

INTEROFFICE MEMORANDUM
Finance Department



City of Bothell

DATE: June 12, 2014
TO: Mayor and Council
THROUGH: Bob Stowe, City Manager
FROM: Tami Schackman, Finance Director
SUBJECT: 2013-14 Budget Status Report – Quarter #5

Attached for your review is the City's budget status report as of March 31, 2014.

I am pleased to report that the results reported at year-end 2013 have held steady through the first quarter of 2014. The General Fund 2013-2014 surplus at March 31, 2014 is \$671,790.

As indicated in the 2013-2014 budget process and as prescribed in the 2013-2014 budget document, these surplus funds were anticipated and are allocated toward reinstating pre-recession operating reserve levels. This action is in line with the City's strategy to preserve its strong credit rating.

The City is at the tail end of its 2013 operational and financial statement review by the State Auditor's Office. As in past years, the audited Comprehensive Annual Financial Report (CAFR) will be available at the end of June.

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, 2014

I. BIENNIUM STATUS

On March 31, 2014, the City concluded the fifth quarter of the 2013-2014 biennium. The budget period described in this report is 62.5% complete.

Revenue and expenditure budget totals reflect the budget amendment, which was approved by Council in November 2013.

Citywide

Citywide 2013-2014 surplus/deficit: \$8,565,058

- General Fund (\$671,790). See detailed discussion below.
- Capital Improvements Fund (\$2,743,873). \$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.
- Street Fund (\$367,310). In 2014, the City is receiving King County Road Tax in lieu of property taxes from the February King County annexations.

General Fund

General Fund 2013 surplus/deficit: \$671,790

(General Fund + Street Fund) 2013 surplus/deficit:* \$1,039,100

*Since the General Fund has historically subsidized Street Fund operations (the subsidy for 2013 totaled \$494,240), it is also useful to look at the combined financial results for the two funds.

The General Fund's operating surplus held steady during the first quarter of 2014, increasing by \$19,713. Comparatively, the first quarter of 2013 saw an operating deficit amounting to \$72,492.

Both retail (17.3% increase over first quarter 2013) and construction (23.0% increase) sales tax revenues were significantly improved compared to a year ago.

II. BUDGET VS ACTUAL SUMMARIES

		Inflow/Outflow	2013-14 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$138,750,150	\$234,652,869	59.1%
	Outflow	\$130,185,092	\$239,406,383	54.4%
<u>GENERAL FUND</u>	Inflow	\$48,572,785	\$79,937,472	60.8%
	Outflow	\$47,900,994	\$79,905,430	59.9%
<u>GENERAL/STREET FUNDS</u>	Inflow	\$51,079,210	\$85,147,779	60.0%
	Outflow	\$50,040,109	\$84,263,966	59.4%
<u>CAPITAL IMP FUND</u>	Inflow	\$61,236,466	\$81,974,637	74.7%
	Outflow	\$58,492,593	\$82,600,090	70.8%
<u>UTILITY FUNDS</u>	Inflow	\$18,588,326	\$48,294,379	38.5%
	Outflow	\$14,815,314	\$49,502,702	29.9%

III. ECONOMIC INFORMATION

Employment - National

National non-farm payroll employment increased by 532,100 jobs during the first quarter of 2014. The national unemployment rate remained unchanged at 6.7% in March.

The number of long-term unemployed (those jobless for 27 weeks or more) dropped to 3.7 million in March, and accounted for 35.8% of the total unemployed. The number of long-term unemployed decreased by 837,000 over the past year.

<u>U.S. GOODS-PRODUCING: +130,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +402,100 JOBS</u>	
Construction	+88,000	Wholesale trade	+39,900
Manufacturing	+26,000	Retail trade	-2,100
Mining & logging	+16,000	Transportation/warehousing/utilities	+17,300
		Information	-9,000
		Professional/financial/business	+196,000
		Educational/health services	+81,000
		Leisure/hospitality	+83,000
		Other services	+9,000
		Government	-13,000

Employment – State

19,900 non-farm jobs were gained statewide during the first quarter of 2014. Washington's unemployment rate was 6.3% in March, and the Seattle-Bellevue-Everett rate was 5.2%.

<u>STATE GOODS-PRODUCING: +6,800 JOBS</u>		<u>STATE SERVICE-PROVIDING: +13,100 JOBS</u>	
Construction	+4,000	Wholesale trade	-2,000
Manufacturing	+2,800	Retail trade	+2,400
Mining & logging	0	Transportation/warehousing/utilities	+1,800
		Information	+1,900
		Professional/financial/business	+2,800
		Educational/health services	+2,700
		Leisure/hospitality	+3,000
		Other services	-900
		Government	+1,400

Economic Forecast

The State Economic and Revenue Forecast Council's February 2014 report was similar to its November 2013 report, with slightly stronger growth expected in 2014 and 2015.

Employment is rising in most sectors statewide, with the exception of the federal government and aerospace sectors. The decline in aerospace employment is expected to be mild, as current reductions are due to improvements in productivity rather than production cuts.

CPI Data – Seattle/Tacoma/Bremerton Region

December 2013 – February 2014: +0.7%
 February 2013 – February 2014: +1.3%

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 2014 sales tax revenues were received in May.

Revenue	Inflow	2013-14 Budget	% of Budget
Property Taxes			
City Levy	\$11,235,074	\$18,322,896	61.3%
EMS Levy	\$1,060,245	\$1,802,936	58.8%
Total	\$12,295,319	\$20,125,832	61.1%
<p>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.</p> <p>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.</p>			

Revenue	Inflow	2013-14 Budget	% of Budget
Sales/Use Taxes			
Retail	\$8,927,264	\$16,176,032	55.2%
Construction	\$2,650,187	\$3,101,990	85.4%
Hotel/Motel	\$373,829	\$597,175	62.6%
Criminal Justice	\$784,418	\$1,412,047	55.6%
Total	\$12,735,698	\$21,287,244	59.8%
	2014 YTD	2013 YTD	Increase/Decrease
Retail	\$1,843,717	\$1,572,329	+17.3%
Construction	\$482,221	\$391,902	+23.0%
Hotel/Motel	\$66,763	\$60,520	+10.3%
Criminal Justice	\$151,359	\$141,053	+7.3%
Total	\$2,544,059	\$2,165,804	+17.5%

Revenue	Inflow	2013-14 Budget	% of Budget
Business & Utility Taxes			
Electric & Gas	\$4,333,709	\$7,836,381	55.3%
Cable TV	\$681,930	\$1,150,969	59.2%
Telephone & Cellular	\$2,131,088	\$4,161,458	51.2%
Water & Sewer	\$652,908	\$1,321,304	49.4%
Sanitation	\$369,081	\$563,707	65.5%
Gambling	\$18,858	\$30,000	62.9%
Utility Tax Rebate	(\$4,700)	\$0	n/a
Total	\$8,182,874	\$15,063,819	54.3%

	2014 YTD	2013 YTD	Increase/Decrease
Electric & Gas	\$1,040,954	\$965,218	+7.8%
Cable TV	\$137,146	\$133,077	+3.1%
Telephone & Cellular	\$385,292	\$478,154	-19.4%
Water & Sewer	\$77,031	\$102,027	-24.5%
Sanitation	\$82,068	\$73,090	+12.3%
Gambling	\$4,204	\$3,745	+12.3%
Utility Tax Rebate	(\$0)	(\$175)	n/a
Total	\$1,726,696	\$1,755,136	-1.6%

Revenue	Inflow	2013-14 Budget	% of Budget
Other Taxes	\$35,496	\$74,000	48.0%

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	\$400,690	\$645,000	62.1%
Northshore Utility District	\$63,235	\$192,485	32.9%
Frontier/FIOS	\$84,853	\$175,000	48.5%
Business & Sign Licenses*	\$998,614	\$1,669,580	59.8%
Total	\$1,547,392	\$2,682,065	57.7%

	2014 YTD	2013 YTD	Increase/Decrease
Alderwood Water District	\$97,384	\$88,801	+9.7%
Northshore Utility District	\$9,888	\$9,578	+3.2%
Frontier/FIOS	\$17,379	\$17,245	+0.8%
Total	\$124,651	\$115,624	+7.8%

*Reflects projected accrual for Q1 2014. License renewal notices occur in July.

Revenue	Inflow	2013-14 Budget	% of Budget
Non-Bus Licenses & Permits			
Building Permits	\$1,432,991	\$1,535,000	93.4%
Plumbing/Mechanical	\$362,309	\$300,000	120.8%
Pre-Application Fees	\$51,896	\$100,000	51.9%
Animal Licenses	\$85,168	\$177,125	48.1%
Concealed Weapons	\$8,204	\$16,100	51.0%
Total	\$1,940,568	\$2,128,225	91.2%

	2014 YTD	2013 YTD	Increase/Decrease
Building Permits	\$180,732	\$218,961	-17.5%
Plumbing/Mechanical	\$69,986	\$48,672	+43.8%
Pre-Application Fees	\$17,004	\$12,276	+38.5%
Total	\$267,721	\$279,909	-4.4%

Revenue	Inflow	2013-14 Budget	% of Budget
Intergovernmental	\$1,776,065	\$2,599,006	68.3%

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 were included in the 2013 budget amendment.

Revenue	Inflow	2013-14 Budget	% of Budget
Charges for Services	\$5,872,966	\$9,223,860	63.7%
	2014 YTD	2013 YTD	Increase/Decrease
MVA Fees	\$2,877	\$6,385	-54.9%
EMS Transport Fees	\$88,281	\$85,955	+2.7%
Plan Check Fees	\$158,644	\$174,520	-9.1%
Development Review Fees	\$219,186	\$178,280	+22.9%
Total	\$468,988	\$445,139	+5.4%

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 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	\$723,168	\$1,157,068	62.5%
CFP Staff Transfers	\$2,195,712	\$3,645,828	60.2%
Total	\$2,918,879	\$4,802,896	60.8%

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	\$480,671	\$854,050	56.3%
Other Miscellaneous	\$786,855	\$1,096,475	71.8%
Total	\$1,267,527	\$1,908,875	66.4%
	2014 YTD	2013 YTD	Increase/Decrease
Fines/Penalties/Criminal Costs	\$99,413	\$105,601	-5.9%
Other Miscellaneous	\$180,653	(\$15,823)	n/a
Total	\$280,066	\$89,778	212.0%

See General Fund Revenues - Chart 1

V. GENERAL FUND – EXPENDITURES

Expenditure	Outflow	2013-14 Budget	% of Budget
Salaries & Benefits	\$37,524,245	\$62,055,467	60.5%
Maintenance & Operations	\$7,257,211	\$12,548,386	57.8%
Capital	\$548,212	\$556,000	98.6%
Interfund/Op Transfers	\$2,571,327	\$4,745,577	54.2%
Total	\$47,900,994	\$79,905,430	59.9%
	2014 YTD	2013 YTD	Increase/Decrease
Salaries & Benefits	\$7,580,911	\$7,473,420	+1.4%
Maintenance & Operations	\$1,353,024	\$976,126	+38.6%
Capital	\$18,287	\$0	+100%
Interfund/Op Transfers	\$618,250	\$563,269	+9.8%
Total	\$9,570,471	\$9,012,815	+6.2%

2013-2014 M&O and capital figures include \$782,411 in one-time expenditures for two Biomedical Manufacturing Innovation Partnership Zone (IPZ) projects. Project costs were covered 100% by two grants from the Department of Commerce. IPZ revenues and expenditures were approved 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	Inflow	\$2,506,425	48.1%
	Outflow	\$2,139,115	49.1%

Subsidy transfers from the General Fund represented \$494,240 of Street Fund revenues during 2013.

	Inflow/Outflow	2013-14 Budget	% of Budget
Arterial Street	Inflow	\$1,977,245	32.2%
	Outflow	\$1,256,517	18.1%

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	\$287,696	59.9%
	Outflow	\$0	0.0%

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

		Inflow/Outflow	2013-14 Budget	% of Budget
Capital Improvement	Inflow	\$61,236,466	\$81,974,637	74.7%
	Outflow	\$58,492,593	\$82,600,090	70.8%

\$10 million in bank qualified bonds were issued in June 2013 (as approved by Council in May). The proceeds are allocated 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

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	2013-14 Budget	% of Budget
Water	Inflow	\$5,231,627	\$10,624,378	49.2%
	Outflow	\$4,702,295	\$11,680,279	40.3%
Sewer	Inflow	\$7,848,125	\$15,120,910	51.9%
	Outflow	\$6,415,278	\$15,754,663	40.7%
Storm/Surface Water	Inflow	\$5,508,575	\$22,549,091	24.4%
	Outflow	\$3,697,741	\$22,067,760	16.8%
Equipment Rental	Inflow	\$1,928,297	\$3,082,272	62.6%
	Outflow	\$1,773,837	\$3,099,486	57.2%
Self-Insurance	Inflow	\$1,327,783	\$2,182,524	60.8%
	Outflow	\$1,661,672	\$2,130,813	78.0%
Asset Replacement	Inflow	\$1,154,778	\$2,949,558	39.2%
	Outflow	\$1,056,733	\$6,326,272	16.7%

Capital spending in proprietary funds is not recognized as an expenditure in the year that spending takes place, but instead is depreciated over time in line with generally accepted accounting principles (GAAP). The following table lists capital spending that occurred in 2013, along with depreciation that was recognized in 2013.

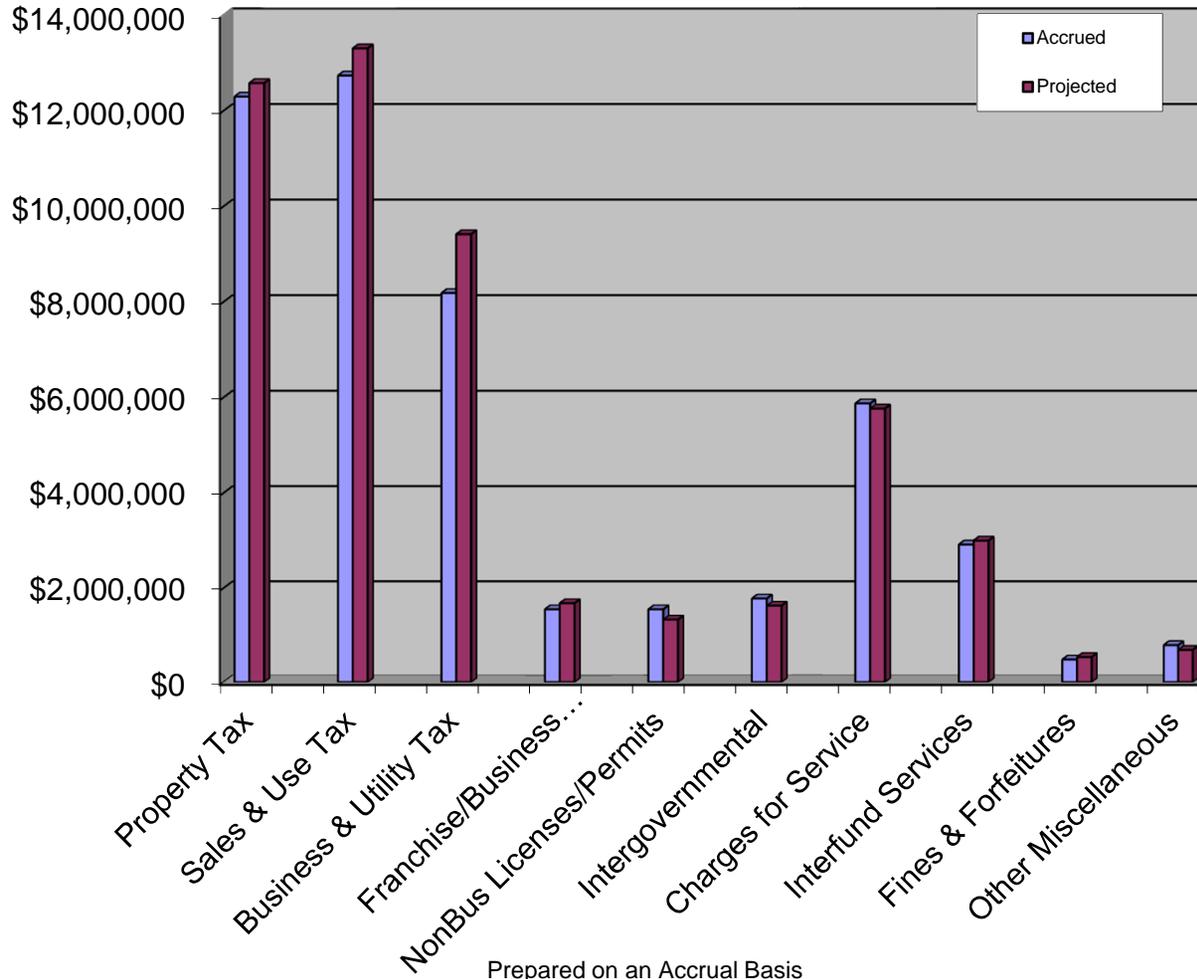
	(Cash spent in 2013, but not counted as a 2013 expenditure)	(Counted as an expenditure in 2013, but is not cash spending)
	2013 Capitalized Spending	2013 Depreciation
Water	\$640,650	\$451,268
Sewer	265,721	327,280
Storm & Surface Water	1,400,170	434,169
Equipment Rental	0	3,342
Asset Replacement	1,411,682	733,903
Total	\$3,718,223	\$1,949,962

See Proprietary Funds Expenditures - Chart 4
 See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. COUNCIL EMPHASIS AREAS

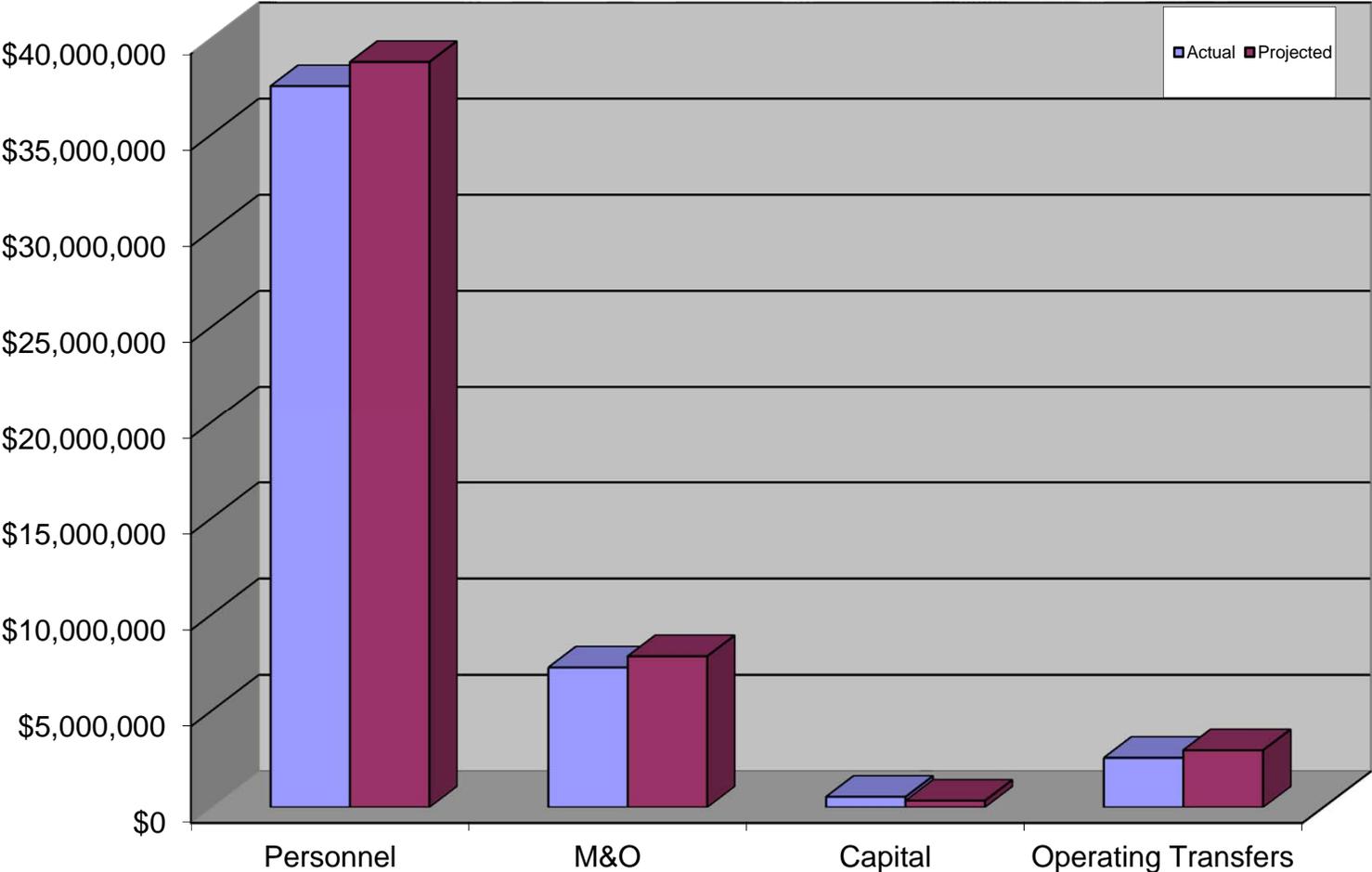
Development Review Fees	Inflow	\$272,558	(Includes A/R)
	Outflow	284,625	(Includes overhead)
	Net	(\$12,067)	
Permitting Fees	Inflow	\$409,362	
	Outflow	417,603	(Includes overhead)
	Net	(\$8,241)	
CFP Project-Term Staff	Inflow	\$342,312	(2014 reimbursement to Gen Fund)
	Outflow	342,312	(2014 Gen Fund salaries/benefits)
	Net	\$0	
Utility Tax Rebates	2014	\$0	(0 rebates)
	2013	\$175	(2 rebates)
	Inc(Dec)	(\$175)	

General Fund Revenue vs Budget March 31, 2014



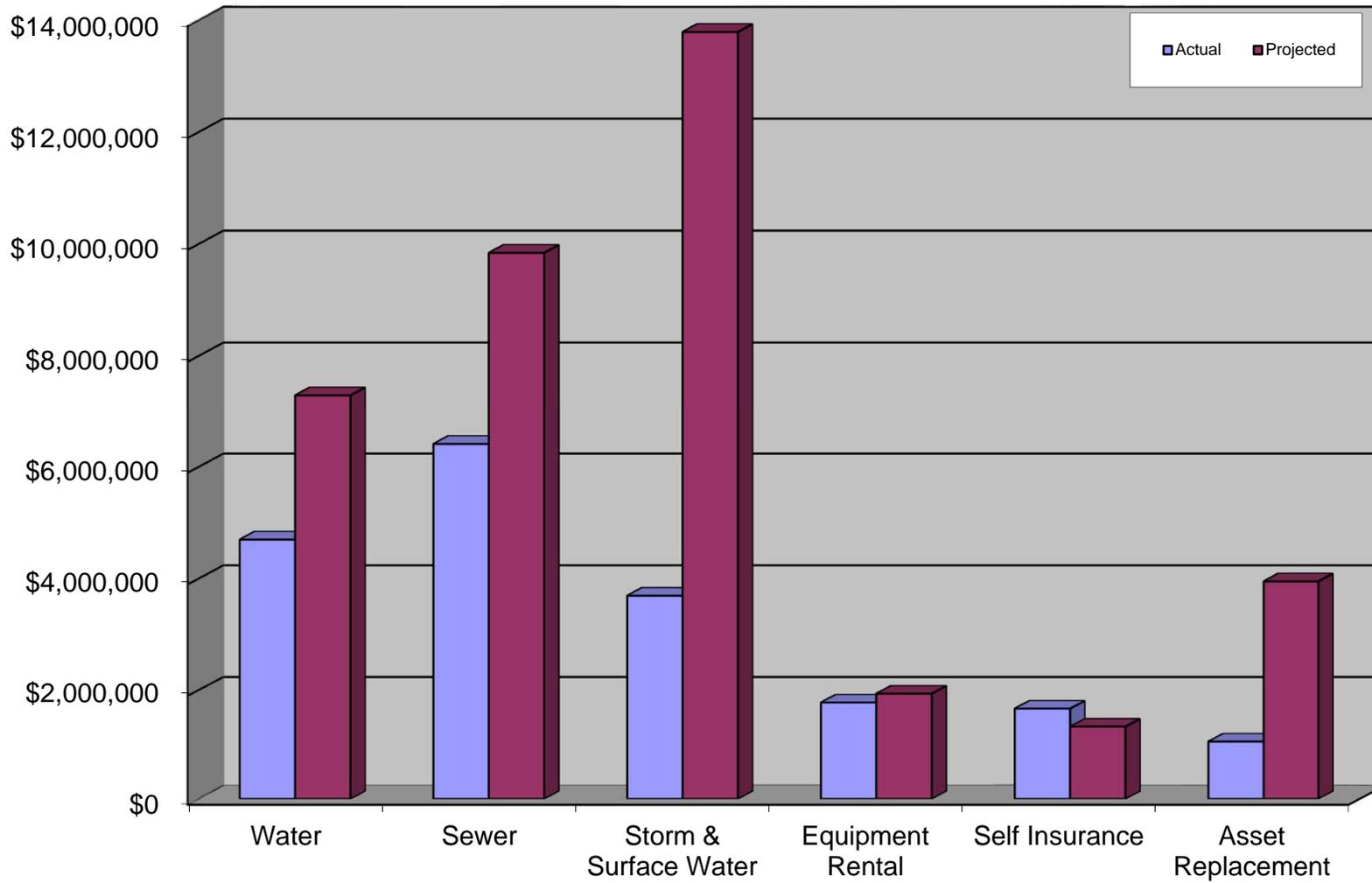
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget March 31, 2014



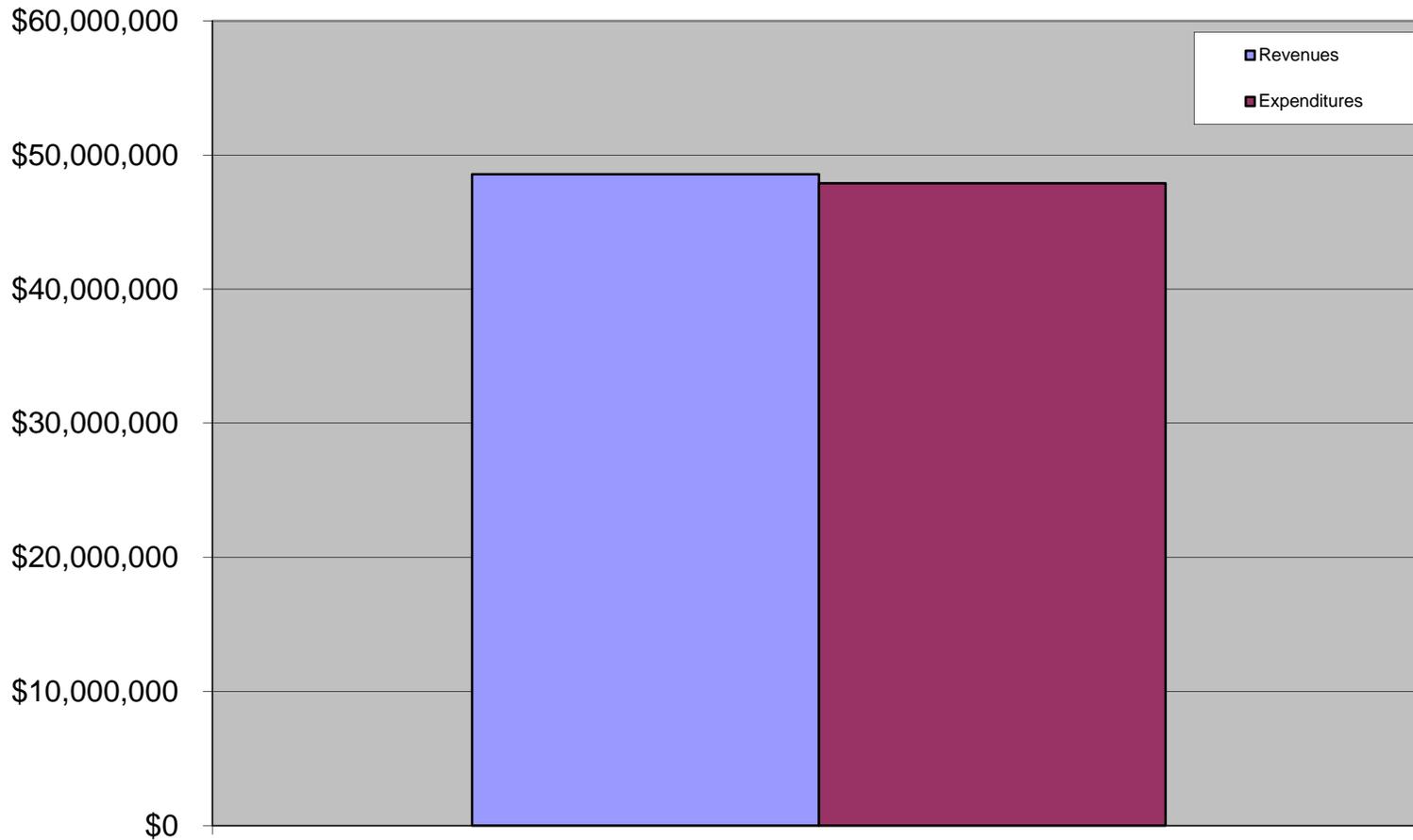
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget March 31, 2014



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures March 31, 2014



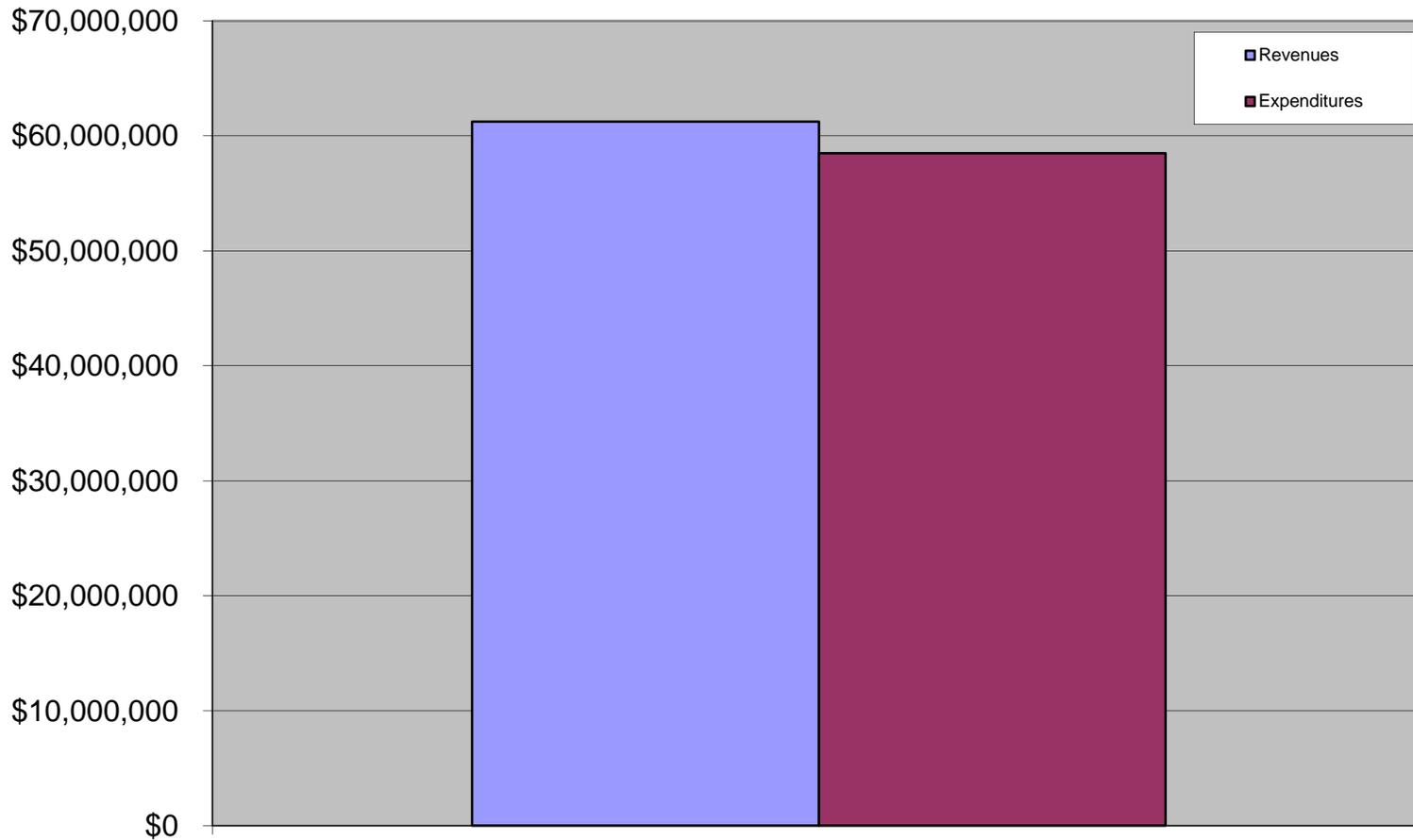
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

Capital Improvement Fund Revenues vs Expenditures March 31, 2014



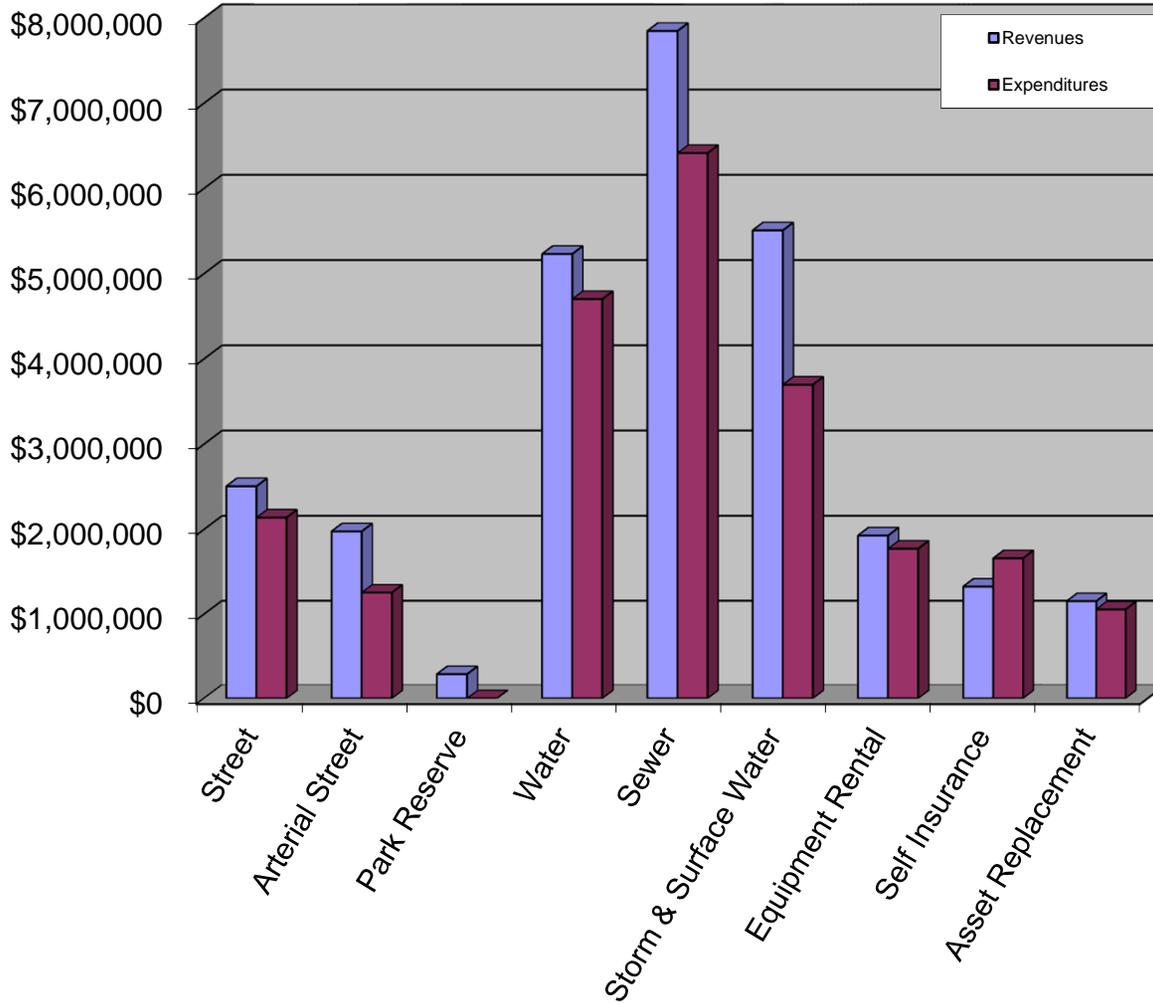
Capital Improvement

Prepared on an Accrual Basis

Capital Improvement Fund Revenues vs. Expenditures

Chart 5

Other Major Funds Revenues vs Expenditures March 31, 2014



Prepared on an Accrual Basis