

City of Bothell
2007-2008 Budget Status Report
For the Quarter Ending December 31, 2007

I. Biennium Status

The City has concluded the fourth quarter of its eight-quarter biennium. The budget period is 50% (12 of 24 months) complete. While the 2007 books are still open as we work on a number of year-end accounting entries, the only material impact on the numbers presented here would be in the City's enterprise funds (Water, Sewer, and Storm Drain.)

Enterprise funds' capital expenditures are depreciated over time rather than expensed in the year they are incurred, so enterprise fund expenditures will decrease once year-end fixed asset entries are complete. The City's State-audited 2007 financial statements should be available in May.

Citywide

Citywide revenue inflows amounted to 43.5% of the biennial projection – 1.3% ahead of where the City ended 2005 (the first year of the 2005-06 biennium.) Expenditure outflows spent down only 32.5% of the biennial appropriation – 3% less than was spent down during 2005.

The City's budget position (considering both inflows and outflows) is \$6.8 million ahead of where it ended 2005. This year-over-year change can be traced to the Capital Fund – its revenues are nearly \$12 million higher than at this point in 2005-06 (including \$3.34 million in transfers from the General Fund), while its expenditures are just over \$3 million higher.

General Fund

General Fund revenue inflows amounted to 47.1% of the biennial projection – this is 5.6% lower than the portion of the biennial budget that the City receipted during 2005. Retail sales tax revenues were lower than projected – see page 3 for more details.

Expenditure outflows spent down only 44% of the biennial projection – 2.9% less budget than was spent down in 2005. Excluding \$3.34 million in scheduled transfers to the Capital Fund (which are occurring regularly throughout 2007-08, compared to in a lump sum at the end of 2005-06), the General Fund's budget position (considering both inflows and outflows) is nearly \$614,000 ahead of where it ended 2005.

II. Citywide Summary

		Inflow/Outflow	2007-2008 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$78,595,395	\$180,687,905	43.5%
	Outflow	\$67,147,491	\$206,359,170	32.5%
<u>CITY TOTAL</u> <small>(less Arterial Street and Capital Funds)</small>	Inflow	\$53,511,705	\$118,560,070	45.1%
	Outflow	\$51,132,553	\$128,109,251	39.9%

		Inflow/Outflow	2007-2008 Budget	% of Budget
<u>GENERAL FUND*</u>	Inflow	\$35,831,620	\$76,032,322	47.1%
	Outflow	\$35,831,620	\$81,526,582	44.0%

*As per the adopted Capital Facilities Plan, the surplus of General Fund inflows over outflows were transferred to the Capital Fund.

III. Economic Recap

National non-farm payroll employment decreased by 84,000 jobs during the fourth quarter of 2007. The national unemployment rate rose to 5.0%.

<u>U.S. GOODS-PRODUCING: - 321,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +237,000 JOBS</u>	
Construction	- 120,000	Retail trade	+118,000
Manufacturing	- 212,000	Professional/business services	+195,000
		Educational/health services	+ 73,000
		Leisure/hospitality	+ 20,000
		Government	+ 52,000

At the state level, 15,100 non-farm jobs were added during the fourth quarter. Washington's unemployment rate remained steady at 4.8%. The Seattle-Bellevue-Everett rate inched up slightly, closing December at 3.9%.

<u>STATE GOODS-PRODUCING: +3,900 JOBS</u>		<u>STATE SERVICE-PROVIDING: +11,200 JOBS</u>	
Construction	+1,500	Wholesale trade	+800
Manufacturing	+2,400	Retail trade	- 2,000
		Transportation/warehousing/utilities	+2,200
		Information	-100
		Professional/business services	+1,600
		Educational/health services	+2,200
		Leisure/hospitality	+4,100
		Other services	+400
		Government	+2,000

The Fed continues to lower the federal funds rate in hopes of bolstering economic growth – shaving off 1.25 percentage points during an eight-day stretch in January.

The State Economic and Forecast Council indicated in its December report that while the real estate market has not been hit as hard locally as it has across the country, real estate activity remains weak. Activity has declined on a year-over-year basis for five consecutive months, and for thirteen of the past sixteen months.

The bimonthly Consumer Price Index for the Seattle-Tacoma-Bremerton region increased slightly in December - rising 0.4% increase over the October 2007 figure and 4.8% over the December 2006 figure.

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, December sales tax revenue is not actually remitted to the City until the end of February.

Revenue	Inflow	2007-2008 Budget	% of Budget
Property Tax	\$7,594,183	\$15,947,425	47.6%

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

Revenue	Inflow	2007-2008 Budget	% of Budget
Sales/Use Tax			
Retail	\$8,022,453	\$19,520,145	41.1%
Construction	\$2,352,150	\$5,210,000	48.6%
Hotel/Motel	\$260,490	\$531,300	49.0%
Criminal Justice	\$662,689	\$1,310,000	50.6%
Total	\$11,477,782	\$26,571,445	43.2%

2007 retail sales tax receipts dropped off approximately \$1 million compared to 2006.

The Department of Revenue continues to withhold over \$26,000 each month (\$624,000 during the 2007-08 biennium) to adjust for an overpayment to the City in the 1990's.

Revenue	Inflow	2007-2008 Budget	% of Budget
Business/Utility Tax	\$7,079,883	\$14,080,835	50.3%

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
Other Taxes	\$666,969	\$748,000	89.2%

Other taxes include leasehold excise taxes, the EMS levy in the Snohomish County portion of the city, and gambling taxes.

EMS levy collections comprise 90% of taxes received in this category to date.

Revenue	Inflow	2007-2008 Budget	% of Budget
Licenses & Permits			
Business/Sign Licenses	\$260,446	\$538,100	48.4%
Building Permits	\$1,031,374	\$2,236,600	46.1%
Plumbing/Mechanical	\$174,692	\$447,300	39.1%
Pre-Application Fees	\$31,198	\$80,000	39.0%
Other Miscellaneous	\$4,157	\$7,000	59.4%
Total	\$1,501,866	\$3,309,000	45.4%

Revenue	Inflow	2007-2008 Budget	% of Budget
Intergovernmental	\$1,846,333	\$3,837,000	48.1%

Intergovernmental revenues are mostly comprised of grant funding, and make up only 5% 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	\$3,342,459	\$7,035,411	47.5%

Charges for services include development review fees, recreation program fees, passport fees, and EMS transport fees. Transfers from CFP projects which cover project-term staff members' salaries and benefits are also part of this category.

Revenue	Inflow	2007-2008 Budget	% of Budget
Fines/Penalties/Criminal	\$442,607	\$802,500	55.2%
Other Miscellaneous	\$1,473,829	\$2,889,300	51.0%
Operating Transfers	\$405,703	\$811,406	50.0%

Citywide investment interest was over \$516,000 higher in 2007 than in 2005. Unfortunately, interest rates have fallen off dramatically in 2008. 2007 saw rates of 5.25%, while 2008 rates are currently in the 3% range.

See General Fund Revenues - Chart 1

V. General Fund Expenditures

Expenditures for 2007 were \$4.93 million (12.1%) below the average month-to-month budget pace. Personnel expenditures continued to close the gap with projections in the fourth quarter, closing 2007 6.3% lower than expected. Maintenance and operations (M&O) expenditures also picked up, finishing 11.9% lower than the monthly pace.

Operating transfer expenditures continue to lag behind projections – the projected interfund loans to Water and Sewer have not taken place, and the transfer of excess construction sales tax and permitting revenues to the Capital Fund ended 2007 \$110,000 less than projected.

Expenditures	Outflow	2007-2008 Budget	% of Budget
Salaries & Benefits	\$23,476,028	\$50,110,462	46.8%
Maintenance & Operations	\$6,204,034	\$14,085,555	44.0%
Capital	\$448,699	\$740,947	60.6%
Operating Transfers	\$5,702,859	\$16,589,618	34.4%
Total	\$35,831,620	\$81,526,582	44.0%

See General Fund Expenditures - Chart 2

See General Fund Revenues vs. Expenditures - Chart 3

VI. Other Major Funds

	Inflow/Outflow	2007-2008 Budget	% of Budget
Street	Inflow	\$1,578,208	49.0%
	Outflow	\$1,654,033	44.9%

A subsidy from the General Fund represents \$265,000 of Street Fund revenues. A subsidy remains necessary to balance inflows and outflows.

		Inflow/Outflow	2007-2008 Budget	% of Budget
Arterial Street	Inflow	\$10,881,785	\$34,996,000	31.1%
	Outflow	\$10,401,183	\$37,907,419	27.4%

The Arterial Street Fund is project-driven and primarily grant funded. Nearly all grants require the City to front expenditures prior to requesting reimbursement, so inflows will generally trail outflows at any specific point in time. This is not the case at the end of 2007, due to a recent large transfer of traffic mitigation fees from trust.

Note that this fund's budget includes projects that may not develop during the biennium.

		Inflow/Outflow	2007-2008 Budget	% of Budget
Park Reserve	Inflow	\$316,568	\$779,200	40.2%
	Outflow	\$0	\$490,000	0.0%

These restricted funds will be transferred into trust until they are spent on capital parks projects, in accordance with direction received from the State Auditor's Office.

		Inflow/Outflow	2007-2008 Budget	% of Budget
Capital Improvements	Inflow	\$14,201,905	\$27,131,835	52.3%
	Outflow	\$5,613,755	\$39,342,500	14.3%

Many capital projects budgeted in the 2007-2008 biennium had not commenced at the end of 2007. That changed quickly in early 2008, when the City purchased of the Beta Bothell property.

VII. Proprietary Funds

Utility Funds		Inflow/Outflow	2007-2008 Budget	% of Budget
Water	Inflow	\$3,871,810	\$10,063,184	30.8%
	Outflow	\$3,226,613	\$10,485,662	19.5%
Sewer	Inflow	\$5,230,790	\$12,348,597	42.4%
	Outflow	\$4,452,708	\$12,936,110	34.4%
Storm Drain	Inflow	\$1,923,796	\$6,676,200	28.8%
	Outflow	\$1,709,099	\$8,429,666	20.3%

Water and Sewer revenues and expenditures continue to lag behind projections. Budgeted interfund loans have not yet been received, and capital spending was \$5.65 million lower than projected in 2007. Expenditure figures will drop even lower once year-end fixed asset entries have been completed – as referenced on page 1, enterprise funds depreciate their capital expenditures over time rather than expense them in the year they are incurred.

Internal Service Funds		Inflow/Outflow	2007-2008 Budget	% of Budget
Equipment Rental	Inflow	\$1,534,809	\$3,062,518	50.1%
	Outflow	\$1,517,114	\$3,013,397	50.3%
Self-Insurance	Inflow	\$1,042,042	\$2,015,701	51.7%
	Outflow	\$891,585	\$2,010,179	44.4%
Asset Replacement	Inflow	\$1,303,725	\$2,612,818	49.9%
	Outflow	\$1,013,642	\$4,743,946	21.4%

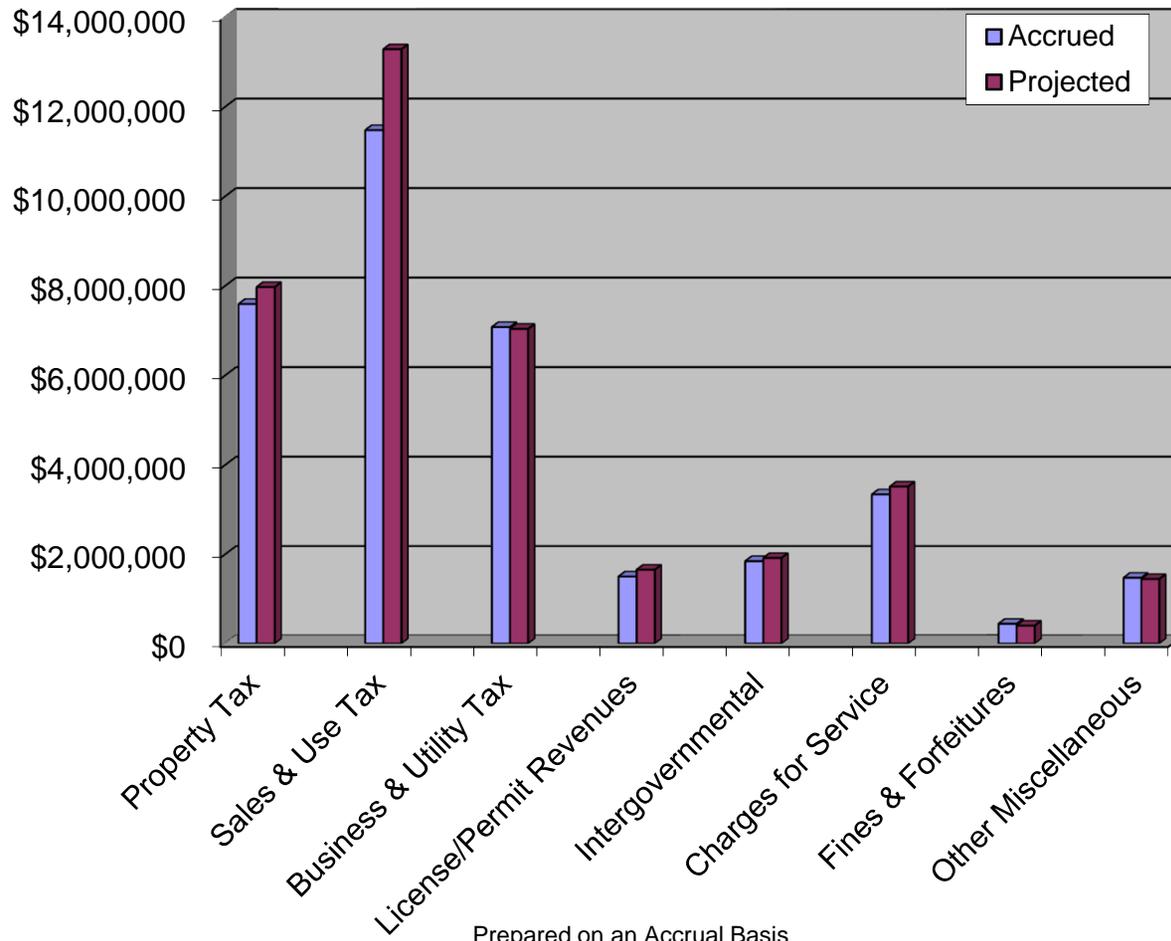
See *Proprietary Funds Expenditures - Chart 4*

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

VIII. Council Emphasis Areas

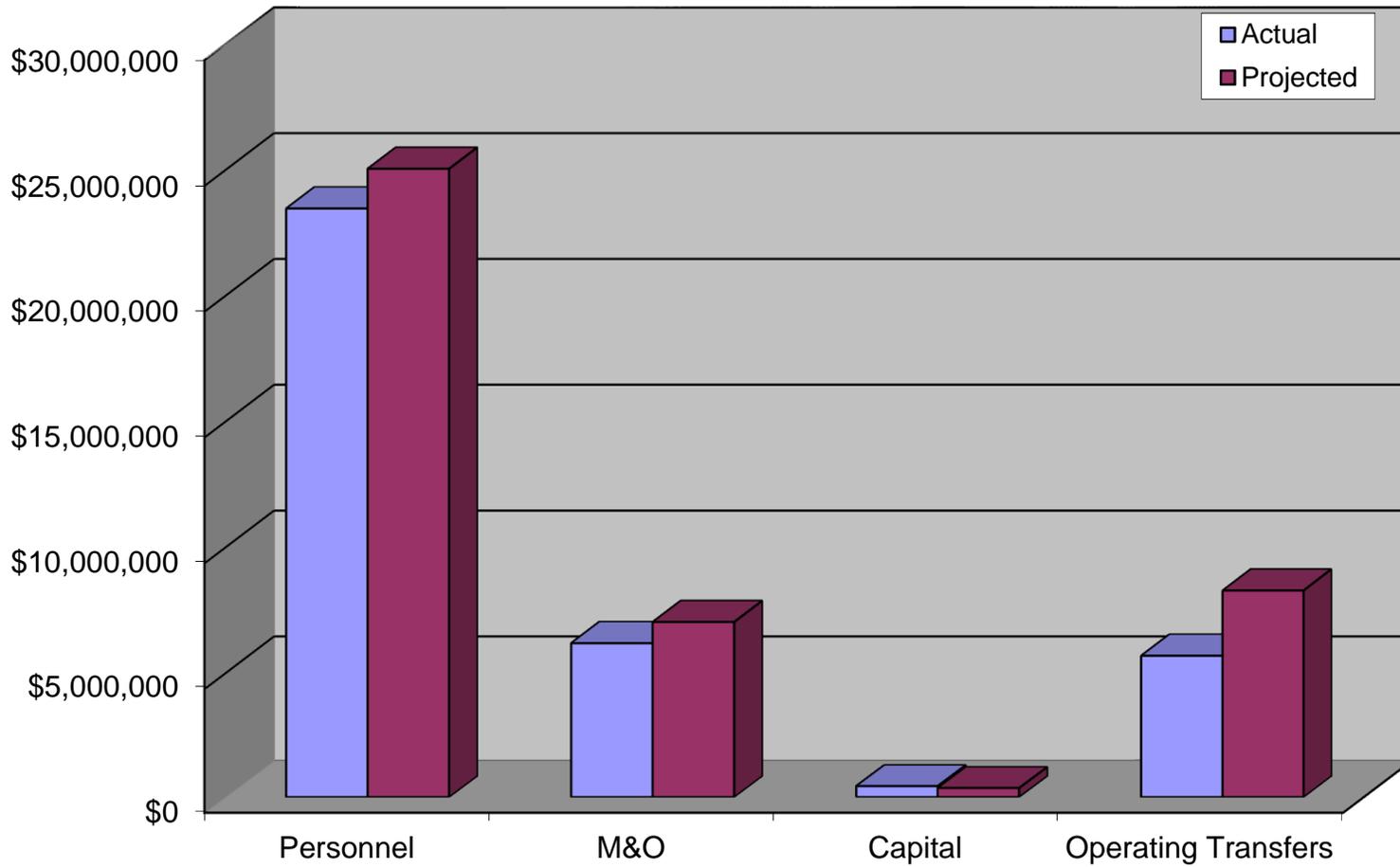
Development Review	Inflow	\$1,192,073	(Includes A/R)
	Outflow	1,252,768	(Includes overhead)
	Net	(\$60,695)	
Permitting	Inflow	\$1,845,392	
	Outflow	1,298,711	(Includes overhead)
	Net	\$546,681	
CFP Project-Term Staff	Inflow	\$673,412	(Reimbursement)
	Outflow	673,412	(General Fund wages)
	Net	\$ 0	
PWS Facility Surcharge	Inflows	\$64,131.65	(Since 1998)
	Expires	\$67,482.84	

General Fund Revenue vs Budget December 31, 2007



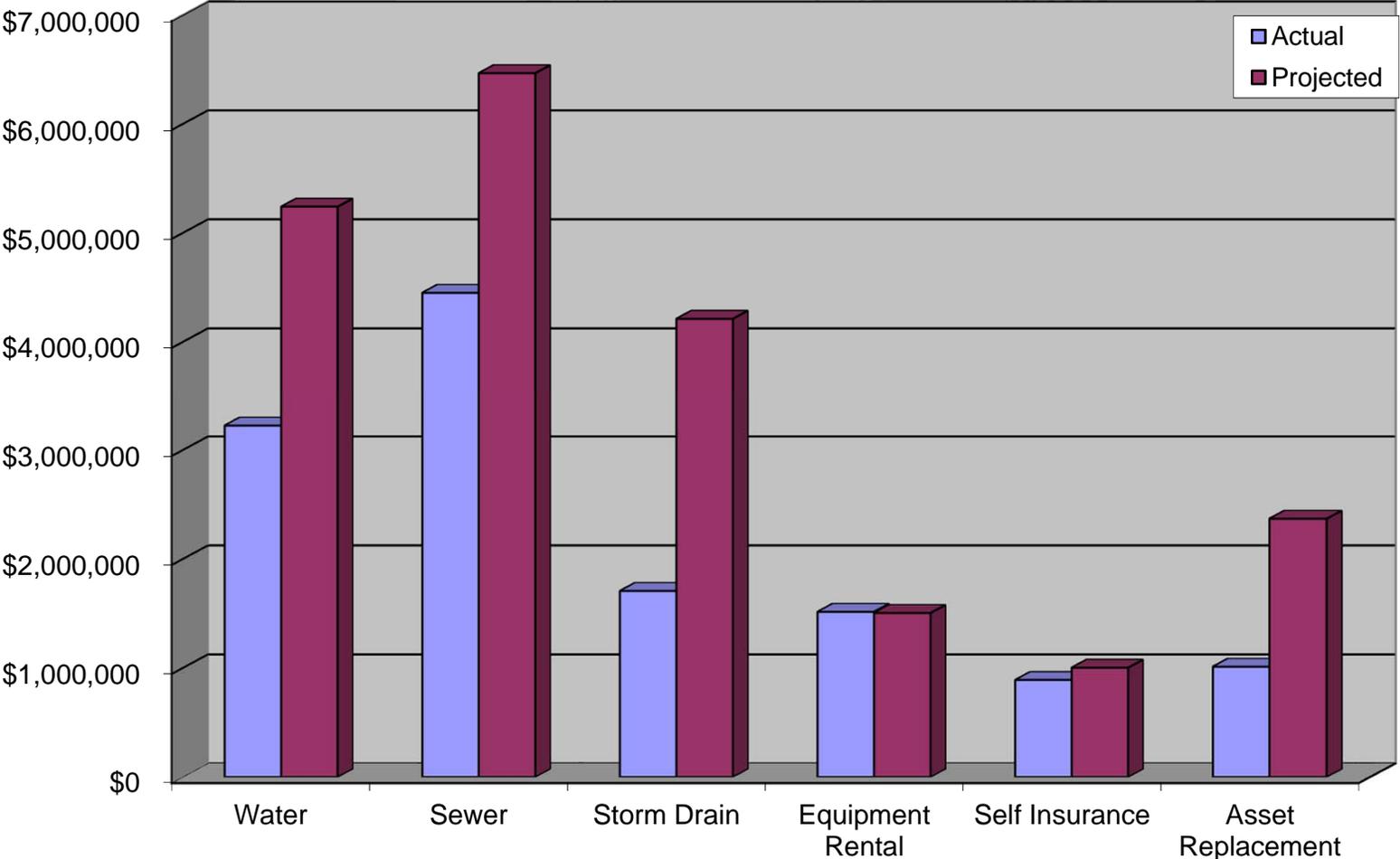
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget December 31, 2007



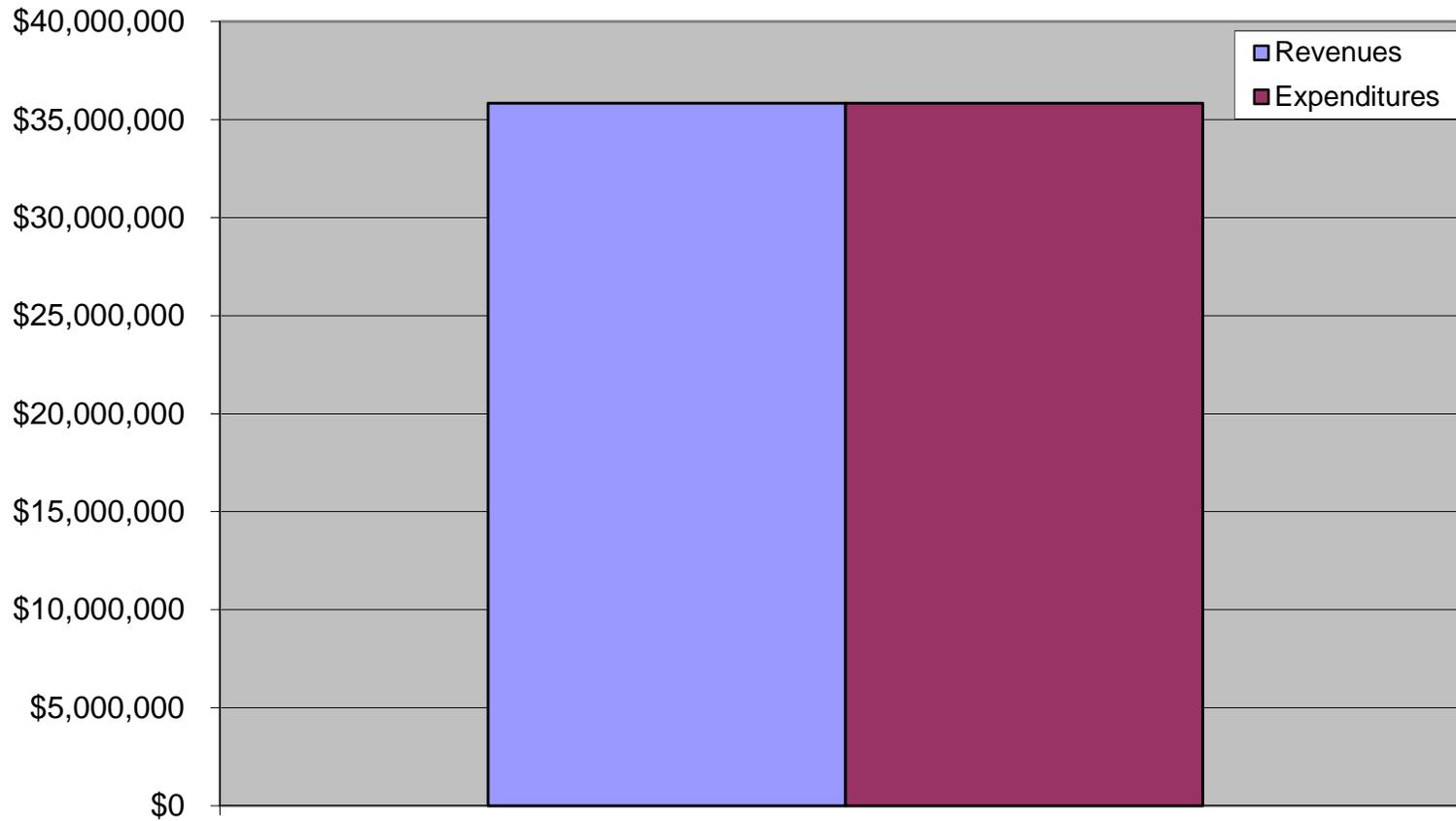
General Fund Expenditures
Chart 2

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



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures December 31, 2007



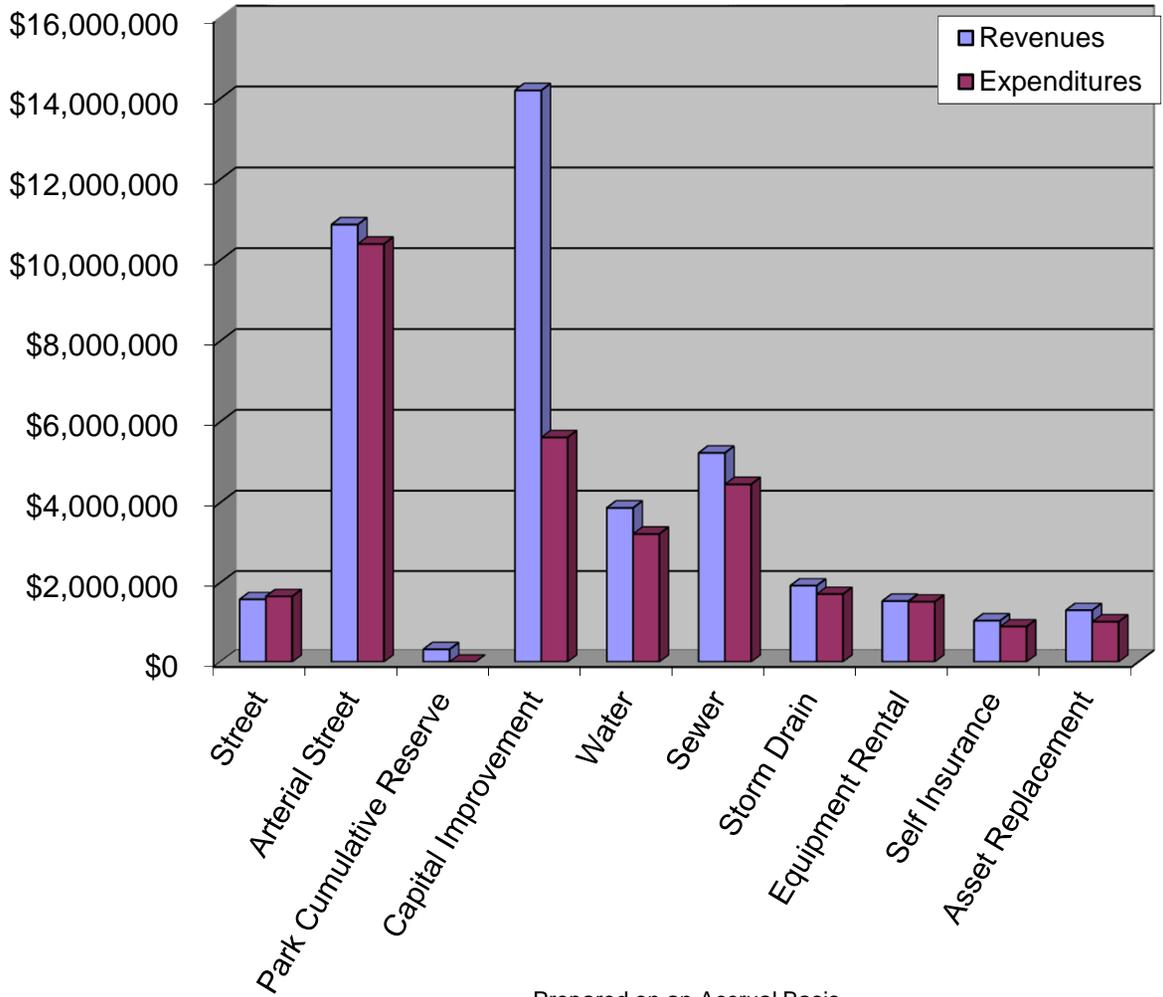
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

Other Major Funds Revenues vs Expenditures December 31, 2007



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5