

## City of Bothell

### 2007-2008 Budget Status Report

#### For the Quarter Ending June 30, 2007

### I. Biennium Status

The City has concluded the second quarter of its eight-quarter biennium. The budget period is 25% (6 of 24 months) complete. Revenues are of course projected to be higher during the second year of the biennium, so we would expect inflows to trail the average month-to-month pace throughout 2007.

#### Citywide

Citywide revenue inflows amounted to 19.8% of the biennial projection – 1% ahead of where the City ended the second quarter of the 2005-2006 biennium. Expenditure outflows spent down only 16% of the biennial appropriation – just 0.2% more budget than was spent down during the first two quarters of 2005-2006. The City's budget position (considering both inflows and outflows) remains \$1.91 million ahead of where it ended the second quarter of 2005-2006.

#### General Fund

General Fund revenue inflows amounted to 23.3% of the biennial projection – this matches the portion of the biennial budget that the City receipted during the first two quarters of 2005-06. Expenditure outflows spent down only 21.3% of the biennial projection – 1.1% less budget than was spent down in the first two quarters of 2005-2006. The General Fund's budget situation (considering both inflows and outflows) is therefore \$227,145 ahead of where it ended the second quarter of 2005-2006.

### II. Citywide Summary

		Inflow/Outflow	2007-2008 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$34,427,095	\$174,166,859	19.8%
	Outflow	\$30,174,246	\$188,488,524	16.0%
<u>CITY TOTAL</u> (less Arterial Street)	Inflow	\$29,718,669	\$138,790,859	21.4%
	Outflow	\$24,245,277	\$151,701,105	16.0%
<u>GENERAL FUND</u>	Inflow	\$17,716,954	\$76,128,622	23.3%
	Outflow	\$17,285,787	\$81,091,782	21.3%

### III. Economic Recap

National non-farm payroll employment increased by 444,000 jobs during the second quarter of 2007. The national unemployment rate for June was 4.5%.

<u>GOODS-PRODUCING: - 49,000 JOBS</u>		<u>SERVICE-PROVIDING: +493,000 JOBS</u>	
Construction	- 11,000	Retail trade	- 38,000
Manufacturing	- 43,000	Professional/business services	+ 38,000
		Educational/health services	+211,000
		Leisure/hospitality	+118,000
		Government	+ 99,000

At the state level, 9,000 non-farm jobs were added during the second quarter, dropping Washington's unemployment rate to 4.5%. This rate remains near historical lows.

<u>GOODS-PRODUCING: +700 JOBS</u>		<u>SERVICE-PROVIDING: +8,300 JOBS</u>	
Construction	+1,200	Wholesale trade	+400
Manufacturing	- 500	Retail trade	+1,000
		Transportation/warehousing/utilities	- 400
		Information	+1,700
		Professional/business services	+3,200
		Educational/health services	+2,100
		Leisure/hospitality	- 700
		Other services	+400
		Government	+600

The ongoing turmoil in the mortgage industry has not (at least so far) created serious problems for the broader economy. The Fed is maintaining that economic growth is still strong enough that inflation remains the primary concern.

Washington was recently ranked as the fifth best state for business by Forbes magazine – and was the only state to finish in the top five in the labor, regulatory environment, and growth categories.

The bimonthly Consumer Price Index figure for the Seattle-Tacoma-Bremerton region rose just 0.1% in June. This marked a 3.3% increase over the June 2006 figure.

#### 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 is not actually remitted to the City until the end of August. In situations where revenues have been earned and not yet received, projected figures are used for the purposes of this report.

<u>Revenue</u>	<u>Inflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>
<b>Property Tax</b>	<b>\$3,874,357</b>	<b>\$15,947,425</b>	<b>24.3%</b>

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

<u>Revenue</u>	<u>Inflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>
<b>Sales/Use Tax</b>			
<b>Retail</b>	<b>\$4,051,351</b>	<b>\$21,020,145</b>	<b>19.3%</b>
<b>Construction</b>	<b>\$1,190,904</b>	<b>\$5,210,000</b>	<b>22.9%</b>
<b>Hotel/Motel</b>	<b>\$117,381</b>	<b>\$531,300</b>	<b>22.1%</b>
<b>Criminal Justice</b>	<b>\$300,632</b>	<b>\$1,310,000</b>	<b>22.9%</b>
<b>Total</b>	<b>\$5,660,269</b>	<b>\$28,071,445</b>	<b>20.2%</b>

We are continuing to closely monitor sales tax revenues. Revenues for May (received in July) ended up \$235,000 short of the figure that had been projected in the recent Council fiscal update. The Department of Revenue continues to withhold \$26,000 each

month during the 2007-2008 biennium, to adjust for an overpayment made to the City in the 1990's.

Revenue	Inflow	2007-2008 Budget	% of Budget
<b>Business/Utility Tax</b>	<b>\$3,554,116</b>	<b>\$13,715,835</b>	<b>25.9%</b>

Some utility revenues are seasonal in nature – electric and gas utility tax receipts peak in winter months, while water and sewer utility tax receipts peak during the summer.

Revenue	Inflow	2007-2008 Budget	% of Budget
<b>Licenses &amp; Permits</b>			
<b>Business/Sign Licenses</b>	<b>\$131,250</b>	<b>\$538,100</b>	<b>24.4%</b>
<b>Building</b>	<b>\$543,953</b>	<b>\$2,236,600</b>	<b>24.3%</b>
<b>Plumbing/Mechanical</b>	<b>\$93,449</b>	<b>\$447,300</b>	<b>20.9%</b>
<b>Pre-Application Fees</b>	<b>\$23,954</b>	<b>\$80,000</b>	<b>29.9%</b>
<b>Other Miscellaneous</b>	<b>\$2,097</b>	<b>\$7,000</b>	<b>30.0%</b>
<b>Total</b>	<b>\$794,703</b>	<b>\$3,309,000</b>	<b>24.0%</b>

License/Permit revenues are also seasonal in nature – City business licenses are renewed in July each year, and building-related revenues are often weather driven.

Revenue	Inflow	2007-2008 Budget	% of Budget
<b>Intergovernmental</b>	<b>\$905,858</b>	<b>\$3,697,900</b>	<b>24.5%</b>

Intergovernmental revenues are mostly comprised of grant funding, and make up only 4.9% of the General Fund's revenue budget. Grants awards normally require the grantee to expend its own funds before requesting reimbursement from the grantor.

Revenue	Inflow	2007-2008 Budget	% of Budget
<b>Charges for Services</b>	<b>\$1,545,300</b>	<b>\$7,235,411</b>	<b>21.4%</b>

Charges for Services revenue includes Parks & Recreation program fee, as well as interfund transfers related to staff time spent on Capital Facilities Plan (CFP) projects. Some of these positions were filled during the second quarter, and the CFP projects are slowly beginning to ramp up.

Revenue	Inflow	2007-2008 Budget	% of Budget
<b>Fines/Penalties/Criminal</b>	<b>\$181,072</b>	<b>\$732,500</b>	<b>24.7%</b>
<b>Other Miscellaneous</b>	<b>\$622,973</b>	<b>\$2,461,700</b>	<b>25.3%</b>
<b>Operating Transfers</b>	<b>\$202,852</b>	<b>\$811,406</b>	<b>25.0%</b>

Other miscellaneous revenues include investment interest, park facility rental fees, and interfund loan payments. Since the Water and Sewer Fund shop loans have not yet come to pass, no repayments have occurred.

*See General Fund Revenues - Chart 1*

## V. General Fund Expenditures

Expenditures for the first two quarters were \$2.99 million (14.7%) below the average month-to-month budget pace. Personnel expenditures remained more than 8% lower than expected, though they did pick up slightly in the second quarter. Maintenance and operations (M&O) expenditures maintained pace with budget during the second quarter after a slow start – they closed June \$615,000 (17.9%) below the monthly pace.

The operating transfer numbers are skewed by the fact that budgeted interfund loans to the Water and Sewer Funds have not yet taken place.

<u>Expenditures</u>	<u>Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>
Salaries & Benefits	\$11,487,963	\$50,076,462	22.9%
Maintenance & Operations	\$2,828,247	\$13,774,755	20.5%
Capital	\$63,173	\$650,947	9.7%
Operating Transfers	\$2,906,405	\$16,589,618	17.5%
<b>Total</b>	<b>\$17,285,787</b>	<b>\$81,091,782</b>	<b>21.3%</b>

*See General Fund Expenditures - Chart 2*

*See General Fund Revenues vs. Expenditures - Chart 3*

## VI. Other Major Funds

	<u>Inflow/Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>	
Street	<b>Inflow</b>	<b>\$595,668</b>	<b>\$3,198,030</b>	<b>18.6%</b>
	<b>Outflow</b>	<b>\$695,365</b>	<b>\$3,659,181</b>	<b>19.0%</b>

A subsidy from the General Fund represents \$132,500 of Street Fund revenues. A subsidy remains necessary to balance inflows and outflows.

	<u>Inflow/Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>	
Arterial Street	<b>Inflow</b>	<b>\$4,708,426</b>	<b>\$35,376,000</b>	<b>13.3%</b>
	<b>Outflow</b>	<b>\$5,928,969</b>	<b>\$36,787,419</b>	<b>16.1%</b>

The Arterial Street Fund is project-driven and primarily grant funded. Nearly all grants require the City to front expenditures prior to requesting reimbursement, and so inflows will naturally trail outflows at any specific point in time.

Note that this fund's budget includes projects that may not develop during the biennium.

	<u>Inflow/Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>	
Park Reserve	<b>Inflow</b>	<b>\$160,582</b>	<b>\$779,200</b>	<b>20.6%</b>
	<b>Outflow</b>	<b>\$122,500</b>	<b>\$490,000</b>	<b>25.0%</b>

Impact fees and investment revenue are this fund's only two revenue streams, and an operating transfer to the Capital Improvements Fund is its only expenditure.

	<u>Inflow/Outflow</u>	<u>2007-2008 Budget</u>	<u>% of Budget</u>	
Capital Improvements	<b>Inflow</b>	<b>\$4,112,451</b>	<b>\$20,151,835</b>	<b>20.4%</b>
	<b>Outflow</b>	<b>\$423,628</b>	<b>\$23,080,000</b>	<b>1.8%</b>

Many projects budgeted in the 2007-2008 biennium have not yet commenced.

## VII. Proprietary Funds

Utility Funds		Inflow/Outflow	2007-2008 Budget	% of Budget
Water	Inflow	\$1,629,053	\$9,943,184	16.4%
	Outflow	\$1,030,328	\$10,724,662	9.6%
Sewer	Inflow	\$2,302,563	\$12,549,751	18.3%
	Outflow	\$2,169,397	\$12,887,264	16.8%
Storm Drain	Inflow	\$833,650	\$6,601,200	12.6%
	Outflow	\$609,197	\$8,354,666	7.3%

Revenues in the utility funds continued to run well below the average month-to-month budget pace. Water revenues peak in the summer and autumn months, a large portion of Storm Drain revenues occur in the form of quarterly payments from Snohomish County – the second and fourth quarter payment being much more substantial - and (as stated earlier) the interfund loans to Water and Sewer for their share of the future new Public Works shop have not yet taken place.

Utility expenditures continue below projections as well - personnel spending finished the quarter 17% less than anticipated, and less than \$85,000 of the \$13.5 million in projected capital spending has occurred thus far.

Internal Service Funds		Inflow/Outflow	2007-2008 Budget	% of Budget
Equipment Rental	Inflow	\$767,518	\$3,062,518	25.1%
	Outflow	\$738,781	\$3,013,397	24.5%
Self-Insurance	Inflow	\$496,047	\$2,015,701	24.6%
	Outflow	\$677,546	\$1,965,179	34.5%
Asset Replacement	Inflow	\$654,372	\$2,612,818	25.0%
	Outflow	\$313,618	\$4,643,946	6.8%

The City's full annual insurance premium was paid in a lump sum during the first quarter. Only a couple of big-ticket assets (including a new fire engine) were replaced during the first quarter.

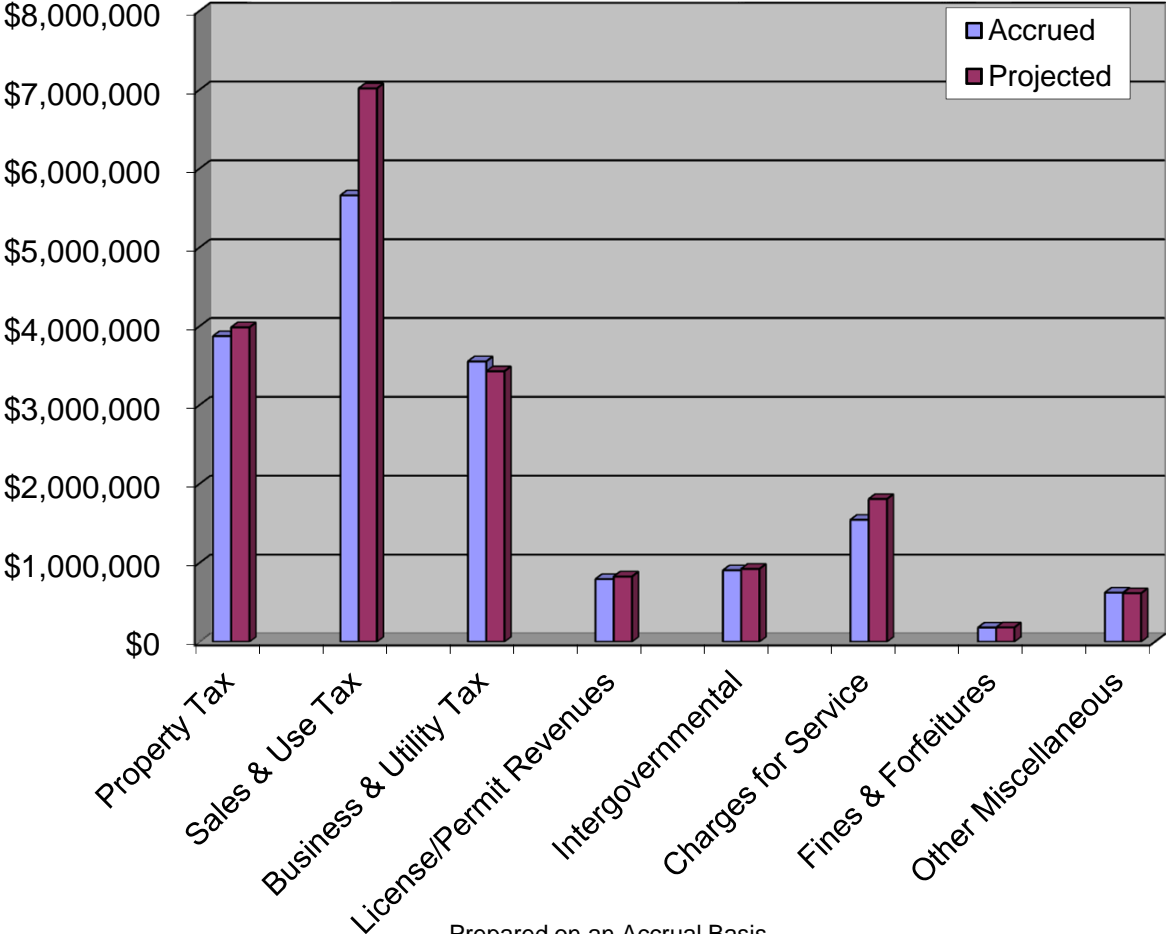
*See Proprietary Funds Expenditures - Chart 4*

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

## VIII. Council Emphasis Areas

Development Review	Inflow	\$523,440	(Includes A/R)
	Outflow	573,704	(Includes overhead)
	Net	(\$ 50,264)	
Permitting	Inflow	\$958,187	
	Outflow	647,535	(Includes overhead)
	Net	\$310,651	
CFP Project-Term Staff	Inflow	\$290,236	(Reimbursement)
	Outflow	290,236	(General Fund wages)
	Net	\$ 0	
PWS Facility Surcharge	Inflows	\$64,131.65	(Since 1998)
	Expires	\$67,482.84	

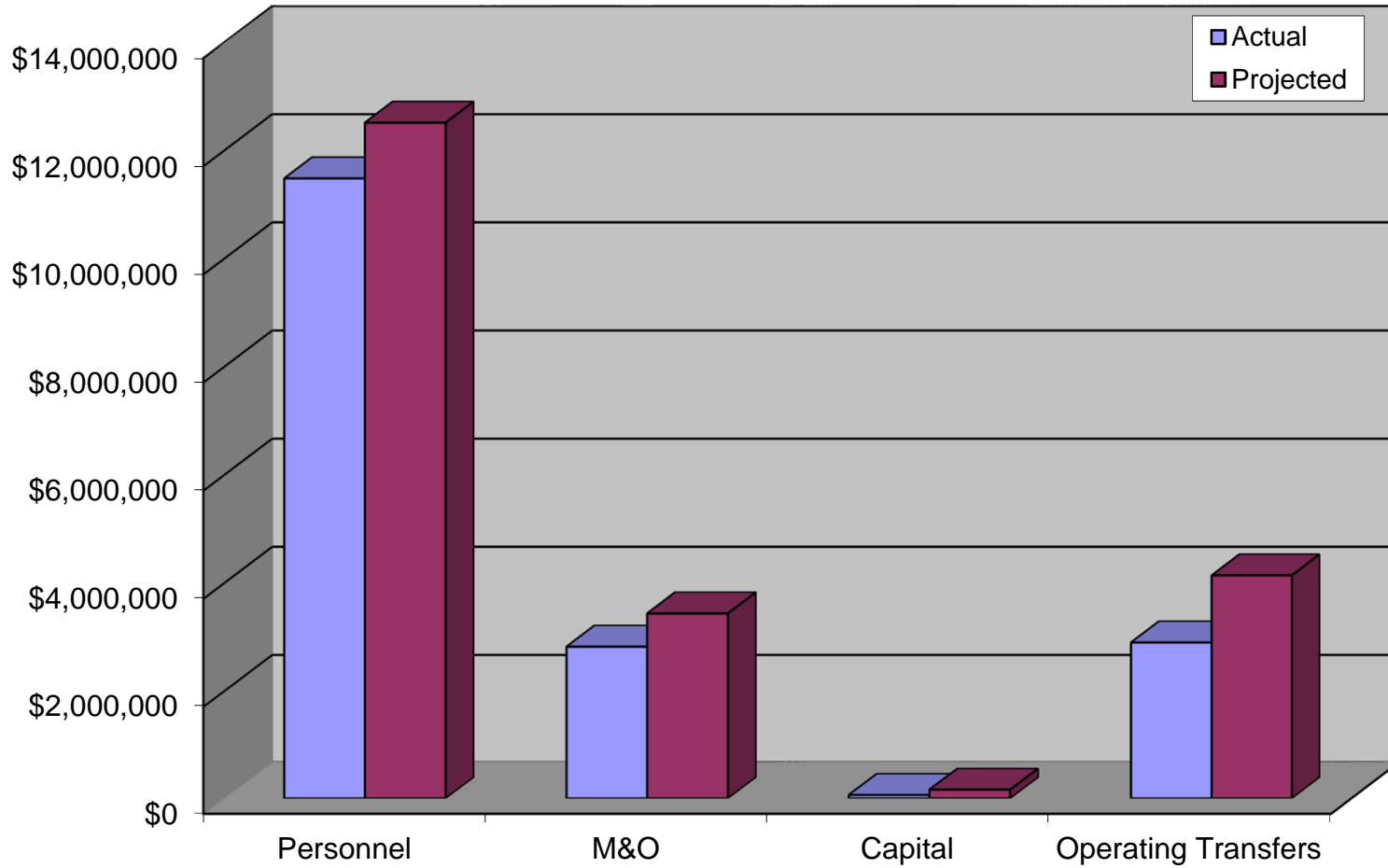
# General Fund Revenue vs Budget June 30, 2007



Prepared on an Accrual Basis

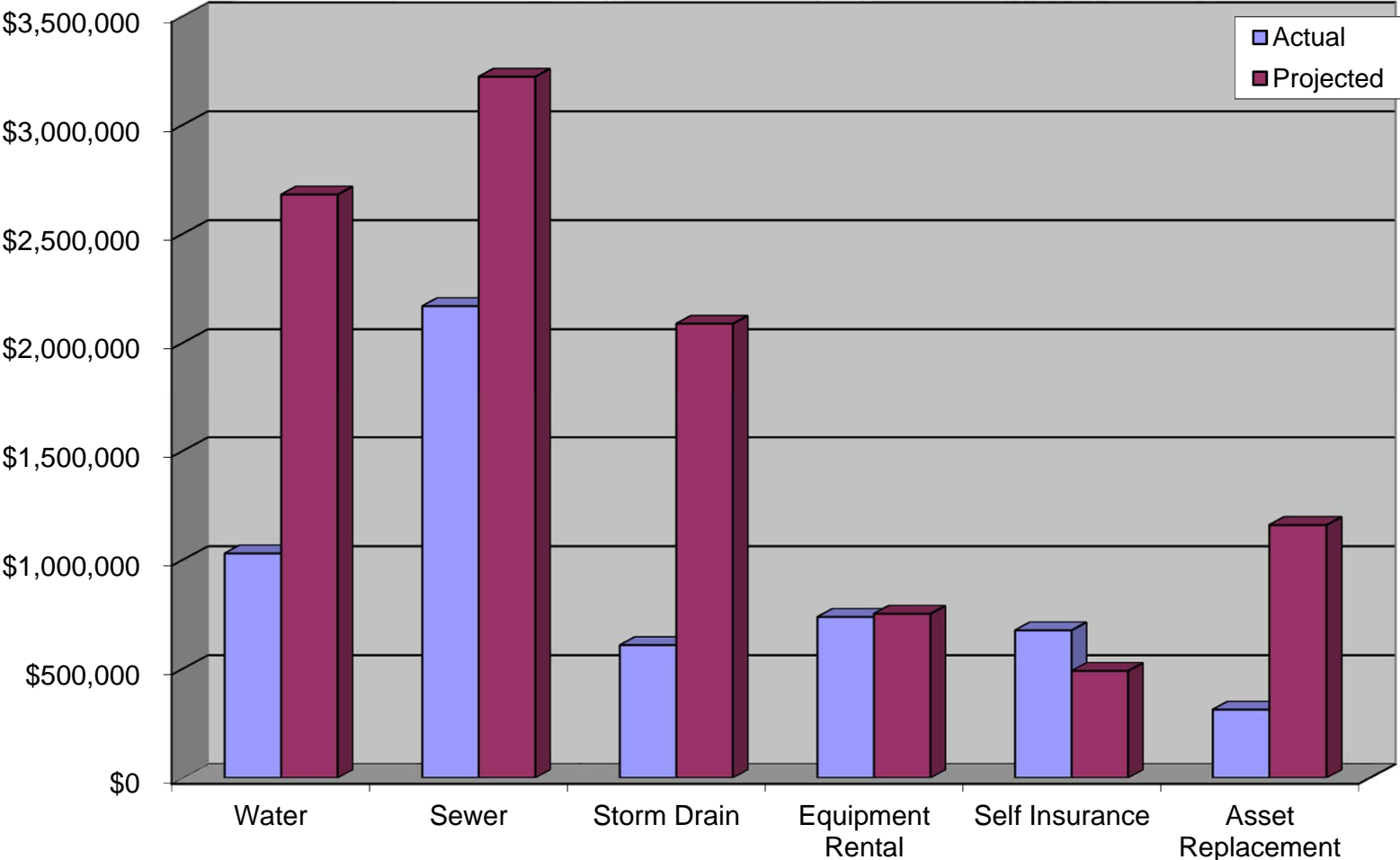
General Fund Revenues  
Chart 1

# General Fund Expenditures vs Budget June 30, 2007



General Fund Expenditures  
Chart 2

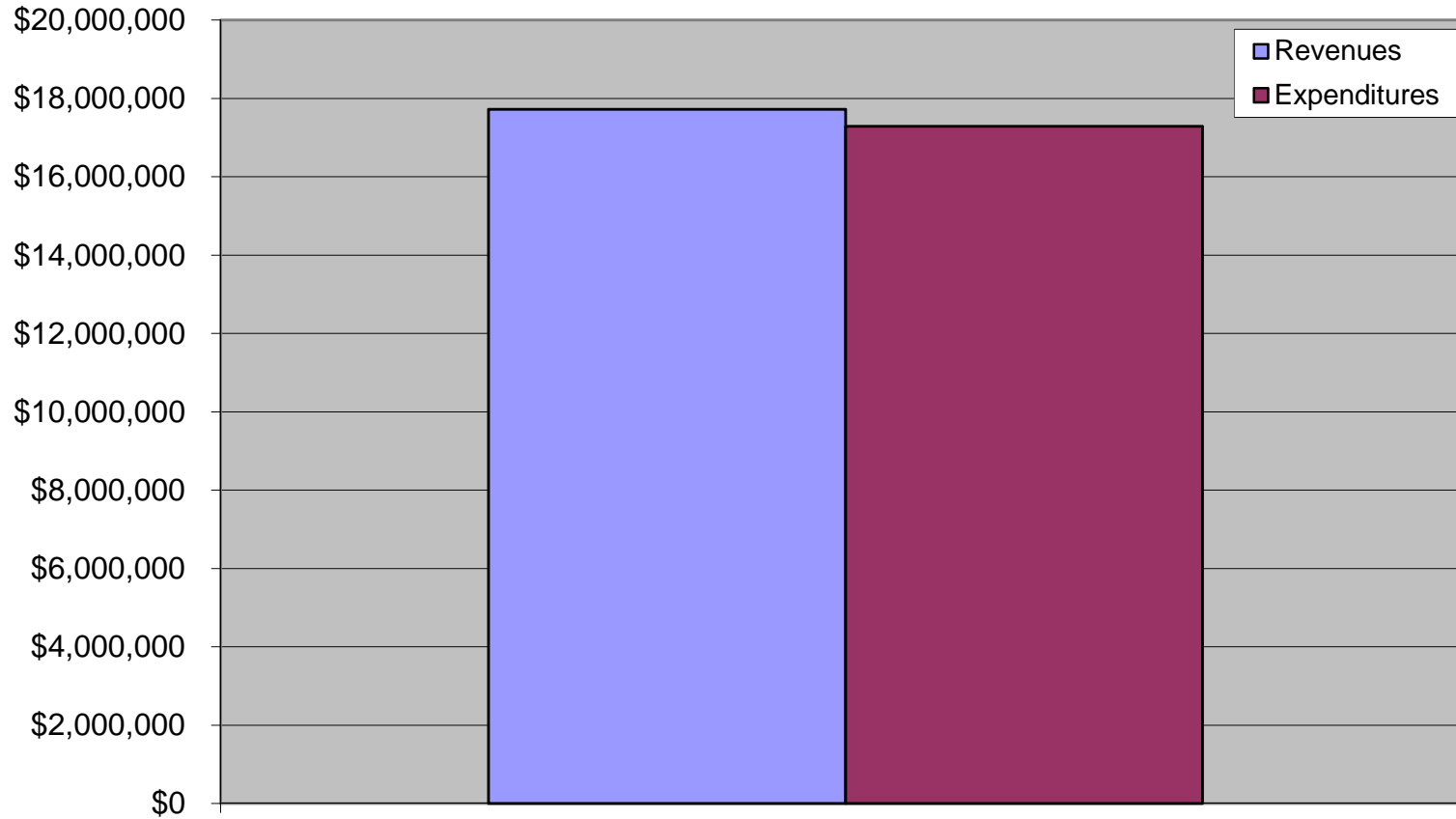
**Proprietary Funds  
Expenditures vs Budget  
June 30, 2007**



Proprietary Funds  
Chart 3



# General Fund Revenues vs Expenditures June 30, 2007



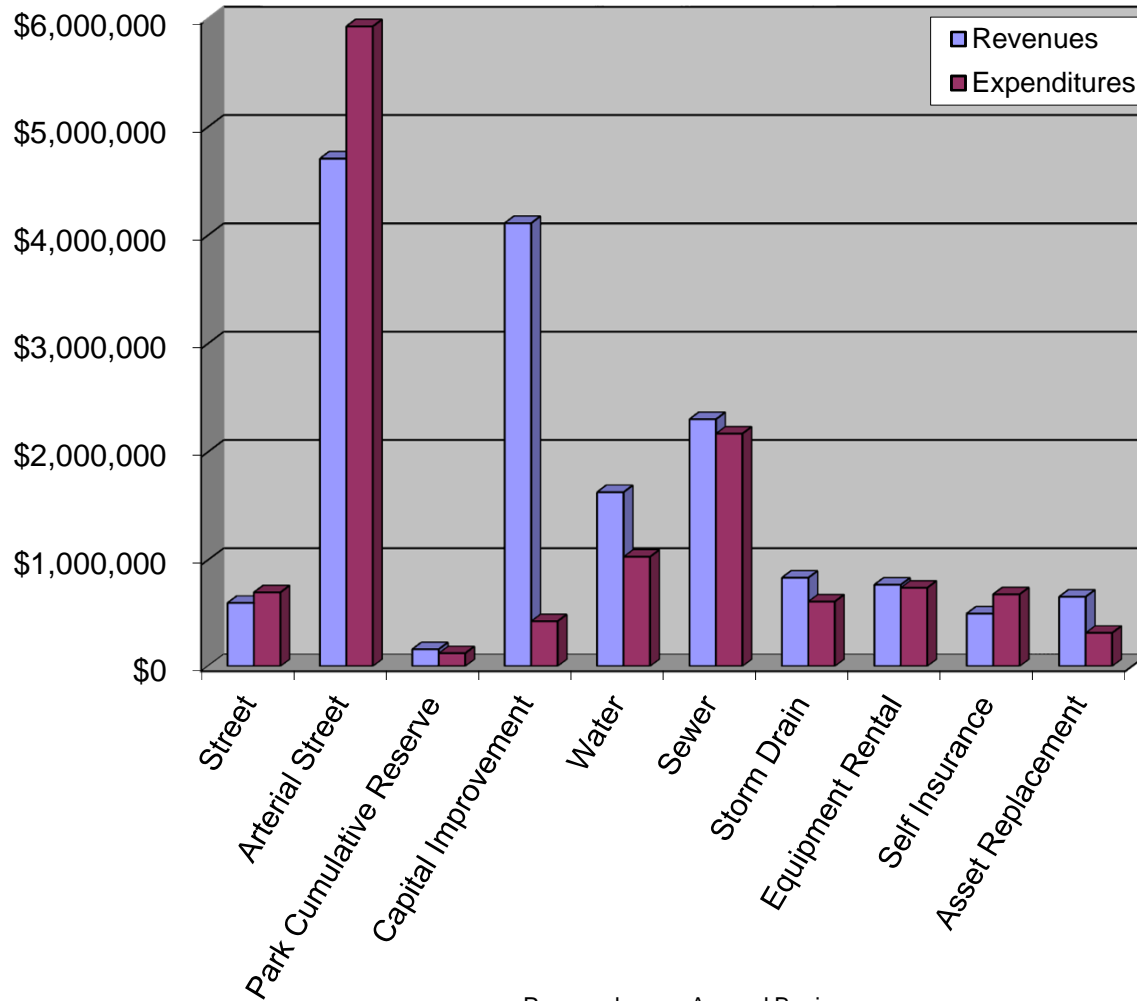
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

## Other Major Funds Revenues vs Expenditures June 30, 2007



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures  
Chart 5