

City of Bothell
2009-2010 Budget Status Report
For the Quarter Ending September 30, 2009

I. Biennium Status

The City has concluded the third quarter of its 2009-2010 eight-quarter biennium. The budget period is 37.5% (9 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 75% (9 of 12 months) complete.

Citywide

Citywide revenue inflows for the first three quarters of 2009 total 48% of the 2009 revenue projection. Expenditure outflows have spent 50.2% of the 2009 projection.

The City's budget position (considering inflows and outflows) sits at a negative \$18.3 million for 2009, compared to a negative \$3.3 million during the first nine months of 2008. Negative budget positions in both 2009 and 2010 are attributable to planned capital spending allocated in the Capital Facilities Plan (CFP).

General Fund

General Fund revenue inflows total 67.8% of the 2009 projection. Retail sales tax revenue is nearly \$1,600,000 behind January-September budget projections. The economy continues to impact building permit fee revenues, though development review revenues rose during the third quarter. Expenditure outflows have spent down 72.2% of their biennial projection.

General Fund third quarter outflows exceeded inflows by \$748,000 (\$249,000 per month), compared to \$620,000 (\$207,000 per month) during the first quarter and \$249,000 (\$83,000 per month) in the second quarter.

A large boost in construction sales tax revenue is anticipated during the fourth quarter, which will help alleviate the significant retail sales tax shortfall and help to narrow the General Fund's negative budget position. In addition, the proposed 2009 budget amendment realigns General Fund appropriations with actual General Fund revenues.

II. Citywide Summary

		Inflow/Outflow	2009 Projection	% of Projection
<u>CITY TOTAL</u>	Inflow	\$41,721,343	\$86,992,140	48.0%
	Outflow	\$60,062,109	\$119,526,701	50.2%
<u>CITY TOTAL</u> (less Arterial Street and Capital Improvements Funds)	Inflow	\$37,113,341	\$55,190,140	67.2%
	Outflow	\$40,230,552	\$69,346,561	58.0%
<u>GENERAL FUND*</u>	Inflow	\$24,774,492	\$36,558,108	67.8%
	Outflow	\$26,392,395	\$36,558,016	72.2%

III. Economic Recap

National non-farm payroll employment continued its decline during the third quarter of 2009. 768,000 jobs were lost from June to September, and the national unemployment rate rose to 9.8%.

Since the start of the recession in December 2007, the number of unemployed persons nationwide has grown by 7.6 million, and the unemployment rate has doubled.

<u>U.S. GOODS-PRODUCING: - 364,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: -404,000 JOBS</u>	
Construction	-193,000	Retail trade	- 92,000
Manufacturing	-158,000	Professional/business services	-58,000
		Educational/health services	+63,000
		Leisure/hospitality	-22,000
		Government	-130,000

13,200 non-farm jobs were lost statewide during the third quarter. Washington's September unemployment rate held steady at 9.3%, and the Seattle-Bellevue-Everett rate ticked slightly upward to 8.9%.

Washington actually experienced a net gain in jobs during July (only the second since February 2008), but August and September both saw job losses.

<u>STATE GOODS-PRODUCING: -11,400 JOBS</u>		<u>STATE SERVICE-PROVIDING: -1,800 JOBS</u>	
Construction	-6,200	Wholesale trade	-1,800
Manufacturing	-5,000	Retail trade	-1,600
Natural Resources & Mining	-200	Transportation/warehousing/utilities	+800
		Information	-1,200
		Professional/financial/business	-2,900
		Educational/health services	+4,900
		Leisure/hospitality	+900
		Other services	-900
		Government	0

State forecasters believe that recent data shows signs of recovery in the Washington economy. Employment is still declining, but at a reduced pace. Both housing permits and new vehicle registrations are trending upward. State revenue-generating activity, however, remains below expected levels.

The August bimonthly Consumer Price Index for the Seattle-Tacoma-Bremerton region decreased 0.1% from the June figure. The year-over-year decrease was 0.6%.

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, September sales tax revenue is not actually remitted to the City until the end of November. Where actual revenue figures are not yet available, projected accruals have been utilized.

Revenue	Inflow	2009 Projection	% of Projection
Property Tax	\$6,134,311	\$8,150,300	75.3%

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	\$4,690,640	\$8,832,200	53.1%
Construction	\$1,258,008	\$1,371,700	91.7%
Hotel/Motel	\$146,008	\$275,000	53.1%
Criminal Justice	\$400,457	\$700,200	57.2%
Total	\$6,495,114	\$11,179,100	58.1%

Retail sales tax revenues continue to be suppressed by the economic downturn – this revenue stream is well behind its January-September 2009 projection (-\$1,600,000).

As stated previously, the proposed 2009 budget amendment realigns General Fund appropriations with revised/actual General Fund revenues.

Construction sales tax revenues are higher than projected, while running slightly below last year's January-September revenues (-\$152,000). A significant boost in construction sales tax is anticipated to be received during the fourth quarter.

Hotel/Motel sales tax revenues are down \$43,000 from the nine months of 2008. These revenues are legally restricted to tourism promotional activities.

Criminal justice sales tax receipts are \$67,000 less than at this same point in 2008.

Revenue	Inflow	2009 Projection	% of Projection
Business/Utility Tax	\$5,446,411	\$7,996,900	68.1%

Business and utility tax revenues continued to lag during the third quarter, and are now 9.2% (\$551,000) behind the month-to-month projection for 2009.

Revenue	Inflow	2009 Projection	% of Projection
Other Taxes	\$533,591	\$721,000	74.0%

Other taxes include leasehold excise taxes, EMS levy receipts, and gambling taxes. EMS levy collections comprise 89.5% 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	\$247,298	\$290,000	85.3%
Building Permits	\$411,576	\$685,800	60.0%
Plumbing/Mechanical	\$83,472	\$125,000	66.8%
Pre-Application Fees	\$12,737	\$40,000	31.8%
Other Miscellaneous	\$3,705	\$5,200	71.3%

Total	\$758,788	\$1,146,000	66.2%
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The housing market continues to struggle – building permit revenues for January-September were down \$261,000 from the same period in 2008.

Revenue	Inflow	2009 Projection	% of Projection
Intergovernmental	\$1,801,721	\$2,248,000	80.1%

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	\$2,254,260	\$3,414,100	66.0%

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.

Revenue	Inflow	2009 Projection	% of Projection
Fines/Penalties/Criminal	\$342,726	\$416,300	82.3%
Other Miscellaneous	\$604,214	\$748,600	80.7%
Operating Transfers	\$403,356	\$537,808	75.0%

General Fund investment earnings (Other Miscellaneous) saw a recovery of sorts during the third quarter – they are now \$30,000 above the 2009 monthly projection.

See General Fund Revenues - Chart 1

V. General Fund Expenditures

General Fund expenditures are currently \$502,000 (1.9%) below their 2009 projection. Personnel expenditures (\$513,091 below projections) are by far the primary driver.

Expenditures	Outflow	2009 Projection	% of Projection
Salaries & Benefits	\$20,682,993	\$28,505,389	72.6%
Maintenance & Operations	\$4,533,247	\$6,549,602	69.2%
Capital	\$84,886	\$48,000	176.8%
Operating Transfers	\$1,091,269	\$1,455,025	75.0%
Total	\$26,392,395	\$36,558,016	72.2%

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	\$874,683	\$1,463,126	59.8%
	Outflow	\$1,250,679	\$2,063,427	60.6%

Street revenues to date in 2009 include a \$76,756 subsidy from the General Fund. The Street Fund's 2009-2010 budget anticipated spending down fund balance (subsidy funding that had accumulated in prior years). The General Fund subsidy funding scheduled for 2009-10 is also weighted more heavily toward 2010.

		Inflow/Outflow	2009 Projection	% of Projection
Arterial Street	Inflow	\$2,056,528	\$22,202,000	9.3%
	Outflow	\$1,927,228	\$25,004,300	7.7%

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

		Inflow/Outflow	2009 Projection	% of Projection
Park Reserve	Inflow	\$200,606	\$200,000	100.3%
	Outflow	\$136,853	\$0	n/a

In accordance with direction received from the State Auditor's Office, these restricted funds are reclassified as "deferred revenue" until they are actually expended on capital parks projects. Operating transfers to Capital Improvement for the Cedar Grove and Centennial Park projects will be addressed in the upcoming 2009 budget amendment.

		Inflow/Outflow	2009 Projection	% of Projection
Capital Improvement	Inflow	\$2,551,474	\$9,600,000	26.6%
	Outflow	\$17,904,329	\$25,175,840	71.1%

Both the Capital Improvements and Arterial Street funds will see major changes as a result of the proposed 2009 budget amendment that realigns appropriations with the proposed Capital Facilities Plan (CFP) update. The CFP update also proposes moving Arterial Street Fund projects to the Capital Improvements Fund in order to enhance both capital oversight and reporting.

VII. Proprietary Funds

Utility Funds		Inflow/Outflow	2009 Projection	% of Projection
Water	Inflow	\$2,931,882	\$3,629,504	80.8%
	Outflow	\$3,056,082	\$6,819,448	44.8%
Sewer	Inflow	\$3,533,076	\$5,124,095	69.0%
	Outflow	\$3,775,291	\$9,077,154	41.6%
Storm Drain	Inflow	\$2,012,577	\$4,435,053	45.4%
	Outflow	\$2,896,597	\$6,988,989	41.4%

Storm Drain revenues are collected with property taxes and remitted to the City from King and Snohomish County. Snohomish County revenues vary greatly from quarter to quarter throughout the year.

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	\$1,006,425	\$1,344,964	74.8%
	Outflow	\$1,157,913	\$1,645,292	70.4%
Self-Insurance	Inflow	\$562,560	\$763,252	73.7%
	Outflow	\$805,969	\$1,006,202	80.1%
Asset Replacement	Inflow	\$716,450	\$999,738	71.7%
	Outflow	\$614,558	\$4,376,033	14.0%

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 Drain Fund associated with the new PW Operations Center that has not yet taken place.

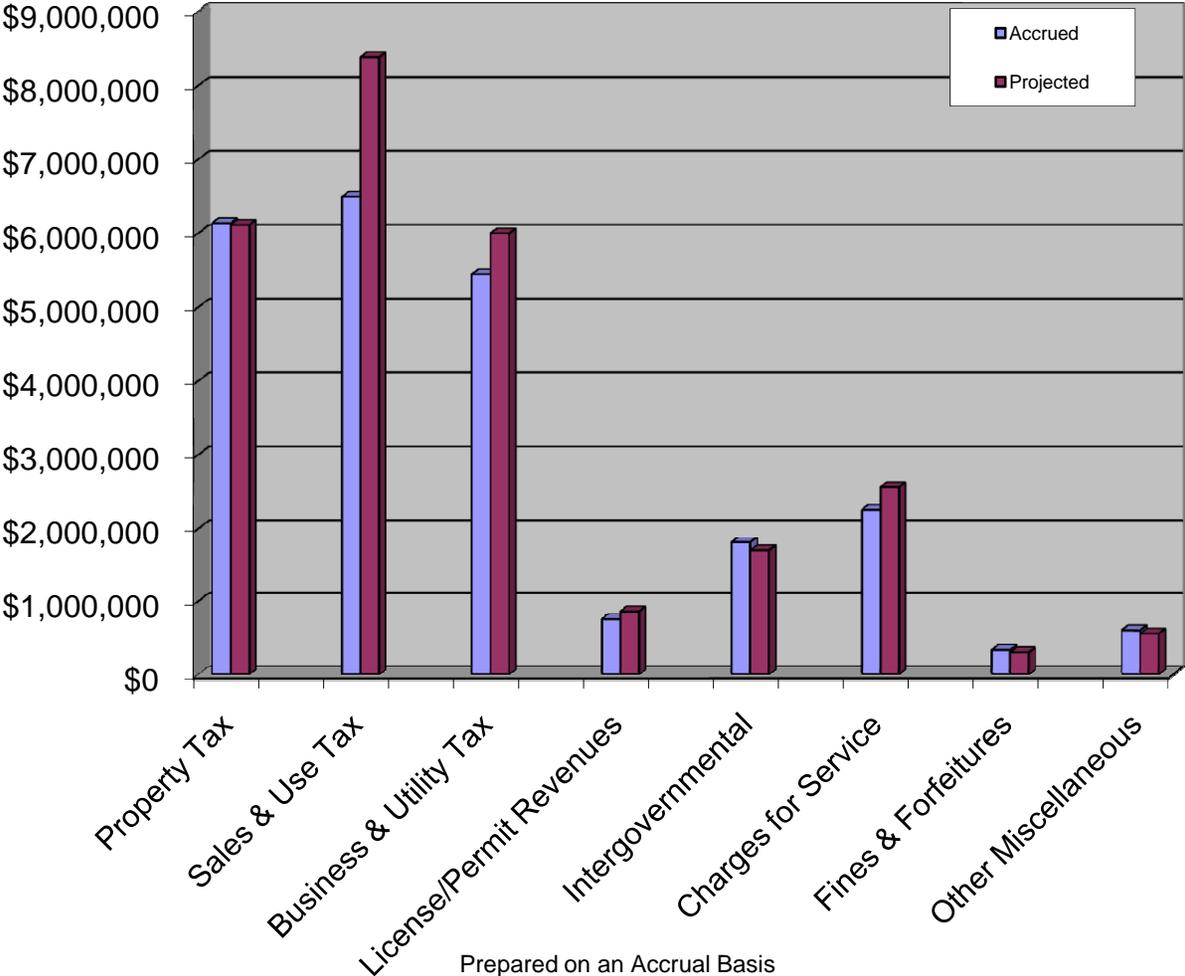
See Proprietary Funds Expenditures - Chart 4

See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. Council Emphasis Areas

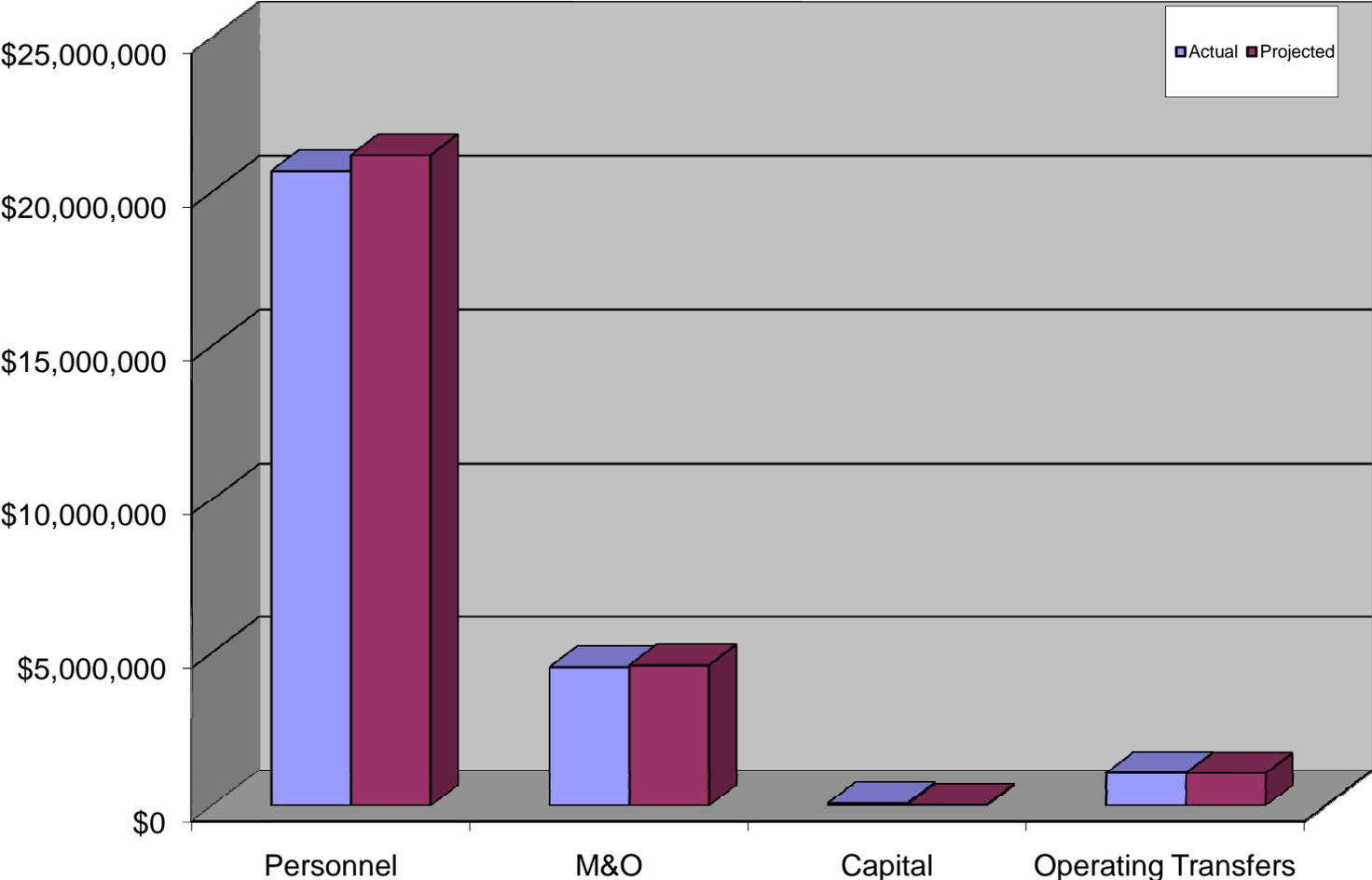
Development Review	Inflow	\$739,436	(Includes A/R)
	Outflow	962,662	(Includes overhead)
	Net	(\$223,226)	
Permitting	Inflow	\$705,470	
	Outflow	1,142,417	(Includes overhead)
	Net	(\$436,947)	
CFP Project-Term Staff	Inflow	\$666,669	(Reimbursement)
	Outflow	666,669	(General Fund wages)
	Net	\$0	
PWS Facility Surcharge	Inflows	\$65,599.65	(Since 1998)
	Expires	\$67,482.84	
Utility Tax Rebates	2009	\$3,750	(54 rebates)
	2008	4,300	(86 rebates)
	Increase	(\$550)	
	(Decrease)		

General Fund Revenue vs Budget September 30, 2009



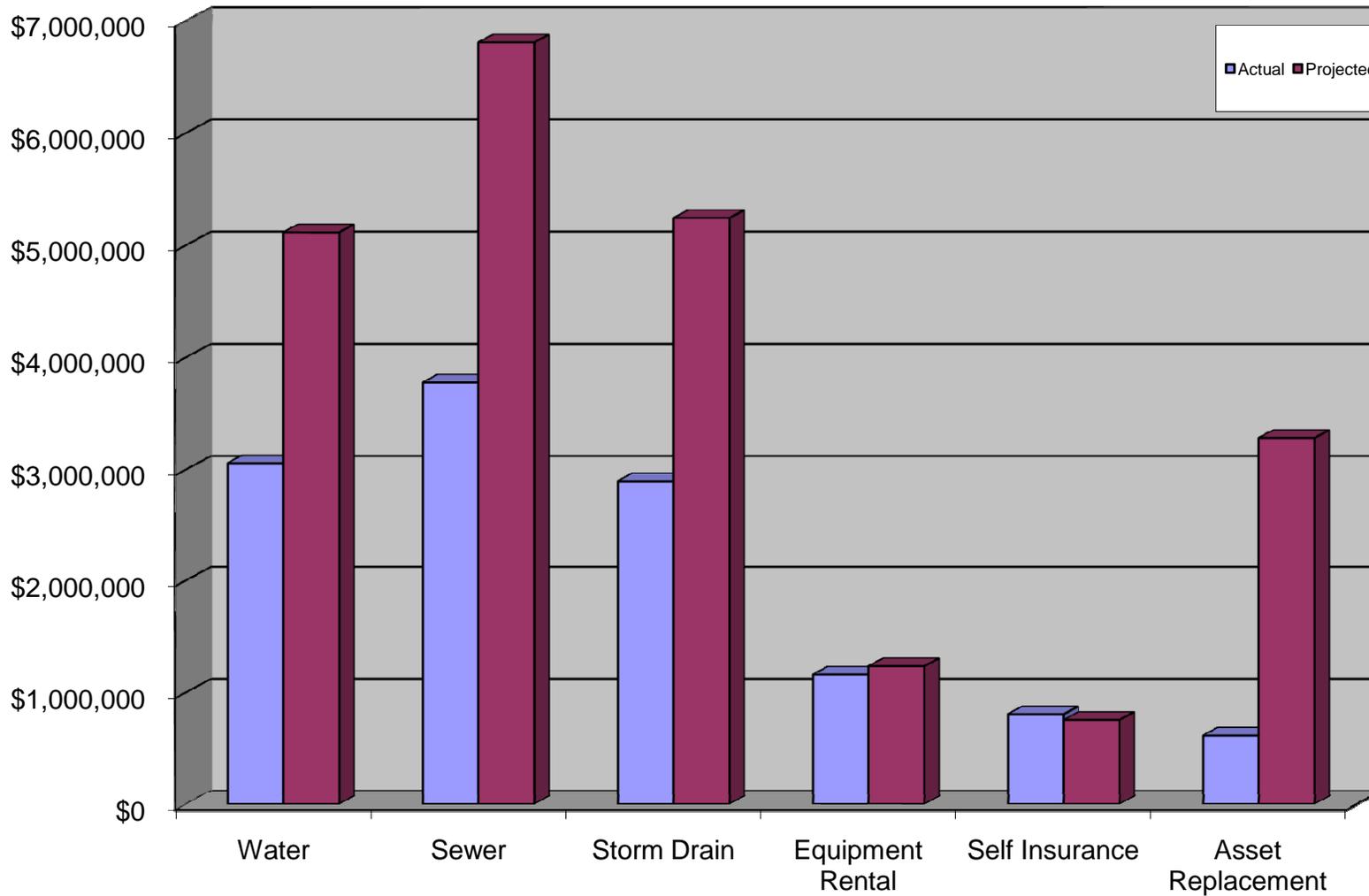
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget September 30, 2009



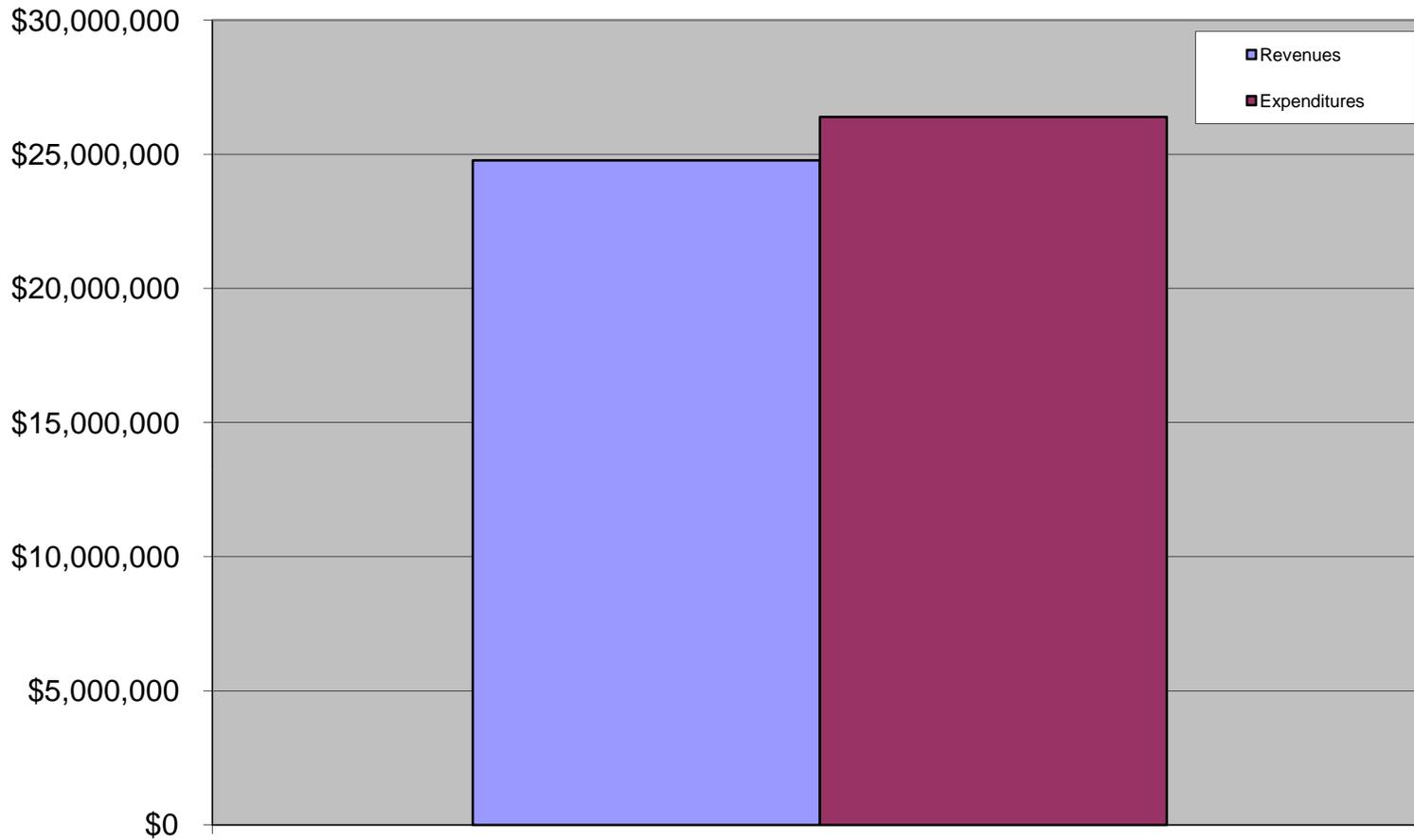
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget September 30, 2009



Proprietary Funds
Chart 3

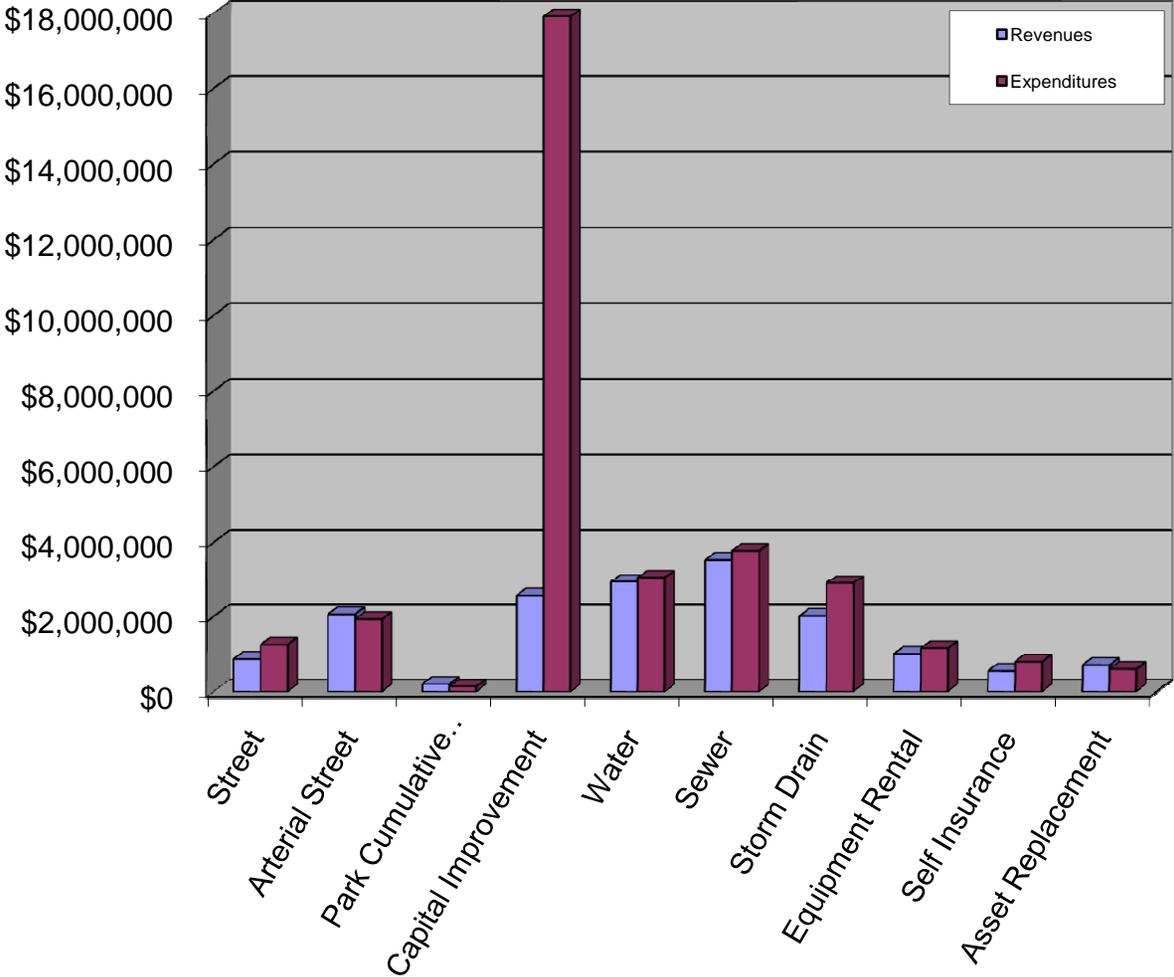
General Fund Revenues vs Expenditures September 30, 2009



General Fund
Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures
Chart 4

Other Major Funds Revenues vs Expenditures September 30, 2009



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5