



City of Bothell™

## MEMORANDUM

Date: May 10, 2022

Phone: 425-806-6882

To: Mayor Thompson and Members of the Bothell City Council

From: Maureen Schols, Interim Finance Director

Subject: 2021 Fourth Quarter Budget Status Report

Attached for your review is the quarterly budget status report as of December 31, 2021. This report presents citywide and General Fund highlights. The budget period described in this report reflects 50% of the biennial budget.

City staff are working diligently to complete the City's 2021 financial statements and annual report. Financial statements are due to the State Auditor's Office by May 30. Staff from the State Auditor's Office will begin reviewing the City's 2021 financial statements in early May. The 2021 audited Annual Comprehensive Annual Financial Report (ACFR) will be available in July.

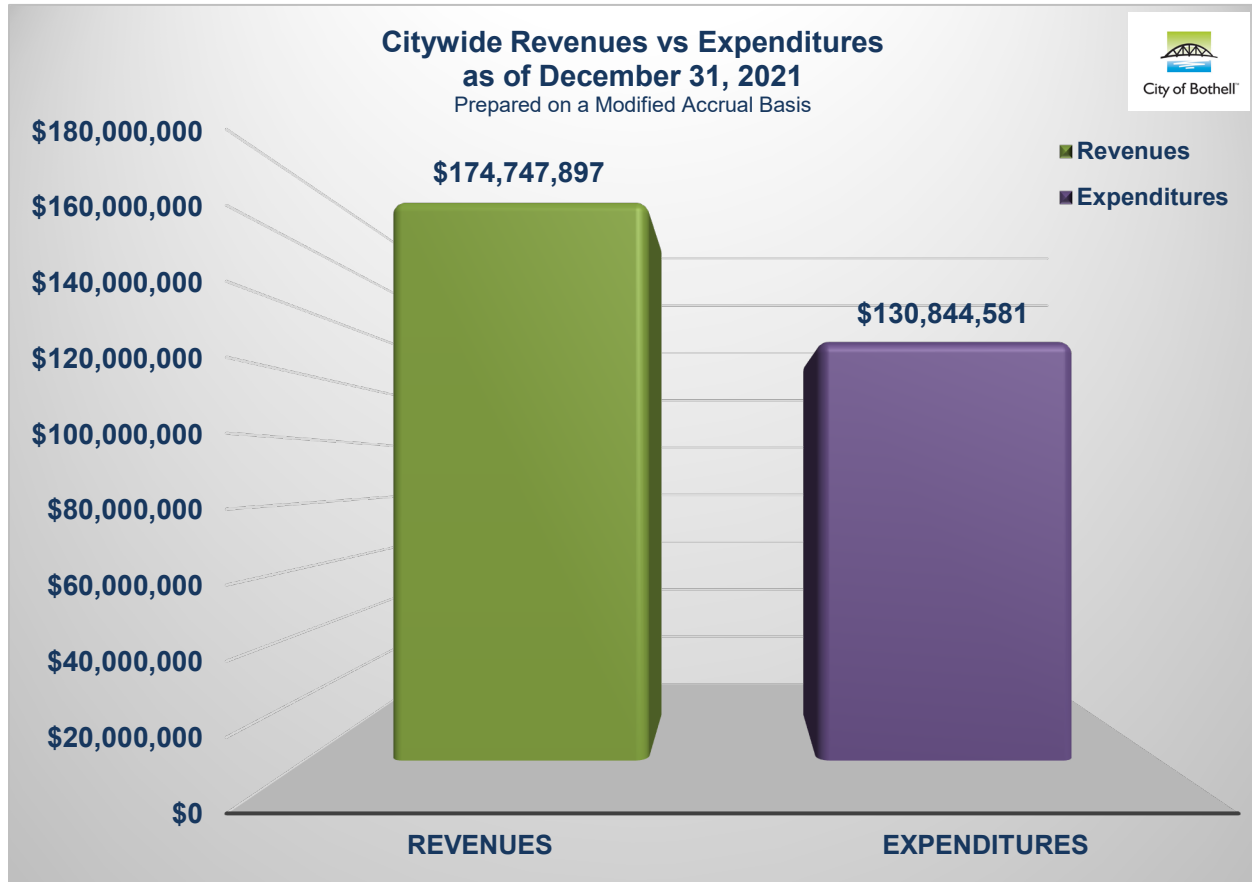
The General Fund ended 2021 with an operating surplus of \$6,755,550. The surplus can be traced to a number of factors:

- \$3.25 million in property sales proceeds were transferred from the Capital Improvements Fund to the General Fund.
- Retail sales tax revenue rose nearly \$2.2 million from 2020 levels.
- Major development revenues were up \$2.1 million over 2020.
- A number of staff positions were vacant during part or all of 2021. This included the positions that were "frozen" for 2021 as part of the 2021-22 budget.

Staff is cautiously optimistic as the City enters 2022. However, a couple of trends will be closely watched throughout the year:

- Inflation: Cost of living adjustments (COLA) for all of the City's labor contracts are tied to June-over-June CPI-W for Seattle/Tacoma/Bellevue. December-over-December CPI-W for the region was 7.6%. With personnel costs comprising 75-80% of General Fund spending, this looms large as staff and Council work to prepare the 2023-24 budget. Inflation also affects the City's purchases of goods and services. Early estimates to the Seattle Consumer Price Index (CPI) project an increase by 5.0% in 2022, with inflation slowing to 2.1% in 2023, 2.2% in 2024 and 2.1% in 2025.
- Retail sales tax revenue: As the country continues to emerge from the COVID-19 pandemic, a watchful eye will be on shoppers' spending habits to see if they continue shopping online from home (allowing the City to receive the sales tax for those purchases), or if they return to in-person purchases at regional malls.
- Economic forecast: As of March 2022, overall current economic indicators painted a fairly optimistic picture as the economy continues to recover from the impacts of the pandemic. However, supply chain issues, inflation and geopolitical concerns are adding new measures of uncertainty regardless of the economic outlook.

**2021-2022**  
**Budget Status Report**  
For the Quarter Ending December 31, 2021  
Executive Summary

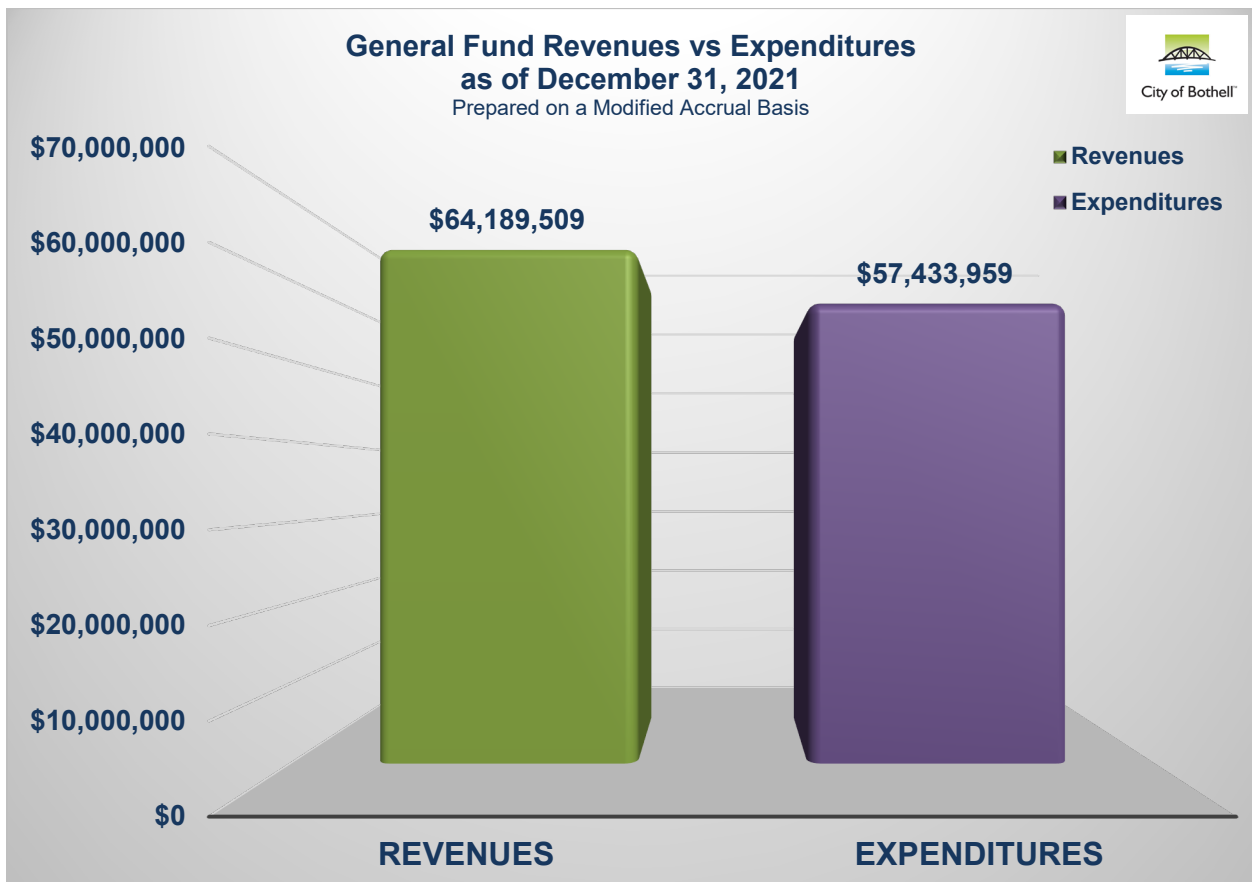


### Citywide Highlights

2021 revenues were bolstered by a number of one-time revenue inflows:

- Proceeds from downtown property sales: \$13,465,000
- Proceeds from second fire station bond: \$8,135,000
- American Rescue Plan Act (ARPA) funding: \$6,624,365

Budget vs Actual Figures		2021-22 Actual	2021-22 Budget	% of Budget
GENERAL FUND	Rev	\$64,189,509	\$121,393,415	52.9%
	Exp	\$57,433,959	\$121,091,623	47.4%
STREET FUND	Rev	\$6,143,673	\$12,744,073	48.2%
	Exp	\$4,464,963	\$11,589,301	38.5%
ARTERIAL STREET FUND	Rev	\$3,501,226	\$5,403,584	64.8%
	Exp	\$1,959,609	\$5,587,445	35.1%
PUBLIC SAFETY LEVY FUND	Rev	\$5,164,243	\$10,667,859	48.4%
	Exp	\$2,799,185	\$9,146,299	30.6%
AMERICAN RESCUE PLAN FUND	Rev	\$6,624,365	\$6,500,000	101.9%
	Exp	\$214,759	\$3,635,000	5.9%
CAPITAL IMPROVEMENTS FUND	Rev	\$39,006,423	\$72,548,216	53.8%
	Exp	\$27,181,997	\$68,180,710	39.9%
PUBLIC SAFETY CAPITAL FUND	Rev	\$10,017,066	\$12,939,436	77.4%
	Exp	\$7,570,839	\$33,848,161	22.4%
WATER FUND	Rev	\$6,744,123	\$12,249,708	55.1%
	Exp	\$5,701,339	\$17,969,114	31.7%
SEWER FUND	Rev	\$9,140,299	\$17,294,543	52.9%
	Exp	\$7,821,794	\$23,086,763	33.9%
STORM & SURFACE WATER FUND	Rev	\$8,267,759	\$13,035,019	63.4%
	Exp	\$5,989,731	\$21,283,901	28.1%
ALL OTHER FUNDS	Rev	\$15,949,211	\$27,232,097	58.6%
	Exp	\$9,706,407	\$22,608,034	42.9%
<b>CITYWIDE TOTAL</b>	<b>Rev</b>	<b>\$174,747,897</b>	<b>\$312,007,950</b>	<b>56.0%</b>
	<b>Exp</b>	<b>\$130,844,581</b>	<b>\$338,026,351</b>	<b>38.7%</b>



## General Fund Highlights

The General Fund received \$3.25 million in property proceeds via operating transfers from the Capital Improvements Fund.

2021 retail sales tax receipts increased \$2,192,664 (19.7%) from 2020.

Major 2021 development revenues were up significantly from 2020\*:

- Construction sales tax: up \$266,392 (9.2%)
- Building permits: up \$288,077 (25.1%)
- Plumbing/mechanical permits: up \$26,459 (4.6%)
- Pre-application fees: up \$28,495 (50.4%)
- Plan check fees: up \$1,177,006 (125.8%)
- Development review fees: up \$328,076 (39.9%)

\*Development revenues are required to be used to support the Development Services function.

## Economic Indicators

Consumer Price Index (CPI)

CPI-W (urban wage earners) \*

- U.S. city average, Dec 2020 – Dec 2021 7.8%
- Seattle/Tacoma/Bellevue, Dec 2020 – Dec 2021 7.6%

With gas prices skyrocketing, it is unknown how this will impact inflation numbers. The average American spends about 4% of their income on gas. Gasoline is weighted as 3.7% of CPI, so even small changes in gas prices can have a great impact on the CPI.

Incomes rose rapidly during 2021, partly due to rising wages as a result of the labor shortage and great resignation. Incomes grew faster in the Puget Sound (8.5%) than in the US (7.3%), but both measures were enough to beat inflation (4.7%). In the year ahead, income growth is expected to slow significantly with a 3.7% increase in the Puget Sound and just 2% in the US. With inflation anticipated to be over 5%, the purchasing power of incomes will decline, likely impacting spending patterns for the worse. \*\*

\*Currently all City labor contracts are tied to June-over-June CPI-W for Seattle/Tacoma/Bellevue. June CPI-W figures will become available in mid-July.

\*\*Puget Sound Economic Forecaster March 15, 2022