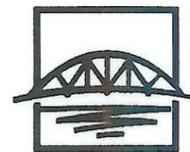


INTEROFFICE MEMORANDUM
Finance Department



City of Bothell

DATE: November 30, 2012
TO: Mayor and Council
THROUGH: Bob Stowe, City Manager
FROM: Tami Schackman, Finance Director
SUBJECT: 2011-12 Budget Status Report – Quarter #7

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

Staff continues to monitor the City's General Fund budget position carefully to ensure that the \$1,800,000 budget sustainability action plan (comprised of new replacement revenues and expenditure reductions) devised and implemented earlier this year continue to address the projected General Fund deficit as intended.

The budget sustainability action plan consisting of revenue replacement initiatives and staff compensation concessions (or vacant staff positions) appear to have paid dividends in the third quarter of 2012. General Fund revenue inflows exceeded expenditure outflows by more than \$375,000 during the third quarter, thereby shrinking the overall 2012 General Fund deficit to \$560,400 as of September 30. At this point in time, staff expects the positive revenue trend to continue, thus further reducing the General Fund deficit in the final quarter of the year.

While it appears the General Fund is on the right track to meet 2012 fiscal expectations, staff continues to conscientiously monitor revenue inflows and expenditures outflows throughout the eighth (final) quarter of the 2011-2012 biennium.

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 September 30, 2012

I. BIENNIUM STATUS

On September 30, 2012, the City concluded the seventh quarter of the eight quarter 2011-2012 biennium. The budget period described in this report is 87.5% complete.

Citywide

Citywide 2011 surplus/deficit:	-\$646,632*
Citywide 2012 surplus/deficit as of September 30:	<u>-\$316,215</u>
Citywide Biennial surplus/deficit as of September 30:	<u>-\$962,847*</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 (**-\$2,688,296**). See detailed discussion below.
- Arterial Street Fund (+\$1,028,599). Impact and mitigation fees accumulate in this fund for later assignment to transportation capital projects.
- Capital Improvement Fund (**-\$1,493,413**). Capital projects are progressing as prescribed in the City's Capital Facilities Plan (CFP).
- Asset Replacement Fund (**-\$655,561**). Vehicle and equipment asset replacement transfers from the General Fund did not occur in 2011.

General Fund

General Fund 2011 surplus/deficit:	-\$2,127,896*
General Fund 2012 surplus/deficit as of June 30:	<u>-\$ 560,400</u>
General Fund Biennial surplus/deficit as of June 30:	<u>-\$2,688,296*</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.

\$1.5 million of the \$2,127,896 deficit for 2011 was offset by the Council-approved use of City operating reserves.

An increase in retail sales tax revenues (up \$147,000 from the third quarter of 2011), along with the effect of the budget sustainability measures taken in 2012 (Council approved the new Motor Vehicle Collision fee and increased the EMS Transport and Business License fees, plus personnel concessions or unfilled positions) resulted in a positive quarter for the General Fund.

In the third quarter of 2012, General Fund revenue inflows exceeded expenditure outflows by \$375,949 (\$125,316 per month) – compared with outflows exceeding inflows in past quarters:

- \$392,449 (\$130,816 per month) in the second quarter of 2012.
- \$543,900 (\$181,300 per month) in the first quarter of 2012.
- \$652,963 (\$217,654 per month) in the fourth quarter of 2011.

- \$1,043,961 (\$347,987 per month) in the third quarter of 2011.
- \$259,110 (\$86,370 per month) in the second quarter of 2011.
- \$451,970 (\$150,657 per month) in the first quarter of 2011.

II. BUDGET VS ACTUAL SUMMARIES

		Inflow/Outflow	2011-12 Budget	% of Budget
<u>CITY TOTAL</u> *	Inflow	\$152,661,902	\$214,046,322	71.3%
	Outflow	\$153,904,856	\$220,276,265	69.9%
<u>CITY TOTAL</u> <small>(less Arterial Street, Capital Imp. Utility, and Asset Replacement Funds)</small>	Inflow	\$71,395,723	\$90,505,072	78.9%
	Outflow	\$72,076,694	\$89,921,939	80.2%
<u>GENERAL FUND</u>	Inflow	\$62,890,449	\$78,126,549	80.5%
	Outflow	\$64,147,723	\$78,106,380	82.1%
<u>UTILITY FUNDS*</u>	Inflow	\$20,688,086	\$24,966,543	82.9%
	Outflow	\$20,129,695	\$28,303,567	71.1%

III. ECONOMIC INFORMATION

Employment - National

National non-farm payroll employment increased by 436,100 jobs during the third quarter of 2012. The national unemployment rate decreased to 7.8% in September. The number of long-term unemployed (those jobless for 27 weeks or more) was 4.8 million, or 40.1% of the total unemployed.

<u>U.S. GOODS-PRODUCING: -12,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +448,100 JOBS</u>	
Construction	+9,000	Wholesale trade	+14,200
Manufacturing	-20,000	Retail trade	+20,900
Mining & logging	-1,000	Transportation/warehousing/utilities	+40,000
		Information	+3,000
		Professional/financial/business	+94,000
		Educational/health services	+114,000
		Leisure/hospitality	+73,000
		Other services	+16,000
		Government	+73,000

Employment – State

Just 9,100 non-farm jobs were gained statewide during the third quarter of 2012. Washington's unemployment rate climbed to 8.5% in June, and the Seattle-Bellevue-Everett rate rose to 7.6%.

<u>STATE GOODS-PRODUCING: +4,300 JOBS</u>		<u>STATE SERVICE-PROVIDING: +4,800 JOBS</u>	
Construction	+2,800	Wholesale trade	-2,300
Manufacturing	+1,600	Retail trade	-2,000
Mining & logging	-100	Transportation/warehousing/utilities	-100
		Information	-400
		Professional/financial/business	-2,100
		Educational/health services	+2,400
		Leisure/hospitality	+3,200
		Other services	+900
		Government	+5,200

Economic Forecast

State economists continue to expect the state economy to outperform the nation by a narrow margin. The state economy continues to grow moderately – employment and personal income growth have tracked above previous forecasts, and the housing market has strengthened slightly. However, the manufacturing expansion is slowing and Washington exports have weakened considerably.

Downside risks remain high due to uncertainty surrounding Congress and the “fiscal cliff” tax increases and spending cuts that are scheduled to take effect at year-end – as well as slowing Asian economies and threats to world oil supplies.

CPI Data – Seattle/Tacoma/Bremerton Region

June 2012 – August 2012: +0.2%

August 2011 – August 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, September 2012 sales tax revenues were not remitted to the City until the end of November.

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

Revenue	Inflow	2011-12 Budget	% of Budget
Property Tax	\$15,611,231	\$18,103,472	86.2%

Revenue	Inflow	2011-12 Budget	% of Budget
Sales/Use Tax			
Retail	\$11,849,107	\$16,369,249	72.4%
Construction	\$2,340,474	\$4,000,000	58.5%
Hotel/Motel	\$483,210	\$475,000	101.7%
Criminal Justice	\$980,794	\$1,186,391	82.7%
Total	\$15,653,585	\$22,030,640	71.1%
	2012 YTD	2011 YTD	Increase/Decrease
Retail	\$5,150,653	\$5,031,060	+2.4%
Construction	\$906,686	\$1,062,686	-14.7%
Hotel/Motel	\$221,894	\$206,942	+7.2%
Criminal Justice	\$424,829	\$408,748	+3.9%
Total	\$6,704,062	\$6,709,436	0.0%

Third quarter retail sales tax receipts were up \$147,000 from the same period in 2011.

Revenue	Inflow	2011-12 Budget	% of Budget
Business & Utility Tax			
Electric & Gas	\$5,787,771	\$7,734,254	74.8%
Cable TV	\$876,115	\$1,089,326	80.4%
Telephone & Cellular	\$3,365,389	\$5,440,404	61.9%
Water & Sewer	\$712,802	\$873,583	81.6%
Other Franchise Fees (Waste Mgmt, AWWD, NUD, FIOS)	\$1,190,092	\$1,372,897	86.7%
Utility Tax Rebate	(\$7,825)	\$0	0.0%
Total	\$11,924,344	\$16,510,464	72.2%
	2012 YTD	2011 YTD	Increase/Decrease
Electric & Gas	\$2,455,577	\$2,439,016	+0.7%
Cable TV	\$393,257	\$358,898	+9.6%
Telephone & Cellular	\$1,442,523	\$1,463,507	-1.4%
Water & Sewer	\$330,744	\$258,888	+27.8%
Other Franchise Fees (Waste Mgmt, AWWD, NUD, FIOS)	\$529,101	\$523,239	+1.1%
Utility Tax Rebate	(\$3,175)	(\$3,400)	-6.6%
Total	\$5,148,026	\$5,040,148	+2.1%

Revenue	Inflow	2011-12 Budget	% of Budget
Other Taxes	\$1,405,244	\$1,713,000	82.0%

Other taxes include leasehold excise taxes, EMS levy receipts, and gambling taxes. The EMS levy is paid by Bothell's Snohomish County residents (who approved a six-year levy in 2011) as part of their property taxes. EMS receipts make up the vast majority of taxes received in this category.

Revenue	Inflow	2011-12 Budget	% of Budget
Licenses & Permits			
Business/Sign Licenses	\$744,141	\$565,000	131.7%
Building Permits	\$1,081,163	\$1,489,274	72.6%
Plumbing/Mechanical	\$239,405	\$300,000	79.8%
Pre-Application Fees	\$53,489	\$100,000	53.5%
Animal Licenses/Concealed Weapons	\$141,709	\$170,400	83.2%
Total	\$2,259,906	\$2,624,674	86.1%
	2012 YTD	2011 YTD	Increase/Decrease
Building Permits	\$555,398	\$460,563	+20.6%
Plumbing/Mechanical	\$114,893	\$105,863	+8.5%
Pre-Application Fees	\$20,130	\$24,868	-19.1%
Total	\$690,422	\$591,294	+16.8%

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

Third quarter building permit revenues were up more than \$116,000 compared to the third quarter of 2011.

Revenue	Inflow	2011-12 Budget	% of Budget
Intergovernmental	\$4,562,329	\$4,870,560	93.7%
<p>Intergovernmental revenues include grant funding, plus contracted services the City provides to other governmental agencies:</p> <ul style="list-style-type: none"> • Snohomish County Fire District #10 (fire protection service) • City of Lake Forest Park (dispatch service) • Northshore School District (School Resource Officers) 			

Revenue	Inflow	2011-12 Budget	% of Budget
Charges for Services	\$3,900,170	\$5,091,700	76.6%
	2012 YTD	2011 YTD	Increase/Decrease
Passport Fees	\$40,055	\$37,685	+6.3%
EMS Transport Fees*	\$235,589	\$100,736	+133.9%
MVC Fees	\$4,510	\$0	+100.0%
Plan Check Fees	\$586,478	\$270,096	+117.1%
Development Review Fees	\$495,896	\$594,578	-16.6%
Total	\$1,362,528	\$1,003,095	+35.8%

*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 Collision (MVC) 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.

Third quarter plan check fee revenues were up nearly \$195,000 compared to 2011.

Revenue	Inflow	2011-12 Budget	% of Budget
Interfund Svcs – Utilities	\$991,769	\$1,133,450	87.5%
CFP Staff Transfers	\$2,721,281	\$3,003,020	90.6%
Total	\$3,713,050	\$4,136,470	89.8%

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

Revenue	Inflow	2011-12 Budget	% of Budget
Fines/Penalties/Criminal	\$667,916	\$1,067,400	62.6%
Other Miscellaneous*	\$1,281,352	\$1,778,000	72.1%
Operating Transfers	\$200,169	\$200,169	100.0%
Total	\$2,149,437	\$3,045,569	70.6%
	2012 YTD	2011 YTD	Increase/Decrease
Fines/Penalties/Criminal	\$280,366	\$291,934	-4.0%
Other Miscellaneous	\$512,599	\$548,391	-6.5%
Operating Transfers	\$0	\$200,169	-100.0%
Total	\$792,965	\$1,040,494	-23.8%

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

See General Fund Revenues - Chart 1

V. GENERAL FUND – EXPENDITURES

Expenditure	Outflow	2011-12 Budget	% of Budget
Salaries & Benefits	\$51,405,031	\$60,949,843	84.3%
Maintenance & Operations	\$9,385,514	\$12,297,993	76.3%
Capital	\$104,462	\$361,498	28.9%
Interfund/Op Transfers	\$3,252,716	\$4,497,046	72.3%
Total	\$64,147,723	\$78,106,380	82.1%
	2012 YTD	2011 YTD	Increase/Decrease
Salaries & Benefits	\$22,156,345	\$21,889,497	+1.2%
Maintenance & Operations	\$3,786,959	\$4,028,632	-6.0%
Capital	\$23,517	\$67,704	-65.3%
Interfund/Op Transfers	\$1,695,523	\$1,677,262	+1.1%
Total	\$27,662,344	\$27,663,094	0.0%

Third quarter personnel costs were down \$156,000 from the third quarter of 2011. This was mainly due to the concessions made by the AFSCME employee group.

Maintenance and operations (M&O) spending has declined in each of the past three years, and is down an additional \$241,000 year-to-date versus the same period in 2011.

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	\$2,842,367	\$3,684,507	77.1%
	Outflow	\$2,929,014	\$3,624,334	80.8%

The proposed 2012 budget amendment includes a \$350,000 transfer from the General Fund to the Street Fund, to offset the loss of street light fee revenues.

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	\$2,196,073	\$5,168,016	42.5%
	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	\$329,425	\$480,000	68.6%
	Outflow	\$49,334	\$50,000	98.7%

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

		Inflow/Outflow	2011-12 Budget	% of Budget
Capital Improvement	Inflow	\$57,350,726	\$91,349,599	62.8%
	Outflow	\$58,849,240	\$92,529,298	63.6%

Council adopted the 2013-2019 Capital Facilities Plan in October 2012.

VII. PROPRIETARY FUNDS

Fund		Inflow/Outflow	2011-12 Budget	% of Budget
Water*	Inflow	\$5,938,821	\$7,574,929	78.4%
	Outflow	\$5,736,561	\$8,448,624	67.9%
Sewer*	Inflow	\$9,338,745	\$11,249,481	83.0%
	Outflow	\$8,971,615	\$11,901,736	75.4%
Storm Drain*	Inflow	\$5,410,520	\$6,142,133	88.1%
	Outflow	\$5,421,519	\$7,953,207	68.2%
Equipment Rental	Inflow	\$2,054,689	\$2,957,338	69.5%
	Outflow	\$2,200,763	\$2,957,579	74.4%
Self-Insurance	Inflow	\$1,828,745	\$2,118,078	86.3%
	Outflow	\$1,852,442	\$2,068,077	89.6%
Asset Replacement*	Inflow	\$1,017,193	\$2,057,092	49.4%
	Outflow	\$1,681,754	\$4,318,461	38.9%

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

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

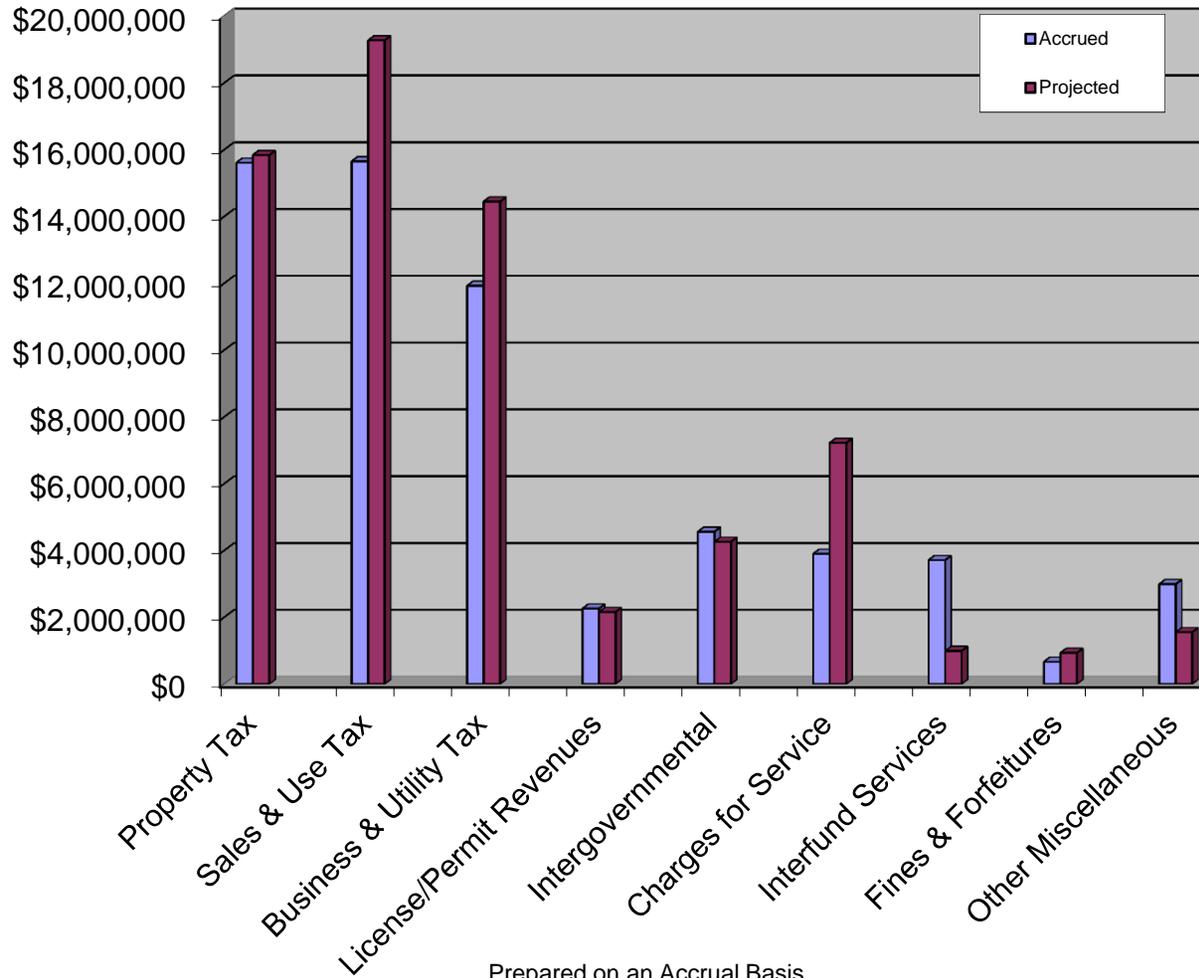
See Proprietary Funds Expenditures - Chart 4

See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. COUNCIL EMPHASIS AREAS

Development and Land Review Fees	Inflow	\$588,313	(Includes A/R)
	Outflow	889,051	(Includes overhead)
	Net	(\$300,738)	
Permitting Fees	Inflow	\$1,256,770	
	Outflow	1,255,992	(Includes overhead)
	Net	\$778	
CFP Project-Term Staff	Inflow	\$967,849	(2012 reimbursement to Gen Fund)
	Outflow	967,849	(2012 Gen Fund salaries/benefits)
	Net	\$0	
Utility Tax Rebates	2012	\$3,175	(39 rebates)
	2011	3,400	(45 rebates)
	Inc(Dec)	(\$225)	

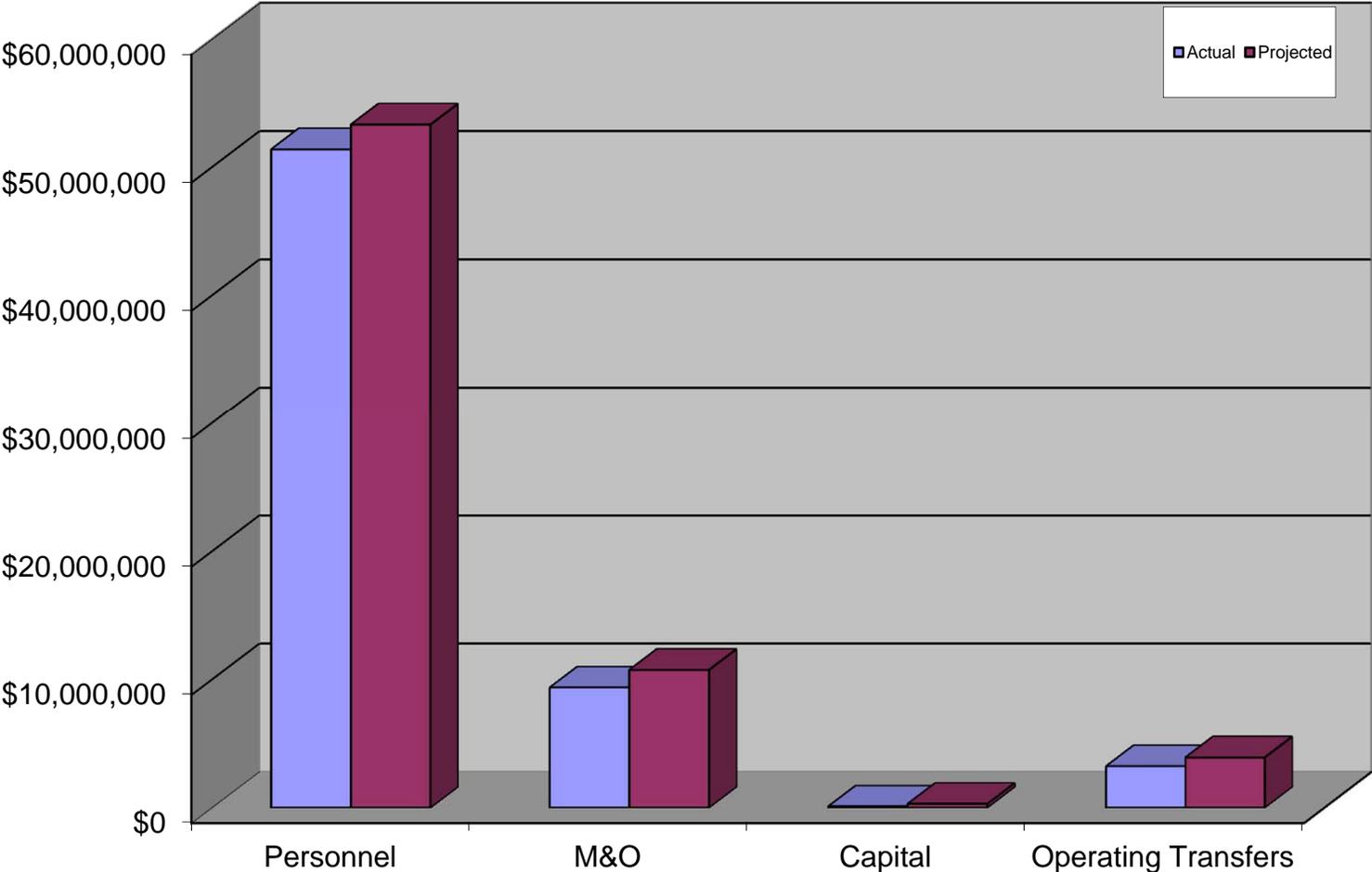
General Fund Revenue vs Budget September 30, 2012



Prepared on an Accrual Basis

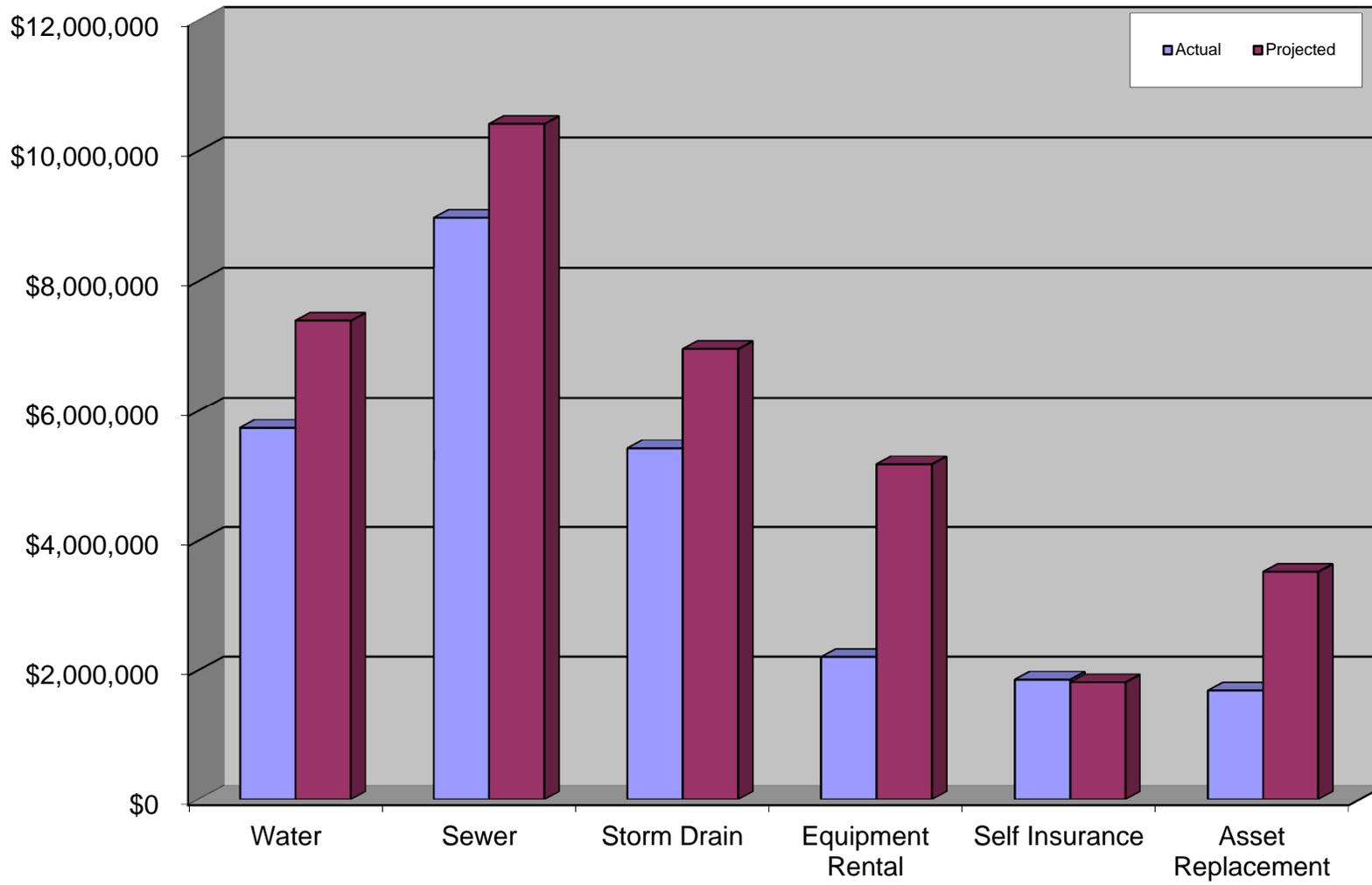
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget September 30, 2012



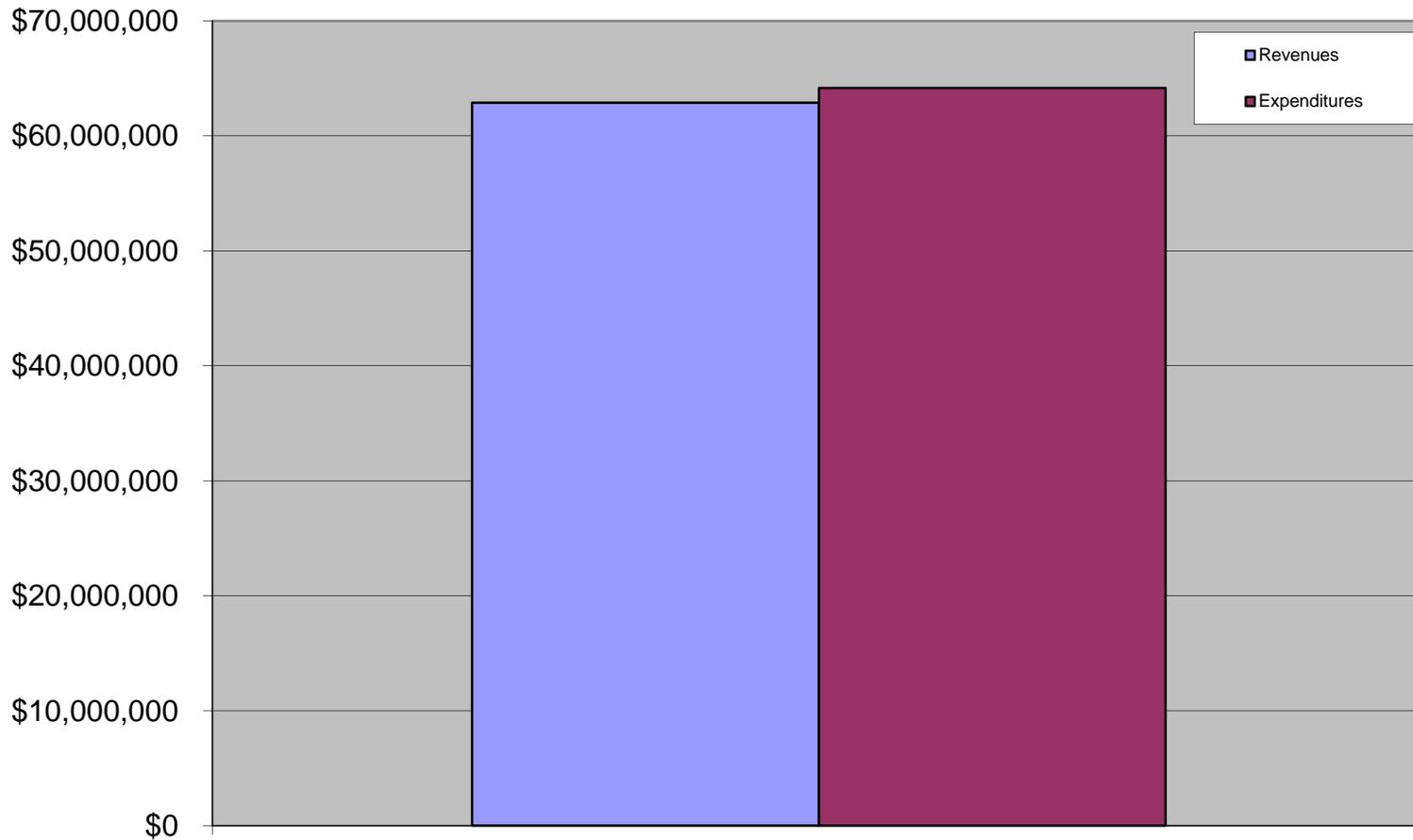
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget September 30, 2012



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures September 30, 2012



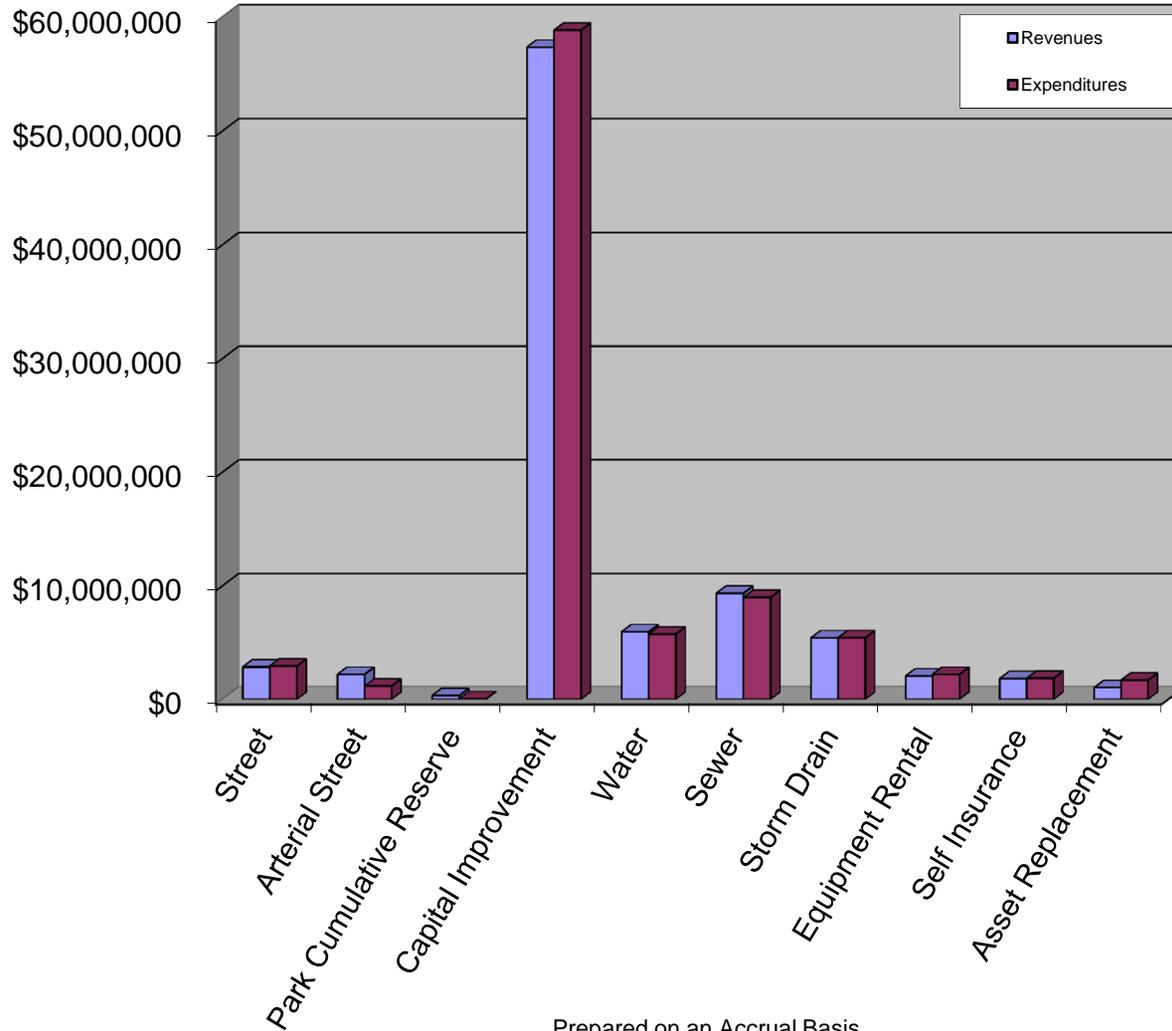
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

Other Major Funds Revenues vs Expenditures September 30, 2012



Other Major Funds Revenues vs Expenditures
Chart 5