



City of Bothell™

April 14, 2017

Council, Citizens and Stakeholders:

Attached for your review is the City's quarterly budget status report as of December 31, 2016.

The General Fund's final operating deficit for the 2015-2016 biennium totaled \$489,726. The operating deficit through seven quarters of the eight-quarter biennium was \$496,611. As has been stated in previous reports, the deficit is due to a significant number of unanticipated expenditures that occurred in both 2015 and 2016.

As outlined in the adopted 2015-2016 budget, \$600,000 in excess revenues was anticipated in both years to help reinstate the General Fund operating and Asset Replacement Fund reserves. Both funds were spent down to maintain service levels during the aftermath of the Great Recession. Reestablishing these reserves needs to be a primary focus during the 2017-2018 biennium.

State law does not allow for modification of a biennial budget until the eighth month of the first year of the biennium. With the close of the 2015-2016 budget, staff is now redirecting focus to the 2017-2018 budget and preparing reserve reinstatement strategy options for Council consideration.

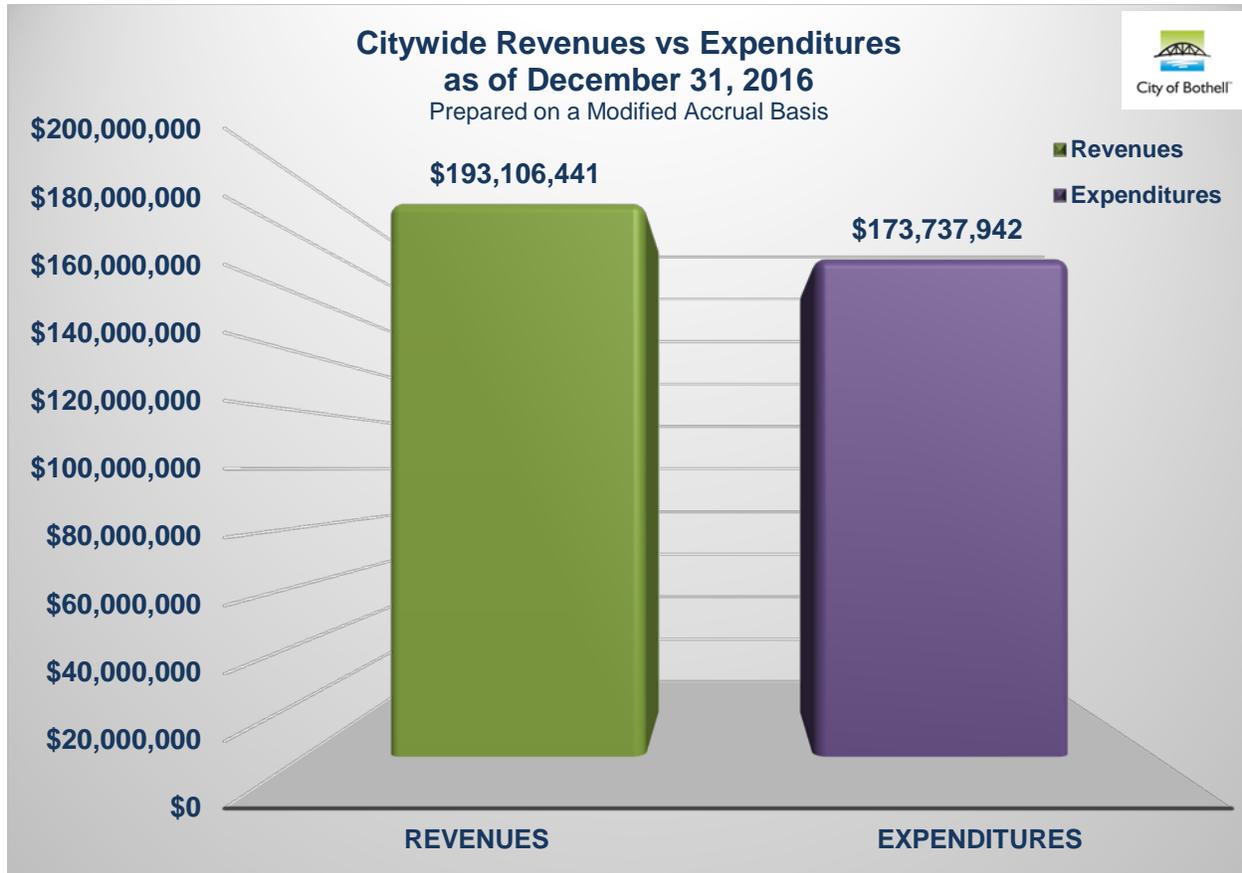
Please contact me or the City Manager if you have questions concerning this report.

A handwritten signature in blue ink, appearing to read 'Tami Schackman', with a long, sweeping flourish extending to the right.

Tami Schackman
City of Bothell Finance Director

2015-2016
Budget Status Report
For the Quarter Ending December 31, 2016
Executive Summary

On December 31, 2016, the City concluded the eighth and final quarter of the 2015-2016 biennium. The budget period described in this report is 100% complete. The City's state audited Comprehensive Annual Financial Report (CAFR) will be available in June.



Citywide Eighth Quarter Highlights

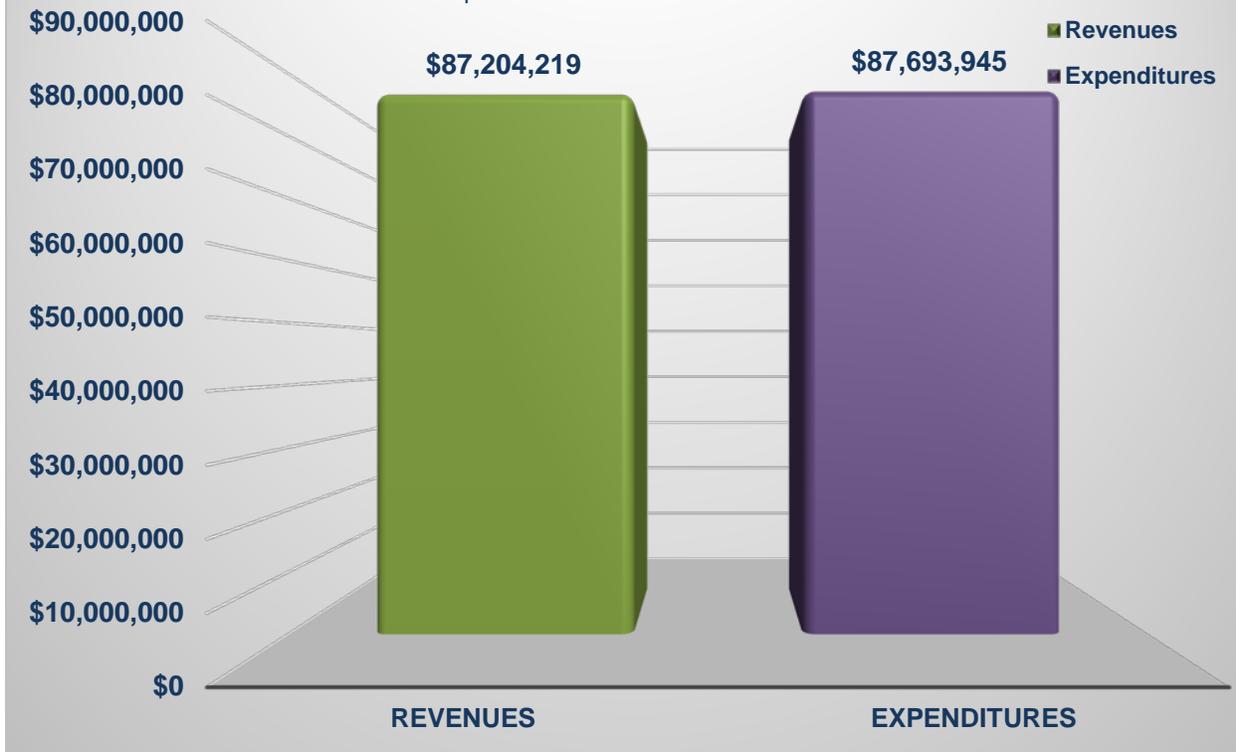
Retail sales tax receipts for 2016 were up \$1,032,073 (13%) over 2015. This figure includes a one-time \$465,276 prior year disbursement that resulted from an DOR audit.

Major 2016 development revenues versus 2015:

- Construction sales tax: up \$90,063 (4.1%)
- Building permits: up \$427,141 (42.8%)
- Plumbing/mechanical permits: up \$92,914 (41.2%)
- Pre-application fees: down \$20,107 (26.9%)
- Plan check fees: up \$33,231 (4.4%)
- Development review fees: up \$51,703 (6.7%)

General Fund Revenues vs Expenditures as of December 31, 2016

Prepared on a Modified Accrual Basis



Budget vs Actual Figures		Inflow/Outflow	2015-16 Budget	% of Budget
CITYWIDE TOTAL*	Inflow	\$193,106,441	\$207,387,414	93.1%
	Outflow	\$173,737,942	\$224,004,505	77.6%
<u>GENERAL FUND</u>	Inflow	\$87,204,219	\$87,498,323	99.7%
	Outflow	\$87,693,945	\$87,694,520	100.0%
<u>STREET FUND</u>	Inflow	\$3,800,933	\$3,581,576	106.1%
	Outflow	\$4,886,308	\$5,342,844	91.5%
<u>CAPITAL IMPROVEMENTS FUND*</u>	Inflow	\$35,401,997	\$38,590,424	91.7%
	Outflow	\$28,863,459	\$39,078,366	73.9%
<u>PROPRIETARY FUNDS</u>	Inflow	\$54,712,647	\$63,679,385	85.9%
	Outflow	\$42,189,638	\$81,667,395	51.7%

*Excludes offsetting revenue and expenditure entries related to the initial valuation booking of the City Hall capital lease, which are non-budgeted figures similar to long-term pension liability.

The City Council requested that the following financial activities be tracked and reported in Bothell's Quarterly Budget Status Report.

2016 Development Review Fees	Inflow	\$1,134,211	Includes Accounts Receivable Includes Overhead
	Outflow	(\$1,464,793)	
	Net	(\$330,582)	
2016 Permitting Fees	Inflow	\$2,532,283	Includes Overhead
	Outflow	(\$2,224,284)	
	Net	\$307,999	
2016 CFP Staff	Inflow	\$1,546,849	2016 Reimbursement to GF 2016 GF Salaries/Benefits
	Outflow	(\$1,546,849)	
	Net	\$0	
Utility Tax Rebates	2016	\$2,175	27 rebates
	2015	\$2,375	33 rebates
	Difference	(\$200)	

Economic Indicators

December 2016 unemployment rates:

United States:	4.7%
Washington State:	5.2%
Seattle/Bellevue/Everett:	3.7%

[Consumer Price Index \(CPI\) data:](#)

CPI-U (all urban consumers)

- U.S. city average, Oct 2016 – Dec 2016 -0.1%
- Seattle/Tacoma/Bremerton, Oct 2016 – Dec 2016 0.0%
- U.S. city average, Oct 2016 – Dec 2016 2.1%
- Seattle/Tacoma/Bremerton, Dec 2015 – Dec 2016 2.6%

CPI-W (urban wage earners)

- U.S. city average, Oct 2016 – Dec 2016 -0.1%
- Seattle/Tacoma/Bremerton, Oct 2016 – Dec 2016 -0.1%
- U.S. city average, Oct 2016 – Dec 2016 2.0%
- Seattle/Tacoma/Bremerton, Dec 2015 – Dec 2016 2.5%

Economic Forecast

The State Economic and Revenue Forecast Council's [March 2017 forecast](#) states that the national economy continued to expand at a moderate pace in the fourth quarter of 2016. The forecast includes anticipated increases in federal infrastructure spending, as well as lower personal and corporate federal tax rates consistent with the House Republican plan. It is important to keep in mind that these measures have yet to be implemented, and therefore Bothell has not modified its budget forecast to include these speculative monies.

The state economy continues to expand at a higher rate than expected in previous forecasts. Washington employment is now expected to grow by 2.3% in 2017, and personal income is expected to grow by 5%.