

City of Bothell

2009-2010 Budget Status Report

For the Quarter Ending December 31, 2009

I. Biennium Status

As of December 31, 2009, the City had concluded four of its eight-quarter 2009-2010 biennium. The budget period described in this report is 50% complete.

Staff is working with the State Auditor's Office to finalize the 2009 year-end financial statements. The City's State-audited Comprehensive Annual Financial Report (CAFR) will be available in June 2010.

Capital expenditures in proprietary funds (the utility enterprise funds, plus the Asset Replacement Fund) are capitalized at year-end and depreciated over time, rather than expensed in the year they are incurred. Actual spending and changes in fund balance for these funds will thus be greater than the stated expenditure outflow totals. Capitalized expenditures in these funds will be noted in Section VII of this report.

Citywide

Citywide revenue inflows totaled 36.2% of the amended 2009-10 revenue projection. Expenditure outflows spent 42.4% of the 2009-10 amended appropriation.

The City's budget position (considering inflows and outflows) sits at a negative \$28.2 million at the end of 2009, compared to a negative \$11.3 million during 2008. \$26.6 million of the 2009 figure is the result of planned Capital Facilities Plan (CFP) spending.

General Fund

General Fund revenue inflows totaled 45.5% of the biennial projection. Retail sales tax revenue came in at nearly \$1,300,000 behind the month-to-month projection. During the fourth quarter, the economy continued to impact consumer spending and building permit fee revenues – 2009 permit revenues were down \$234,000 from 2008. Expenditure outflows have spent down 50.5% of their biennial projection.

Excluding a \$4 million transfer to the Capital Fund that was part of the 2009 budget amendment, General Fund fourth quarter outflows exceeded inflows by \$343,000 (\$114,000 per month), compared to \$748,000 (\$249,000 per month) in the third quarter, \$249,000 (\$83,000 per month) in the second quarter, and \$620,000 (\$207,000 per month) in the first quarter.

The adopted 2009 budget amendment realigned General Fund spending appropriations with actual General Fund revenues. Additionally, departments were asked to propose spending deferrals again for 2010 – these deferrals will be reevaluated as the year progresses and the revenue picture becomes clearer.

II. Citywide Summary

		Inflow/Outflow	2009-10 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$60,176,239	\$166,297,682	36.2%
	Outflow	\$88,411,367	\$208,401,537	42.4%
<u>CITY TOTAL (less Arterial Street and Capital Improvements Funds)</u>	Inflow	\$50,662,040	\$110,605,982	45.8%
	Outflow	\$56,133,100	\$131,011,137	42.8%
<u>GENERAL FUND*</u>	Inflow	\$33,184,519	\$72,940,996	45.5%
	Outflow	\$39,145,422	\$77,535,308	50.5%

III. Economic Recap

National non-farm payroll employment continued to decline during the fourth quarter. 208,000 jobs were lost from September to December, and the national unemployment rate rose to 10%. A total of 15.3 million Americans were unemployed in December.

At the start of the recession in December 2007, the number of unemployed persons nationwide was 7.7 million, and the unemployment rate was 5%.

<u>U.S. GOODS-PRODUCING: -248,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +40,000 JOBS</u>	
Construction	-136,000	Retail trade	-63,000
Manufacturing	-110,000	Professional/business services	+172,000
		Educational/health services	+108,000
		Leisure/hospitality	-80,000
		Government	+19,000

35,700 non-farm jobs were lost statewide during the fourth quarter. Washington's December unemployment rate jumped to 9.5%, and the Seattle-Bellevue-Everett rate ticked slightly upward to 9%.

<u>STATE GOODS-PRODUCING: -15,600 JOBS</u>		<u>STATE SERVICE-PROVIDING: -20,100 JOBS</u>	
Construction	-12,500	Wholesale trade	-500
Manufacturing	-2,900	Retail trade	-2,300
Natural Resources & Mining	-200	Transportation/warehousing/utilities	-800
		Information	-500
		Professional/financial/business	+700
		Educational/health services	-500
		Leisure/hospitality	-13,200
		Other services	+3,700
		Government	-6,700

State forecasters expect positive employment growth beginning in the first quarter of 2010. The residential construction market is growing, but nonresidential construction may decline further due to oversupply, weak demand, and lack of financing.

On the inflation front, the December bimonthly Consumer Price Index for the Seattle-Tacoma-Bremerton region decreased 0.2% from the October figure. The year-over-year increase was 2.1%.

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, December sales tax revenue was not actually remitted to the City until the end of February.

Revenue	Inflow	2009-10 Budget	% of Budget
Property Tax	\$8,051,920	\$16,505,700	48.8%

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

Revenue	Inflow	2009-10 Budget	% of Budget
Sales/Use Tax			
Retail	\$6,279,832	\$15,070,200	41.7%
Construction	\$1,882,102	\$5,250,000	35.8%
Hotel/Motel	\$181,731	\$450,000	40.4%
Criminal Justice	\$541,724	\$1,153,100	47.0%
Total	\$8,885,389	\$21,923,300	40.5%

Retail sales tax revenues continued to run below original projections and below prior year levels – nearly \$1 million less than at year-end 2008.

Construction sales tax revenues finished just under 2008's total (-\$9,000). The anticipated boost in construction sales tax during the fourth quarter did not materialize.

Hotel/Motel sales tax revenues were down \$52,000 from 2008. These revenues are legally restricted to tourism promotional activities.

Criminal justice sales tax receipts were \$77,000 less than in 2008.

Revenue	Inflow	2009-10 Budget	% of Budget
Business/Utility Tax	\$7,286,960	\$15,953,900	45.7%

Business and utility tax revenues finished 2009 at \$690,000 below the month-to-month biennial projection. They were \$280,000 higher than in 2008.

Revenue	Inflow	2009-10 Budget	% of Budget
Other Taxes	\$702,066	\$1,418,200	49.5%

Other taxes include leasehold excise taxes, EMS levy receipts, and gambling taxes. EMS levy collections comprise 88.8% 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	2009-10 Budget	% of Budget
Licenses & Permits			
Business/Sign Licenses	\$267,776	\$590,000	45.4%
Building Permits	\$529,670	\$1,273,800	41.6%
Plumbing/Mechanical	\$113,585	\$265,000	42.9%

Pre-Application Fees	\$16,376	\$70,000	23.4%
Other Miscellaneous	\$4,814	\$10,400	46.3%
Total	\$932,221	\$2,209,200	42.2%

The housing market continues to struggle – building permit revenues were down \$234,000 compared to 2008.

Revenue	Inflow	2009-10 Budget	% of Budget
Intergovernmental	\$2,235,131	\$4,654,550	48.0%

Intergovernmental revenues are mainly comprised of grant funding, and make up only 6.4% 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	2009-10 Budget	% of Budget
Charges for Services	\$2,953,573	\$6,510,000	45.4%

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	2009-10 Budget	% of Budget
Fines/Penalties/Criminal	\$436,520	\$920,800	47.4%
Other Miscellaneous	\$1,162,929	\$1,742,300	66.7%
Operating Transfers	\$537,808	\$1,103,046	48.8%

General Fund investment earnings exceeded 2009 projections by \$240,000.

See General Fund Revenues - Chart 1

V. General Fund Expenditures

The \$4 million transfer to the Capital Improvements Fund skews the numbers that appear below. Both personnel and maintenance/operations (M&O) spending ran slightly below month-to-month budget projections in 2009. Most General Fund capital spending was planned for 2010 rather than 2009.

Expenditure	Outflow	2009-10 Budget	% of Budget
Salaries & Benefits	\$27,712,413	\$56,552,755	49.0%
Maintenance & Operations	\$5,877,102	\$12,824,834	45.8%
Capital	\$85,882	\$629,130	13.7%
Operating Transfers	\$5,470,025	\$7,528,589	72.7%
Total	\$39,145,422	\$77,535,308	50.5%

See General Fund Expenditures - Chart 2

See General Fund Revenues vs. Expenditures - Chart 3

VI. Other Major Funds

		Inflow/Outflow	2009-10 Budget	% of Budget
Street	Inflow	\$1,292,642	\$3,044,386	42.5%
	Outflow	\$1,707,795	\$3,996,690	42.7%

Street revenues in 2009 included a \$102,341 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	2009-10 Budget	% of Budget
Arterial Street	Inflow	\$317,855	\$3,762,800	8.4%
	Outflow	\$473,352	\$2,644,500	17.9%

The Arterial Street Fund is primarily funded through grants and impact fees. Most of the Capital Facilities Plan-related projects funded within Arterial Street were moved to the Capital Improvement Fund as part of the 2009 budget amendment, to enhance capital oversight and reporting.

		Inflow/Outflow	2009-10 Budget	% of Budget
Park Reserve	Inflow	\$832,142	\$967,213	86.0%
	Outflow	\$187,689	\$881,900	21.3%

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

Operating transfers out to Capital Improvement for the Cedar Grove and Centennial Park projects were addressed in the 2009 budget amendment, as well as an operating transfer in from the LID Guaranty Fund.

		Inflow/Outflow	2009-10 Budget	% of Budget
Capital Improvement	Inflow	\$9,196,344	\$51,928,900	17.7%
	Outflow	\$31,804,915	\$74,745,900	42.6%

The 2009 budget amendment realigned appropriations with the approved Capital Facilities Plan (CFP) update.

VII. Proprietary Funds

Utility Funds		Inflow/Outflow	2009-10 Budget	% of Budget
Water	Inflow	\$3,790,020	\$7,316,309	51.8%
	Outflow	\$3,423,134	\$11,816,490	29.0%
Sewer	Inflow	\$4,969,995	\$10,246,046	48.5%
	Outflow	\$4,830,147	\$13,984,646	34.5%
Storm Drain	Inflow	\$2,858,256	\$7,884,892	36.2%
	Outflow	\$2,584,881	\$9,828,212	26.3%

Capital expenditures in proprietary funds are capitalized at year-end and depreciated over time, rather than being completely expensed in the year they are incurred. The following amounts were capitalized in the utility funds at year-end 2009:

- Water \$1,195,974
- Sewer \$ 517,967
- Storm Drain \$1,774,495

The Storm Drain Fund's revenue budget contains a \$2.4 million inter-fund loan from the Asset Replacement Fund. This loan, associated with the new Public Works Operations Center, has not yet taken place.

Internal Service Funds		Inflow/Outflow	2009-10 Budget	% of Budget
Equipment Rental	Inflow	\$1,340,801	\$2,689,928	49.8%
	Outflow	\$1,615,089	\$3,342,832	48.3%
Self-Insurance	Inflow	\$756,177	\$1,851,436	40.8%
	Outflow	\$918,540	\$2,059,737	44.6%
Asset Replacement	Inflow	\$956,472	\$2,206,576	43.3%
	Outflow	\$931,275	\$6,000,322	15.5%

\$487,045 in capital expenditures from Asset Replacement was capitalized in 2009.

The Equipment Rental Fund's budget allowed for spending down accumulated fund balance during 2009 and 2010, which enabled departments' equipment rental rates to remain lower in this biennium.

Self-Insurance revenues will increase in 2010 – the General Fund subsidy to cover LEOFF 1 retirees was weighted more towards 2010 during the budget process, to conserve cash in the General Fund during 2009.

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 Storm Drain Fund that has not yet taken place.

See Proprietary Funds Expenditures - Chart 4

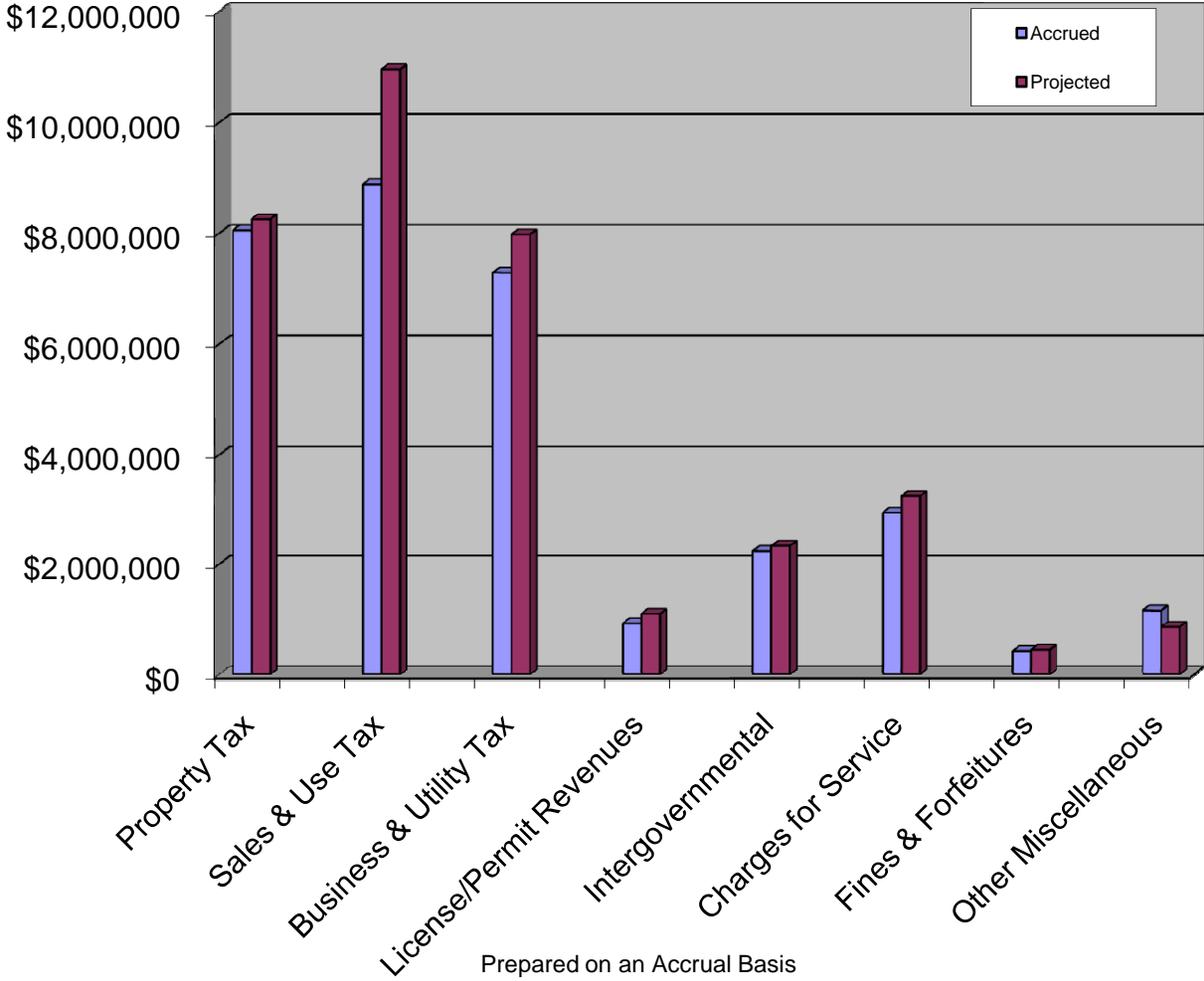
See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. Council Emphasis Areas

Development Review	Inflow	\$965,386	(Includes A/R)
	Outflow	1,287,067	(Includes overhead)
	Net	(\$321,681)	
Permitting	Inflow	\$927,578	
	Outflow	1,527,730	(Includes overhead)
	Net	(\$600,151)	
CFP Project-Term Staff	Inflow	\$900,742	(Reimbursement)
	Outflow	900,742	(General Fund wages)
	Net	\$0	

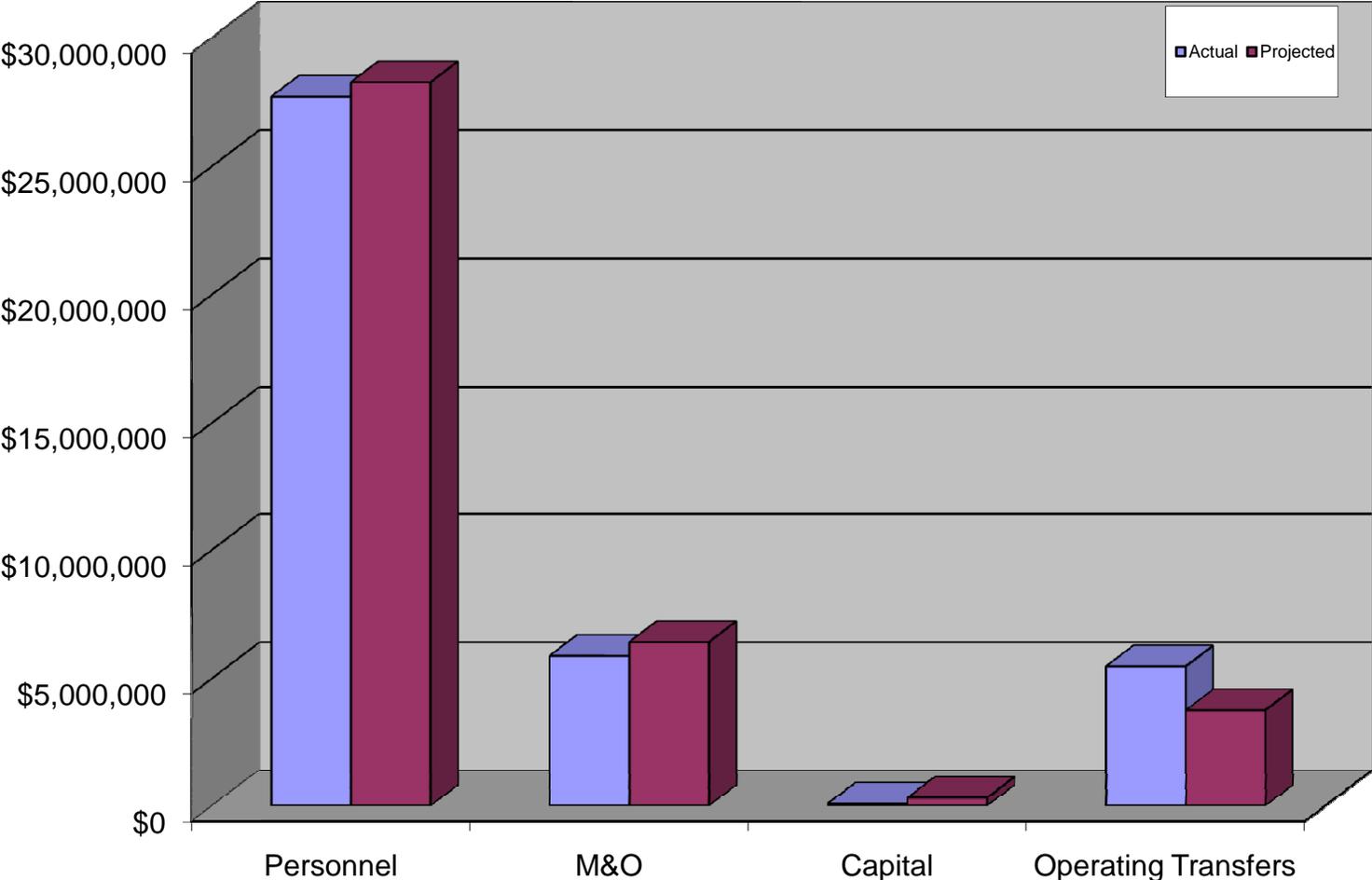
PWS Facility Surcharge	Inflows	\$65,599.65	(Since 1998)
	Expires	\$67,482.84	
Utility Tax Rebates	2009	\$5,975	(81 rebates)
	2008	4,300	(86 rebates)
	Increase (Decrease)	\$1,675	

General Fund Revenue vs Budget December 31, 2009



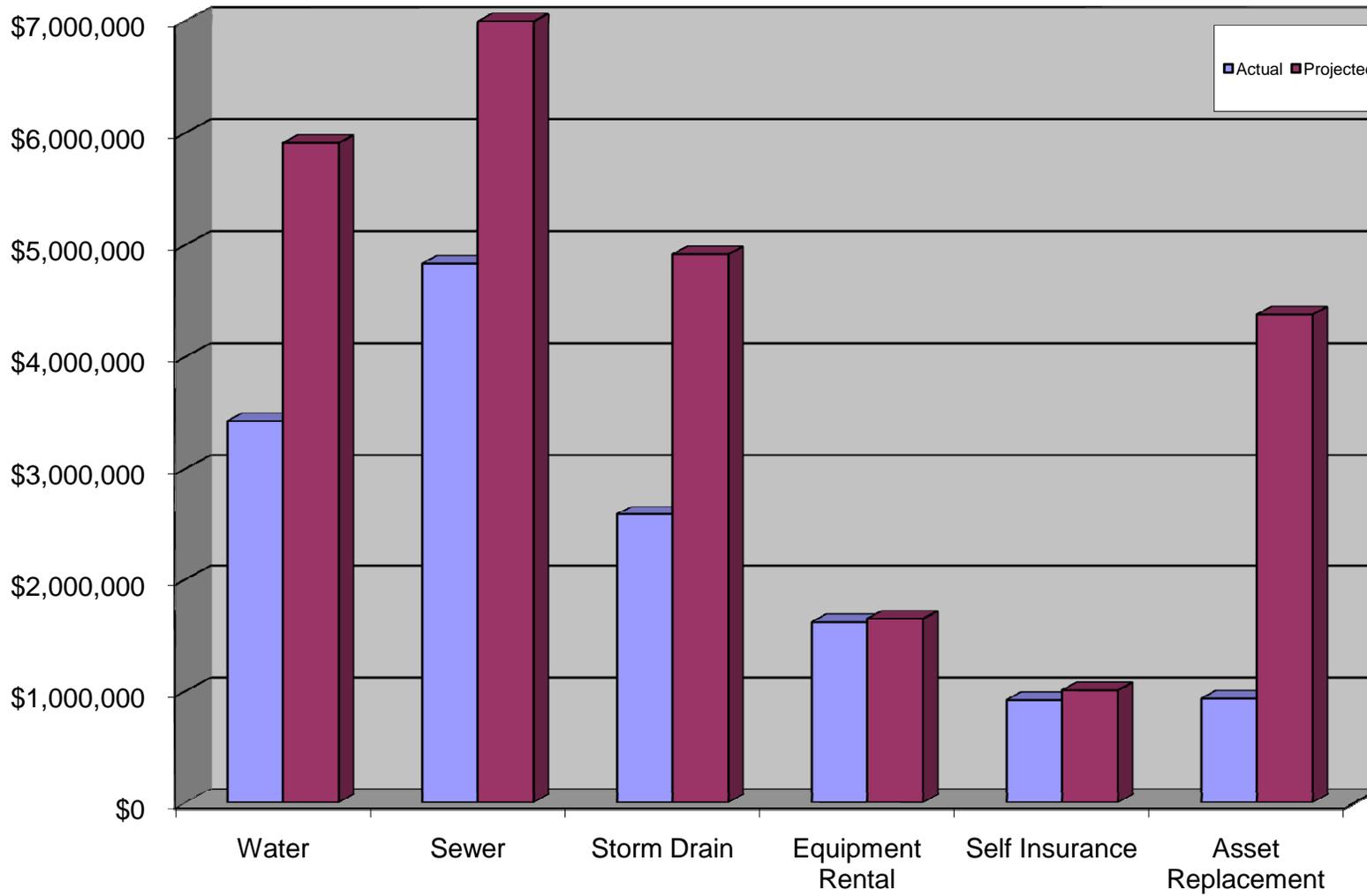
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget December 31, 2009



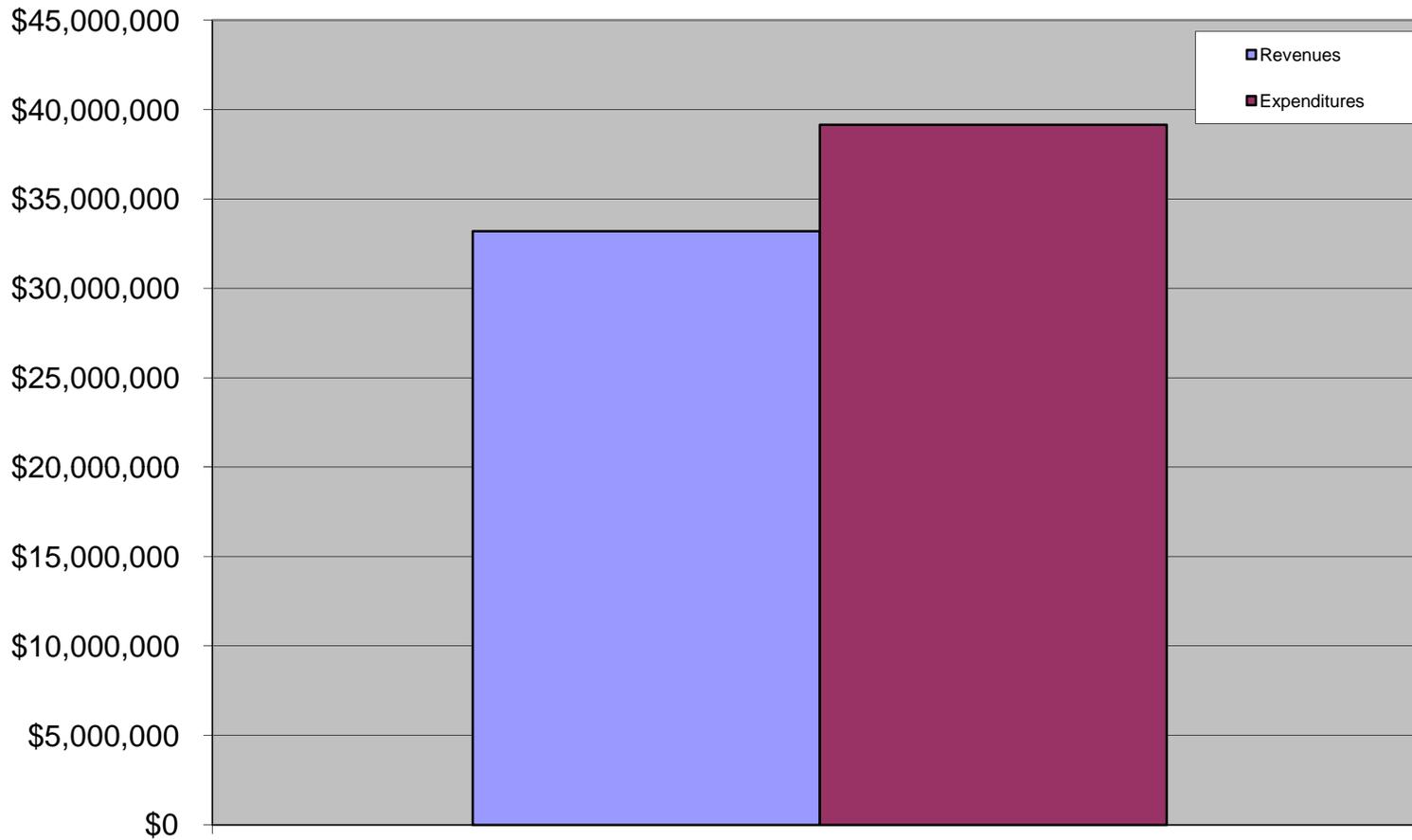
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget December 31, 2009



Proprietary Funds
Chart 3

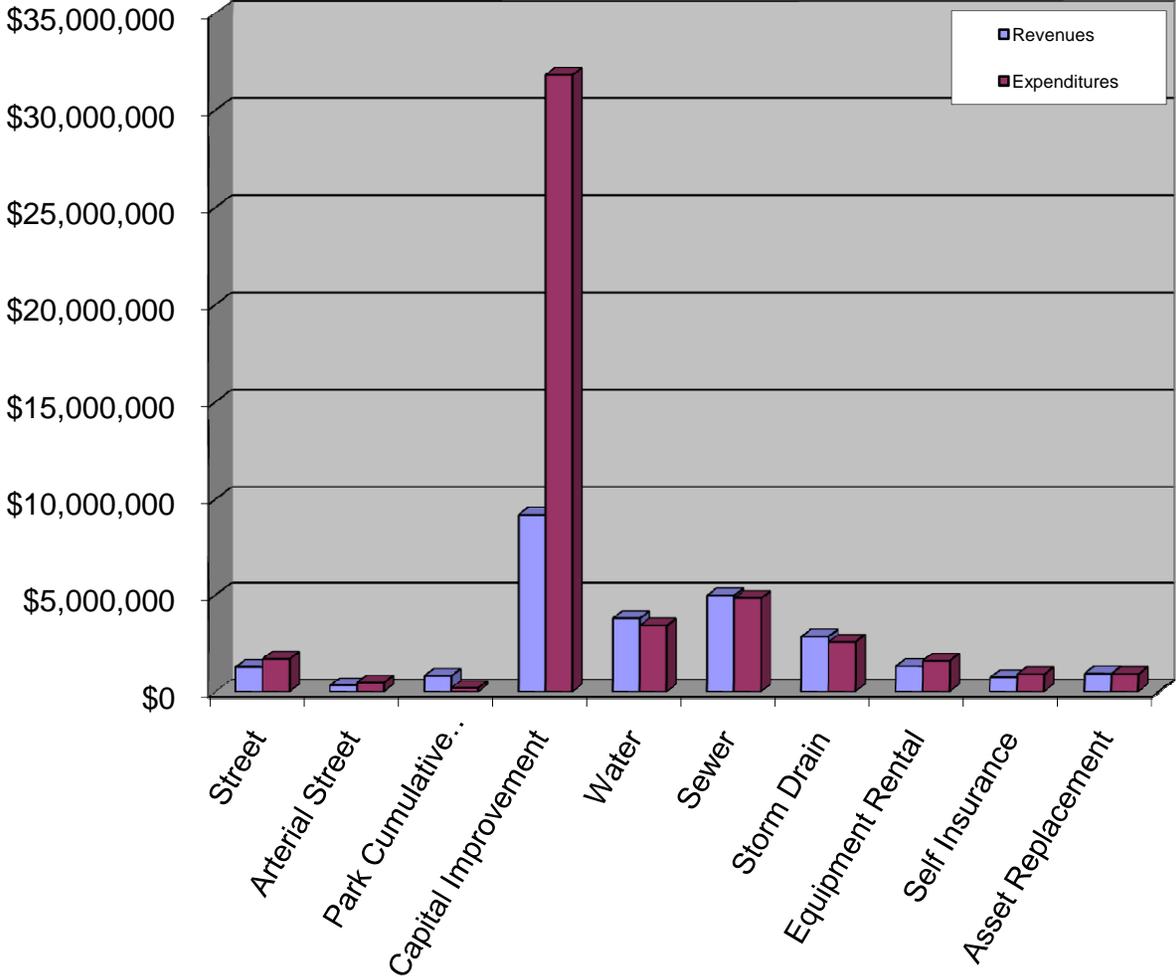
General Fund Revenues vs Expenditures December 31, 2009



General Fund
Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures
Chart 4

Other Major Funds Revenues vs Expenditures December 31, 2009



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5