

City of Bothell

2009-2010 Budget Status Report

For the Quarter Ending March 31, 2010

I. Biennium Status

As of March 31, 2010, the City had concluded five quarters of its eight-quarter 2009-2010 biennium. The budget period described in this report is 62.5% 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 fifth quarter, Citywide revenue inflows totaled 43.6% of the amended 2009-10 revenue projection. Expenditure outflows have spent 49.6% of the 2009-10 amended appropriation.

The City's 2009-10 budget position (considering inflows and outflows) sits at a negative \$30.9 million at March 31. \$28.2 million of this figure is the result of planned Capital Facilities Plan (CFP) spending.

General Fund

General Fund revenue inflows totaled 56.9% of the biennial projection at March 31. Retail sales tax revenue is nearly \$1.6 million behind the month-to-month projection, and 2010 first quarter revenue was 1% (\$22,000) shy of 2009's pace. Construction sales tax revenue was up \$134,000 from the first quarter of 2009.

Building permit revenues, while still behind the biennial projection, experienced a slight uptick in the first quarter of 2010 – coming in \$38,500 higher than in 2009. Utility taxes are trending in the other direction – they are down \$168,000 from 2009 levels.

Expenditure outflows have spent down 62.2% of their biennial projection. Departments have initiated spending deferrals again in 2010. Further curbs on spending may become necessary – staff is closely monitoring both revenue and expenditure levels.

Excluding a \$4 million transfer to the Capital Fund that was part of the 2009 budget amendment, General Fund outflows exceeded inflows by \$749,658 (\$250,000 per month) in the first quarter of 2010, compared to:

4 th quarter 2009:	\$343,000 (\$114,000/month)
3 rd quarter 2009:	\$748,000 (\$249,000/month)
2 nd quarter 2009:	\$249,000 (\$83,000/month)
1 st quarter 2009:	\$620,000 (\$207,000/month)

II. Citywide Summary

		Inflow/Outflow	2009-10 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$72,503,527	\$166,297,682	43.6%
	Outflow	\$103,462,420	\$208,401,537	49.6%
<u>CITY TOTAL (less Arterial Street and Capital Improvements Funds)</u>	Inflow	\$62,580,611	\$110,605,982	56.6%
	Outflow	\$69,170,686	\$131,011,137	52.8%
<u>GENERAL FUND*</u>	Inflow	\$41,506,664	\$72,940,996	56.9%
	Outflow	\$48,217,224	\$77,535,308	62.2%

III. Economic Recap

National non-farm payroll employment ticked upward during the first quarter of 2010. 230,000 jobs were gained from December 2009 to March 2010, and the national unemployment rate dropped to 9.7%.

<u>U.S. GOODS-PRODUCING: -36,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +230,000 JOBS</u>	
Construction	-104,000	Retail trade	+72,000
Manufacturing	+ 45,000	Professional/business services	+74,000
		Educational/health services	+92,000
		Leisure/hospitality	+50,000
		Government	+15,000

4,800 non-farm jobs were added statewide during the first quarter of 2010 – a modest increase, but employment totals rose during two of the quarter's three months.

While Washington's March unemployment rate held steady at 9.5%, the Seattle-Bellevue-Everett rate dropped from 9.0% to 8.5%.

<u>STATE GOODS-PRODUCING: -2,400 JOBS</u>		<u>STATE SERVICE-PROVIDING: +7,200 JOBS</u>	
Construction	-2,600	Wholesale trade	+800
Manufacturing	-300	Retail trade	+5,100
Mining & Logging	+500	Transportation/warehousing/utilities	-1,400
		Information	+1,000
		Professional/financial/business	+300
		Educational/health services	+2,700
		Leisure/hospitality	+500
		Other services	-1,600
		Government	-200

State forecasters expect 12.2% revenue growth in the 2011-13 biennium (July 2011 – June 2013) compared to the 2009-11 biennium.

February's Consumer Price Index for the Seattle-Tacoma-Bremerton region increased 0.1% from the December figure. The year-over-year increase was 1.1%.

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, March sales tax revenue was not actually remitted to the City until the end of May.

Revenue	Inflow	2009-10 Budget	% of Budget
Property Tax	\$10,125,970	\$16,505,700	61.3%

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	\$7,821,278	\$15,070,200	51.9%
Construction	\$2,409,850	\$5,250,000	45.9%
Hotel/Motel	\$218,194	\$450,000	48.5%
Criminal Justice	\$666,797	\$1,153,100	57.8%
Total	\$11,116,119	\$21,923,300	50.7%

Retail sales tax revenues continued to run below original projections. First quarter 2010 revenues were \$22,000 (1%) less than in 2009.

Construction sales tax revenues continued to run below biennial projections (the anticipated boost during the fourth quarter of 2009 having not materialized.) Revenues in the first quarter of 2010, however, were up significantly (\$134,000) from 2009.

Hotel/Motel sales tax revenues were down \$63,000 from the 2008-09 biennium. These revenues are legally restricted to tourism promotional activities.

Criminal justice sales tax receipts were \$54,000 less than in 2008-09, but trended up slightly in the first quarter of 2010.

Revenue	Inflow	2009-10 Budget	% of Budget
Business/Utility Tax	\$9,180,708	\$15,953,900	57.5%

Business and utility tax revenues continued to trail the month-to-month biennial projection. First quarter 2010 revenues were down \$168,000 from 2009.

Revenue	Inflow	2009-10 Budget	% of Budget
Other Taxes	\$867,641	\$1,418,200	61.2%

Other taxes include leasehold excise taxes, EMS levy receipts, and gambling taxes. EMS levy collections comprise 90.2% 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	\$367,776	\$590,000	62.3%
Building Permits	\$662,142	\$1,273,800	52.0%
Plumbing/Mechanical	\$140,827	\$265,000	53.1%
Pre-Application Fees	\$20,622	\$70,000	29.5%
Other Miscellaneous	\$5,866	\$10,400	56.4%
Total	\$1,197,234	\$2,209,200	54.2%

Building permit revenues remained below biennial projections, but were up slightly in the first quarter of 2010 compared to the same period in 2009.

Revenue	Inflow	2009-10 Budget	% of Budget
Intergovernmental	\$2,953,720	\$4,654,550	63.5%

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	\$3,699,518	\$6,510,000	56.8%

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	\$544,608	\$920,800	59.1%
Other Miscellaneous	\$1,142,027	\$1,742,300	65.5%
Operating Transfers	\$679,117	\$1,103,046	61.6%

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 in 2009. 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 expenditures will be evaluated as the revenue picture for 2010 becomes clearer.

Expenditure	Outflow	2009-10 Budget	% of Budget
Salaries & Benefits	\$34,845,947	\$56,016,755	62.2%
Maintenance & Operations	\$7,279,100	\$12,558,323	58.0%
Capital	\$101,508	\$656,328	15.5%
Operating Transfers	\$5,990,670	\$7,492,660	80.0%
Budget Deferrals	\$0	\$811,242	n/a
Total	\$48,217,224	\$77,535,308	62.2%

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	\$1,581,561	\$3,044,386	52.0%
	Outflow	\$2,178,714	\$3,996,690	54.5%

Street's General Fund subsidy funding in 2009-10 is weighted more heavily toward 2010. The Street budget also anticipated spending down fund balance (subsidy funding that had accumulated in prior years.)

		Inflow/Outflow	2009-10 Budget	% of Budget
Arterial Street	Inflow	\$343,969	\$3,762,800	9.1%
	Outflow	\$498,595	\$2,644,500	18.9%

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.

		Inflow/Outflow	2009-10 Budget	% of Budget
Park Reserve	Inflow	\$869,569	\$967,213	89.9%
	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.

		Inflow/Outflow	2009-10 Budget	% of Budget
Capital Improvement	Inflow	\$9,578,947	\$51,928,900	18.4%
	Outflow	\$33,793,139	\$74,745,900	45.2%

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	\$4,357,807	\$7,316,309	59.6%
	Outflow	\$4,043,372	\$11,816,490	34.2%
Sewer	Inflow	\$5,923,552	\$10,246,046	57.8%
	Outflow	\$6,015,468	\$13,984,646	43.0%
Storm Drain	Inflow	\$3,532,186	\$7,884,892	44.8%
	Outflow	\$3,109,939	\$9,828,212	31.6%

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	\$1,674,054	\$2,689,928	62.2%
	Outflow	\$2,002,507	\$3,342,832	59.9%
Self-Insurance	Inflow	\$1,038,475	\$1,851,436	56.1%
	Outflow	\$1,622,620	\$2,059,737	78.8%
Asset Replacement	Inflow	\$1,188,033	\$2,206,576	53.8%
	Outflow	\$1,004,749	\$6,000,322	16.7%

\$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.

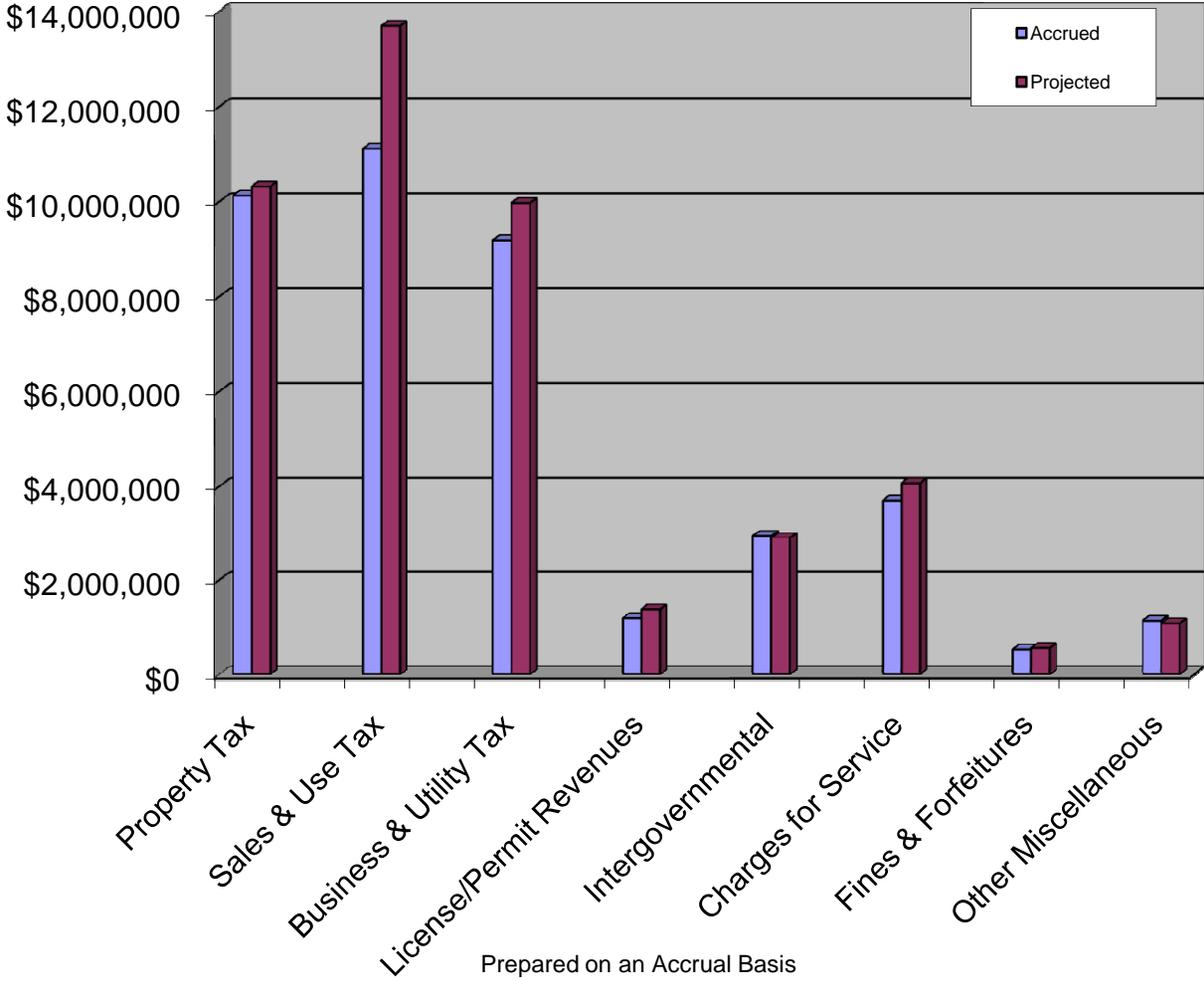
See Proprietary Funds Expenditures - Chart 4

See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. Council Emphasis Areas

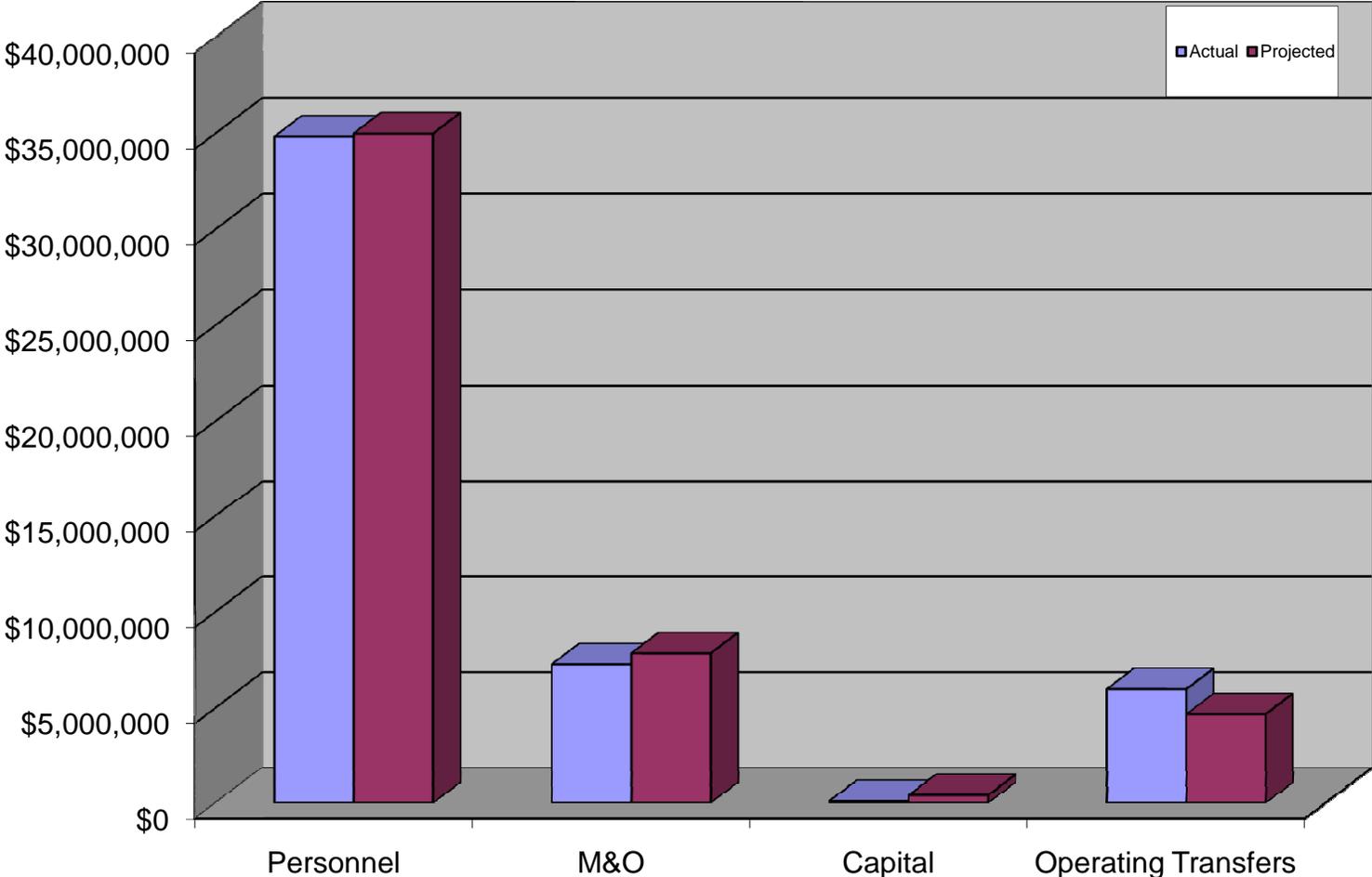
Development Review	Inflow	\$157,449	(Includes A/R)
	Outflow	329,704	(Includes overhead)
	Net	(\$172,255)	
Permitting	Inflow	\$269,910	
	Outflow	407,931	(Includes overhead)
	Net	(\$138,021)	
CFP Project-Term Staff	Inflow	\$293,190	(2010 reimbursement to Gen Fund)
	Outflow	293,190	(2010 Gen Fund salaries/benefits)
	Net	\$0	
PWS Facility Surcharge	Inflows	\$65,599.65	(Since 1998)
	Expires	\$67,482.84	
Utility Tax Rebates	2010	\$ 550	(6 rebates)
	2009	5,975	(81 rebates)
	Increase (Decrease)	(\$5,425)	

General Fund Revenue vs Budget March 31, 2010



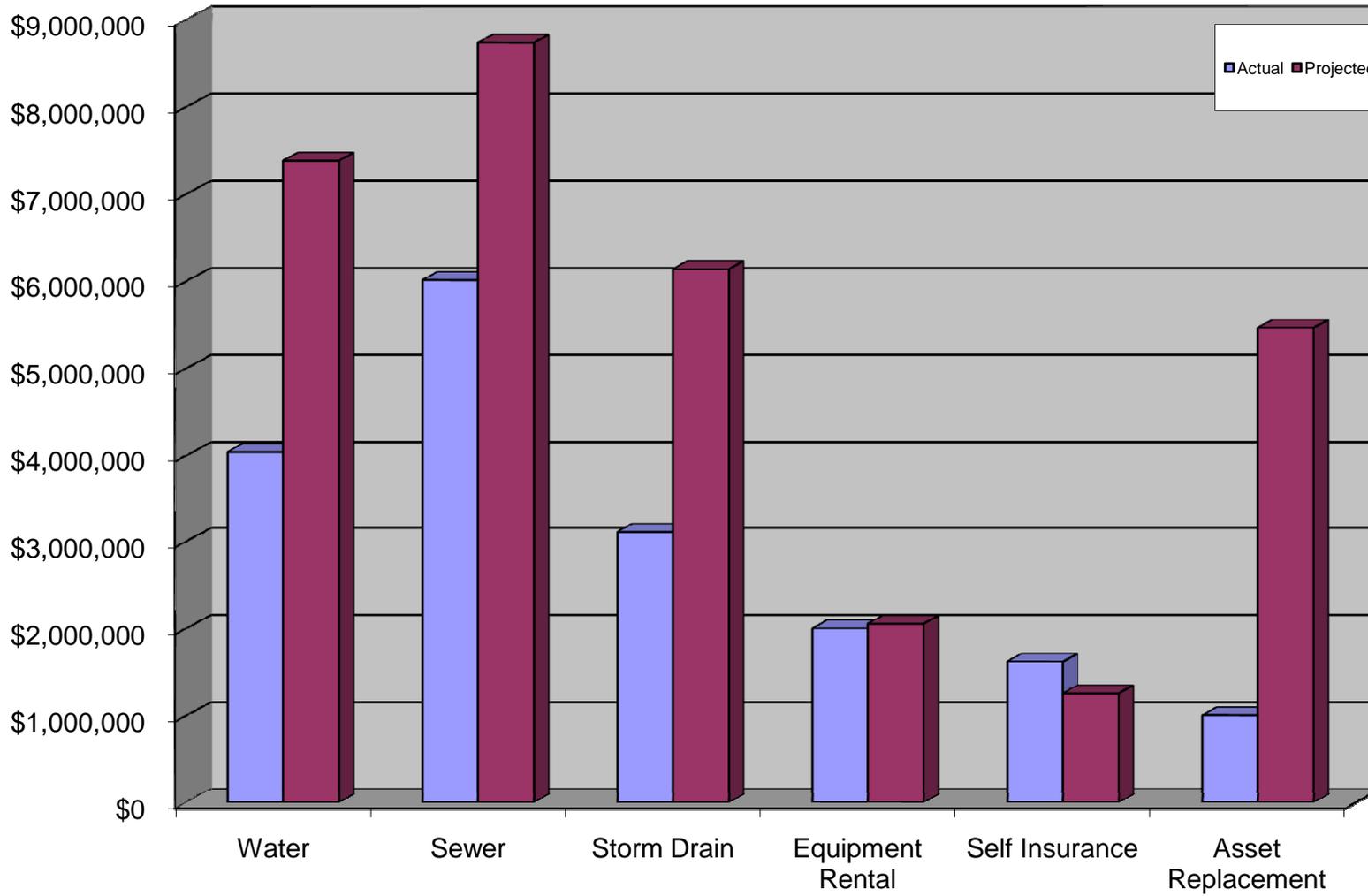
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget March 31, 2010



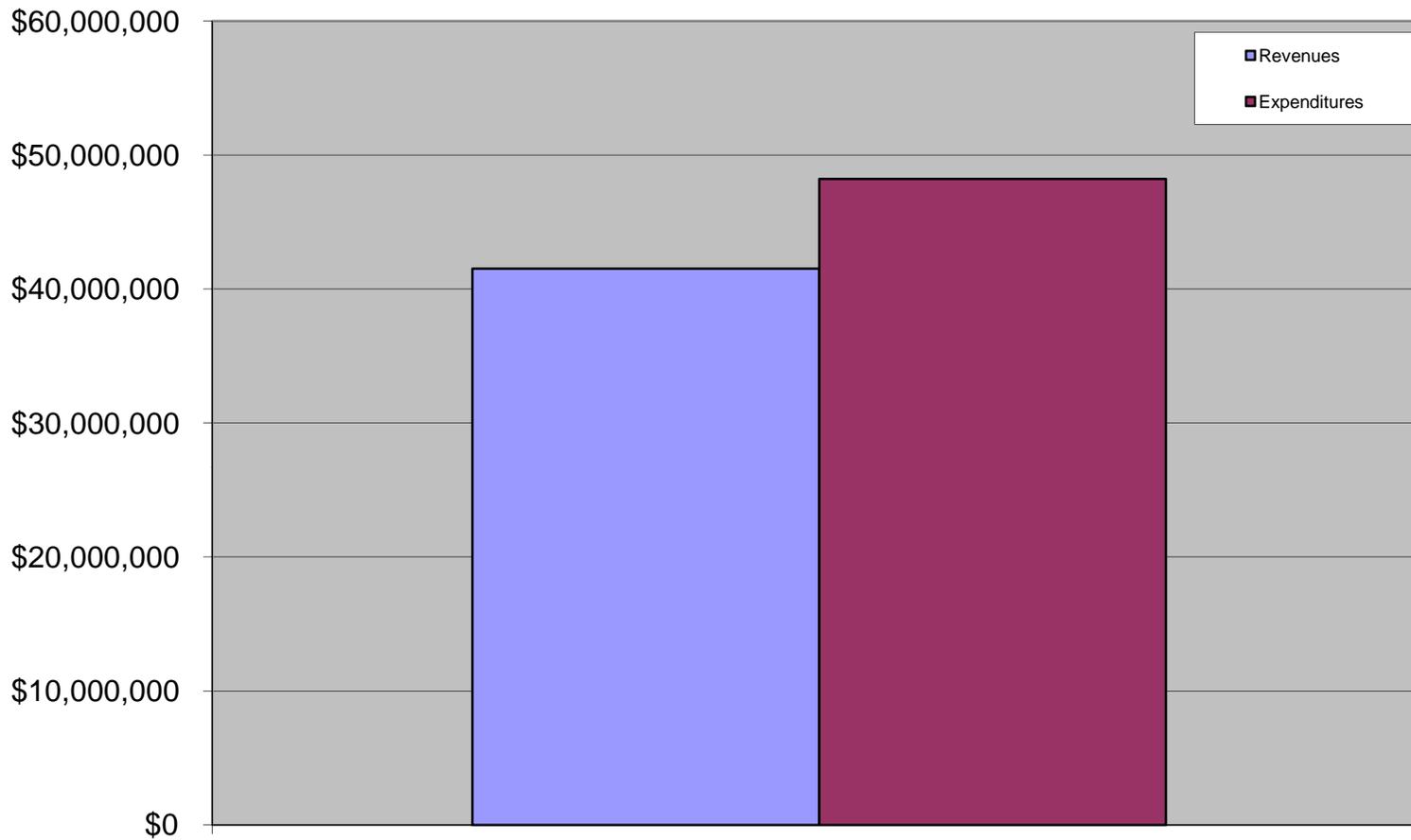
General Fund Expenditures
Chart 2

Proprietary Funds Expenditures vs Budget March 31, 2010



Proprietary Funds
Chart 3

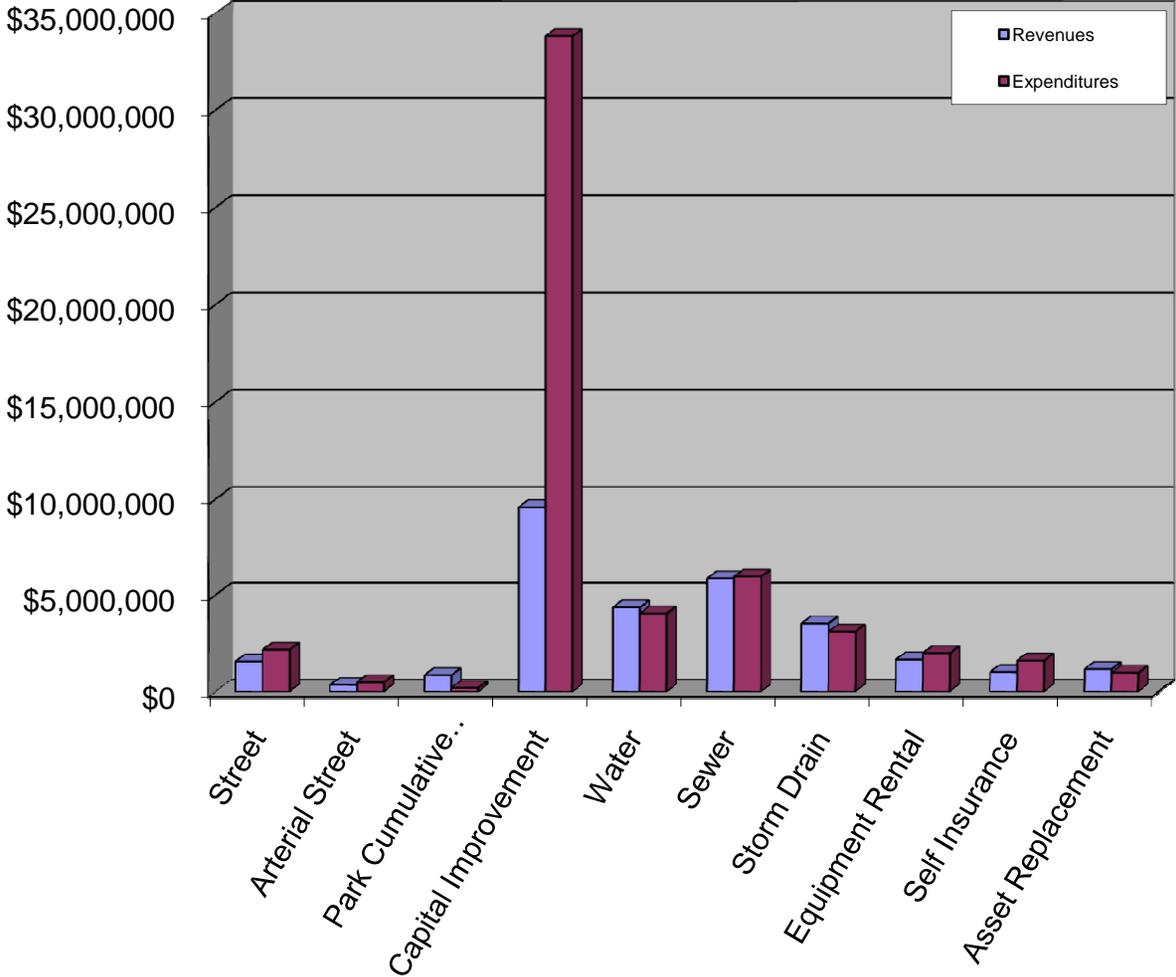
General Fund Revenues vs Expenditures March 31, 2010



General Fund
Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures
Chart 4

Other Major Funds Revenues vs Expenditures March 31, 2010



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5