



City of Bellevue

## MEMORANDUM

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Phone: 452-6846  
Date: May 22, 2015  
To: Mayor Balducci and City Council Members  
From: Jan Hawn, Finance Director  
Subject: 2015 First Quarter Budget Monitoring Report

Attached is the 2015 First Quarter Budget Monitoring Report for the period ending March 31, 2015. This report presents the General, General CIP, Development Services, and Utilities Operating and CIP Funds.

Key items – 2015 First Quarter:

- General Fund projections as of the first quarter of the year are not significantly different than budget. Overall General Fund revenue is projected to be about 0.3% (\$492K) above budget due to Sales Tax and B&O Tax performing slightly higher than budget.
- All other funds are performing within budget.

Please feel free to contact Toni Rezab at 452-7863 or me at 452-6846 with any questions you may have.

Sincerely,

Jan Hawn, Finance Director

Attachment  
2015 First Quarter Budget Monitoring Report

Cc: Brad Miyake  
Leadership Team



# BUDGET MONITORING REPORT

For the period from January 1 through March 31, 2015

## Economic Performance

This report presents revenues and expenditures for the General Fund, General Capital Investment Program Fund, Development Services Fund and the Utilities Operating and CIP Funds.

The purpose of this document is to report on the City's overall financial performance through the first quarter. This report compares actual expenditures and revenues and year-end projections to the 2015 budget.

The General Fund projections as of the first quarter of the year are not significantly different than budget. The revenue projection is slightly above budget at approximately one third a percent (\$492K).

## National Economy

The national economy has continued on its current trend of low to moderate growth. Nationally, Gross Domestic Product (GDP) was fairly flat for the first quarter growing only 0.2% from the preceding quarter. Despite the relative weak first quarter GDP results, 2015 is expected to see robust growth in other economic indices such as personal income and consumer confidence. Fuel prices have been lower than in recent years due to the dramatic drop in crude oil prices, which affects the economy in a couple of ways. Consumers have discretionary income to spend when fuel prices drop and lower fuel prices also contribute to lower transportation costs making goods less expensive. (Sources: IHS Global Insight and Energy Information Administration).

## Regional Economy

The Puget Sound continues to experience lower levels of unemployment than the nation, and has also benefited from rising wages higher than the national rate. Job gains can be seen in construction, aerospace, and manufacturing to name a few. On the horizon, the region forecasts deceleration in job growth over the new few years. (Source: PSEF: Puget Sound Economic Forecaster).

## Performance at a Glance

Pg. 2	General Fund Revenue Projection vs Expenditure Projection	+
Pg. 3	General Fund Revenue Projection as Compared to Budget	+
Pg. 4	General CIP Revenue Projection vs. Expenditure Projection	+
Pg. 5	Development Services Revenue Projection vs Expenditure Projection	+
Pg. 6	Utilities Operating Funds Revenue Projection vs Expenditure Projection	+
Pg. 6	Utilities CIP Revenue Projection vs Expenditure Projection	+

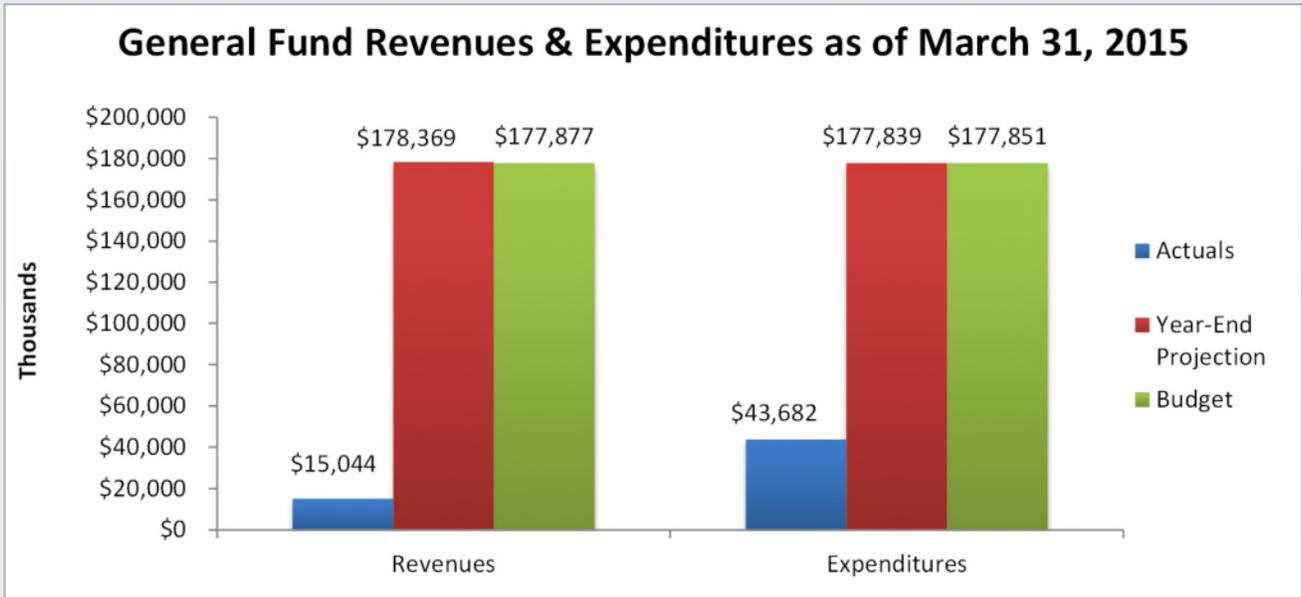
### Legend:

- + Positive variance or negative variance < 1%
- o Negative variance of 1-4%
- Negative variance of > 4%

## Bellevue Economy

Low fuel prices also have a direct effect on Bellevue's economy. When people spend less on fuel, they can spend more on discretionary purchases at one of the City's many retail establishments. Construction is also providing a boost to the City's economy, by creating many new construction jobs. Currently there are eleven large construction projects underway, such as Lincoln Square II and the 929 Office Tower, many of which are funded by outside investors. (Source: Cushman & Wakefield).

# GENERAL FUND PERFORMANCE



*NOTE: The above graph illustrates the difference between year-to-date revenue collections and expenditures through March, current year-end estimates, and adopted budget. Due to the time lag between earning and receiving some major taxes, year-to-date actuals are less than actual first quarter activities. Expenditures are based on actual activities performed during the first quarter.*

## Revenue

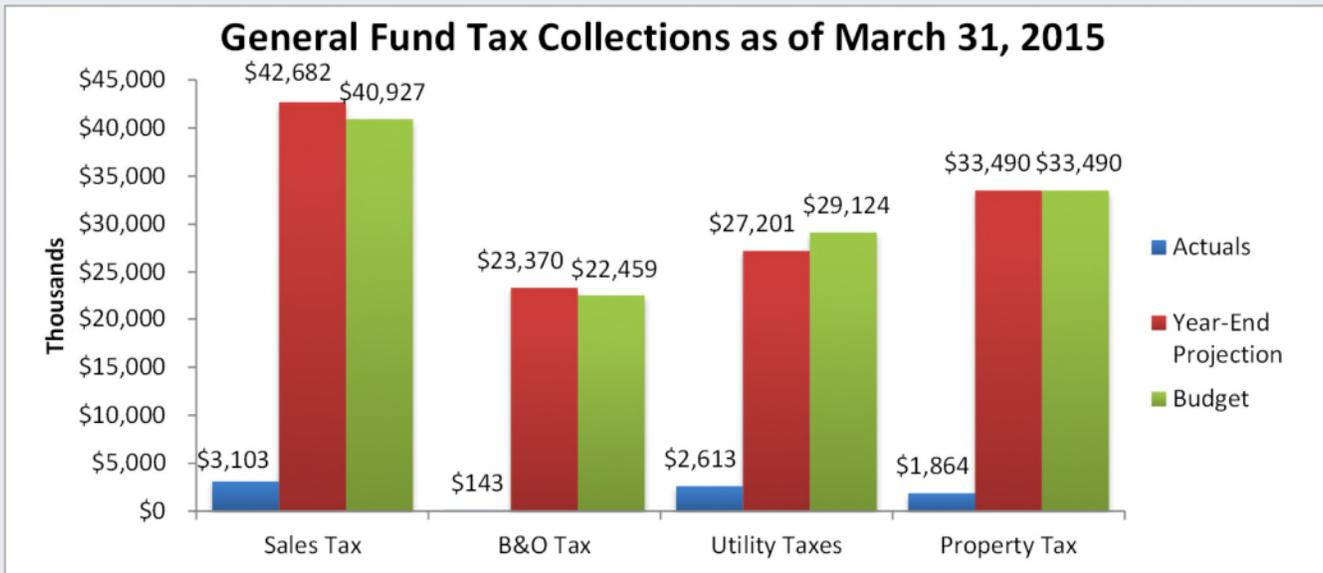
General Fund revenue is tracking close to budget at this point with a variance of only 0.3 percent greater than budget. Seventy one percent of revenue is collected through taxes (Sales, B&O, Utility, and Property taxes). Sales Tax and B&O are volatile and tied to economic conditions. One component of sales tax that is particularly cyclical is construction activity.

## Expenditures

Year-end expenditure estimates are not expected to be significantly different than budget at this point.

The Budget Office is closely watching spending and revenue on a monthly basis. These projections include department's 1% under budget assumption which the departments have included in their year-end estimate and are monitoring.

# GENERAL FUND PERFORMANCE



*NOTE: The above graph illustrates the difference between year-to-date collections through March, current year-end estimates, and 2015 budget. Due to the time lag between earning and receiving some major tax collections, year-to-date actuals are less than actual first quarter activities. Additionally, year-end projections are based on the limited information available to date. Projections, which are based on economic trends and projections, as well as historical collections, will be updated as more information becomes available.*

### Tax Revenues

At this early point, year-end tax revenue is projected to be 0.6% above budget. Taxes exceeding budget, like sales tax, are largely offset with taxes that are coming up short, such as utility taxes.

#### Sales Tax:

Sales tax is projected to be greater budget due to development activity, specifically large construction projects. Increased title company revenue tied to the real estate market is also contributing to the higher projection, as well as computer design services.

#### Business and Occupation Tax (B&O Tax):

B&O tax is projected to be above budget due to a large business audited in the prior year remitting their ongoing tax obligation, as well as generally better economic conditions.

#### Utility Taxes:

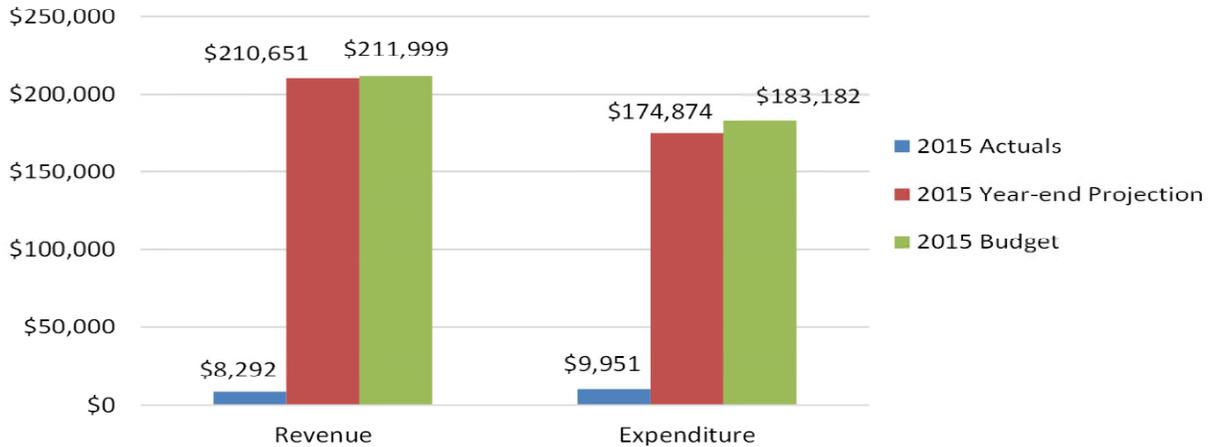
Utility tax collections are projected to be below budget due to continued decline in Electric, Gas, Telephone and Cell Phone tax collections. The Budget Office is updating the out-year forecast to reflect the flattening of utility tax collections.

#### Property Tax.

Property tax is determined based on the assessed value of properties and the tax rate levied within Bellevue. Bellevue's 2015 total levy rate is \$0.98 per \$1,000 AV which includes a \$0.10 per \$1,000 of assessed value for the voter authorized Parks and Open Space Levy Lid Lift.

# GENERAL CIP PERFORMANCE

## General CIP Fund as of March 31, 2015 (000's)



\*Includes historical carry forward and current period adjustments.

*NOTE: The above graph illustrates the difference between year-to-date resource collections and expenditures through March, current estimates, and available budget. Due to the time lag between earning and receiving some major tax collections, year-to-date actuals are less than actual first quarter activities. Expenditures are based on actual activities performed through the first quarter.*

### Resources

Major CIP resources are comprised of bond proceeds, taxes, grants and contributions. The largest annual resource for the CIP fund are taxes: Sales Tax, B&O Tax, Real Estate Excise Tax and the Parks Levy. The 2015 CIP also includes a \$87.9 million bond issue which will be finalized in the second quarter. Sales Tax and B&O tax collections are projected to be higher than budget. For specific discussion about Sales and B&O tax, see the General Fund section of this report.

Miscellaneous revenues, which includes private donations, are keeping pace with schedule. The first quarter collections include a 2014 private donation revenue received in 2015 for the Bellevue Youth Theater and the Bellevue Botanical Gardens.

### REET

Real Estate Excise tax (REET) is projected to be in excess of budget. REET is restricted by council ordinance, 50% to Transportation and 50% to Parks. This year there have been 12 large transactions compared to 7 at this point last year. The Budget Office will continue to watch and reevaluate during the second quarter.

### Expenditures

CIP expenditures are projected to be \$175 million at year-end. Expenditure projections include progress on large scale transportation projects (completion of the NE 4th St. extension, ongoing work on the 120th St. Stage 2 project), as well as finalizing large property acquisitions related to the Sound Transit East Link project.

Other expenditure highlights include the Parks Department's ongoing planning work on the Downtown Park project. Construction is anticipated to begin in late 2015. The first quarter projections estimate CIP revenue to exceed expenditures at year end.

### CIP General Tax Collections Budget vs Q1 Actuals



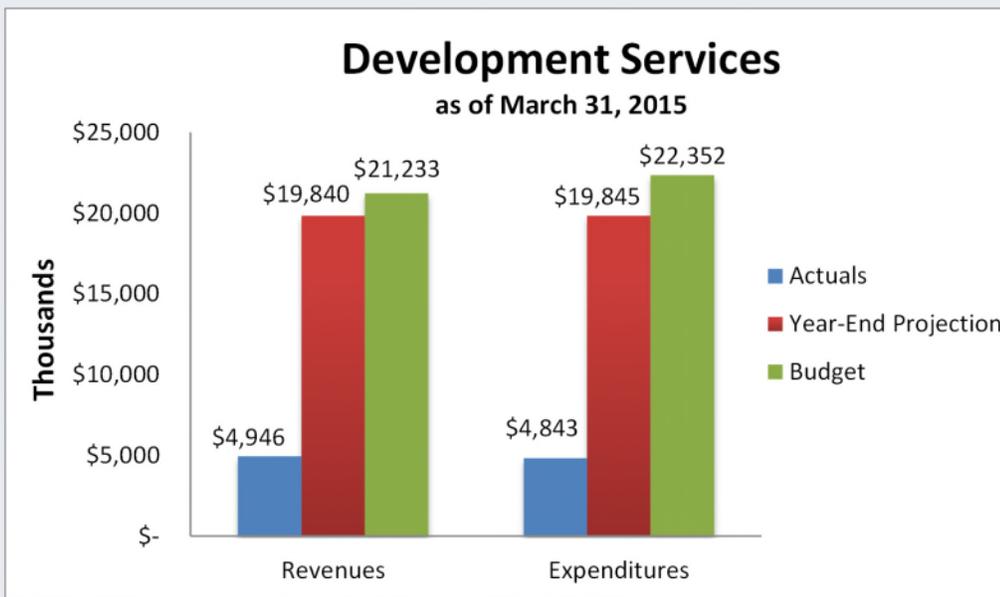
## City of Bellevue Budget Monitoring Report

January 1 to March 31, 2015

## DEVELOPMENT SERVICES PERFORMANCE

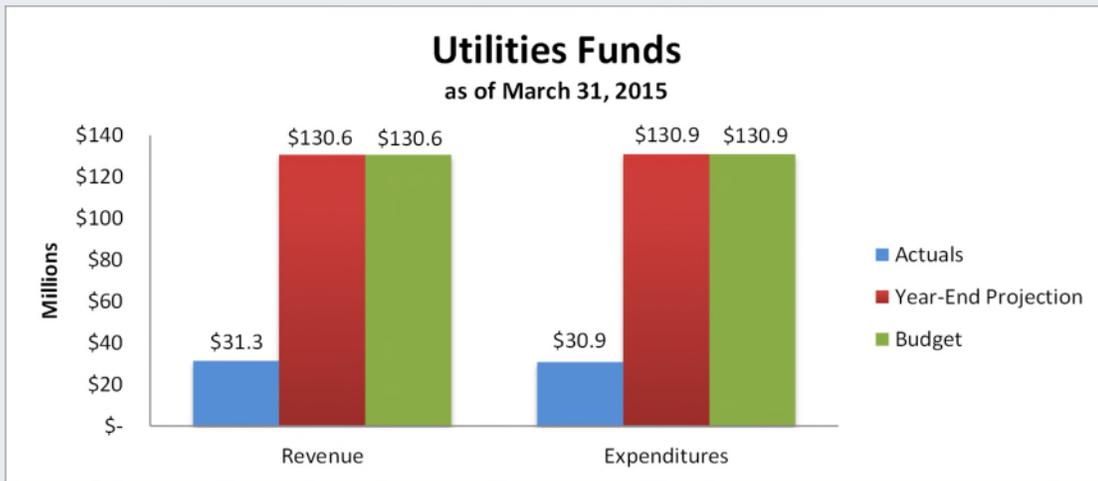


*Bellevue Square Expansion—701 Bellevue Way*



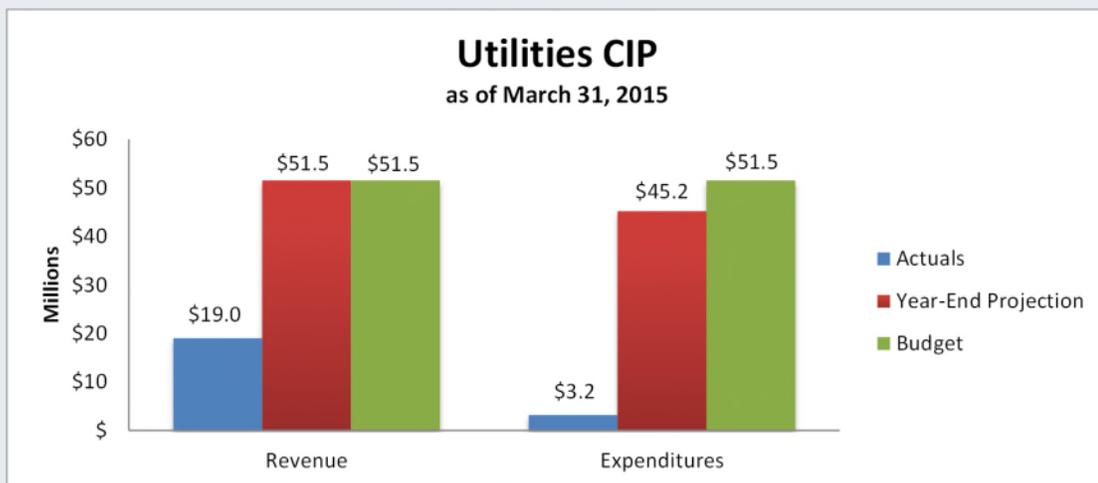
Development Services revenue collections indicates that permit applications continue to come in and development remains at a high level. Several major projects are in the construction phase of development with other permits anticipated to be issued this year. Development activity is anticipated to grow steadily through year-end. The Development Services year-end expenditure projection reflects expenditure savings due to the timing of East Link projects delayed into late 2015, and will be realized mainly through position vacancies that were added in anticipation of additional workload for the East Link Light Rail project and will be filled as workload demands.

## UTILITIES OPERATING FUNDS



Utility operating revenues, along with reserves, were sufficient to cover expenses in the first quarter. Revenues and expenses (exclusive of reserves) are expected to be at budget by year end.

## UTILITIES CIP



Utility CIP first quarter actual revenues include carry overs from the previous year. Revenues (exclusive of reserves) are expected to be at budget by year end. First quarter CIP expenditures reflect projects under construction extended from 2014 and newly awarded in 2015. The CIP expenditure differential between year-end projections and budget reflect known CIP project delays in 2015 and savings on completed projects during the first quarter.

### City of Bellevue Budget Monitoring Report

January 1 to March 31, 2015