

SECOND QUARTER 2021 FINANCIAL OVERVIEW

This reporting provides an overview of the City of Bothell period-to-date financial results at the end of the second quarter, the period ended June 30, 2021. It should be noted that this reporting was previously provided during the mid-biennial budget update proceedings in September and October of 2021. The mid-biennial budget update reporting provided more detail that is traditionally included in quarterly reporting; this abbreviated subsequent reporting is provided for the consistency of reporting format.

REVENUES

Revenue collections in the first two quarters of the biennium were better than forecasted in the Adopted Budget. While most period-to-date revenue collections were consistent with the forecast, three significant revenues performed better than expected: Sales Tax, Development Services Revenues, and Real Estate Excise Tax (REET). All three exceeded their respective period-to-date forecast by significant amounts. Based on the period-to-date results at the end of the second quarter, staff recommended revenue forecast adjustments for each of the aforementioned revenues in the mid-biennial budget update; the value of the recommended adjustments were \$4.8 million, \$5.6 million and \$3.0 million, respectively. No other reoccurring revenue adjustments were proposed for the mid-biennial budget update.

A one-time unbudgeted resource inflow, the City's American Rescue Plan Act (ARPA) distribution, was also received in the second quarter and was included in the mid-biennial budget update proposal for \$6.5 million.

EXPENDITURES

At the fund levels, expenditures were on target with budgeted values at the end of the second quarter; minor overages were offset by savings elsewhere in the budget. Three expenditure line items were, however, trending towards significantly overspending their biennial budget and an adjustment was recommended for these items during the mid-biennial budget update. Significant overspend trends were identified, and a budget adjustment was proposed, for the following expenditure line items (proposed

biennial adjustment): development services professional services (\$635k); development services credit card merchant fees (\$600k); and, legal professional services (\$500k). Notwithstanding the preceding, expenditures were unremarkable and the overall expenditure trend was consistent with budgeted expenditures.

SECOND QUARTER 2021 FINANCIAL HIGHLIGHTS

- ❖ Sales tax collections returned to pre-pandemic levels and, if the trend continues, collections in the current biennium will exceed budgeted values.
- ❖ Development revenues were trending towards a historic high for the biennium and were on track to significantly exceed budgeted values in the biennium.
- ❖ Real Estate Excise Tax collections returned to pre-pandemic levels and collections from individually significant transactions were causing collections to exceed forecasted values.
- ❖ Departments continued to exercise good budget discipline and spending was generally consistent with the budgeted spending plan.
- ❖ CONCLUSION: Revenues returned to pre-pandemic levels sooner than forecasted during budget development and a few significant revenues were showing signs of growth at the end of the fourth quarter. Expenditures were consistent with the budget, with only a few exceptions. The overall financial outlook was better than expected at the end of the second quarter and a positive revenue adjustment was proposed during the mid-biennial budget update.