



INFORMATIONAL MEMORANDUM

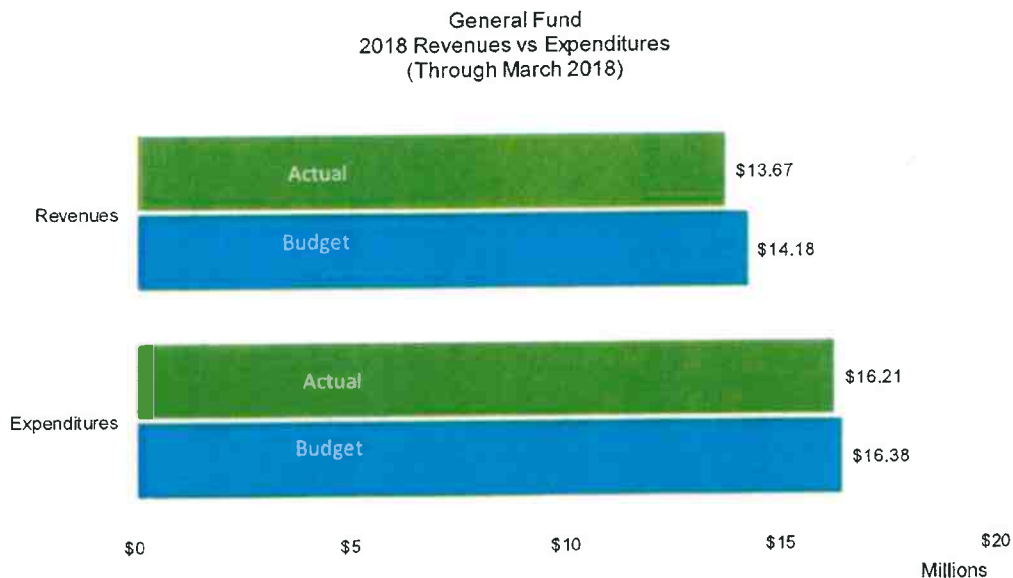
TO: Councilmembers
CC: Mayor Ekberg
FROM: Peggy McCarthy, Finance Director
BY: Jeff Friend, Fiscal Manager
DATE: July 5, 2018
SUBJECT: 2018 1st Quarter Financial Report

Summary

The purpose of the quarterly financial report is to summarize for the City Council the general state of City-wide financial affairs and to highlight significant items or trends. The following provides a high-level summary of the City's financial performance on cash basis reporting. Additional details can be found later in the attached financial report.

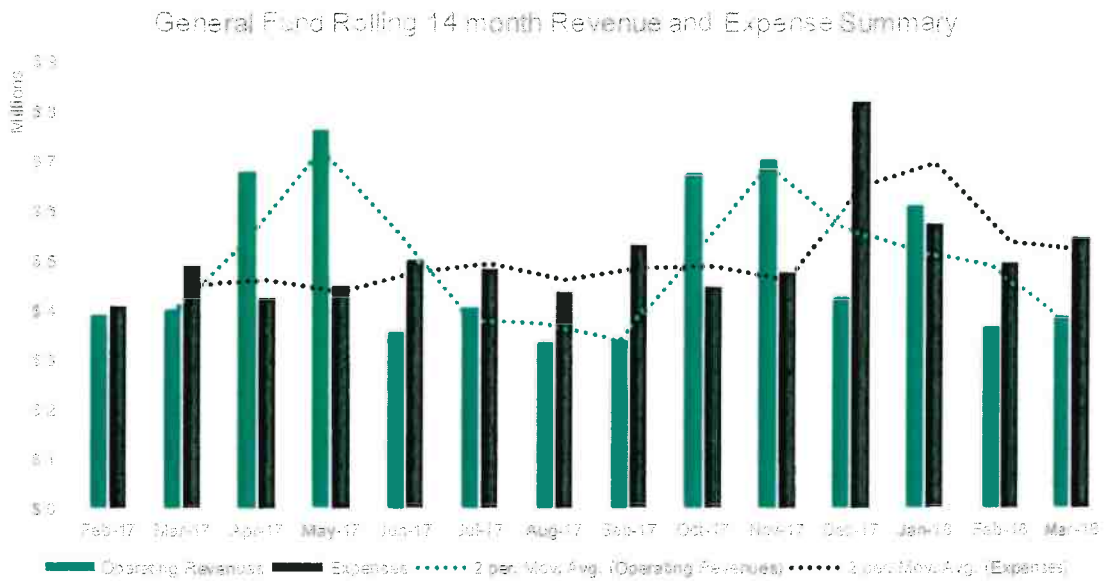
The first quarter status report is based on financial data available as of July 5th, 2018 for the reporting period ending March 31, 2018. Revenues are below allocated budget by \$506K and expenditures are below budget by \$169K.

Allocated budgets through the reporting period are calculated by analyzing spend patterns in the previous year and allocating the current year budget using the same spend pattern. If a line item had no expenditures in the prior year but a budget in the current year, the allocated budget for the current year would be zero.



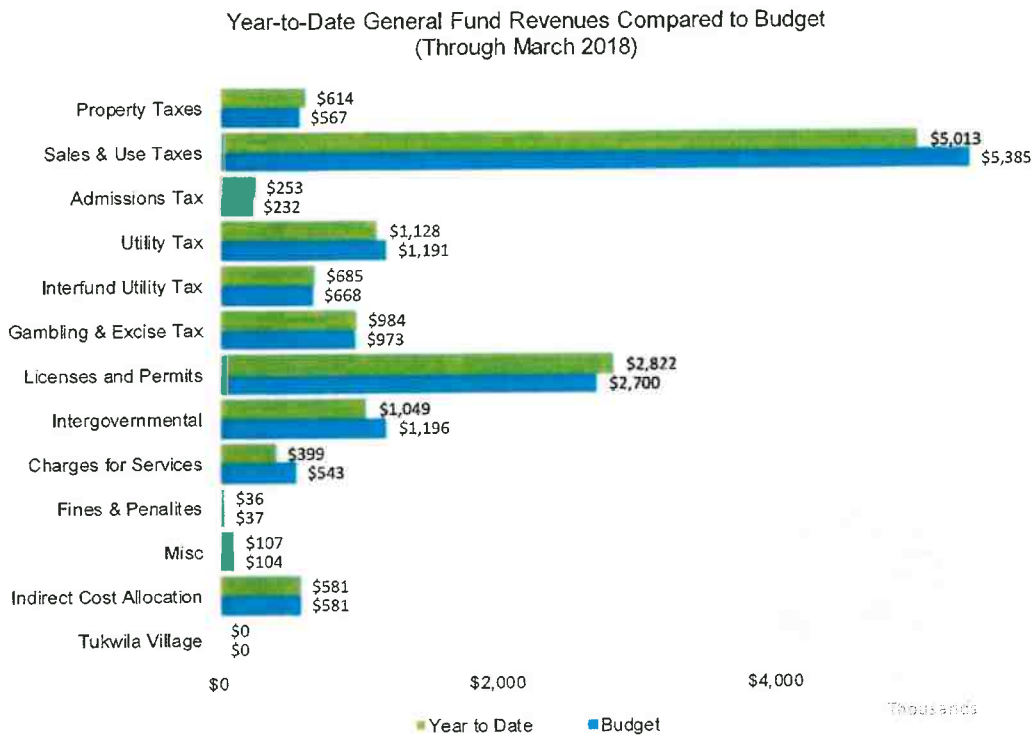
General Fund

The general fund is the City's largest fund and accounts for most City resources and services, other than those required by statute to be accounted for in another fund. Services include governance, public safety, and administration.



The above chart provides a look at revenues and expenses over the last 14 months. The trend lines are calculated using a 2-month average for both revenues and expenses. The revenue peaks in April/May and October/November are the result of Property Tax revenue.

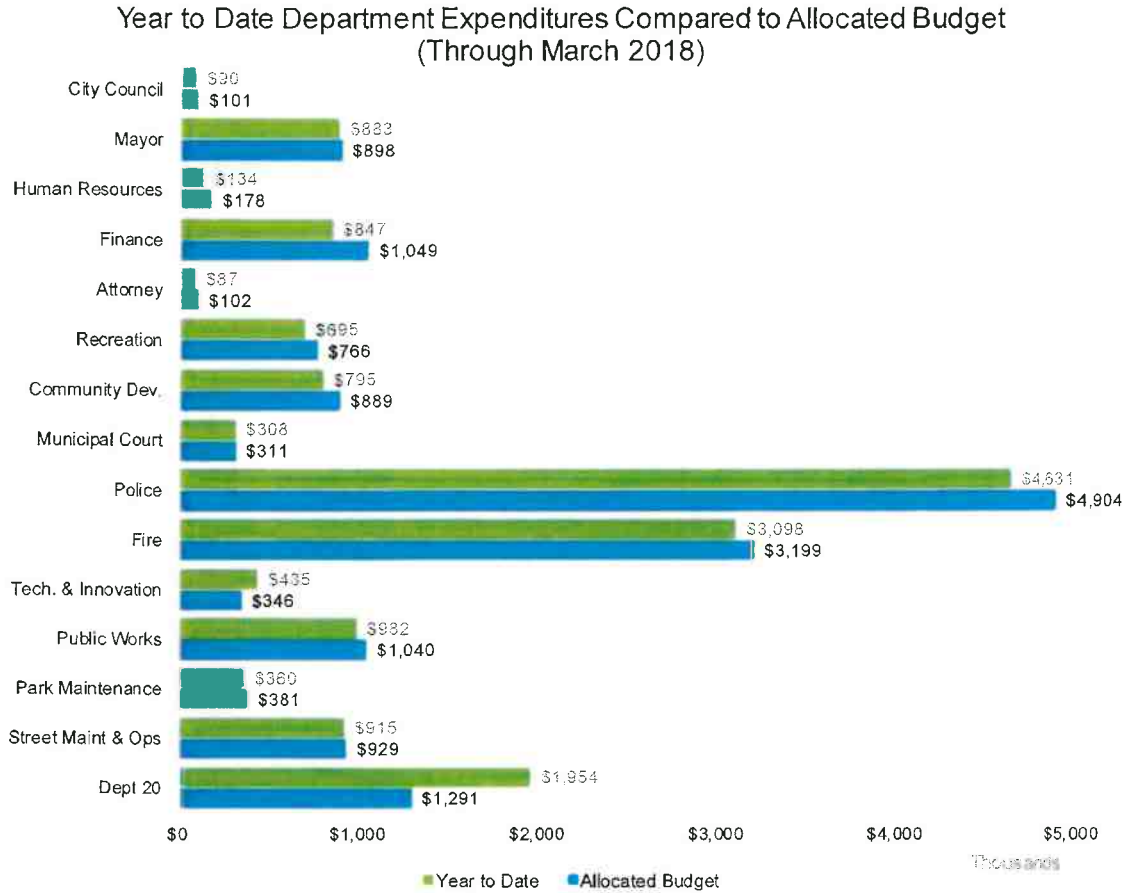
Revenues



Through March 2018, general fund revenues totaled \$13.7M compared to an allocated budget of \$14.2M and were \$130K higher than revenues collected for the same period in 2017. Notable variances to budget for the first quarter include:

- Sales and use taxes, which includes local retail sales and use tax, natural gas tax, and criminal justice sales tax, totaled \$5M, which is below budget by \$373K, however, it exceeds collections for the same period last year by \$108K.
- Business license fees, while below allocated budget by \$55K, exceed prior year revenue by \$223K. Beginning in 2018, the business license fee was changed to \$70 per full-time employee and \$35 per part-time employee and the RGRL fee was combined with the business license fee. The RGRL revenue line is now reflected in the business license revenue line.
- Intergovernmental revenue is below budget by \$356K. EMS levy funds of approximately \$400K were not received in the first quarter, but were received in the second.

Expenditures



General fund expenditures through the end of March 2018 totaled \$16.2M as compared to an allocated budget of \$16.4M, which is \$168K below budget. Notable variances are as follows:

- Police is under budget by \$272K. Salaries and benefits expenditures were under budget by \$249K due to vacancies.
- Fire is under budget by \$101K. Total salaries and benefits are below allocated budget by \$25K, and supplies are below budget by \$75K due to timing differences in spending.
- Finance is currently under budget by \$202K. Finance salaries and benefits were less than anticipated due to several open positions and claims and judgements is below previous year spending by \$55K.
- Technology and Innovation Services (TIS) exceeds allocated budget by \$90K. Salaries and benefits are above allocated budget by \$22K. A position that was vacant most of 2017 is now filled. Additionally, the professional services line is above allocated budget by \$53K. At the January 2nd regular meeting, Council authorized the Mayor to sign an agreement with Kronos to purchase and implement Telestaff. As part of the financing, the TIS department was to pay \$23K from their 2017 budget. Due to the timing of the implementation, the \$23K charge was incurred in 2018 instead of 2017. This item will be included in a budget amendment request at the end of 2018. It is also worth noting that, while 25% of the year has lapsed, TIS has only spent 21% of their annual budget through the first quarter.

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- Department 20 is above allocated budget by \$663K. In 2017, transfers to capital projects funds were not made until the latter part of 2017. Due to cash flow needs in the arterial street fund, transfers from department 20 to the arterial street fund have been made in the first quarter.

Fund Summary

The chart below is a summary of ending balances for each of the fund types as of March 31, 2018.

Fund Summary	General/ Contingency	Special Revenue	Capital Projects	Enterprise	Internal Service	Debt
Beginning Fund Balance	18,145,352	1,367,091	52,986,711	17,425,401	5,945,177	1,139,216
Revenues	13,692,371	139,987	11,005,336	7,112,376	5,316,154	705,208
Expenditures	(16,214,595)	(20,108)	(17,569,882)	(9,022,864)	(5,150,991)	(724,588)
Ending Fund Balance	15,623,127	1,486,969	46,422,165	15,514,913	6,110,340	1,119,836

General/Contingency

General Fund	General	Contingency
Beginning Fund Balance	11,868,277	6,277,075
Revenues	13,671,561	20,810
Expenditures	(16,214,595)	-
Ending Fund Balance	9,325,243	6,297,885

Special Revenue Funds:

Special revenue funds account for revenue sources and expenditures that are legally restricted to a specific purpose. The City has two special revenue funds: Lodging Tax and Seizure. The Lodging Tax fund receives a special excise tax on lodging charges and is used to promote tourism. The seizure fund accounts for the yearly accumulation of drug seizure funds and is used for seizure related expenditures. Through the end of March 2018, revenues exceeded expenditures in the Lodging Tax fund. Expenditures for the Seizure fund are greater than revenue by \$7K. In 2018 expenditures in the Seizure fund will exceed revenues due to amounts received in 2016 from the Motel raid in 2013.

Special Revenue Funds	Lodging Tax	Seizure
Beginning Fund Balance	1,139,775	227,316
Revenues	138,231	1,755
Expenditures	(11,240)	(8,869)
Ending Fund Balance	1,266,767	220,202

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Capital Projects Funds

The City has six capital projects funds. Revenue and expenditure details for the funds are as follows:

Capital Project Funds	Residential Streets	Arterial Streets	Land Acq, Rec. & Park Dev.	Facility Replacement	Gen Gov't Improvements	Fire Impact Fees	Public Safety Plan	City Facilities
Beginning Fund Balance	6,176,418	3,436,437	4,067,756	2,205,169	368,801	7,210	36,724,920	-
Revenues	120,216	2,416,140	244,580	11,322	51,025	22,442	139,610	8,000,000
Expenditures	(913,487)	(2,112,355)	(3,013,612)	(8,443)	(11,554)	-	(4,459,644)	(7,050,787)
Ending Fund Balance	5,383,147	3,740,222	1,298,724	2,208,048	408,273	29,652	32,404,886	949,213

Through the end of March, the major project in the residential street project is the 42nd Ave S Phase III, with expenditures of \$849K. Work also continues on the 53rd Ave S project with \$61K in expenditures.

Several arterial street projects were under way during the first quarter including S 144th St Phase II and Strander Blvd Extension Phase 3. Strander Blvd Extension project expenditures of \$248K were offset by \$212K of revenue received. Expenditures of \$1.5M for the Boeing Access Road Bridge Rehab were offset with grant revenue of \$1.2M. Major Maintenance on 3 Bridges was also under construction in the first quarter.

Land Acq, Recreation & Parks Development transferred \$3M to the City Facilities fund for land acquisition for the PW Works shops facility.

Enterprise Funds

The City's four enterprise funds account for operations with revenues primarily provided from user fees, charges, or contracts for services. The City has three utilities and one golf course. The following chart summarizes activity for the first quarter:

Enterprise Funds	Water	Sewer	Foster Golf	Surface Water
Beginning Fund Balance*	5,690,592	8,696,675	602,269	2,998,807
Revenues	1,333,965	2,382,192	208,956	3,187,263
Expenditures	(2,217,678)	(2,577,107)	(438,761)	(3,789,317)
Ending Fund Balance	4,806,879	8,501,760	372,463	2,396,753

* Foster Golf Beginning Fund Balance is adjusted to remove effect of GASB 68 Net Pension Liability

Revenue for water consumption and the golf course is weather dependent and is typically lower during the winter months while expenditures remain consistent throughout the year. Expenditures include a transfer from Utilities to Public Works of \$1.2M for land purchased for the new Public Works facility. Utility funds will be reimbursed when bonds are sold.

Internal Service Funds

Internal service funds provide services to other City departments and include functions such as employee and LEOFF 1 retiree medical insurance as well as equipment rental and replacement. Through the end of March, all internal service funds have sufficient funds to meet expenses. Expenditures include about \$3.7M for the purchase of new fire trucks which was reimbursed by a transfer from the Public Safety Plan fund.

Internal Service Funds	Fleet	Self Insured Healthcare - Actives	Self Insured Healthcare - Retirees
Beginning Fund Balance	4,178,570	1,066,595	700,012
Revenues	3,787,854	1,465,093	63,208
Expenditures	(3,744,593)	(1,324,861)	(81,537)
Ending Fund Balance	4,221,831	1,206,827	681,682

