

INTEROFFICE MEMORANDUM

Finance Department



City of Bothell

DATE: May 29, 2013

TO: Mayor and Council

THROUGH: Bob Stowe, City Manager

FROM: Tami Schackman, Finance Director

SUBJECT: 2013-14 Budget Status Report – Quarter #1

Attached for your review is the City's budget status report as of March 31, 2013.

The General Fund concluded the first quarter of 2013 with a three-month deficit of \$72,492, although combined net General Fund and Street Fund results (the Street Fund is subsidized by the General Fund) resulted in a \$68,605 surplus.

Retail sales tax revenues were down in the first quarter, while construction sales tax revenues as well as other development-related revenues were up – signifying that post-recession development continues to be strong.

Finally, staff estimated in the memo that accompanied the 2012 fourth quarter budget report that the General Fund reserves would end 2012 at 8.8%, or only \$57,632 less than had been projected. This projected calculation was based on accrued revenues and expenditures as of December 31, not actual revenue receipts. The final year-end reserve figure amounted to 7.2%, or \$639,933 less than projected. It is important to note that the 2013-2014 budget includes a fiscal strategy for allocating excess one-time development receipts to help replenish General Fund reserves over the 2013-2014 and 2014-2016 biennia.

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

City of Bothell

2013-2014 Budget Status Report

For the Quarter Ending March 31, 2013

I. BIENNIUM STATUS

On March 31, 2013, the City concluded the first quarter of the 2013-2014 biennium. The budget period described in this report is 12.5% complete.

Citywide

Citywide 2013 surplus/deficit: -\$321,413

- General Fund (-\$72,492). See detailed discussion below.
- Capital Improvements Fund (-\$1,112,894). Capital expenditures continued to progress as programmed in the City's adopted Capital Facilities Plan (CFP).
- Self Insurance Fund (-\$404,820). The City's annual insurance premium was paid to the Washington Cities Insurance Authority (WCIA) in January.

General Fund

General Fund 2013 surplus/deficit: -\$72,492

(General Fund + Street Fund) 2013 surplus/deficit:* \$68,605

*Since the General Fund subsidizes Street Fund operations (the budgeted subsidy for 2013 totals \$794,240), it is also useful to look at the combined financial results for the two funds.

Retail sales tax revenues were relatively weak in the first quarter. Year-to-date totals were down \$250,000 from the same period in 2012 – and in fact were just slightly ahead of receipts from the same period in 2010.

Development-related revenues continued their upward trend, as post-recession development remained strong. Construction sales tax was up \$156,000 compared to the first quarter of 2012. Building permits, plumbing/mechanical permits, pre-application fees, and development review fees were also up significantly.

General Fund expenditures were down \$270,000, or just under 3%, from first quarter 2012 results.

II. BUDGET VS ACTUAL SUMMARIES

		Inflow/Outflow	2013-14 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$15,484,820	\$227,139,237	6.8%
	Outflow	\$15,806,233	\$231,914,189	6.8%
<u>GENERAL FUND</u>	Inflow	\$8,940,323	\$78,150,611	11.4%
	Outflow	\$9,012,815	\$78,150,611	11.5%
<u>GENERAL/STREET FUNDS</u>	Inflow	\$9,461,367	\$82,273,619	11.5%
	Outflow	\$9,392,761	\$82,273,619	11.4%
<u>CAPITAL IMP FUND</u>	Inflow	\$1,854,006	\$78,568,887	2.4%
	Outflow	\$2,966,900	\$78,354,340	3.8%
<u>UTILITY FUNDS</u>	Inflow	\$2,839,199	\$47,900,657	5.9%
	Outflow	\$2,424,030	\$49,108,980	4.9%

III. ECONOMIC INFORMATION

Employment - National

National non-farm payroll employment increased by 618,400 jobs during the first quarter of 2013. The national unemployment rate fell to 7.6% in March.

The number of long-term unemployed (those jobless for 27 weeks or more) dropped to 4.6 million in March, and accounted for 39.6% of the total unemployed.

<u>U.S. GOODS-PRODUCING: +131,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +487,400 JOBS</u>	
Construction	+85,000	Wholesale trade	+21,300
Manufacturing	+39,000	Retail trade	+44,300
Mining & logging	+7,000	Transportation/warehousing/utilities	-34,200
		Information	+24,000
		Professional/financial/business	+230,000
		Educational/health services	+92,000
		Leisure/hospitality	+132,000
		Other services	-3,000
		Government	-19,000

Employment – State

24,200 non-farm jobs were gained statewide during the first quarter of 2013. Washington's unemployment rate fell to 7.3% in March, and the Seattle-Bellevue-Everett rate dropped to 5.5%.

<u>STATE GOODS-PRODUCING: +3,400 JOBS</u>		<u>STATE SERVICE-PROVIDING: +20,800 JOBS</u>	
Construction	-1,100	Wholesale trade	+1,600
Manufacturing	+4,200	Retail trade	+5,000
Mining & logging	+300	Transportation/warehousing/utilities	+1,600
		Information	+500
		Professional/financial/business	-300
		Educational/health services	+4,100
		Leisure/hospitality	+3,000
		Other services	+1,300
		Government	+4,000

Economic Forecast

In its March report, the State Economic and Revenue Forecast Council indicated that both the U.S. and Washington economies are continuing to move forward at a modest pace. The housing sector continues to improve, and home prices continue to appreciate. The manufacturing sector, on the other hand, has lost momentum.

Federal fiscal policy remains the main cause of economic uncertainty. Automatic spending cuts and higher taxes have reduced personal income. The European debt crisis, slowing Asian economies, and threats to world oil supplies also pose risks.

CPI Data – Seattle/Tacoma/Bremerton Region

December 2012 – February 2013: +0.8%

February 2012 – February 2013: +1.9%

IV. GENERAL FUND – REVENUES

Tax receipts are remitted to the City by state and county agencies, and a one to two month lag is experienced between when revenue is earned and when it is received. For example, March sales tax revenues are not remitted to the City until the end of May.

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

Revenue	Inflow	2013-14 Budget	% of Budget
Property Taxes			
City Levy	\$2,237,889	\$18,322,896	12.2%
EMS Levy	\$208,663	\$1,737,470	12.0%
Total	\$2,446,552	\$20,060,366	12.2%

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. That payment is included in the "Charges for Services" category.

Revenue	Inflow	2013-14 Budget	% of Budget
Sales/Use Taxes			
Retail	\$1,572,223	\$16,108,090	9.8%
Construction	\$392,008	\$3,090,000	12.7%
Hotel/Motel	\$60,520	\$597,175	10.1%
Criminal Justice	\$141,053	\$1,322,624	10.7%
Total	\$2,165,805	\$21,117,889	10.3%
	2013 YTD	2012 YTD	Increase/Decrease
Retail	\$1,572,223	\$1,824,416	-13.8%
Construction	\$392,008	\$236,046	+66.1%
Hotel/Motel	\$60,520	\$55,505	+9.0%
Criminal Justice	\$141,053	\$128,705	+9.6%
Total	\$2,165,805	\$2,244,672	-3.5%

Retail sales tax receipts were \$250,000 lower than in first quarter 2012, and just \$31,000 higher than in first quarter 2010. Construction sales tax receipts, on the other hand, continued their upward trend as post-recession development remains strong.

Revenue	Inflow	2013-14 Budget	% of Budget
Business & Utility Taxes			
Electric & Gas	\$965,218	\$7,721,072	12.5%
Cable TV	\$133,077	\$1,134,497	11.7%
Telephone & Cellular	\$477,719	\$4,095,567	11.7%
Water & Sewer	\$102,027	\$1,321,304	7.7%
Sanitation	\$73,090	\$555,470	13.2%
Gambling	\$3,745	\$30,000	12.5%
Utility Tax Rebate	(\$175)	\$0	n/a
Total	\$1,754,700	\$14,857,910	11.8%

	2013 YTD	2012 YTD	Increase/Decrease
Electric & Gas	\$965,218	\$1,012,162	-4.6%
Cable TV	\$133,077	\$128,794	+3.3%
Telephone & Cellular	\$477,719	\$486,597	-1.8%
Water & Sewer	\$102,027	\$87,573	+16.5%
Sanitation	\$73,090	\$68,123	+7.3%
Gambling	\$3,745	\$3,682	+1.7%
Utility Tax Rebate	(\$175)	(\$150)	-16.6%
Total	\$1,754,700	\$1,786,781	-1.8%

Revenue	Inflow	2013-14 Budget	% of Budget
Other Taxes	\$2	\$74,000	0.0%

Other taxes include leasehold excise taxes and private harvest timber taxes, which are received periodically throughout the year.

Revenue	Inflow	2013-14 Budget	% of Budget
Franchise/License Rev			
Alderwood Water District	\$88,801	\$645,000	13.8%
Northshore Utility District	\$9,578	\$135,000	7.1%
Frontier/FIOS	\$17,245	\$175,000	9.9%
Business & Sign Licenses	\$236,993	\$1,654,580	14.3%
Total	\$352,618	\$2,609,580	13.5%

	2013 YTD	2012 YTD	Increase/Decrease
Alderwood Water District	\$88,801	\$86,396	+2.8%
Northshore Utility District	\$9,578	\$10,100	-5.2%
Frontier/FIOS	\$17,245	\$18,439	-6.5%
Total	\$115,624	\$114,935	+0.6%

Business license fees are due July 31. The vast majority of fees will be received in the first three quarters of 2013. The YTD figure above represents 1/3 of projected revenue.

Revenue	Inflow	2013-14 Budget	% of Budget
Non-Bus Licenses & Permits			
Building Permits	\$218,961	\$1,500,000	14.6%
Plumbing/Mechanical	\$48,672	\$300,000	16.2%
Pre-Application Fees	\$12,276	\$100,000	12.3%
Animal Licenses	\$18,505	\$161,400	11.5%
Concealed Weapons	\$2,606	\$16,100	16.2%
Total	\$301,020	\$2,077,500	14.5%

	2013 YTD	2012 YTD	Increase/Decrease
Building Permits	\$218,961	\$93,270	+134.8%
Plumbing/Mechanical	\$48,672	\$20,373	+138.9%
Pre-Application Fees	\$12,276	\$1,888	+550.2%
Total	\$279,909	\$115,531	+142.3%

Development-related revenues in this category are also up significantly from 2012.

Revenue	Inflow	2013-14 Budget	% of Budget
Intergovernmental	\$135,763	\$1,525,200	8.9%

Intergovernmental revenues include grants and entitlements. The inflow figure above includes \$48,333 in PUD Privilege Tax. This represents 1/3 of the projected annual revenue, which will be received in the third quarter.

Revenue	Inflow	2013-14 Budget	% of Budget
Charges for Services	\$1,122,981	\$9,116,395	12.3%
	2013 YTD	2012 YTD	Increase/Decrease
MVA Fees	\$6,385	\$0	n/a
EMS Transport Fees	\$85,955	\$69,379	+38.3%
Plan Check Fees	\$174,520	\$175,654	-0.6%
Development Review Fees	\$178,280	\$144,095	+23.7%
Total	\$445,150	\$389,128	+14.4%

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 February 2012. The City also began collecting the EMS Transport fee from residents of Fire District 10 beginning in 2013.

Revenue	Inflow	2013-14 Budget	% of Budget
Interfund Svcs – Utilities	\$144,634	\$1,157,068	12.5%
CFP Staff Transfers	\$426,453	\$3,645,828	11.7%
Total	\$571,087	\$4,802,896	11.9%

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

Revenue	Inflow	2013-14 Budget	% of Budget
Fines/Penalties/Criminal Costs	\$105,601	\$812,400	13.0%
Other Miscellaneous	(\$15,823)	\$1,096,475	-1.4%
Total	\$89,778	\$1,908,875	4.7%
	2013 YTD	2012 YTD	Increase/Decrease
Fines/Penalties/Criminal Costs	\$105,601	\$98,442	+7.3%
Other Miscellaneous	(\$15,823)	\$144,989	-110.9%
Total	\$89,778	\$243,431	-63.1%

Investment interest was down nearly \$142,000 from the first quarter of 2012. This decline was due in part to required year-end 2012 accounting entries that adjusted investments to their fair market value – accruing \$95,000 in interest revenue into 2012.

See General Fund Revenues - Chart 1

V. GENERAL FUND – EXPENDITURES

Expenditure	Outflow	2013-14 Budget	% of Budget
Salaries & Benefits	\$7,473,420	\$60,791,101	12.3%
Maintenance & Operations	\$976,126	\$11,785,028	8.3%
Capital	\$0	\$101,000	0.0%
Interfund/Op Transfers	\$563,269	\$5,473,482	10.3%
Total	\$9,012,815	\$78,150,611	11.5%
	2013 YTD	2012 YTD	Increase/Decrease
Salaries & Benefits	\$7,473,420	\$7,572,180	-1.3%
Maintenance & Operations	\$976,126	\$1,128,964	-13.5%
Capital	\$0	\$16,496	-100.0%
Interfund/Op Transfers	\$563,269	\$565,174	-0.3%
Total	\$9,012,815	\$9,282,814	-2.9%

See General Fund Expenditures - Chart 2

See General Fund Revenues vs. Expenditures - Chart 3

VI. OTHER MAJOR FUNDS

	Inflow/Outflow	2013-14 Budget	% of Budget	
Street	Inflow	\$521,044	\$4,123,008	12.6%
	Outflow	\$379,947	\$4,123,008	9.2%

Subsidy transfers from the General Fund represented \$198,560 of Street Fund revenues during the first quarter.

	Inflow/Outflow	2013-14 Budget	% of Budget	
Arterial Street	Inflow	\$248,939	\$6,132,320	4.1%
	Outflow	\$6,608	\$6,937,054	0.1%

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	2013-14 Budget	% of Budget	
Park Reserve	Inflow	\$29,388	\$480,000	6.1%
	Outflow	\$0	\$100,000	0.0%

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

	Inflow/Outflow	2013-14 Budget	% of Budget	
Capital Improvement	Inflow	\$1,854,006	\$78,568,887	2.4%
	Outflow	\$2,966,900	\$78,354,340	3.8%

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

VII. PROPRIETARY FUNDS

Fund		Inflow/Outflow	2013-14 Budget	% of Budget
Water	Inflow	\$751,123	\$10,624,378	7.1%
	Outflow	\$657,413	\$11,680,279	5.6%
Sewer	Inflow	\$1,164,805	\$15,120,910	7.7%
	Outflow	\$969,807	\$15,754,663	6.2%
Storm Drain	Inflow	\$923,270	\$22,155,369	4.2%
	Outflow	\$796,811	\$21,674,038	3.7%
Equipment Rental	Inflow	\$385,212	\$3,082,272	12.5%
	Outflow	\$320,706	\$3,077,111	10.4%
Self-Insurance	Inflow	\$274,713	\$2,182,524	12.6%
	Outflow	\$679,533	\$2,130,813	31.9%
Asset Replacement	Inflow	\$178,957	\$2,949,558	6.1%
	Outflow	\$11,388	\$6,326,272	0.2%

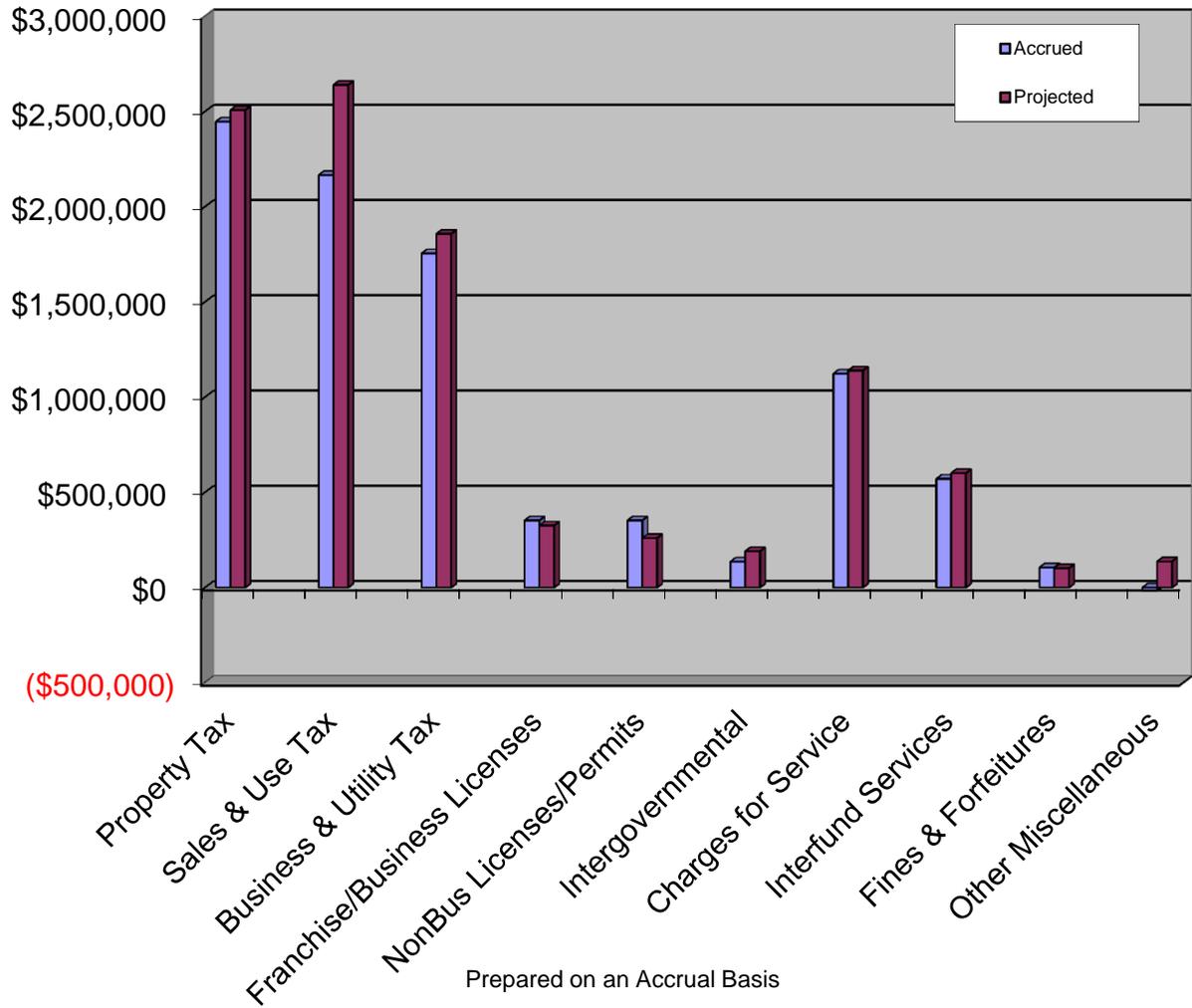
See *Proprietary Funds Expenditures - Chart 4*

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

VIII. COUNCIL EMPHASIS AREAS

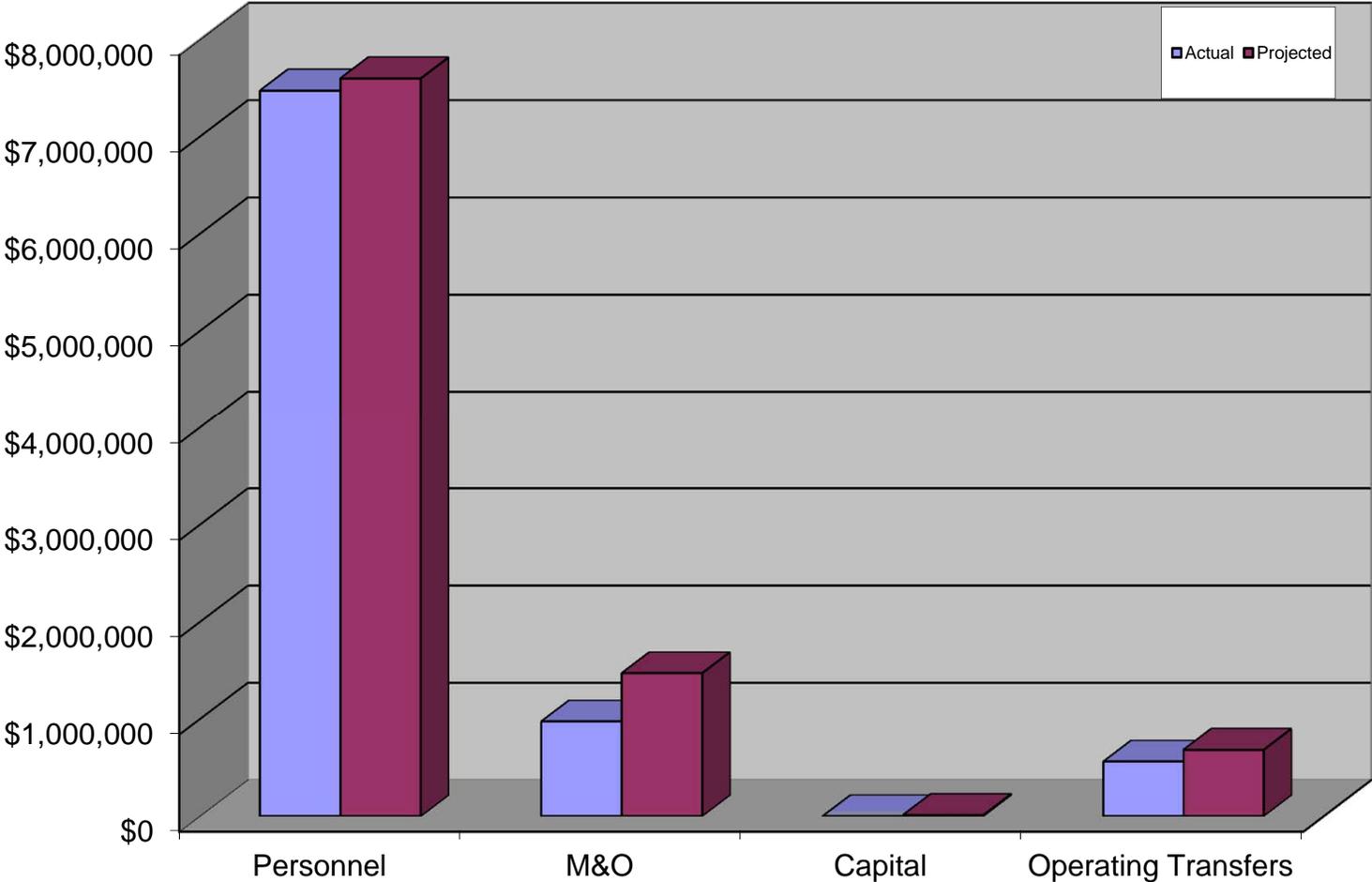
Development Review Fees	Inflow	\$219,648	(Includes A/R)
	Outflow	275,910	(Includes overhead)
	Net	(\$56,262)	
Permitting Fees	Inflow	\$442,153	
	Outflow	383,613	(Includes overhead)
	Net	\$58,540	
CFP Project-Term Staff	Inflow	\$325,442	(2013 reimbursement to Gen Fund)
	Outflow	325,442	(2013 Gen Fund salaries/benefits)
	Net	\$0	
Utility Tax Rebates	2013	\$175	(2 rebates)
	2012	\$150	(2 rebates)
	Inc(Dec)	\$25	

General Fund Revenue vs Budget March 31, 2013



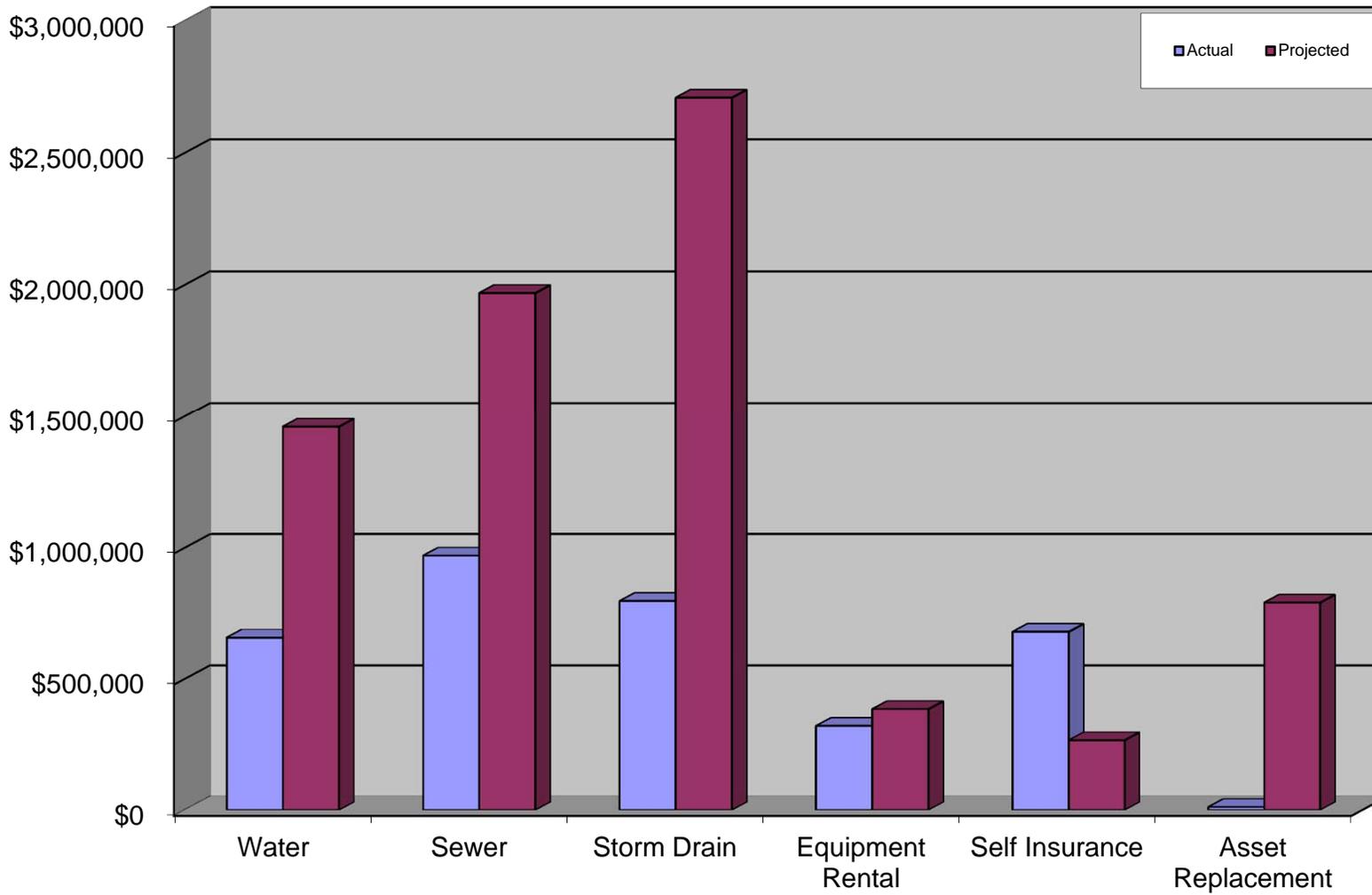
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget March 31, 2013



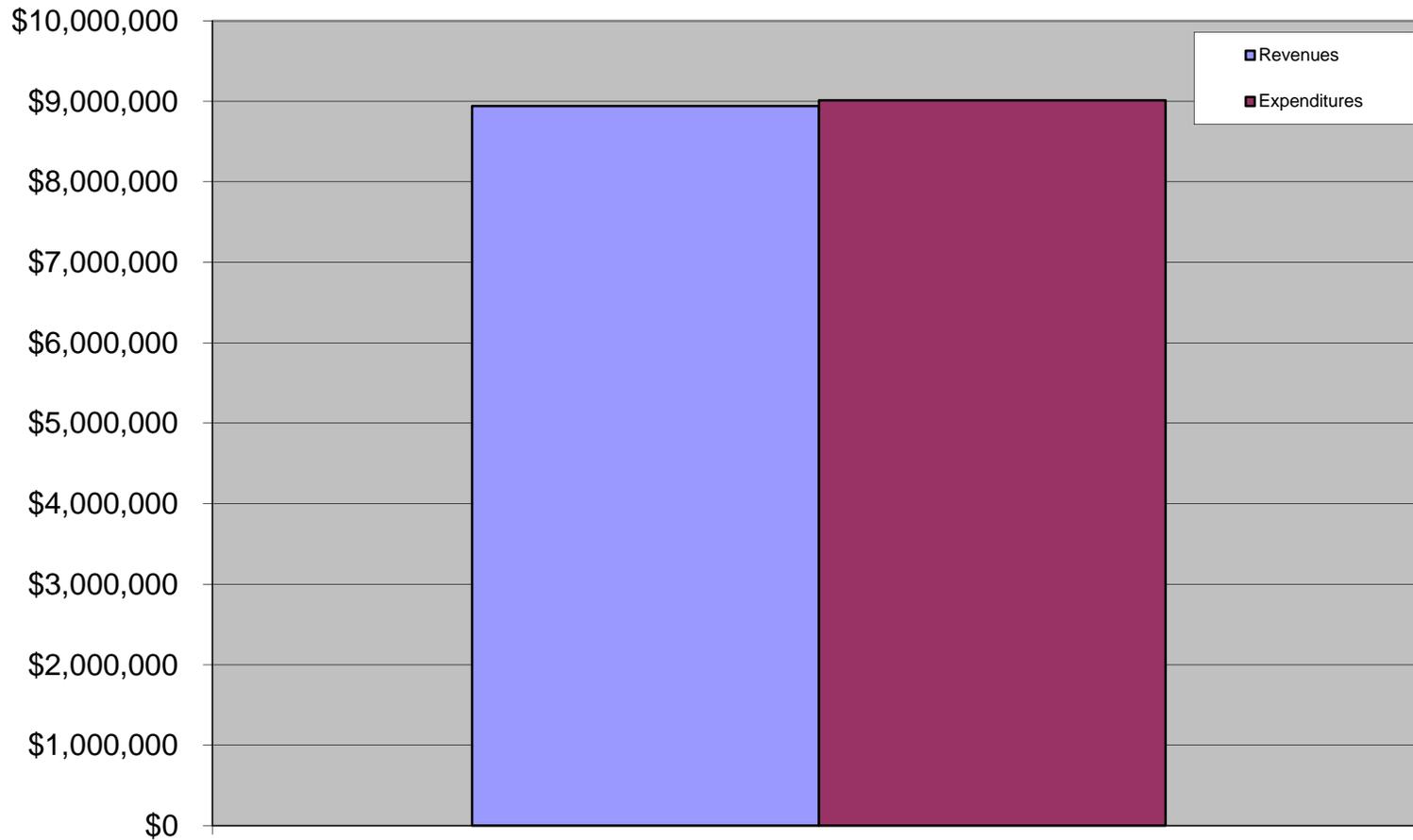
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget March 31, 2013



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures March 31, 2013



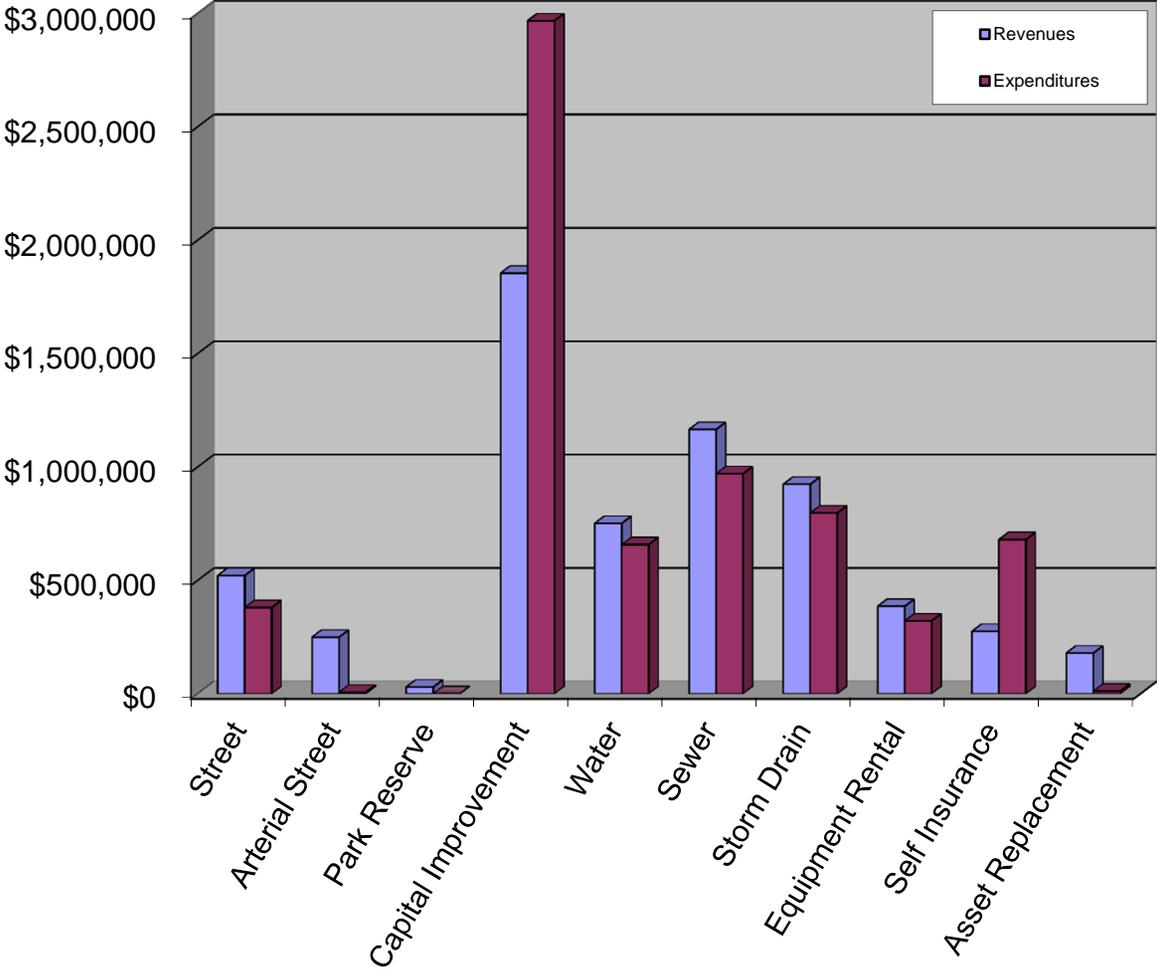
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

**Other Major Funds
Revenues vs Expenditures
March 31, 2013**



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5