

City of Bothell

2007-2008 Budget Status Report

For the Quarter Ending March 31, 2007

I. Biennium Status

The City has concluded the first quarter of its eight-quarter biennium. The budget period is 12.5% (3 of 24 months) complete. Revenues are of course projected to be higher during the second year of the biennium, so inflows will naturally trail the average month-to-month pace throughout 2007.

Citywide

Citywide revenue inflows amounted to 8.5% of the biennial projection - exactly where the City ended the first quarter of its previous biennium. On the other hand, expenditure outflows spent down only 6.7% of the biennial appropriation - 0.7% less budget than was spent down during the first quarter of 2005-2006. The City's budget position (considering both inflows and outflows) is approximately \$2,400,000 ahead of where it ended the first quarter of 2005-2006.

General Fund

General Fund revenue inflows amounted to 10.7% of the biennial projection – this is 0.9% less (relative to budget) than the City receipted during the first quarter of 2005-06. Expenditure outflows spent down only 10.2% of the biennial projection - 0.6% less budget than was spent down in the first quarter of 2005-2006. The General Fund's budget situation (considering both inflows and outflows) is therefore nearly \$66,000 ahead of where it ended the first quarter of 2005-2006.

II. Citywide Summary

		Inflow/Outflow	2007-2008 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$14,777,727	\$174,166,859	8.5%
	Outflow	\$12,599,449	\$188,488,524	6.7%
<u>CITY TOTAL</u> (less Arterial Street)	Inflow	\$13,715,880	\$138,790,859	9.9%
	Outflow	\$11,042,159	\$151,701,105	7.3%
<u>GENERAL FUND</u>	Inflow	\$8,171,365	\$76,128,622	10.7%
	Outflow	\$8,247,162	\$81,091,782	10.2%

III. Economic Recap

National non-farm payroll employment increased by 455,000 jobs during the first quarter of 2007. The national unemployment rate dropped slightly, to 4.4%.

<u>GOODS-PRODUCING: +10,000 JOBS</u>		<u>SERVICE-PROVIDING: +445,000 JOBS</u>	
Construction	+29,000	Retail trade	+ 87,000
Manufacturing	-28,000	Professional/business services	+ 37,000
		Educational/health services	+127,000
		Leisure/hospitality	+ 76,000
		Government	+ 82,000

At the state level, 20,700 non-farm jobs were added during the first quarter, dropping Washington's unemployment rate to 4.6% - its lowest since tracking began in 1976.

<u>GOODS-PRODUCING: +5,100 JOBS</u>		<u>SERVICE-PROVIDING: +15,600 JOBS</u>	
Construction	+3,300	Retail trade	+4,600
Manufacturing	+1,900	Professional/business services	+1,900
		Educational/health services	+2,400
		Leisure/hospitality	+2,100
		Government	+300

Economists are split on what the future holds for the U.S. economy. One side foresees a slump - possibly to the point of a recession. The other side warns of reaccelerating growth that could push inflation higher. The only thing that appears certain is that the Fed will likely not act until it becomes clear which direction the economy is headed.

Local economists continue to predict the Puget Sound region will outperform the U.S. economy by a healthy margin in 2007. Regional employment is forecast to grow nearly 3%, while personal income is predicted to grow as much as 8%.

The bimonthly Consumer Price Index figure for the Seattle-Tacoma-Bremerton region rose 0.7% in February – 3.9% over February 2006.

IV. General Fund Revenues

Tax receipts are remitted to the City by either the State or County, and therefore a one to two month lag is experienced between when revenue is earned and when it is actually received. For example, March sales tax revenue was not remitted to the City until the end of May.

<u>Revenue</u>	<u>Inflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>
Property Tax	\$1,937,178	\$15,947,425	12.1%

Property tax is an exceptionally stable revenue stream. Receipts are remitted monthly to the City from King and Snohomish County.

<u>Revenue</u>	<u>Inflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>
Sales/Use Tax			
Retail	\$1,906,766	\$21,020,145	9.1%
Construction	\$521,742	\$5,210,000	10.0%
Hotel/Motel	\$55,852	\$531,300	10.5%
Criminal Justice	\$148,712	\$1,310,000	11.4%
Total	\$2,633,072	\$28,071,445	9.4%

Retail sales tax revenues came in short for both January and February, but receipts for March returned to normal levels. The Department of Revenue (as was mentioned in the third quarter 2006 Budget Status Report) is withholding \$26,000 each month during the 2007-2008 biennium to adjust for an overpayment made to the City in the 1990's.

Revenue	Inflow	2007-2008 Budget	% of Budget
Business/Utility Tax	\$1,907,333	\$13,715,835	13.9%

Some utility revenues are seasonal in nature – electric and gas utility tax receipts peak in winter months, while water and sewer utility tax receipts peak during the summer.

Revenue	Inflow	2007-2008 Budget	% of Budget
Licenses & Permits			
Business/Sign Licenses	\$8,079	\$538,100	1.5%
Building	\$212,532	\$2,236,600	9.5%
Plumbing/Mechanical	\$46,271	\$447,300	10.3%
Pre-Application Fees	\$11,140	\$80,000	13.9%
Other Miscellaneous	\$885	\$7,000	12.6%
Total	\$278,907	\$3,309,000	8.4%

License/Permit revenues are also seasonal in nature – City business licenses are renewed in July each year, and building-related revenues are often weather driven.

Revenue	Inflow	2007-2008 Budget	% of Budget
Intergovernmental	\$344,263	\$3,697,900	9.3%

Intergovernmental revenues are mostly comprised of grant funding, and make up only 4.9% of the General Fund's revenue budget. Grants awards normally require the grantee to expend its own funds before requesting reimbursement from the grantor.

Revenue	Inflow	2007-2008 Budget	% of Budget
Charges for Services	\$688,250	\$7,235,411	9.5%

Charges for Services revenue includes Parks & Recreation program fees, most of which are not generated in the winter months. Also included are interfund transfers related to staff time spent on Capital Facilities Plan (CFP) projects. Many of these positions were not filled during the first quarter, and therefore the CFP projects have not yet ramped up to peak levels.

Revenue	Inflow	2007-2008 Budget	% of Budget
Fines/Penalties/Criminal	\$76,062	\$732,500	10.4%
Other Miscellaneous	\$171,314	\$2,461,700	7.0%
Operating Transfers	\$101,426	\$811,406	12.5%

Other miscellaneous revenues include investment interest and rental fees. Park facility and sports field rental fees generate more revenue in the summer months. Interfund loan payments are also budgeted in this category. Since the Water and Sewer Fund shop loans have not yet come to pass, no repayments have occurred.

See General Fund Revenues - Chart 1

V. General Fund Expenditures

First quarter expenditures were \$1.89 million (2.3%) below the average month-to-month budget pace (12.5%). The region's elevated development activity and subsequent high employment rate has hindered the City's efforts to hire qualified staff for vacant positions. A number of Public Works project-term positions related to the CFP remained vacant at March 31. Operating transfers are budgeted equally throughout the biennium, with one exception – budgeted interfund loans to the Water and Sewer Funds have not yet taken place.

<u>Expenditures</u>	<u>Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>
Salaries & Benefits	\$5,705,897	\$50,076,462	10.1%
Maintenance & Operations	\$1,072,071	\$13,774,755	7.8%
Capital	\$15,992	\$650,947	2.5%
Operating Transfers	\$1,453,202	\$16,589,618	8.8%
Total	\$8,247,162	\$81,091,782	10.2%

See General Fund Expenditures - Chart 2
See General Fund Revenues vs. Expenditures - Chart 3

VI. Other Major Funds

	<u>Inflow/Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>	
Street	Inflow	\$283,048	\$3,198,030	8.9%
	Outflow	\$334,911	\$3,659,181	9.2%

A subsidy from the General Fund represents \$66,250 of Street Fund revenues. A subsidy is necessary to balance inflows and outflows.

	<u>Inflow/Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>	
Arterial Street	Inflow	\$1,061,847	\$35,376,000	3.0%
	Outflow	\$1,557,290	\$36,787,419	4.2%

The Arterial Street Fund is project-driven and primarily grant funded. Nearly all grants require the City to front expenditures prior to requesting reimbursement. This fund's budget includes projects that may not materialize before the end of the biennium.

	<u>Inflow/Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>	
Park Reserve	Inflow	\$79,588	\$779,200	10.2%
	Outflow	\$61,250	\$490,000	12.5%

Impact fees and investment revenue are this fund's only two revenue streams, and an operating transfer to the Capital Improvements Fund is its only expenditure.

	<u>Inflow/Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>	
Capital Improvements	Inflow	\$1,947,360	\$20,151,835	9.7%
	Outflow	\$15,746	\$23,080,000	0.1%

Many projects budgeted in the 2007-2008 biennium have not yet commenced.

VII. Proprietary Funds

Utility Funds		Inflow/Outflow	2007-2008 Budget	% of Budget
Water	Inflow	\$734,292	\$9,943,184	7.4%
	Outflow	\$457,793	\$10,724,662	4.3%
Sewer	Inflow	\$1,113,548	\$12,549,751	8.9%
	Outflow	\$705,020	\$12,887,264	5.5%
Storm Drain	Inflow	\$129,498	\$6,601,200	2.0%
	Outflow	\$269,700	\$8,354,666	3.2%

Revenues in the utility funds ran well below the average month-to-month budget pace. Water revenues peak in the summer and autumn months, a large portion of Storm Drain revenues occur in the form of quarterly payments from Snohomish County – the second and fourth quarter payments are much more substantial, and (as stated earlier) the Water and Sewer Funds have not yet received their interfund loans for their share of the future new Public Works shop.

Utility expenditures are below projections as well - personnel spending finished the quarter nearly 20% less than anticipated, and none of the \$13.5 million in projected capital spending was expended in the first quarter.

Internal Service Funds		Inflow/Outflow	2007-2008 Budget	% of Budget
Equipment Rental	Inflow	\$391,532	\$3,062,518	12.8%
	Outflow	\$372,775	\$3,013,397	12.4%
Self-Insurance	Inflow	\$245,125	\$2,015,701	12.2%
	Outflow	\$570,507	\$1,965,179	29.0%
Asset Replacement	Inflow	\$377,258	\$2,612,818	14.4%
	Outflow	\$5,820	\$4,643,946	0.1%

Self-Insurance expenditure figures are always skewed early in the year, since the City's full insurance premium is paid in a lump sum during the first quarter. Asset Replacement outflows were negligible; no big-ticket assets were replaced during the first quarter.

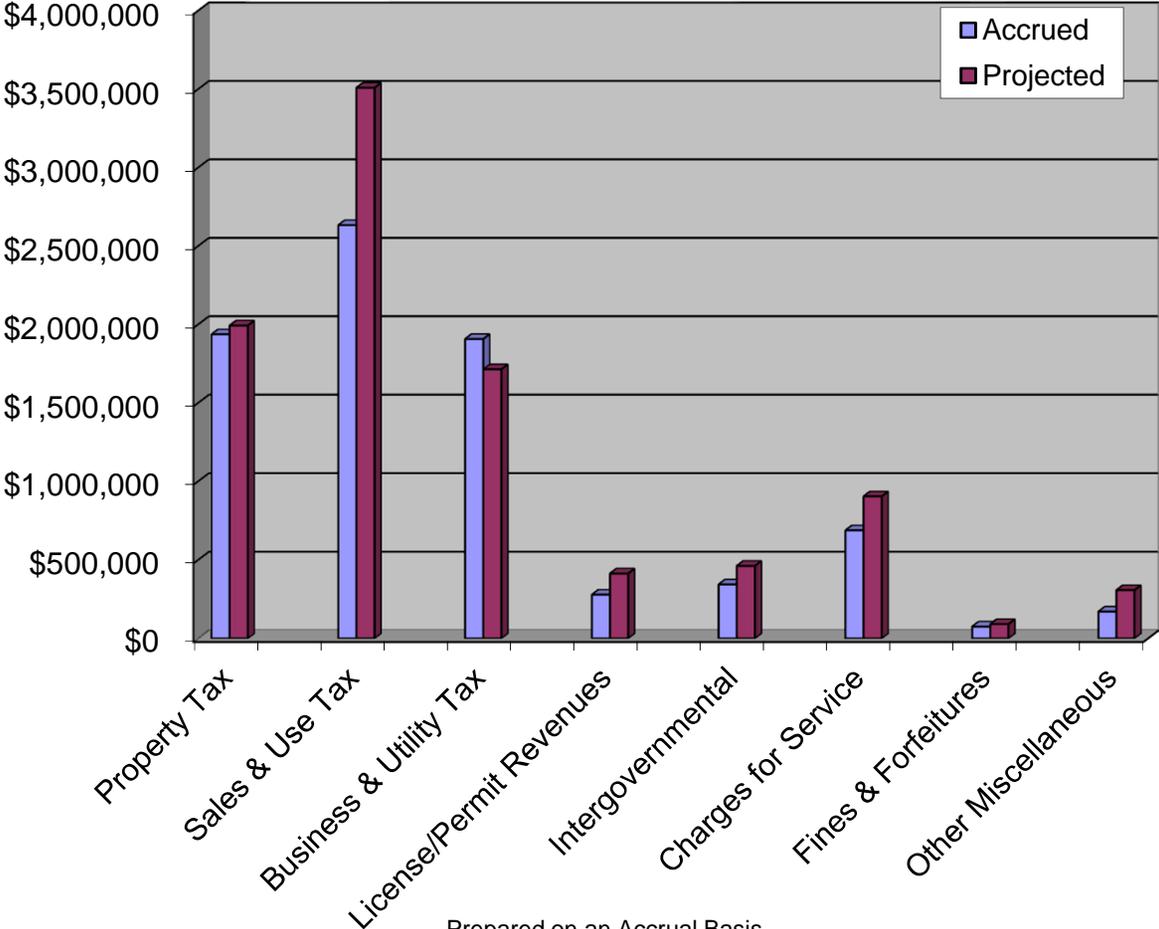
See Proprietary Funds Expenditures - Chart 4

See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. Council Emphasis Areas

Development Review	Inflow	\$223,961	(Includes A/R)
	Outflow	268,296	(Includes overhead)
	Net	(\$ 44,335)	
Permitting	Inflow	\$424,868	
	Outflow	307,094	(Includes overhead)
	Net	\$117,774	
CFP Project-Term Staff	Inflow	\$128,072	(Reimbursement)
	Outflow	128,072	(General Fund wages)
	Net	\$ 0	
PWS Facility Surcharge	Inflows	\$64,131.65	(Since 1998)
	Expires	\$67,482.84	

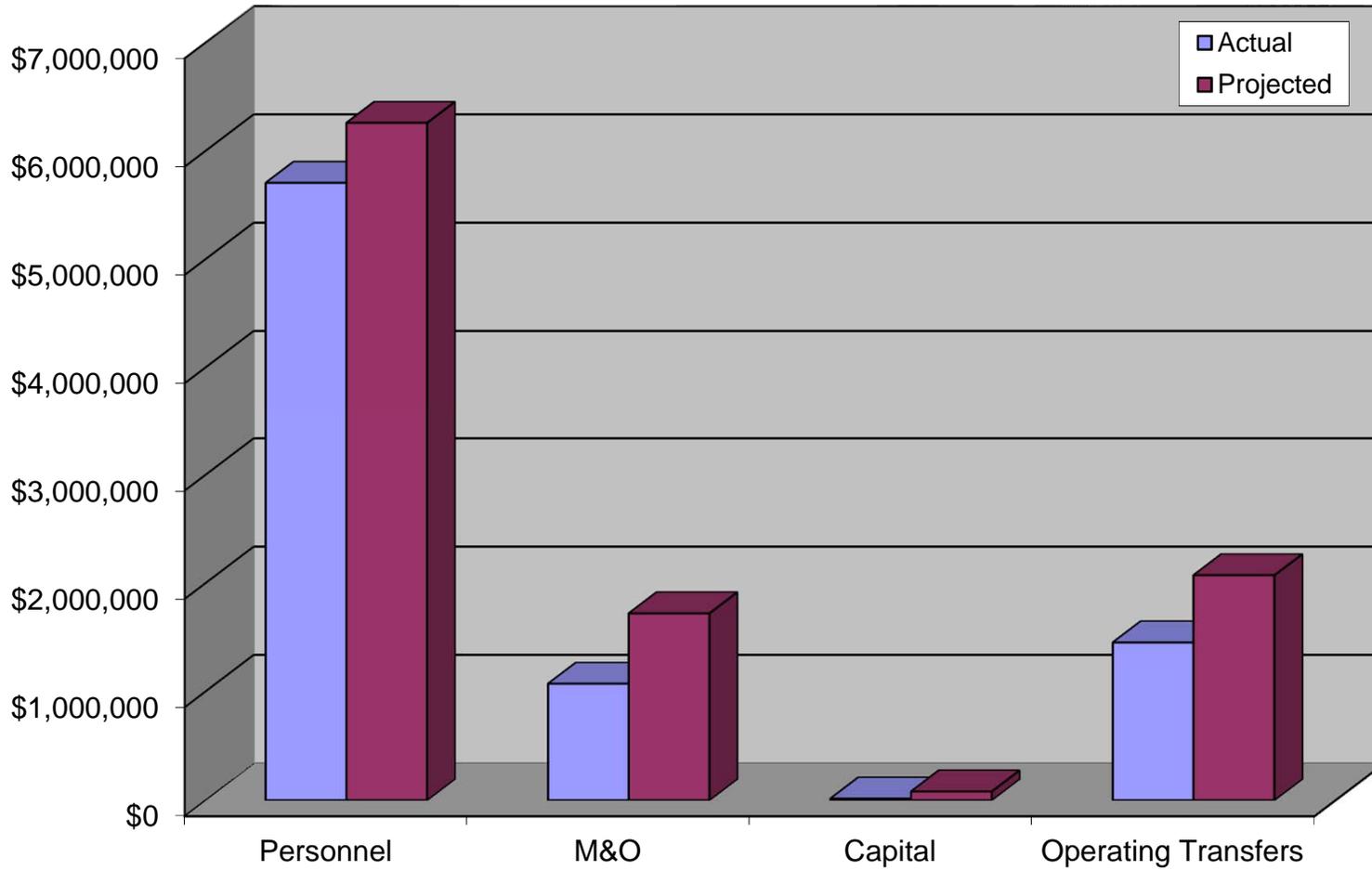
General Fund Revenue vs Budget March 31, 2007



Prepared on an Accrual Basis

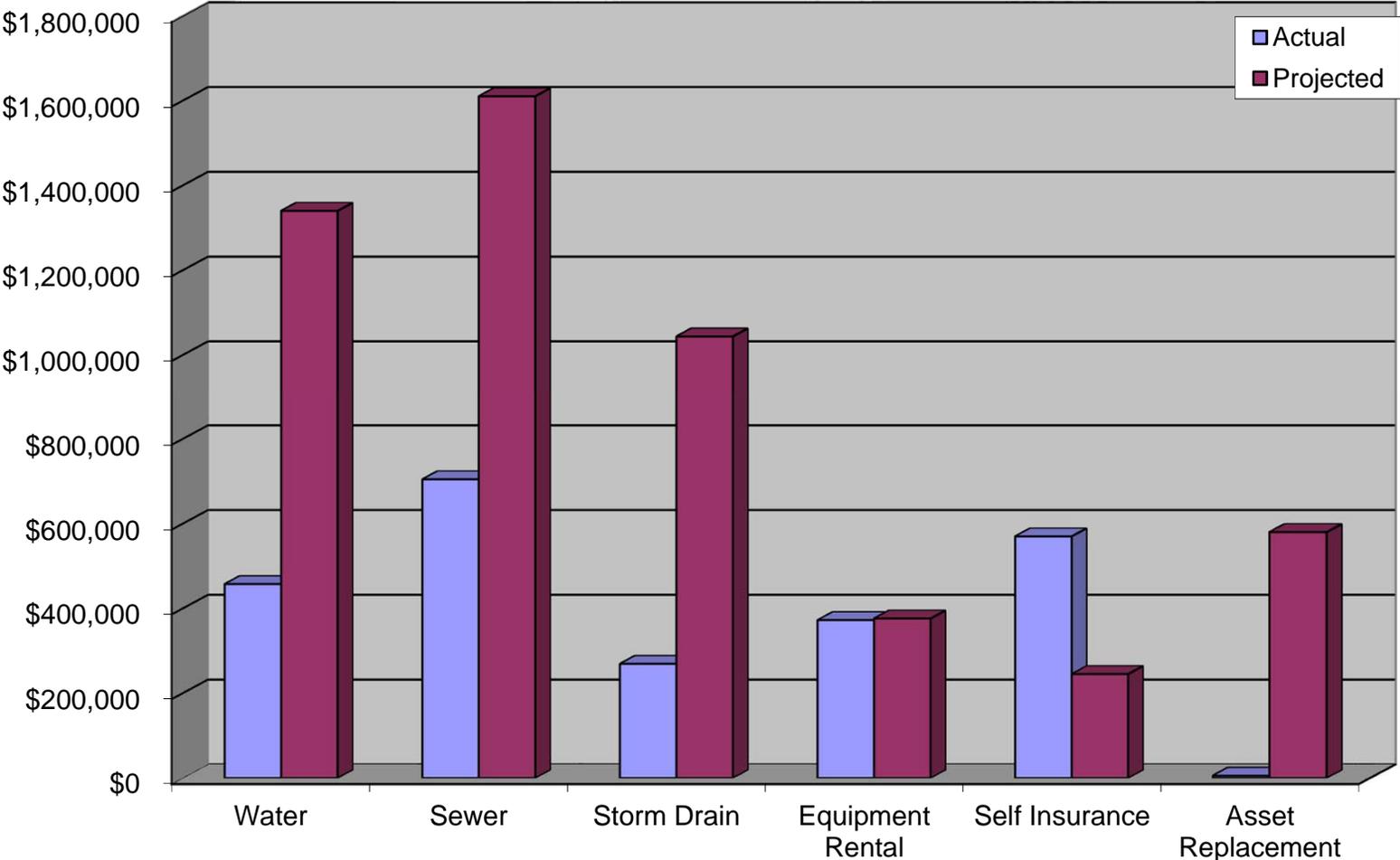
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget March 31, 2007



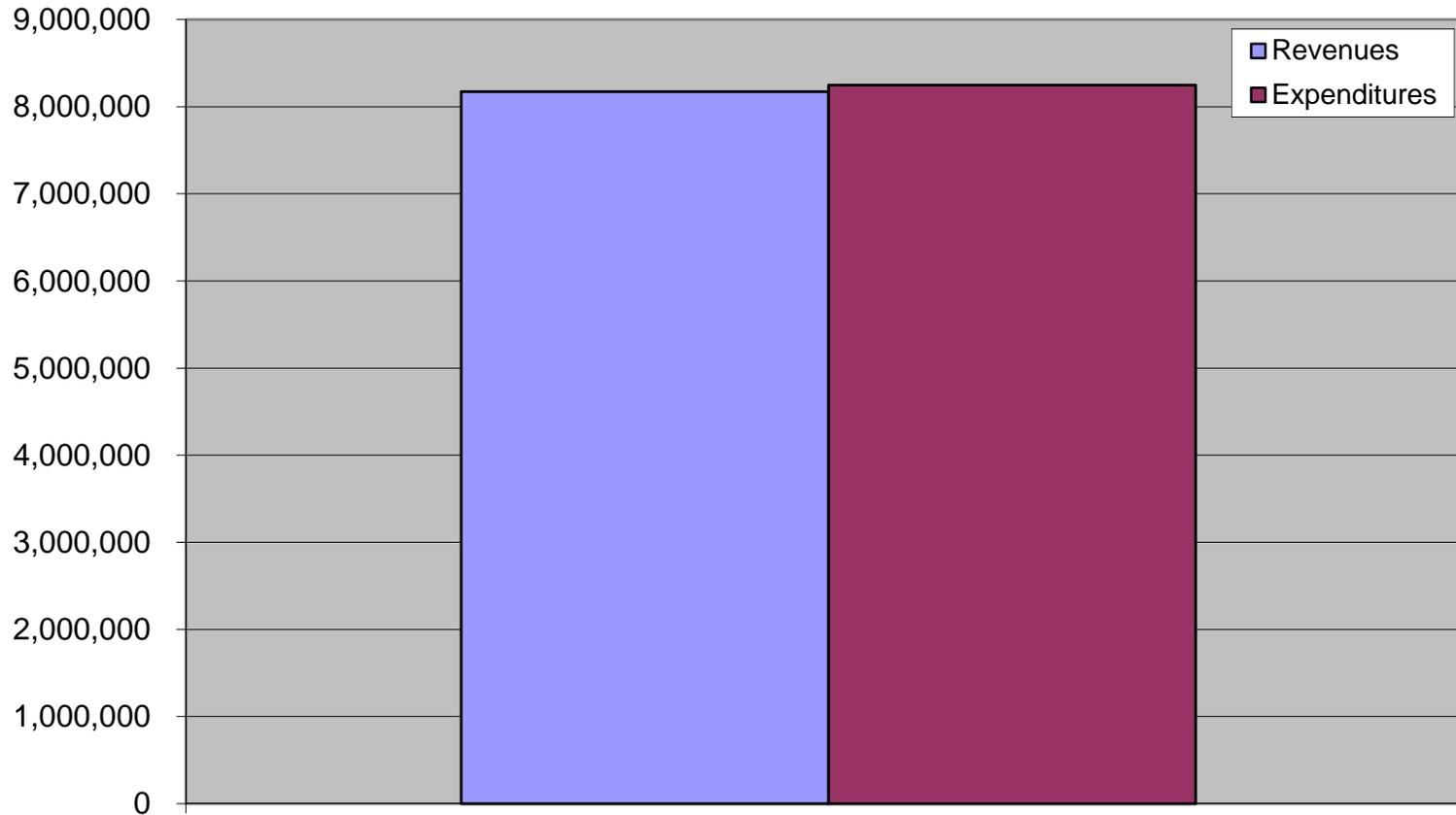
General Fund Expenditures
Chart 2

**Proprietary Funds
Expenditures vs Budget
March 31, 2007**



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures March 31, 2007



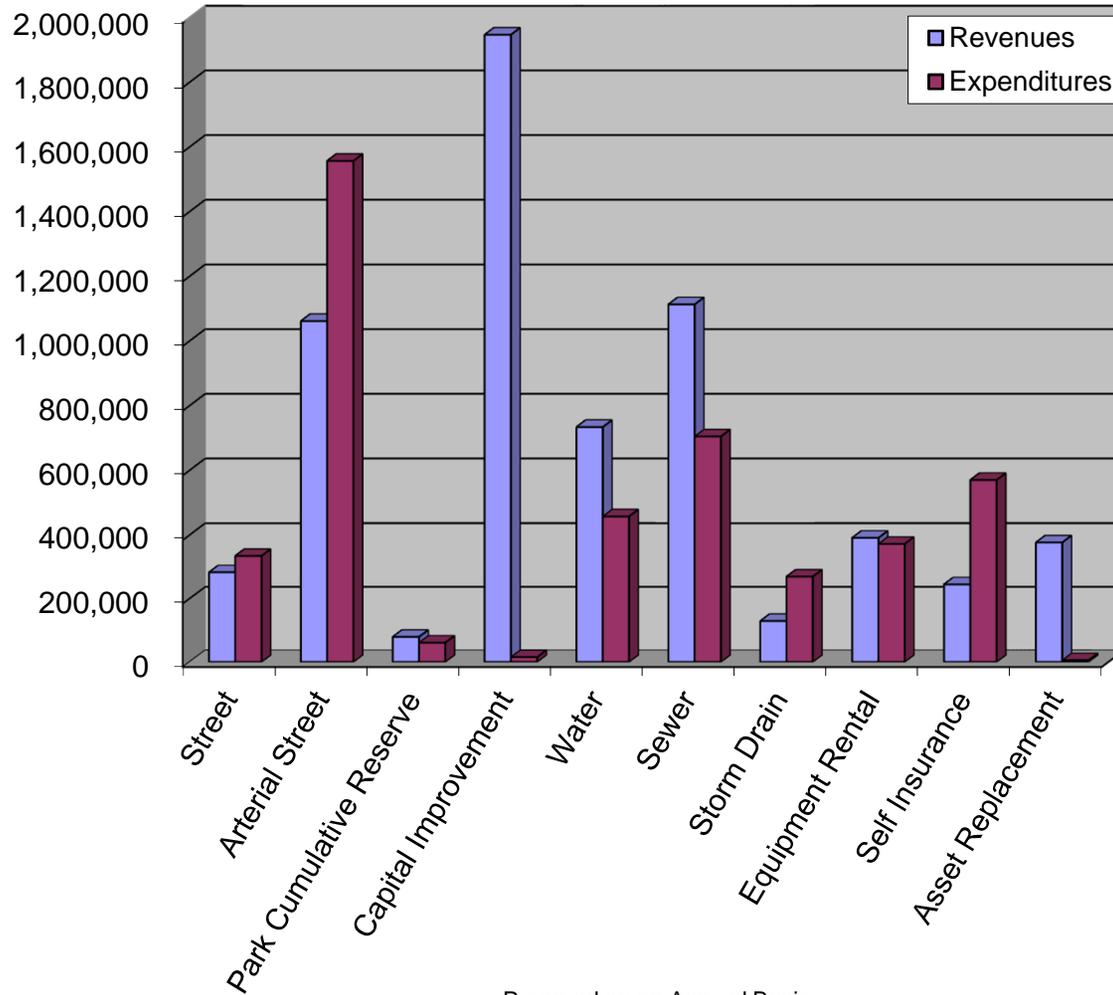
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

Other Major Funds Revenues vs Expenditures March 31, 2007



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5