



December 18, 2018

Council, Citizens and Stakeholders:

Attached for your review is the City's quarterly budget status report as of September 30, 2018. The budget period described in this report is 87.5% complete.

As of September 30, 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 has an estimated operating deficit of \$2,659,084 for the 2017-2018 biennium. This estimated deficit is down from \$3,225,152 as of June 30.

General Fund revenues in the seventh quarter of the biennium (July-Sept 2018) were down \$322,763 from revenues in the sixth quarter. \$153,954 of this decline can be attributed to four significant refunds that were deducted from the City's August sales tax revenues by the Department of Revenue (DOR). Large refunds of this type are typically the result of DOR taxpayer audits (similar to the \$249,931 refund that was withheld in May 2017.)

Seventh quarter General Fund expenditures were up \$440,898 from the sixth quarter. This increase was primarily in the maintenance & operations (M&O) area. Expenditures in this category often vary from quarter to quarter and are more difficult to project.

The revenue decrease and expenditure increase in the seventh quarter were mitigated by several strategic actions taken to reduce General Fund expenditures, which included:

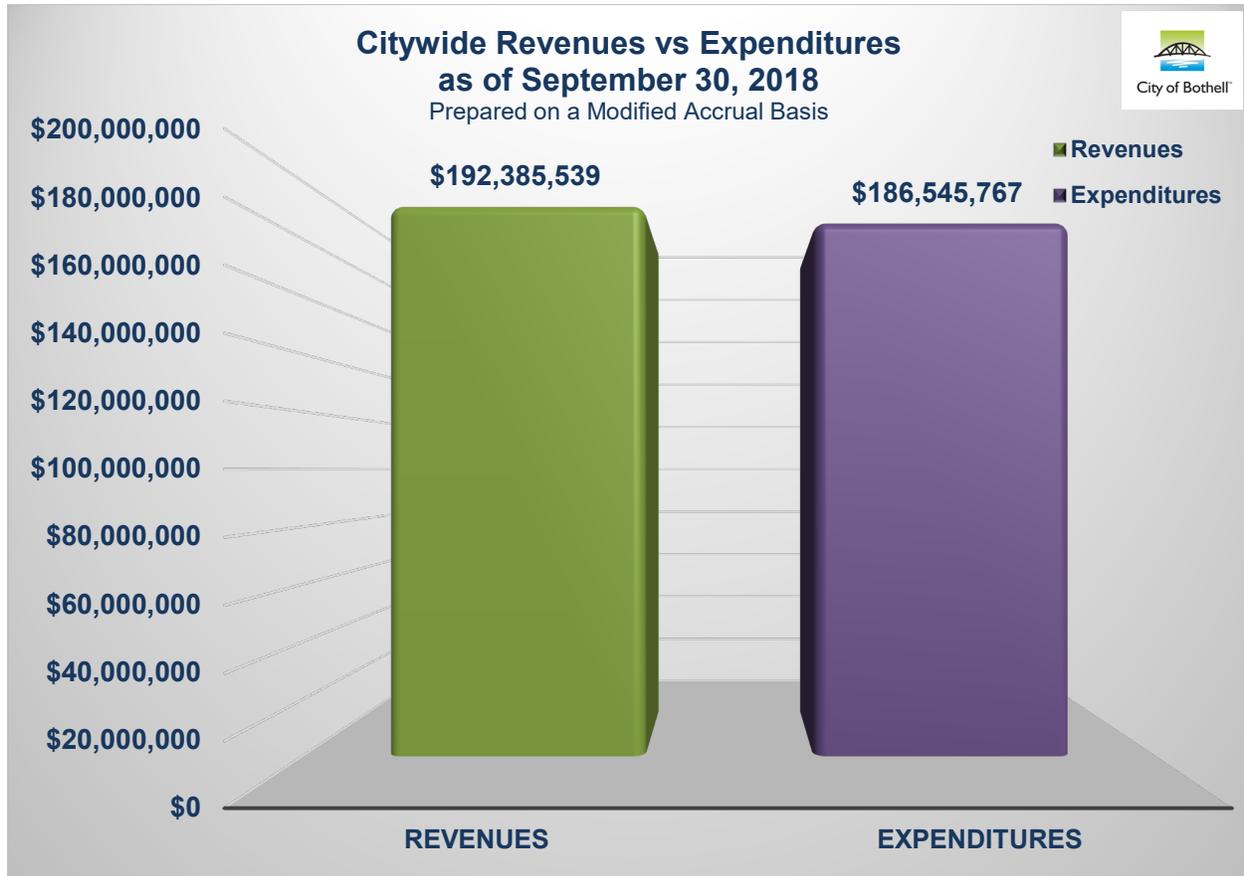
- Suspending the transfer of a portion of business license revenues (\$500,000 per year) from the General Fund to the Street Fund for 2017-18.
- Not transferring \$500,000 from the General Fund to the Capital Improvements Fund in 2018 to apply to the City Hall lease payment. Real Estate Excise Tax (REET) revenues will be used instead.
- Transferring \$274,074 in legal expenditures connected with the Parr Creek flood mitigation project from the General Fund to the Storm & Surface Water Fund.

Revenues in the eighth quarter (October – December) will ultimately determine the actual amount of the 2017-18 deficit – particularly retail sales tax revenues, which are more heavily weighted toward year-end. In 2017, for example, November and December made up just over 20% of the City's total retail sales tax revenue for the year.

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

Maureen Schols
Interim Finance Director

2017-2018
Budget Status Report
For the Quarter Ending September 30, 2018
Executive Summary



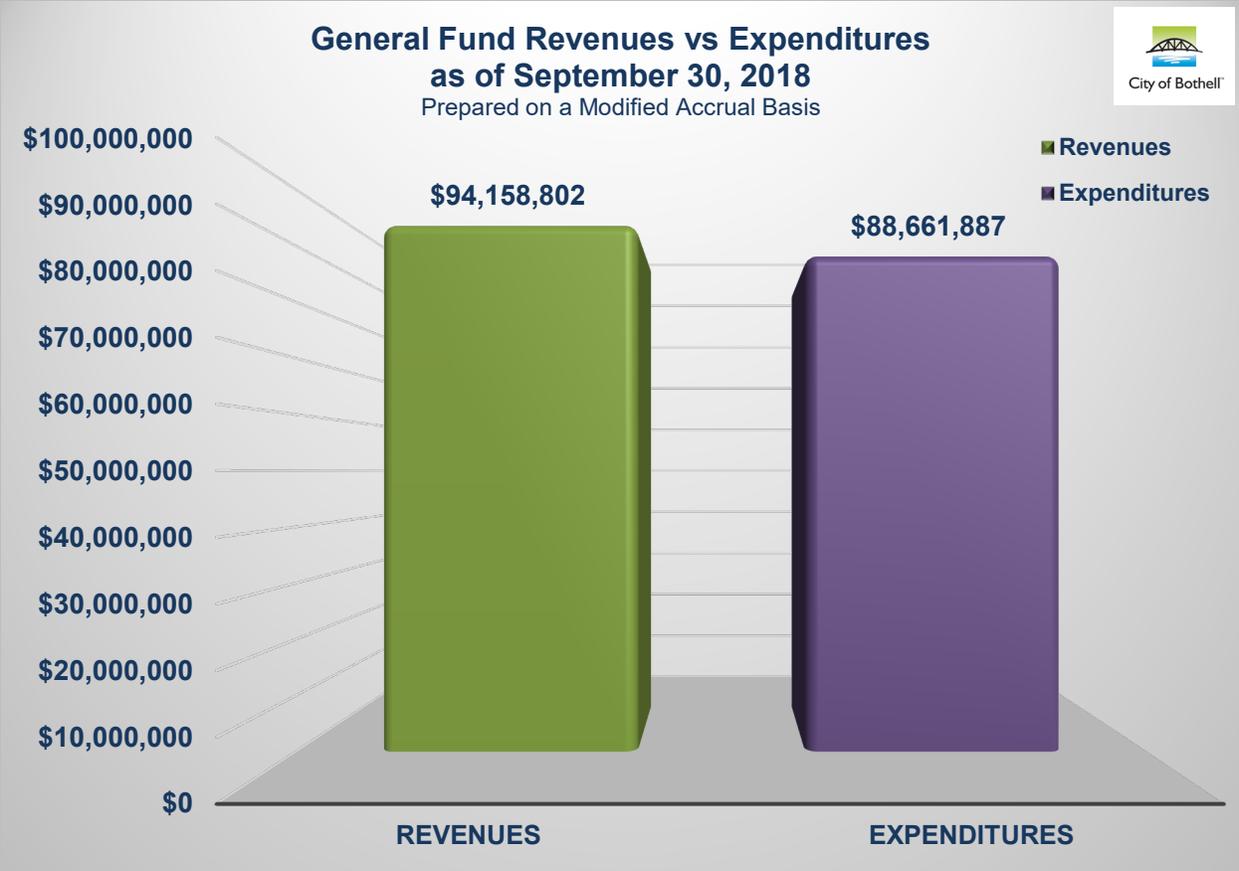
Notable Highlights

Retail sales tax receipts through June 2018 were up \$612,439 (9.6%) compared to 2017. (2017 results included a \$249,931 refund made by the Department of Revenue to an out-of-state taxpayer.)

Major 2018 year-to-date development revenues compared with 2017:

- Construction sales tax: up \$383,834 (19.3%)
- Building permits: up \$501,510 (52.6%)
- Plumbing/mechanical permits: up \$319,606 (154.9%)
- Pre-application fees: up \$19,872 (38.6%)
- Plan check fees: up \$2,752 (0.3%)
- Development review fees: up \$164,989 (23.1%)

Increases in development revenues are used to support the increased demand for development services by hiring additional staff and consultants to deliver services and meet review turn around deadlines.



Graph includes \$8,156,000 one-time transfer of proceeds (revenue) from downtown property sales

Budget vs Actual Figures		Inflow/Outflow	2017-18 Budget	% of Budget
CITYWIDE TOTAL	Inflow	\$192,385,539	\$234,596,013	82.0%
	Outflow	\$186,545,767	\$237,942,347	78.4%
<u>GENERAL FUND</u>	Inflow	\$94,158,802	\$106,378,409	88.5%
	Outflow	\$88,661,887	\$98,513,009	90.0%
<u>STREET FUND</u>	Inflow	\$7,241,364	\$7,262,417	99.7%
	Outflow	\$4,936,326	\$6,592,303	74.9%
<u>CAPITAL IMPROVEMENTS FUND</u>	Inflow	\$29,789,527	\$51,664,324	57.7%
	Outflow	\$43,610,520	\$61,118,586	71.4%
<u>PROPRIETARY FUNDS</u>	Inflow	\$46,361,021	\$52,656,219	88.0%
	Outflow	\$37,950,587	\$61,249,015	62.0%

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

Council Emphasis Areas		Inflow/Outflow	Comments
2018 Development Review Fees	Inflow	\$1,128,901	Includes Accounts Receivable Includes Overhead
	Outflow	(\$1,246,575)	
	Net	(\$117,674)	
2018 Permitting Fees	Inflow	\$2,873,947	Includes Overhead
	Outflow	(\$1,895,320)	
	Net	\$978,627	
2018 CFP Staff	Inflow	\$1,219,983	2018 Reimbursement to GF 2018 GF Salaries/Benefits
	Outflow	(\$1,219,983)	
	Net	\$0	
Utility Tax Rebates	2018	\$2,100	24 rebates
	2017	\$1,825	22 rebates
	Difference	\$275	

Economic Indicators

September 2018 unemployment rates:

United States:	3.7%
Washington State:	4.4%
Seattle/Bellevue/Everett:	3.4%

Consumer Price Index (CPI) data:

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

- U.S. city average, July 2018 – September 2018 0.2%
- Seattle/Tacoma/Bremerton, June 2018 – August 2018 -0.3%
- U.S. city average, September 2017 – September 2018 2.3%
- Seattle/Tacoma/Bremerton, August 2017 – August 2018 3.1%

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

- U.S. city average, July 2018 – September 2018 0.1%
- Seattle/Tacoma/Bremerton, March 2018 - August 2018 1.6%
- U.S. city average, September 2017 – September 2018 2.3%
- Seattle/Tacoma/Bremerton, August 2017 – August 2018 3.2%

Economic Forecast

The State Economic and Revenue Forecast Council's [September 2018 Economic and Revenue Forecast](#) suggests that the US economic expansion continues to expand at a solid pace. Job gains have remained solid, even as the economy is at full employment.

Seattle-area home prices continue to rise, but growth may be slowing - recent housing construction was below the June forecast. Local inflation is well above the national average, due to higher shelter cost inflation.