



May 4, 2018

Council, Citizens and Stakeholders:

Attached for your review is the City's quarterly budget status report as of December 31, 2017. The budget period described in this report is 50 percent complete.

In 2017, excluding the \$8,156,000 one-time transfer of proceeds from downtown property sales (as outlined in the Council-approved 2017 budget amendment), the General Fund suffered an operating deficit of \$2,423,934.

The majority of the deficit is due to unanticipated tax refunds and unbudgeted public safety expenditures:

Revenue Shortfalls: \$1,149,879

- \$472,132 – One-time refund of inaccurate 2015-2016 cellular utility tax payments made by a utility provider.
- \$350,000 – The Interim City Manager budgeted for City Hall parking garage lease revenue that did not materialize as expected, credit card service fees the City's current financial system could not support, and City Hall office space rental income that did not occur.
- \$249,931 – One-time refund of 2011 through 2013 sales tax overpayments following a taxpayer audit by the state Department of Revenue (DOR).
- \$77,816 – Change in allocation of State marijuana revenues.

Public Safety Expenditures: \$1,494,462

- \$1,121,713 – Fire personnel expenditures exceeded the 2017 budget appropriation due to implementation of the recent collective bargaining agreement. Additionally, Fire overtime costs exceeded budget by \$199,732.
- \$372,749 - Police personnel expenditures exceeded the 2017 budget appropriation due to the implementation of the recent collective bargaining agreement. Additionally, Police overtime costs exceeded budget by \$109,831.

Staff has updated 2018 budget projections and at this time a compensating surplus is anticipated in the second year of the 2017-2018 biennium. Staff will continue to monitor the situation and provide updates in future quarterly reports.

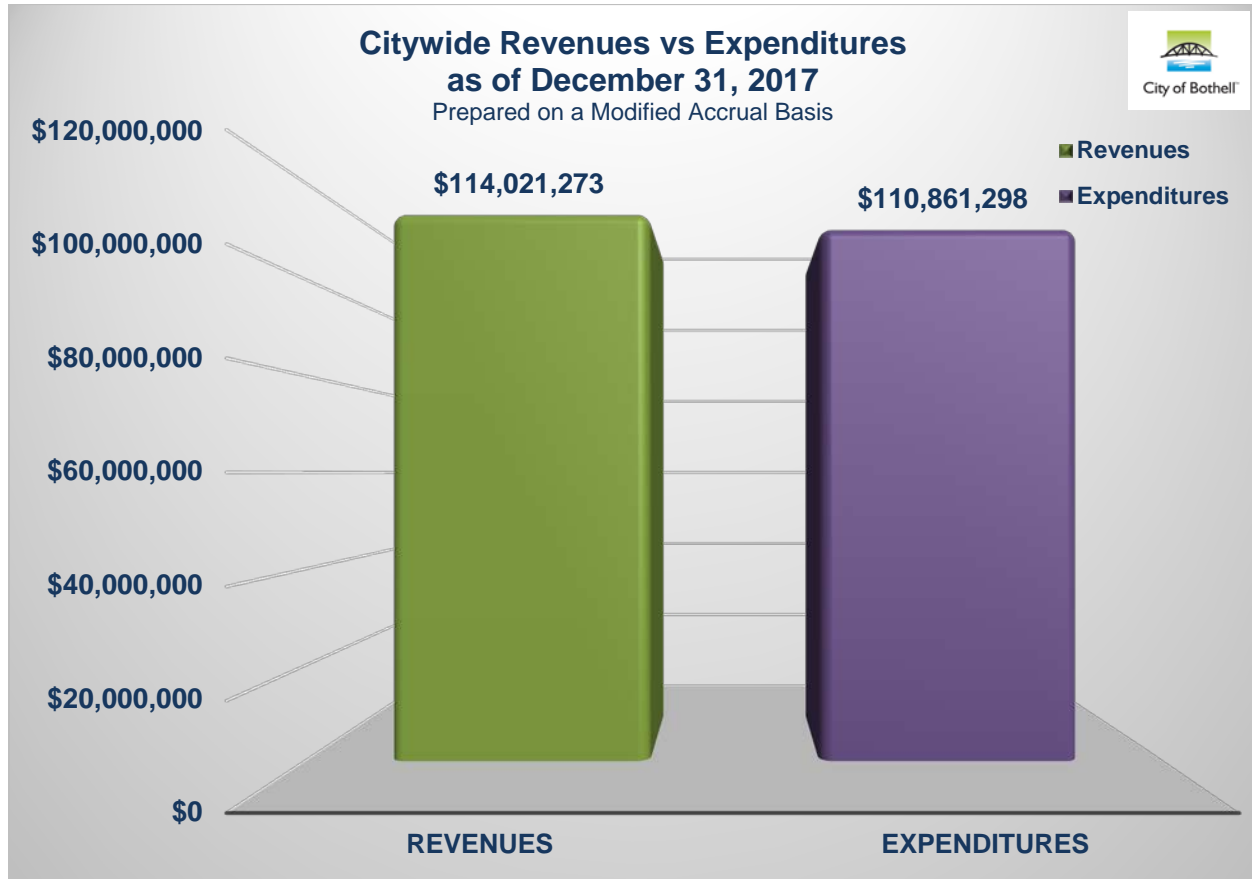
In addition, staff is preparing alternative revenue options for Council consideration that will be presented at the May 15, 2018 Council meeting.

Please contact me if you have questions concerning this report.

Tami Schackman
City of Bothell Finance Director

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

On December 31, 2017, the City concluded the fourth quarter of the 2017-2018 biennium. The budget period described in this report is 50% complete.



Notable Highlights

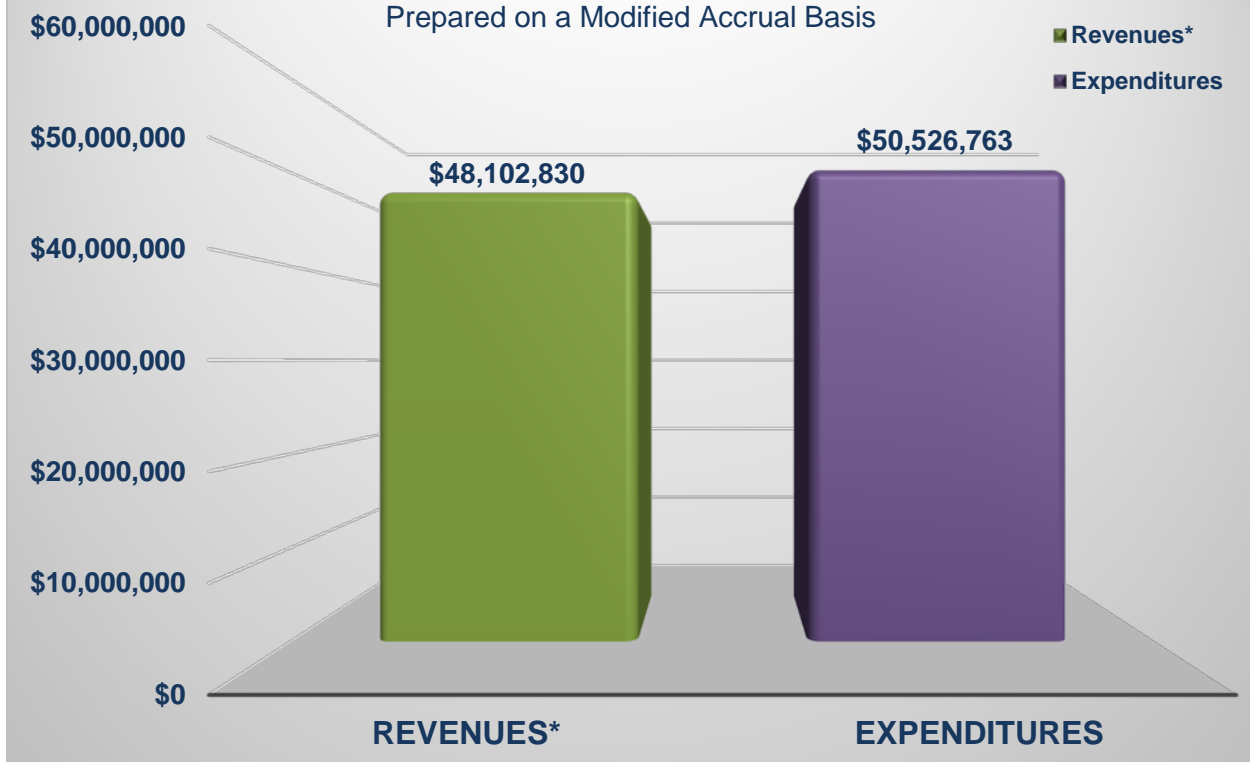
2017 retail sales tax receipts were down \$25,202 (0.3%) compared to 2016. The 2017 figure is skewed by the \$249,931 one-time tax refund discussed on page 1, and 2016 results included a \$465,000 one-time retroactive tax payment from an out-of-state vendor.

Major 2017 development revenues compared with 2016:

- Construction sales tax: up \$532,125 (23.5%)
- Building permits: down \$175,705 (12.3%)
- Plumbing/mechanical permits: down \$21,370 (6.7%)
- Pre-application fees: up \$11,859 (21.7%)
- Plan check fees: up \$461,906 (58.6%)
- Development review fees: up \$91,305 (11.0%)

General Fund Revenues vs Expenditures as of December 31, 2017

Prepared on a Modified Accrual Basis



*Revenues exclude \$8,156,000 one-time transfer of proceeds from downtown property sales.

Budget vs Actual Figures		Inflow/Outflow	2017-18 Budget	% of Budget
CITYWIDE TOTAL	Inflow	\$114,021,273	\$234,596,013	48.6%
	Outflow	\$110,861,298	\$237,942,347	46.6%
<u>GENERAL FUND</u>	**Inflow	\$56,258,830	\$106,378,409	52.9%
	Outflow	\$50,526,763	\$98,513,009	51.3%
<u>STREET FUND</u>	Inflow	\$5,184,801	\$7,262,417	71.4%
	Outflow	\$2,905,999	\$6,592,303	44.1%
<u>CAPITAL IMPROVEMENTS FUND</u>	Inflow	\$19,261,873	\$51,664,324	37.3%
	Outflow	\$30,154,814	\$61,118,586	49.3%
<u>PROPRIETARY FUNDS</u>	Inflow	\$25,865,685	\$52,656,219	49.1%
	Outflow	\$21,565,198	\$61,249,015	35.2%

**General Fund Inflows include \$8,156,000 one-time transfer of proceeds from downtown property sales.

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	\$1,192,385	Includes Accounts Receivable Includes Overhead
	Outflow	(\$1,580,975)	
	Net	(\$388,590)	
2017 Permitting Fees	Inflow	\$2,797,114	Includes Overhead
	Outflow	(\$2,309,793)	
	Net	\$487,321	
2017 CFP Staff	Inflow	\$1,338,302	2017 Reimbursement to GF 2017 GF Salaries/Benefits
	Outflow	(\$1,338,302)	
	Net	\$0	
Utility Tax Rebates	2017	\$2,125	26 rebates
	2016	\$2,175	27 rebates
	Difference	(\$50)	

Economic Indicators

December 2017 unemployment rates:

United States:	4.1%
Washington State:	4.5%
Seattle/Bellevue/Everett:	3.8%

Consumer Price Index (CPI) data:

[CPI-U \(all urban consumers\)](#)

- U.S. city average, Oct 2017 – Dec 2017 -0.1%
- Seattle/Tacoma/Bremerton, Oct 2017 – Dec 2017 0.5%
- U.S. city average, Dec 2016 – Dec 2017 2.1%
- Seattle/Tacoma/Bremerton, Dec 2016 – Dec 2017 3.5%

[CPI-W \(urban wage earners\)](#)

- U.S. city average, Oct 2017 – Dec 2017 -0.2%
- Seattle/Tacoma/Bremerton, June 2017 – Dec 2017 1.2%
- U.S. city average, Oct 2017 – Dec 2017 2.2%
- Seattle/Tacoma/Bremerton, Dec 2016 – Dec 2017 4.0%

Economic Forecast

The State Economic and Revenue Forecast Council's [February 2018 Economic and Revenue Forecast](#) incorporates the estimated impacts of the federal Tax Cut and Jobs Act, which were not included in their November forecast. The forecast anticipates that the tax cut will provide a short-term boost to the national economy.

Employment in Washington State is expected to grow by 2.2% in 2018, and by an average of 1.6% per year from 2019 through 2021. Personal income is expected to grow by 5.5% in 2018, and by an average of 5.3% per year from 2019 through 2021. Seattle-area inflation is expected to average 2.3% per year from 2019 through 2021.