

**INTEROFFICE MEMORANDUM**  
**Finance Department**



City of Bothell

**DATE:** November 19, 2013  
**TO:** Mayor and Council  
**THROUGH:** Bob Stowe, City Manager  
**FROM:** Tami Schackman, Finance Director  
**SUBJECT:** 2013-14 Budget Status Report – Quarter #3



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Attached for your review is the City's budget status report as of September 30, 2013.

Staff is projecting that the General Fund will close the third quarter of 2013 with a surplus of \$459,926\*. Combined net General Fund and Street Fund results (the Street Fund is subsidized by the General Fund) are projected to generate a \$648,974 surplus\*.

As indicated in the 2013-2014 budget process and as described in the 2013-2014 budget document, these surplus funds were anticipated and are allocated toward reinstating pre-recession operating reserve levels.

Retail sales tax revenues held steady in July and August, coming in slightly higher (\$18,789, or 1.6%) than the same months in 2012. Construction sales tax is nearly \$500,000 ahead of 2012 levels through August. Building permit revenues fell off somewhat during the third quarter, but this was not unexpected – a July 1 fee increase may have caused developers to accelerate permit applications in advance of the increase.

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

\*September sales tax revenue figures will not be available until late November. Staff is utilizing projected accrual figures to estimate final third quarter results.

# City of Bothell

## 2013-2014 Budget Status Report

### For the Quarter Ending September 30, 2013

#### I. BIENNIUM STATUS

On September 30, 2013, the City concluded the first quarter of the 2013-2014 biennium. The budget period described in this report is 37.5% complete.

#### Citywide

Citywide 2013 surplus/deficit: \$3,974,535

- General Fund (\$459,926). See detailed discussion below.
- Capital Improvements Fund (\$2,360,140). \$10 million in bank qualified bonds were issued in June, as approved by Council. Capital expenditures continued to progress as programmed in the City's adopted Capital Facilities Plan.
- Arterial Street Fund (\$992,393). Impact and mitigation fees await transfer to the Capital Improvements Fund for transportation projects.
- Asset Replacement Fund (-\$460,115). Replacement vehicles and other assets are being purchased as needed throughout the biennium.

#### General Fund

General Fund 2013 surplus/deficit: \$459,926

(General Fund + Street Fund) 2013 surplus/deficit:\* \$648,974

\*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.

July and August retail sales tax revenues were slightly higher (\$18,789 / 1.6%) than in 2012. Staff is projecting that September revenues (to be received at the end of November) will be slightly higher than 2012.

Development-related revenues remained strong. Construction sales tax was nearly \$500,000 ahead of 2012 levels through August. Building permit revenues tailed off slightly during the third quarter – this was expected following a July 1 fee increase.

General Fund expenditures continued to exceed 2012 levels (by \$938,874, or 3.4%). However, \$439,562 of this difference is one-time spending for the Biomedical Manufacturing Innovation Partnership Zone (IPZ) project, which is grant funded.

#### II. BUDGET VS ACTUAL SUMMARIES

		Inflow/Outflow	2013-14 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$64,852,442	\$227,139,237	28.6%
	Outflow	\$60,877,906	\$231,914,189	26.3%
<u>GENERAL FUND</u>	Inflow	\$29,061,144	\$78,150,611	37.2%
	Outflow	\$28,601,218	\$78,150,611	36.6%
<u>GENERAL/STREET FUNDS</u>	Inflow	\$30,599,265	\$82,273,619	37.2%
	Outflow	\$29,950,291	\$82,273,619	36.4%

<a href="#">CAPITAL IMP FUND</a>	Inflow	\$18,945,131	\$78,568,887	24.1%
	Outflow	\$16,584,991	\$78,354,340	21.2%
<a href="#">UTILITY FUNDS</a>	Inflow	\$10,400,197	\$47,900,657	21.7%
	Outflow	\$10,179,517	\$49,108,980	20.7%

### [III. ECONOMIC INFORMATION](#)

#### [Employment - National](#)

National non-farm payroll employment increased by 429,900 jobs during the third quarter of 2013. The national unemployment rate fell to 7.2% in June.

The number of long-term unemployed (those jobless for 27 weeks or more) dropped slightly to 4.1 million in September, and accounted for 36.9% of the total unemployed.

<a href="#">U.S. GOODS-PRODUCING: +32,000 JOBS</a>		<a href="#">U.S. SERVICE-PROVIDING: +397,900 JOBS</a>	
Construction	+25,000	Wholesale trade	+39,300
Manufacturing	-2,000	Retail trade	+93,700
Mining & logging	+9,000	Transportation/warehousing/utilities	+13,900
		Information	-1,000
		Professional/financial/business	+106,000
		Educational/health services	+91,000
		Leisure/hospitality	+5,000
		Other services	+7,000
		Government	+43,000

#### [Employment – State](#)

Due to a delay in receiving data during the federal government shutdown, the State did not issue an employment report for September. Washington's unemployment rate was 7.0% in August, and the Seattle-Bellevue-Everett rate was 5.2%.

#### [Economic Forecast](#)

In its September report, the State Economic and Revenue Forecast Council indicated that it expects both the U.S. and Washington economies to continue their slow recovery pace. Washington is still likely to outperform the nation, but by a small margin. State employment is rising in most sectors, with the exceptions being aerospace and government. Car and light truck sales statewide are approaching pre-recession highs.

At the federal level, fallout from the government shutdown remains a significant downside risk, as do weakening Asian and European economies. The continued unrest in Syria could potentially lead to an oil price spike as well.

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

June 2013 – August 2013:	+0.2%
August 2012 – August 2013:	+1.1%

#### 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, September sales tax will not be received until November.

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

Revenue	Inflow	2013-14 Budget	% of Budget
<b>Property Taxes</b>			
City Levy	\$6,713,668	\$18,322,896	36.6%
EMS Levy	\$625,988	\$1,737,470	36.0%
<b>Total</b>	<b>\$7,339,656</b>	<b>\$20,060,366</b>	<b>36.6%</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	2013-14 Budget	% of Budget
<b>Sales/Use Taxes*</b>			
Retail	\$5,240,470	\$16,108,090	32.5%
Construction	\$1,464,228	\$3,090,000	47.4%
Hotel/Motel	\$244,243	\$597,175	40.9%
Criminal Justice	\$459,953	\$1,322,624	34.8%
<b>Total</b>	<b>\$7,408,894</b>	<b>\$21,117,889</b>	<b>35.1%</b>
	<b>2013 YTD</b>	<b>2012 YTD</b>	<b>Increase/Decrease</b>
Retail	\$5,240,470	\$5,150,653	+1.7%
Construction	\$1,464,228	\$906,686	+61.5%
Hotel/Motel	\$244,243	\$221,894	+10.1%
Criminal Justice	\$459,953	\$424,829	+8.3%
<b>Total</b>	<b>\$7,408,894</b>	<b>\$6,704,062</b>	<b>+10.5%</b>

\*September sales tax revenues will not be received until the end of November. The 2013 figures above include projected accruals.

Retail sales tax receipts in July and August were comparable to 2012 levels.

Revenue	Inflow	2013-14 Budget	% of Budget
<b>Business &amp; Utility Taxes</b>			
Electric & Gas	\$2,380,779	\$7,721,072	30.8%
Cable TV	\$407,044	\$1,134,497	35.9%
Telephone & Cellular	\$1,354,636	\$4,095,567	33.1%
Water & Sewer	\$390,332	\$1,321,304	29.5%
Sanitation	\$217,189	\$555,470	39.1%
Gambling	\$10,919	\$30,000	36.4%
Utility Tax Rebate	<b>(\$3,850)</b>	\$0	n/a
<b>Total</b>	<b>\$4,757,050</b>	<b>\$14,857,910</b>	<b>32.0%</b>

	2013 YTD	2012 YTD	Increase/Decrease
Electric & Gas	\$2,380,779	\$2,455,577	-3.0%
Cable TV	\$407,044	\$393,257	+3.5%
Telephone & Cellular	\$1,354,636	\$1,442,523	-6.1%
Water & Sewer	\$390,332	\$330,744	+18.0%
Sanitation	\$217,189	\$201,639	+7.7%
Gambling	\$10,919	\$10,458	+4.4%
Utility Tax Rebate	(\$3,850)	(\$3,175)	-21.3%
<b>Total</b>	<b>\$4,757,050</b>	<b>\$4,831,023</b>	<b>-1.5%</b>

Revenue	Inflow	2013-14 Budget	% of Budget
<b>Other Taxes</b>	<b>\$17,129</b>	<b>\$74,000</b>	<b>23.1%</b>

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
<b>Franchise/License Rev</b>			
Alderwood Water District	\$252,077	\$645,000	39.1%
Northshore Utility District	\$36,971	\$135,000	27.4%
Frontier/FIOS	\$49,582	\$175,000	28.3%
Business & Sign Licenses	\$783,055	\$1,654,580	47.3%
<b>Total</b>	<b>\$1,121,685</b>	<b>\$2,609,580</b>	<b>43.0%</b>

	2013 YTD	2012 YTD	Increase/Decrease
Alderwood Water District	\$252,077	\$245,124	+2.8%
Northshore Utility District	\$36,971	\$33,112	+11.7%
Frontier/FIOS	\$49,582	\$55,789	-11.1%
<b>Total</b>	<b>\$338,630</b>	<b>\$334,025</b>	<b>+1.4%</b>

Revenue	Inflow	2013-14 Budget	% of Budget
<b>Non-Bus Licenses &amp; Permits</b>			
Building Permits	\$844,883	\$1,500,000	56.3%
Plumbing/Mechanical	\$200,376	\$300,000	66.8%
Pre-Application Fees	\$27,136	\$100,000	27.1%
Animal Licenses	\$55,731	\$161,400	34.5%
Concealed Weapons	\$5,458	\$16,100	33.9%
<b>Total</b>	<b>\$1,133,583</b>	<b>\$2,077,500</b>	<b>54.6%</b>

	2013 YTD	2012 YTD	Increase/Decrease
Building Permits	\$844,883	\$555,398	+52.1%
Plumbing/Mechanical	\$200,376	\$114,893	+74.4%
Pre-Application Fees	\$27,136	\$20,130	+34.8%
<b>Total</b>	<b>\$1,072,395</b>	<b>\$690,421</b>	<b>+55.3%</b>

Permit-related revenues slowed some in the third quarter. This was not unexpected, as a July fee increase likely accelerated permit applications in advance of the increase.

Revenue	Inflow	2013-14 Budget	% of Budget
<b>Intergovernmental</b>	<b>\$1,018,611</b>	<b>\$1,525,200</b>	<b>66.8%</b>
Intergovernmental revenues include grants and entitlements.			
Grant revenues for the Biomedical Manufacturing Innovation Partnership Zone (IPZ) project are included in the inflow figure above. This project's estimated revenues and expenditures will be included in the City's 2013 budget amendment.			

Revenue	Inflow	2013-14 Budget	% of Budget
<b>Charges for Services</b>	<b>\$3,788,974</b>	<b>\$9,116,395</b>	<b>41.6%</b>
	<b>2013 YTD</b>	<b>2012 YTD</b>	<b>Increase/Decrease</b>
<b>MVA Fees</b>	<b>\$19,355</b>	<b>\$4,510</b>	<b>+329.2%</b>
<b>EMS Transport Fees</b>	<b>\$291,620</b>	<b>\$235,589</b>	<b>+23.8%</b>
<b>Plan Check Fees</b>	<b>\$878,823</b>	<b>\$586,478</b>	<b>+49.8%</b>
<b>Development Review Fees</b>	<b>\$652,127</b>	<b>\$495,896</b>	<b>+31.5%</b>
<b>Total</b>	<b>\$1,841,925</b>	<b>\$1,322,473</b>	<b>+39.3%</b>
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
<b>Interfund Svcs – Utilities</b>	<b>\$433,901</b>	<b>\$1,157,068</b>	<b>37.5%</b>
<b>CFP Staff Transfers</b>	<b>\$1,318,494</b>	<b>\$3,645,828</b>	<b>36.2%</b>
<b>Total</b>	<b>\$1,752,394</b>	<b>\$4,802,896</b>	<b>36.5%</b>
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
<b>Fines/Penalties/Criminal Costs</b>	<b>\$304,415</b>	<b>\$812,400</b>	<b>37.5%</b>
<b>Other Miscellaneous</b>	<b>\$418,754</b>	<b>\$1,096,475</b>	<b>38.2%</b>
<b>Total</b>	<b>\$723,168</b>	<b>\$1,908,875</b>	<b>37.9%</b>
	<b>2013 YTD</b>	<b>2012 YTD</b>	<b>Increase/Decrease</b>
<b>Fines/Penalties/Criminal Costs</b>	<b>\$304,415</b>	<b>\$280,366</b>	<b>+8.6%</b>
<b>Other Miscellaneous</b>	<b>\$418,754</b>	<b>\$512,599</b>	<b>-18.3%</b>
<b>Total</b>	<b>\$723,168</b>	<b>\$792,965</b>	<b>-8.8%</b>

See General Fund Revenues - Chart 1

## V. GENERAL FUND – EXPENDITURES

Expenditure	Outflow	2013-14 Budget	% of Budget
Salaries & Benefits	\$22,417,354	\$60,791,101	36.9%
Maintenance & Operations	\$4,144,585	\$11,785,028	35.2%
Capital	\$349,472	\$101,000	346.0%
Interfund/Op Transfers	\$1,689,808	\$5,473,482	30.9%
<b>Total</b>	<b>\$28,601,218</b>	<b>\$78,150,611</b>	<b>36.6%</b>
	<b>2013 YTD</b>	<b>2012 YTD</b>	<b>Increase/Decrease</b>
Salaries & Benefits	\$22,417,354	\$22,156,345	+1.2%
Maintenance & Operations	\$4,144,585	\$3,786,959	+9.4%
Capital	\$349,472	\$23,517	+1386.0%
Interfund/Op Transfers	\$1,689,808	\$1,695,523	-0.3%
<b>Total</b>	<b>\$28,601,218</b>	<b>\$27,662,344</b>	<b>+3.4%</b>

The 2013 M&O and capital figures include \$439,562 in expenditures for the Biomedical Manufacturing Innovation Partnership Zone (IPZ) project. The costs are covered by two grants from the Department of Commerce, and the IPZ project's revenues and expenditures will be included in the City's 2013 budget amendment.

*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	<b>Inflow</b>	<b>\$1,538,121</b>	<b>\$4,123,008</b>	<b>37.3%</b>
	<b>Outflow</b>	<b>\$1,349,074</b>	<b>\$4,123,008</b>	<b>32.7%</b>

Subsidy transfers from the General Fund represented \$595,680 of Street Fund revenues during the first three quarters.

	Inflow/Outflow	2013-14 Budget	% of Budget	
Arterial Street	<b>Inflow</b>	<b>\$1,351,550</b>	<b>\$6,132,320</b>	<b>22.0%</b>
	<b>Outflow</b>	<b>\$359,157</b>	<b>\$6,937,054</b>	<b>5.2%</b>

The Arterial Street Fund is funded through impact and mitigation fees. Spending occurs primarily through transfers to the Capital Improvement Fund for transportation projects.

	Inflow/Outflow	2013-14 Budget	% of Budget	
Park Reserve	<b>Inflow</b>	<b>\$160,091</b>	<b>\$480,000</b>	<b>33.4%</b>
	<b>Outflow</b>	<b>\$0</b>	<b>\$100,000</b>	<b>0.0%</b>

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

		Inflow/Outflow	2013-14 Budget	% of Budget
Capital Improvement	Inflow	\$18,945,131	\$78,568,887	24.1%
	Outflow	\$16,584,991	\$78,354,340	21.2%

\$10 million in bank qualified bonds were issued in June (as approved by Council in May). The proceeds are being utilized as follows:

- \$4.0 million - repaid outstanding Bond Anticipation Note (BAN) in June
- \$1.5 million - Wexler property purchase necessary for the Multi-way Boulevard
- \$4.5 million - Phase 1 of Boulevard construction

## VII. PROPRIETARY FUNDS

Fund		Inflow/Outflow	2013-14 Budget	% of Budget
Water	Inflow	\$3,166,647	\$10,624,378	29.8%
	Outflow	\$3,134,279	\$11,680,279	26.8%
Sewer	Inflow	\$4,286,900	\$15,120,910	28.4%
	Outflow	\$3,946,591	\$15,754,663	25.1%
Storm Drain	Inflow	\$2,946,651	\$22,155,369	13.3%
	Outflow	\$3,098,646	\$21,674,038	14.3%
Equipment Rental	Inflow	\$1,156,109	\$3,082,272	37.5%
	Outflow	\$1,072,573	\$3,077,111	34.9%
Self-Insurance	Inflow	\$780,124	\$2,182,524	35.7%
	Outflow	\$878,552	\$2,130,813	41.2%
Asset Replacement	Inflow	\$841,227	\$2,949,558	28.5%
	Outflow	\$1,301,342	\$6,326,272	20.6%

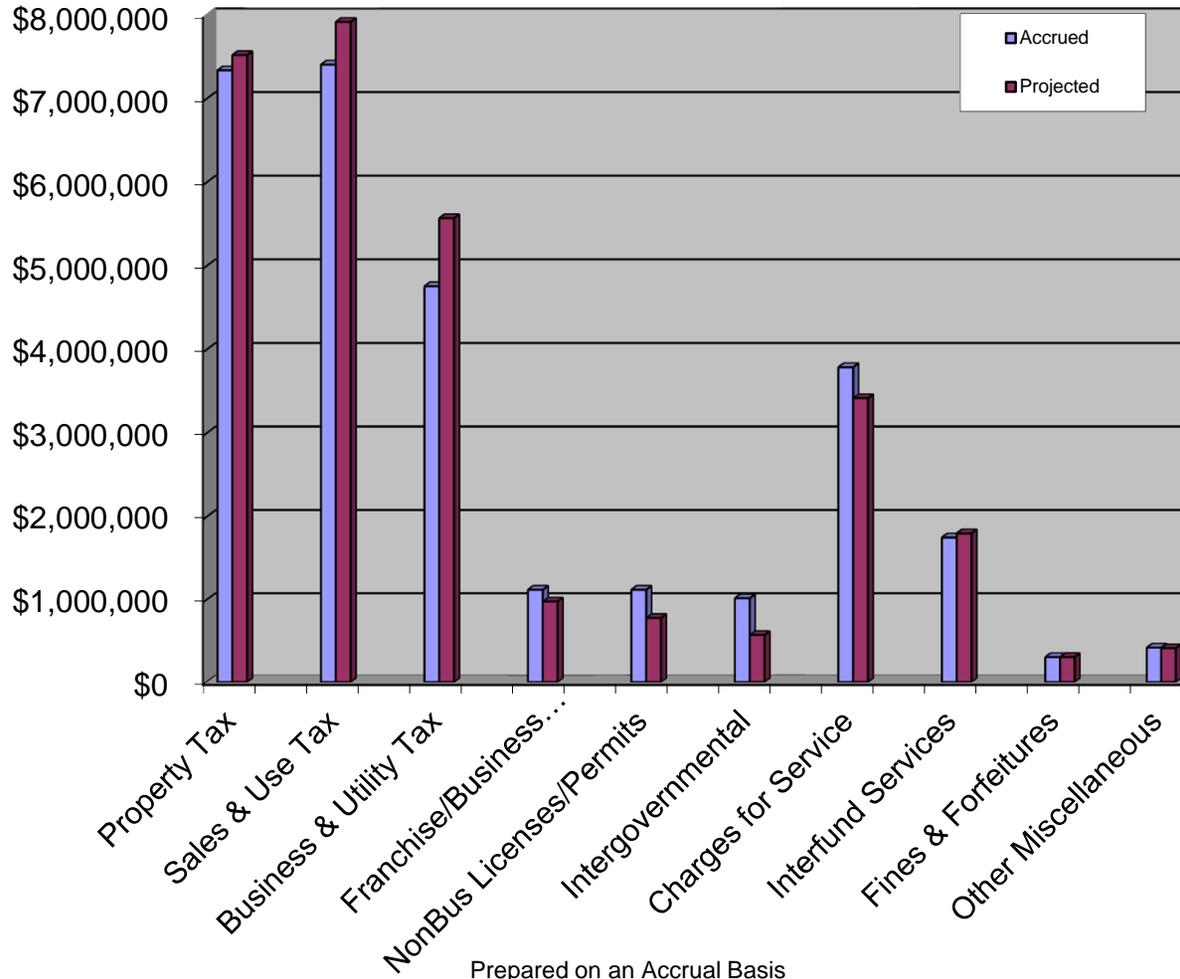
See Proprietary Funds Expenditures - Chart 4

See Other Major Funds Revenues vs. Expenditures - Chart 5

## VIII. COUNCIL EMPHASIS AREAS

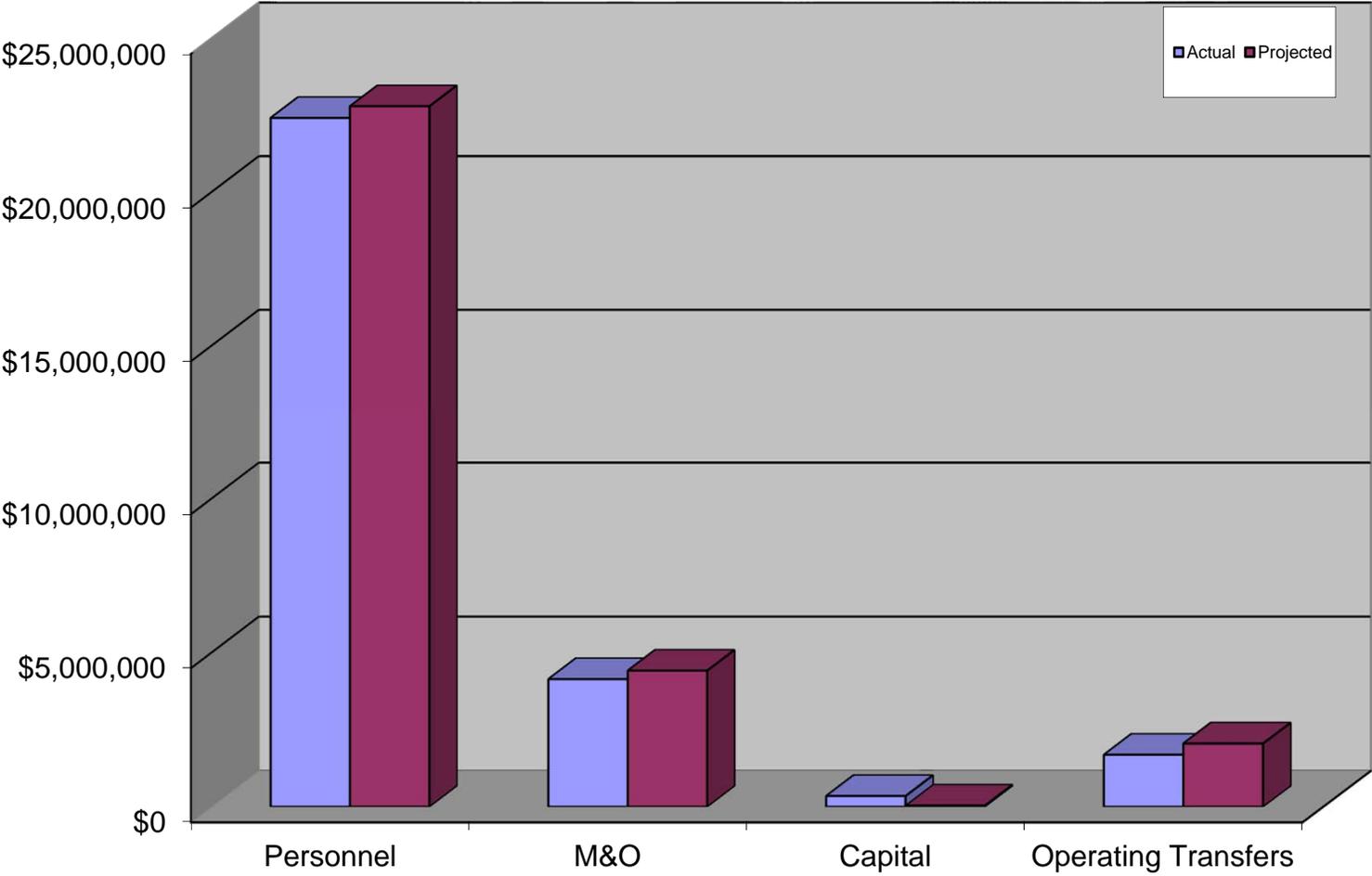
Development Review Fees	Inflow	\$765,327	(Includes A/R)
	Outflow	868,042	(Includes overhead)
	Net	<b>(\$102,716)</b>	
Permitting Fees	Inflow	\$1,924,082	
	Outflow	1,273,369	(Includes overhead)
	Net	\$650,713	
CFP Project-Term Staff	Inflow	\$991,190	(2013 reimbursement to Gen Fund)
	Outflow	991,190	(2013 Gen Fund salaries/benefits)
	Net	\$0	
Utility Tax Rebates	2013	\$3,850	(51 rebates)
	2012	\$3,175	(39 rebates)
	Inc(Dec)	\$675	

## General Fund Revenue vs Budget September 30, 2013



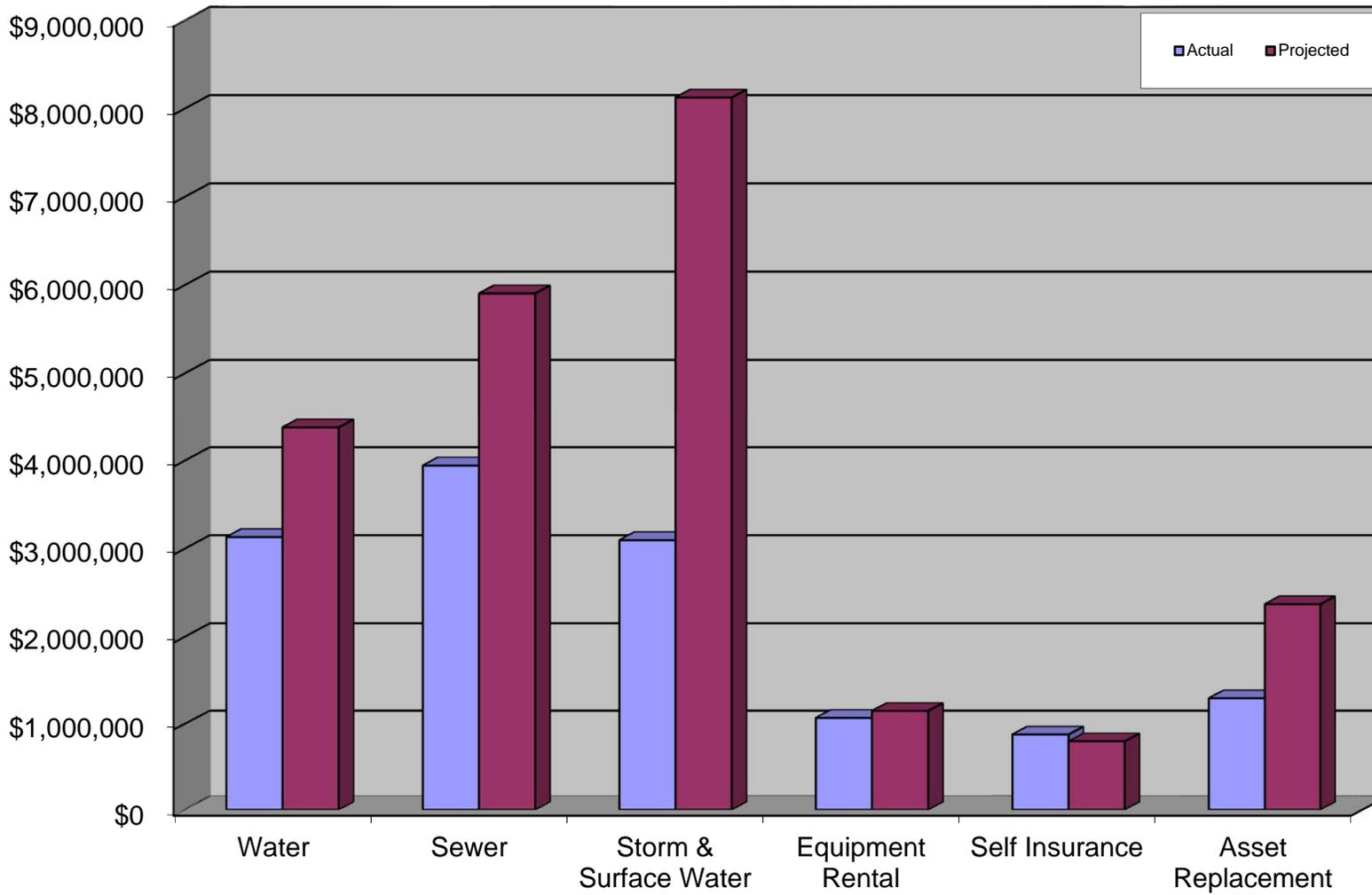
General Fund Revenues  
Chart 1

# General Fund Expenditures vs Budget September 30, 2013



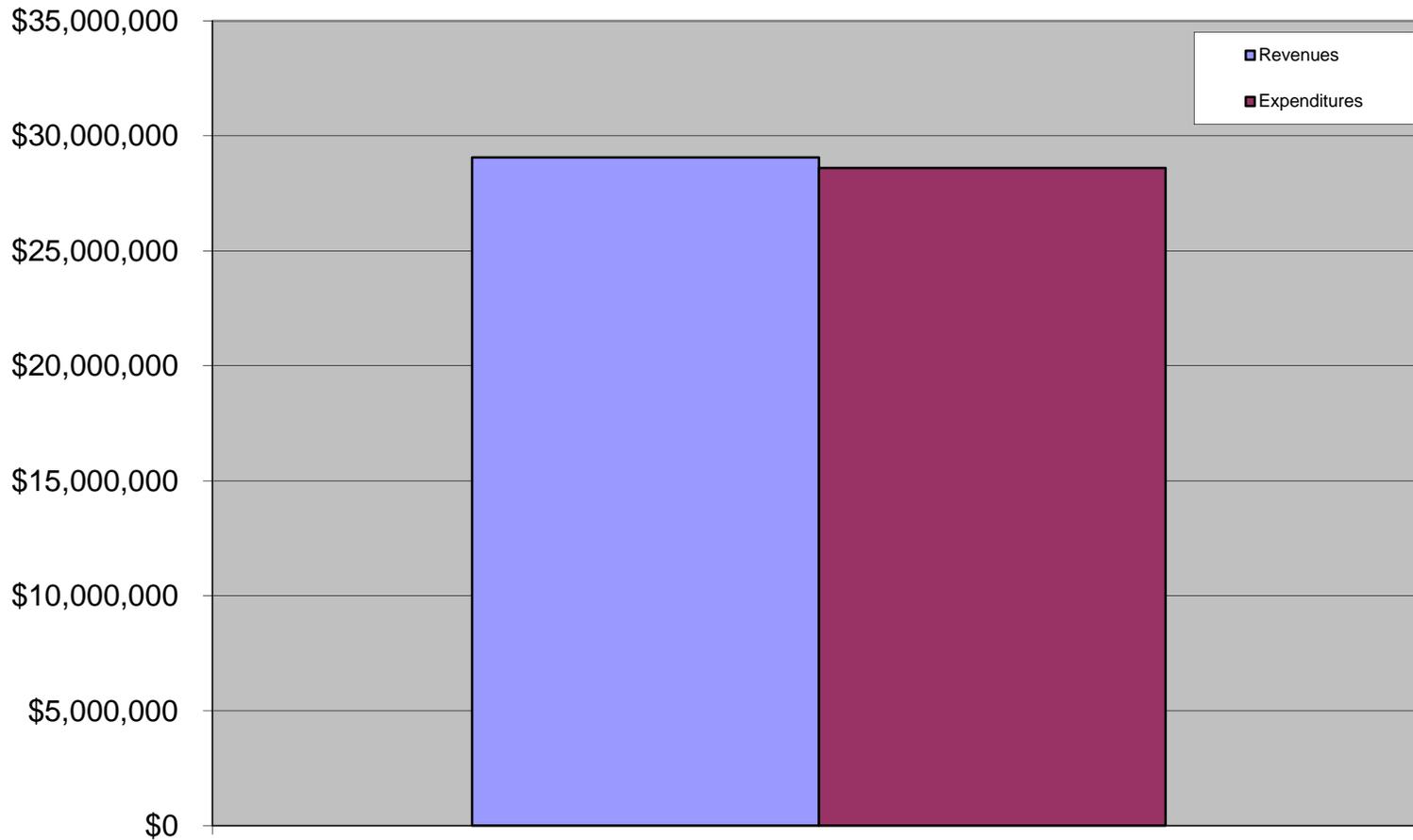
General Fund Expenditures  
Chart 2

# Proprietary Funds Expenditures vs Budget September 30, 2013



Proprietary Funds  
Chart 3

# General Fund Revenues vs Expenditures September 30, 2013



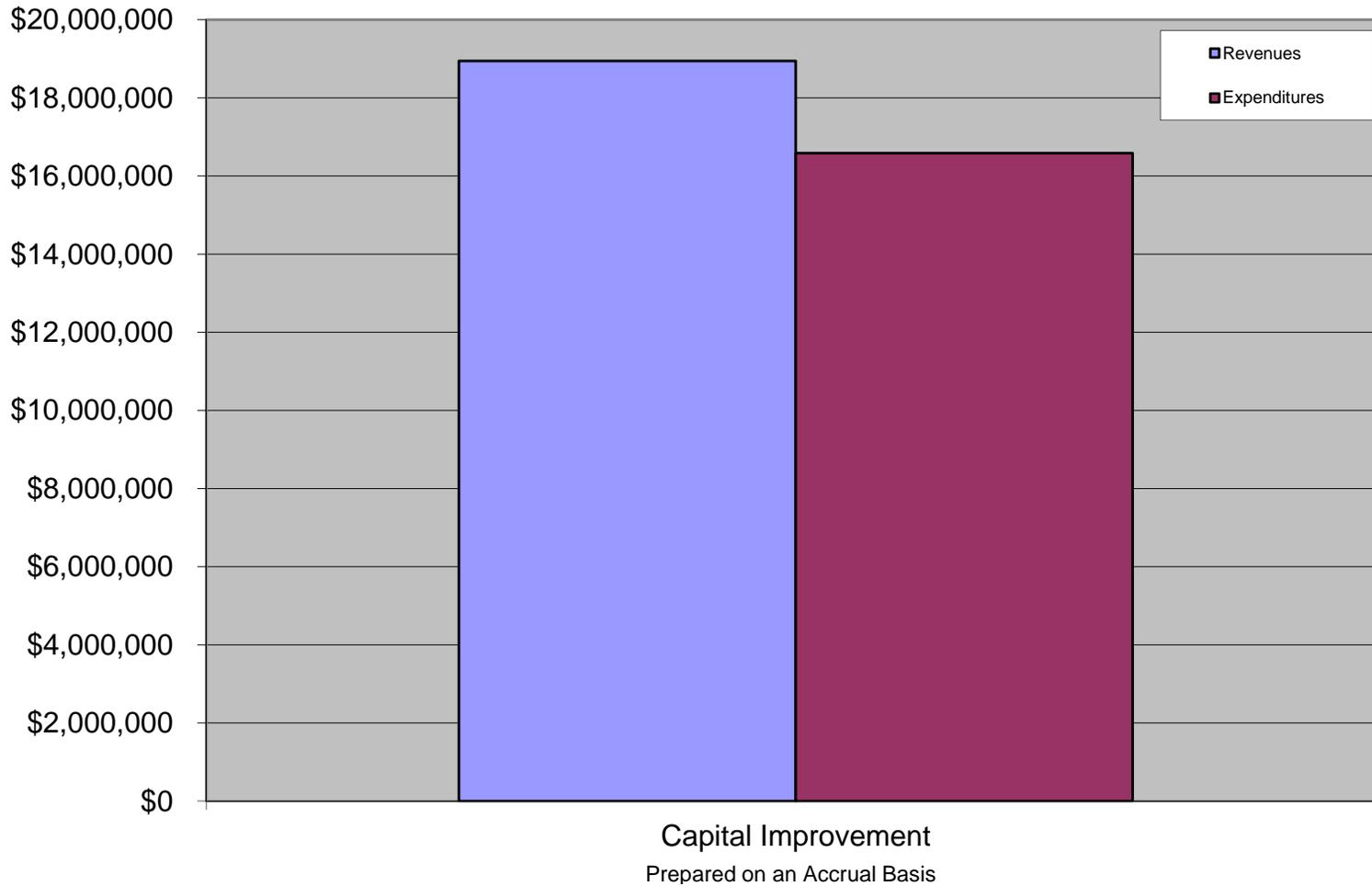
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

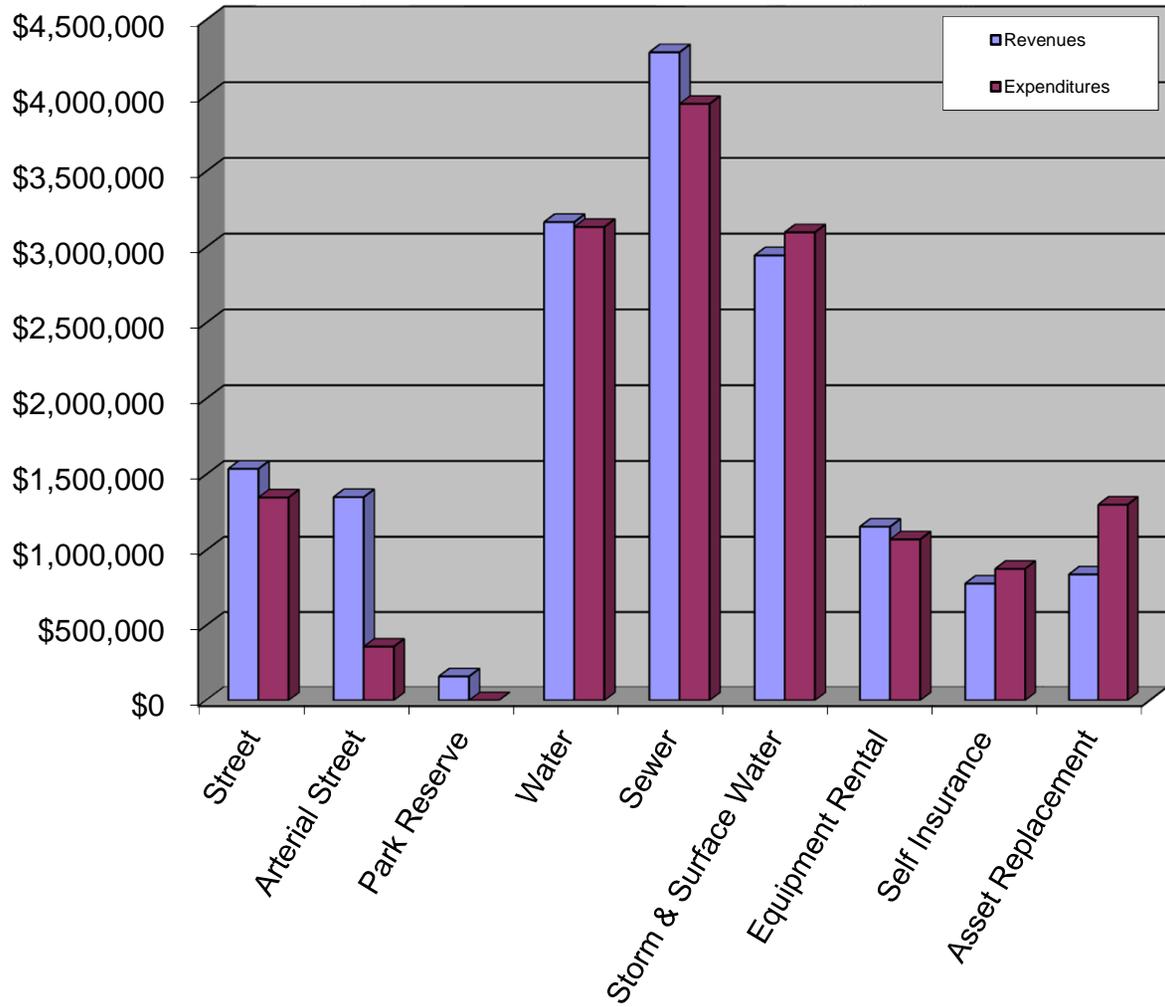
Chart 4

# Capital Improvement Fund Revenues vs Expenditures September 30, 2013



Capital Improvement Fund Revenues vs. Expenditures  
Chart 5

## Other Major Funds Revenues vs Expenditures September 30, 2013



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures  
Chart 6