



City of Bothell™

September 25, 2017

Council, Citizens and Stakeholders:

Attached for your review is the City's quarterly budget status report as of June 30, 2017.

Due to the timing of the fiscal update presentation in April (prior to first quarter sales tax figures being made available), the first and second quarter budget reports are being provided to you in unison.

The General Fund's operating deficit for the first two quarters of the 2017-2018 biennium totaled \$396,134 – a slight increase from the first quarter deficit of \$361,833.

Much of the current deficit is due to a one-time \$249,931 deduction that was withheld from the City's May 2017 sales tax distribution from the state Department of Revenue (DOR). A DOR audit revealed that a taxpayer had overpaid sales and use taxes during the period 2011 through 2013, resulting in the need for a refund.

State law does not allow for modification of a biennial budget until the eighth month of the first year of the biennium. Staff continues to analyze modifications to the adopted 2017-2018 budget - including impacts from 2017 union contracts and a necessary 2018 reserve reinstatement strategy.

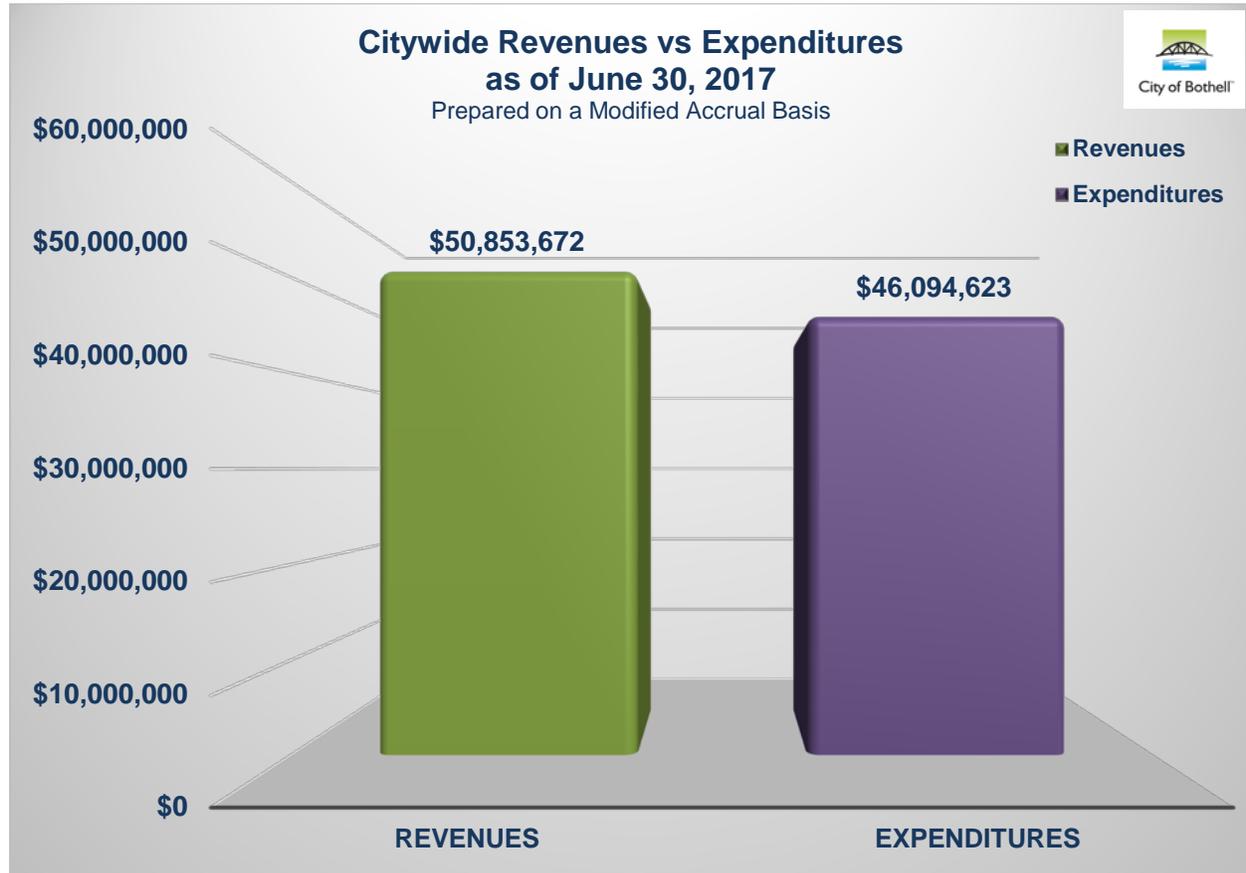
Please contact me or the City Manager if you have questions concerning this report.

A handwritten signature in blue ink, appearing to read 'Tami Schackman', is positioned above the printed name.

Tami Schackman
City of Bothell Finance Director

2017-2018
Budget Status Report
For the Quarter Ending June 30, 2017
Executive Summary

On June 30, 2017, the City concluded the first quarter of the 2017-2018 biennium. The budget period described in this report is 25% complete.



Notable Highlights

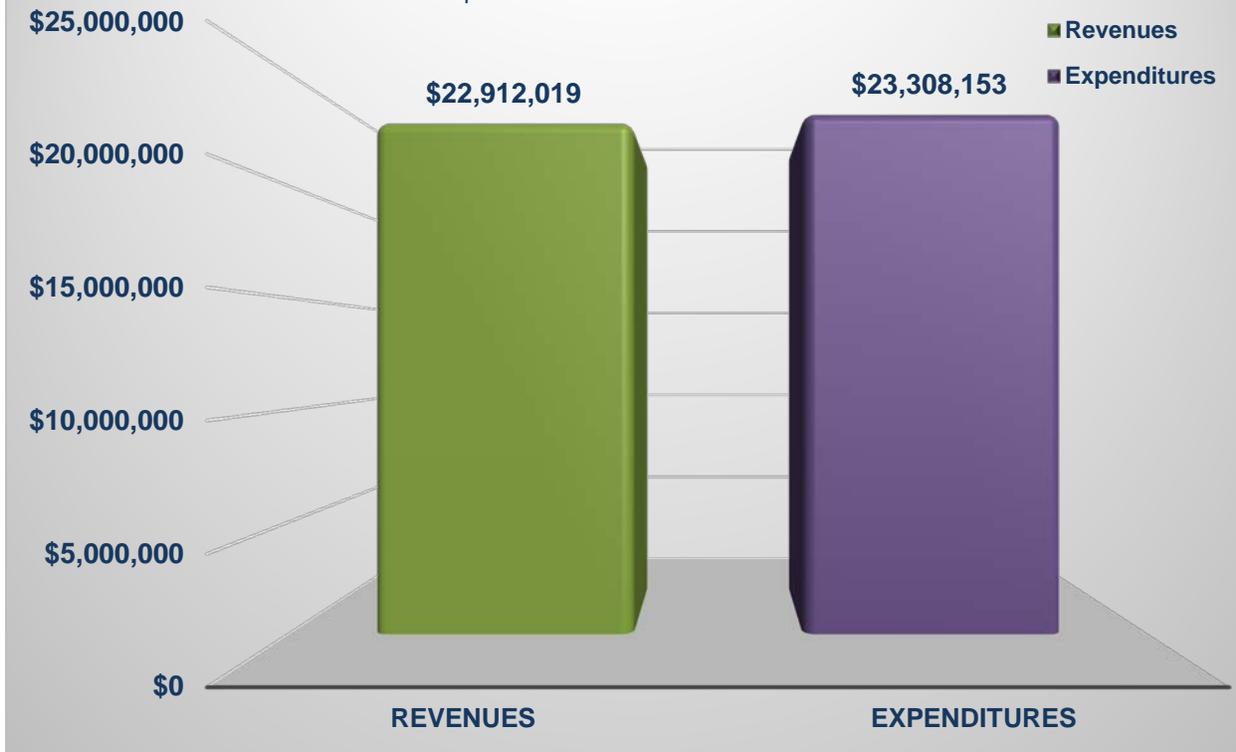
Retail sales tax receipts for the first two quarters of 2017 were down \$38,666 (0.9%) from 2016 results. 2017 figures are skewed by a one-time refund of \$249,931 that was deducted from Bothell's May distribution by the state Department of Revenue (DOR).

Major 2017 development revenues versus the first two quarters of 2016:

- Construction sales tax: up \$185,862 (17.6%)
- Building permits: down \$216,899 (27.6%)
- Plumbing/mechanical permits: down \$38,114 (22.1%)
- Pre-application fees: up \$7,229 (23.2%)
- Plan check fees: up \$142,800 (28.7%)
- Development review fees: up \$134,893 (34.9%)

General Fund Revenues vs Expenditures as of June 30, 2017

Prepared on a Modified Accrual Basis



Budget vs Actual Figures		Inflow/Outflow	2017-18 Budget	% of Budget
CITYWIDE TOTAL	Inflow	\$50,853,672	\$225,849,513	22.5%
	Outflow	\$46,094,623	\$224,004,505	20.6%
<u>GENERAL FUND</u>	Inflow	\$22,912,019	\$97,850,909	23.4%
	Outflow	\$23,308,153	\$97,850,909	23.8%
<u>STREET FUND</u>	Inflow	\$1,976,251	\$7,262,417	27.2%
	Outflow	\$1,431,801	\$6,592,303	21.7%
<u>CAPITAL IMPROVEMENTS FUND</u>	Inflow	\$10,117,185	\$51,445,324	19.7%
	Outflow	\$8,290,998	\$52,912,586	15.7%
<u>PROPRIETARY FUNDS</u>	Inflow	\$11,954,401	\$52,656,219	22.7%
	Outflow	\$10,832,776	\$61,249,015	17.7%

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

2017 Development Review Fees	Inflow	\$643,956	Includes Accounts Receivable Includes Overhead
	Outflow	(\$740,875)	
	Net	(\$96,919)	
2017 Permitting Fees	Inflow	\$1,343,937	Includes Overhead
	Outflow	(\$1,064,536)	
	Net	\$279,401	
2017 CFP Staff	Inflow	\$660,760	2017 Reimbursement to GF 2017 GF Salaries/Benefits
	Outflow	(\$660,760)	
	Net	\$0	
Utility Tax Rebates	2017	\$275	3 rebates YTD
	2016	\$400	5 rebates YTD
	Difference	(\$125)	

Economic Indicators

June 2017 unemployment rates:

United States:	4.4%
Washington State:	4.5%
Seattle/Bellevue/Everett:	3.4%

Consumer Price Index (CPI) data:

[CPI-U \(all urban consumers\)](#)

- U.S. city average, May 2017 – June 2017 0.1%
- Seattle/Tacoma/Bremerton, April 2017 – June 2017 0.8%
- U.S. city average, June 2016 – June 2017 1.6%
- Seattle/Tacoma/Bremerton, June 2016 – June 2017 3.0%

CPI-W (urban wage earners)

- [U.S. city average, May 2017 – June 2017](#) 0.1%
- [Seattle/Tacoma/Bremerton, April 2017 – June 2017](#) 0.7%
- [U.S. city average, June 2016 – June 2017](#) 1.5%
- [Seattle/Tacoma/Bremerton, June 2016 – June 2017](#) 3.0%

Economic Forecast

The State Economic and Revenue Forecast Council's [preliminary September forecast](#) continues to incorporate Trump administration proposals, including lower personal and corporate federal tax rates consistent with the House Republican plan, as well as \$220 billion in additional infrastructure spending over 10 years. 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 forecast was prepared prior to hurricane season, but the impact on the state forecast is expected to be minimal.

Washington housing construction increased in the second quarter of 2017, but fell slightly short of the forecast. Washington employment is now expected to grow by 3.0% in 2017 (up from 2.4% in the June forecast), and personal income is expected to grow by 6% (up from 4.7%). Expectations continue to call for growth to gradually decelerate.