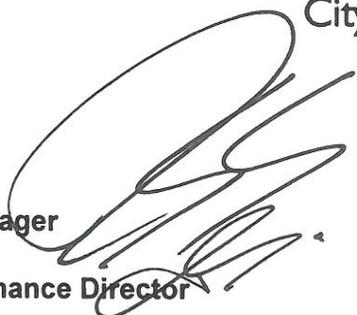


**INTEROFFICE MEMORANDUM**  
**Finance Department**



City of Bothell

**DATE:** October 1, 2012  
**TO:** Mayor and Council  
**THROUGH:** Bob Stowe, City Manager  
**FROM:** Tami Schackman, Finance Director  
**SUBJECT:** 2011-12 Budget Status Report – Quarter #6



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Attached for your review is the City's budget status report as of June 30, 2012.

Staff continues to monitor the City's General Fund budget position carefully to ensure that the \$1,800,000 sustainability action plan (made-up of new replacement revenues and expense reductions) devised and implemented earlier this year will fully address the General Fund deficit presented in the attached report. By the end of October, staff will have third quarter figures to analyze (nine months of revenue data), which will provide greater certainty of budgeted expenses and revenues. Third quarter figures will also take into account impacts of the American Federation of State, County and Municipal Employees (AFSCME) compensation concessions that were implemented on July 1, 2012.

At this time, we are on track to meet our planned expectations but will continue to carefully monitor both expenses and revenues.

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

# City of Bothell

## 2011-2012 Budget Status Report

### For the Quarter Ending June 30, 2012

#### I. BIENNIUM STATUS

On June 30, 2012, the City concluded the sixth quarter of the eight quarter 2011-2012 biennium. The budget period described in this report is 75% complete and reflects the data conveyed to Council within the fiscal update presentation at their July 24, 2012 Council meeting.

#### Citywide

Citywide 2011 surplus/deficit:	-\$ 646,632*
Citywide 2012 surplus/deficit as of June 30:	<u>-\$ 748,923</u>
Citywide Biennial surplus/deficit as of June 30:	<u>-\$1,395,555*</u>

\*Includes \$280,108 in prior period interest (not reflected in 2011-2012 data) transferred from the Trust Fund to the General Fund.

- General Fund (-\$3,064,245). See detailed discussion below.
- Arterial Street Fund (+\$967,368). Impact and mitigation fees accumulate in this fund for later assignment to transportation capital projects.
- Asset Replacement Fund (-\$711,873). Vehicle and equipment asset replacement transfers from the General Fund did not occur in 2011.
- Capital Improvement Fund (-\$169,669). Capital projects are progressing as prescribed in the City's Capital Facilities Plan (CFP).
- Equipment Rental Fund (-\$132,591). Fuel costs have remained high, and an increase in outside services was utilized to alleviate a service backlog.

#### General Fund

General Fund 2011 surplus/deficit:	-\$2,127,896*
General Fund 2012 surplus/deficit as of June 30:	<u>-\$ 936,349</u>
General Fund Biennial surplus/deficit as of June 30:	<u>-\$3,064,245*</u>

\*Includes \$280,108 in prior period interest (not reflected in 2011-2012 data) transferred from the Trust Fund and excludes \$1,711,130 in bond anticipation note (BAN) proceeds, which were reimbursed from the Capital Improvement Fund. This transaction stems from a transfer made to the Capital Improvement Fund in 2009 – prior to the City issuing a Local Infrastructure Financing Tool (LIFT) bond anticipation note. As in years prior to 2009, these funds continue to be designated for future capital investment needs.

In July 2011, Council approved the use of approximately \$1.5 million from the City's operating reserve that directly reduced the 2011 -\$2,127,896 deficit itemized above. This action was taken to fill a budget gap (primarily created from the unexpected loss of street light fee and telephone/broadband utility tax), and to provide time for Council to weigh the impacts of budget sustainability initiative options developed by staff. It is also important to note that a deficit of approximately \$500,000 was originally budgeted for 2011, with an equal surplus expected in 2012. Netted together, the actual 2011 deficit amounted to \$127,896.

The City's \$1.8 million budget sustainability initiative derived from the Council Retreat in January 2012 continues to be implemented. Council approved an estimated \$900,000 in replacement revenues (establishing a Motor Vehicle Accident fee and increasing the

EMS Transport and Business License fees). \$900,000 in personnel cost concessions were also included in the budget sustainability initiative, and have been authorized by some (though not yet all) employee groups.

In the second quarter of 2012, General Fund expenditure outflows exceeded revenue inflows by \$392,449 (\$130,816 per month) – compared with \$543,900 (\$181,300 per month) in the first quarter of 2012, and \$259,110 (\$86,370 per month) in the second quarter of 2011.

## II. BUDGET VS ACTUAL SUMMARIES

		Inflow/Outflow	2011-12 Budget	% of Budget
<u>CITY TOTAL*</u>	Inflow	\$124,939,491	\$214,046,322	58.4%
	Outflow	\$126,615,154	\$220,276,265	57.5%
<u>CITY TOTAL</u> <small>(less Arterial Street, Capital Imp. Utility, and Asset Replacement Funds)</small>	Inflow	\$60,599,778	\$90,505,072	67.0%
	Outflow	\$62,177,286	\$89,921,939	69.1%
<u>GENERAL FUND</u>	Inflow	\$53,488,383	\$78,126,549	68.5%
	Outflow	\$55,121,606	\$78,106,380	70.6%
<u>UTILITY FUNDS*</u>	Inflow	\$16,834,494	\$24,966,543	67.4%
	Outflow	\$17,018,476	\$28,303,567	60.1%

## III. ECONOMIC INFORMATION

### Employment - National

National non-farm payroll employment increased by 225,000 jobs during the second quarter of 2012. The national unemployment rate remained steady at 8.2% in June.

The number of long-term unemployed (those jobless for 27 weeks or more) was 5.4 million, or 41.9% of the total unemployed.

<u>U.S. GOODS-PRODUCING: -4,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +229,000 JOBS</u>	
Construction	-40,000	Wholesale trade	+36,400
Manufacturing	+30,000	Retail trade	+20,900
Mining & logging	+6,000	Transportation/warehousing/utilities	+13,500
		Information	-3,000
		Professional/financial/business	+136,000
		Educational/health services	+61,000
		Leisure/hospitality	+2,000
		Other services	+11,000
		Government	-49,000

### Employment – State

22,500 non-farm jobs were gained statewide during the second quarter of 2012. Washington's unemployment rate remained at 8.3% in June, and the Seattle-Bellevue-Everett rate dropped slightly to 7.2%.

<u>STATE GOODS-PRODUCING: +7,500 JOBS</u>		<u>STATE SERVICE-PROVIDING: +15,000 JOBS</u>	
Construction	0	Wholesale trade	+3,400
Manufacturing	+7,500	Retail trade	+2,200

Mining & logging	0	Transportation/warehousing/utilities	+1,900
		Information	+500
		Professional/financial/business	+11,300
		Educational/health services	-2,400
		Leisure/hospitality	+1,000
		Other services	+1,900
		Government	-4,800

### Economic Forecast

State economists continue to expect the national and state economies to experience slow growth and “muddle through”. Washington State is expected to outperform the nation, but only by a small margin. Unfortunately there remains a significant fiscal drag on the state economy resulting from declining state and local government budgets.

Downside risks remain high due to the European debt crisis and recession, slowing Asian economies, and uncertainty surrounding Congress and the tax increases and spending cuts that are currently scheduled to take effect at the end of 2012.

### CPI Data – Seattle/Tacoma/Bremerton Region

April 2012 – June 2012: +0.7%

June 2011 – June 2012: +2.7%

### IV. GENERAL FUND – REVENUES

Tax receipts are remitted to the City by either the State or County, and therefore a one to two month lag is experienced between when revenue is earned and when it is actually received. For example, June 2012 sales tax revenues were not remitted to the City until the end of August.

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

Revenue	Inflow	2011-12 Budget	% of Budget
<b>Property Tax</b>	<b>\$13,293,104</b>	<b>\$18,103,472</b>	<b>73.4%</b>

Revenue	Inflow	2011-12 Budget	% of Budget
<b>Sales/Use Tax</b>			
Retail	\$10,129,765	\$16,369,249	61.9%
Construction	\$1,974,029	\$4,000,000	49.4%
Hotel/Motel	\$388,839	\$475,000	81.9%
Criminal Justice	\$826,828	\$1,186,391	69.7%
<b>Total</b>	<b>\$13,319,460</b>	<b>\$22,030,640</b>	<b>60.5%</b>
	<b>2012 YTD</b>	<b>2011 YTD</b>	<b>Increase/Decrease</b>
Retail	\$3,431,311	\$3,458,913	-0.8%
Construction	\$540,241	\$670,907	-19.5%
Hotel/Motel	\$127,523	\$118,681	+7.5%
Criminal Justice	\$270,863	\$268,985	+0.7%
<b>Total</b>	<b>\$4,369,937</b>	<b>\$4,517,486</b>	<b>-3.3%</b>

Construction sales tax continues to lag behind projections, but is expected to rebound moderately in the second half of 2012 as development activity within Bothell builds up.

Revenue	Inflow	2011-12 Budget	% of Budget
<b>Business &amp; Utility Tax</b>			
Electric & Gas	\$5,131,752	\$7,734,254	66.4%
Cable TV	\$739,941	\$1,089,326	67.9%
Telephone & Cellular	\$2,888,719	\$5,440,404	53.1%
Water & Sewer	\$590,515	\$873,583	67.6%
Other Franchise Fees (Waste Mgmt, AWWD, NUD, FIOS)	\$1,006,599	\$1,372,897	73.3%
Utility Tax Rebate	(\$4,800)	\$0	0.0%
<b>Total</b>	<b>\$10,352,726</b>	<b>\$16,510,464</b>	<b>62.7%</b>
	<b>2012 YTD</b>	<b>2011 YTD</b>	<b>Increase/Decrease</b>
Electric & Gas	\$1,799,559	\$1,801,687	-0.1%
Cable TV	\$257,083	\$236,682	+8.6%
Telephone & Cellular	\$965,853	\$977,190	-1.2%
Water & Sewer	\$208,456	\$169,870	+22.7%
Other Franchise Fees (Waste Mgmt, AWWD, NUD, FIOS)	\$345,608	\$344,386	+0.4%
Utility Tax Rebate	(\$150)	\$0	+100%
<b>Total</b>	<b>\$3,576,408</b>	<b>\$3,529,815</b>	<b>+1.3%</b>

Revenue	Inflow	2011-12 Budget	% of Budget
<b>Other Taxes</b>	<b>\$1,174,690</b>	<b>\$1,713,000</b>	<b>68.6%</b>

Other taxes include leasehold excise taxes, EMS levy receipts, and gambling taxes. Bothell's EMS levy is paid twice a year in April and October along with property tax. EMS receipts comprise the vast majority of taxes received in this category.

In 2011, voters approved a six year EMS levy (\$0.30 per \$1,000/AV).

Revenue	Inflow	2011-12 Budget	% of Budget
<b>Licenses &amp; Permits</b>			
Business/Sign Licenses	\$428,772	\$565,000	75.9%
Building Permits	\$775,444	\$1,489,274	52.1%
Plumbing/Mechanical	\$182,052	\$300,000	60.7%
Pre-Application Fees	\$41,537	\$100,000	41.5%
Animal Licenses/Concealed Weapons	\$119,935	\$170,400	70.4%
<b>Total</b>	<b>\$1,547,739</b>	<b>\$2,624,674</b>	<b>59.0%</b>
	<b>2012 YTD</b>	<b>2011 YTD</b>	<b>Increase/Decrease</b>
Building Permits	\$249,679	\$271,482	-8.0%
Plumbing/Mechanical	\$57,540	\$69,776	-17.5%
Pre-Application Fees	\$8,178	\$18,196	-55.1%
<b>Total</b>	<b>\$315,397</b>	<b>\$359,454</b>	<b>-12.3%</b>

In July 2012, Council approved a business license fee increase, as well as an extension of the 2012 payment deadline.

Revenue	Inflow	2011-12 Budget	% of Budget
<b>Intergovernmental</b>	<b>\$3,885,147</b>	<b>\$4,870,560</b>	<b>79.8%</b>
Intergovernmental revenues include grant funding, plus contracted services the City provides to other governmental agencies:			
<ul style="list-style-type: none"> <li>• Snohomish County Fire District #10 (fire protection service)</li> <li>• City of Lake Forest Park (dispatch service)</li> <li>• Northshore School District (School Resource Officers)</li> </ul>			

Revenue	Inflow	2011-12 Budget	% of Budget
<b>Charges for Services</b>	<b>\$3,149,533</b>	<b>\$5,091,700</b>	<b>61.9%</b>
	<b>2012 YTD</b>	<b>2011 YTD</b>	<b>Increase/Decrease</b>
<b>Passport Fees</b>	<b>\$27,555</b>	<b>\$27,350</b>	<b>+0.7%</b>
<b>EMS Transport Fees*</b>	<b>\$156,712</b>	<b>\$66,793</b>	<b>+134.6%</b>
<b>MVA Fees</b>	<b>\$1,925</b>	<b>\$0</b>	<b>+100.0%</b>
<b>Plan Check Fees</b>	<b>\$336,333</b>	<b>\$214,753</b>	<b>+56.6%</b>
<b>Development Review Fees</b>	<b>\$324,403</b>	<b>\$427,580</b>	<b>-24.1%</b>
<b>Total</b>	<b>\$846,928</b>	<b>\$736,476</b>	<b>+28.6%</b>

\*EMS Transport Fee services moved from Fire District #7 to a private contractor during the summer of 2011. Billings and revenue slowed during the service transition, but picked up again later in the year.

Charges for services also include recreation program fees.

In February 2012, Council approved a new Motor Vehicle Accident (MVA) Fee, as well as an increase in the City's EMS Transport Fee. These fees only impact insurance companies – they do not impact Bothell residents.

Revenue	Inflow	2011-12 Budget	% of Budget
<b>Interfund Svcs – Utilities</b>	<b>\$850,088</b>	<b>\$1,133,450</b>	<b>75.0%</b>
<b>CFP Staff Transfers</b>	<b>\$2,332,486</b>	<b>\$3,003,020</b>	<b>77.7%</b>
<b>Total</b>	<b>\$3,182,574</b>	<b>\$4,136,470</b>	<b>76.9%</b>

Interfund services represent payments made by the three utility funds for their portion of central City services costs – Finance, Human Resources, City Manager, City Clerk, Information Services, and Facilities.

Revenue	Inflow	2011-12 Budget	% of Budget
<b>Fines/Penalties/Criminal</b>	<b>\$576,216</b>	<b>\$1,067,400</b>	<b>54.0%</b>
<b>Other Miscellaneous*</b>	<b>\$1,095,873</b>	<b>\$1,778,000</b>	<b>61.6%</b>
<b>Operating Transfers</b>	<b>\$200,169</b>	<b>\$200,169</b>	<b>100.0%</b>
<b>Total</b>	<b>\$1,872,257</b>	<b>\$3,045,569</b>	<b>61.5%</b>
	<b>2012 YTD</b>	<b>2011 YTD</b>	<b>Increase/Decrease</b>
<b>Fines/Penalties/Criminal</b>	<b>\$188,666</b>	<b>\$199,359</b>	<b>-5.4%</b>
<b>Other Miscellaneous</b>	<b>\$327,119</b>	<b>\$343,334</b>	<b>-4.7%</b>
<b>Operating Transfers**</b>	<b>\$0</b>	<b>\$180,000</b>	<b>-100.0%</b>
<b>Total</b>	<b>\$515,785</b>	<b>\$722,693</b>	<b>-28.6%</b>

\*Excludes \$1.7 million reimbursement transfer from the Capital Improvement Fund.

\*\*No operating transfer revenue is anticipated for the General Fund in 2012.

*See General Fund Revenues - Chart 1*

## V. GENERAL FUND – EXPENDITURES

Expenditure	Outflow	2011-12 Budget	% of Budget
Salaries & Benefits	\$44,201,232	\$60,949,843	72.5%
Maintenance & Operations	\$8,134,491	\$12,297,993	66.1%
Capital	\$98,341	\$361,498	27.2%
Interfund/Op Transfers	\$2,687,542	\$4,497,046	59.8%
<b>Total</b>	<b>\$55,121,606</b>	<b>\$78,106,380</b>	<b>70.6%</b>
	<b>2012 YTD</b>	<b>2011 YTD</b>	<b>Increase/Decrease</b>
Salaries & Benefits	\$14,952,546	\$14,529,334	+2.9%
Maintenance & Operations	\$2,535,937	\$2,718,564	-6.7%
Capital	\$17,396	\$47,020	-63.0%
Interfund/Op Transfers	\$1,130,348	\$1,118,174	+1.1%
<b>Total</b>	<b>\$18,636,227</b>	<b>\$18,413,093</b>	<b>+1.2%</b>

Maintenance and operations (M&O) spending has declined in each of the past three years, and is down over \$182,000 from midway through 2011.

Asset replacement operating transfers for vehicles and equipment are planned for the second year of the biennium (2012).

*See General Fund Expenditures - Chart 2*

*See General Fund Revenues vs. Expenditures - Chart 3*

## VI. OTHER MAJOR FUNDS

	Inflow/Outflow	2011-12 Budget	% of Budget
Street	Inflow	\$2,449,341	\$3,684,507 66.5%
	Outflow	\$2,538,508	\$3,624,334 70.0%

In approving the 2011-2012 budget, Council acknowledged that replacement revenues and/or equal expenditure reductions would be implemented in 2012 to offset the loss of street lighting fee revenue (\$300,000 annually). A business license fee increase that will be used for street improvements was approved by Council in July 2012.

	Inflow/Outflow	2011-12 Budget	% of Budget
Arterial Street	Inflow	\$2,134,842	\$5,168,016 41.3%
	Outflow	\$1,167,474	\$5,203,000 22.4%

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	2011-12 Budget	% of Budget
Park Reserve	Inflow	\$211,471	\$480,000 44.1%
	Outflow	\$49,334	\$50,000 98.7%

Park Reserve Fund spending occurs through transfers to the Capital Improvement Fund. A \$50,000 transfer was appropriated in the 2011 budget amendment.

		Inflow/Outflow	2011-12 Budget	% of Budget
Capital Improvement	Inflow	\$44,560,658	\$91,349,599	48.8%
	Outflow	\$44,730,327	\$92,529,298	48.3%

2011-2012 capital spending is anticipated to remain in line with the 2011-2017 Capital Facilities Plan and the 2011-2012 budget - although project timing may fluctuate. An updated version of the CFP is scheduled to be presented to Council in September 2012.

## VII. PROPRIETARY FUNDS

Utility Funds		Inflow/Outflow	2011-12 Budget	% of Budget
Water*	Inflow	\$4,601,089	\$7,574,929	60.7%
	Outflow	\$4,869,426	\$8,448,624	57.6%
Sewer*	Inflow	\$7,690,368	\$11,249,481	68.4%
	Outflow	\$7,501,702	\$11,901,736	63.0%
Storm Drain*	Inflow	\$4,543,037	\$6,142,133	74.0%
	Outflow	\$4,647,348	\$7,953,207	58.4%
Internal Service Funds		Inflow/Outflow	2011-12 Budget	% of Budget
Equipment Rental	Inflow	\$1,680,974	\$2,957,338	56.8%
	Outflow	\$1,813,565	\$2,957,579	61.3%
Self-Insurance	Inflow	\$1,513,721	\$2,118,078	71.5%
	Outflow	\$1,767,051	\$2,068,077	85.4%
Asset Replacement	Inflow	\$809,718	\$2,057,092	39.4%
	Outflow	\$1,521,592	\$4,318,461	35.2%

The following spending from 2011 was capitalized, and will be depreciated over time in line with generally accepted accounting principles (GAAP):

- Water: \$330,449
- Sewer: \$320,119
- Storm: \$531,519
- Asset Replacement: \$603,242

Self-Insurance expenditure figures are skewed, due to the fact that the City pays its annual insurance premium during the first quarter of each year.

Asset replacement operating transfers for vehicles are planned for the second year of the 2011-2012 biennium.

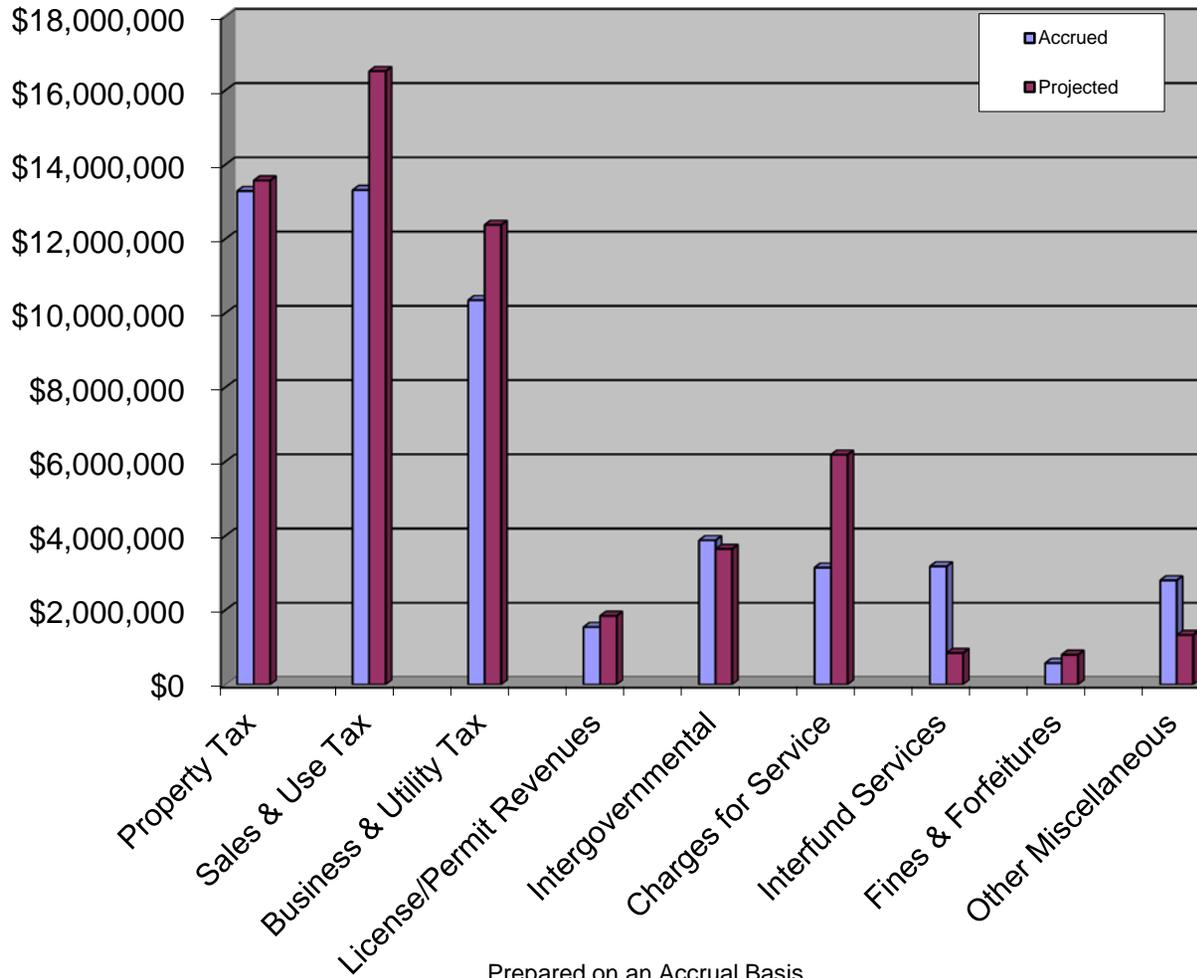
*See Proprietary Funds Expenditures - Chart 4*

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

### VIII. COUNCIL EMPHASIS AREAS

Development and Land Review Fees	<b>Inflow</b>	<b>\$380,319</b>	(Includes A/R)
	<b>Outflow</b>	<b>587,061</b>	(Includes overhead)
	<b>Net</b>	<b>(\$206,742)</b>	
Permitting Fees	<b>Inflow</b>	<b>\$643,552</b>	
	<b>Outflow</b>	<b>817,364</b>	(Includes overhead)
	<b>Net</b>	<b>(\$173,811)</b>	
CFP Project-Term Staff	<b>Inflow</b>	<b>\$661,726</b>	(2012 reimbursement to Gen Fund)
	<b>Outflow</b>	<b>661,726</b>	(2012 Gen Fund salaries/benefits)
	<b>Net</b>	<b>\$0</b>	
Utility Tax Rebates	<b>2012</b>	<b>\$150</b>	(2 rebates)
	<b>2011</b>	<b>125</b>	(2 rebates)
	<b>Inc(Dec)</b>	<b>\$25</b>	

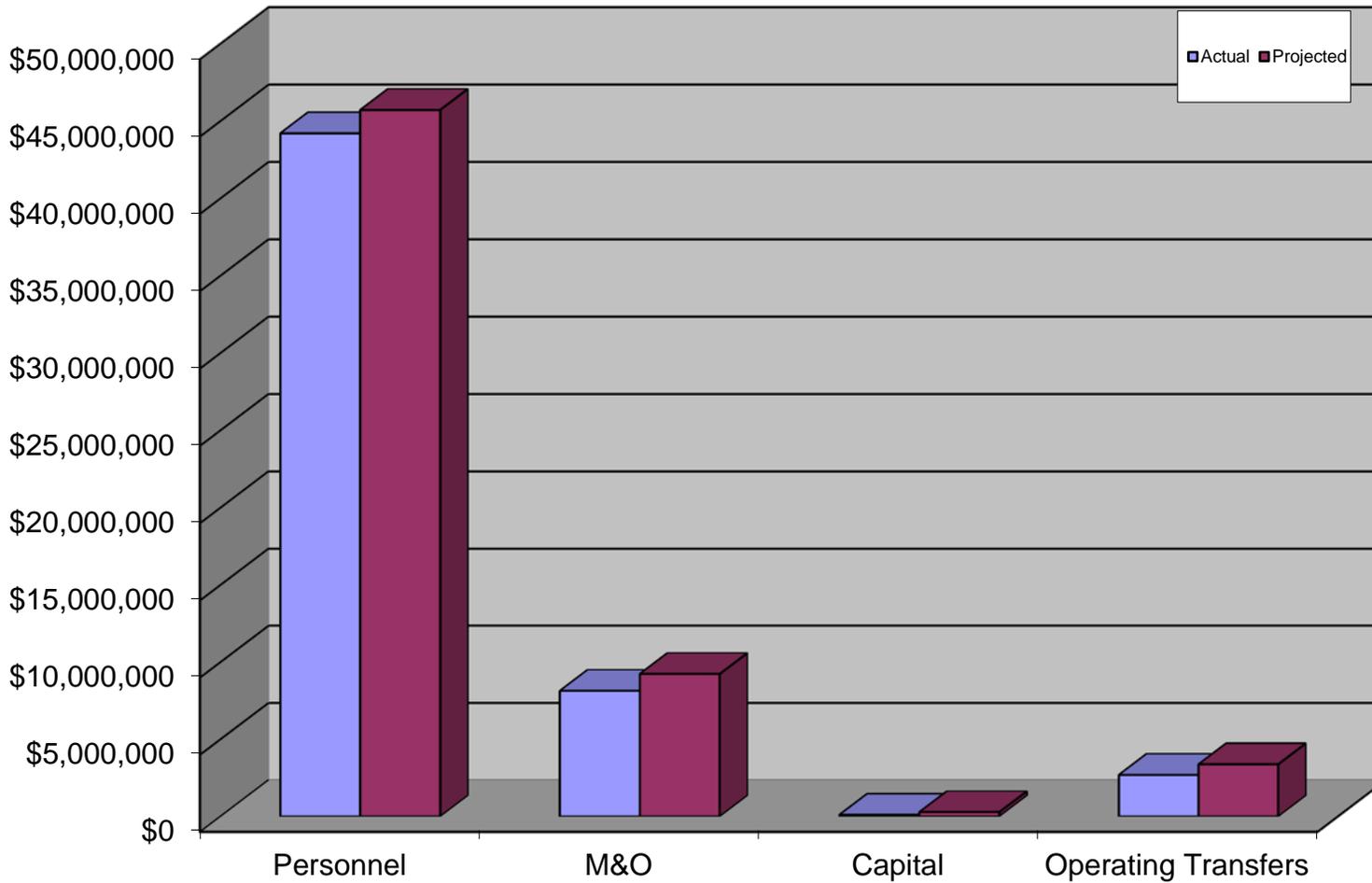
# General Fund Revenue vs Budget June 30, 2012



Prepared on an Accrual Basis

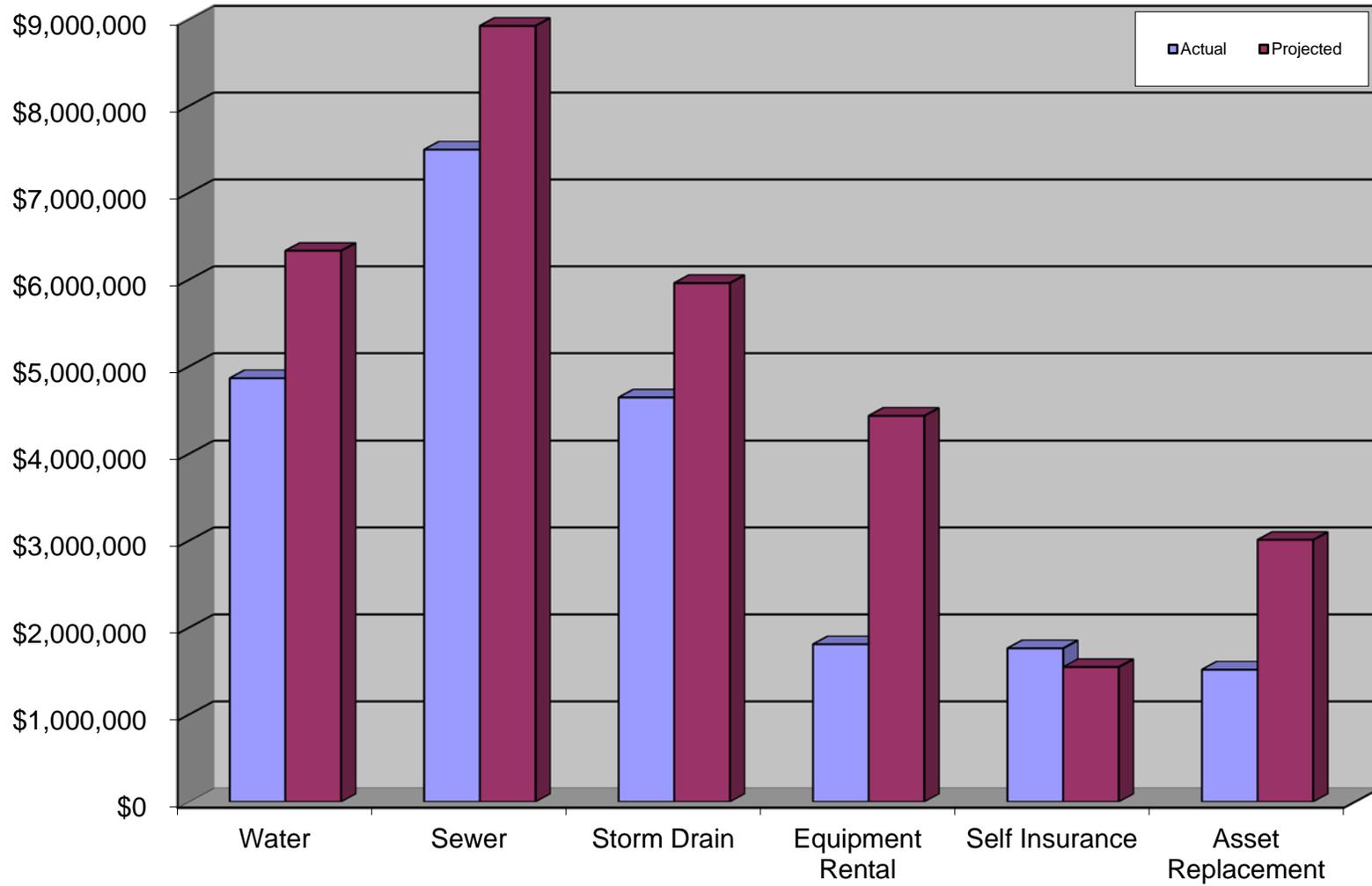
General Fund Revenues  
Chart 1

# General Fund Expenditures vs Budget June 30, 2012



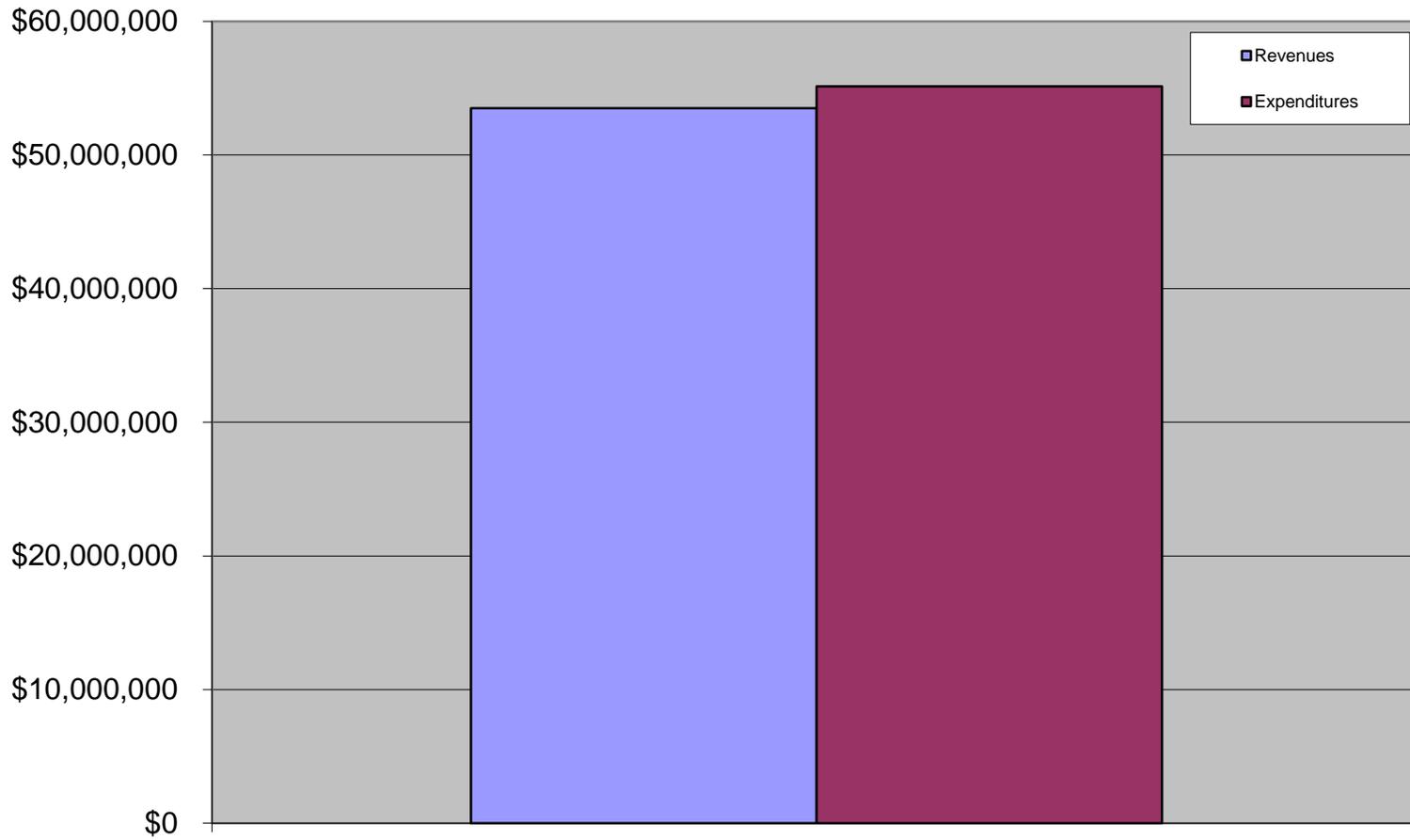
General Fund Expenditures  
Chart 2

# Proprietary Funds Expenditures vs Budget June 30, 2012



Proprietary Funds  
Chart 3

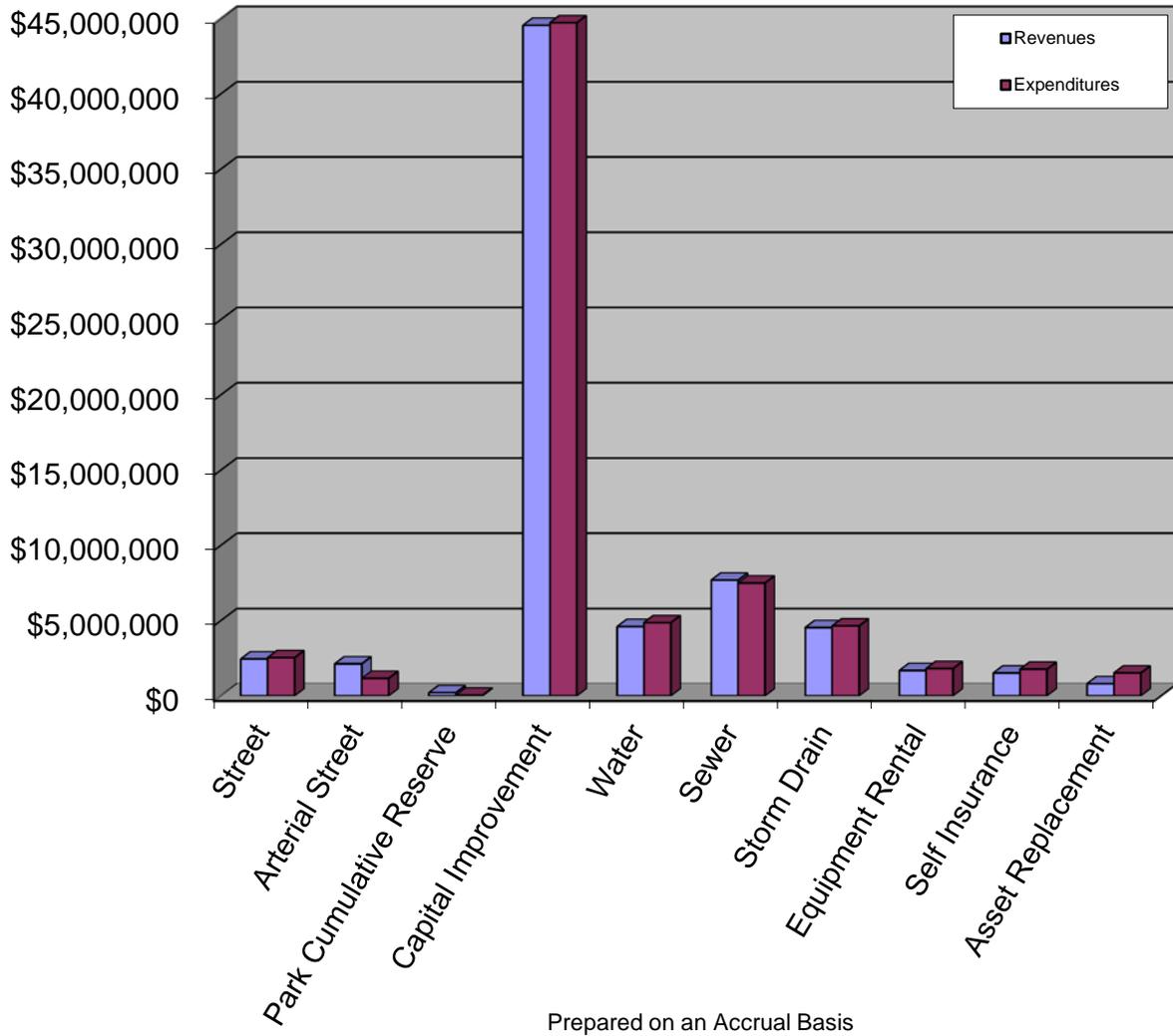
# General Fund Revenues vs Expenditures June 30, 2012



General Fund  
Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures  
Chart 4

## Other Major Funds Revenues vs Expenditures June 30, 2012



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures  
Chart 5