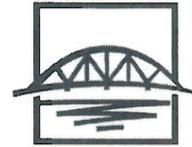


INTEROFFICE MEMORANDUM
Finance Department



City of Bothell

DATE: August 26, 2014
TO: Mayor and Council
THROUGH: Bob Stowe, City Manager
FROM: Tami Schackman, Finance Director
SUBJECT: 2013-14 Budget Status Report – Quarter #6

A handwritten signature in blue ink, appearing to read 'Tami Schackman', is written over the 'THROUGH' and 'FROM' lines of the memorandum.

Attached for your review is the City's budget status report as of June 30, 2014.

I am pleased to report that the results reported at year-end 2013 have continued through the first half of 2014. The General Fund 2013-2014 surplus at March 31, 2014 is \$899,347.

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 and asset replacement reserve levels. This action is in line with the City's strategy to preserve a prudent fiscal position and its strong credit rating.

The State Auditor's Office recently completed their operational and financial statement audit of 2013 City operations. This is Bothell's 12th consecutive year without an audit finding. The Auditor's Office will notify Council when they schedule their exit conference. The audited Comprehensive Annual Financial Report (CAFR) will be available on the City's website at the end of August.

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 June 30, 2014

I. BIENNIUM STATUS

On June 30, 2014, the City concluded the sixth quarter of the 2013-2014 biennium. The budget period described in this report is 75% complete.

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

Citywide

Citywide 2013-2014 surplus/deficit: \$5,190,857

- General Fund (\$899,347). See detailed discussion below.
- Capital Improvements Fund (\$864,626). Capital expenditures continued to progress as programmed in the City's adopted Capital Facilities Plan.
- Street Fund (\$618,897). 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 2013-2014 surplus/deficit: \$899,347

(General Fund + Street Fund) 2013-2014 surplus/deficit:* \$1,518,244

*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 continued to trend upward during the second quarter of 2014, increasing by \$227,557. The second quarter of 2013 saw a surplus of \$483,851, but this was largely due to a spike in building permit revenues in advance of a July 2013 fee increase.

Both retail (17.1% increase over first half of 2013) and construction (20.3% increase) sales tax revenues remained improved versus a year ago. Building permit fees were down from 2013, but that variance appears to be related to the July 2013 fee increase.

II. BUDGET VS ACTUAL SUMMARIES

		Inflow/Outflow	2013-14 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$159,050,937	\$234,652,869	67.8%
	Outflow	\$153,860,080	\$239,406,383	64.3%
<u>GENERAL FUND</u>	Inflow	\$58,827,354	\$79,937,472	73.6%
	Outflow	\$57,928,007	\$79,905,430	72.5%
<u>GENERAL/STREET FUNDS</u>	Inflow	\$62,101,301	\$85,147,779	72.9%
	Outflow	\$60,583,057	\$84,263,966	71.9%
<u>CAPITAL IMP FUND</u>	Inflow	\$65,212,654	\$81,974,637	79.6%
	Outflow	\$64,348,028	\$82,600,090	77.9%
<u>UTILITY FUNDS</u>	Inflow	\$22,188,698	\$48,294,379	45.9%
	Outflow	\$19,530,053	\$49,502,702	39.5%

III. ECONOMIC INFORMATION

Employment - National

National non-farm payroll employment increased by 816,000 jobs during the first quarter of 2014. The national unemployment rate dropped to 6.1% in June.

The number of long-term unemployed (those jobless for 27 weeks or more) dropped to 3.1 million in June, and accounted for 32.8% of the total unemployed. The number of long-term unemployed decreased by 1.2 million over the past year.

<u>U.S. GOODS-PRODUCING: +98,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +718,000 JOBS</u>	
Construction	+51,000	Wholesale trade	+40,000
Manufacturing	+36,000	Retail trade	+93,700
Mining & logging	+11,000	Transportation/warehousing/utilities	+46,300
		Information	-2,000
		Professional/financial/business	+231,000
		Educational/health services	+132,000
		Leisure/hospitality	+116,000
		Other services	+9,000
		Government	+52,000

Employment – State

23,500 non-farm jobs were gained statewide during the second quarter of 2014. Washington's unemployment rate fell to 5.8% in June, and the Seattle-Bellevue-Everett rate fell to 4.8%.

<u>STATE GOODS-PRODUCING: +3,000 JOBS</u>		<u>STATE SERVICE-PROVIDING: +20,500 JOBS</u>	
Construction	+3,900	Wholesale trade	+1,500
Manufacturing	-900	Retail trade	+6,300
Mining & logging	0	Transportation/warehousing/utilities	0
		Information	+200
		Professional/financial/business	+1,100
		Educational/health services	+4,800
		Leisure/hospitality	+4,500
		Other services	-100
		Government	+2,200

Economic Forecast

The State Economic and Revenue Forecast Council's June 2014 report stated that the national economy is continuing to advance at a moderate pace. Although uncertainty remains elevated, downside and upside risks to the economy appear to have balanced.

The state economy also continues to expand moderately, and is expected to continue to outpace the national economy. While aerospace employment continues to decline slightly due to improvements in productivity, manufacturing as a whole continues to expand. Seattle-area home prices are rising at double-digit rates, though they are still 12.2% lower than their 2007 peak.

CPI Data – Seattle/Tacoma/Bremerton Region

April 2014 – June 2014: +0.2%
 June 2013 – June 2014: +2.2%

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, June 2014 sales tax revenues were received in August.

Revenue	Inflow	2013-14 Budget	% of Budget
Property Taxes			
City Levy	\$13,515,742	\$18,322,896	73.8%
EMS Levy	\$1,276,090	\$1,802,936	70.8%
Total	\$14,791,833	\$20,125,832	73.5%
<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	\$11,126,727	\$16,176,032	68.8%
Construction	\$3,165,471	\$3,101,990	102.0%
Hotel/Motel	\$465,131	\$597,175	77.9%
Criminal Justice	\$978,714	\$1,412,047	69.3%
Total	\$15,736,044	\$21,287,244	73.9%
	2014 YTD	2013 YTD	Increase/Decrease
Retail	\$4,043,180	\$3,451,540	+17.1%
Construction	\$997,505	\$828,989	+20.3%
Hotel/Motel	\$158,065	\$137,576	+14.9%
Criminal Justice	\$345,655	\$294,257	+17.5%
Total	\$5,544,405	\$4,712,362	+17.7%

Revenue	Inflow	2013-14 Budget	% of Budget
Business & Utility Taxes			
Electric & Gas	\$5,176,391	\$7,836,381	66.1%
Cable TV	\$819,841	\$1,150,969	71.2%
Telephone & Cellular	\$2,514,150	\$4,161,458	60.4%
Water & Sewer	\$820,261	\$1,321,304	62.1%
Sanitation	\$448,722	\$563,707	79.6%
Gambling	\$22,979	\$30,000	76.6%
Utility Tax Rebate	(\$4,700)	\$0	n/a
Total	\$9,797,645	\$15,063,819	65.0%

	2014 YTD	2013 YTD	Increase/Decrease
Electric & Gas	\$1,883,637	\$1,728,515	+9.0%
Cable TV	\$275,057	\$268,366	+2.5%
Telephone & Cellular	\$768,355	\$915,208	-16.0%
Water & Sewer	\$244,384	\$245,398	-0.4%
Sanitation	\$161,709	\$139,987	+15.5%
Gambling	\$8,325	\$7,304	+14.0%
Utility Tax Rebate	(\$0)	(\$325)	n/a
Total	\$3,341,467	\$3,304,453	+1.1%

Revenue	Inflow	2013-14 Budget	% of Budget
Other Taxes	\$52,529	\$74,000	71.0%

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	\$474,248	\$645,000	73.5%
Northshore Utility District	\$98,013	\$192,485	50.9%
Frontier/FIOS	\$103,307	\$175,000	59.0%
Business & Sign Licenses*	\$1,201,114	\$1,669,580	71.9%
Total	\$1,876,682	\$2,682,065	70.0%

	2014 YTD	2013 YTD	Increase/Decrease
Alderwood Water District	\$170,942	\$159,698	+7.0%
Northshore Utility District**	\$44,666	\$22,292	+100.4%
Frontier/FIOS	\$35,833	\$33,294	+7.6%
Total	\$251,441	\$215,284	+16.8%

*Reflects projected accrual for the first half of 2014. License renewal notices occur in July.
**NUD serves a large portion of the territory that was newly annexed to the City in February 2014.

Revenue	Inflow	2013-14 Budget	% of Budget
Non-Bus Licenses & Permits			
Building Permits	\$1,634,723	\$1,535,000	106.5%
Plumbing/Mechanical	\$414,574	\$300,000	138.2%
Pre-Application Fees	\$63,668	\$100,000	63.7%
Animal Licenses	\$104,161	\$177,125	58.8%
Concealed Weapons	\$9,671	\$16,100	60.1%
Total	\$2,226,797	\$2,128,225	104.6%

	2014 YTD	2013 YTD	Increase/Decrease
Building Permits	\$382,463	\$590,830	-35.3%
Plumbing/Mechanical	\$122,251	\$114,084	+7.2%
Pre-Application Fees	\$28,776	\$20,028	+43.7%
Total	\$533,490	\$724,942	-26.4%

Revenue	Inflow	2013-14 Budget	% of Budget
Intergovernmental	\$1,927,926	\$2,599,006	74.2%

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	\$7,358,144	\$9,223,860	79.8%
	2014 YTD	2013 YTD	Increase/Decrease
MVA Fees	\$7,540	\$12,360	-39.0%
EMS Transport Fees	\$173,060	\$198,685	-12.9%
Plan Check Fees	\$537,275	\$775,200	-30.7%
Development Review Fees	\$448,010	\$406,990	+10.1%
Total	\$1,165,885	\$1,393,235	-16.3%

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	\$867,801	\$1,157,068	75.0%
CFP Staff Transfers	\$2,615,628	\$3,645,828	71.7%
Total	\$3,483,429	\$4,802,896	72.5%

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	\$578,142	\$854,050	67.7%
Other Miscellaneous	\$998,184	\$1,096,475	91.0%
Total	\$1,576,326	\$1,908,875	82.6%
	2014 YTD	2013 YTD	Increase/Decrease
Fines/Penalties/Criminal Costs	\$196,884	\$205,969	-4.4%
Other Miscellaneous	\$391,982	\$162,197	+141.7%
Total	\$588,865	\$368,166	+59.9%

See General Fund Revenues - Chart 1

V. GENERAL FUND – EXPENDITURES

Expenditure	Outflow	2013-14 Budget	% of Budget
Salaries & Benefits	\$45,357,724	\$62,055,467	73.1%
Maintenance & Operations	\$8,828,331	\$12,548,386	70.4%
Capital	\$552,375	\$556,000	99.3%
Interfund/Op Transfers	\$3,189,577	\$4,745,577	67.2%
Total	\$57,928,007	\$79,905,430	72.5%
	2014 YTD	2013 YTD	Increase/Decrease
Salaries & Benefits	\$15,414,391	\$14,907,434	+3.4%
Maintenance & Operations	\$2,924,144	\$2,584,865	+13.1%
Capital	\$22,450	\$172,754	-87.0%
Interfund/Op Transfers	\$1,236,500	\$1,126,539	+9.8%
Total	\$19,597,484	\$18,791,591	+4.3%

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	\$3,273,947	62.8%
	Outflow	\$2,655,049	60.9%

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	\$2,345,462	38.2%
	Outflow	\$2,451,678	35.3%

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	\$309,221	64.4%
	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	\$65,212,654	\$81,974,637	79.6%
	Outflow	\$64,348,028	\$82,600,090	77.9%

\$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	\$6,216,075	\$10,624,378	58.5%
	Outflow	\$5,751,734	\$11,680,279	49.2%
Sewer	Inflow	\$9,442,743	\$15,120,910	62.4%
	Outflow	\$8,291,387	\$15,754,663	52.6%
Storm/Surface Water	Inflow	\$6,529,881	\$22,549,091	29.0%
	Outflow	\$5,486,931	\$22,067,760	24.9%
Equipment Rental	Inflow	\$2,313,581	\$3,082,272	75.1%
	Outflow	\$2,160,208	\$3,099,486	69.7%
Self-Insurance	Inflow	\$1,637,888	\$2,182,524	75.0%
	Outflow	\$1,764,723	\$2,130,813	82.8%
Asset Replacement	Inflow	\$1,534,190	\$2,949,558	52.0%
	Outflow	\$1,554,837	\$6,326,272	24.6%

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

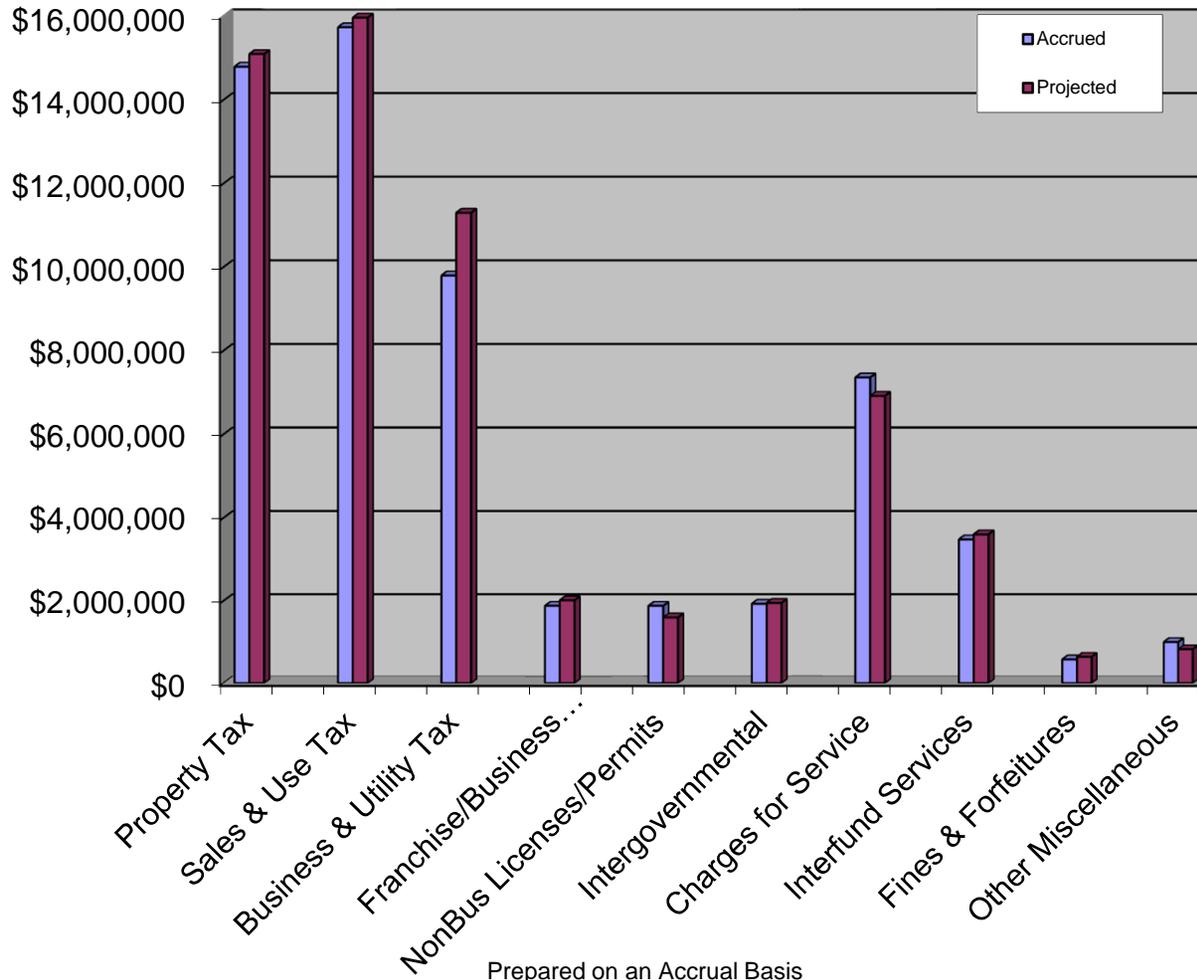
See *Proprietary Funds Expenditures - Chart 4*

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

VIII. COUNCIL EMPHASIS AREAS

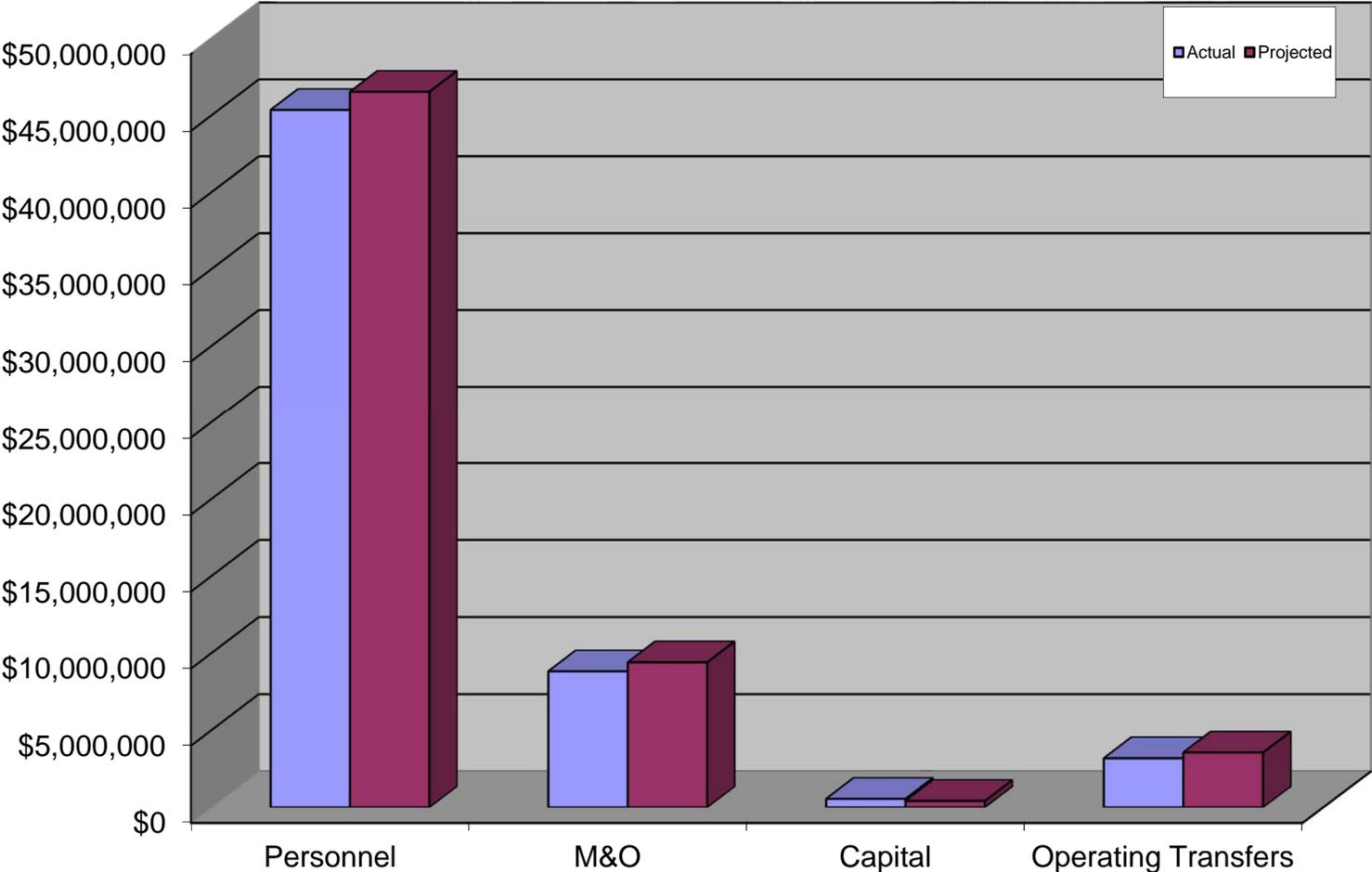
Development Review Fees	Inflow	\$546,260	(Includes A/R)
	Outflow	599,846	(Includes overhead)
	Net	(\$53,586)	
Permitting Fees	Inflow	\$1,041,989	
	Outflow	943,304	(Includes overhead)
	Net	\$98,685	
CFP Project-Term Staff	Inflow	\$675,024	(2014 reimbursement to Gen Fund)
	Outflow	675,024	(2014 Gen Fund salaries/benefits)
	Net	\$0	
Utility Tax Rebates	2014	\$0	(0 rebates)
	2013	\$325	(4 rebates)
	Inc(Dec)	(\$325)	

General Fund Revenue vs Budget June 30, 2014



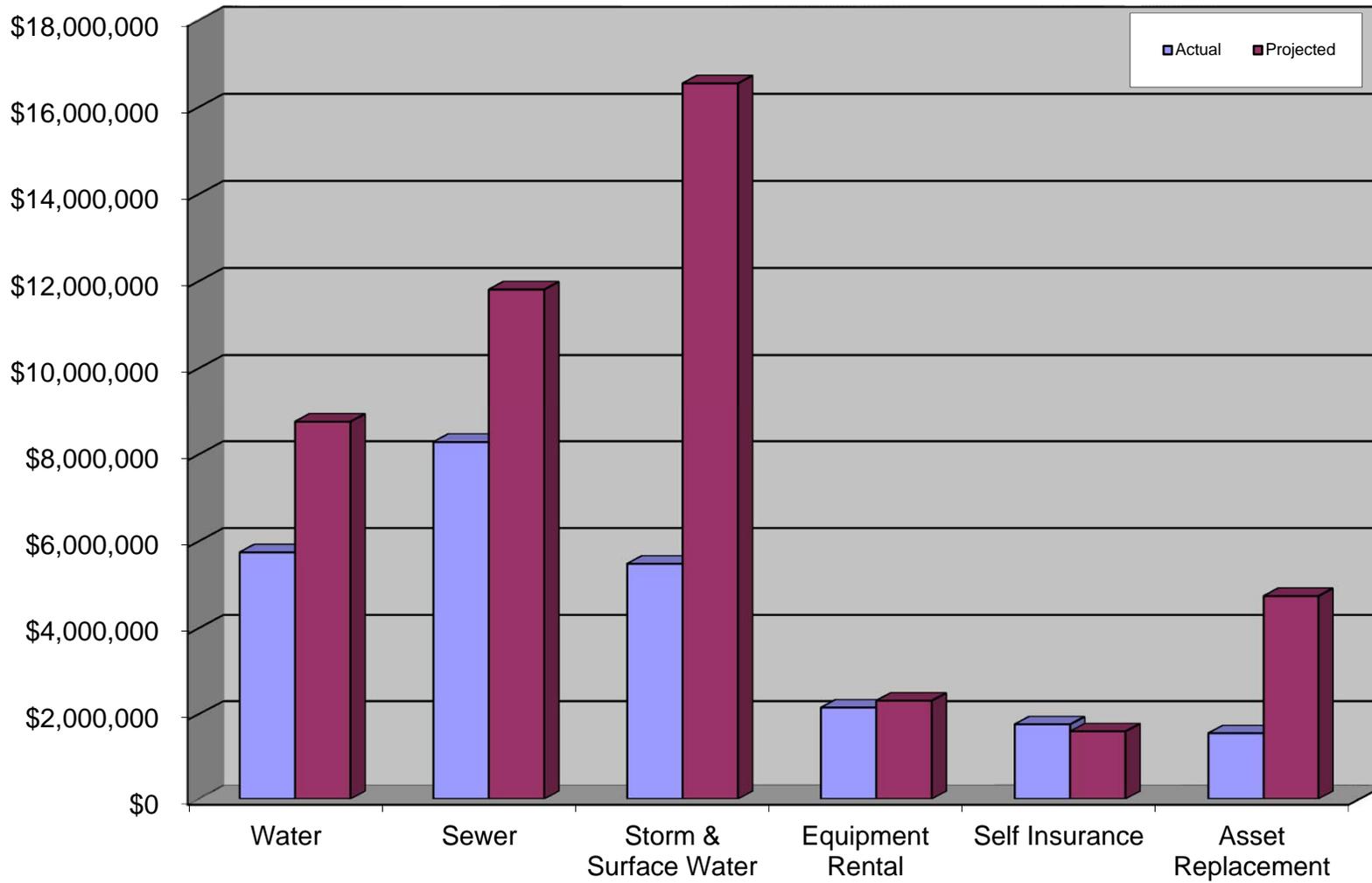
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget June 30, 2014



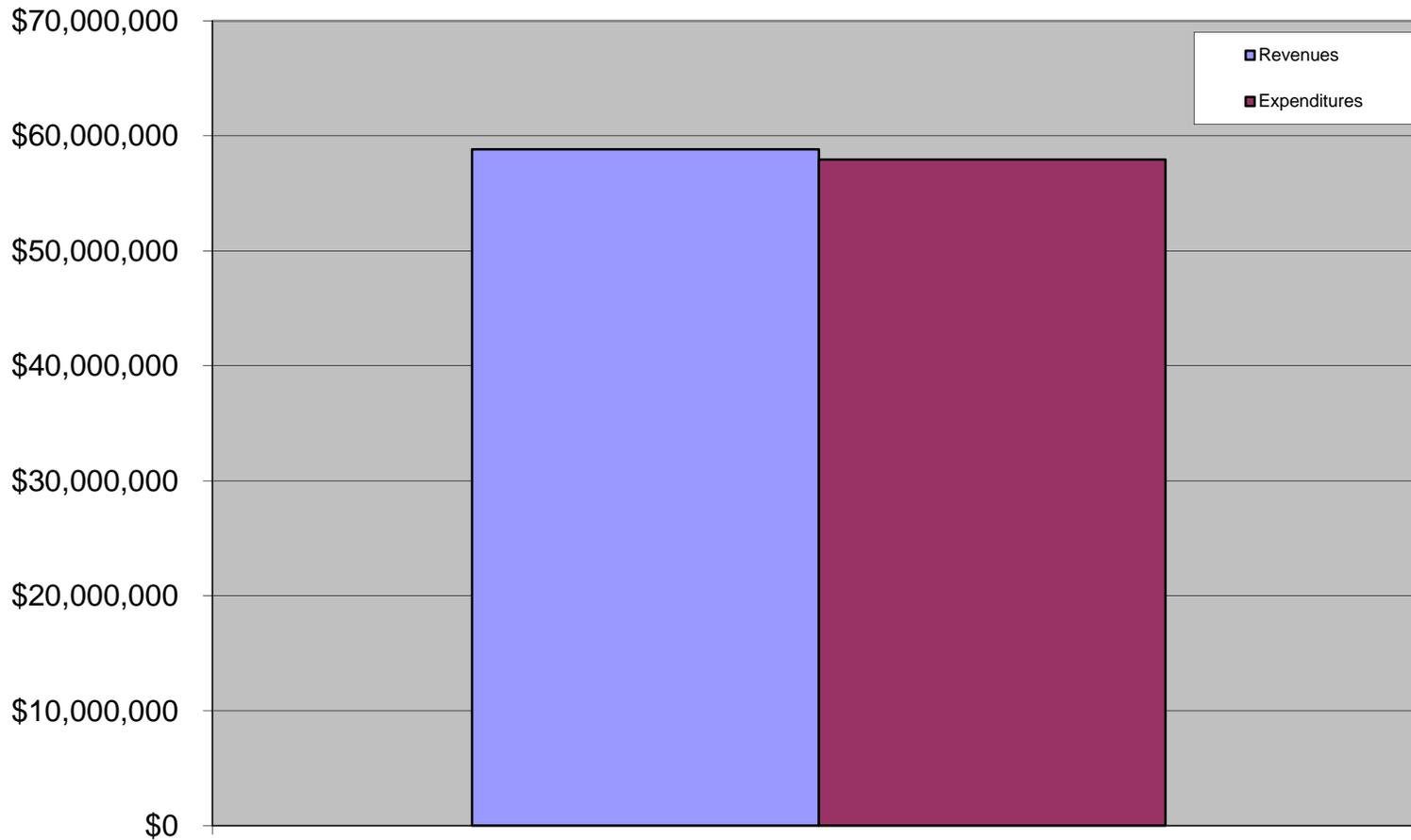
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget June 30, 2014



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures June 30, 2014



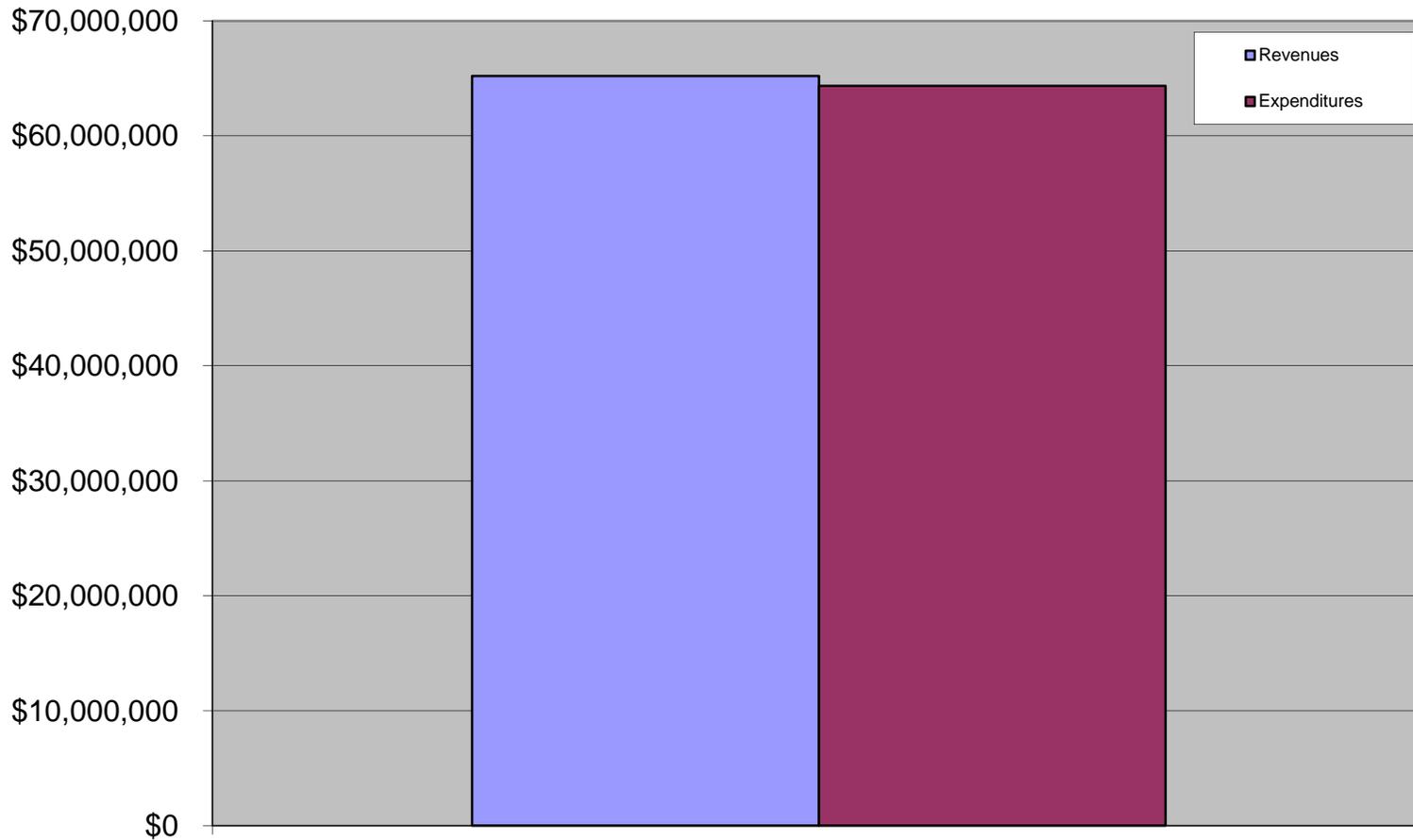
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

Capital Improvement Fund Revenues vs Expenditures June 30, 2014



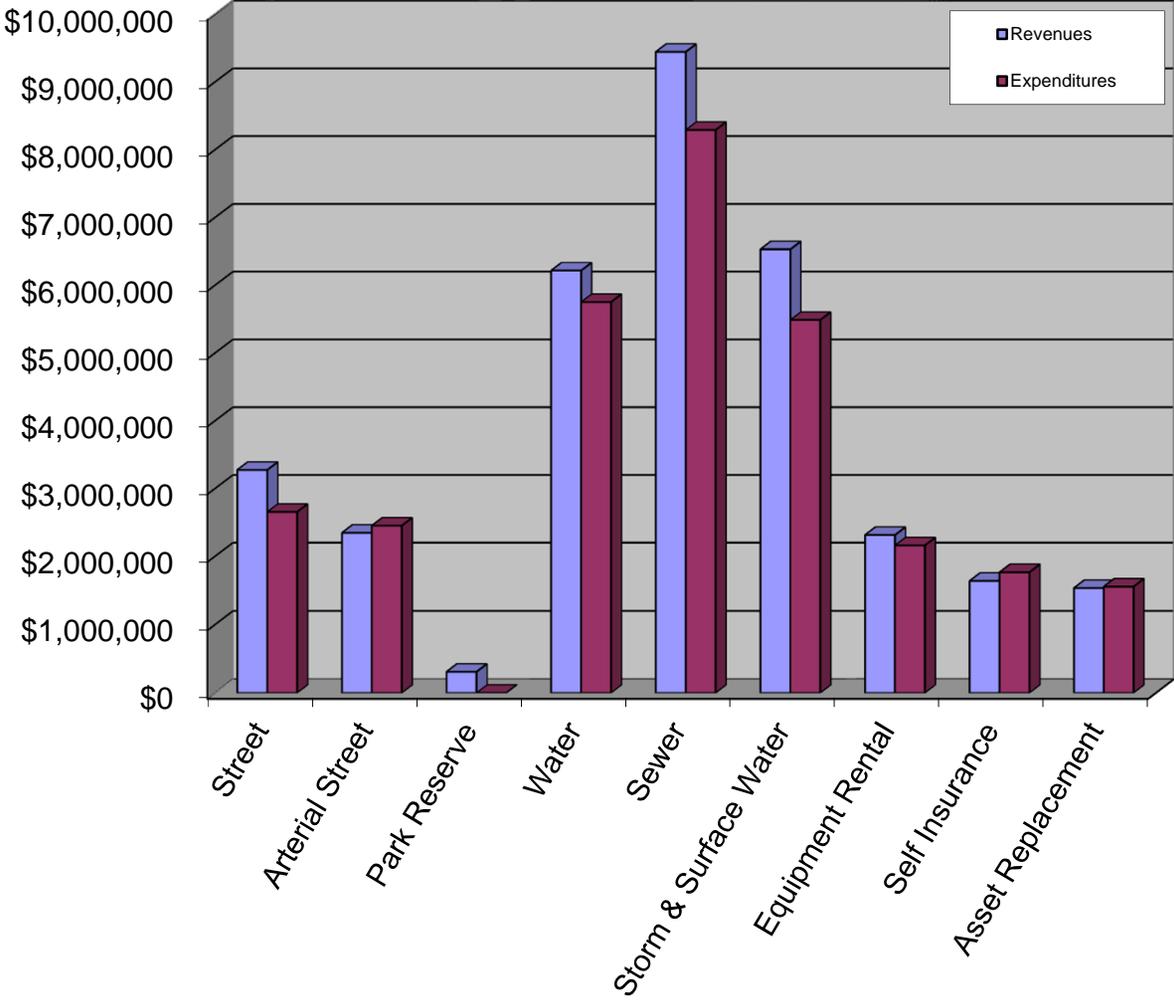
Capital Improvement

Prepared on an Accrual Basis

Capital Improvement Fund Revenues vs. Expenditures

Chart 5

Other Major Funds Revenues vs Expenditures June 30, 2014



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 6