

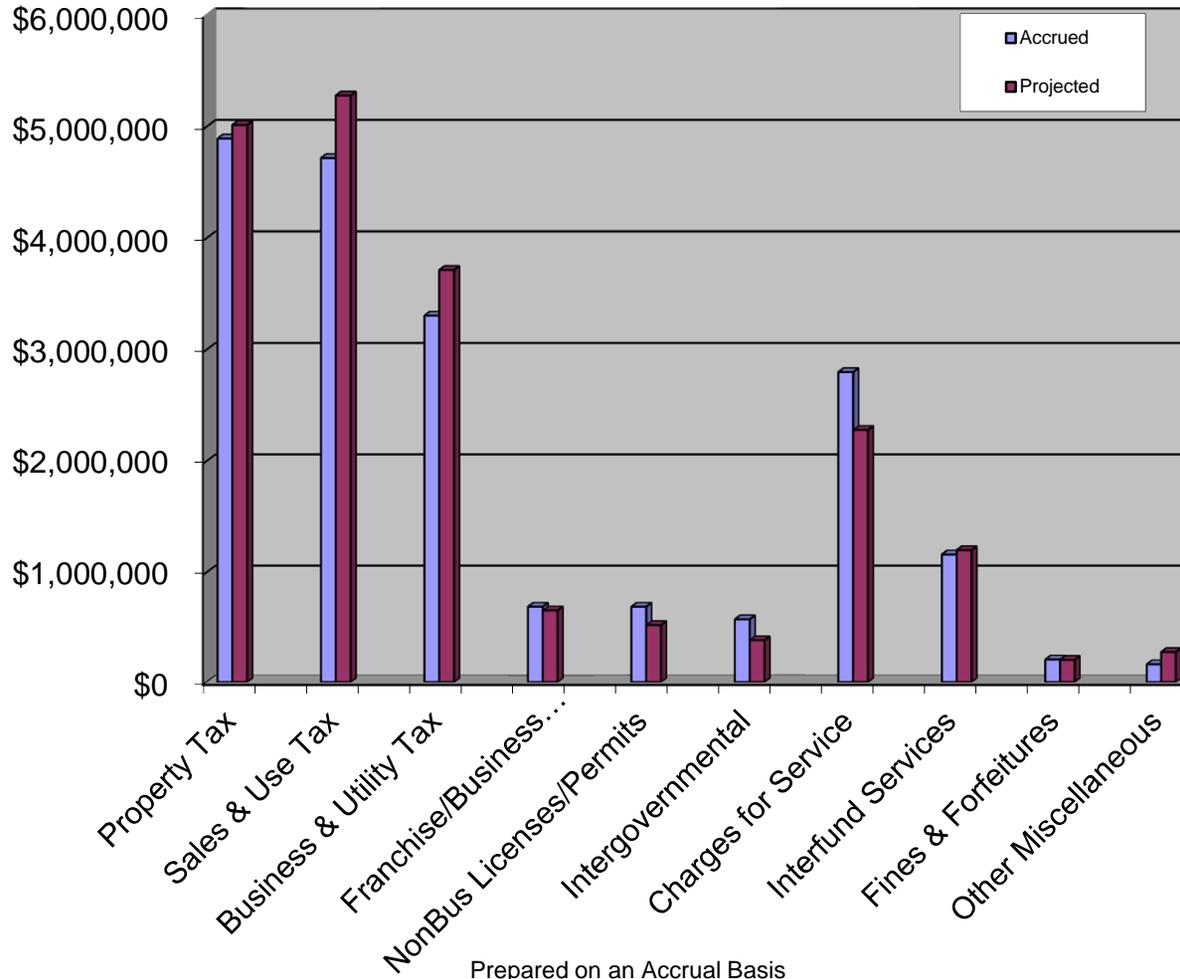
See *Proprietary Funds Expenditures - Chart 4*

See *Other Major Funds Revenues vs. Expenditures - Chart 5*

VIII. COUNCIL EMPHASIS AREAS

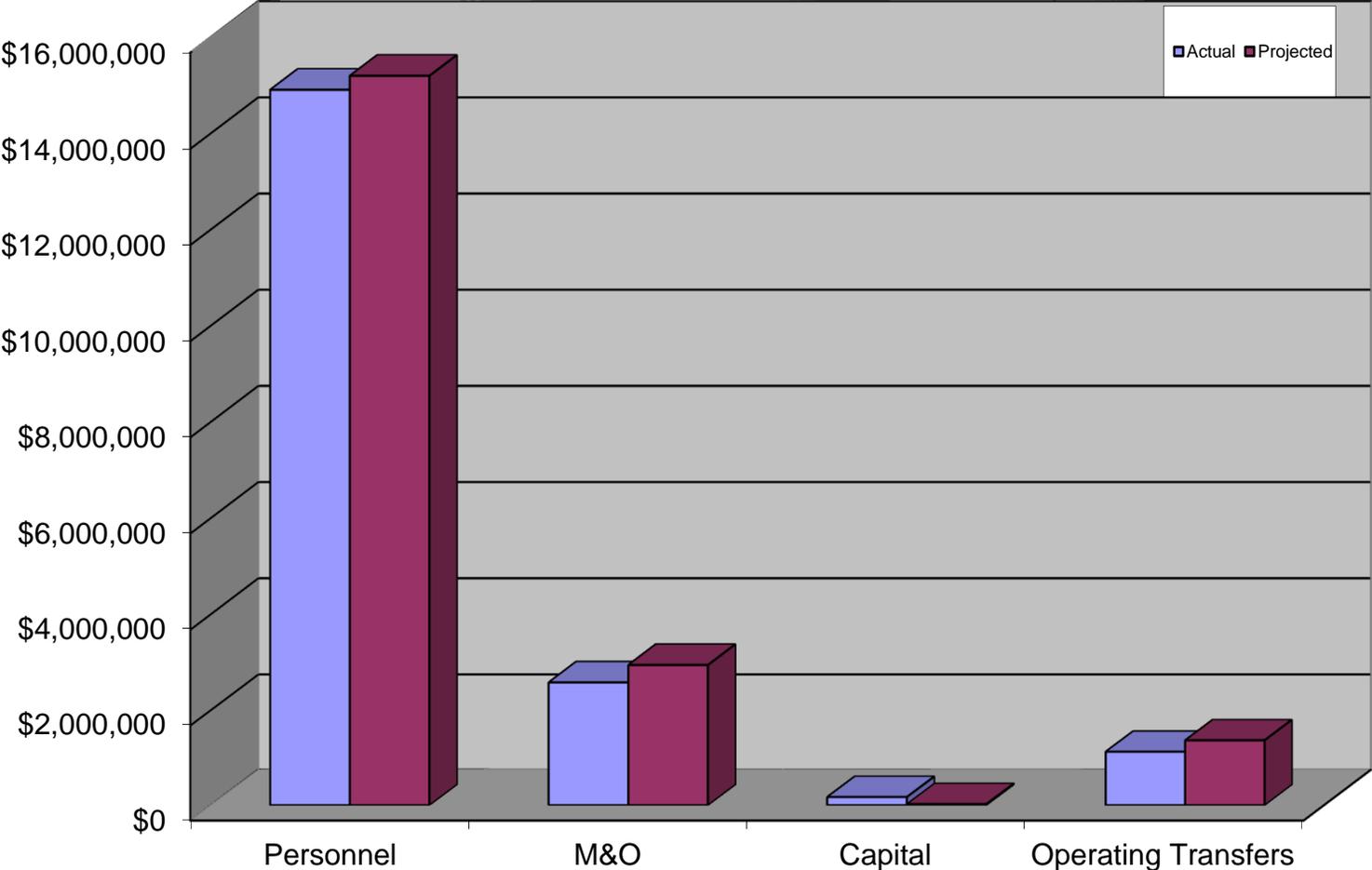
Development Review Fees	Inflow	\$481,874	(Includes A/R)
	Outflow	565,493	(Includes overhead)
	Net	(\$83,620)	
Permitting Fees	Inflow	\$1,480,114	
	Outflow	792,148	(Includes overhead)
	Net	\$687,966	
CFP Project-Term Staff	Inflow	\$654,700	(2013 reimbursement to Gen Fund)
	Outflow	654,700	(2013 Gen Fund salaries/benefits)
	Net	\$0	
Utility Tax Rebates	2013	\$325	(4 rebates)
	2012	\$150	(2 rebates)
	Inc(Dec)	\$175	

General Fund Revenue vs Budget June 30, 2013



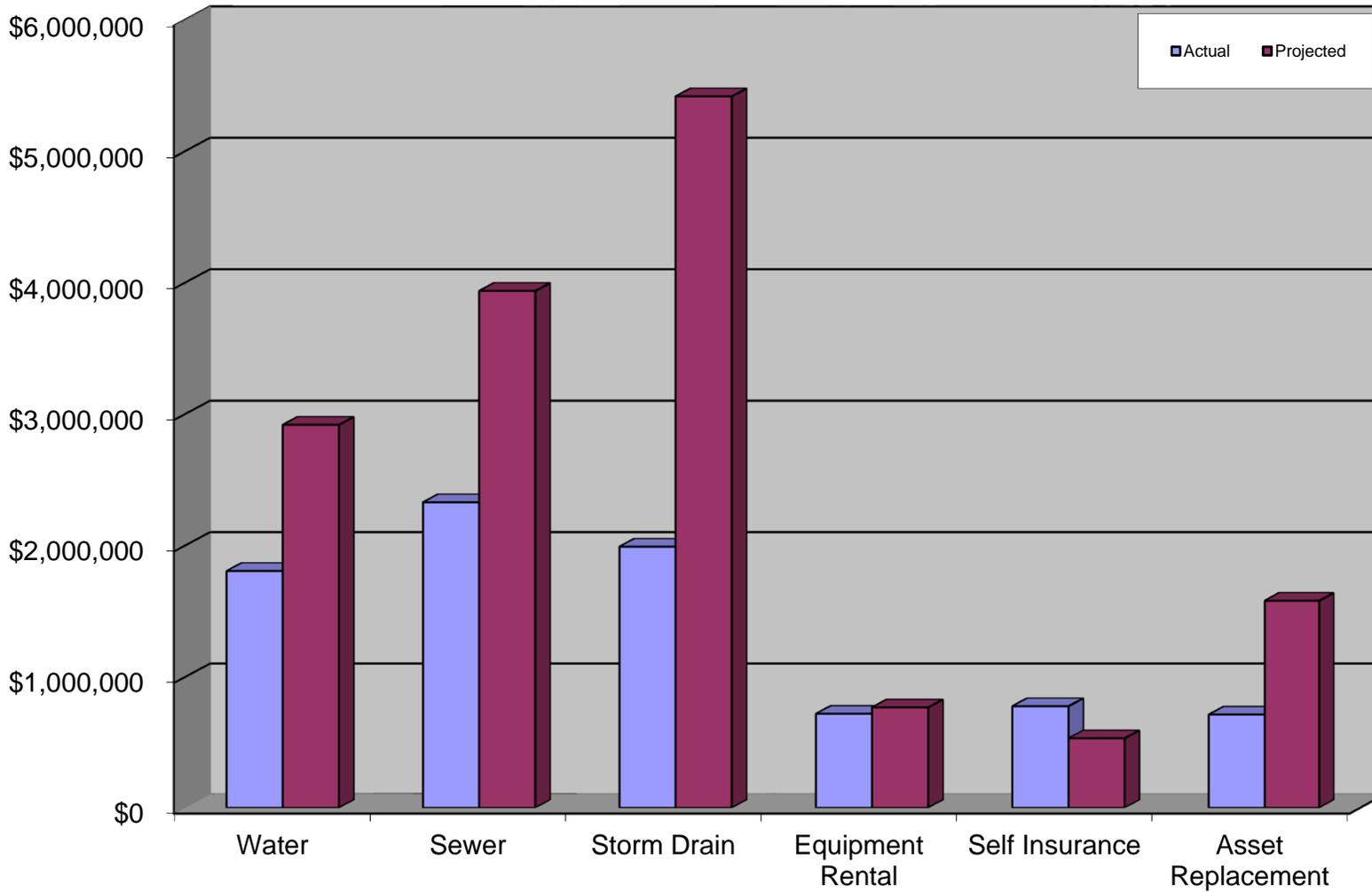
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget June 30, 2013



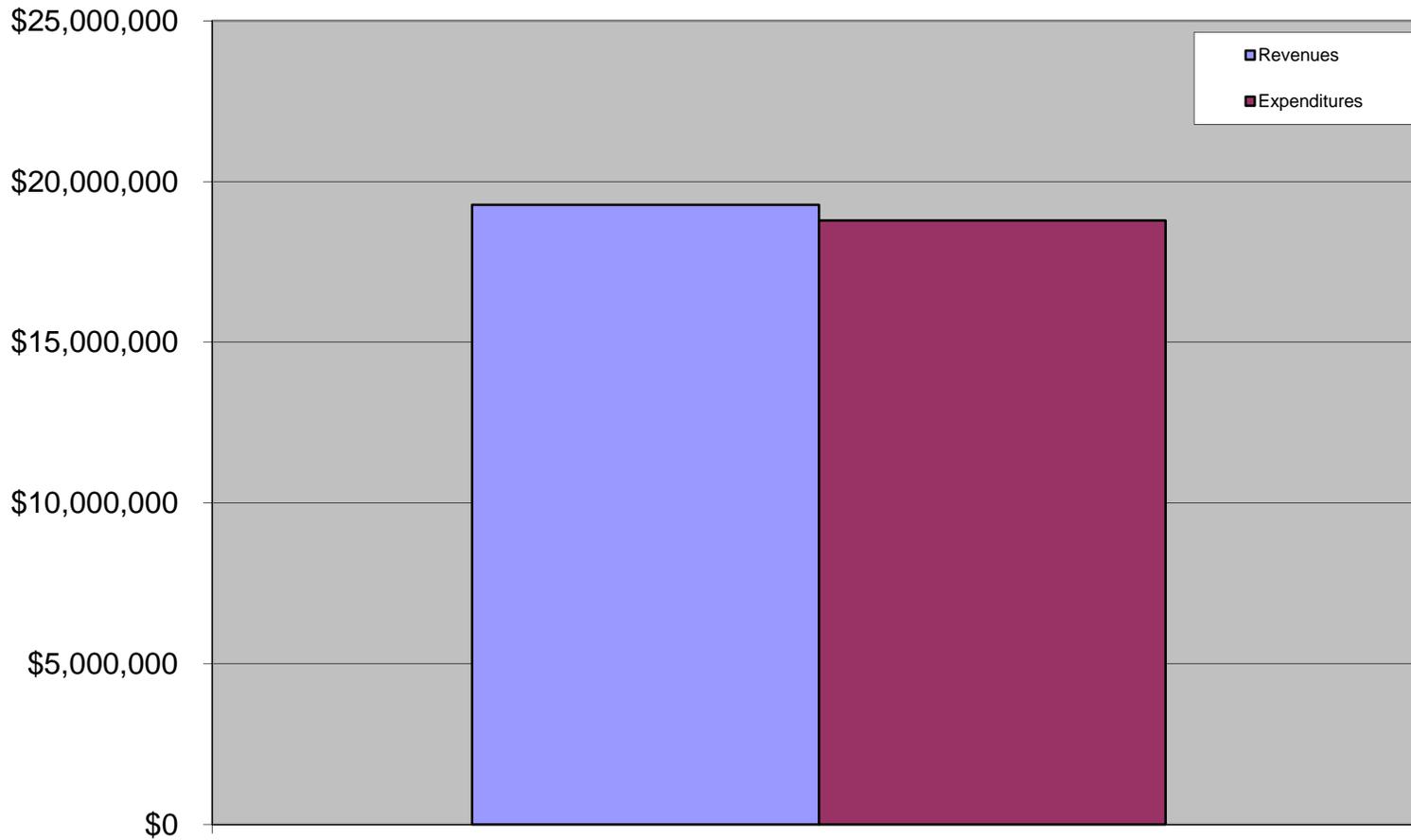
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget June 30, 2013



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures June 30, 2013



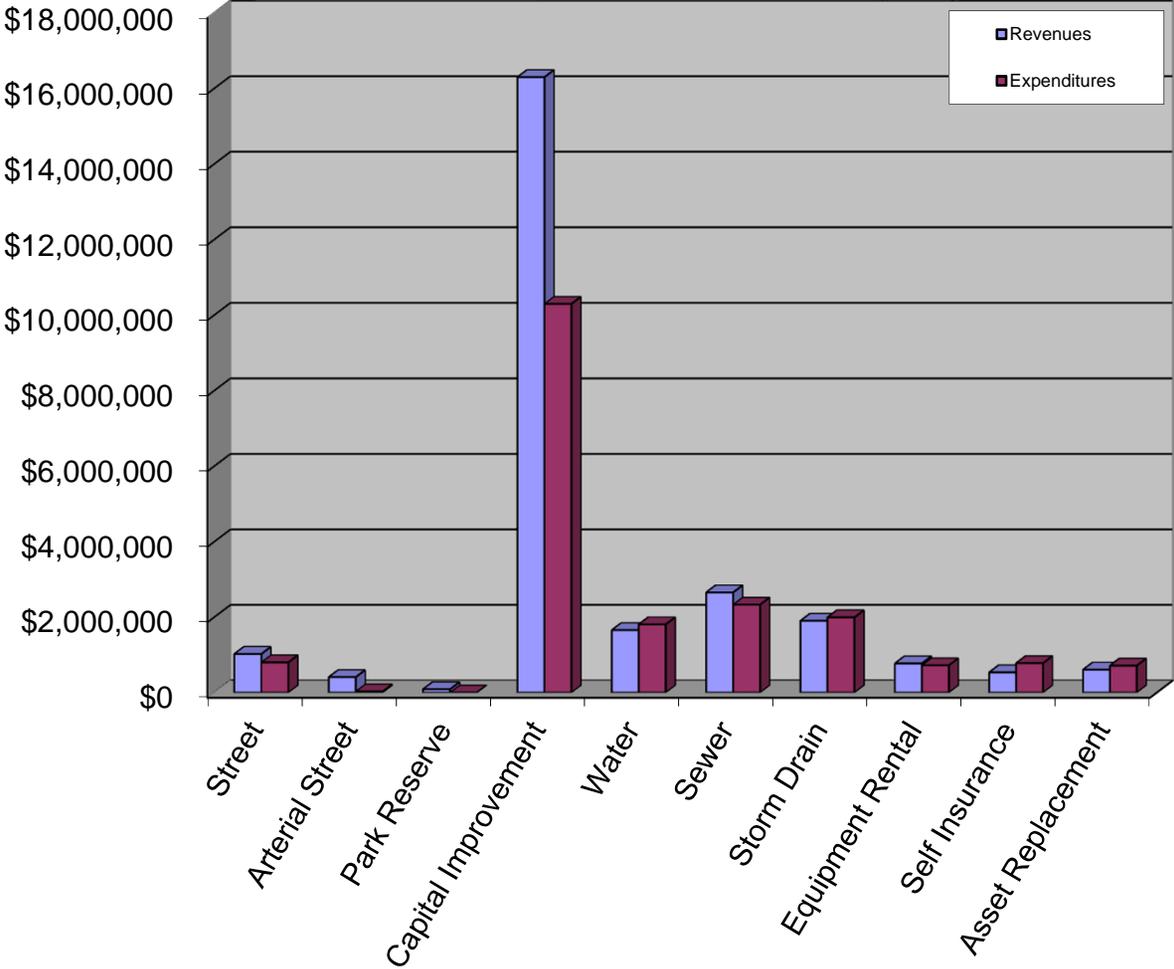
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

Other Major Funds Revenues vs Expenditures June 30, 2013



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5