

**September 12, 2018**



City of Bothell™

Council, Citizens and Stakeholders:

Attached for your review is the City's quarterly budget status report as of June 30, 2018. The budget period described in this report is 75% complete. As of June 30, excluding the \$8,156,000 one-time transfer of proceeds from downtown property sales (as outlined in the Council-approved 2017 budget amendment), the General Fund has an operating deficit of \$3,225,152 for the 2017-2018 biennium. The operating deficit for the second quarter of 2018 totaled \$194,344. Unbudgeted public safety personnel costs (\$455,848) were a major factor.

Fire personnel expenditures for the second quarter exceeded budget by \$265,498.

- Salaries exceeded budget by \$63,560. The 2018 cost of living adjustment (COLA) for firefighters (part of the adopted bargaining agreement in 2017) was greater than had been budgeted.
- Overtime exceeded budget by \$146,282. The overtime budget was reduced to fund three overhire positions. However, the overhire strategy appears to be slowing working as overtime for the second quarter was \$32,722 less than the second quarter of 2017.
- Benefits exceeded budget by \$55,656. This overage is directly attributed to the increase in salaries and overtime earned.

Police personnel expenditures for the second quarter exceeded budget by \$190,350.

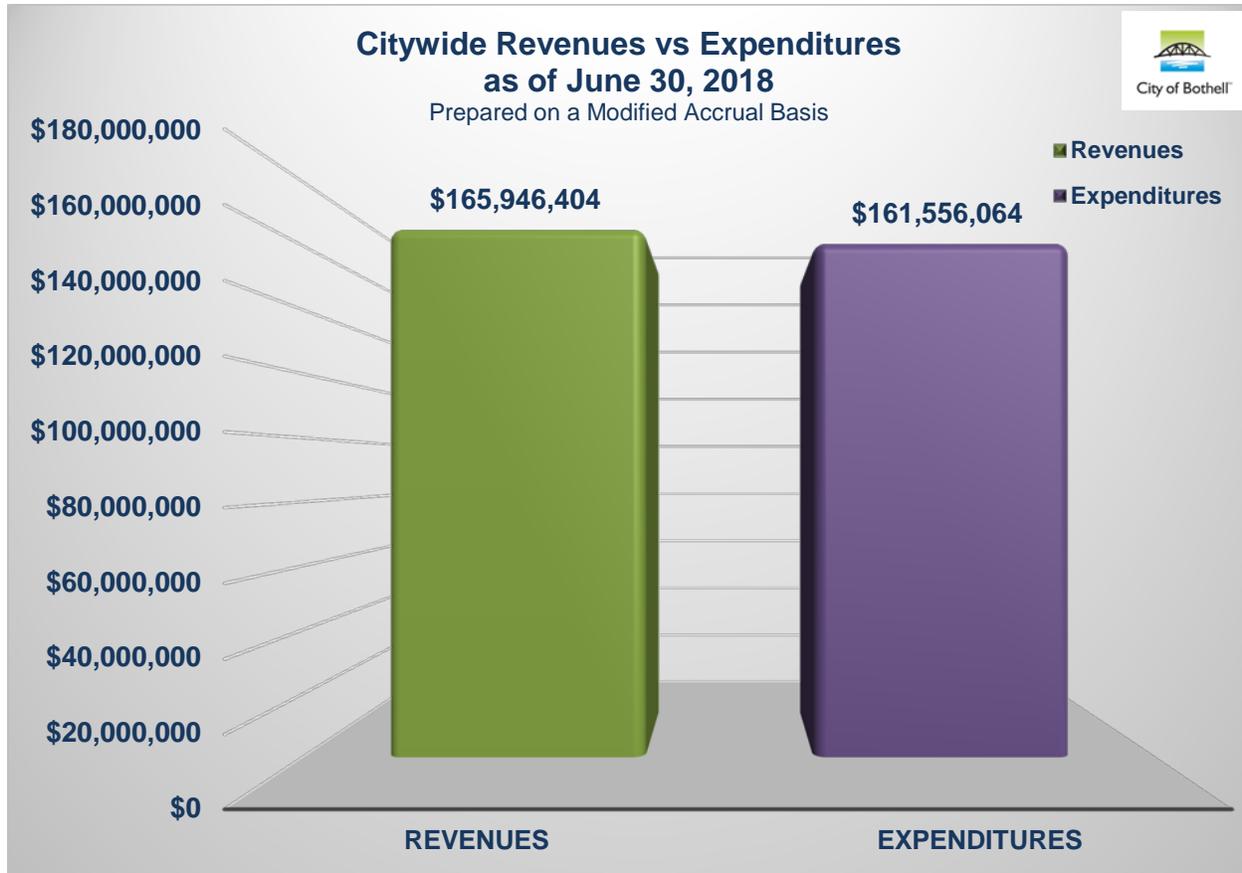
- Overtime exceeded budget by \$184,584. The overtime budget was reduced to fund five overhire positions, but position vacancies require the continued use of overtime to maintain minimum staffing levels.
- Benefits exceeded budget by \$5,766. This overage is directly attributed to the increase in salaries and overtime earned.

General Fund 6<sup>th</sup> quarter revenues (\$12,905,500) were up over \$500,000 from the 5<sup>th</sup> quarter, and continue to trend above 2018 projections. This increased revenue helps offset expenses that exceed the budget, reducing this quarter's GF deficit to \$194,344. However, the overall GF deficit for 2017-2018 is currently \$3.2 million. A combination of factors, as noted in the 4<sup>th</sup> quarter report presented to City Council in May 2018, including unanticipated utility and sales tax repayments, unrealized revenue budgeted by the Interim City Manager, and finalizing collective bargaining agreements resulted in reduced revenues and increased expenditures. Additional contributing factors to the GF budget deficit include unachievable expense reductions imposed by the Interim City Manager, correction and complete implementation of the Classification and Compensation Study adopted by Council in December 2016 and higher than expected vacancies and non-deployable status for police officers. Steps are being taken to reduce GF expenditures where possible and explore other strategies to reduce impacts on the GF.

Please contact me if you have questions concerning this report.

Jennifer Phillips, City Manager

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



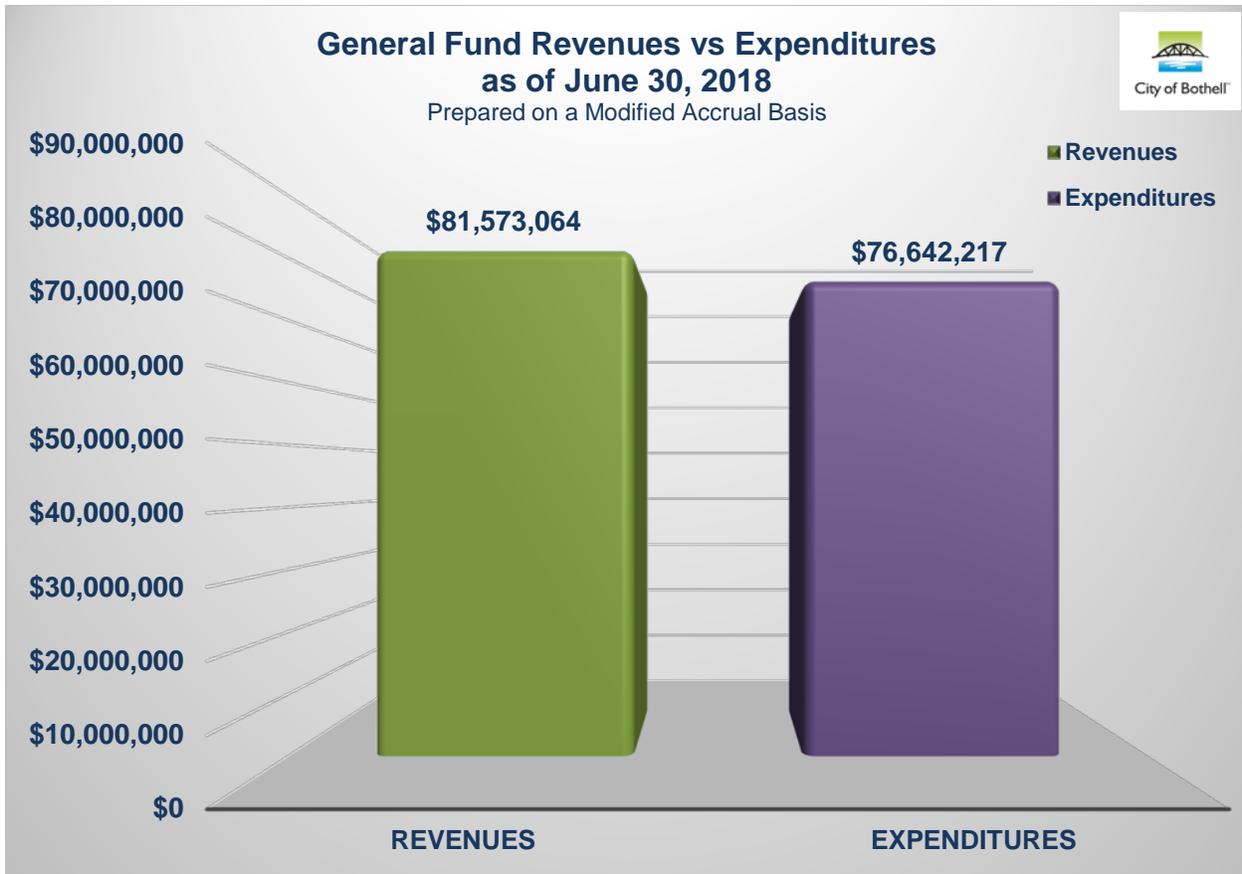
### Notable Highlights

Retail sales tax receipts through June 2018 were up \$697,028 (16.8%) compared to 2017. (2017 results included a \$249,931 refund made by the Department of Revenue to an out-of-state taxpayer.)

Major 2018 year-to-date development revenues compared with 2017:

- Construction sales tax: up \$254,407 (20.4%)
- Building permits: up \$375,563 (66.0%)
- Plumbing/mechanical permits: up \$222,036 (165.5%)
- Pre-application fees: up \$7,710 (20.1%)
- Plan check fees: up \$68,452 (10.7%)
- Development review fees: up \$66,152 (12.7%)

Increases in development revenues are used to support the increased demand for development services by hiring additional staff and consultants to deliver services and meet review turn around deadlines.



Graph includes \$8,156,000 one-time transfer of proceeds (revenue) from downtown property sales

Budget vs Actual Figures		Inflow/Outflow	2017-18 Budget	% of Budget
CITYWIDE TOTAL	Inflow	\$165,946,404	\$234,596,013	70.7%
	Outflow	\$161,556,064	\$237,942,347	67.9%
<u>GENERAL FUND</u>	Inflow	\$81,573,064	\$106,378,409	76.7%
	Outflow	\$76,642,217	\$98,513,009	77.8%
<u>STREET FUND</u>	Inflow	\$7,129,489	\$7,262,417	98.2%
	Outflow	\$4,228,663	\$6,592,303	64.1%
<u>CAPITAL IMPROVEMENTS FUND</u>	Inflow	\$27,073,726	\$51,664,324	52.4%
	Outflow	\$38,181,291	\$61,118,586	62.5%
<u>PROPRIETARY FUNDS</u>	Inflow	\$38,121,952	\$52,656,219	72.4%
	Outflow	\$31,881,347	\$61,249,015	52.1%

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

2018 Development Review Fees	Inflow	\$758,919	Includes Accounts Receivable Includes Overhead
	Outflow	(\$837,656)	
	Net	(\$78,737)	
2018 Permitting Fees	Inflow	\$2,009,989	Includes Overhead
	Outflow	(\$1,194,238)	
	Net	\$815,751	
2018 CFP Staff	Inflow	\$801,034	2018 Reimbursement to GF 2018 GF Salaries/Benefits
	Outflow	(\$801,034)	
	Net	\$0	
Utility Tax Rebates	2018	\$550	7 rebates
	2017	\$275	3 rebates
	Difference	\$275	