

City of Bothell
2007-2008 Budget Status Report
For the Quarter Ending September 30, 2007

I. Biennium Status

The City has concluded the third quarter of its eight-quarter biennium. The budget period is 37.5% (9 of 24 months) complete. Revenues are of course projected to be higher during the second year of the biennium, so we would naturally expect inflows to trail the average month-to-month pace throughout 2007.

Citywide

Citywide revenue inflows amounted to 32% of the biennial projection – 3.1% ahead of where the City ended the third quarter of the 2005-06 biennium. Expenditure outflows spent down only 24.7% of the biennial appropriation – exactly the percentage that was spent down during the first three quarters of 2005-2006.

The City’s budget position (considering both inflows and outflows) is \$5.8 million ahead of where it ended the third quarter of 2005-06. This result can be attributed to Capital Fund activity not having picked up yet – revenues are \$5.82 million higher than at this point in 2005-06, while expenditures are only \$415,000 higher.

General Fund

General Fund revenue inflows amounted to 35.3% of the biennial projection – this is 1.2% lower than the portion of the biennial budget that the City receipted during the first three quarters of 2005-06. Retail sales tax revenues are lower than projected – see page 3 for more details.

Expenditure outflows spent down only 32.5% of the biennial projection – 1.3% less budget than was spent down in the first three quarters of 2005-06. Even after accounting for \$2.63 million in transfers to the Capital Fund (which are occurring on a monthly basis in 2007-08, compared to at the end of the biennium in 2005-06), the General Fund’s budget position (considering both inflows and outflows) is just \$596,785 behind where it ended the third quarter of 2005-06.

II. Citywide Summary

		Inflow/Outflow	2007-2008 Budget	% of Budget
<u>CITY TOTAL</u>	Inflow	\$55,647,539	\$174,166,859	32.0%
	Outflow	\$46,618,654	\$188,488,524	24.7%
<u>CITY TOTAL (less Arterial Street)</u>	Inflow	\$47,432,044	\$138,790,859	34.3%
	Outflow	\$37,320,296	\$151,701,105	24.6%
<u>GENERAL FUND</u>	Inflow	\$26,880,122	\$76,128,622	35.3%
	Outflow	\$26,384,205	\$81,091,782	32.5%

III. Economic Recap

National non-farm payroll employment increased by 292,000 jobs during the third quarter of 2007. The national unemployment rate for September was 4.7%.

<u>U.S. GOODS-PRODUCING: - 112,000 JOBS</u>		<u>U.S. SERVICE-PROVIDING: +404,000 JOBS</u>	
Construction	- 52,000	Retail trade	+ 10,000
Manufacturing	- 67,000	Professional/business services	+ 64,000
		Educational/health services	+167,000
		Leisure/hospitality	+ 58,000
		Government	+ 70,000

At the state level, 13,600 non-farm jobs were added during the third quarter. An increase in the labor force caused Washington's unemployment rate to rise slightly, to 4.8%. The Seattle-Bellevue-Everett rate closed September at 3.8%.

<u>STATE GOODS-PRODUCING: +5,400 JOBS</u>		<u>STATE SERVICE-PROVIDING: +8,200 JOBS</u>	
Construction	+2,400	Wholesale trade	+1,100
Manufacturing	+2,600	Retail trade	- 3,100
		Transportation/warehousing/utilities	+100
		Information	+1,000
		Professional/business services	0
		Educational/health services	+2,400
		Leisure/hospitality	+2,200
		Other services	- 300
		Government	+4,100

The Fed continues to express concerns about inflation – to the point of making an unexpected reduction of 50 basis points to the federal funds rate during September.

In its September report, the State Economic and Forecast Council projects that the credit and liquidity squeezes will have an adverse affect on housing and construction in Washington, but to a much lesser extent than the rest of the country.

The bimonthly Consumer Price Index for the Seattle-Tacoma-Bremerton region actually decreased 0.2% in August. This marked a 2.5% 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, September sales tax revenue is not actually remitted to the City until the end of November. 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>
Property Tax	\$5,811,535	\$15,947,425	36.4%

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

Revenue	Inflow	2007-2008 Budget	% of Budget
Sales/Use Tax			
Retail	\$5,840,967	\$21,020,145	27.8%
Construction	\$1,945,183	\$5,210,000	37.3%
Hotel/Motel	\$204,918	\$531,300	38.6%
Criminal Justice	\$476,511	\$1,310,000	36.4%
Total	\$8,467,580	\$28,071,445	30.2%

We are now projecting 2007 retail sales tax revenues will finish \$1.5 million lower than projected. Construction sales tax revenues, on the other hand, are expected to hit their mark. The Department of Revenue continues to withhold over \$26,000 each month (\$624,000 during the 2007-08 biennium) to adjust for an overpayment made to the City in the 1990's.

Revenue	Inflow	2007-2008 Budget	% of Budget
Business/Utility Tax	\$4,981,151	\$13,715,835	36.3%

Business and utility taxes are up \$58,000 compared to 2005, despite the Waste Management administrative fee payments having moved to the Capital Fund for 2007. They are expected to outperform budget projections by \$365,000 in 2007.

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
Other Taxes	\$572,526	\$146,000	392.1%

Other taxes include leasehold excise taxes, the EMS levy in the Snohomish County portion of the city, and gambling taxes.

EMS levy collections comprise 92% of taxes received in this category to date. These revenues were not included in the original 2007-08 budget, and therefore are being added as part of the 2007 budget amendment.

Revenue	Inflow	2007-2008 Budget	% of Budget
Licenses & Permits			
Business/Sign Licenses	\$247,929	\$538,100	46.1%
Building	\$935,249	\$2,236,600	41.8%
Plumbing/Mechanical	\$148,878	\$447,300	33.3%
Pre-Application Fees	\$28,412	\$80,000	35.5%
Other Miscellaneous	\$3,021	\$7,000	43.2%
Total	\$1,363,489	\$3,309,000	41.2%

As expected, business license and building revenues picked up during the third quarter.

Revenue	Inflow	2007-2008 Budget	% of Budget
Intergovernmental	\$1,459,073	\$3,697,900	39.5%

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
Charges for Services	\$2,593,164	\$7,235,411	35.8%

Parks & Recreation program fees picked up during the summer months - and with the Capital Facilities Plan (CFP) projects slowly beginning to ramp up, interfund transfers related to staff time spent on CFP projects are slowly beginning to increase as well.

Revenue	Inflow	2007-2008 Budget	% of Budget
Fines/Penalties/Criminal	\$328,609	\$732,500	44.9%
Other Miscellaneous	\$998,713	\$2,461,700	40.6%
Operating Transfers	\$304,277	\$811,406	37.5%

Investment interest remained strong during the third quarter – General Fund investment interest is \$191,000 higher than at this point in 2005, and is expected to outperform budget projections by \$450,000 this year. (Citywide investment interest is currently \$980,000 higher than at this point in 2005.)

Park facility rentals also picked up during the summer, as expected.

See General Fund Revenues - Chart 1

V. General Fund Expenditures

Expenditures for the first three quarters were \$4.03 million (13.2%) below the average month-to-month budget pace. Personnel expenditures accelerated slightly in the third quarter, closing 7% lower than expected. Maintenance and operations (M&O) expenditures remained steady – they closed September \$922,000 (17.8%) below the expected monthly pace.

Budgeted interfund loans to the Water and Sewer Funds have not yet taken place, and therefore operating transfer expenditures continue to lag behind projections.

Expenditures	Outflow	2007-2008 Budget	% of Budget
Salaries & Benefits	\$17,457,675	\$50,076,462	34.9%
Maintenance & Operations	\$4,243,720	\$13,774,755	30.8%
Capital	\$323,204	\$650,947	49.7%
Operating Transfers	\$4,359,607	\$16,589,618	26.3%
Total	\$26,384,205	\$81,091,782	32.5%

See General Fund Expenditures - Chart 2

See General Fund Revenues vs. Expenditures - Chart 3

VI. Other Major Funds

		Inflow/Outflow	2007-2008 Budget	% of Budget
Street	Inflow	\$1,269,177	\$3,198,030	39.7%
	Outflow	\$1,254,828	\$3,659,181	34.3%

A subsidy from the General Fund represents \$198,750 of Street Fund revenues. A subsidy remains necessary to balance inflows and outflows.

		Inflow/Outflow	2007-2008 Budget	% of Budget
Arterial Street	Inflow	\$8,215,495	\$35,376,000	23.2%
	Outflow	\$9,298,358	\$36,787,419	25.3%

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.

		Inflow/Outflow	2007-2008 Budget	% of Budget
Park Reserve	Inflow	\$294,495	\$779,200	37.8%
	Outflow	\$0	\$490,000	0.0%

Impact fees and investment revenue are this fund's only two revenue streams. An operating transfer to the Capital Fund is its only expenditure. These are restricted funds, and so the transfer will not take place until the end of the biennium, once the amount of spending is known.

		Inflow/Outflow	2007-2008 Budget	% of Budget
Capital Improvements	Inflow	\$7,297,056	\$20,151,835	36.2%
	Outflow	\$753,237	\$23,080,000	3.3%

Many capital 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	\$3,391,461	\$9,943,184	34.1%
	Outflow	\$2,089,942	\$10,724,662	19.5%
Sewer	Inflow	\$3,611,229	\$12,549,751	28.8%
	Outflow	\$3,200,607	\$12,887,264	24.8%
Storm Drain	Inflow	\$1,155,971	\$6,601,200	17.5%
	Outflow	\$1,051,743	\$8,354,666	12.6%

Water and Sewer revenues picked up in the third quarter as expected, due to seasonal usage patterns. Storm Drain revenues are still lagging - but these are collected through property taxes, and should therefore pick up during the fourth quarter. Additionally, the budgeted interfund loans to Water and Sewer for the future new Public Works shop have not yet taken place.

Utility expenditures continue below projections as well - personnel spending finished the quarter 16% less than anticipated, and less than \$186,000 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	\$1,151,774	37.6%
	Outflow	\$1,101,105	36.5%
Self-Insurance	Inflow	\$750,274	37.2%
	Outflow	\$776,757	39.5%
Asset Replacement	Inflow	\$971,965	37.2%
	Outflow	\$515,190	11.1%

See Proprietary Funds Expenditures - Chart 4

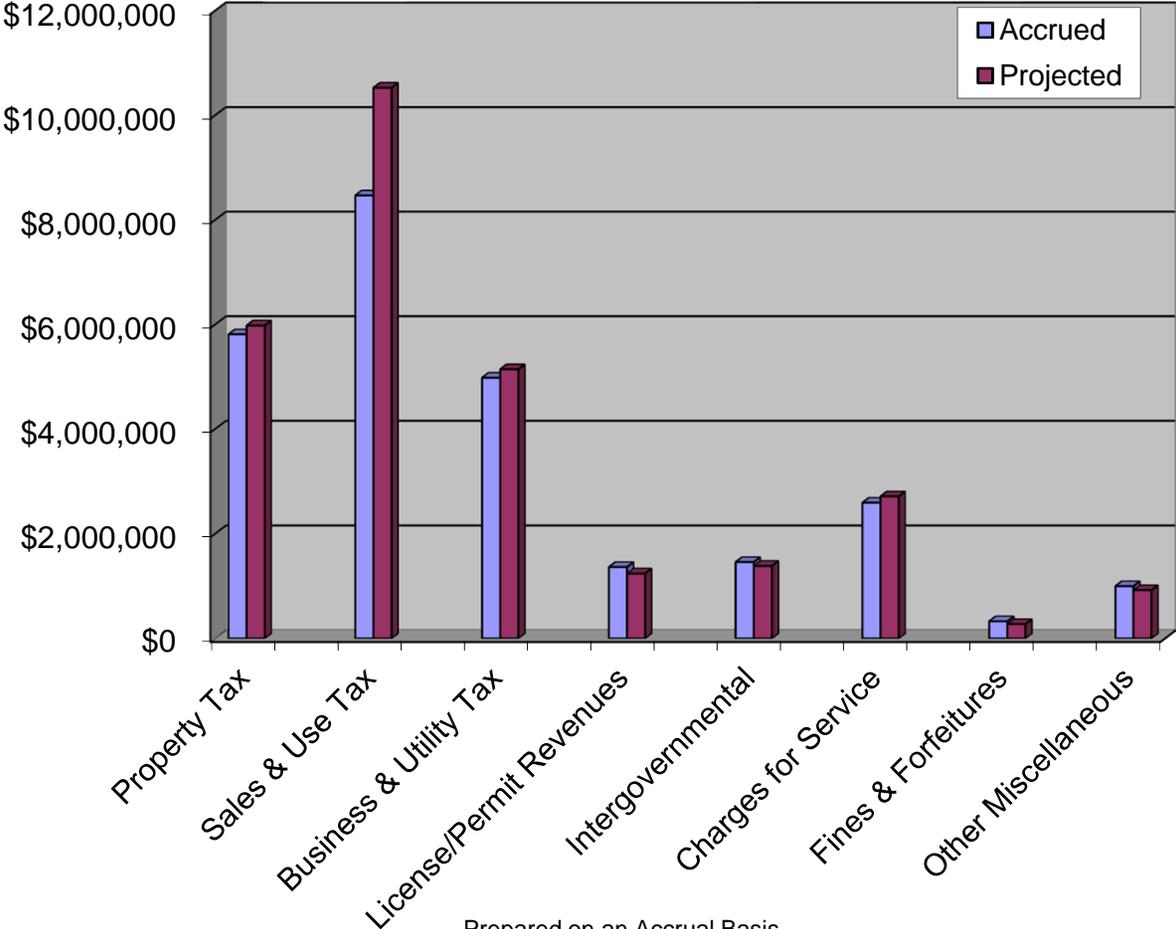
See Other Major Funds Revenues vs. Expenditures - Chart 5

VIII. Council Emphasis Areas

Development Review	Inflow	\$959,234	(Includes A/R)
	Outflow	893,283	(Includes overhead)
	Net	\$65,951	
Permitting	Inflow	\$1,622,527	
	Outflow	958,885	(Includes overhead)
	Net	\$663,641	
CFP Project-Term Staff	Inflow	\$480,777	(Reimbursement)
	Outflow	480,777	(General Fund wages)
	Net	\$ 0	
PWS Facility Surcharge	Inflows	\$64,131.65	(Since 1998)
	Expires	\$67,482.84	

Development review inflows have outpaced expenditure outflows during the first three quarters of 2007.

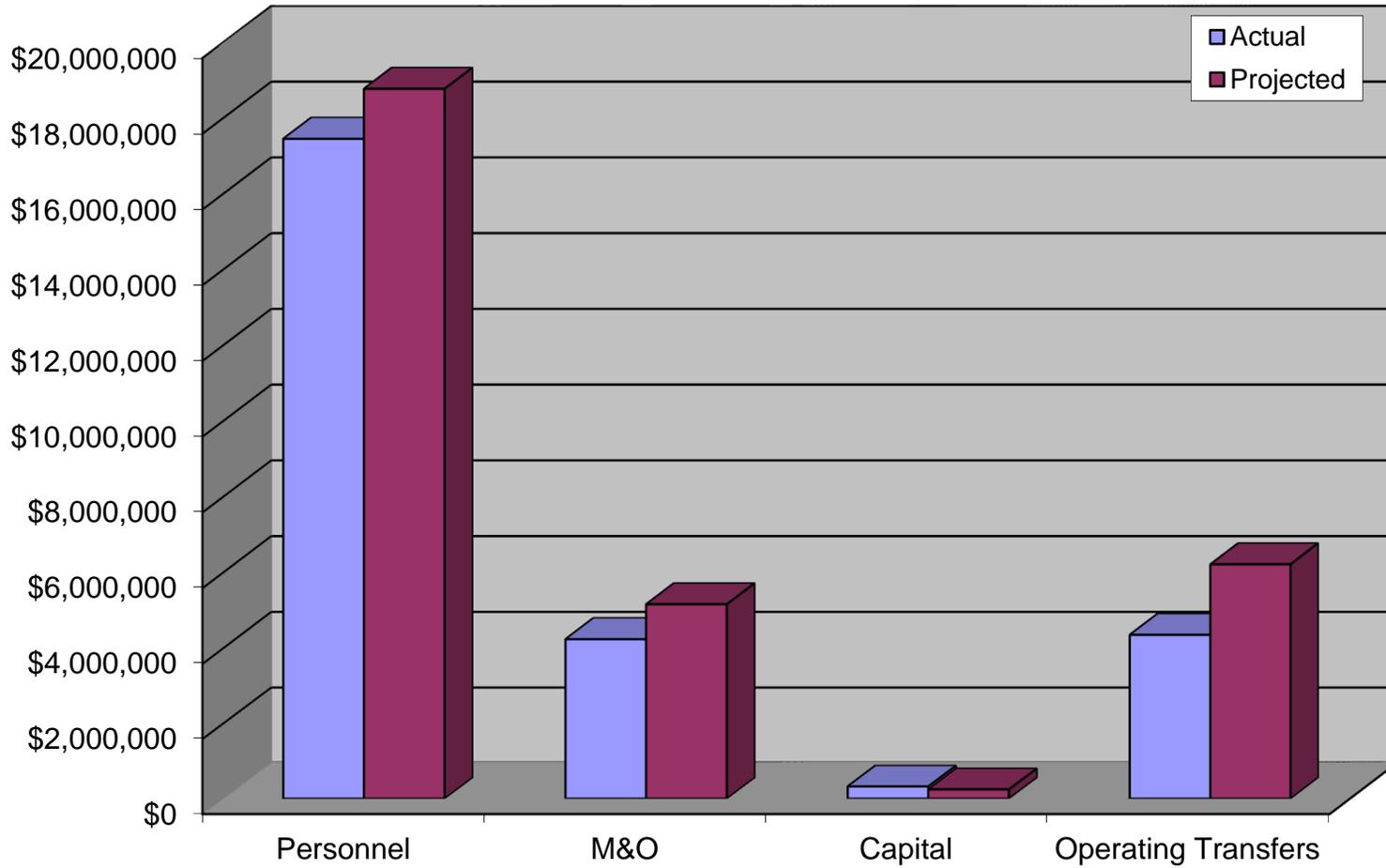
General Fund Revenue vs Budget September 30, 2007



Prepared on an Accrual Basis

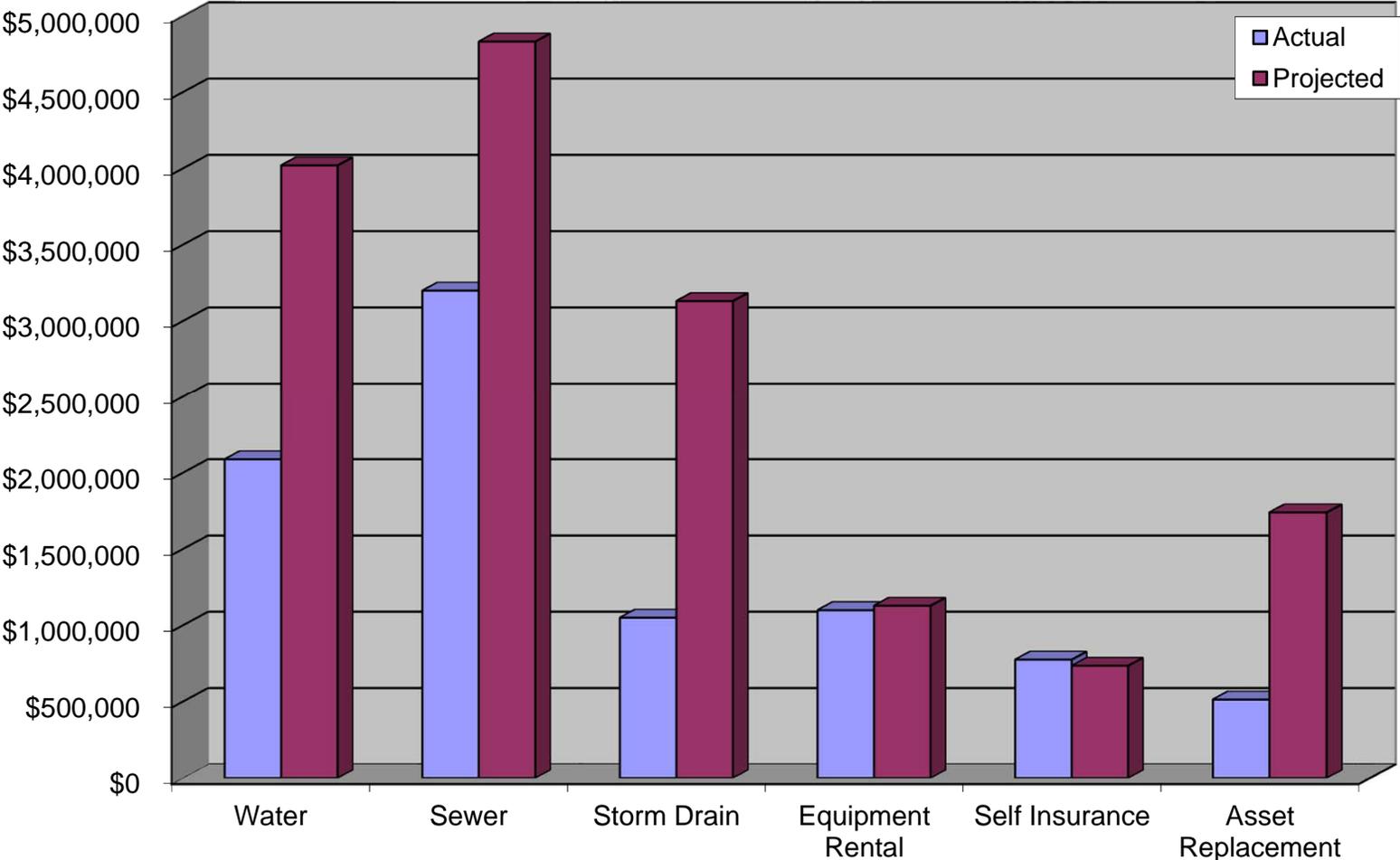
General Fund Revenues
Chart 1

General Fund Expenditures vs Budget September 30, 2007



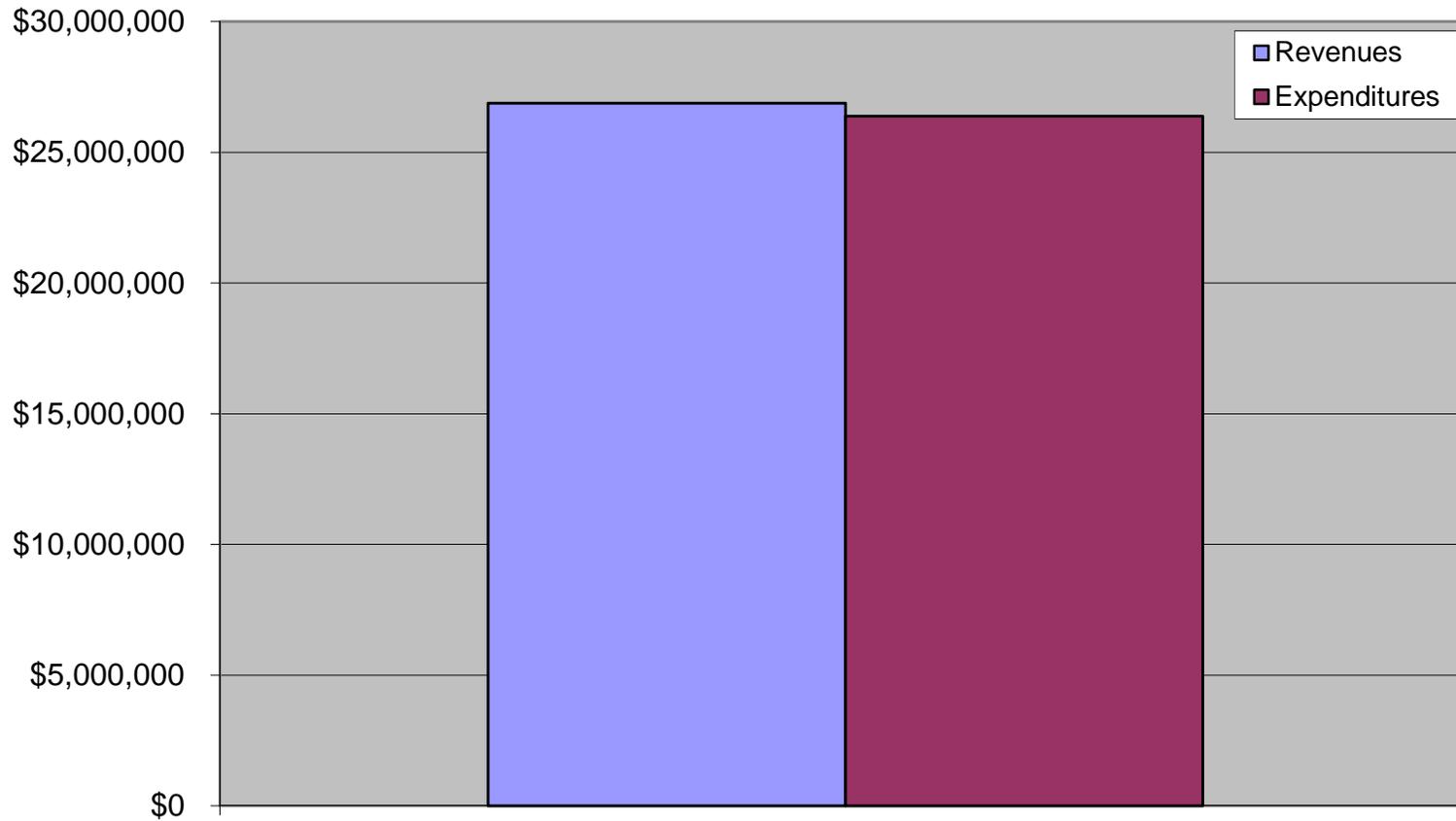
General Fund Expenditures
Chart 2

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



Proprietary Funds
Chart 3

General Fund Revenues vs Expenditures September 30, 2007



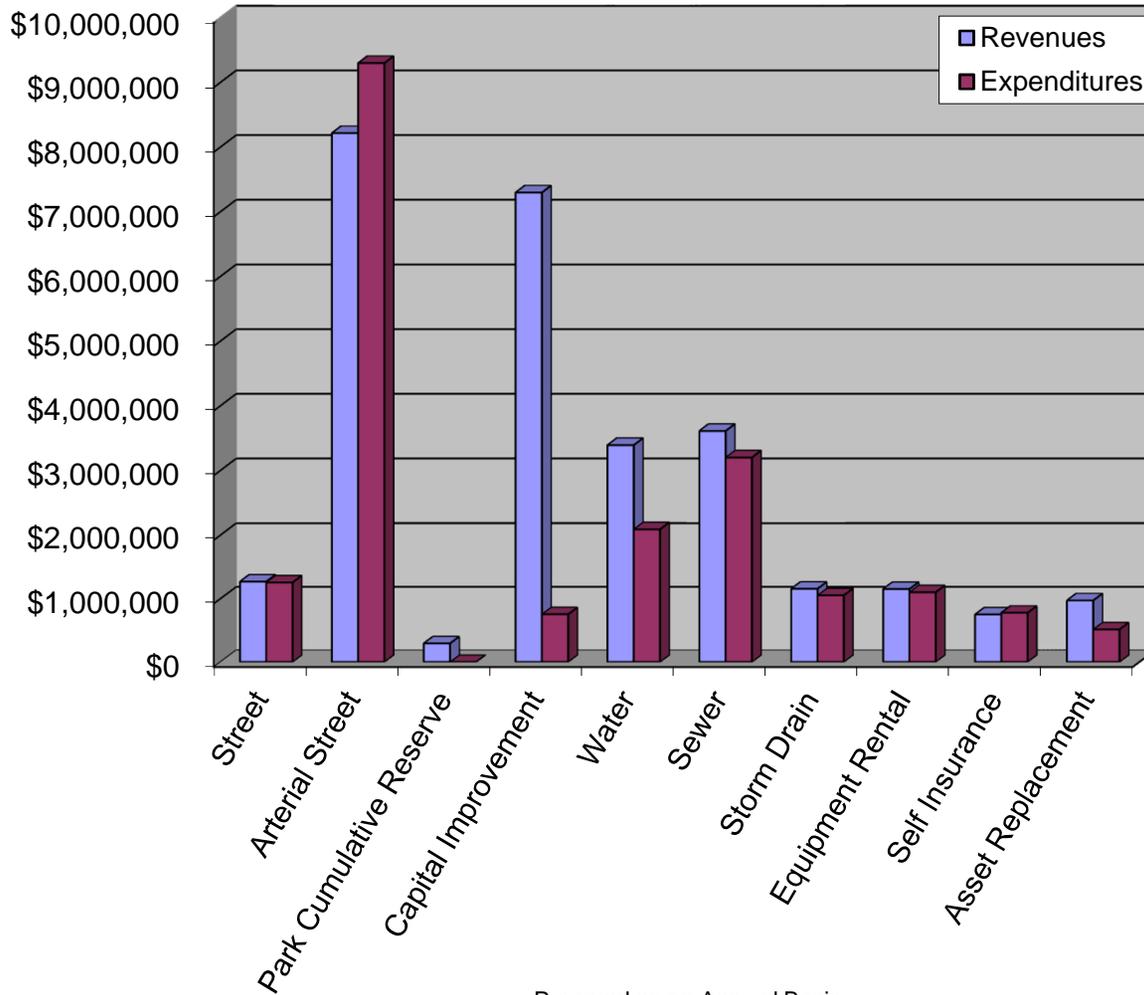
General Fund

Prepared on an Accrual Basis

General Fund Revenues vs. Expenditures

Chart 4

Other Major Funds Revenues vs Expenditures September 30, 2007



Prepared on an Accrual Basis

Other Major Funds Revenues vs Expenditures
Chart 5