

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

**I. Biennium Status**

As of June 30, 2010, the City had concluded six quarters of its eight-quarter 2009-2010 biennium. The budget period described in this report is 75% complete.

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 stated expenditure outflow totals. Capitalized expenditures in these funds from 2009 will be noted in Section VII of this report.

**Citywide**

At the end of the sixth quarter, Citywide revenue inflows totaled 54.3% of the amended 2009-10 revenue projection. Expenditure outflows have spent 58.9% of the 2009-10 amended appropriation.

The City's 2009-10 budget position (considering inflows and outflows) sits at a negative \$32.5 million at March 31. \$28.1 million of this figure is the result of planned Capital Facilities Plan (CFP) spending.

**General Fund**

General Fund revenue inflows totaled 68.9% of the biennial projection at June 30. Retail sales tax revenue was nearly \$1.8 million behind the month-to-month projection, despite recovering somewhat from 2009 totals (up \$370,000 from the first half of 2009.) Construction sales tax revenue was up \$193,000 from the first half of 2009, but is still lagging behind biennial projections.

Building permit revenues, while still behind the biennial projection, continued their slight uptick in the second quarter of 2010. Utility taxes continue to come in lower than projected – they are down \$213,000 from the first half of 2010.

Expenditure outflows have spent down 74.2% of their biennial projection. Departments initiated spending deferrals in the first quarter of 2010 – these deferrals will become cuts during the 2010 budget amendment. Staff continued to monitor both revenue shortfalls and expenditure spending levels throughout the second quarter of 2010 - further curbs on spending and/or further use of reserves will be necessary in the second half of 2010.

Excluding a \$4 million transfer to the Capital Fund that was part of the 2009 budget amendment, General Fund outflows exceeded inflows by \$597,000 (\$199,000 per month) in the second quarter of 2010, compared to:

|                               |                             |
|-------------------------------|-----------------------------|
| 1 <sup>st</sup> quarter 2010: | \$749,658 (\$250,000/month) |
| 4 <sup>th</sup> quarter 2009: | \$343,000 (\$114,000/month) |

3<sup>rd</sup> quarter 2009: \$748,000 (\$249,000/month)  
 2<sup>nd</sup> quarter 2009: \$249,000 (\$83,000/month)  
 1<sup>st</sup> quarter 2009: \$620,000 (\$207,000/month)

## II. Citywide Summary

|  |         | <u>Inflow/Outflow</u> | <u>2009-10 Budget</u> | <u>% of Budget</u> |
|--|---------|-----------------------|-----------------------|--------------------|
| <u>CITY TOTAL</u>  | Inflow  | \$90,234,939          | \$166,297,682         | 54.3%              |
|  | Outflow | \$122,761,187         | \$208,401,537         | 58.9%              |
| <u>CITY TOTAL</u> (less Arterial Street<br>and Capital Improvements Funds) | Inflow  | \$75,668,529          | \$110,605,982         | 68.4%              |
|  | Outflow | \$83,661,772          | \$131,011,137         | 63.9%              |
| <u>GENERAL FUND*</u>   | Inflow  | \$50,226,458          | \$72,940,996          | 68.9%              |
|  | Outflow | \$57,533,370          | \$77,535,308          | 74.2%              |

## III. Economic Recap

National non-farm payroll employment continued to rise during the second quarter of 2010. 621,000 jobs were gained from March to June, and the national unemployment rate dropped slightly to 9.5%.

| <u>U.S. GOODS-PRODUCING: +72,000 JOBS</u> |         | <u>U.S. SERVICE-PROVIDING: +549,000 JOBS</u> |          |
|---|---------|--|----------|
| Construction                              | -30,000 | Wholesale trade                              | +4,000   |
| Manufacturing                             | +79,000 | Retail trade                                 | -3,000   |
| Mining & logging                          | +23,000 | Transportation/warehousing/utilities         | +29,000  |
|   |         | Information                                  | -13,000  |
|   |         | Professional/financial/business              | +116,000 |
|   |         | Educational/health services                  | +70,000  |
|   |         | Leisure/hospitality                          | +65,000  |
|   |         | Other services                               | +17,000  |
|   |         | Government                                   | +264,000 |

15,500 non-farm jobs were added statewide during the second quarter of 2010. Washington's June unemployment rate fell to 8.9%, and the Seattle-Bellevue-Everett rate dropped to 8.3%.

| <u>STATE GOODS-PRODUCING: +6,000 JOBS</u> |         | <u>STATE SERVICE-PROVIDING: +9,500 JOBS</u> |        |
|---|---------|---|--------|
| Construction                              | --6,000 | Wholesale trade                             | -1,400 |
| Manufacturing                             | 0       | Retail trade                                | +2,300 |
| Mining & logging                          | 0       | Transportation/warehousing/utilities        | -500   |
|   |         | Information                                 | +800   |
|   |         | Professional/financial/business             | -6,300 |
|   |         | Educational/health services                 | -1,100 |
|   |         | Leisure/hospitality                         | +8,800 |
|   |         | Other services                              | -100   |
|   |         | Government                                  | +7,000 |

State forecasters project that the near-term economic outlook appears weaker than originally anticipated, though the state economy is still expected to outperform the national economy in what is becoming a modest and moderate recovery.

While housing construction improved in the first quarter, declines in permits since the federal tax credit expired suggest that the credit pulled demand forward – similar increases are not expected through the rest of 2010.

June’s Consumer Price Index for the Seattle-Tacoma-Bremerton region decreased 0.2% from the April figure. The year-over-year decrease was 0.1%.

#### 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, June sales tax revenue will not actually be remitted to the City until the end of August. Where actual remittances have not been received, projected accruals have been utilized.

| Revenue             | Inflow              | 2009-10 Budget      | % of Budget  |
|---------------------|---------------------|---------------------|--------------|
| <b>Property Tax</b> | <b>\$12,200,020</b> | <b>\$16,505,700</b> | <b>73.9%</b> |

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  |
|----------------------|---------------------|---------------------|--------------|
| <b>Sales/Use Tax</b> |                     |                     |              |
| Retail               | \$8,898,075         | \$15,070,200        | 59.0%        |
| Construction         | \$2,876,480         | \$5,250,000         | 54.8%        |
| Hotel/Motel          | \$258,160           | \$450,000           | 57.4%        |
| Criminal Justice     | \$794,275           | \$1,153,100         | 68.9%        |
| <b>Total</b>         | <b>\$13,452,000</b> | <b>\$21,923,300</b> | <b>61.4%</b> |

Retail sales tax revenues, while improved over 2009 totals (\$370,000 higher in the first six months of 2010 versus 2009), continued to run well below budgeted projections.

Construction sales tax revenues also continued to run below projections (the anticipated boost during the fourth quarter of 2009 having not materialized.) Revenues in the first half of 2010, however, were up \$193,000 from 2009.

Hotel/Motel sales tax revenues were down \$12,300 from the same period in 2009. These revenues are legally restricted to tourism promotional activities.

Criminal justice sales tax receipts were consistent with the first six months of 2009.

| Revenue                     | Inflow              | 2009-10 Budget      | % of Budget  |
|-----------------------------|---------------------|---------------------|--------------|
| <b>Business/Utility Tax</b> | <b>\$10,908,128</b> | <b>\$15,953,900</b> | <b>68.4%</b> |

Business and utility tax revenues continued to trail the month-to-month biennial projection. 2010 year-to-date revenues were down \$213,000 (6%) from the first six months of 2009.

| Revenue            | Inflow             | 2009-10 Budget     | % of Budget  |
|--------------------|--------------------|--------------------|--------------|
| <b>Other Taxes</b> | <b>\$1,036,682</b> | <b>\$1,418,200</b> | <b>73.1%</b> |

Other taxes include leasehold excise taxes, EMS levy receipts, and gambling taxes. EMS levy collections comprise 90.8% 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  |
|-------------------------------|--------------------|--------------------|--------------|
| <b>Licenses &amp; Permits</b> |                    |                    |              |
| <b>Business/Sign Licenses</b> | <b>\$467,776</b>   | <b>\$590,000</b>   | <b>79.3%</b> |
| <b>Building Permits</b>       | <b>\$819,102</b>   | <b>\$1,273,800</b> | <b>64.3%</b> |
| <b>Plumbing/Mechanical</b>    | <b>\$174,155</b>   | <b>\$265,000</b>   | <b>65.7%</b> |
| <b>Pre-Application Fees</b>   | <b>\$24,261</b>    | <b>\$70,000</b>    | <b>34.7%</b> |
| <b>Other Miscellaneous</b>    | <b>\$6,700</b>     | <b>\$10,400</b>    | <b>64.4%</b> |
| <b>Total</b>                  | <b>\$1,491,994</b> | <b>\$2,209,200</b> | <b>67.5%</b> |

Building permit revenues remained below biennial projections, but they were \$58,000 higher in the first half of 2010 compared to the same period in 2009.

| Revenue                  | Inflow             | 2009-10 Budget     | % of Budget  |
|--------------------------|--------------------|--------------------|--------------|
| <b>Intergovernmental</b> | <b>\$3,576,148</b> | <b>\$4,654,550</b> | <b>76.8%</b> |

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  |
|-----------------------------|--------------------|--------------------|--------------|
| <b>Charges for Services</b> | <b>\$4,629,528</b> | <b>\$6,510,000</b> | <b>71.1%</b> |

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.

Plan check fees showed a dramatic increase in 2010 – coming in at \$345,164 for the first six months, compared with \$112,754 for the same period in 2009.

| Revenue                         | Inflow             | 2009-10 Budget     | % of Budget  |
|---------------------------------|--------------------|--------------------|--------------|
| <b>Fines/Penalties/Criminal</b> | <b>\$655,149</b>   | <b>\$920,800</b>   | <b>71.2%</b> |
| <b>Other Miscellaneous</b>      | <b>\$1,442,524</b> | <b>\$1,742,300</b> | <b>82.8%</b> |
| <b>Operating Transfers</b>      | <b>\$820,427</b>   | <b>\$1,103,046</b> | <b>74.4%</b> |

*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 continued to run slightly below budget projections. Most General Fund capital spending was planned for 2010 rather than 2009.

A total of \$811,242 in 2010 General Fund expenditures have been identified for deferral. They remain appropriated, but have been shifted out of individual departments' budgets. These appropriations will be cut during the 2010 budget amendment.

| Expenditure              | Outflow             | 2009-10 Budget      | % of Budget  |
|--------------------------|---------------------|---------------------|--------------|
| Salaries & Benefits      | \$41,867,393        | \$56,016,755        | 74.7%        |
| Maintenance & Operations | \$8,894,760         | \$12,558,323        | 70.8%        |
| Capital                  | \$259,903           | \$656,328           | 40.0%        |
| Operating Transfers      | \$6,511,314         | \$7,492,660         | 86.9%        |
| Budget Deferrals         | \$0                 | \$811,242           | n/a          |
| <b>Total</b>             | <b>\$57,533,370</b> | <b>\$77,535,308</b> | <b>74.2%</b> |

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 | <b>Inflow</b>  | <b>\$1,888,889</b> | <b>\$3,044,386</b> | <b>62.0%</b> |
|        | <b>Outflow</b> | <b>\$2,504,667</b> | <b>\$3,996,690</b> | <b>62.7%</b> |

The Street Fund's 2009-10 budget anticipated spending down fund balance (subsidy funding that had accumulated in prior years.) What was not anticipated was the \$300,000 loss of street light fee revenues. This loss will necessitate finding a replacement revenue source or increasing the subsidy from the General Fund.

|                 | Inflow/Outflow | 2009-10 Budget   | % of Budget        |              |
|-----------------|----------------|------------------|--------------------|--------------|
| Arterial Street | <b>Inflow</b>  | <b>\$472,057</b> | <b>\$3,762,800</b> | <b>12.5%</b> |
|                 | <b>Outflow</b> | <b>\$871,141</b> | <b>\$2,644,500</b> | <b>32.9%</b> |

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.

|              | Inflow/Outflow | 2009-10 Budget   | % of Budget      |              |
|--------------|----------------|------------------|------------------|--------------|
| Park Reserve | <b>Inflow</b>  | <b>\$927,341</b> | <b>\$967,213</b> | <b>95.9%</b> |
|              | <b>Outflow</b> | <b>\$187,689</b> | <b>\$881,900</b> | <b>21.3%</b> |

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.

|                     | Inflow/Outflow | 2009-10 Budget      | % of Budget         |              |
|---------------------|----------------|---------------------|---------------------|--------------|
| Capital Improvement | <b>Inflow</b>  | <b>\$14,094,353</b> | <b>\$51,928,900</b> | <b>27.1%</b> |
|                     | <b>Outflow</b> | <b>\$38,228,274</b> | <b>\$74,745,900</b> | <b>51.1%</b> |

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  | \$4,977,511    | \$7,316,309    | 68.0%       |
|               | Outflow | \$5,192,636    | \$11,816,490   | 43.9%       |
| Sewer         | Inflow  | \$7,029,189    | \$10,246,046   | 68.6%       |
|               | Outflow | \$7,594,262    | \$13,984,646   | 54.3%       |
| Storm Drain   | Inflow  | \$4,743,993    | \$7,884,892    | 60.2%       |
|               | Outflow | \$4,012,991    | \$9,828,212    | 40.8%       |

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, for the new Public Works Operations Center, is being made incrementally as Ops Center expenditures are made in Storm Drain.

| Internal Service Funds |         | Inflow/Outflow | 2009-10 Budget | % of Budget |
|------------------------|---------|----------------|----------------|-------------|
| Equipment Rental       | Inflow  | \$2,007,162    | \$2,689,928    | 74.6%       |
|                        | Outflow | \$2,394,280    | \$3,342,832    | 71.6%       |
| Self-Insurance         | Inflow  | \$1,305,996    | \$1,851,436    | 70.5%       |
|                        | Outflow | \$1,738,638    | \$2,059,737    | 84.4%       |
| Asset Replacement      | Inflow  | \$1,415,118    | \$2,206,576    | 64.1%       |
|                        | Outflow | \$1,615,697    | \$6,000,322    | 26.9%       |

\$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 expenditure figures are skewed early in each year, as the City's annual insurance premium is paid during the first quarter.

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 is occurring in increments as expenditures are made in Storm Drain.

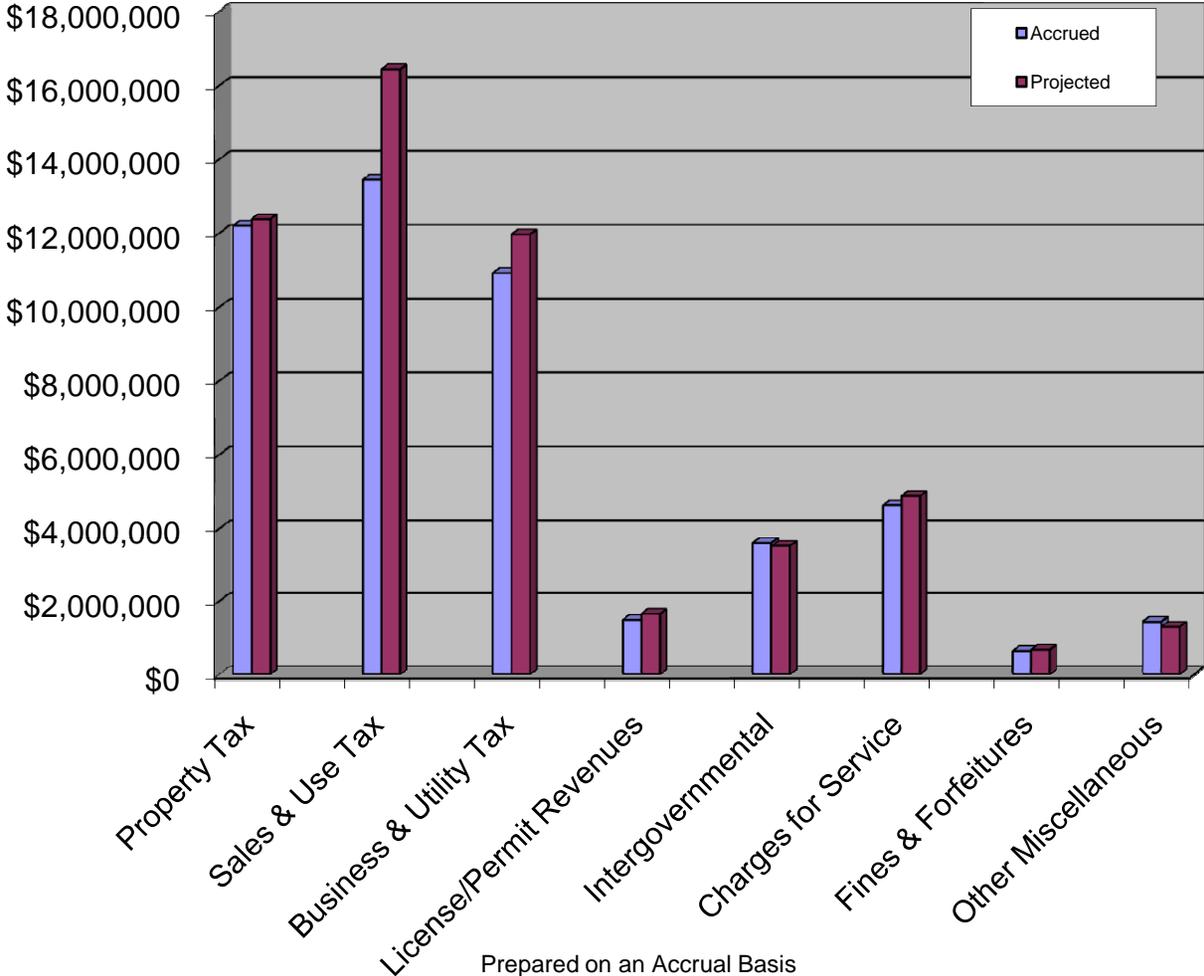
*See Proprietary Funds Expenditures - Chart 4*

*See Other Major Funds Revenues vs. Expenditures - Chart 5*

### VIII. Council Emphasis Areas

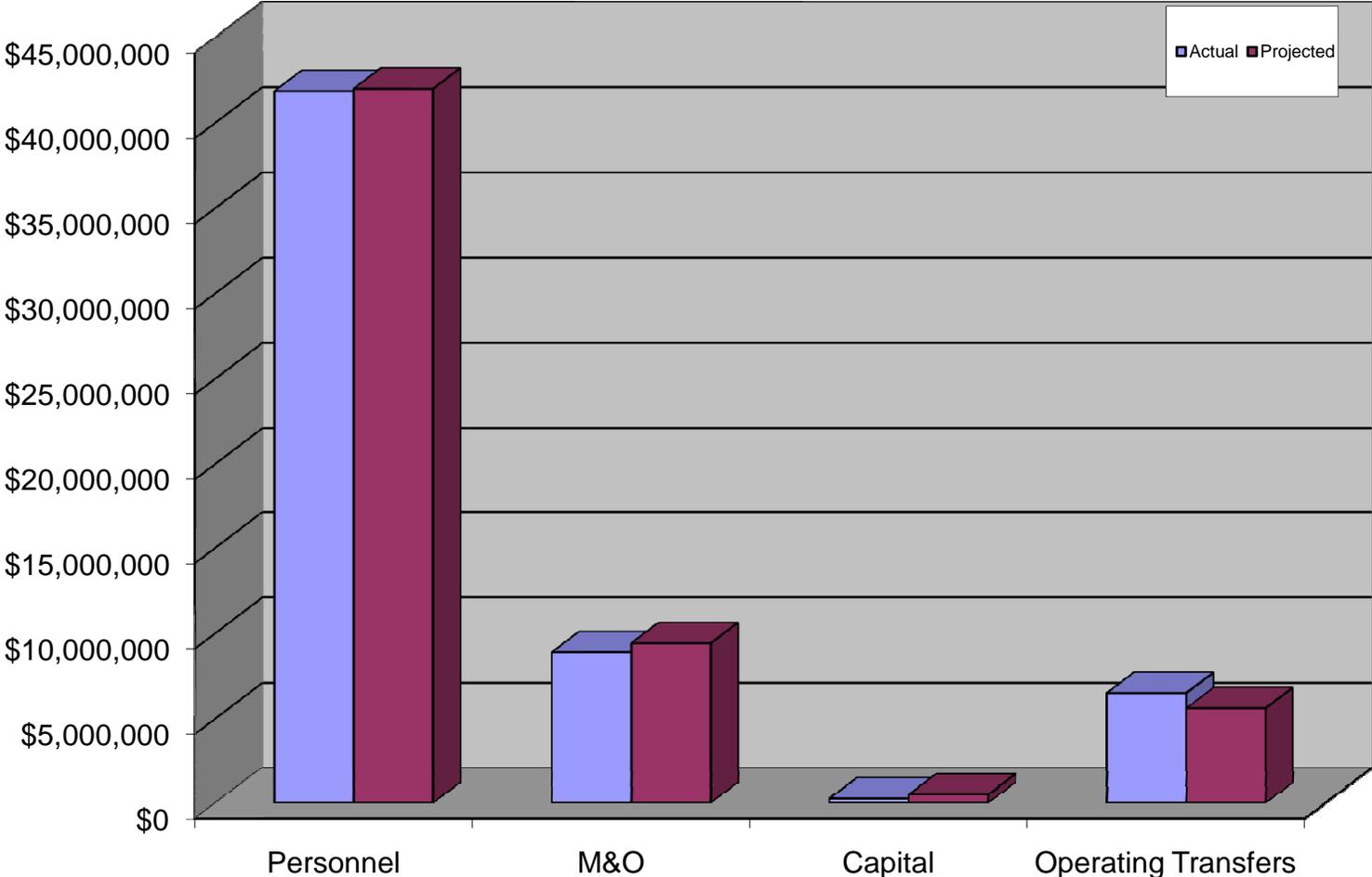
|                        |                                |                    |                                   |
|------------------------|--------------------------------|--------------------|-----------------------------------|
| Development Review     | <b>Inflow</b>                  | <b>\$365,218</b>   | (Includes A/R)                    |
|                        | <b>Outflow</b>                 | <b>639,455</b>     | (Includes overhead)               |
|                        | <b>Net</b>                     | <b>(\$274,237)</b> |                                   |
| Permitting             | <b>Inflow</b>                  | <b>\$695,166</b>   |                                   |
|                        | <b>Outflow</b>                 | <b>784,585</b>     | (Includes overhead)               |
|                        | <b>Net</b>                     | <b>(\$89,419)</b>  |                                   |
| CFP Project-Term Staff | <b>Inflow</b>                  | <b>\$575,406</b>   | (2010 reimbursement to Gen Fund)  |
|                        | <b>Outflow</b>                 | <b>575,406</b>     | (2010 Gen Fund salaries/benefits) |
|                        | <b>Net</b>                     | <b>\$0</b>         |                                   |
| PWS Facility Surcharge | <b>Inflows</b>                 | <b>\$65,599.65</b> | (Since 1998)                      |
|                        | <b>Expires</b>                 | <b>\$67,482.84</b> |                                   |
| Utility Tax Rebates    | <b>2010</b>                    | <b>\$ 550</b>      | (6 rebates)                       |
|                        | <b>2009</b>                    | <b>5,975</b>       | (81 rebates)                      |
|                        | <b>Increase<br/>(Decrease)</b> | <b>(\$5,425)</b>   |                                   |

# General Fund Revenue vs Budget June 30, 2010



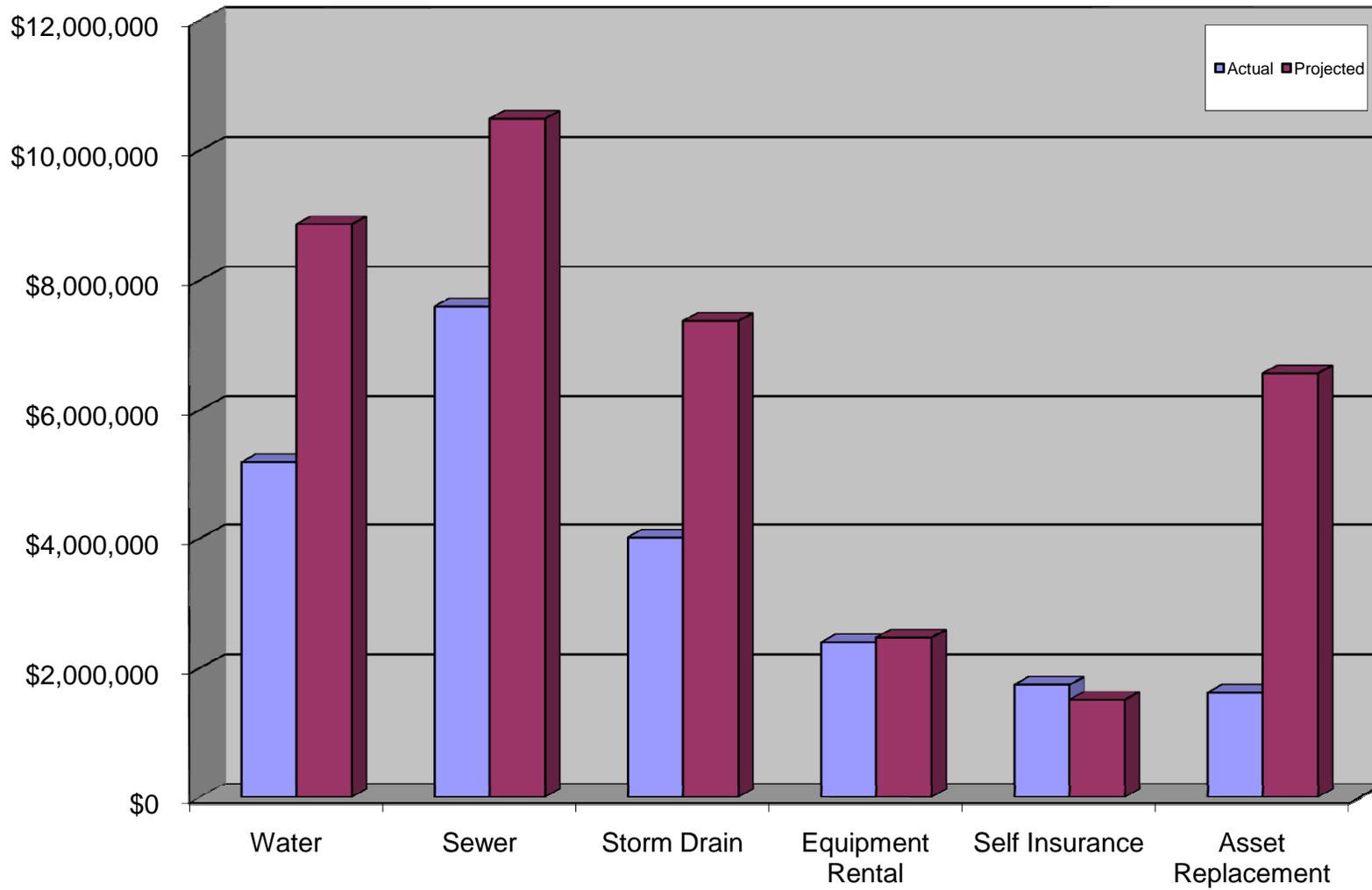
General Fund Revenues  
Chart 1

# General Fund Expenditures vs Budget June 30, 2010



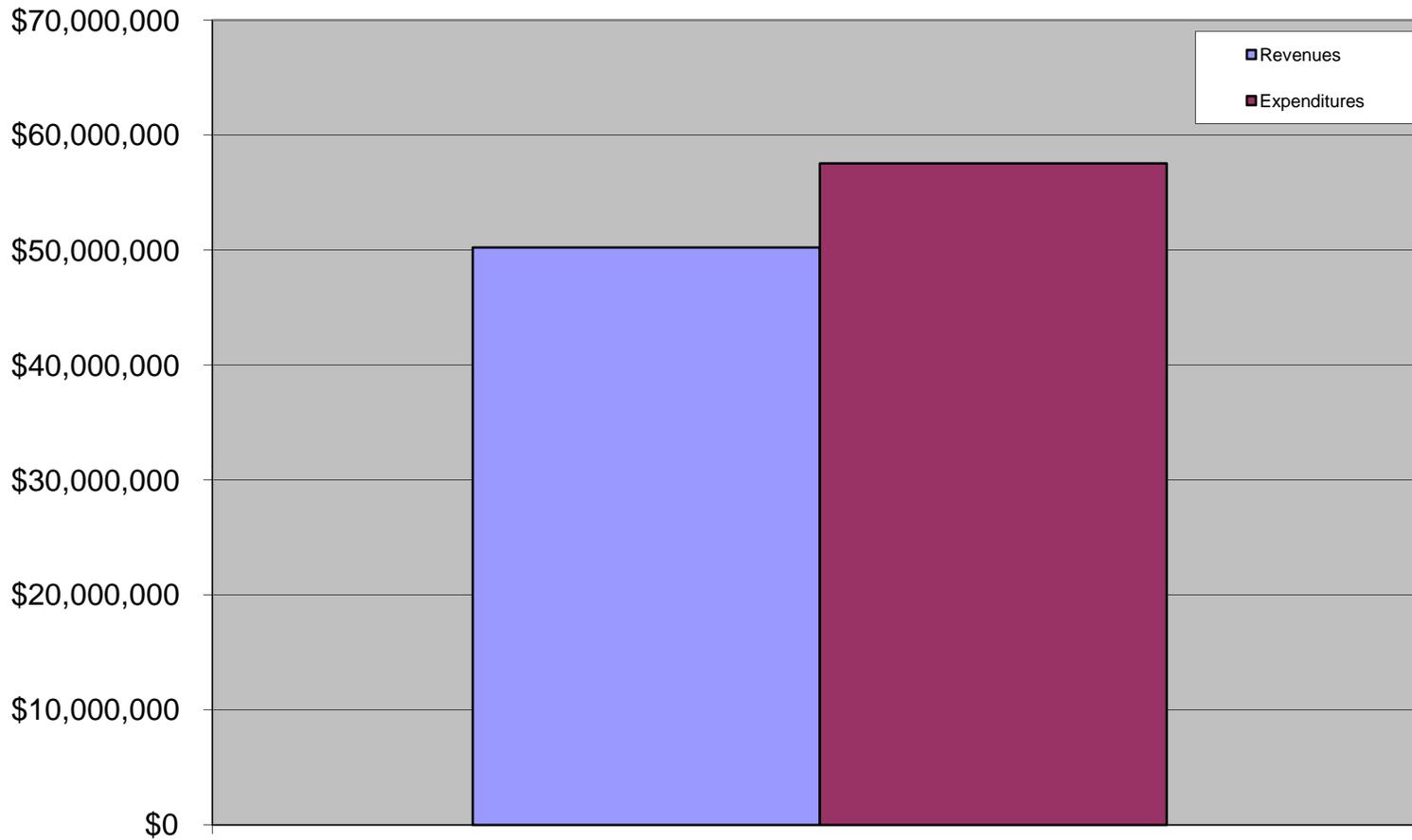
General Fund Expenditures  
Chart 2

# Proprietary Funds Expenditures vs Budget June 30, 2010



Proprietary Funds  
Chart 3

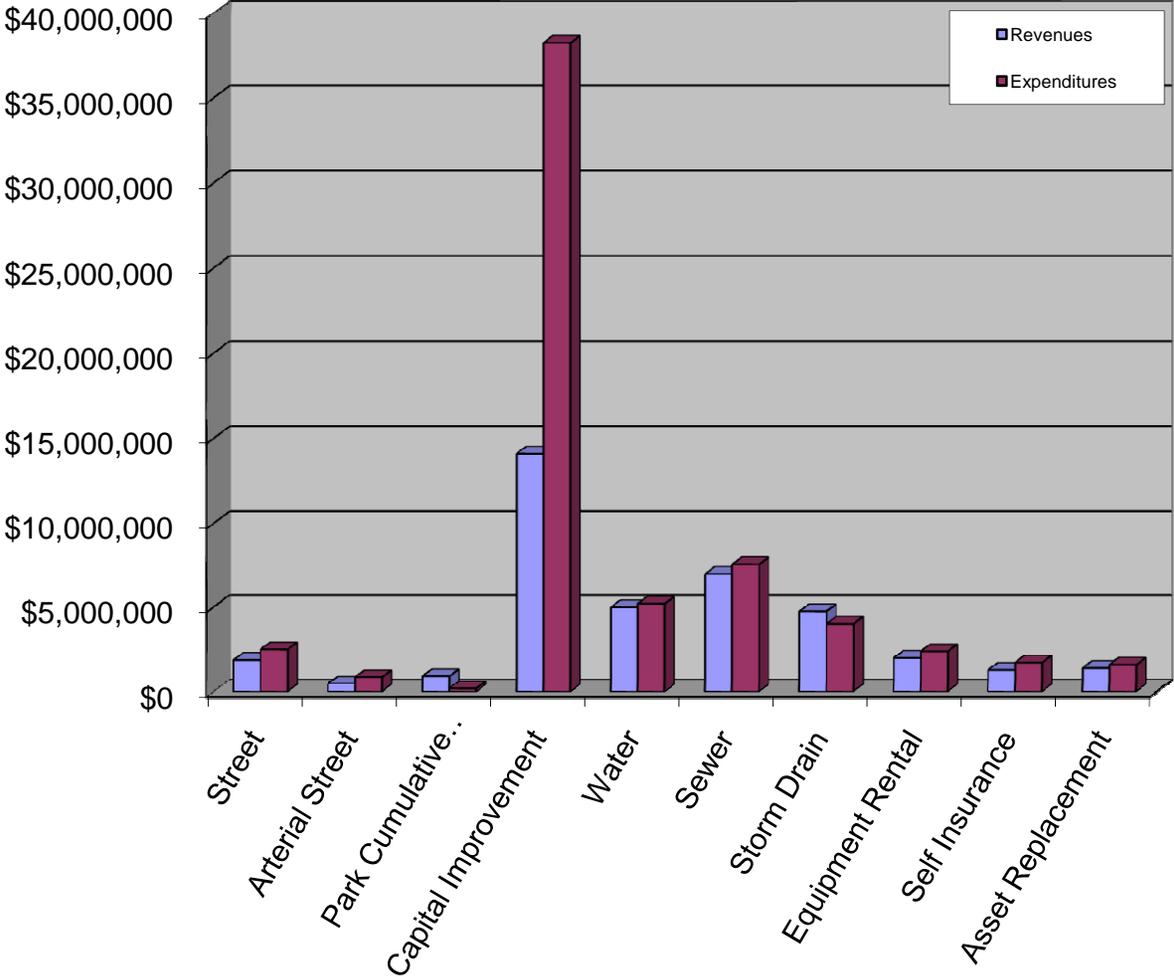
# General Fund Revenues vs Expenditures June 30, 2010



General Fund  
Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures  
Chart 4

# Other Major Funds Revenues vs Expenditures June 30, 2010



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures  
Chart 5