



City of Bothell™

September 25, 2017

Council, Citizens and Stakeholders:

Attached for your review is the City's quarterly budget status report as of March 31, 2017.

As previously conveyed to the Council, the General Fund's operating deficit for the first quarter of the 2017-2018 biennium totaled \$361,833. The deficit was primarily due to shortfalls in a number of revenue streams that were anticipated in the Council-adopted 2017-2018 budget:

- Telephone and cellular utility tax revenues are down nearly \$93,000 compared to the first quarter of 2016. A major cellular provider's reported revenues have dropped 50% in the first quarter of 2017 compared to the prior 15 months – staff is investigating the issue.
- Water and sewer utility tax revenues are down nearly \$14,000 compared to the first quarter of 2016.
- State marijuana tax revenues (\$90,000 projected in 2017) is to be collected beginning September 2017. The state Department of Revenue reversed prior distributions to Bothell when it was discovered that a retail store was located outside the city limits. (A subsequently opened store is within the city limits.)
- City Hall garage rental payments (\$190,000 projected in 2017) did not materialize in 2017.
- An anticipated rental of office space on the fourth floor of City Hall (\$60,000 projected in 2017) did not occur.
- Collection of credit card service fees (\$100,000 projected in 2017) is not supported by the City's financial system. Collections are to begin in January 2018 when the new financial system comes online.

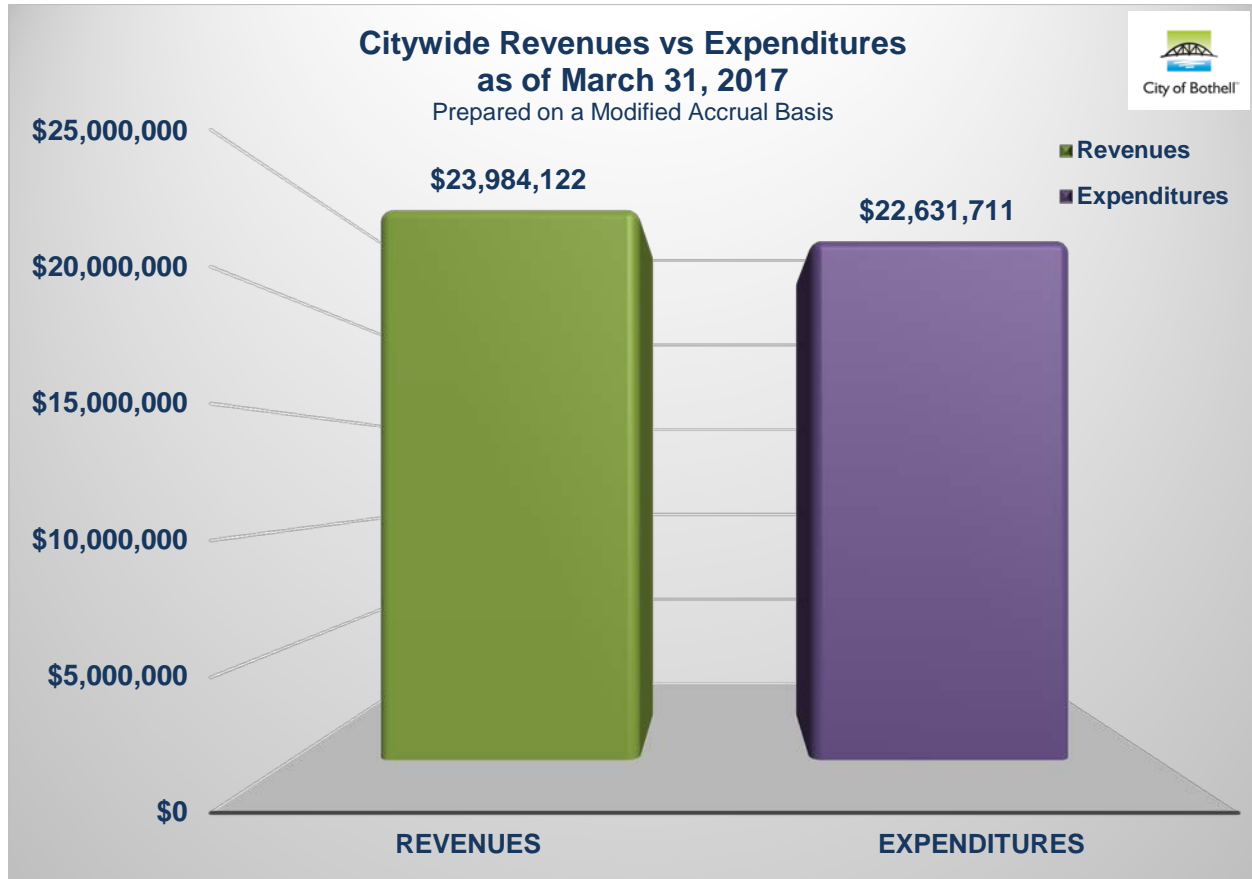
State law does not allow for modification of a biennial budget until the eighth month of the first year of the biennium. Staff is now focused on recalibrating the originally adopted 2017-2018 budget and preparing a 2018 reserve reinstatement strategy options for Council consideration.

Please contact me or the City Manager if you have questions concerning this report.

Tami Schackman
City of Bothell Finance Director

2017-2018
Budget Status Report
For the Quarter Ending March 31, 2017
Executive Summary

On March 31, 2017, the City concluded the first quarter of the 2017-2018 biennium. The budget period described in this report is 12.5% complete.



Notable Highlights

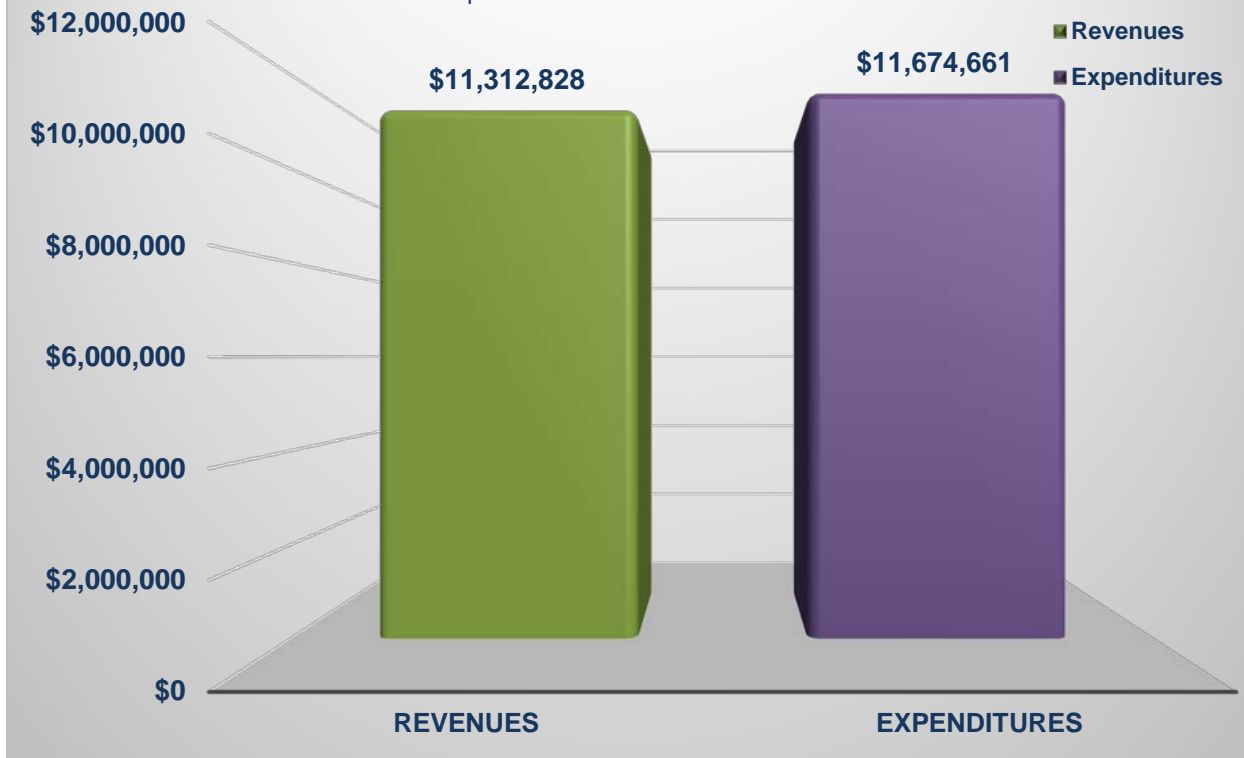
Retail sales tax receipts for the first quarter of 2017 were up \$13,615 (0.7%) over 2016.

Major 2017 development revenues versus the first quarter of 2016:

- Construction sales tax: up \$40,665 (8.1%)
- Building permits: down \$239,975 (55.9%)
- Plumbing/mechanical permits: down \$45,530 (48.1%)
- Pre-application fees: up \$4,789 (39.4%)
- Plan check fees: up \$163,914 (85.9%)
- Development review fees: up \$92,167 (48.9%)

General Fund Revenues vs Expenditures as of March 31, 2017

Prepared on a Modified Accrual Basis



Budget vs Actual Figures		Inflow/Outflow	2017-18 Budget	% of Budget
CITYWIDE TOTAL	Inflow	\$23,984,122	\$225,849,513	10.6%
	Outflow	\$22,631,711	\$224,004,505	10.1%
<u>GENERAL FUND</u>	Inflow	\$11,312,828	\$97,850,909	11.6%
	Outflow	\$11,674,661	\$97,850,909	11.9%
<u>STREET FUND</u>	Inflow	\$967,559	\$7,262,417	13.3%
	Outflow	\$741,752	\$6,592,303	11.3%
<u>CAPITAL IMPROVEMENTS FUND</u>	Inflow	\$4,462,406	\$51,445,324	8.7%
	Outflow	\$4,080,602	\$52,912,586	7.7%
<u>PROPRIETARY FUNDS</u>	Inflow	\$5,842,385	\$52,656,219	11.1%
	Outflow	\$5,127,358	\$61,249,015	8.4%

The City Council requested that the following financial activities be tracked and reported in Bothell's Quarterly Budget Status Report.

2017 Development Review Fees	Inflow	\$330,026	Includes Accounts Receivable Includes Overhead
	Outflow	(\$378,053)	
	Net	(\$48,027)	
2017 Permitting Fees	Inflow	\$592,923	Includes Overhead
	Outflow	(\$506,643)	
	Net	\$86,280	
2017 CFP Staff	Inflow	\$332,753	2017 Reimbursement to GF 2017 GF Salaries/Benefits
	Outflow	(\$332,753)	
	Net	\$0	
Utility Tax Rebates	2017	\$100	1 rebate in Q1 No rebates in Q1
	2016	\$0	
	Difference	\$100	

Economic Indicators

March 2017 unemployment rates:

United States:	4.5%
Washington State:	4.7%
Seattle/Bellevue/Everett:	3.3%

[Consumer Price Index \(CPI\) data:](#)

CPI-U (all urban consumers)

- U.S. city average, Dec 2016 – Feb 2017 0.9%
- Seattle/Tacoma/Bremerton, Dec 2016 – Feb 2017 1.0%
- U.S. city average, Feb 2016 – Feb 2017 2.7%
- Seattle/Tacoma/Bremerton, Feb 2016 – Feb 2017 3.4%

CPI-W (urban wage earners)

- U.S. city average, Dec 2016 – Feb 2017 0.9%
- Seattle/Tacoma/Bremerton, Dec 2016 – Feb 2017 1.3%
- U.S. city average, Feb 2016 – Feb 2017 2.8%
- Seattle/Tacoma/Bremerton, Feb 2016 – Feb 2017 3.7%

Economic Forecast

The State Economic and Revenue Forecast Council's [preliminary June forecast](#) continues to incorporate policies proposed by the Trump administration, including anticipated increases in federal infrastructure spending, as well as lower personal and corporate federal tax rates consistent with the House Republican plan. It is important to keep in mind that these measures have yet to be implemented, and therefore Bothell has not modified its budget forecast to include these speculative monies.

Washington housing construction fell off in the first quarter of 2017 after a fourth quarter spike. Washington employment is now expected to grow by 2.4% in 2017 (up from 2.3% in the March forecast), and personal income is expected to grow by 4.8% (down from 5.0%). Expectations continue to call for growth to gradually decelerate.