

City of Bothell

2009-2010 Budget Status Report

For the Quarter Ending March 31, 2009

I. Biennium Status

The City has concluded the first quarter of its 2009-2010 eight-quarter biennium. The budget period is 12.5% (3 of 24 months) complete.

The City's 2009 revenue projections are materially less than 2010. 2009 revenue projections were derived based on a recession that began in the fourth quarter of 2007 and is speculated to end in the third quarter of 2009. For this reason, budget versus actual figures referenced in this report will pertain to 2009 projections only. The 2009 fiscal year is 25% (3 of 12 months) complete.

Citywide

Citywide revenue inflows for the first quarter amount to 14.2% of the 2009 revenue projection. Expenditure outflows have spent down 12.3% of the 2009 projection.

The City's budget position (considering inflows and outflows) sits at a negative \$2.38 million for 2009, compared to a positive \$1.38 million during the first quarter of 2008. The Capital Improvements Fund expenditures alone account for \$3.42 million, as Council adopted Capital Facilities Plan (CFP) project spending continues.

General Fund

General Fund revenue inflows amount to 22.1% of their 2009 projection. Retail sales tax revenues ran \$336,000 behind first quarter budget projections. The ailing economy continues to impact building-related revenues such as permit and development review fees. Expenditure outflows have spent down 23.8% of their biennial projection.

General Fund outflows exceed inflows by \$620,000, compared to \$746,000 during the first quarter of 2008.

II. Citywide Summary

		Inflow/Outflow	2009 Projection	% of Projection
<u>CITY TOTAL</u>	Inflow	\$12,355,113	\$86,992,140	14.2%
	Outflow	\$14,731,531	\$119,526,701	12.3%
<u>CITY TOTAL</u> (less Arterial Street and Capital Improvements Funds)	Inflow	\$11,618,583	\$55,190,140	21.1%
	Outflow	\$12,520,643	\$69,346,561	18.1%
<u>GENERAL FUND*</u>	Inflow	\$8,065,534	\$36,558,108	22.1%
	Outflow	\$8,685,930	\$36,558,016	23.8%

III. Economic Recap

National non-farm payroll employment continued to decline during the first quarter of 2009, losing more than 2,000,000 jobs. The national unemployment rate rose to 8.5%.

Since the start of the recession in December 2007, the number of unemployed persons nationwide has grown by 5.1 million – with almost two-thirds (3.3 million) of the job losses occurring in the last five months.

U.S. GOODS-PRODUCING: - 995,000 JOBS		U.S. SERVICE-PROVIDING: -1,060,000 JOBS	
Construction	- 368,000	Retail trade	-145,000
Manufacturing	- 592,000	Professional/business services	-462,000
		Educational/health services	+ 69,000
		Leisure/hospitality	-104,000
		Government	+ 6,000

49,000 non-farm jobs were lost statewide during the first quarter of 2009. Washington’s 9.2% unemployment rate for March marks the third consecutive month that the rate rose by 0.5% or more. The Seattle-Bellevue-Everett rate for March was 8.4% - 8.0% in King County, and 9.7% in Snohomish County.

During the last recession that began in January 2001, statewide unemployment levels rose consistently for 14 out of the ensuing 15 months – but the total rise in unemployment during this recession amounted to 45%, compared to the current recession where unemployment has increased by 111%.

STATE GOODS-PRODUCING: -22,400 JOBS		STATE SERVICE-PROVIDING: -26,600 JOBS	
Construction	-11,100	Wholesale trade	-2,600
Manufacturing	-10,800	Retail trade	-1,500
Natural Resources & Mining	-500	Transportation/warehousing/utilities	-2,700
		Information	-2,900
		Professional/financial/business	-13,300
		Educational/health services	-2,500
		Leisure/hospitality	-2,400
		Other services	-700
		Government	+2,000

National forecasts now assume a more severe recession than was anticipated in November 2008. The recession is still expected to last six quarters, but with a sharper decline and a slower recovery. Current projections anticipate the recession ending in the third quarter of 2009, followed with weak growth into the middle of 2010.

Washington lagged the nation into this recession, but is expected to come out at the same time. Washington’s economy is expected to recover at a slightly faster rate than the rest of the nation.

The bimonthly Consumer Price Index for the Seattle-Tacoma-Bremerton region crept upward slightly in February – rising 1.1% from both the December 2008 and February 2008 figures.

IV. General Fund Revenues

Tax receipts are remitted to the City by either the State or County, and therefore a one to two month lag is experienced between when revenue is earned and when it is actually received. For example, March sales tax revenue is not actually remitted to the

City until the end of May. Where actual revenue figures are not yet available, projected accruals have been utilized.

Revenue	Inflow	2009 Projection	% of Projection
Property Tax	\$2,039,203	\$8,150,300	25.0%

Property tax is an exceptionally stable revenue stream. Receipts are remitted monthly to the City from King and Snohomish County.

Revenue	Inflow	2009 Projection	% of Projection
Sales/Use Tax			
Retail	\$1,539,024	\$8,832,200	17.4%
Construction	\$389,106	\$1,371,700	28.4%
Hotel/Motel	\$40,769	\$275,000	14.8%
Criminal Justice	\$120,770	\$700,200	17.2%
Total	\$2,089,670	\$11,179,100	18.7%

Retail sales tax revenues continue to be affected by the economic downturn – this revenue stream is running behind both the first quarter 2009 projection (\$1.88 million) and the actual revenues received during the first quarter of 2008 (\$1.68 million).

Construction sales tax revenues are coming in substantially higher than projected – though still behind last year’s first quarter revenues (\$438,000). Construction is often dependent on good weather so construction revenues are likely to rise during the Puget Sound’s warmer spring, summer, and fall months.

Hotel/Motel sales tax revenues are down \$12,000 from the first quarter of 2008. These revenues are restricted to tourism promotional activities.

Criminal justice sales tax receipts are \$30,000 less than at this point in 2008.

Revenue	Inflow	2009 Projection	% of Projection
Business/Utility Tax	\$2,062,006	\$7,996,900	25.8%

Business and utility taxes are 3.1% (\$63,000) ahead of the month-to-month projection for 2009.

Revenue	Inflow	2009 Projection	% of Projection
Other Taxes	\$167,196	\$721,000	23.2%

Other taxes include leasehold excise taxes, EMS levy receipts, and gambling taxes.

EMS levy collections comprise 95% of taxes received in this category. King County voters approved a \$0.30 per \$1,000 levy for the 6-year period from 2008-2013.

Revenue	Inflow	2009 Projection	% of Projection
Licenses & Permits			
Business/Sign Licenses	\$72,500	\$290,000	25.0%
Building Permits	\$93,941	\$685,800	13.7%

Plumbing/Mechanical	\$31,523	\$125,000	25.2%
Pre-Application Fees	\$4,852	\$40,000	12.1%
Other Miscellaneous	\$1,684	\$5,200	32.4%
Total	\$204,500	\$1,146,000	17.8%

The housing market, while somewhat improved, continues to struggle – building permit revenues for the first quarter were down over \$50,000 from 2008. The weather during the first quarter of 2009 was also not conducive to building – building is expected to pick up as the weather improves.

Revenue	Inflow	2009 Projection	% of Projection
Intergovernmental	\$584,709	\$2,248,000	26.0%

Intergovernmental revenues are for the most part comprised of grant funding, and make up only 6% of the General Fund's revenue budget. Grants awards normally require the grantee to expend their own funds before requesting reimbursement from the grantor.

Revenue	Inflow	2009 Projection	% of Projection
Charges for Services	\$585,710	\$3,414,100	17.2%

Charges for services include development review fees, recreation program fees, passport fees, and EMS transport fees. Transfers from CFP projects which cover project-term staff members' salaries and benefits are also included in this category.

The economy and harsh winter weather have affected a number of revenues in this category. Development review revenues are down \$138,000 (52%) from the first quarter of 2008, plan check fees are down \$49,000 (49%), and passport revenues are down \$8,000 (30%).

Revenue	Inflow	2009 Projection	% of Projection
Fines/Penalties/Criminal	\$124,567	\$416,300	29.9%
Other Miscellaneous	\$73,521	\$748,600	9.8%
Operating Transfers	\$134,452	\$537,808	25.0%

Interest rates dropped dramatically in 2008. General Fund investment earnings (Other Miscellaneous category) for the first quarter of 2009 are down \$134,000 from the same period in 2008, and \$104,000 below the 2009 monthly projection. The disparity between the 2009 monthly projection and actual receipts is due to the timing of investment maturity, and therefore investment earnings are expected to hit the 2009 mark by year-end.

See General Fund Revenues - Chart 1

V. General Fund Expenditures

Biennial expenditures are currently \$454,000 (5%) below their 2009 projection. Personnel expenditures make up the lion's share of this variance (\$344,000 or 76%).

Expenditures	Outflow	2009 Projection	% of Projection
Salaries & Benefits	\$6,782,757	\$28,505,389	23.8%
Maintenance & Operations	\$1,525,849	\$6,549,602	23.3%
Capital	\$13,568	\$48,000	28.3%
Operating Transfers	\$363,756	\$1,455,025	25.0%
Total	\$8,685,930	\$36,558,016	23.8%

See General Fund Expenditures - Chart 2

See General Fund Revenues vs. Expenditures - Chart 3

VI. Other Major Funds

	Inflow/Outflow	2009 Projection	% of Projection
Street	Inflow	\$211,077	14.4%
	Outflow	\$299,052	14.5%

Street Fund revenues in 2009 include a \$102,341 subsidy from the City's General Fund.

	Inflow/Outflow	2009 Projection	% of Projection
Arterial Street	Inflow	\$294,401	1.3%
	Outflow	\$274,085	1.1%

The Arterial Street Fund is primarily funded through grants and impact fees

	Inflow/Outflow	2009 Projection	% of Projection
Park Reserve	Inflow	\$22,137	11.1%
	Outflow	\$0	0.0%

In accordance with direction received from the State Auditor's Office, these restricted funds have been reclassified as "deferred revenue" until they are actually expended on capital parks projects.

	Inflow/Outflow	2009 Projection	% of Projection
Capital Improvement	Inflow	\$442,128	4.6%
	Outflow	\$1,936,802	7.7%

Waste Management administrative fees, Beta Bothell leases, grant reimbursements, and interest earning revenues are all in line with budget expectations. Real Estate Excise Tax (REET) revenues are down significantly from 2008. This revenue stream will require a budget amendment to lower 2009 expectations by \$1 million – in line with both current receipts and their associated expenditures. In addition, operating transfers into the Capital Improvements Fund were originally budgeted at over \$2 million, but only \$201,000 will actually take place. This reduction of \$1.8 million in operating transfers is associated with the timing and deferral of a capital project.

VII. Proprietary Funds

Utility Funds	Inflow/Outflow	2009 Projection	% of Projection
Water	Inflow	\$695,058	19.2%
	Outflow	\$528,585	7.8%

Utility Funds		Inflow/Outflow	2009 Projection	% of Projection
Sewer	Inflow	\$1,161,582	\$5,124,095	22.7%
	Outflow	\$947,424	\$9,077,154	10.4%
Storm Drain	Inflow	\$535,278	\$4,435,053	12.1%
	Outflow	\$1,000,942	\$6,988,989	14.3%

Water revenues are seasonal in nature. First quarter revenues are in line with the first quarter of 2008.

The expenditure budgets for the three utility funds contain a total of \$8.1 million for the new Public Works Operations Center, so expenditure budget-to-actual outflow figures will remain skewed until spending on the project ramps up. Similarly, the Storm Drain Fund's revenue budget contains a \$2.4 million inter-fund loan from the City's Asset Replacement Fund that is associated with the new Public Works Operations Center and has not taken place yet.

Internal Service Funds		Inflow/Outflow	2009 Projection	% of Projection
Equipment Rental	Inflow	\$335,763	\$1,344,964	25.0%
	Outflow	\$385,648	\$1,645,292	23.4%
Self-Insurance	Inflow	\$187,924	\$763,252	24.6%
	Outflow	\$606,781	\$1,006,202	60.3%
Asset Replacement	Inflow	\$252,100	\$999,738	25.2%
	Outflow	\$45,426	\$4,376,033	1.0%

The City's annual insurance premium is paid in the first quarter of each year, which skews the Self-Insurance Fund's expenditure-to-actual figure.

As explained previously in the Utility Fund discussion, the Asset Replacement Fund's expenditure budget includes a \$2.4 million inter-fund loan to the City's Storm Drainage Fund that is associated with the new Public Works Operations Center and has not taken place yet.

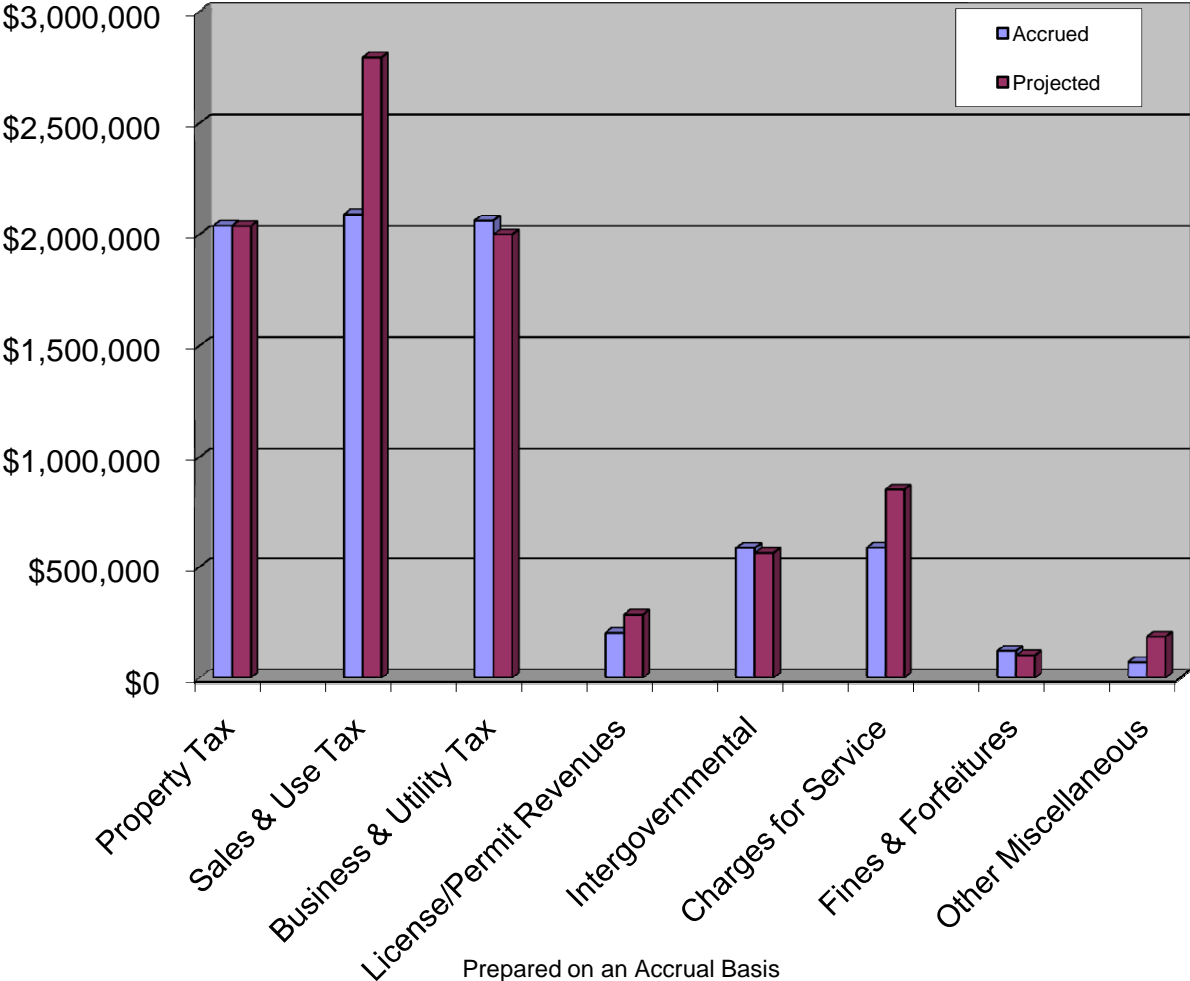
See Proprietary Funds Expenditures - Chart 4

See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. Council Emphasis Areas

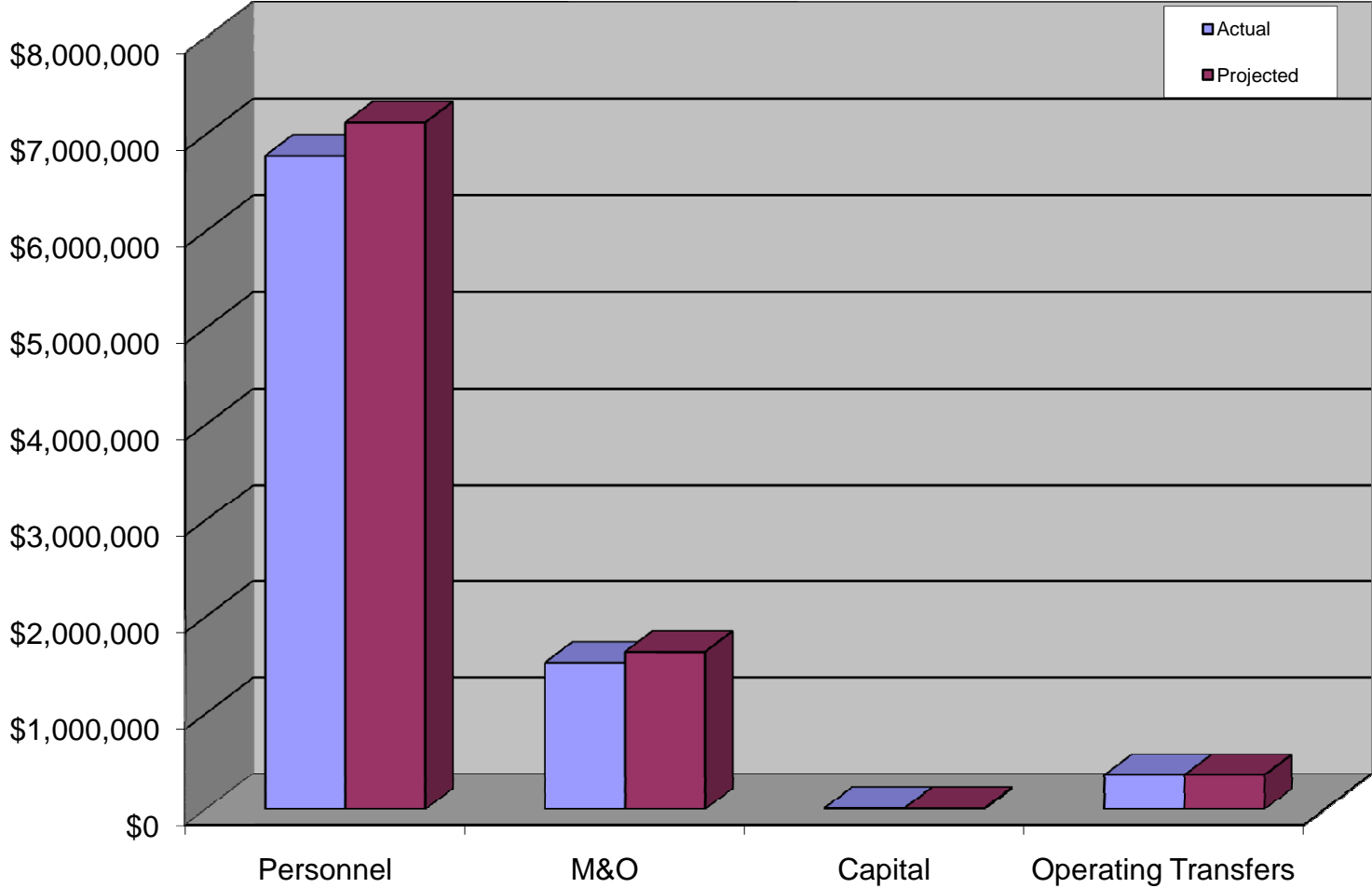
Development Review	Inflow	\$149,189	(Includes A/R)
	Outflow	314,379	(Includes overhead)
	Net	(\$165,190)	
Permitting	Inflow	\$177,201	
	Outflow	380,580	(Includes overhead)
	Net	(\$203,380)	
CFP Project-Term Staff	Inflow	\$202,766	(Reimbursement)
	Outflow	202,766	(General Fund wages)
	Net	\$ 0	

General Fund Revenue vs Budget March 31, 2009



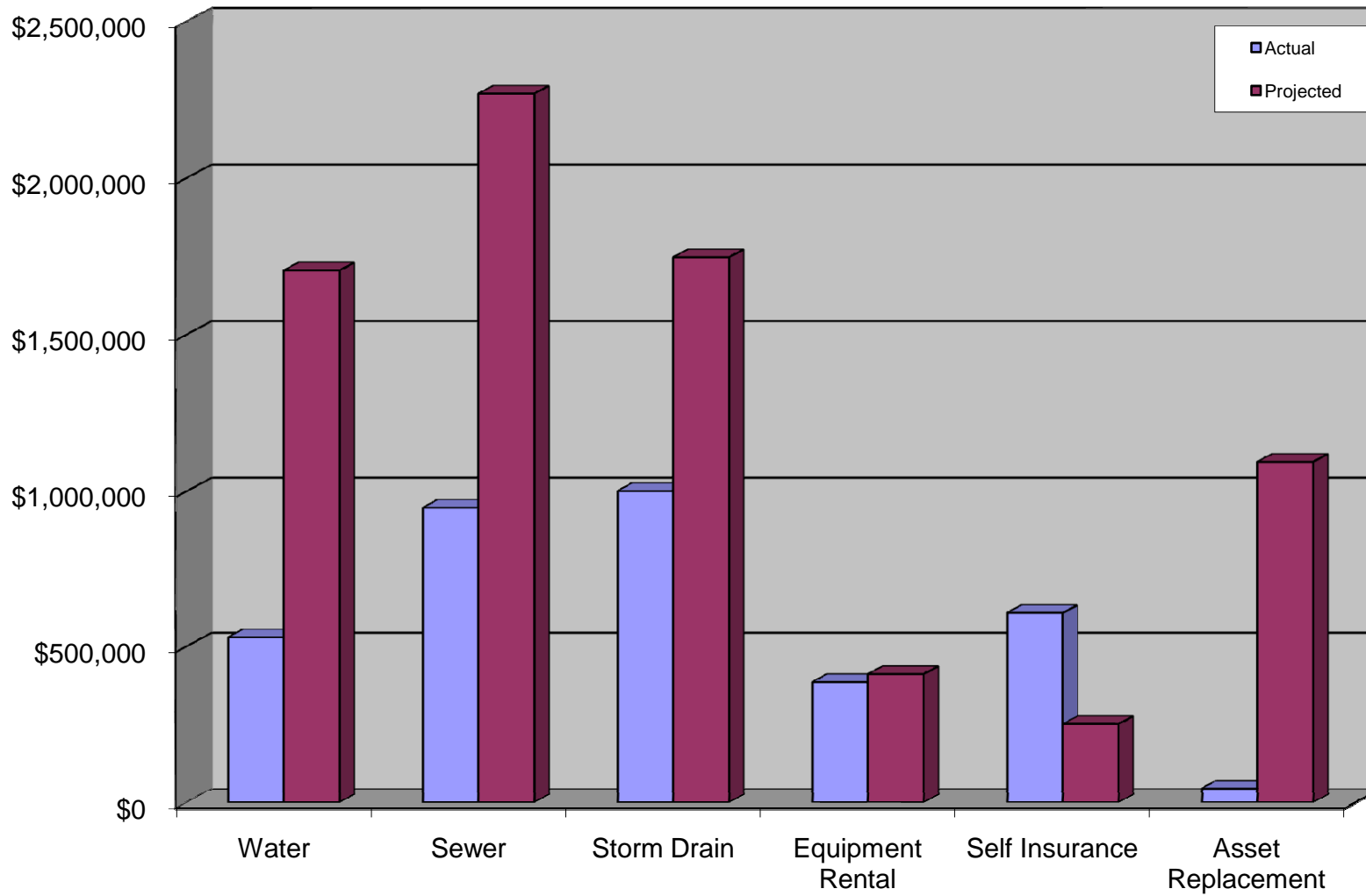
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget March 31, 2009



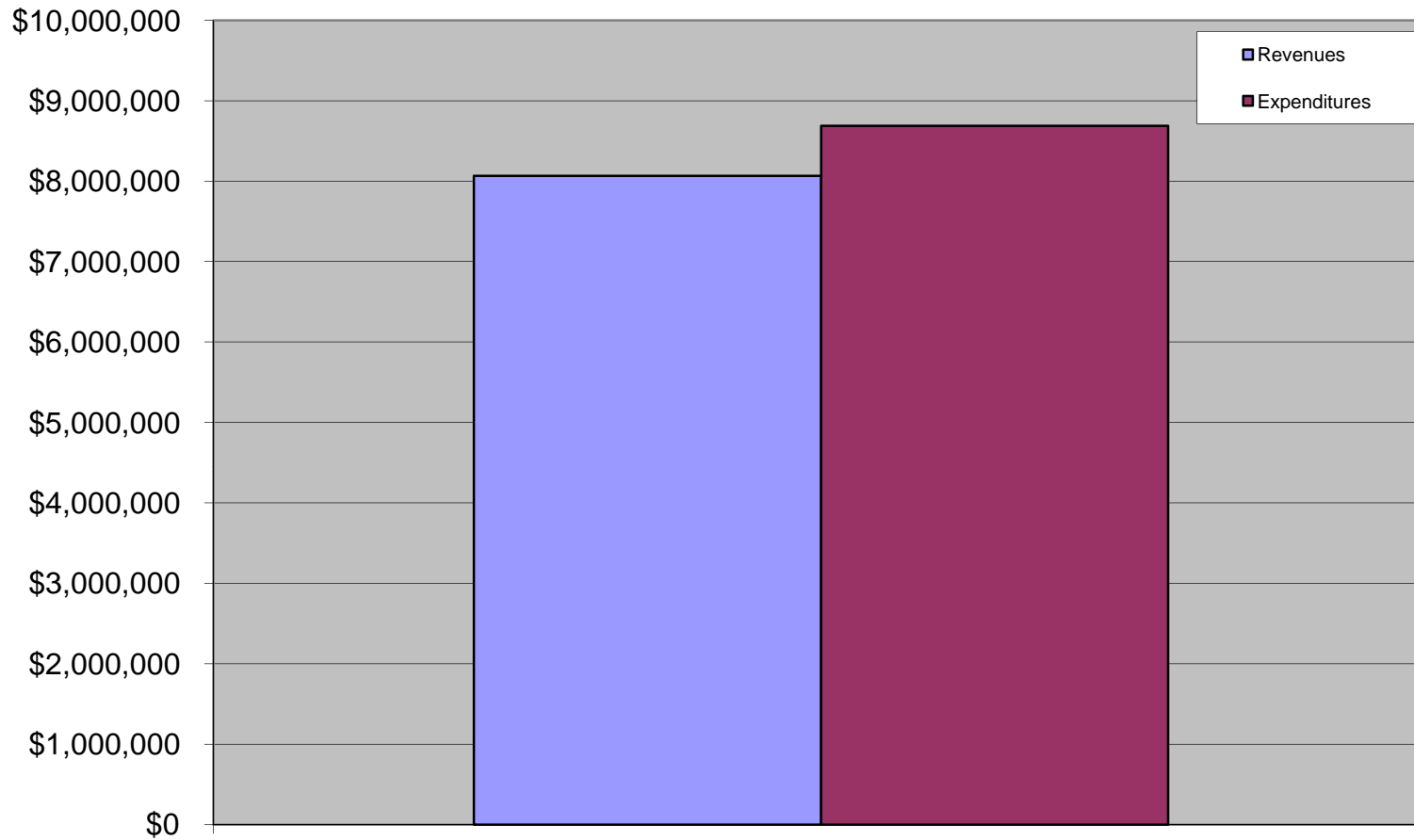
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget March 31, 2009



Proprietary Funds
Chart 3

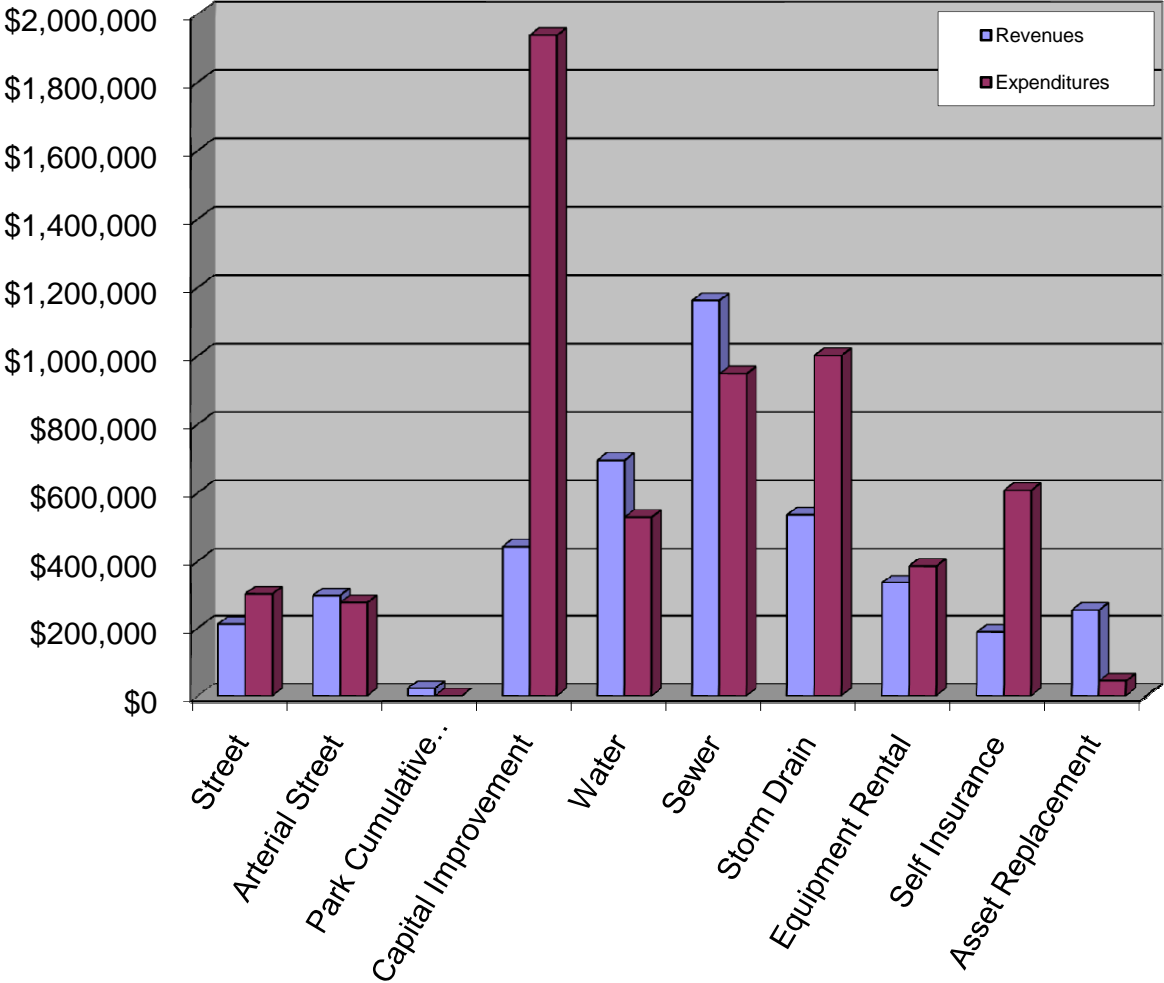
General Fund Revenues vs Expenditures March 31, 2009



General Fund
Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures
Chart 4

Other Major Funds Revenues vs Expenditures March 31, 2009



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5