

Bothell City Council
AGENDA BILL

Meeting Date: March 19, 2019 Action No Action AB #: 19-053

Subject: 2017-2018 Eighth Quarter Preliminary Budget Status Report

Budget Impact/Source of Funds: N/A

Staff Presenter/Department: Maureen Schols, Interim Finance Director

Policy Consideration and Connection to Council Goals:

There is no policy consideration for Council.

Staff is committed to presenting accurate and timely financial information to the City Council and community. Final results of the 2017-2018 biennium will not be available until May or June 2019. This preliminary eighth quarter Budget Status Report is prepared in an effort to provide Council with current financial data while final financial results are compiled.

The report connects to the Council's 2019-2020 goals of Fiscal Responsibility and Stability.

Background:

The General Fund experienced an operating deficit throughout each quarter of the 2017-2018 biennium. A combination of factors—speculative revenues and unbudgeted expenditures by the Interim City Manager, unanticipated utility and sales tax repayments, and finalizing collective bargaining agreements—contributed to reduced revenues and increased expenditures.

The seventh quarter Budget Status Report (as of September 30, 2018) reflected an operating deficit of \$2,659,084. During the eighth quarter, several strategic actions were taken to reduce the General Fund deficit:

- 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 were 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.

The 2017-18 General Fund deficit is currently \$1,551,471. An anticipated one-time payment of Ground Emergency Medical Transportation (GEMT)* funding – expected to be between \$150,000 and \$200,000 – would help to further reduce the deficit.

*The GEMT program provides supplemental payments to providers to cover the funding gap between a provider's actual costs and the allowable amount received from Medicaid.

Previous City Actions:

- December 18, 2018: Seventh Quarter Budget Status Report was presented to Council, and Council also adopted Ordinance 2271 (amending the 2017-18 biennial budget).

Discussion:

The following are preliminary numbers as of the time of this report. It is important to note that these numbers are subject to change as year-end entries continue to be made.

Summary of Major Operating Funds

General Fund

Revenues to date:	\$108,236,332
Expenditures to date:	(101,631,803)
One-time transfer*:	<u>(8,156,000)</u>
Operating deficit:	(\$1,551,471)

*One-time transfer of property proceeds from the Capital Improvements Fund as part of the 2017 budget amendment.

Street Fund

Revenues to date:	\$7,262,711
Expenditures to date:	(5,859,788)

Capital Improvements Fund

Revenues to date:	\$41,505,946
Expenditures to date:	(51,598,006)

Water Fund**

Revenues to date:	\$11,857,152
Expenditures to date:	(9,932,778)

Sewer Fund**

Revenues to date:	\$16,332,068
Expenditures to date:	(13,646,701)

Storm & Surface Water Fund**

Revenues to date:	\$15,382,389
Expenditures to date:	(10,630,401)

Asset Replacement Fund**

Revenues to date:	\$2,117,513
Expenditures to date:	(4,126,666)

**Expenditure figures in these funds will change once capitalization and depreciation entries are posted.

General Fund Major Revenues

Property Taxes

	Inflow	2017-18 Budget	% of Budget
City Levy	\$22,869,111	\$22,836,331	100.1%
EMS Levy	\$2,302,752	\$2,123,233	108.5%
Other Taxes	\$100,571	\$96,000	104.8%
Total	\$25,272,434	\$25,055,564	100.9%

Sales/Use Taxes

	Inflow	2017-18 Budget	% of Budget
Retail	\$18,378,719	\$18,459,819	99.6%
Construction	\$6,010,754	\$5,600,000	107.3%
Hotel/Motel	\$784,107	\$801,003	97.9%
Criminal Justice	\$2,199,286	\$1,980,858	111.0%
Total	\$27,372,865	\$26,841,680	102.0%

Utility Taxes

	Inflow	2017-18 Budget	% of Budget
Electric/Gas	\$7,463,368	\$9,588,981	77.8%
Cable TV	\$1,607,682	\$1,547,365	103.9%
PEG Fees (Cable)	\$61,569	\$64,000	96.2%
Phone/Cellular	\$2,389,195	\$3,666,192	65.2%
Water/Sewer	\$1,760,102	\$1,642,612	107.2%
Storm/Surface Water	\$634,586	\$619,609	102.4%
Sanitation	\$762,907	\$605,206	126.1%
Recycling	\$82,273	\$81,035	101.5%
Gambling	\$51,783	\$30,200	171.5%
Utility Tax Rebate	(\$4,525)	(\$5,600)	80.8%
Total	\$14,808,940	\$17,839,600	83.0%

Major Development Revenues

	Inflow	2017-18 Budget	% of Budget
Building Permits	\$3,073,429	\$2,579,895	119.1%
Plumbing/Mech	\$964,008	\$800,000	120.5%
Pre-App Fees	\$154,794	\$200,000	77.4%
Dev Review Fees	\$2,182,256	\$1,571,500	138.9%
Total	\$6,374,487	\$5,151,395	123.7%

General Fund Expenditures

	Outflow	2017-18 Budget	% of Budget
Personnel	\$78,822,851	\$77,734,019	101.4%
Maintenance/Ops	\$17,386,804	\$16,561,475	105.0%
Capital	\$378,271	\$273,073	138.5%
Interfund & Transfers	\$5,043,878	\$7,144,442	70.6%
Total	\$101,631,803	\$101,713,009	99.9%

General Fund Reserves

Estimated year-end General Fund reserves are \$10,587,123, which include \$974,538 restricted, \$1,711,130 committed, and \$7,901,455 unrestricted funds.

The final eighth quarter Budget Status Report will be available upon completion of the 2018 financial statements (late May/early June), and Council will be provided a final report at that time.

Category: Discussion/Update Item

- Staff Presentation by Maureen Schols, Interim Finance Director
- Council Discussion
- Council Direction to Staff

Attachments: None

Recommended Action:

This is a regularly scheduled, legally required quarterly fiscal update. No action is requested.

City Manager Approval: _____



Date: 03/12/2019