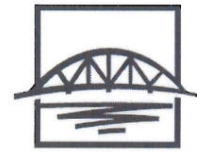


# INTEROFFICE MEMORANDUM

## Finance Department



City of Bothell

**DATE:** June 10, 2015

**TO:** Mayor and Council

**THROUGH:** Bob Stowe, City Manager

**FROM:** Tami Schackman, Finance Director

**SUBJECT:** 2015-16 Budget Status Report – Quarter #1

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Attached for your review is the City's budget status report as of March 31, 2015.

The General Fund's operating deficit for the first quarter of the eight quarter biennium was <\$25,459>. Two one-time expenditures impacted the first quarter bottom line:

- The State Department of Revenue (DOR) withheld \$40,000 in March sales tax revenue to correct a previous DOR remittance error.
- The City spent \$46,696 in professional service fees relating to the recruitment of three vacant director positions (Parks & Recreation, Community Development, and Human Resources.)

In addition, retail sales tax revenues were down \$114,424 (6.2%) compared with the first quarter of 2014 and construction sales tax revenues were down \$39,010 (8.1%). Staff is watching second quarter sales tax and development-related receipts closely to determine if 2015 budgeted spending will need to be realigned with actual revenues.

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

# City of Bothell

## 2015-2016 Budget Status Report

### For the Quarter Ending March 31, 2015

#### I. EXECUTIVE SUMMARY

On March 31, 2015, the City concluded the first quarter of the 2015-2016 biennium. The budget period described in this report is 12.5% complete.

#### Citywide

Citywide 2015-2016 surplus/deficit: \$395,949

- General Fund **(-\$25,459)**. See detailed discussion below.
- Street Fund **(-\$158,614)**. In 2014, the City received \$1,777,795 in King County road tax in lieu of property taxes following the February annexations. This one-time revenue will be used to help fund 2015 operations while a long-term funding strategy is developed.
- Capital Improvements Fund **(-\$446,486)**. Capital expenditures continued to progress as programmed in the City's adopted Capital Facilities Plan.

#### General Fund

General Fund 2015-2016 surplus/deficit: **-\$25,459**

(General Fund + Street Fund) 2015-2016 surplus/deficit:\* **-\$184,073**

\*Since the General Fund has historically subsidized Street Fund operations, it is also useful to look at the combined financial results for the two funds. No subsidy is planned in 2015, but a \$735,000 subsidy is budgeted for 2016.

The General Fund's operating deficit for the first quarter was **-\$25,459**. Revenue inflows totaled 11.5% of the biennial projection, while expenditure outflows amounted to 11.6%.

Retail sales tax revenues were down \$114,424 (6.2%) compared to the first quarter of 2014 and construction sales tax revenues were down \$39,010 (8.1%). The Department of Revenue (DOR) withheld \$40,000 in March 2015 sales tax revenue to correct a previous DOR remittance error.

Utility tax revenues were \$105,009 (6.1%) higher than in the first quarter of 2014.

First quarter development revenues were mixed compared to a year ago:

- Building permits were up \$28,780 (15.9%).
- Plumbing/mechanical permits were down \$28,644 (40.9%).
- Pre-application fees were down \$8,982 (52.8%).
- Plan check fees were up \$1,252 (0.8%).
- Development review fees were down \$27,391 (12.5%).

## II. BUDGET VS ACTUAL FIGURES

		Inflow/Outflow	2015-16 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$18,168,210	\$202,976,794	9.0%
	Outflow	\$17,772,262	\$219,519,285	8.1%
<u>GENERAL FUND</u>	Inflow	\$10,089,368	\$87,364,923	11.5%
	Outflow	\$10,114,827	\$87,481,520	11.6%
<u>GENERAL/STREET FUNDS</u>	Inflow	\$10,423,015	\$90,946,499	11.5%
	Outflow	\$10,607,087	\$92,816,714	11.4%
<u>CAPITAL IMP FUND</u>	Inflow	\$1,007,183	\$35,265,054	2.9%
	Outflow	\$1,453,669	\$35,765,646	4.1%
<u>UTILITY FUNDS</u>	Inflow	\$4,724,142	\$54,386,264	8.7%
	Outflow	\$4,124,811	\$69,145,419	6.0%

## III. ECONOMIC INFORMATION

### Employment - National

National non-farm payroll employment increased by 590,500 jobs during the first quarter of 2015. The national unemployment rate dropped slightly, ending at 5.5% for March.

The number of long-term unemployed (those jobless for 27 weeks or more) dropped to 2.6 million in the first quarter of 2015. There were 738,000 discouraged workers (persons not currently looking for work) in March, a figure largely unchanged from a year earlier.

<u>U.S. GOODS-PRODUCING: +58,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +532,500 JOBS</u>	
Construction	+69,000	Wholesale trade	+27,700
Manufacturing	+18,000	Retail trade	+93,600
Mining & logging	-29,000	Transportation/warehousing/utilities	+6,200
		Information	+15,000
		Professional/financial/business	+136,000
		Educational/health services	+137,000
		Leisure/hospitality	+107,000
		Other services	+14,000
		Government	-4,000

### Employment – State

29,700 non-farm jobs were gained statewide during the first quarter of 2015, and Washington's unemployment rate fell to 5.9% in March. The Seattle-Bellevue-Everett rate dropped slightly, to 4.5%.

<u>STATE GOODS-PRODUCING: +10,200 JOBS</u>		<u>STATE SERVICE-PROVIDING: +19,500 JOBS</u>	
Construction	+8,000	Wholesale trade	+200
Manufacturing	+2,400	Retail trade	+2,200
Mining & logging	-200	Transportation/warehousing/utilities	+100
		Information	+200
		Professional/financial/business	+6,900
		Educational/health services	+2,100
		Leisure/hospitality	+4,800
		Other services	+1,000
		Government	+2,000

[Economic Forecast](#)

The State Economic and Revenue Forecast Council's February 2015 quarterly report stated that both the national and state economies are advancing at a solid pace. The assumption of lower oil prices was the most significant change from past forecasts – from over \$80/barrel in November 2014 to below \$50/barrel in January.

Seattle-area inflation remains low, primarily due to falling energy costs. However, housing costs continue to rise - Seattle home prices are up 6.6% from December 2014, 30% higher than the November 2011 trough, and within 9.7% of their pre-recession peak.

[CPI Data – Seattle/Tacoma/Bremerton Region](#)

December 2014 – February 2015: 0.0%  
 February 2014 – February 2015: +0.5%

**[IV. GENERAL FUND – REVENUES](#)**

There is a one to two month lag between when tax revenues are earned and when they are received. For example, March sales tax is received in late May.

Revenue	Inflow	2015-16 Budget	% of Budget
<b>Property Taxes</b>			
City Levy	\$2,693,453	\$21,869,036	12.3%
EMS Levy	\$219,520	\$1,805,242	12.2%
<b>Total</b>	<b>\$2,912,973</b>	<b>\$23,674,278</b>	<b>12.3%</b>
Property tax is a very stable revenue source. Projected revenues are accrued equally throughout each year. Actual cash receipts occur primarily in April and October.			
The EMS levy is paid by Bothell's Snohomish County residents, who approved a six-year levy in 2011. King County residents pay an EMS levy directly to the County, which in turn pays the City annually for providing Basic Life Support (BLS) services.			

Revenue	Inflow	2015-16 Budget	% of Budget
<b>Sales/Use Taxes</b>			
Retail	\$1,729,293	\$17,806,835	9.7%
Construction	\$443,211	\$4,000,000	11.1%
Hotel/Motel	\$71,223	\$716,474	9.9%
Criminal Justice	\$202,869	\$1,586,726	12.8%
<b>Total</b>	<b>\$2,446,596</b>	<b>\$24,110,035</b>	<b>10.1%</b>
	<b>2015 YTD</b>	<b>2014 YTD</b>	<b>Increase/Decrease</b>
Retail	\$1,729,293	\$1,843,717	-6.2%
Construction	\$443,211	\$482,221	-8.1%
Hotel/Motel	\$71,223	\$66,763	+6.7%
Criminal Justice	\$202,869	\$151,359	+34.0%
<b>Total</b>	<b>\$2,446,596</b>	<b>\$2,544,060</b>	<b>-3.8%</b>

Revenue	Inflow	2015-16 Budget	% of Budget
<b>Business &amp; Utility Taxes</b>			
Electric & Gas	\$1,018,828	\$8,339,122	12.2%
Cable TV	\$170,869	\$1,184,121	14.4%
PEG Fees (Cable TV)	\$5,023	\$0	n/a
Telephone & Cellular	\$435,829	\$3,421,197	12.7%
Water & Sewer	\$102,359	\$1,366,567	7.5%
Sanitation	\$95,587	\$605,206	15.8%
Gambling	\$4,214	\$36,000	11.7%
Utility Tax Rebate	(\$225)	(\$9,600)	2.3%
<b>Total</b>	<b>\$1,832,484</b>	<b>\$14,942,613</b>	<b>12.3%</b>
	<b>2015 YTD</b>	<b>2014 YTD</b>	<b>Increase/Decrease</b>
Electric & Gas	\$1,018,828	\$1,040,954	-2.1%
Cable TV	\$170,869	\$137,146	+24.6%
PEG Fees (Cable TV)	\$5,023	\$0	n/a
Telephone & Cellular	\$435,829	\$386,072	+12.9%
Water & Sewer	\$102,359	\$77,031	+32.9%
Sanitation	\$95,587	\$82,068	+16.5%
Gambling	\$4,214	\$4,204	+0.2%
Utility Tax Rebate	(\$225)	\$0	n/a
<b>Total</b>	<b>\$1,832,484</b>	<b>\$1,727,475</b>	<b>+6.1%</b>

Revenue	Inflow	2015-16 Budget	% of Budget
<b>Other Taxes</b>	<b>\$4,792</b>	<b>\$70,000</b>	<b>6.8%</b>
Other taxes include leasehold excise taxes and private harvest timber taxes, which are received periodically throughout the year.			

Revenue	Inflow	2015-16 Budget	% of Budget
<b>Franchise/License Rev</b>			
Alderwood Water District	\$97,293	\$727,595	13.4%
Northshore Utility District	\$45,386	\$167,500	27.1%
Frontier/FIOS	\$19,317	\$134,000	14.4%
<b>Business &amp; Sign Licenses</b>	<b>\$225,000</b>	<b>\$1,950,000</b>	<b>11.5%</b>
<b>Total</b>	<b>\$386,995</b>	<b>\$2,979,095</b>	<b>13.0%</b>
	<b>2015 YTD</b>	<b>2014 YTD</b>	<b>Increase/Decrease</b>
Alderwood Water District	\$97,293	\$97,384	-0.1%
Northshore Utility District*	\$45,386	\$9,888	+359.0%
Frontier/FIOS	\$19,317	\$17,379	+11.2%
<b>Total</b>	<b>\$161,995</b>	<b>\$124,651</b>	<b>+30.0%</b>
*NUD serves a large portion of the territory that was newly annexed to the City in February 2014.			

Revenue	Inflow	2015-16 Budget	% of Budget
<b>Non-Bus Licenses &amp; Permits</b>			
<b>Building Permits</b>	\$209,512	\$2,085,384	10.0%
<b>Plumbing/Mechanical</b>	\$41,342	\$480,000	8.6%
<b>Pre-Application Fees</b>	\$8,022	\$130,000	6.2%
<b>Animal Licenses</b>	\$17,630	\$180,000	9.8%
<b>Concealed Weapons</b>	\$1,385	\$14,000	9.9%
<b>Total</b>	\$277,891	\$2,889,384	9.6%
	2015 YTD	2014 YTD	Increase/Decrease
<b>Building Permits</b>	\$209,512	\$180,732	+15.9%
<b>Plumbing/Mechanical</b>	\$41,342	\$69,986	-40.9%
<b>Pre-Application Fees</b>	\$8,022	\$17,004	-52.8%
<b>Total</b>	\$258,876	\$267,722	-3.3%

Revenue	Inflow	2015-16 Budget	% of Budget
<b>Intergovernmental</b>	\$172,705	\$2,094,900	8.2%

Intergovernmental revenues include grants and entitlements.

Revenue	Inflow	2015-16 Budget	% of Budget
<b>Charges for Services</b>	\$1,173,061	\$9,365,098	12.5%
	2015 YTD	2014 YTD	Increase/Decrease
<b>MVA Fees</b>	\$611	\$2,877	-78.8%
<b>EMS Transport Fees</b>	\$70,255	\$88,281	-20.4%
<b>Plan Check Fees</b>	\$159,896	\$158,644	+0.8%
<b>Development Review Fees</b>	\$191,795	\$219,186	-12.5%
<b>Total</b>	\$422,557	\$468,988	-9.9%

Charges for services also include recreation program fees.

Implementation of the MVA fee and an increase in the EMS Transport fee were approved by Council in 2012. The City also began collecting the EMS Transport fee from residents of Fire District 10 beginning in 2013.

Revenue	Inflow	2015-16 Budget	% of Budget
<b>Interfund Svcs – Utilities</b>	\$165,960	\$1,327,678	12.5%
<b>CFP Staff Transfers</b>	\$408,882	\$4,256,342	9.6%
<b>Total</b>	\$574,841	\$5,584,020	10.3%

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

Revenue	Inflow	2015-16 Budget	% of Budget
Fines/Penalties/Criminal Costs	\$104,405	\$749,300	13.9%
Other Miscellaneous	\$195,648	\$906,200	21.6%
<b>Total</b>	<b>\$300,053</b>	<b>\$1,655,500</b>	<b>18.1%</b>
	2015 YTD	2014 YTD	Increase/Decrease
Fines/Penalties/Criminal Costs	\$104,405	\$99,413	+5.0%
Other Miscellaneous	\$195,648	\$180,653	+8.3%
<b>Total</b>	<b>\$300,053</b>	<b>\$280,066</b>	<b>+7.1%</b>

See General Fund Revenues - Chart 1

## V. GENERAL FUND – EXPENDITURES

Expenditure	Outflow	2015-16 Budget	% of Budget
Salaries & Benefits	\$7,852,590	\$68,260,786	11.5%
Maintenance & Operations	\$1,759,553	\$13,939,665	12.6%
Capital	\$0	\$0	0.0%
Interfund/Op Transfers	\$502,684	\$5,281,069	9.5%
<b>Total</b>	<b>\$10,114,827</b>	<b>\$87,481,520</b>	<b>11.6%</b>
	2015 YTD	2014 YTD	Increase/Decrease
Salaries & Benefits	\$7,852,590	\$7,580,911	+3.6%
Maintenance & Operations*	\$1,759,553	\$1,353,024	+30.0%
Capital	\$0	\$18,287	-100.0%
Interfund/Op Transfers**	\$502,684	\$618,250	-18.7%
<b>Total</b>	<b>\$10,114,827</b>	<b>\$9,570,471</b>	<b>+5.7%</b>

\*A number of large recurring quarterly expenditures (human services, jail contracts, etc) are being recognized on an accrual basis throughout 2015, since invoices for these services are received on a one to two month lag.

\*\*No Street Fund subsidy is scheduled for 2015. See Street Fund discussion below.

See General Fund Expenditures - Chart 2

See General Fund Revenues vs. Expenditures - Chart 3

## VI. OTHER MAJOR FUNDS

	Inflow/Outflow	2015-16 Budget	% of Budget
Street	Inflow	\$333,646	9.3%
	Outflow	\$492,260	9.2%

\$1,777,795 in one-time road tax revenue was received in 2014 from King County as a result of the February 28, 2014 annexation. The Street Fund is utilizing these monies for operations spending during 2015 in lieu of a subsidy from the General Fund.

	Inflow/Outflow	2015-16 Budget	% of Budget
Arterial Street	Inflow	\$392,349	5.3%
	Outflow	\$0	0.0%



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	2015-16 Budget	% of Budget
Park Reserve	<b>Inflow</b>	<b>\$25,640</b>	<b>\$86,000</b>	<b>29.8%</b>
	<b>Outflow</b>	<b>\$0</b>	<b>\$363,000</b>	<b>0.0%</b>

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

		Inflow/Outflow	2015-16 Budget	% of Budget
Capital Improvement	<b>Inflow</b>	<b>\$1,007,183</b>	<b>\$35,265,054</b>	<b>2.9%</b>
	<b>Outflow</b>	<b>\$1,453,669</b>	<b>\$35,765,646</b>	<b>4.1%</b>

The \$30 million Bond Anticipation Note (BAN) was repaid in early 2014 with proceeds from the \$30 million Local Infrastructure Financing Tool (LIFT) bond. Debt service associated with the LIFT bond is 50% funded (\$1 million annually) through a reallocation of the State's portion of sales tax receipts that is being directed to the City.

## VII. PROPRIETARY FUNDS

Fund		Inflow/Outflow	2015-16 Budget	% of Budget
Combined Utility Systems	<b>Inflow</b>	<b>\$331,746</b>	<b>\$2,626,072</b>	<b>12.6%</b>
	<b>Outflow</b>	<b>\$254,639</b>	<b>\$15,502,069</b>	<b>1.6%</b>
Water	<b>Inflow</b>	<b>\$1,062,579</b>	<b>\$13,186,622</b>	<b>8.1%</b>
	<b>Outflow</b>	<b>\$1,131,959</b>	<b>\$15,113,624</b>	<b>7.5%</b>
Sewer	<b>Inflow</b>	<b>\$1,678,385</b>	<b>\$15,235,505</b>	<b>11.0%</b>
	<b>Outflow</b>	<b>\$1,462,438</b>	<b>\$16,158,096</b>	<b>9.1%</b>
Storm and Surface Water	<b>Inflow</b>	<b>\$1,651,431</b>	<b>\$23,338,065</b>	<b>7.1%</b>
	<b>Outflow</b>	<b>\$1,275,774</b>	<b>\$22,371,630</b>	<b>5.7%</b>
Equipment Rental	<b>Inflow</b>	<b>\$456,816</b>	<b>\$3,654,526</b>	<b>12.5%</b>
	<b>Outflow</b>	<b>\$410,725</b>	<b>\$3,667,506</b>	<b>11.2%</b>
Self-Insurance*	<b>Inflow</b>	<b>\$292,412</b>	<b>\$2,329,027</b>	<b>12.6%</b>
	<b>Outflow</b>	<b>\$270,872</b>	<b>\$2,354,407</b>	<b>11.5%</b>
Asset Replacement	<b>Inflow</b>	<b>\$282,418</b>	<b>\$2,365,368</b>	<b>11.9%</b>
	<b>Outflow</b>	<b>\$235,947</b>	<b>\$5,555,863</b>	<b>4.2%</b>

\*The City's annual insurance premium is paid during the first quarter. One-fourth of the premium is shown here as an expenditure for the first quarter of 2014.

In October 2014, the City issued a combined utility revenue bond for \$18,355,000. Proceeds from the bond are designated for the following utility capital projects:

- Water: Penn Park Reservoir Improvements (W7)
- Water: Downtown Revitalization Utility Improvements – Water (W11)
- Sewer: Lift Stations #2 and #3 (S4 and S11)
- Sewer: Promontory Hillside Sewer Improvements (S8)
- Sewer: Downtown Revitalization Utility Improvements – Sewer (S9)
- Storm/Surface Water: Horse Creek Improvements (SW11)



Funds will be transferred from the Combined Utility Systems Fund to the other three utility funds on an as-needed basis to cover project expenditures.

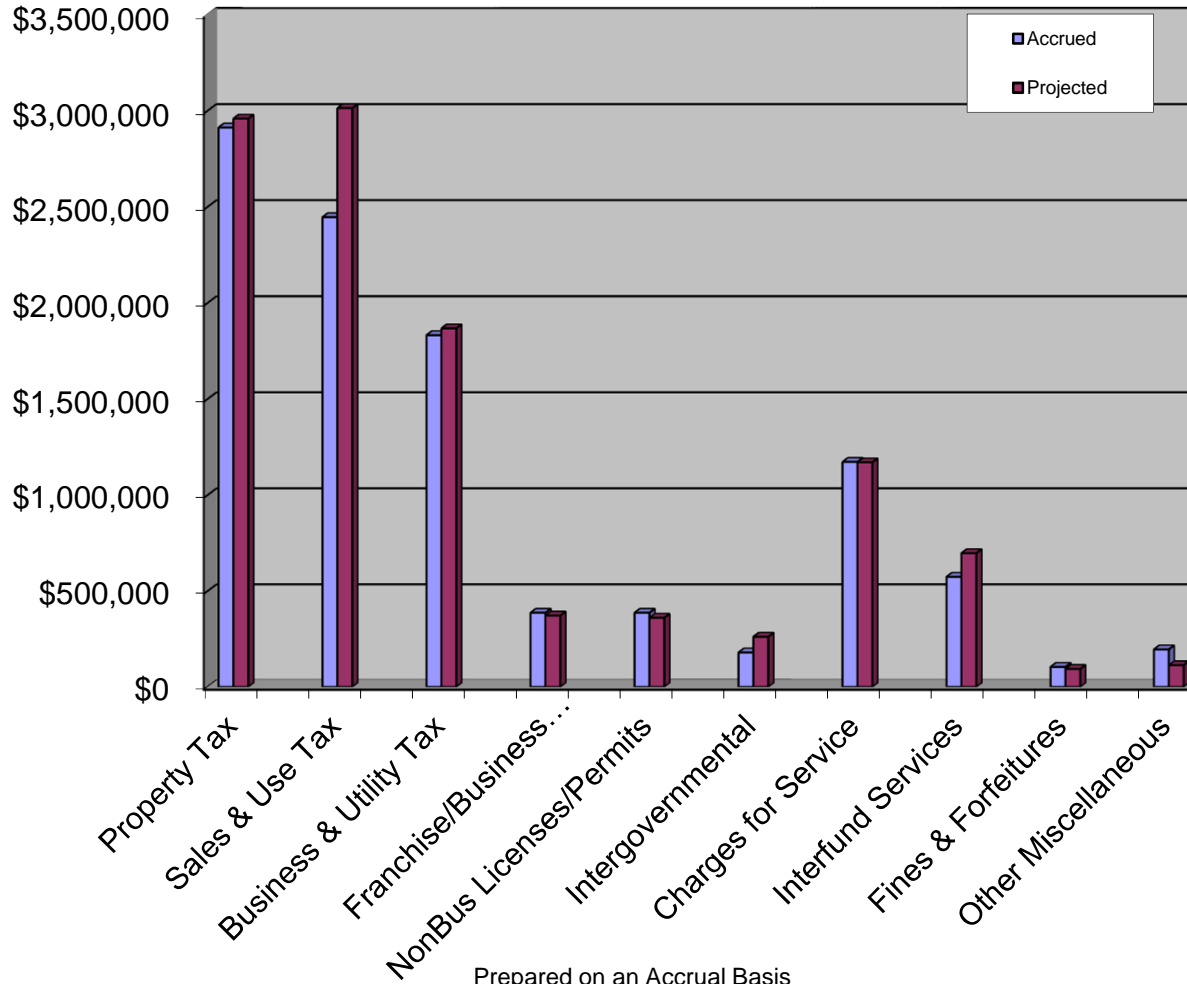
*See Proprietary Funds Expenditures - Chart 4*

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

**VIII. COUNCIL EMPHASIS AREAS**

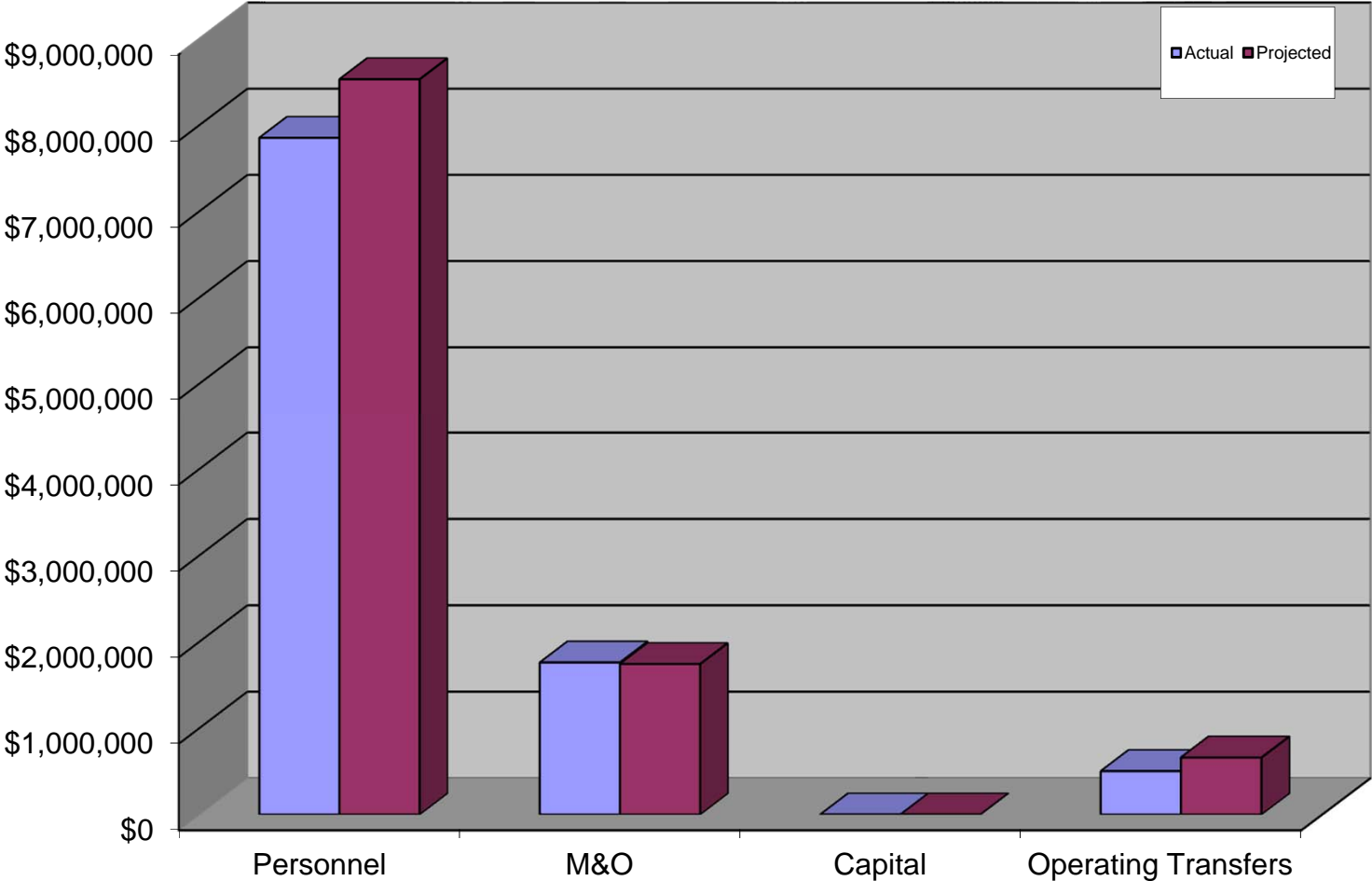
Development Review Fees	<b>Inflow</b>	<b>\$227,868</b>	(Includes A/R)
	<b>Outflow</b>	<b>344,280</b>	(Includes overhead)
	<b>Net</b>	<b>(\$116,412)</b>	
Permitting Fees	<b>Inflow</b>	<b>\$410,750</b>	
	<b>Outflow</b>	<b>\$474,018</b>	(Includes overhead)
	<b>Net</b>	<b>(\$63,268)</b>	
CFP Project-Term Staff	<b>Inflow</b>	<b>\$321,738</b>	(2015 reimbursement to Gen Fund)
	<b>Outflow</b>	<b>321,738</b>	(2015 Gen Fund salaries/benefits)
	<b>Net</b>	<b>\$0</b>	
Utility Tax Rebates	<b>2015</b>	<b>\$225</b>	(3 rebates YTD)
	<b>2014</b>	<b>\$0</b>	(No rebates YTD)
	<b>Inc(Dec)</b>	<b>\$225</b>	

## General Fund Revenue vs Budget March 31, 2015



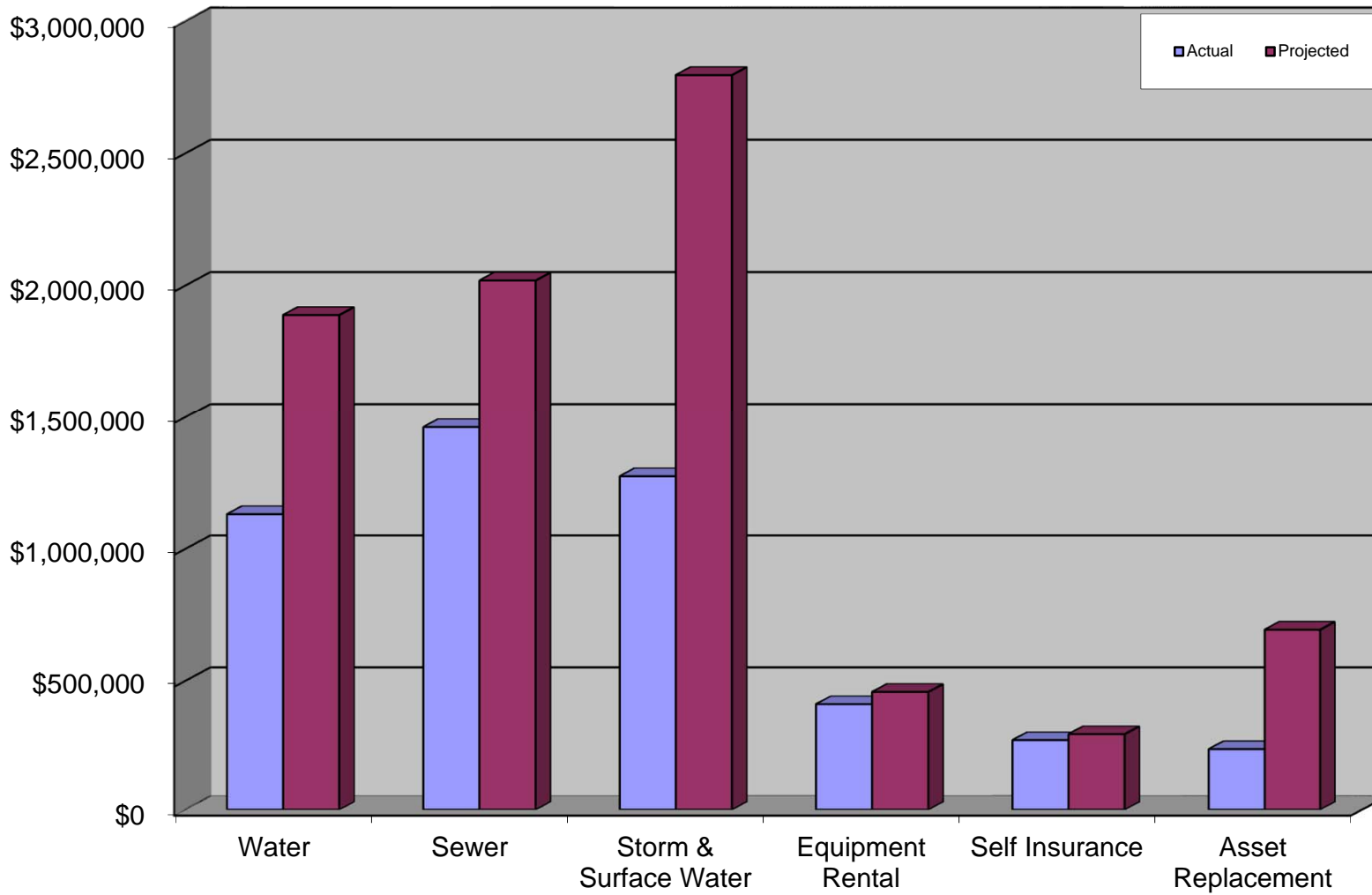
General Fund Revenues  
Chart 1

# General Fund Expenditures vs Budget March 31, 2015



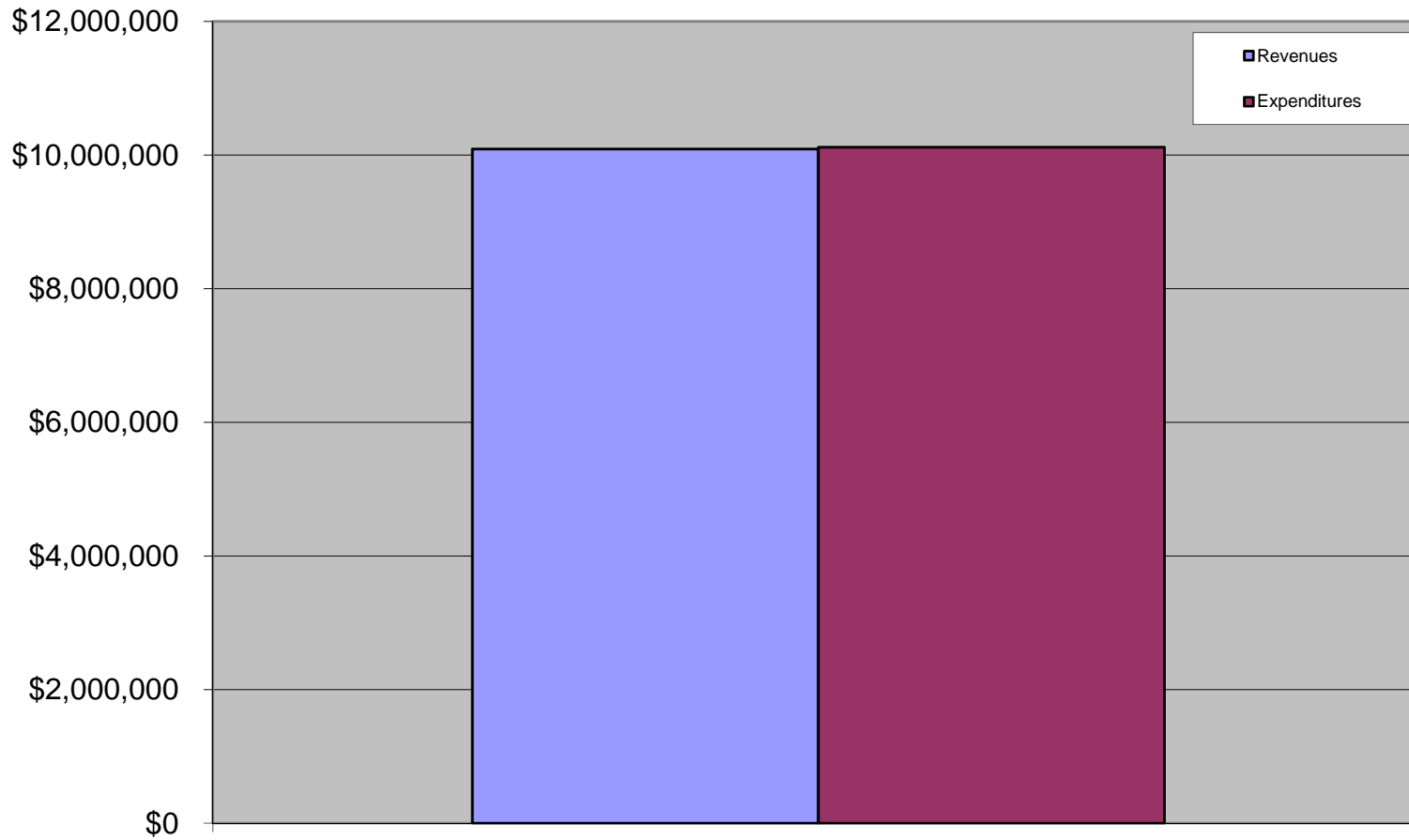
General Fund Expenditures  
Chart 2

# Proprietary Funds Expenditures vs Budget March 31, 2015



Proprietary Funds  
Chart 3

# General Fund Revenues vs Expenditures March 31, 2015



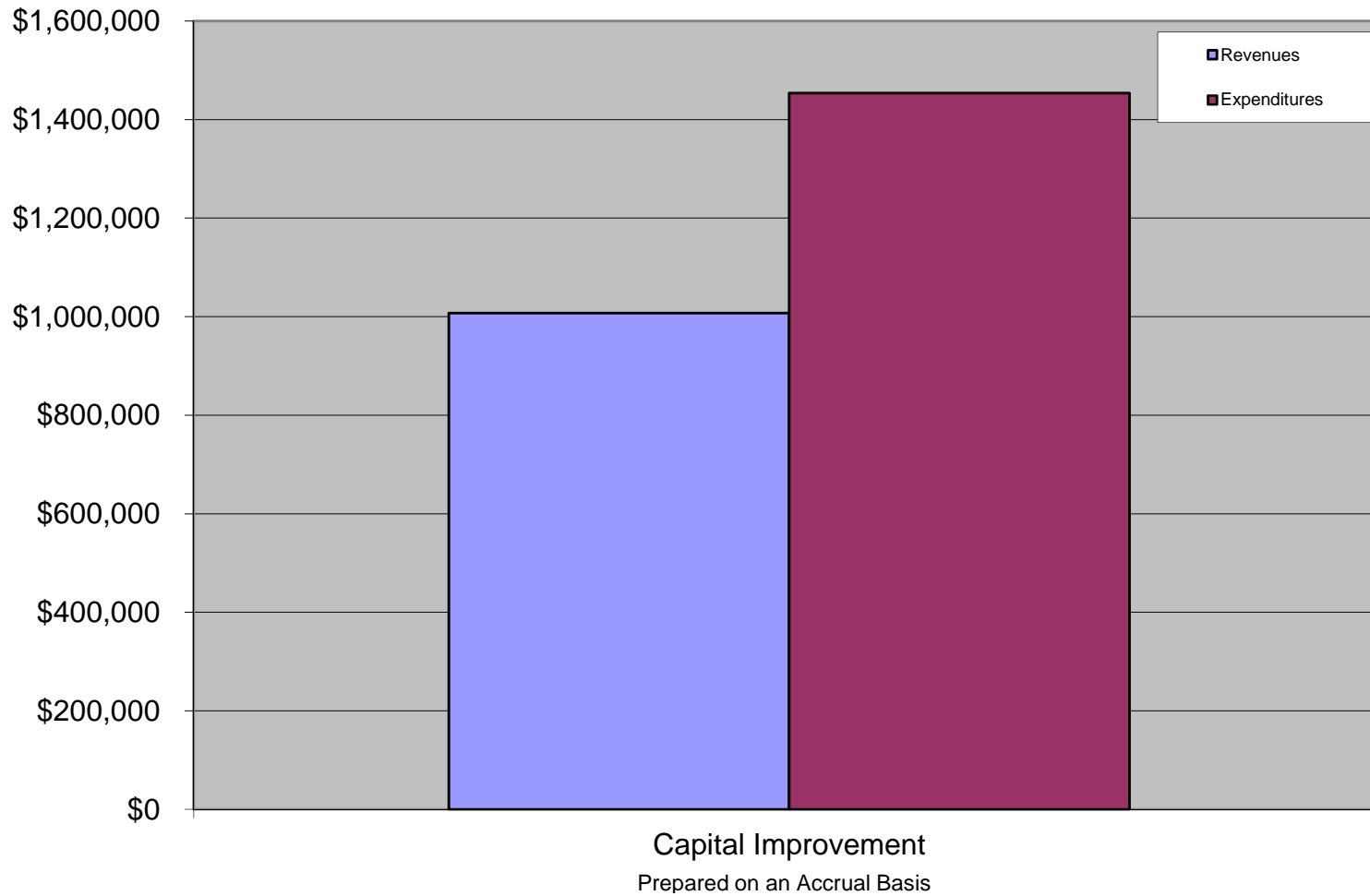
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

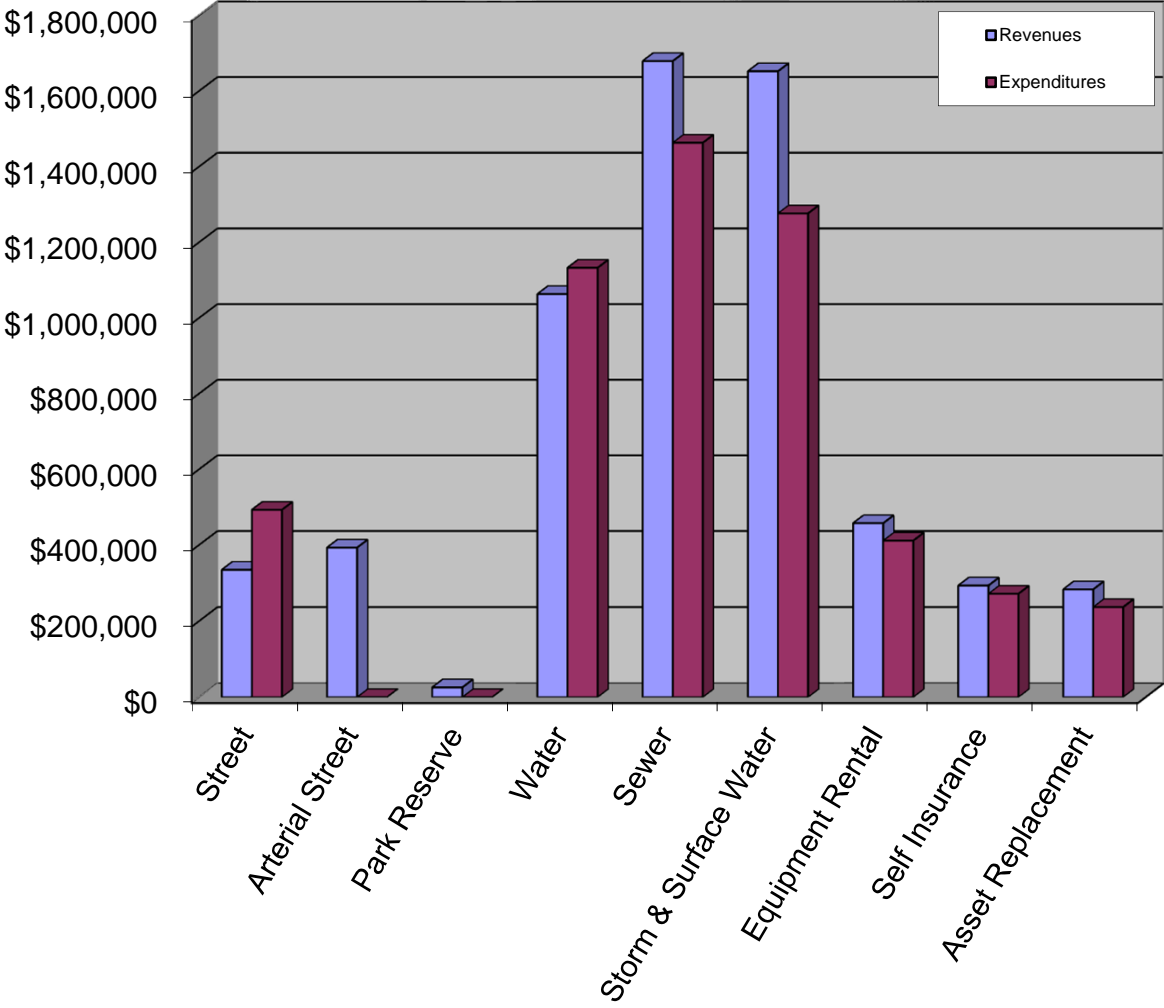
Chart 4

# Capital Improvement Fund Revenues vs Expenditures March 31, 2015



Capital Improvement Fund Revenues vs. Expenditures  
Chart 5

## Other Major Funds Revenues vs Expenditures March 31, 2015



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures  
Chart 6