

2019-2020 Proposed Budget

November 27, 2018



City of Bothell™

Overview

- 2017-2018 Budget Review
- 2019-2020 Budget Development Process
- Council Policy Direction
- 2019-2020 Proposed Budget
- Next Steps



2017-2018 Budget

- 5th and 6th Quarter Budget Status Report
- Reported General Fund deficit at \$3.2 million
= \$5.8 million ending GF Reserve
- Committed to developing strategy to reduce deficit



2017-2018 Budget

- Strategy to secure financial stability/reduce deficit
 - 2017 closed
 - \$2.4 million operating deficit
 - 2018 implemented recovery strategy
 - \$1.5 million operating surplus
 - 2017-2018 Biennium estimated deficit = \$926,337
 - Covered by one-time reserve – DT Property Proceeds
 - Ending GF Reserve = \$10.5 million



GF Balance History

Year	Expenditures & Transfers Out	Ending Fund Balance (Includes restricted funds)	Unrestricted Fund Balance	Unrestricted Fund Balance % to Expenditures	Millions Transfer to Capital	Comments
2018	\$50,200,431	\$10,528,513	\$7,833,023	15.6%		Projected Balances
2017	50,526,053	9,031,626	6,336,136	12.5%		\$8.1M transferred to General Fund from Capital Fund
2016	45,514,083	3,298,851	607,188	1.3%		
2015	42,179,862	3,982,604	1,387,175	3.3%		
2014	39,860,338	3,788,557	1,321,982	3.3%		
2013	38,330,523	3,787,810	1,446,023	3.8%		
2012	36,558,005	3,124,698	870,296	2.4%		
2011	36,485,379	3,706,999	1,587,089	4.3%		
2010	36,635,672	4,052,528	5,803,468	15.8%		
2009	39,145,422	6,994,173	2,985,135	7.6%	\$ 4.0	\$4M transferred to Capital Fund for property purchases \$2.7M transferred to Capital Fund due to 1X monies not materializing
2008	36,340,329	12,995,076	2,811,725	7.7%	\$2.7	
2007	35,830,492	15,014,982	4,805,326	13.4%	\$3.4	\$3.4M transferred to Capital Fund for CFP funding \$17M fund balance transferred to begin the 1st CFP funding
2006	45,801,291	14,911,218	4,712,569	10.3%	\$17.0	
					\$27.1	

Note: GFOA Best Practices recommends unrestricted fund balance be no less than 2 months of GF operating expenditures or revenues.

2017-2018 Recap

- GF revenues impacted by:
 - \$715,000 in speculative revenues
 - \$800,000 in unexpected tax refunds
- Other longer term impacts:
 - 6 years of forgoing 1% property tax increase = \$4.2 million annually as of 2018
 - Land Use focus on residential and smaller retail vs big box limits sales tax revenue
 - Limited review and consideration of other revenue sources



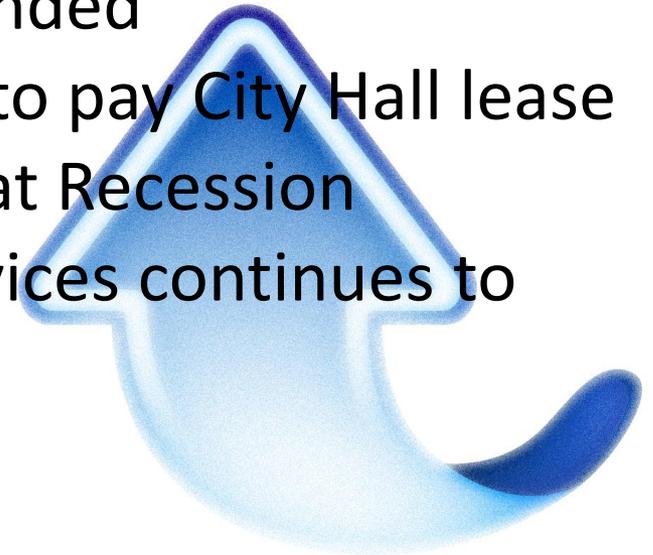
2017-2018 Recap

- GF expenses impacted by:
 - \$300,000 in unbudgeted but required expenses
 - \$1.0 million retroactive pay for labor contracts
 - \$500,000 for environmental clean up – city owned downtown properties
 - Public Safety personnel/OT costs exceeded budget

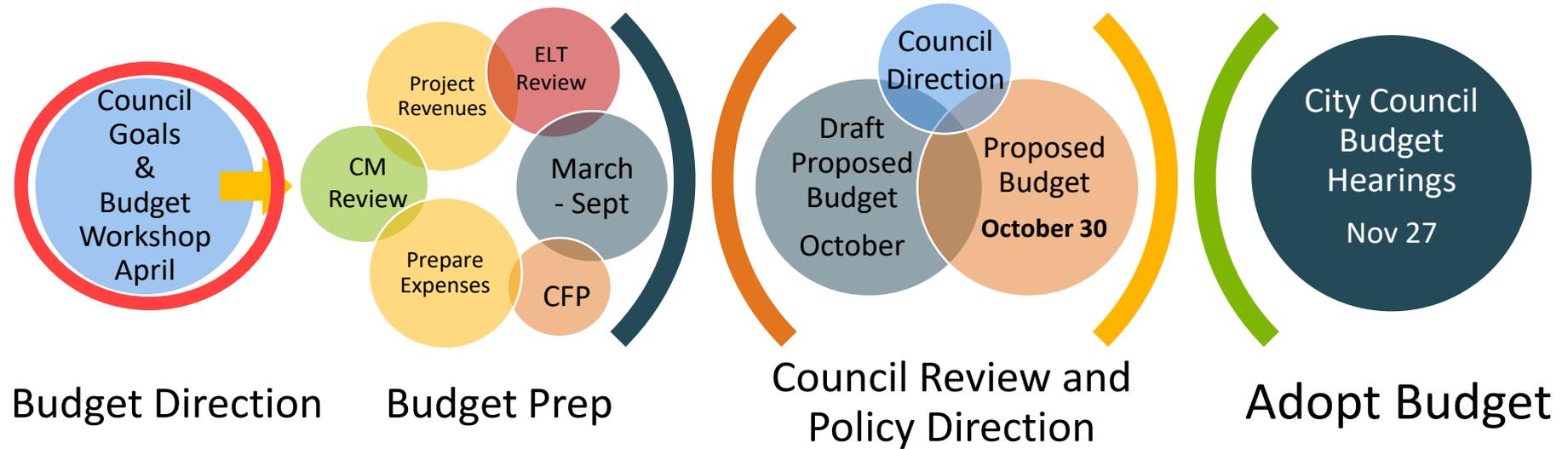


2017-2018 Recap

- GF expenses impacted by longer term impacts:
 - Asset replacement fund underfunded
 - Property proceeds not available to pay City Hall lease
 - Services not reduced during Great Recession
 - Demand for & complexity of services continues to increase
 - Unfunded State mandates



2019-2020 Budget Process

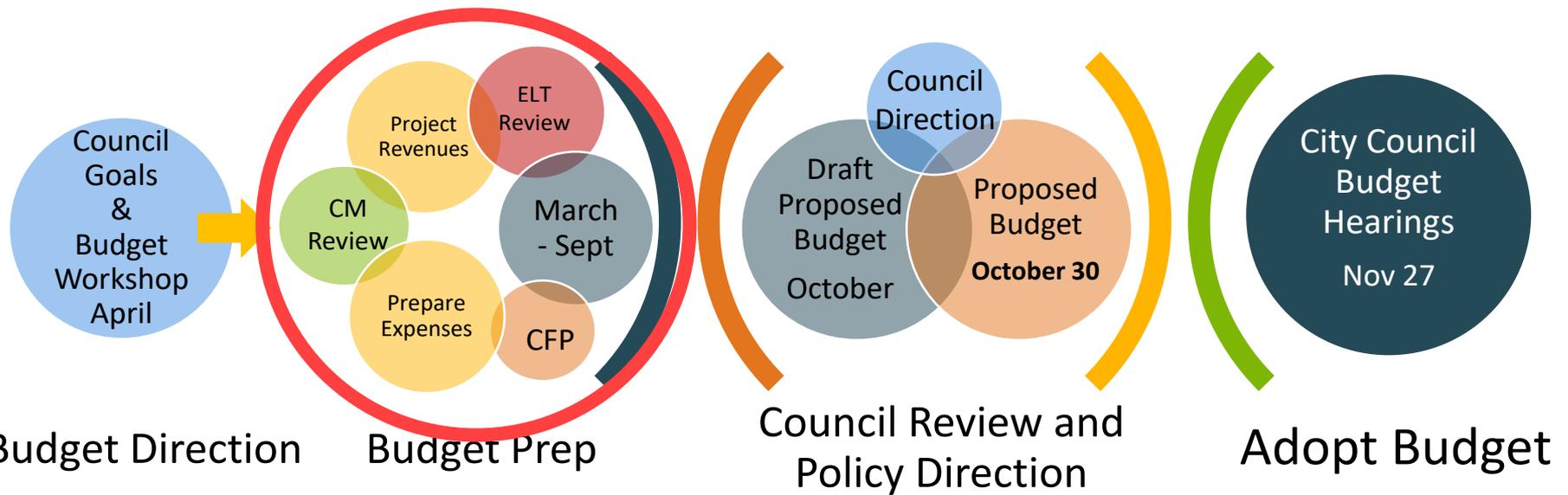


Council 2019-2020 Goals

- Affordable Housing Strategy
- Community and Regional Connections
- Economic Development
- Environmental Stewardship and Sustainability
- Fiscal Responsibility and Sustainability
- Parks/Recreation/Open Space Partnerships
- Public Safety Strategy
- Teambuilding, Training and Organizational Development
- Technology Strategy



Budget Process



Preparing 2019-2020 Budget

- Revenues modestly increasing
- Personnel costs impacting expenses
- Cost of services increasing
- Maintain current level of services
- Fund Council goals and priorities
- Identify cost savings/reduce expenditures
- Prepare a balanced budget
- Complete downtown property clean-up
- Many departmental needs could not be funded



Budget Strategy - Revenues

- Protect General Fund
- Cost Recovery Strategy for Service Fees
- Ensure Proprietary Funds pay their full share of costs
- Maximize DOE financial support for contamination clean up
- Sell Downtown Properties
- Explore other revenue generating options
- Aggressive grant strategy
- Seek State funding



Budget Strategy - Expenses

- Funding the “Machine”
- Achieving Council Goals and Strategic Objectives
- Protect General Fund Reserve
- Increase Asset Replacement Fund
- Consider expenses that have a return
 - Avoid future costs; generate revenue
- Operational Efficiencies
- Leverage existing Technology



Budget Process



Budget Study Sessions

Day 1 – October 9, 2018

Day 2 – October 16, 2018

Day 3 – October 18, 2018



2019-2020 Budget Study Session

- Department Budgets & Judicial Branch
 - Information and organization charts
 - Accomplishments/Efficiencies
 - Areas of Focus and Service Delivery
 - Emerging Issues
 - Additional Needs included in the proposed budget
 - Information Services & Facility Requests
 - Unfunded Additional Needs
 - Expenditures by Category
 - Expenditures by Fund (revenue sources)
 - Detailed Expenditures by Category data sheets



Initial 2019-2020 Budget

- October Budget Study Sessions
 - Provided policy direction to City Manager
 - Close \$3.2 million gap
 - Expenditure efficiencies & priorities
 - Revenue enhancements
 - Asset replacement
 - Use of General Fund Reserves



Included GF Expenditures

Per Council Direction

- Senior Inspector (covered by permit fees) \$285,000
- Fleet maintenance proposal (2 FT) \$ 60,000
- Volunteer Coordinator \$254,000
- Economic Development Manager (1 yr) \$213,000
- PT Sustainability Assistant \$ 32,000
- Asset Replacement (fully funded) \$875,000



Expenditure Efficiencies Per Council Direction

- Eliminated Living Wall \$ 40,000
- More strategic scheduling for B&Cs \$TBD
- **Explore** Court Regionalization \$TBD
 - Contracting with consultant to conduct comprehensive study



Revenues to be pursued in 2019

Per Council Direction

- Sell Lot A
- Repurchase and Sell Civic Center Lot
- State Grant for PABL Bridge
- Ordinance for ROW permit fee for dockless transportation
- Proper Credit Card Fee program
- Fee Schedule - December 4
- Utility Tax Audit Consultant for 1 utility



Revenues to be Studied in 2019

Per Council Direction

- **Study and engage** with business community to discuss possible:
 - Business and Occupation Tax
 - Business License structure and fees
 - Head Tax
- Economic Development Manager will collaboratively and thoughtfully work with businesses



Public Safety Levy and Bond

- Public Safety Levy
 - Adds 27 positions
 - Equipment
 - Vehicles
- Bond Measure
 - Funds rebuilding 2 Fire Stations
- Revenue and expenses NOT included in proposed budget. Budget Amendment after August 2019.
- Implementation Teams established, planning underway – will take time to implement



Proposed 2019-2020 Budget





\$277,558,483
all revenues



\$277,558,483
all expenditures

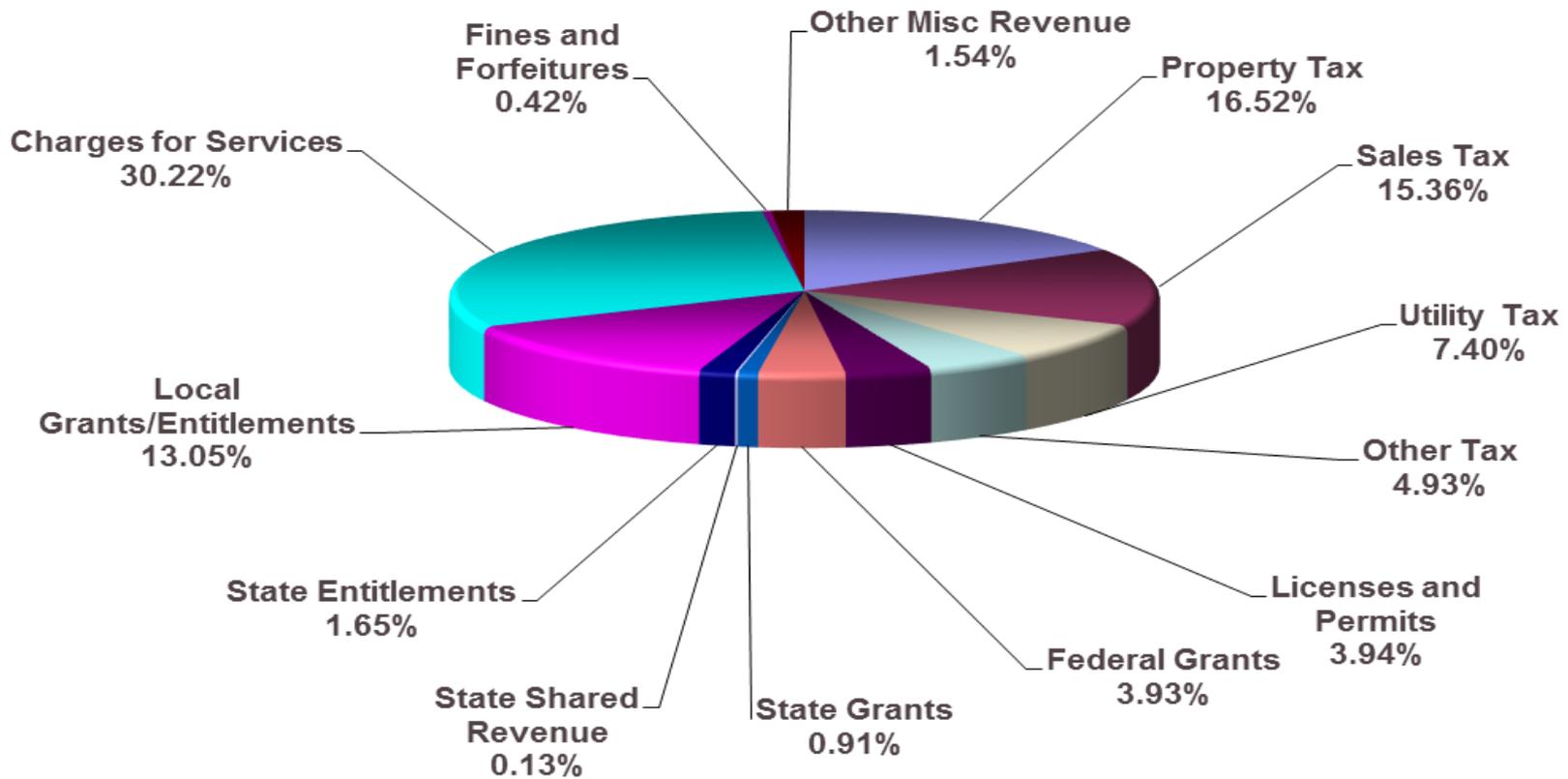


Revenue – All Funds

Source	2019-2020 Revenue
Property Tax	\$37,535,915
Sales Tax	34,891,956
Utility Tax	16,802,965
Other Tax	11,204,000
Licenses and Permits	8,940,446
Federal Grants	8,934,979
State Grants	2,066,670
State Shared Revenue	300,000
State Entitlements	3,746,982
Local Grants/Entitlements	29,648,946
Intergovernmental Revenue	-
Charges for Services	68,642,076
Fines and Forfeitures	945,100
Other Misc Revenue	3,500,771
Total Revenue	\$227,160,806



Revenue All Funds

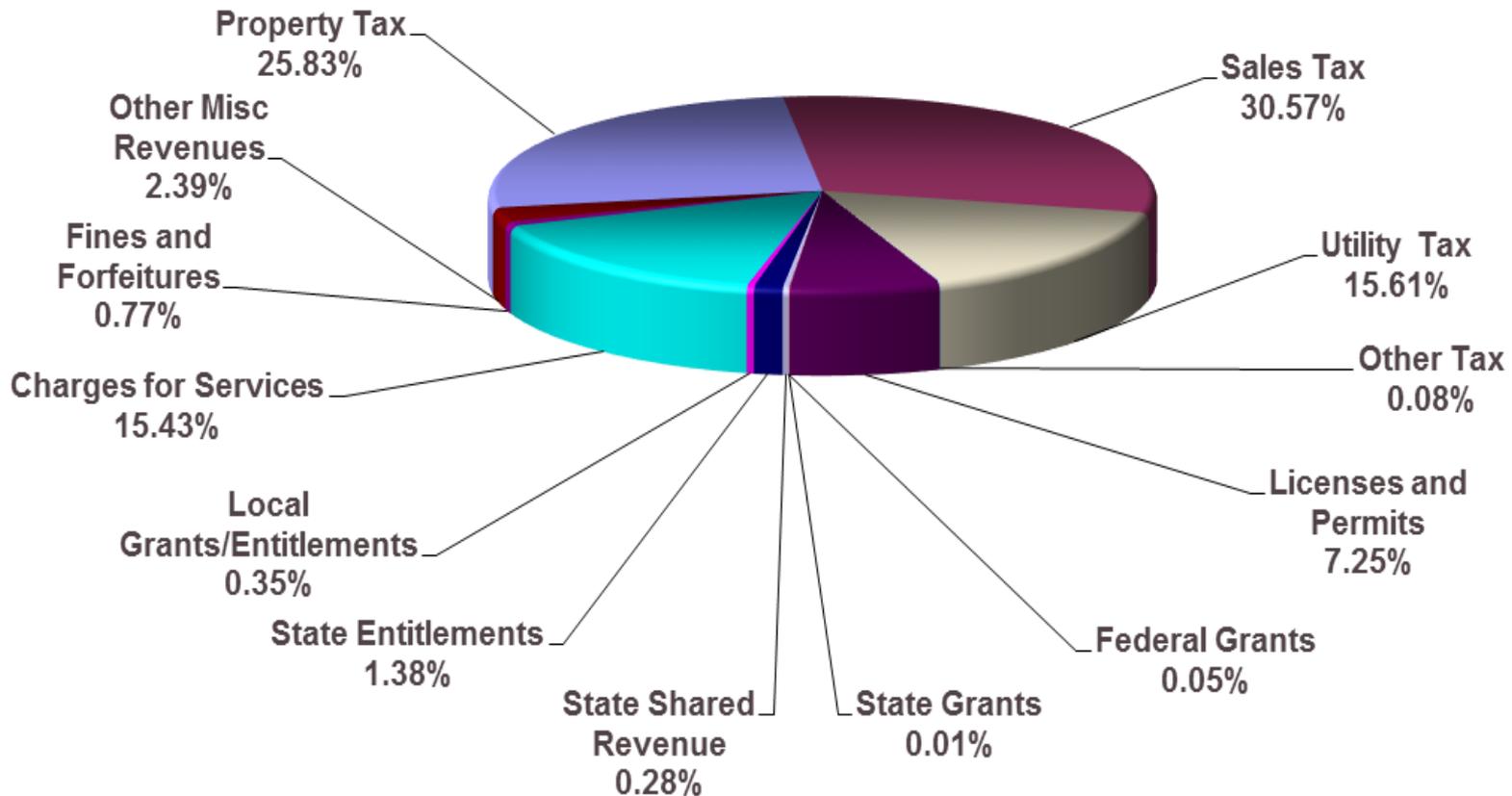


General Fund Revenues

Source	2019-2020 Revenue
Property Tax	\$27,792,847
Sales Tax	32,891,956
Utility Tax	16,802,965
Other Tax	90,000
Licenses and Permits	7,805,000
Federal Grants	50,000
State Grants	7,700
State Shared Revenue	300,000
State Entitlements	1,486,000
Local Grants/Entitlements	380,000
Intergovernmental Revenue	-
Charges for Services	16,600,814
Fines and Forfeitures	830,100
Other Misc Revenues	2,570,650
Total Revenue	\$107,608,032



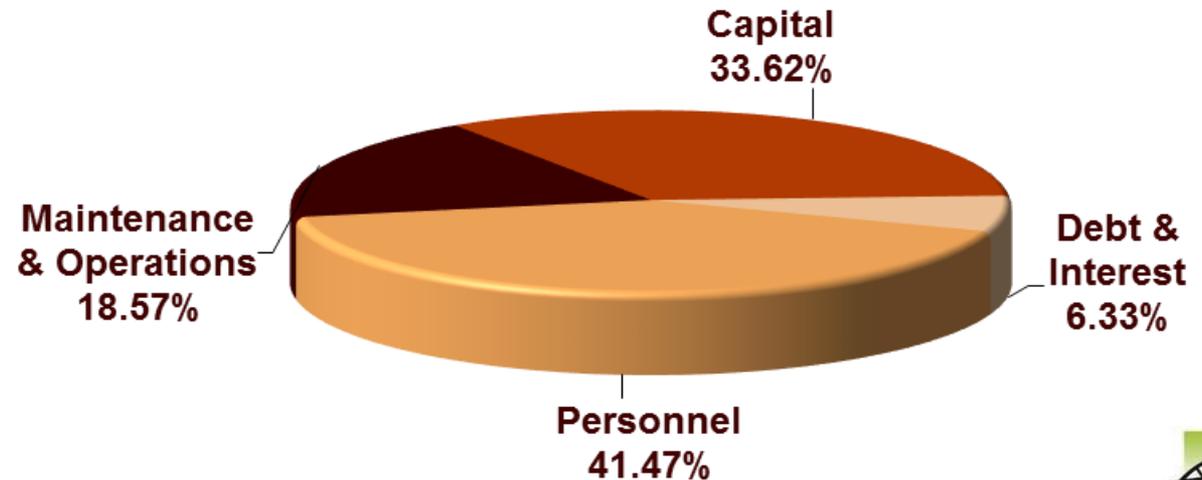
General Fund Revenues



All Funds – Expenditures By Category

Expenditures	Actual 2015-2016	Budget 2017-2018	Budget 2019-2020
Personnel	\$78,353,908	\$87,991,965	\$101,877,273
Maintenance & Operations	34,939,600	40,232,798	45,627,059
Capital	80,082,393	60,760,264	82,594,517
Debt & Interest	9,944,069	16,282,831	15,550,707
Total Expenditures	\$203,319,970	\$205,267,858	\$245,649,556

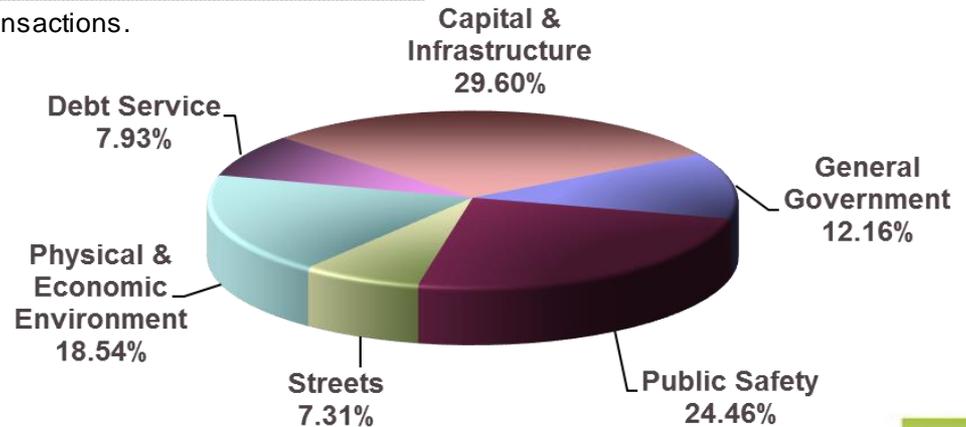
Total Expenditures excludes Operating Transfers and Interfund Transactions.



All Funds - Expenditures

Source	2017-2018 Budget	2019-2020 Budget
General Government	\$24,967,828	\$29,469,659
Public Safety	50,202,763	56,398,509
Streets	14,996,960	17,234,297
Physical & Economic Environment	38,057,212	44,401,867
Debt Service	16,282,831	15,550,707
Capital & Infrastructure	60,760,264	82,594,517
Total Expenditures	\$205,267,858	\$245,649,556

Total Expenditures excludes Operating Transfers and Interfund Transactions.



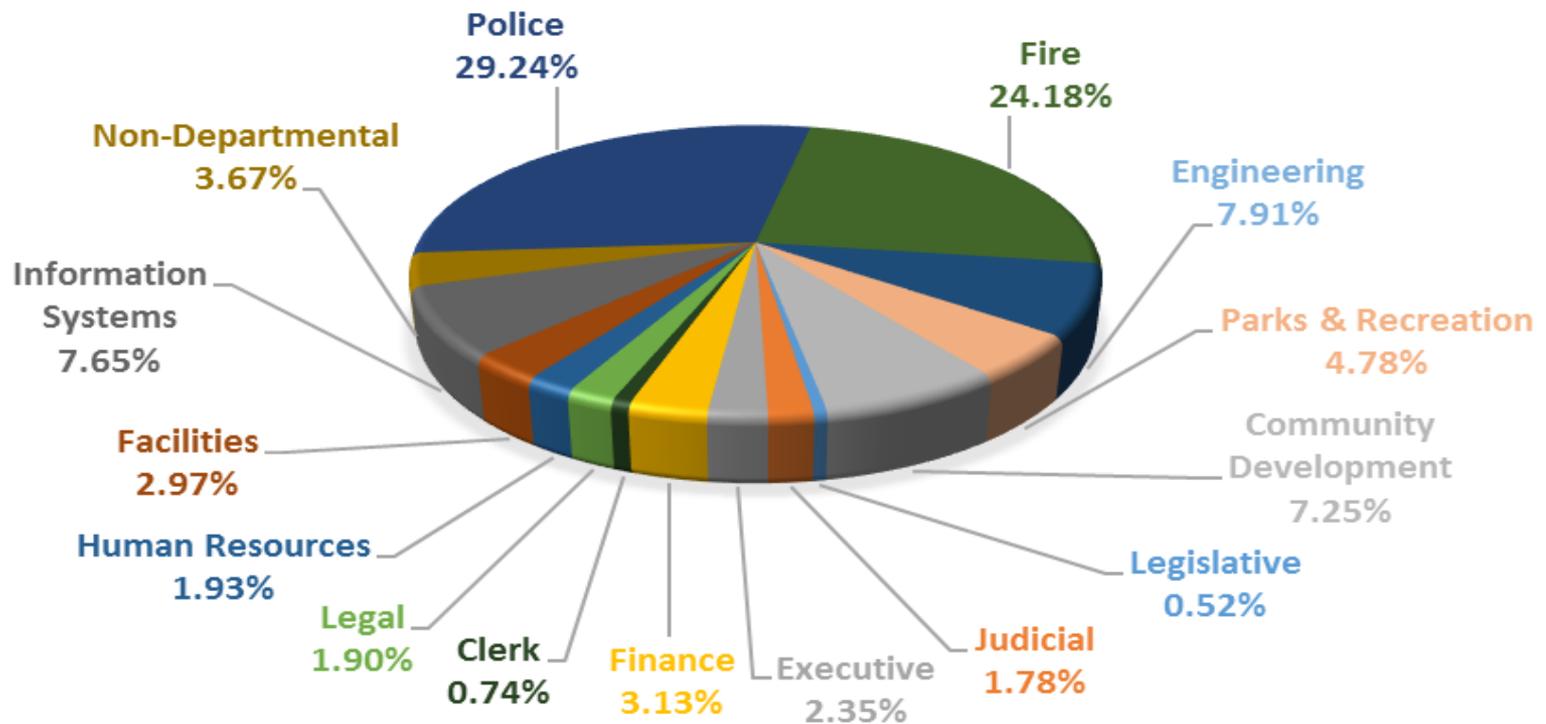
General Fund Expenditures by Department/Division/Branch

Department	Actual 2015-2016	Budget 2017-2018	Budget 2019-2020
Legislative	\$501,368	\$484,968	\$546,551
Judicial	1,285,987	1,736,780	1,858,468
Executive	2,342,311	2,442,590	2,458,700
Finance	2,241,980	2,802,697	3,269,866
Clerk	593,190	724,542	776,612
Legal	1,939,788	1,806,521	1,992,158
Human Resources	1,558,720	1,766,536	2,019,057
Facilities	2,627,906	2,663,618	3,110,630
Information Systems	4,689,287	7,073,341	8,000,671
Non-Departmental	2,199,729	2,728,764	3,838,804
Police	25,079,963	27,058,258	30,582,228
Fire	21,650,500	22,495,328	25,297,401
Engineering	6,585,228	7,366,729	8,271,062
Parks & Recreation	3,264,073	4,196,506	4,997,557
Community Development	5,989,299	6,021,389	7,583,771
Total Expenditures	\$82,549,329	\$91,368,567	\$104,603,536

Total Expenditures excludes Operating Transfers and Interfund Transactions.



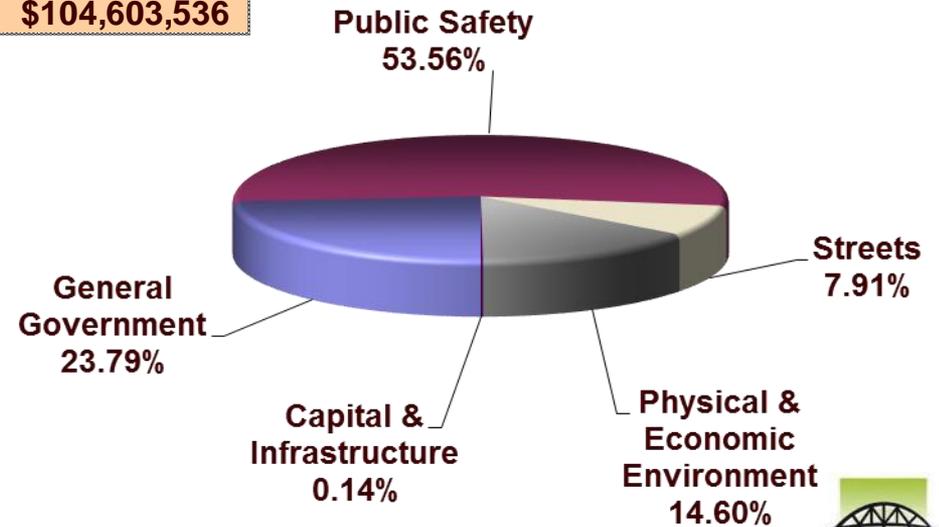
General Fund Expenditures by Department/Division/Branch



General Fund Expenditures

Source	2017-2018 Budget	2019-2020 Budget
General Government	\$21,839,136	\$24,888,335
Public Safety	49,510,829	56,026,229
Streets	7,366,729	8,271,062
Physical & Economic Environment	12,358,300	15,267,910
Debt Service	-	-
Capital & Infrastructure	293,573	150,000
Total Expenditures	\$91,368,567	\$104,603,536

Total Expenditures excludes Operating Transfers and Interfund Transactions.



General Fund Budget Summary

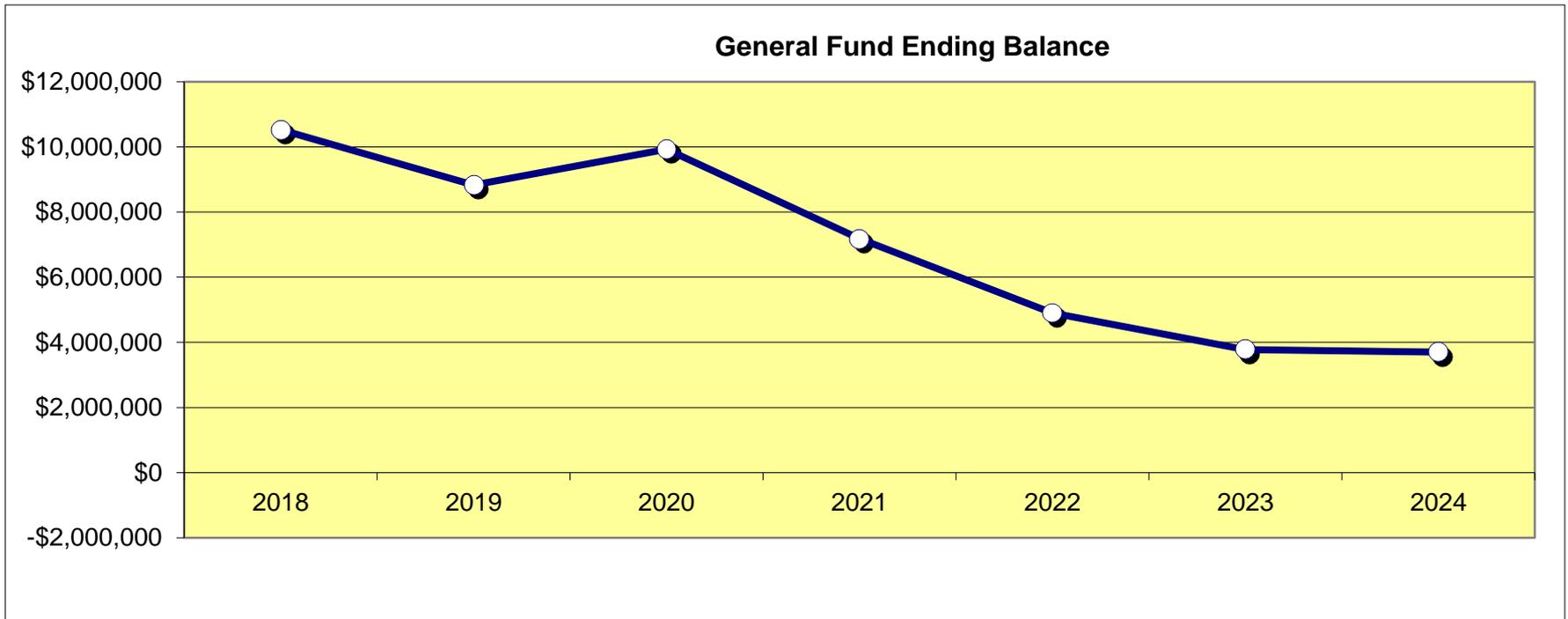
(in millions \$)

Estimated Reserves @ 12/31/18		\$10.5
Total Revenues	109.4	
Transfers In	1.4	
Total Revenues and Transfers In		110.8
Total Expenditures	(109.5)	
Transfers Out	(1.7)	
Total Expenditures and Transfers Out		(111.2)
Surplus (Deficit)		(0.4)
Use of Unassigned Reserve		0.4
Estimated Reserves (all) @ 12/31/20		\$10.1
		18%

Total Expenditures includes Operating Transfers and Interfund Transactions



General Fund Balance



Assumptions:

- \$431,427 GF reserve used to balance budget
- Asset Replacement Fund fully funded through 2024



Next Steps

- 2018 Budget Amendment – December 18
- Levy Implementation
 - Limited Term support positions
- Begin design on Fire Station 45; next Station 42
 - Prepare for bond issuance
- Additional Items to consider
 - Procurement Manager; PT Paralegal
- Financial Policies
- Financial Strategy for Long Term Sustainability
- Timely Quarterly Budget Status Reports



Questions?

