

City of Bothell

2007-2008 Budget Status Report

For the Quarter Ending March 31, 2008

I. Biennium Status

The City has concluded the fifth quarter of its eight-quarter biennium. The budget period is 62.5% (15 of 24 months) complete.

Citywide

Citywide revenue inflows through March 2008 accounted for 55.3% of the biennial projection – 2.4% ahead of where the City ended March 2006. Expenditure outflows spent down only 42.2% of the biennial appropriation – 1.2% less than was spent down through the first five quarters of 2005-06.

The City's budget position (considering both inflows and outflows) is \$5.5 million ahead of where it ended March 2006.

General Fund

General Fund revenue inflows amounted to 58.1% of the biennial projection – this is 8.1% lower than the portion of the biennial budget that the City receipted during the first five quarters of 2005-06. Retail sales tax revenues continue to run below budget projections.

Expenditure outflows spent down only 55.1% of the biennial projection – 2.8% less budget than at this point in 2005-06. Excluding \$4.27 million in scheduled transfers to the Capital Fund (occurring regularly throughout 2007-08, compared to a lump sum transfer at the end of 2005-06), the General Fund's budget position (considering both inflows and outflows) is about \$575,000 behind where it ended March 2006.

II. Citywide Summary

		Inflow/Outflow	2007-2008 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$99,857,938	\$180,687,905	55.3%
	Outflow	\$87,025,130	\$206,359,170	42.2%
<u>CITY TOTAL</u> (less Arterial Street and Capital Funds)	Inflow	\$65,851,930	\$118,560,070	55.5%
	Outflow	\$62,944,146	\$129,109,251	48.8%
<u>GENERAL FUND*</u>	Inflow	\$44,202,493	\$76,032,322	58.1%
	Outflow	\$44,948,459	\$81,526,582	55.1%

III. Economic Recap

National non-farm payroll employment decreased by 232,000 jobs during the first quarter of 2008. The national unemployment rate rose to 5.1%.

<u>U.S. GOODS-PRODUCING: - 244,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +12,000 JOBS</u>	
Construction	- 127,000	Retail trade	-75,000
Manufacturing	- 129,000	Professional/business services	-95,000

		Educational/health services	+131,000
		Leisure/hospitality	+ 47,000
		Government	+ 54,000

At the state level, 4,200 non-farm jobs were added during the first quarter of 2008. Washington's unemployment rate inched up slightly to 4.9%. The Seattle-Bellevue-Everett rate, on the other hand, inched up slightly - closing March at 3.7%.

<u>STATE GOODS-PRODUCING: -700 JOBS</u>		<u>STATE SERVICE-PROVIDING: +4,900 JOBS</u>	
Construction	-1,300	Wholesale trade	+400
Manufacturing	+300	Retail trade	+700
Natural Resources & Mining	+300	Transportation/warehousing/utilities	-700
		Information	+200
		Professional/business services	+200
		Educational/health services	+1,300
		Leisure/hospitality	+1,900
		Other services	+400
		Government	+500

In the midst of soaring energy and food prices, the Fed continues to make cuts in the federal funds rate in hopes of stimulating growth in the economy. The federal funds rate currently sits at 2%, which represents a 3.25% cumulative cut since September 2007.

The State Economic and Forecast Council indicated in its February report that the decline in Washington housing permits (especially single-family permits) during the fourth quarter of 2007 was far more severe than expected. The current forecast assumes that housing permits will be significantly lower in 2008 than was assumed in November, but will recover to about the same rate in 2009.

The bimonthly Consumer Price Index for the Seattle-Tacoma-Bremerton region increased in February - rising 1.3% over the December 2007 figure and 4.7% over the February 2007 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, March sales tax revenue is not actually remitted to the City until the end of May.

Where actual revenue figures are not yet available, projections have been utilized.

<u>Revenue</u>	<u>Inflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>
Property Tax	\$9,643,861	\$15,947,425	60.5%

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	\$9,700,617	\$19,520,145	49.7%
Construction	\$2,986,610	\$5,210,000	57.3%
Hotel/Motel	\$313,439	\$531,300	59.0%
Criminal Justice	\$811,574	\$1,310,000	62.0%
Total	\$13,812,240	\$26,571,445	52.0%

Sales tax revenues continue to run below projections. Retail sales tax revenue in the first quarter of 2008 is anticipated to be about \$225,000 less than the first quarter of 2007, while construction sales tax revenue is down only \$67,000 compared to 2007.

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	\$9,018,383	\$14,080,835	64.0%

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	\$832,150	\$748,000	111.2%

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

EMS levy collections comprise 90.6% of taxes received in this category to date.

Revenue	Inflow	2007-2008 Budget	% of Budget
Licenses & Permits			
Business/Sign Licenses	\$352,312	\$538,100	65.5%
Building Permits	\$1,175,762	\$2,236,600	52.6%
Plumbing/Mechanical	\$201,087	\$447,300	45.0%
Pre-Application Fees	\$40,906	\$80,000	51.1%
Other Miscellaneous	\$5,122	\$7,000	73.2%
Total	\$1,775,189	\$3,309,000	53.6%

Revenue	Inflow	2007-2008 Budget	% of Budget
Intergovernmental	\$2,295,012	\$3,837,000	59.8%

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	\$4,107,140	\$7,035,411	58.4%

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	\$545,137	\$802,500	67.9%
Other Miscellaneous	\$1,666,247	\$2,889,300	57.7%
Operating Transfers	\$507,129	\$811,406	62.5%

Interest rates have fallen off dramatically in 2008. 2007 saw rates of 5.25%, while 2008 rates are currently in the low 3% range.

See General Fund Revenues - Chart 1

V. General Fund Expenditures

Biennial expenditures through March were \$6 million (11.8%) below the average month-to-month budget pace. Personnel expenditures continue to close the gap with projections, finishing the quarter 5.5% lower than expected. Maintenance and operations (M&O) expenditures slowed slightly, and are currently 13.3% 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. A total of \$4.27 million has been transferred to the Capital Improvement Fund thus far in 2007-08, in accordance with the “Roadmap” long-range plan.

Expenditures	Outflow	2007-2008 Budget	% of Budget
Salaries & Benefits	\$29,603,089	\$50,110,462	59.1%
Maintenance & Operations	\$7,636,526	\$14,085,555	54.2%
Capital	\$552,782	\$740,947	74.6%
Operating Transfers	\$7,156,061	\$16,589,618	43.1%
Total	\$44,948,459	\$81,526,582	55.1%

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	\$1,859,029	57.7%
	Outflow	\$2,138,836	58.1%

A subsidy from the General Fund represents \$331,250 of Street Fund revenues. A subsidy remains necessary to balance inflows and outflows.

	Inflow/Outflow	2007-2008 Budget	% of Budget
Arterial Street	Inflow	\$11,655,386	33.3%
	Outflow	\$11,546,034	30.5%

The Arterial Street Fund is project-driven and primarily grant funded. 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	\$393,342	\$779,200	50.5%
	Outflow	\$0	\$490,000	0.0%

In accordance with direction received from the State Auditor's Office, these restricted funds will be reclassified as deferred revenues until they are spent on capital parks projects.

		Inflow/Outflow	2007-2008 Budget	% of Budget
Capital Improvements	Inflow	\$22,350,623	\$27,131,835	82.4%
	Outflow	\$12,534,950	\$39,342,500	31.9%

Capital spending picked up in early 2008 with the purchase of the Beta property. A number of transportation-related projects are underway, while other projects such as construction of the new Public Works shop are looming on the horizon.

VII. Proprietary Funds

Utility Funds		Inflow/Outflow	2007-2008 Budget	% of Budget
Water	Inflow	\$4,622,071	\$10,063,184	45.9%
	Outflow	\$3,652,340	\$10,485,662	34.8%
Sewer	Inflow	\$6,394,588	\$12,348,597	51.8%
	Outflow	\$5,426,050	\$12,936,110	41.9%
Storm Drain	Inflow	\$2,382,030	\$6,676,200	35.7%
	Outflow	\$2,027,035	\$8,429,666	24.0%

Utility revenues and expenditures continue to lag behind projections. Personnel costs are currently \$517,000 (16.7%) less than the projected pace, while maintenance and operations (M&O) costs are \$259,000 (3.8%) less than expected.

Capital expenditures make up by far the largest share of the variance – they are running \$7.5 million below the projected month-to-month pace. This huge variance is caused by the fact that generally accepted accounting principles (GAAP) require capital costs to be depreciated over time, while the City budgets these costs as if they were to be expensed as they are incurred.

Internal Service Funds		Inflow/Outflow	2007-2008 Budget	% of Budget
Equipment Rental	Inflow	\$1,915,162	\$3,062,518	62.5%
	Outflow	\$1,891,476	\$3,013,397	62.8%
Self-Insurance	Inflow	\$1,323,678	\$2,015,701	65.7%
	Outflow	\$1,502,801	\$2,010,179	74.8%
Asset Replacement	Inflow	\$1,640,831	\$2,612,818	62.8%
	Outflow	\$480,486	\$4,743,946	10.1%

Self-Insurance expenditures always appear inflated during the early part of each year; this is because the City's annual insurance premium is paid during the first quarter.

Some Asset Replacement capital expenditures are treated similarly to proprietary funds – that is, they are depreciated over time rather than expensed as they are incurred. This results in expenditure totals that are much lower than budgeted.

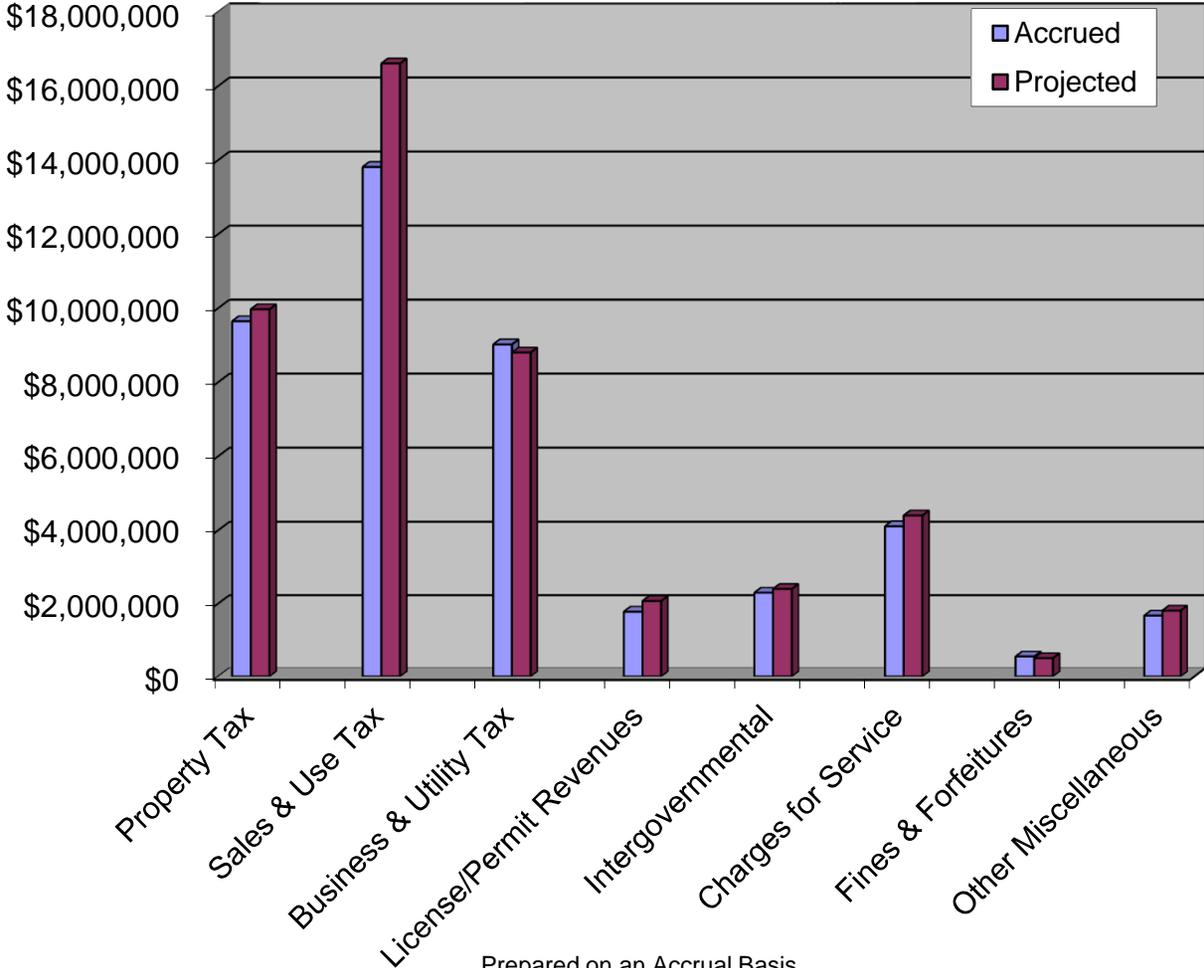
See Proprietary Funds Expenditures - Chart 4

See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. Council Emphasis Areas

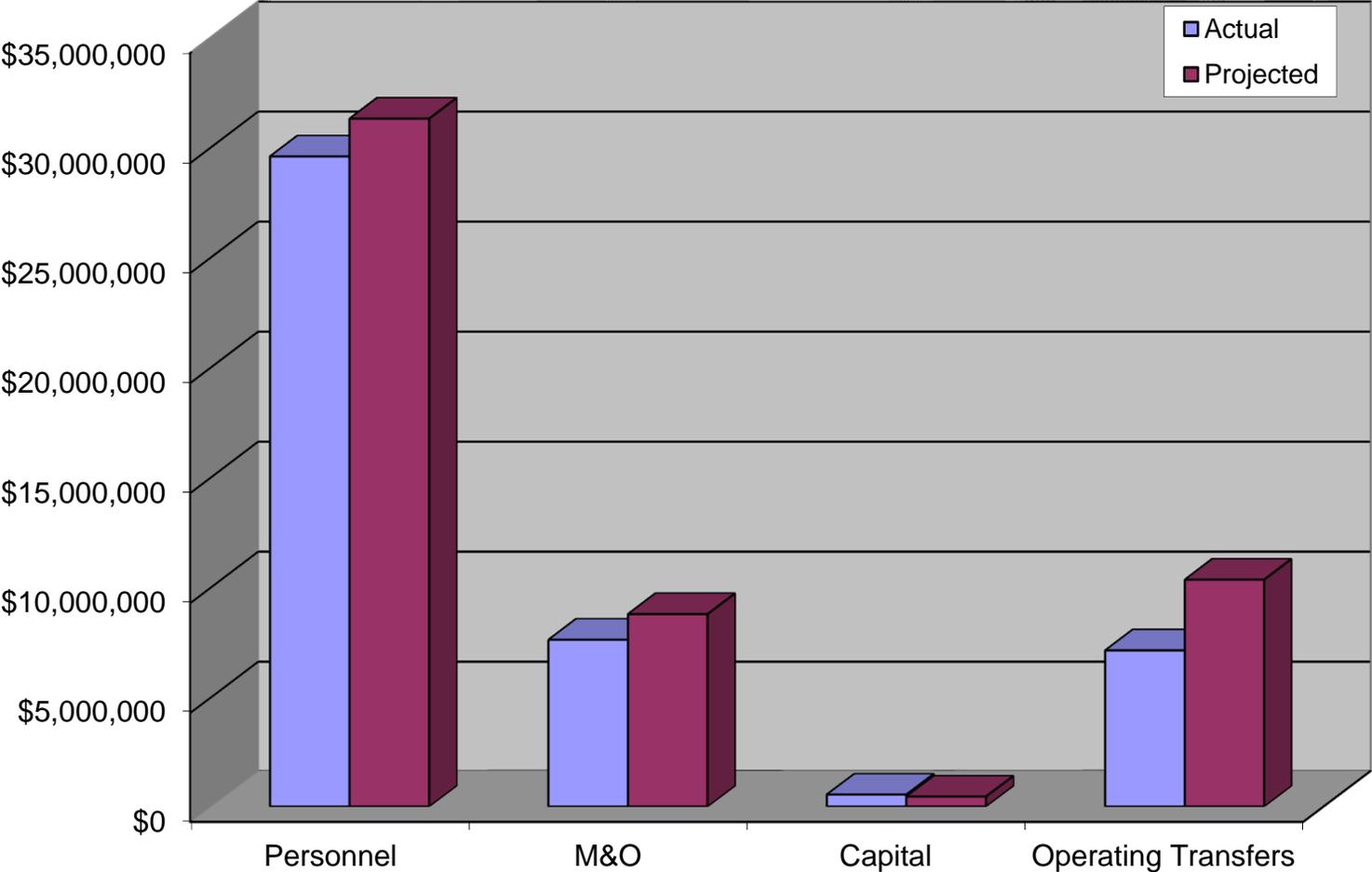
Development Review	Inflow	\$298,075	(Includes A/R)
	Outflow	299,166	(Includes overhead)
	Net	(\$ 1,091)	
Permitting	Inflow	\$269,745	
	Outflow	312,934	(Includes overhead)
	Net	(\$43,189)	
CFP Project-Term Staff	Inflow	\$175,503	(Reimbursement)
	Outflow	175,503	(General Fund wages)
	Net	\$ 0	
PWS Facility Surcharge	Inflows	\$64,131.65	(Since 1998)
	Expires	\$67,482.84	

General Fund Revenue vs Budget March 31, 2008



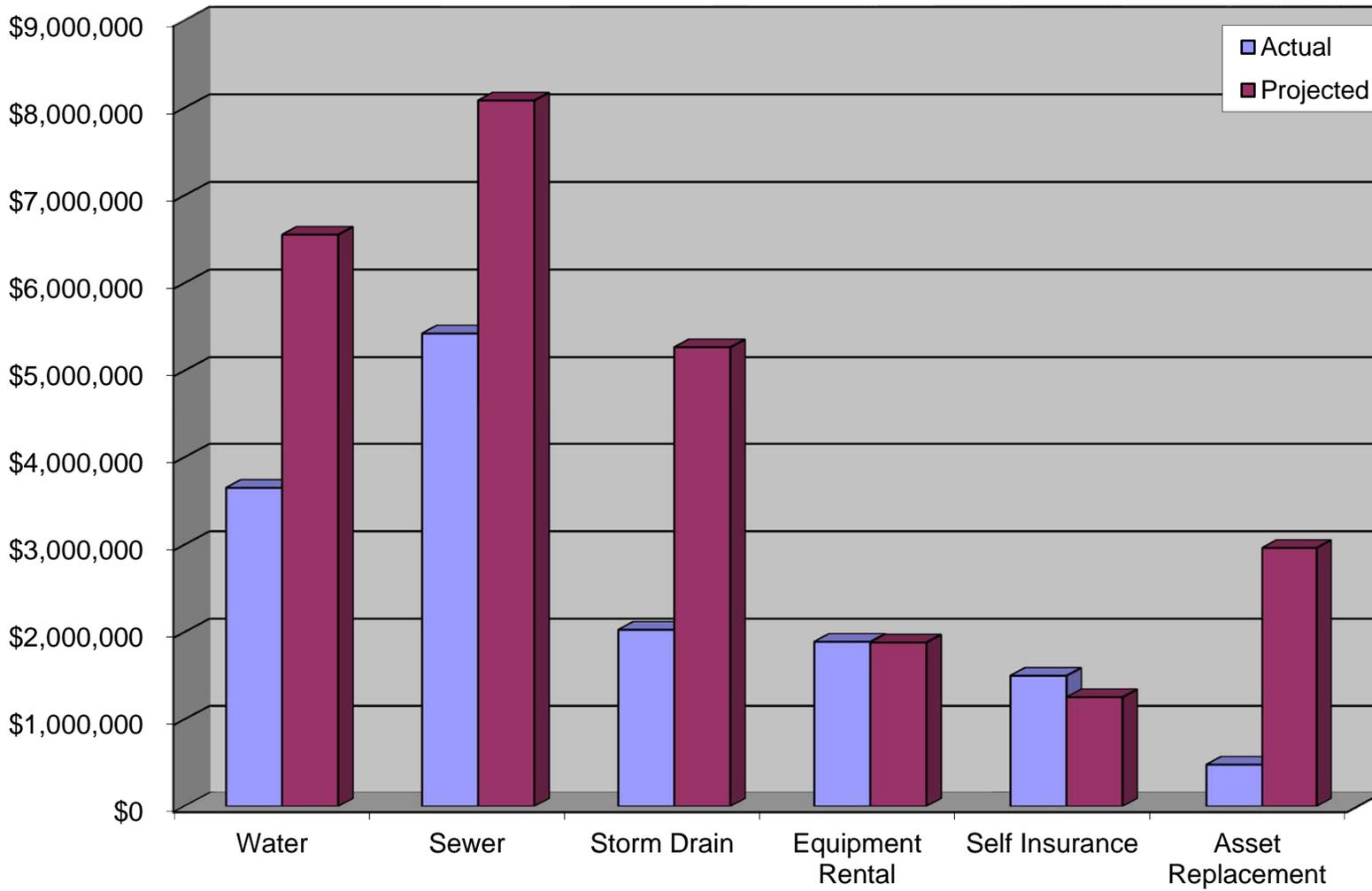
Prepared on an Accrual Basis
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget March 31, 2008



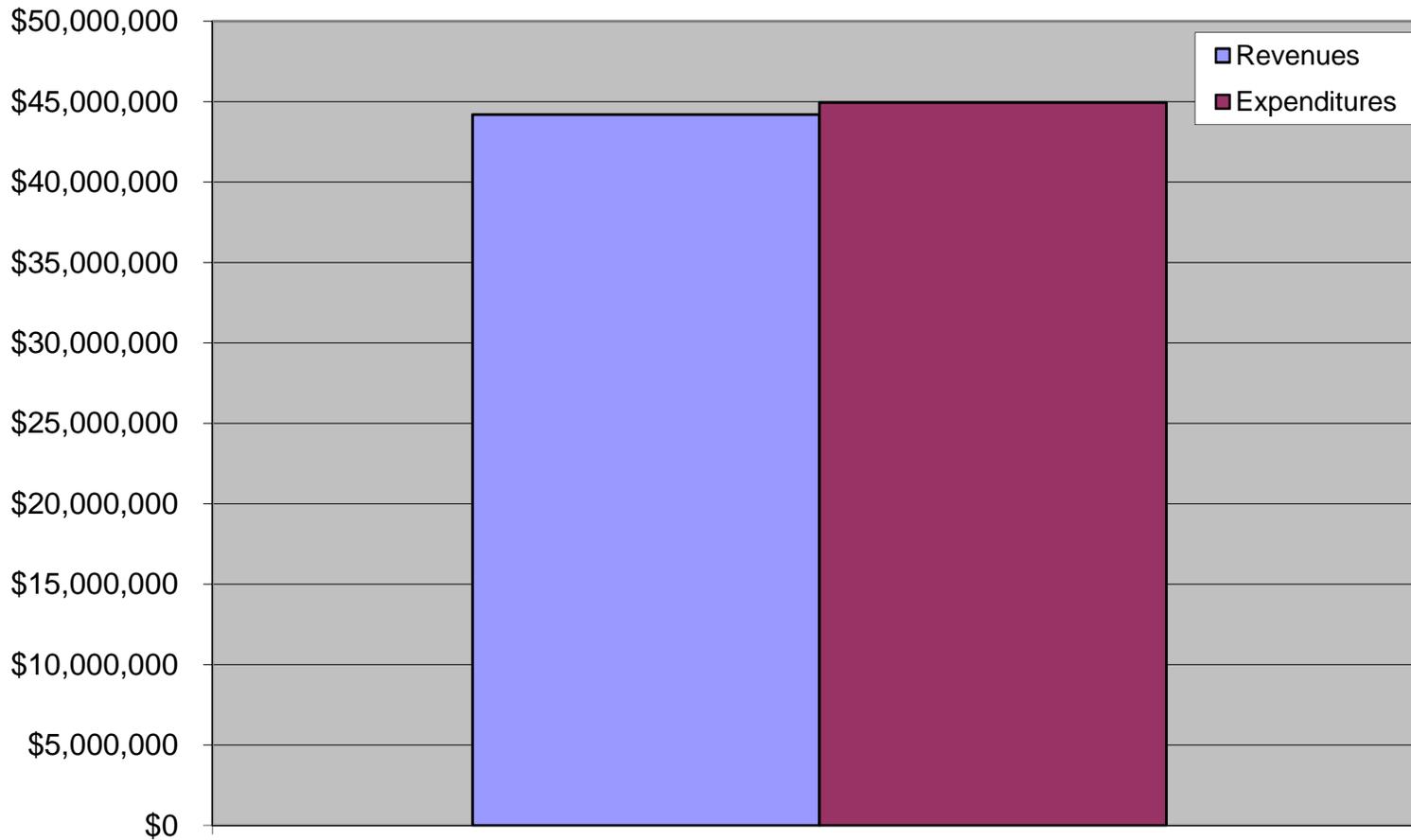
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget March 31, 2008



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures March 31, 2008



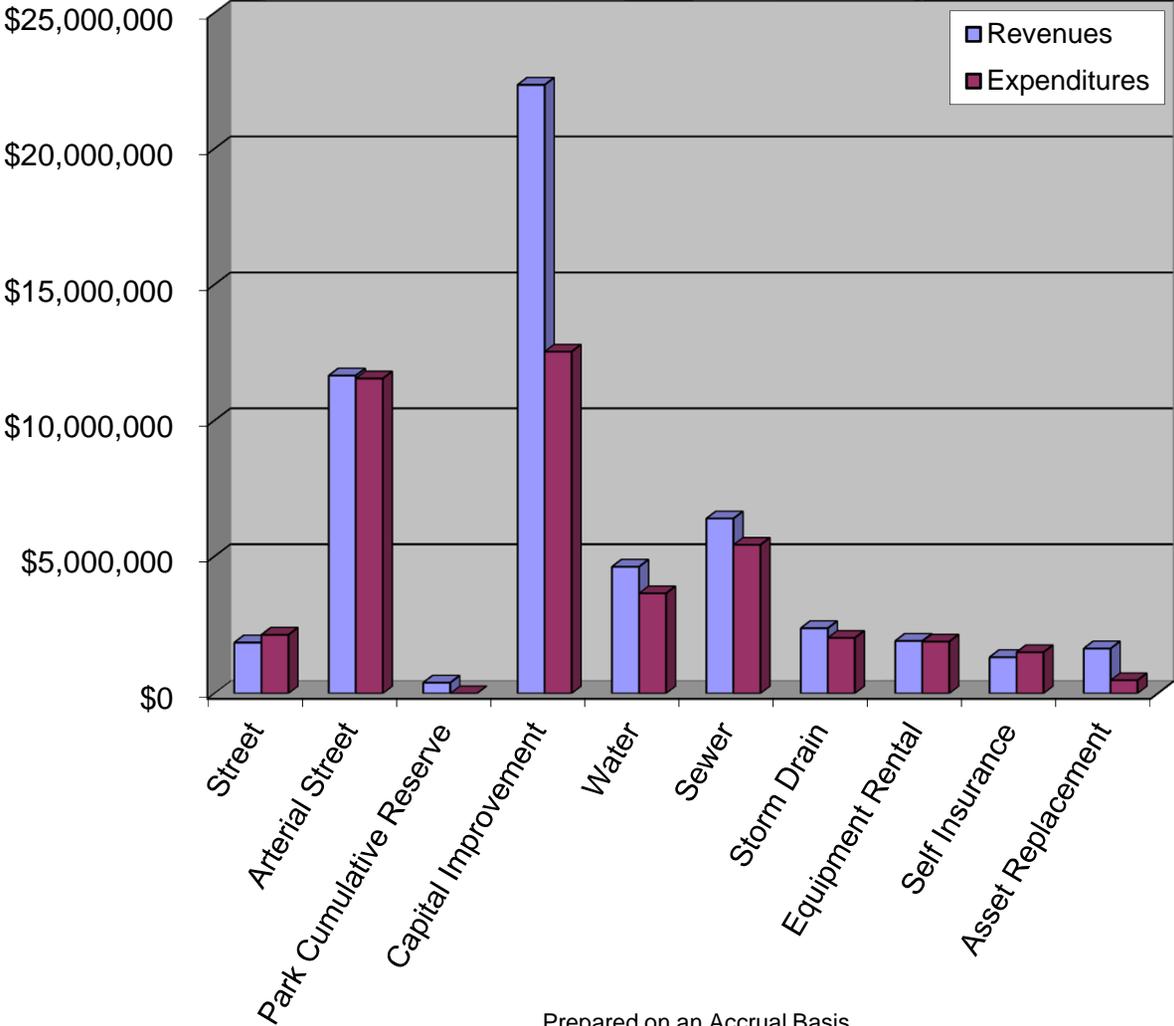
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

**Other Major Funds
Revenues vs Expenditures
March 31, 2008**



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5