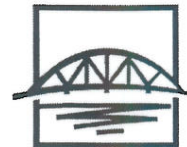


INTEROFFICE MEMORANDUM
Finance Department



City of Bothell

DATE: April 23, 2013
TO: Mayor and Council
THROUGH: Bob Stowe, City Manager
FROM: Tami Schackman, Finance Director
SUBJECT: 2013-14 Budget Status Report – Quarter #4

Attached for your review is the City's budget status report as of December 31, 2013.

I am pleased to report that the results reported at the end of the third quarter have held steady through year-end. The General Fund surplus at December 31, 2013 is \$652,077.

As indicated in the 2013-2014 budget process and as described in the 2013-2014 budget document, these surplus funds were anticipated and are allocated toward reinstating pre-recession operating reserve levels. This action is in line with the City's strategy to preserve its strong credit rating.

The City is in the process of preparing its 2013 financial statements for review by the State Auditor's Office. As in past years, the audited Comprehensive Annual Financial Report (CAFR) will be available in June.

Please contact City Manager Stowe or me if you have any questions concerning the attached financial data.

City of Bothell
2013-2014 Budget Status Report
For the Quarter Ending December 31, 2013

I. BIENNIUM STATUS

On December 31, 2013, the City concluded the fourth quarter of the 2013-2014 biennium. The budget period described in this report is 50% complete.

Revenue and expenditure budget totals reflect the 2013 budget amendment, which was approved by Council in November.

The City is in the process of preparing its 2013 financial statements for review by the State Auditor's Office. As in past years, the audited Comprehensive Annual Financial Report (CAFR) will be available in June.

Citywide

Citywide 2013 surplus/deficit: \$8,558,960

- General Fund (\$652,077). See detailed discussion below.
- Capital Improvements Fund (\$3,941,594). \$10 million in bank qualified bonds were issued in June, as approved by Council. Capital expenditures continued to progress as programmed in the City's adopted Capital Facilities Plan.
- Asset Replacement Fund (-\$89,911). Replacement vehicles and other assets are being purchased as prescribed throughout the biennium.

General Fund

General Fund 2013 surplus/deficit: \$652,077

(General Fund + Street Fund) 2013 surplus/deficit:* \$671,523

*Since the General Fund subsidizes Street Fund operations (the subsidy for 2013 totaled \$494,240), it is also useful to look at the combined financial results for the two funds.

After a disappointing first quarter where retail sales tax revenues were \$252,086 (13.8%) below 2012 levels, but exceeded 2012 levels by \$440,179 (8.7%) over the final three quarters of 2013.

Development-related revenues were strong throughout the year. Construction sales tax finished \$796,576 (58.1%) ahead of 2012 levels. Building permit revenues were nearly 70% ahead of 2012 levels.

General Fund expenditures exceeded 2012 levels by \$2,072,518, or 5.7%. However, \$744,732 of this difference was one-time spending for the Biomedical Manufacturing Innovation Partnership Zone (IPZ) project, which was 100 percent grant funded.

II. BUDGET VS ACTUAL SUMMARIES

		Inflow/Outflow	2013-14 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$92,429,568	\$234,652,869	39.4%
	Outflow	\$83,870,608	\$239,406,383	35.0%
<u>GENERAL FUND</u>	Inflow	\$38,982,600	\$79,937,472	48.8%
	Outflow	\$38,330,523	\$79,905,430	48.0%
<u>GENERAL/STREET FUNDS</u>	Inflow	\$40,751,228	\$85,147,779	47.9%
	Outflow	\$40,079,705	\$84,263,966	47.6%
<u>CAPITAL IMP FUND</u>	Inflow	\$30,127,151	\$81,974,637	36.8%
	Outflow	\$26,185,557	\$82,600,090	31.7%
<u>UTILITY FUNDS</u>	Inflow	\$15,234,219	\$48,294,379	31.5%
	Outflow	\$12,069,565	\$49,502,702	24.4%

III. ECONOMIC INFORMATION

Employment - National

National non-farm payroll employment increased by 586,200 jobs during the fourth quarter of 2013. The national unemployment rate fell to 6.7% in June.

The number of long-term unemployed (those jobless for 27 weeks or more) dropped to 3.9 million in December, and accounted for 37.7% of the total unemployed. The number of long-term unemployed decreased by 894,000 over the past year.

<u>U.S. GOODS-PRODUCING: +93,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +493,200 JOBS</u>	
Construction	+25,000	Wholesale trade	+25,200
Manufacturing	+61,000	Retail trade	+126,900
Mining & logging	+7,000	Transportation/warehousing/utilities	+47,100
		Information	-3,000
		Professional/financial/business	+136,000
		Educational/health services	+52,000
		Leisure/hospitality	+122,000
		Other services	+9,000
		Government	-22,000

Employment – State

4,200 non-farm jobs were lost statewide during the fourth quarter. Washington's unemployment rate was 6.6% in June, and the Seattle-Bellevue-Everett rate was 5.3%.

<u>STATE GOODS-PRODUCING: -5,500 JOBS</u>		<u>STATE SERVICE-PROVIDING: +1,300 JOBS</u>	
Construction	-1,500	Wholesale trade	+2,100
Manufacturing	-4,100	Retail trade	+900
Mining & logging	+100	Transportation/warehousing/utilities	-800
		Information	+200
		Professional/financial/business	+2,100
		Educational/health services	-1,000
		Leisure/hospitality	+1,600
		Other services	+1,300
		Government	-5,100

Economic Forecast

In its November report, the State Economic and Revenue Forecast Council indicated that it expects both the U.S. and Washington economies to continue to advance at a modest pace. Washington is still likely to slightly outperform the nation, but the recovery will continue to be slow with unemployment decreasing only gradually.

Personal income figures released by the Bureau of Economic Analysis in November show that income growth in Western Washington metropolitan areas is average to above average, while income growth in Eastern Washington is average or below.

CPI Data – Seattle/Tacoma/Bremerton Region

October 2013 – December 2013: - 0.6%
 December 2012 – December 2013: +1.5%

IV. GENERAL FUND – REVENUES

There is a one to two month lag between when tax revenues are earned and when they are received. For example, December 2013 sales tax was received in February 2014.

Revenue	Inflow	2013-14 Budget	% of Budget
Property Taxes			
City Levy	\$8,954,406	\$18,322,896	48.9%
EMS Levy	\$844,400	\$1,802,936	46.8%
Total	\$9,798,806	\$20,125,832	48.7%
Property tax is a very stable revenue source. Projected revenues are accrued equally throughout each year. Actual cash receipts occur primarily in April and October.			
The EMS levy is paid by Bothell's Snohomish County residents, who approved a six-year levy in 2011. King County residents pay an EMS levy directly to the County, which in turn pays the City annually for providing Basic Life Support (BLS) services.			

Revenue	Inflow	2013-14 Budget	% of Budget
Sales/Use Taxes			
Retail	\$7,083,547	\$16,176,032	43.8%
Construction	\$2,167,966	\$3,101,990	69.9%
Hotel/Motel	\$307,066	\$597,175	51.4%
Criminal Justice	\$633,060	\$1,412,047	44.8%
Total	\$10,191,639	\$21,287,244	47.9%
	2013 YTD	2012 YTD	Increase/Decrease
Retail	\$7,083,547	\$6,895,452	+2.7%
Construction	\$2,167,966	\$1,370,608	+58.2%
Hotel/Motel	\$307,066	\$282,040	+8.9%
Criminal Justice	\$633,060	\$585,166	+8.2%
Total	\$10,191,639	\$9,133,266	+11.6%
Retail sales tax receipts exceeded 2012 levels in eight of the last nine months of 2013.			

Revenue	Inflow	2013-14 Budget	% of Budget
Business & Utility Taxes			
Electric & Gas	\$3,292,754	\$7,836,381	42.0%
Cable TV	\$544,784	\$1,150,969	47.3%
Telephone & Cellular	\$1,745,795	\$4,161,458	42.0%
Water & Sewer	\$575,877	\$1,321,304	43.6%
Sanitation	\$287,013	\$563,707	50.9%
Gambling	\$14,654	\$30,000	48.8%
Utility Tax Rebate	(\$4,700)	\$0	n/a
Total	\$6,456,178	\$15,063,819	42.9%
	2013 YTD	2012 YTD	Increase/Decrease
Electric & Gas	\$3,292,754	\$3,308,275	-0.5%
Cable TV	\$544,784	\$527,754	+3.2%
Telephone & Cellular	\$1,745,795	\$1,922,137	-9.2%
Water & Sewer	\$575,877	\$516,151	+11.6%
Sanitation	\$287,013	\$270,593	+6.1%
Gambling	\$14,654	\$14,773	-0.8%
Utility Tax Rebate	(\$4,700)	(\$4,400)	-6.8%
Total	\$6,456,178	\$6,555,283	-1.5%

Revenue	Inflow	2013-14 Budget	% of Budget
Other Taxes	\$35,111	\$74,000	47.4%
Other taxes include leasehold excise taxes and private harvest timber taxes, which are received periodically throughout the year.			

Revenue	Inflow	2013-14 Budget	% of Budget
Franchise/License Rev			
Alderwood Water District	\$303,306	\$645,000	47.0%
Northshore Utility District	\$53,347	\$192,485	27.7%
Frontier/FIOS	\$67,474	\$175,000	38.6%
Business & Sign Licenses	\$796,114	\$1,669,580	47.7%
Total	\$1,220,241	\$2,682,065	45.5%
	2013 YTD	2012 YTD	Increase/Decrease
Alderwood Water District	\$303,306	\$294,460	+3.0%
Northshore Utility District	\$53,347	\$49,023	+8.8%
Frontier/FIOS	\$67,474	\$73,392	-8.1%
Total	\$424,127	\$416,875	+1.7%

Revenue	Inflow	2013-14 Budget	% of Budget
Non-Bus Licenses & Permits			
Building Permits	\$1,252,260	\$1,535,000	81.6%
Plumbing/Mechanical	\$292,323	\$300,000	97.4%
Pre-Application Fees	\$34,892	\$100,000	34.9%
Animal Licenses	\$69,523	\$177,125	39.3%
Concealed Weapons	\$6,828	\$16,100	42.4%
Total	\$1,655,826	\$2,128,225	77.8%
	2013 YTD	2012 YTD	Increase/Decrease
Building Permits	\$1,252,260	\$737,575	+69.8%
Plumbing/Mechanical	\$292,323	\$161,458	+81.1%
Pre-Application Fees	\$34,892	\$28,936	+20.6%
Total	\$1,579,475	\$927,969	+70.2%

Revenue	Inflow	2013-14 Budget	% of Budget
Intergovernmental	\$1,602,896	\$2,599,006	61.7%
Intergovernmental revenues include grants and entitlements.			
Grant revenues for the Biomedical Manufacturing Innovation Partnership Zone (IPZ) project are included in the inflow figure above. This project's estimated revenues and expenditures were included in the 2013 budget amendment.			

Revenue	Inflow	2013-14 Budget	% of Budget
Charges for Services	\$4,702,183	\$9,223,860	51.0%
	2013 YTD	2012 YTD	Increase/Decrease
MVA Fees	\$25,350	\$15,337	+65.3%
EMS Transport Fees	\$382,125	\$321,077	+19.0%
Plan Check Fees	\$1,042,784	\$697,934	+49.4%
Development Review Fees	\$787,150	\$651,712	+20.8%
Total	\$2,237,409	\$1,686,060	+32.7%
Charges for services also include recreation program fees.			
Implementation of the MVA fee and an increase in the EMS Transport fee were approved by Council in 2012. The City also began collecting the EMS Transport fee from residents of Fire District 10 beginning in 2013.			

Revenue	Inflow	2013-14 Budget	% of Budget
Interfund Svcs – Utilities	\$578,534	\$1,157,068	50.0%
CFP Staff Transfers	\$1,753,726	\$3,645,828	48.1%
Total	\$2,332,260	\$4,802,896	48.6%
Interfund services represent payments made by the three utility funds for their portion of central City service costs – Finance, HR, City Manager, City Clerk, IS, and Facilities.			

Revenue	Inflow	2013-14 Budget	% of Budget
Fines/Penalties/Criminal Costs	\$381,258	\$854,050	44.6%
Other Miscellaneous	\$606,202	\$1,096,475	55.3%
Total	\$987,460	\$1,908,875	51.7%
	2013 YTD	2012 YTD	Increase/Decrease
Fines/Penalties/Criminal Costs	\$381,258	\$385,734	-1.2%
Other Miscellaneous	\$606,202	\$829,207	-26.9%
Total	\$987,460	\$1,214,941	-18.7%

See General Fund Revenues - Chart 1

V. GENERAL FUND – EXPENDITURES

Expenditure	Outflow	2013-14 Budget	% of Budget
Salaries & Benefits	\$29,943,334	\$62,055,467	48.3%
Maintenance & Operations	\$5,904,187	\$12,548,386	47.1%
Capital	\$529,925	\$556,000	95.3%
Interfund/Op Transfers	\$1,953,077	\$4,745,577	41.2%
Total	\$38,330,523	\$79,905,430	48.0%
	2013 YTD	2012 YTD	Increase/Decrease
Salaries & Benefits	\$29,943,334	\$29,372,134	+1.9%
Maintenance & Operations	\$5,904,187	\$5,288,547	+11.6%
Capital	\$529,925	\$29,854	+1675.1%
Interfund/Op Transfers	\$1,953,077	\$1,867,470	+4.6%
Total	\$38,330,523	\$36,558,005	+4.8%

The 2013 M&O and capital figures include \$744,732 in expenditures for the Biomedical Manufacturing Innovation Partnership Zone (IPZ) project. The costs are covered by two grants from the Department of Commerce, and the IPZ project's revenues and expenditures are included in the 2013 budget amendment.

See General Fund Expenditures - Chart 2

See General Fund Revenues vs. Expenditures - Chart 3

VI. OTHER MAJOR FUNDS

	Inflow/Outflow	2013-14 Budget	% of Budget
Street	Inflow	\$1,768,628	33.9%
	Outflow	\$1,749,182	40.1%

Subsidy transfers from the General Fund represented \$494,240 of Street Fund revenues during 2013.

		Inflow/Outflow	2013-14 Budget	% of Budget
Arterial Street	Inflow	\$1,750,974	\$6,132,320	28.6%
	Outflow	\$1,255,396	\$6,937,054	18.1%

The Arterial Street Fund is funded through impact and mitigation fees. Spending occurs through transfers to the Capital Improvement Fund for transportation projects.

		Inflow/Outflow	2013-14 Budget	% of Budget
Park Reserve	Inflow	\$237,612	\$480,000	49.5%
	Outflow	\$0	\$100,000	0.0%

Park Reserve spending occurs through transfers to the Capital Improvement Fund.

		Inflow/Outflow	2013-14 Budget	% of Budget
Capital Improvement	Inflow	\$30,127,151	\$81,974,637	36.8%
	Outflow	\$26,185,557	\$82,600,090	31.7%

\$10 million in bank qualified bonds were issued in June (as approved by Council in May). The proceeds are allocated as follows:

- \$4.0 million - repaid outstanding Bond Anticipation Note (BAN) in June
- \$1.5 million - Wexler property purchase necessary for the Multi-way Boulevard
- \$4.5 million - Phase 1 of Boulevard construction

VII. PROPRIETARY FUNDS

Fund		Inflow/Outflow	2013-14 Budget	% of Budget
Water	Inflow	\$4,454,380	\$10,624,378	41.9%
	Outflow	\$3,947,670	\$11,680,279	33.8%
Sewer	Inflow	\$6,268,614	\$15,120,910	41.5%
	Outflow	\$5,136,854	\$15,754,663	32.6%
Storm/Surface Water	Inflow	\$4,511,224	\$22,549,091	20.0%
	Outflow	\$2,985,040	\$22,067,760	13.5%
Equipment Rental	Inflow	\$1,543,013	\$3,082,272	50.1%
	Outflow	\$1,461,322	\$3,099,486	47.1%
Self-Insurance	Inflow	\$1,033,862	\$2,182,524	47.4%
	Outflow	\$1,005,040	\$2,130,813	47.2%
Asset Replacement	Inflow	\$772,773	\$2,949,558	26.2%
	Outflow	\$862,684	\$6,326,272	13.6%

Capital spending in proprietary funds is not recognized as an expenditure in the year that spending takes place, but instead is depreciated over time in line with generally accepted accounting principles (GAAP). The following table lists capital spending that occurred in 2013, along with depreciation that was recognized in 2013.

	(Cash spent in 2013, but not counted as a 2013 expenditure)	(Counted as an expenditure in 2013, but is not cash spending)
	2013 Capitalized Spending	2013 Depreciation
Water	\$640,650	\$451,268
Sewer	265,721	327,280
Storm & Surface Water	1,400,170	434,169
Equipment Rental	0	3,342
Asset Replacement	1,411,682	733,903
Total	\$3,718,223	\$1,949,962

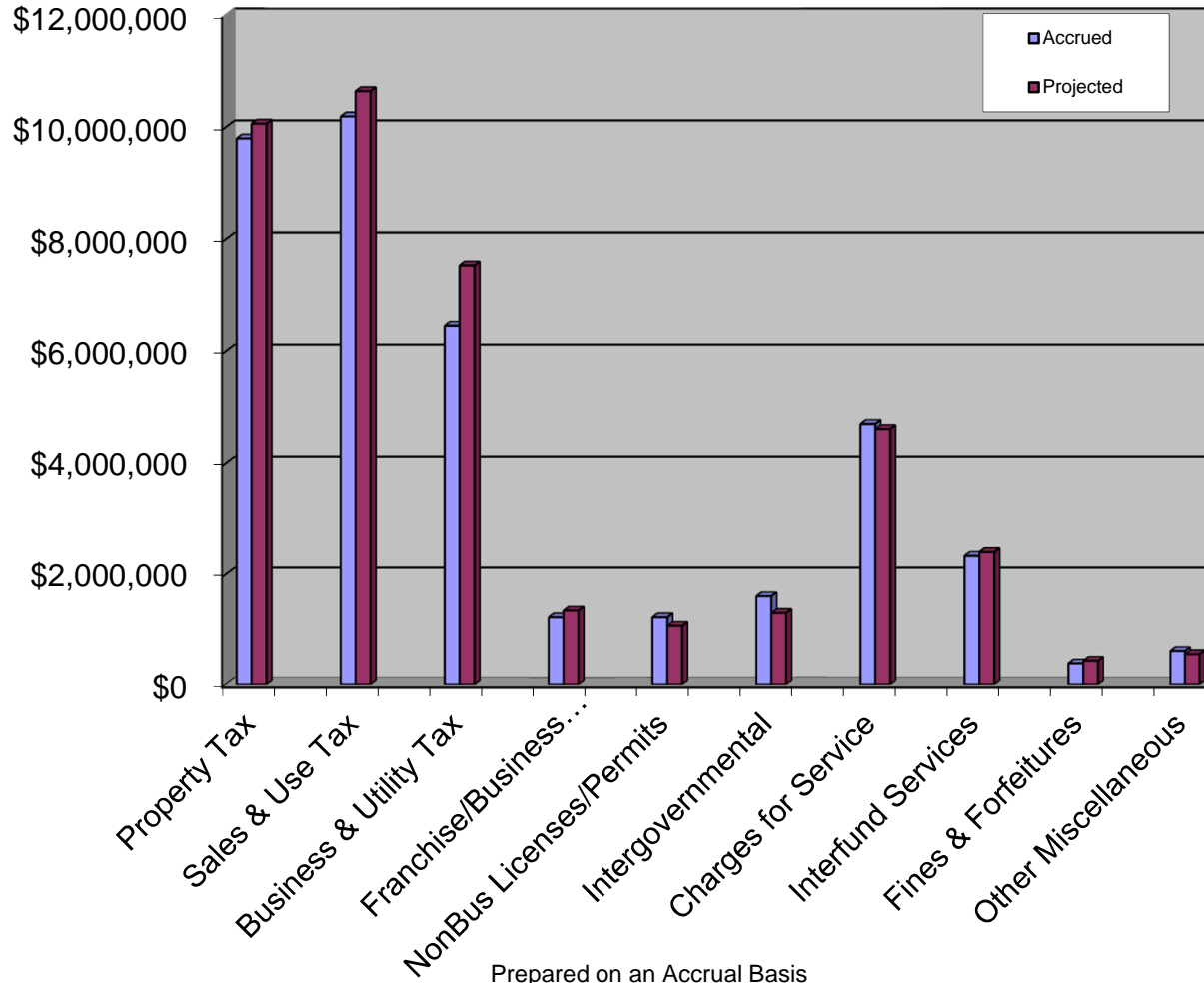
See Proprietary Funds Expenditures - Chart 4

See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. COUNCIL EMPHASIS AREAS

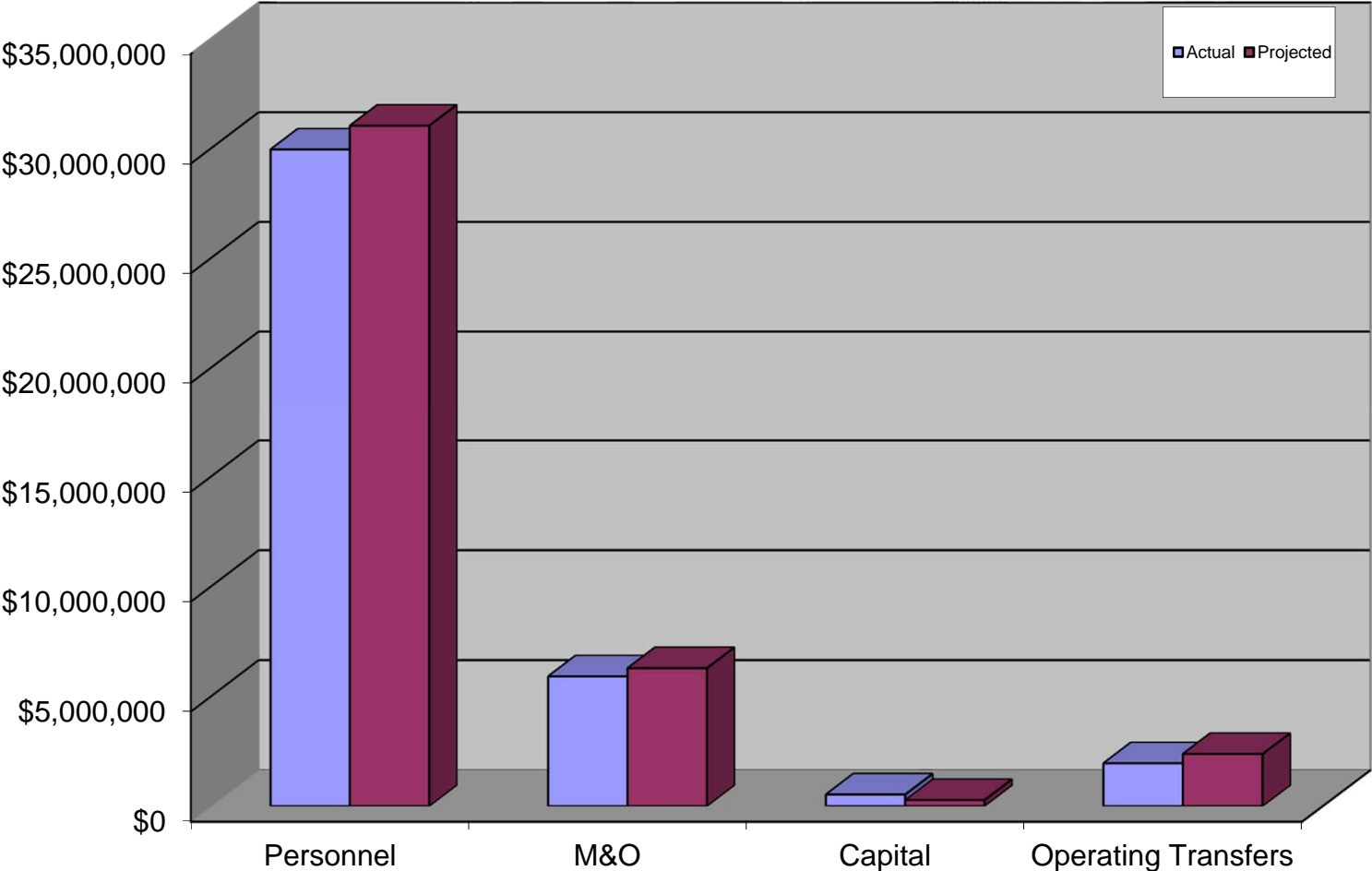
Development Review Fees	Inflow	\$931,605	(Includes A/R)
	Outflow	1,228,993	(Includes overhead)
	Net	(\$297,388)	
Permitting Fees	Inflow	\$2,587,367	
	Outflow	1,698,461	(Includes overhead)
	Net	\$888,906	
CFP Project-Term Staff	Inflow	\$1,327,775	(2013 reimbursement to Gen Fund)
	Outflow	1,327,775	(2013 Gen Fund salaries/benefits)
	Net	\$0	
Utility Tax Rebates	2013	\$4,700	(61 rebates)
	2012	\$4,400	(54 rebates)
	Inc(Dec)	\$300	

General Fund Revenue vs Budget December 31, 2013



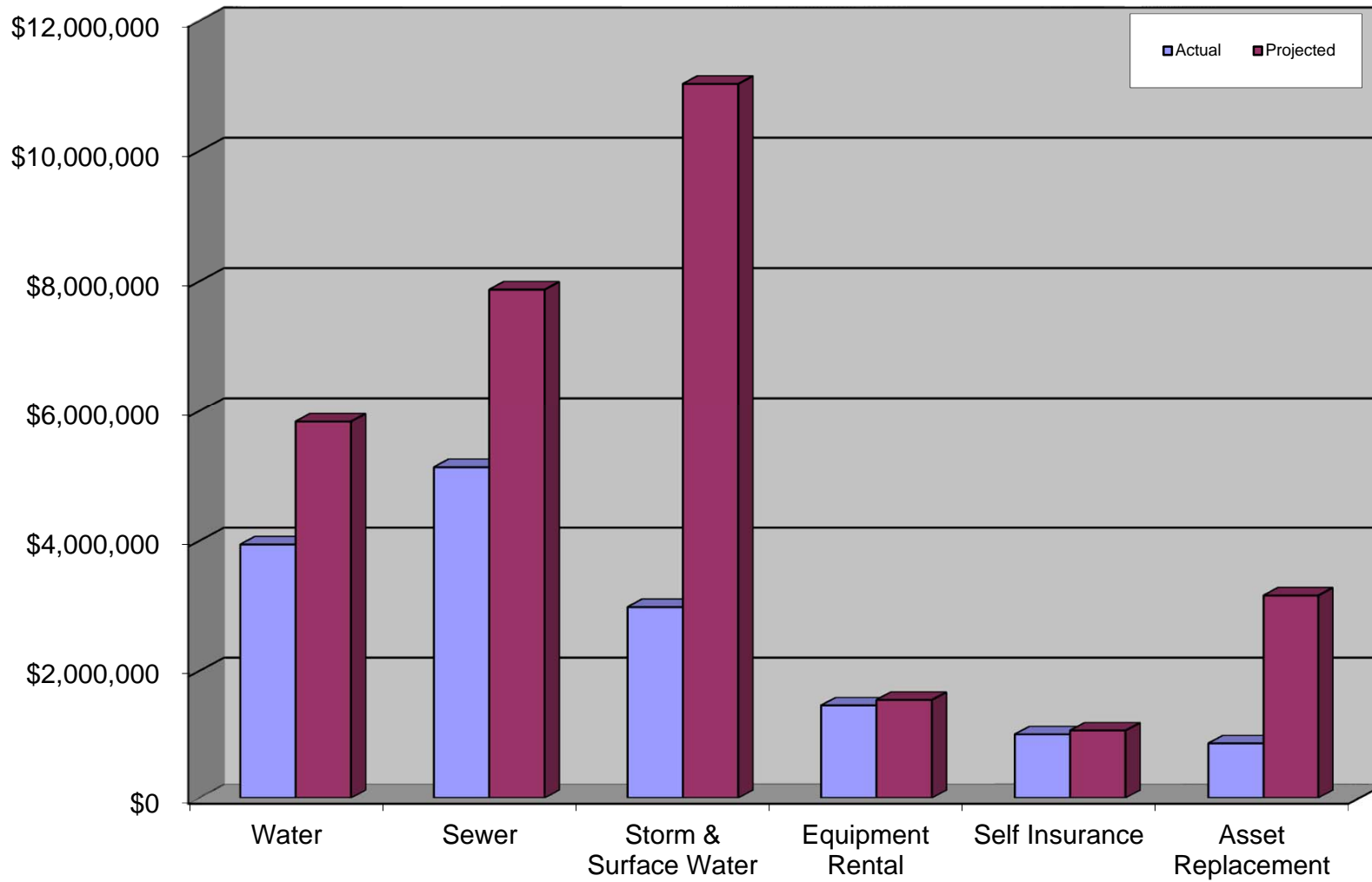
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget December 31, 2013



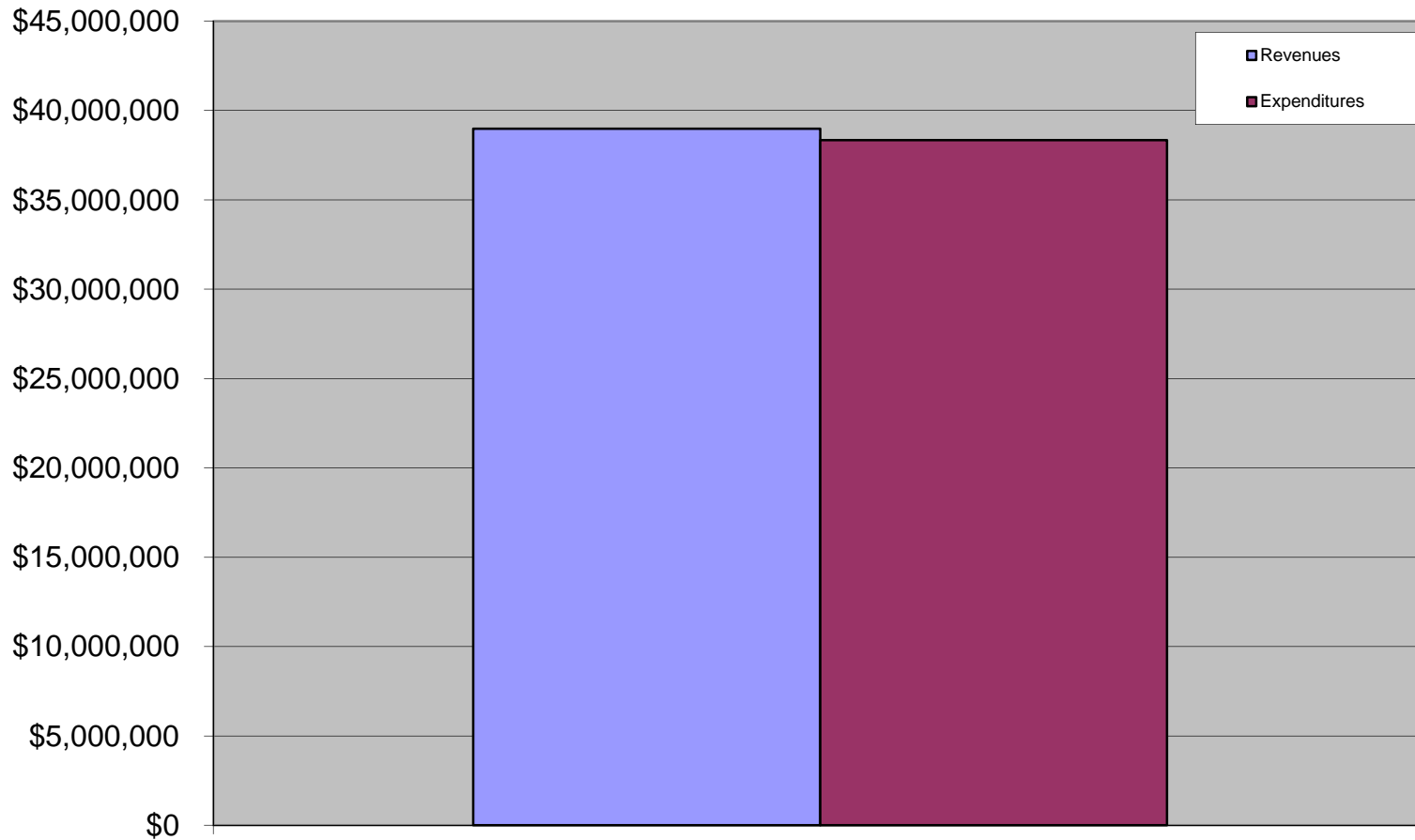
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget December 31, 2013



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures December 31, 2013



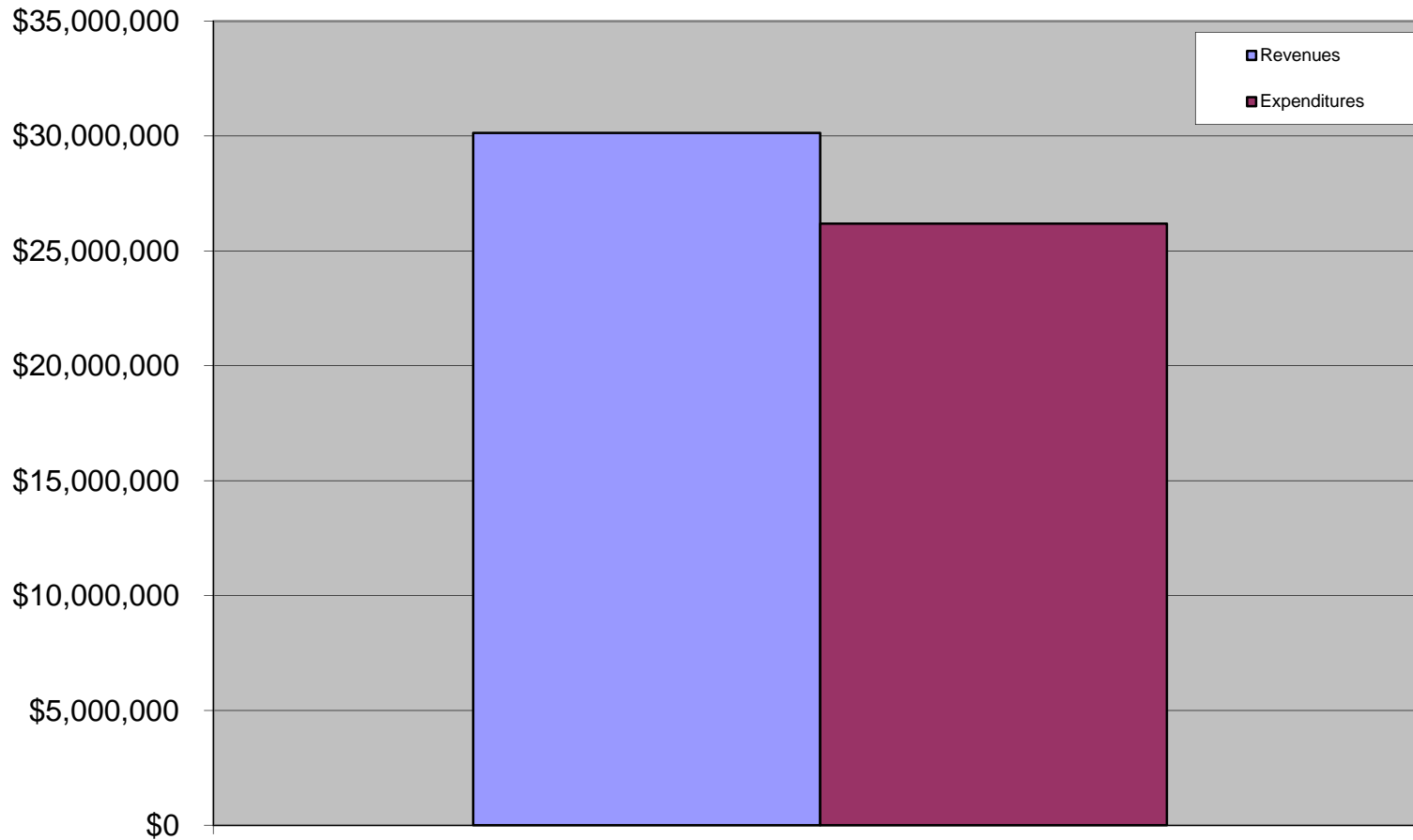
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

Capital Improvement Fund Revenues vs Expenditures December 31, 2013



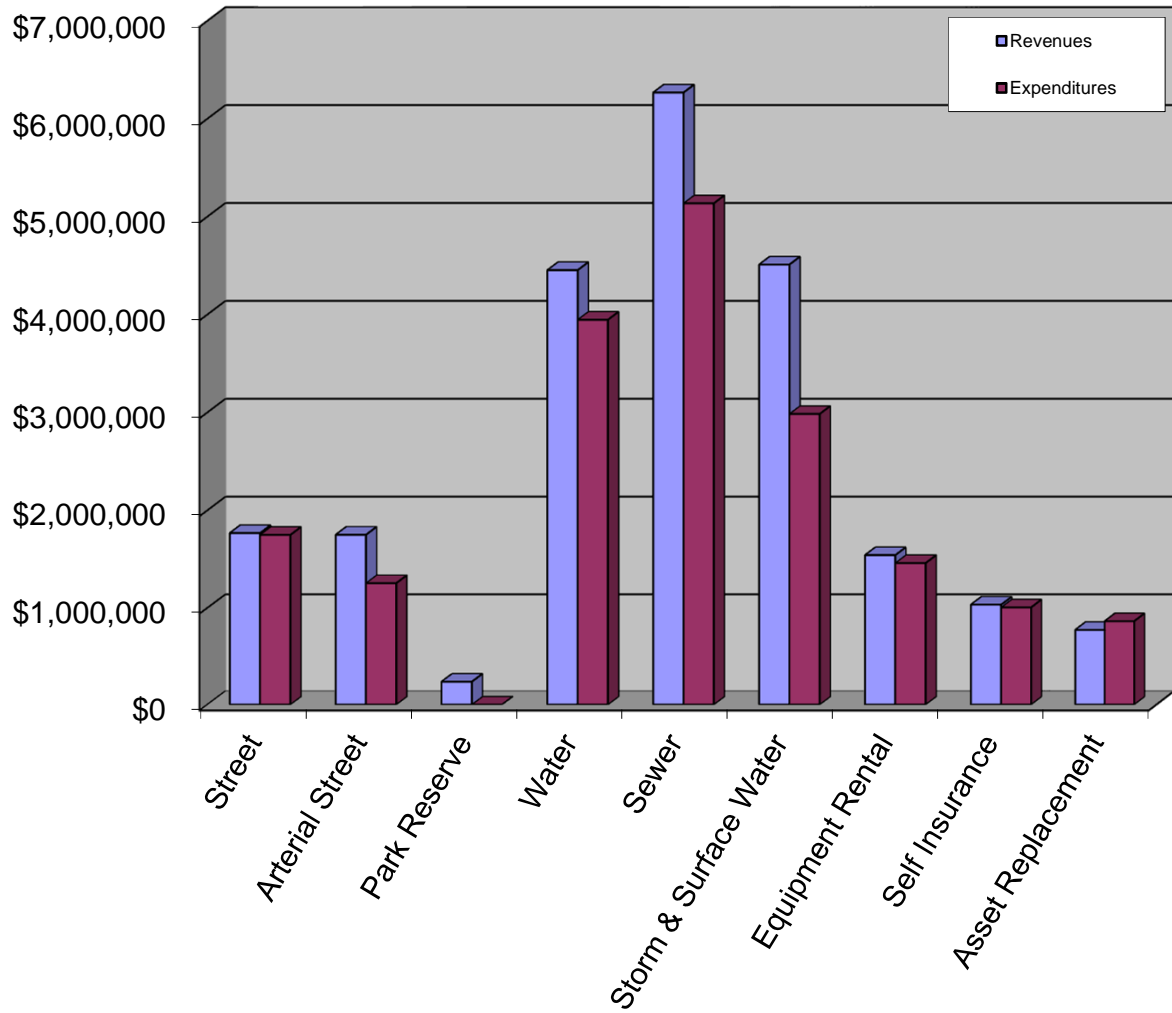
Capital Improvement

Prepared on an Accrual Basis

Capital Improvement Fund Revenues vs. Expenditures

Chart 5

Other Major Funds Revenues vs Expenditures December 31, 2013



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 6