



15728 Main Street, Mill Creek, WA 98012
Administration 425-745-1891
Police 425-745-6175
All Other Departments 425-551-7254

DATE: March 6, 2019
TO: Mayor and Council
THROUGH: Bob Stowe, Interim City Manager
FROM: Peggy Lauerman, Director of Finance and Administration
SUBJECT: Financial Reports for the period ending December 31, 2018

Attached for your review is the City's budget status report as of December 31, 2018.

I am pleased to report that the results of Citywide Funds show a surplus of \$1,755,490 through the 8th quarter of the 2017-2018 biennium. This surplus has been added to the City's 2019-2020 reserve.

In December 2018, the Council adopted the following budget amendments related to the General Fund:

Revenue:

- An increase in revenue of \$1,900,000 related to sales tax, charges for services & interest.

Expenditure Increases:

- Interfund transfer of \$1,045,000 to the Capital Improvement Fund in accordance with the adoption of the 2019-2024 Capital Improvement Plan, Ordinance 2018-837.
- Interfund loan of \$500,000 to the Surface Water Fund as approved by Ordinance 2018-836.
- Increased expenditures of \$450,000 related to legal, professional, and employment costs.
- Funding of the Equipment Replacement Fund as prescribed by the State Auditor's Office in compliance with RCW 35.21.088. Expenditures for depreciation and capital outlay of \$450,000 excluded from general fund expenditures in the 2017-2018 budget as adopted on December 2, 2016, Ordinance 2016-810.

The General Fund reports a surplus for the biennium of \$1,596,201.

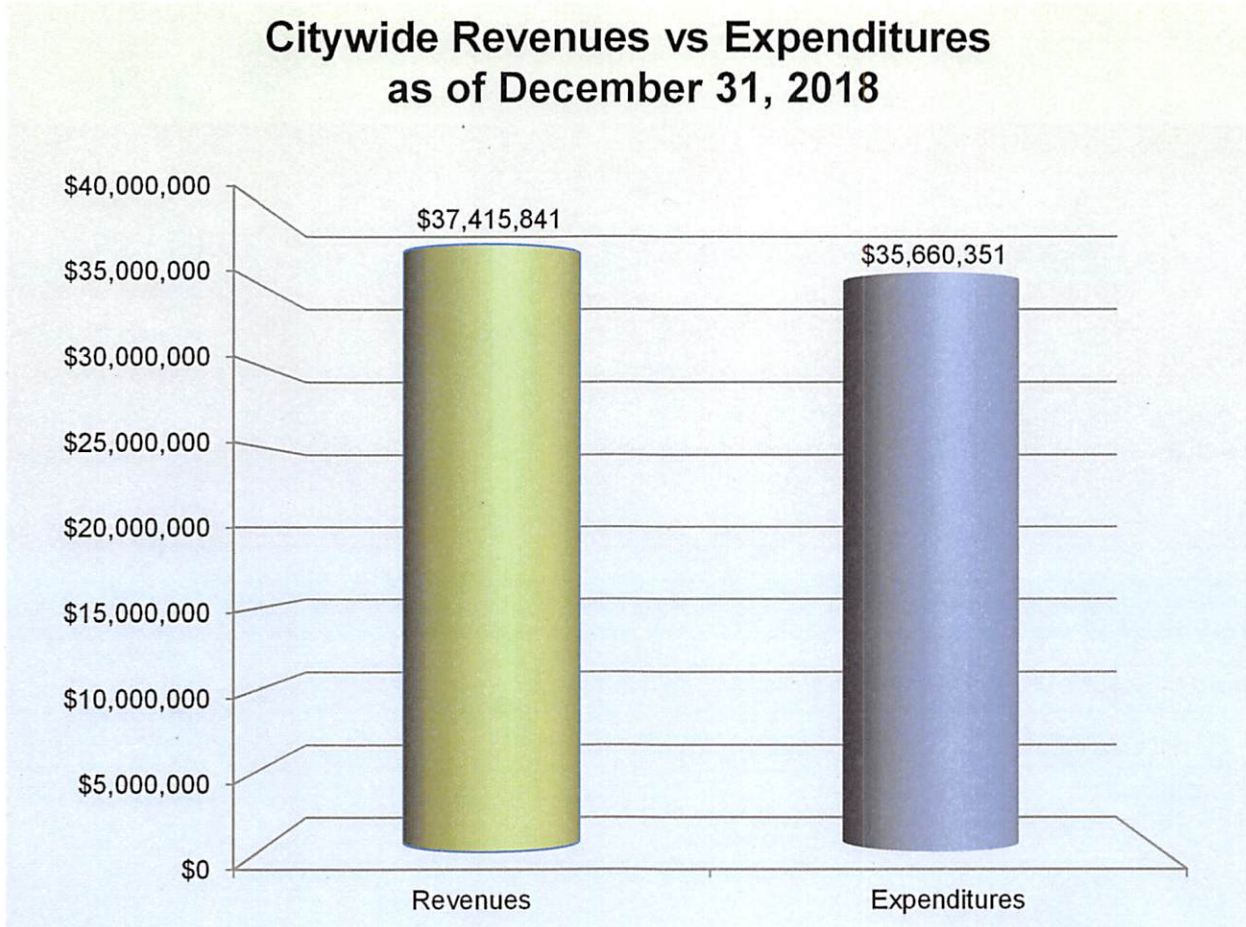
Please contact Interim City Manager Stowe or me if you have any questions concerning the attached financial data.

**City of Mill Creek
2017-2018 Budget Status Report
For the Quarter Ending, December 31, 2018
Executive Summary**



On December 31, 2018, the City concluded the eighth and final quarter of the 2017-2018 biennium. The budget period described in this report is 100% complete.

**Citywide Revenues vs Expenditures
as of December 31, 2018**



Notable Highlights

Property and EMS tax for the biennium have increased substantially over the previous biennium due to increased levy amounts for 2015, 2016 and 2017. The table below shows the levy percentages since 2015. As a result, the current biennium has had a substantial increase in revenue of approximately \$1,371,000 over the same period in the previous biennium.

	2015	2016	2017	2018
Regular Property Tax Levy	2.00%	3.00%	0.95% *	1.00%
EMS Tax Levy	12.29%	1.00%	31.00%	1.00%

*Limited by Implicit Price Deflator

Other impacts to 2018 revenues vs 2017:

General Fund

- Sales tax increase \$ 177,977
- Passports \$ 356,955
- Fines & Penalties \$ 107,029
- Interest \$ 131,183
- Development Services \$ (89,645)

City Wide Funds

City wide 2018 surplus/deficit

- General Fund \$ 1,596,201
- Street Fund \$ (61,072)*
- Capital Improvement Funds \$ 663,942
- Surface Water \$ (455,625)**
- Other Funds(net) \$ 12,044

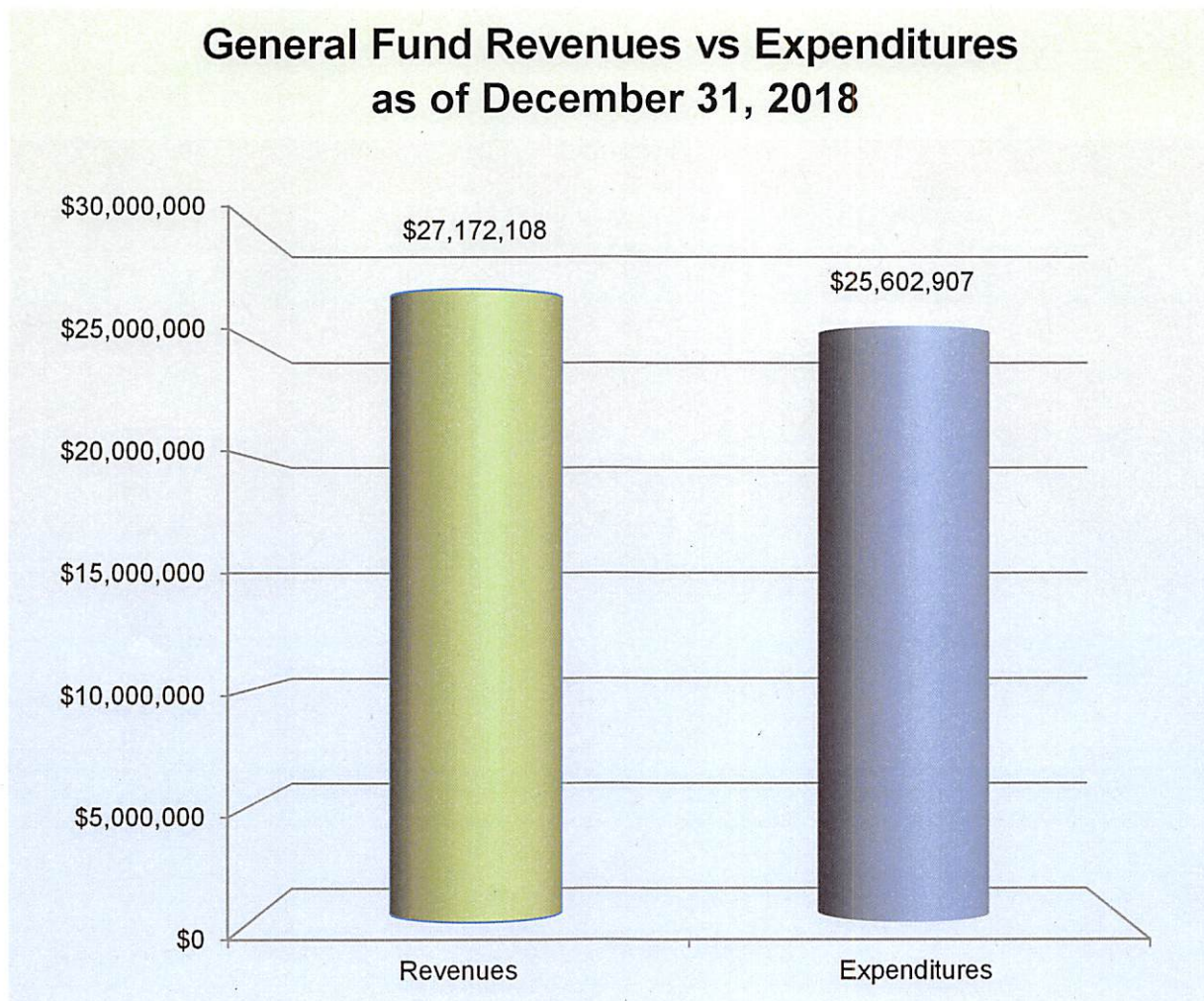
Budget vs Actual Figures		Inflow/Outflow	2017-18 Amended Budget	% of Budget
City Wide Total	Inflow	\$ 37,415,841	\$ 37,548,051	99.6%
	Outflow	\$ 35,660,351	\$ 37,536,371	95.0%
General Fund	Inflow	\$ 27,172,108	\$ 26,957,730	100.8%
	Outflow	\$ 25,602,907	\$ 25,609,465	100.0%
Street Fund	Inflow	\$ 1,046,923	\$ 1,016,446	103.0%
	Outflow	\$ 1,107,995	\$ 1,116,000	99.3%
Capital Improvement Funds	Inflow	\$ 5,869,351	\$ 6,332,372	92.7%
	Outflow	\$ 5,205,409	\$ 6,460,000	80.6%
Surface Water	Inflow	\$ 1,583,382	\$ 1,426,000	111.0%
	Outflow	\$ 2,039,007	\$ 2,248,735	90.7%

Note: Amounts exclude interfund transfers/loans

* Expenditures outpaced revenues as a result of increased costs related to repairs and maintenance for street lighting and equipment, landscape services and funding associated with equipment replacement.

** Expenditures incurred for the Sweetwater Ranch Storm Project totaled \$841,000 which caused the deficit for the biennium.

General Fund Revenues vs Expenditures as of December 31, 2018



I. ECONOMIC INFORMATION

The State Economic and Revenue Forecast Council's [November 2018 Economic and Revenue Forecast](#) suggests that the Washington economy is expanding at a rapid pace. Washington's unemployment rate reached a new all-time low in October. Seattle home prices and Washington housing construction have weakened. Washington manufacturing activity and export growth remain positive. Seattle area consumer price inflation is well above the national average due to higher shelter cost inflation.

The Washington forecast is very similar to the September forecast. We expect 2.7% Washington employment growth this year compared to 2.9% in the September forecast. We expect employment growth to average 1.3% per year in 2019 through 2023, which is slightly higher than the 1.2% average growth in the September forecast. Our forecast for nominal personal income growth this year is 6.9%, up from 6.6% in the September forecast. Our new forecast for nominal personal income growth in 2019 through 2023 averages 4.8% per year compared to 4.9% per year in the September forecast. We expect

43,700 housing units authorized by building permits this year compared to 43,800 in the September forecast. We expect permits to average 42,300 in 2019 through 2023, down from 42,800 in the September forecast. As in September, we expect the all-items Seattle CPI to rise 3.0% this year. We expect Seattle area inflation will average 2.1% per year in 2019 through 2023, down slightly from 2.2% in the September forecast.

II. GENERAL FUND - REVENUES

In December, a budget amendment was adopted increasing budgeted revenues by \$1,900,000 due to an increase related to sales tax, charges for services & interest.

	Actuals Through 12/31/2018	% of Budget	2017-2018 Amended Budget
Revenues			
Property Tax-Regular/EMS	15,653,810	100.1%	15,634,356
Sales Tax	6,887,112	101.5%	6,783,550
Licenses & Permits	1,388,833	100.0%	1,388,250
Grants/Intergovernmental	784,843	101.0%	777,054
Charges for Services	1,683,519	102.1%	1,649,120
Fines	392,911	101.0%	389,000
Miscellaneous	381,081	113.3%	336,400
Total Resources	27,172,108	100.8%	26,957,730

The City has received \$5,787,446 in sales tax revenue exclusive of public safety and criminal justice sales tax for the first eight quarters of the biennium. Of this amount, tax related to retail trade has outpaced any of the other categories of sales tax with a total of \$2,324,762. Construction sales tax of \$1,140,028 follows retail trade sales tax.

Investment interest has outperformed expectations as a result of steadily climbing interest rates in the Local Government Pool. The City's net interest earning rate was 2.3718% compared to .5057% in December, 2016.

The general fund balance was \$6,088,372 on December 31, 2018.

III. GENERAL FUND - EXPENDITURES

General Fund outflows were \$27,446,083 or 100% of the amended biennium budget.

	Actuals Through 12/31/2018	% of Budget	2017-2018 Amended Budget
Expenditures			
Legislative	427,041	99.8%	427,897
City Manager	1,591,770	99.9%	1,592,915
Finance & Administration	1,364,168	99.6%	1,369,405
Information Technology	799,113	99.3%	804,375
Police	10,032,866	100.0%	10,033,092
Fire Services	7,584,236	100.0%	7,584,300
Non-Department	2,516,827	99.6%	2,526,049
Community Development	1,371,070	99.9%	1,372,014
Public Works	1,758,992	99.8%	1,762,418
Total Expenditures	27,446,083	99.9%	27,472,465
Less Transfers Out/Interfund Loans	(1,843,177)		(1,863,000)
Total Expenditures Less Transfers out	25,602,907	100.0%	25,609,465

IV. OTHER MAJOR FUNDS

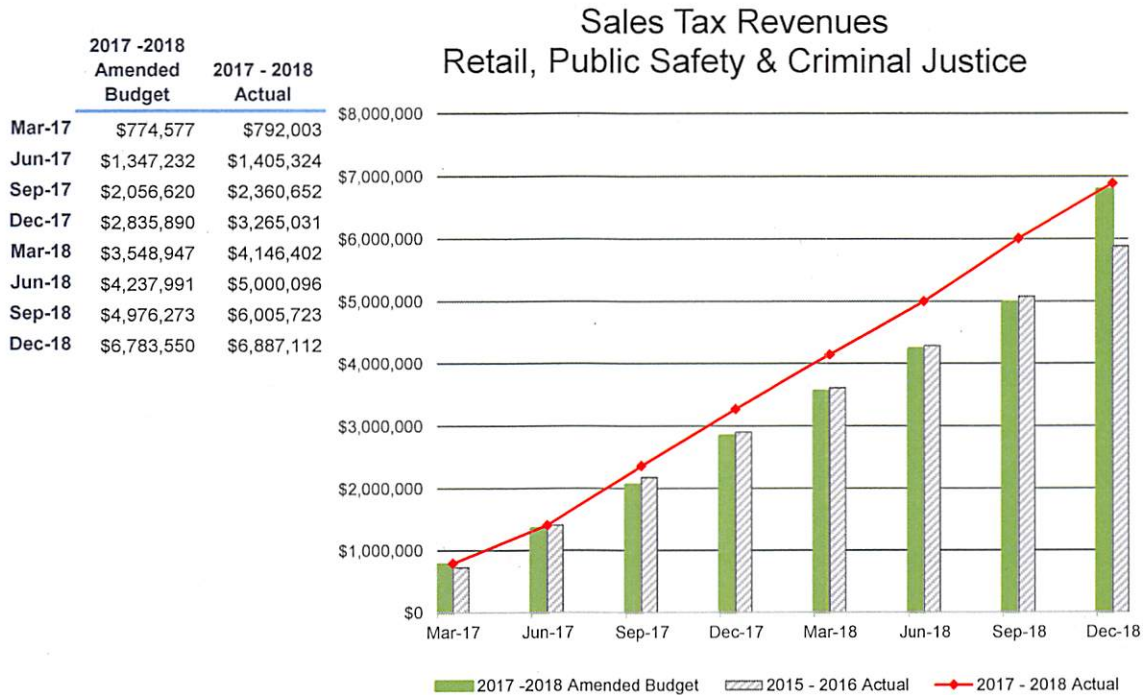
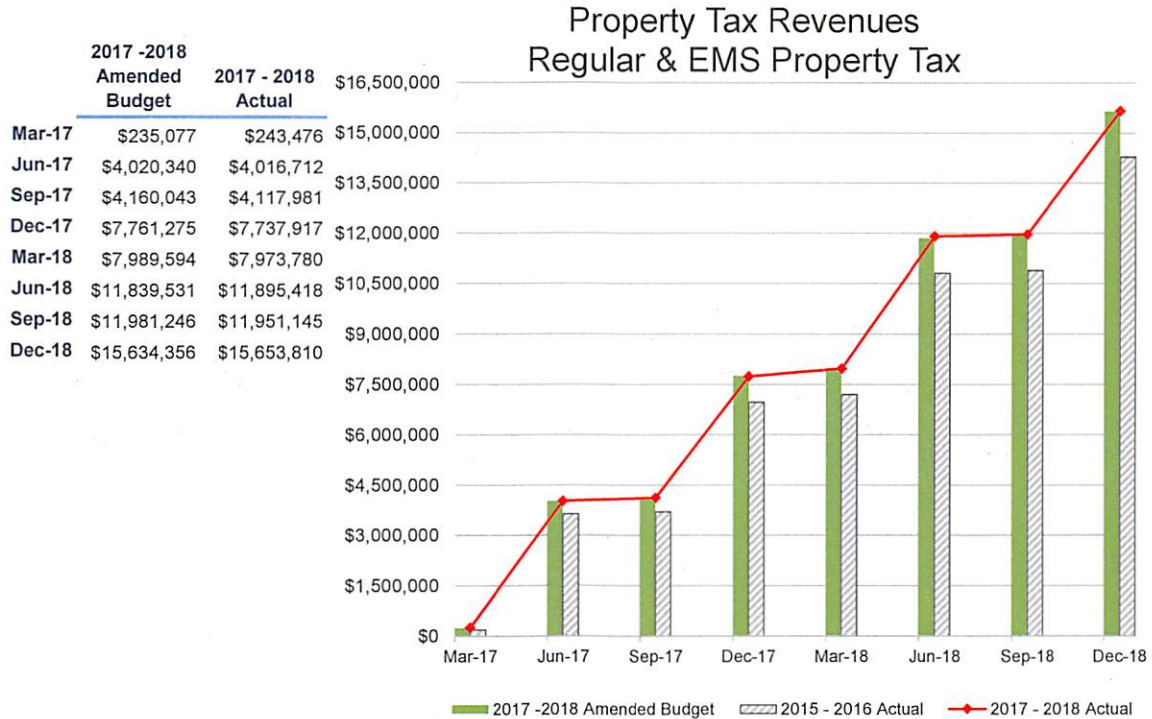
SURFACE WATER FUND

The Surface Water Fund is an enterprise fund that provides services to the public for a fee that makes the entity self-supporting.

Expenditures incurred for the Sweetwater Ranch Storm Project totaled \$841,000 and depleted the reserves for this fund. As a result, a loan of \$500,000 was executed on October 1st which will facilitate cash flow needs of routine operations along with increased expenditures for a rate analysis and design package in connection with future surface water infrastructure repairs. Quarterly payments for principal and interest are scheduled to be \$43,033.

An additional appropriation of \$1,000,000 for the Surface Water Fund was required as a result of the Sweetwater Ranch Storm water infrastructure failure (sinkhole).

General Fund Revenues

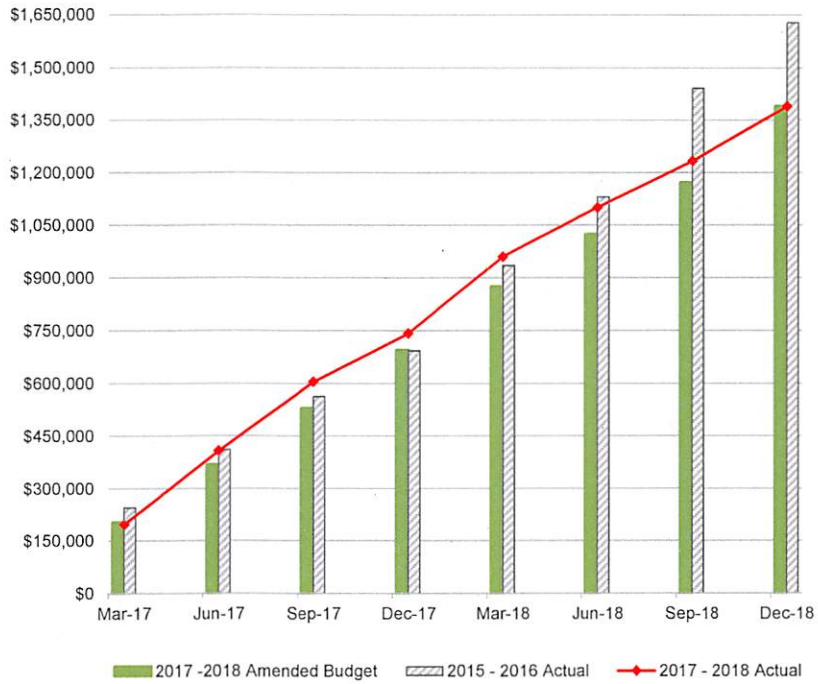


Sales tax excludes \$185,000 of construction sales tax which was allocated directly to the capital improvement fund.

General Fund Revenues

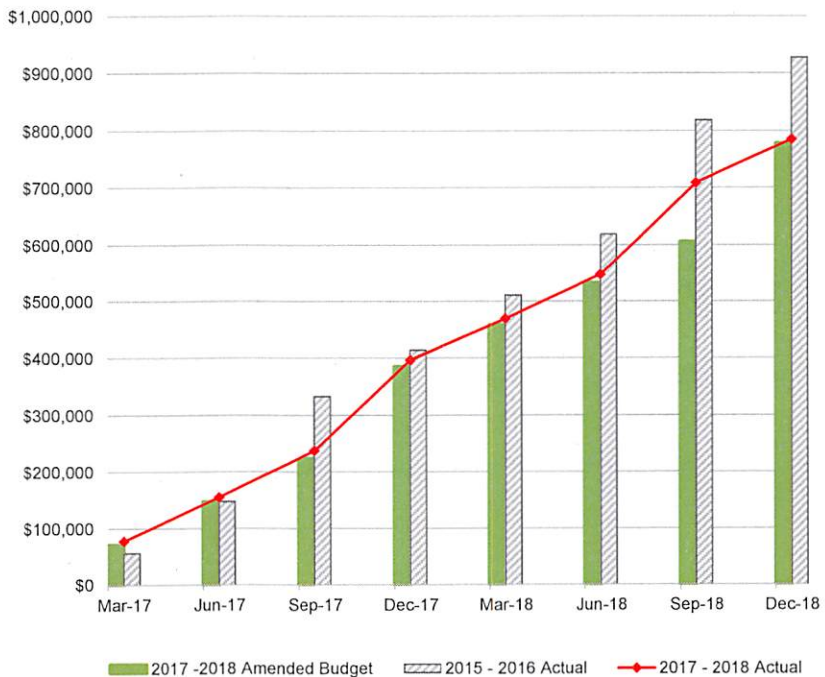
	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$202,129	\$196,786
Jun-17	\$367,247	\$407,438
Sep-17	\$528,381	\$604,368
Dec-17	\$693,514	\$741,192
Mar-18	\$873,948	\$959,757
Jun-18	\$1,022,295	\$1,099,425
Sep-18	\$1,170,272	\$1,232,611
Dec-18	\$1,388,250	\$1,388,833

License & Permit Revenues

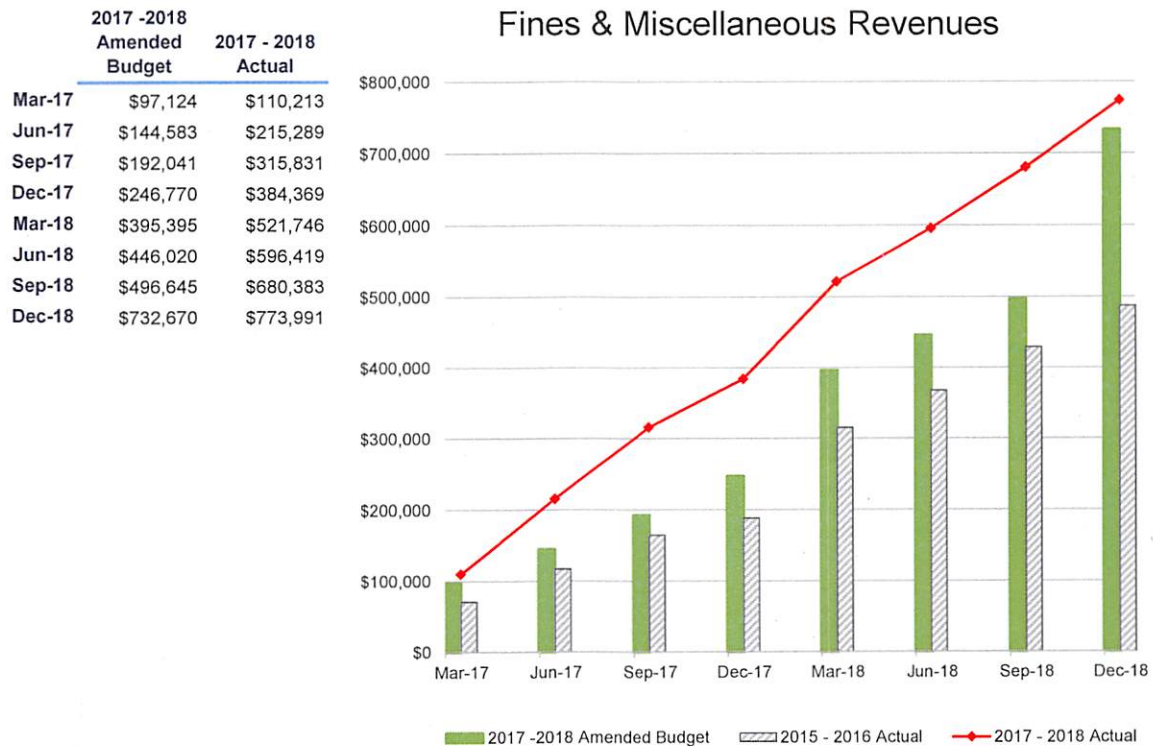
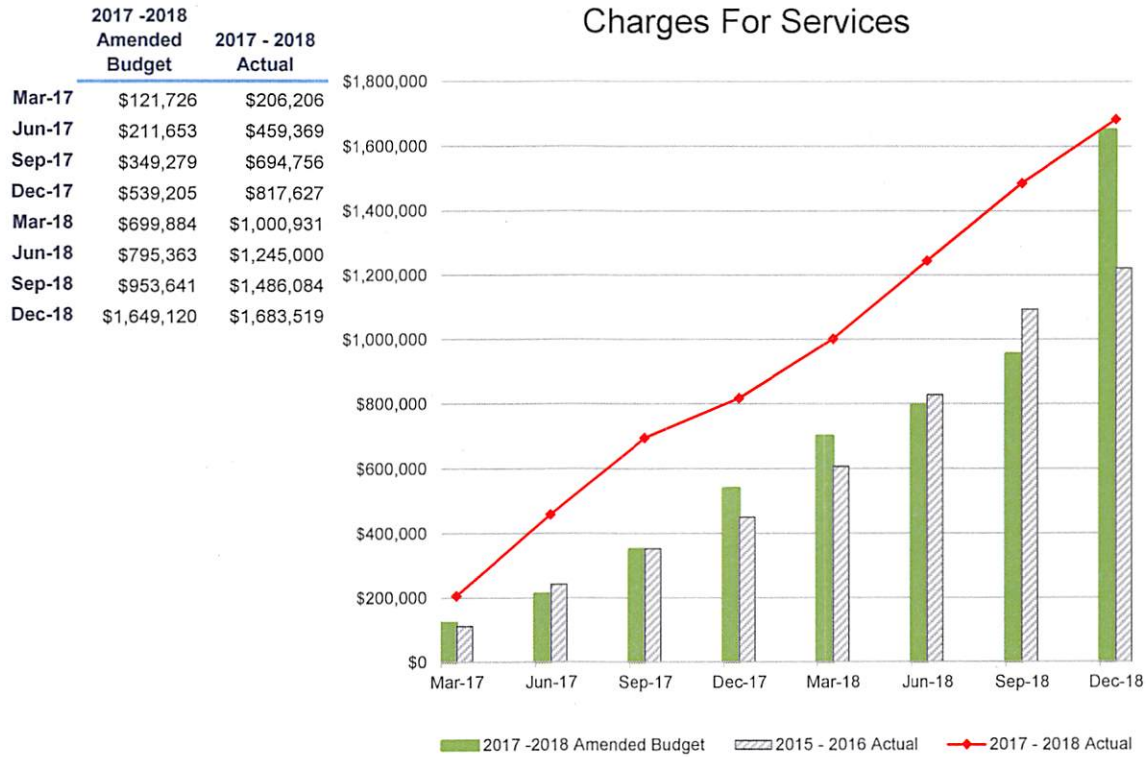


	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$71,806	\$78,061
Jun-17	\$147,678	\$154,939
Sep-17	\$223,550	\$237,583
Dec-17	\$384,917	\$396,415
Mar-18	\$458,659	\$469,461
Jun-18	\$532,401	\$547,371
Sep-18	\$606,142	\$708,432
Dec-18	\$777,054	\$784,843

Intergovernmental & Grant Revenues

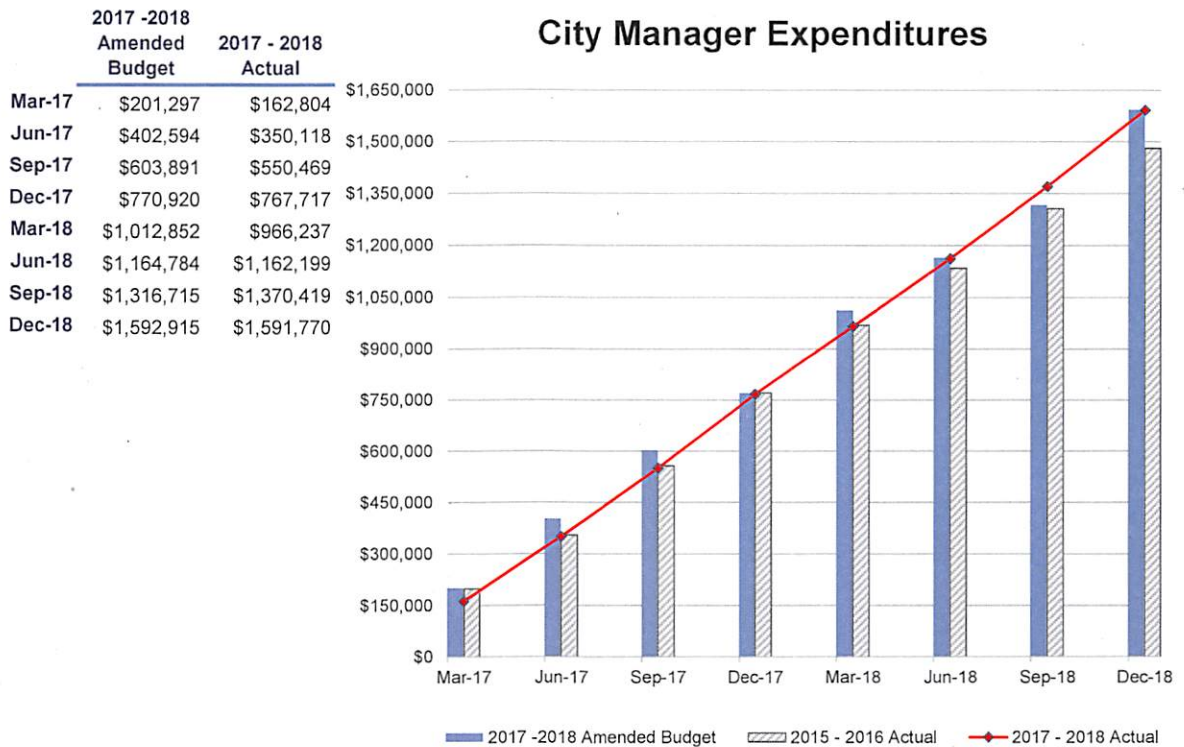
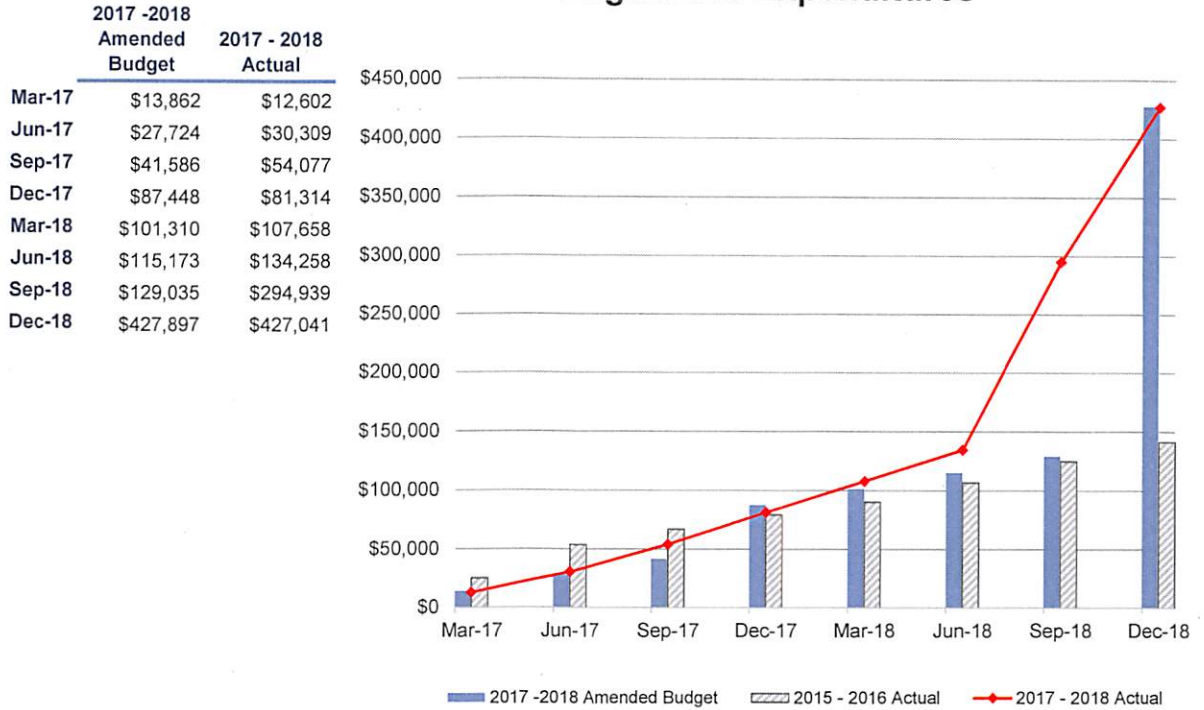


General Fund Revenues



General Fund Expenditures

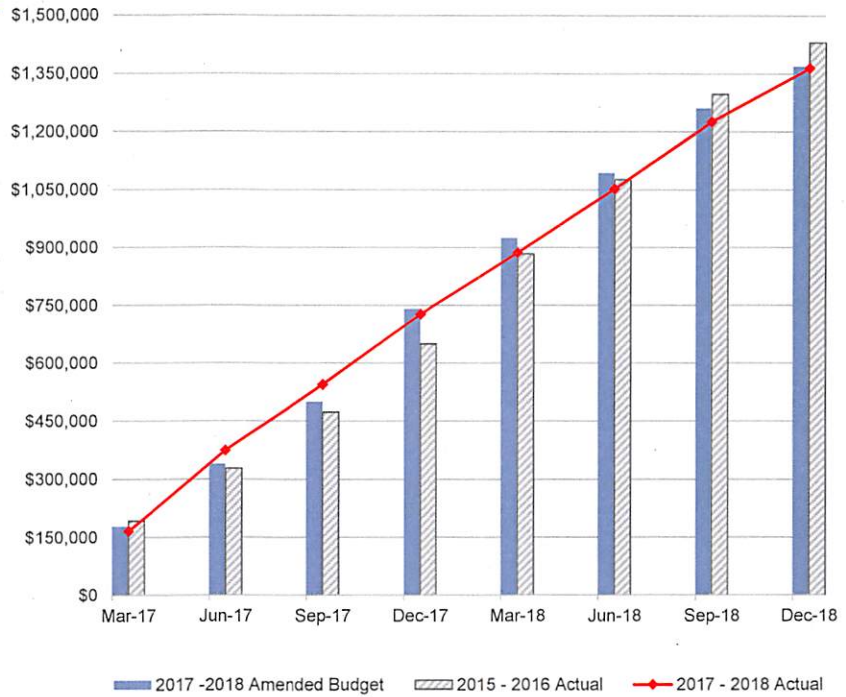
Legislative Expenditures



General Fund Expenditures

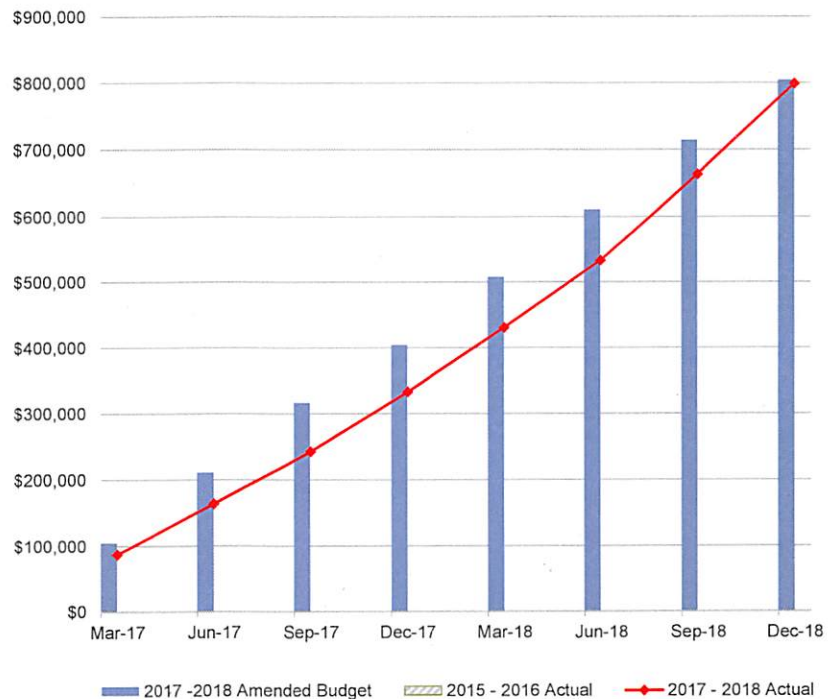
	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$178,100	\$166,209
Jun-17	\$339,200	\$374,408
Sep-17	\$500,299	\$544,802
Dec-17	\$740,667	\$726,796
Mar-18	\$925,419	\$886,557
Jun-18	\$1,093,170	\$1,052,605
Sep-18	\$1,260,922	\$1,225,738
Dec-18	\$1,369,405	\$1,364,168

Finance Expenditures



	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$105,433	\$87,802
Jun-17	\$210,866	\$164,145
Sep-17	\$316,299	\$242,684
Dec-17	\$404,732	\$332,943
Mar-18	\$507,893	\$431,230
Jun-18	\$611,054	\$532,683
Sep-18	\$714,214	\$663,321
Dec-18	\$804,375	\$799,113

Information Technology Expenditures

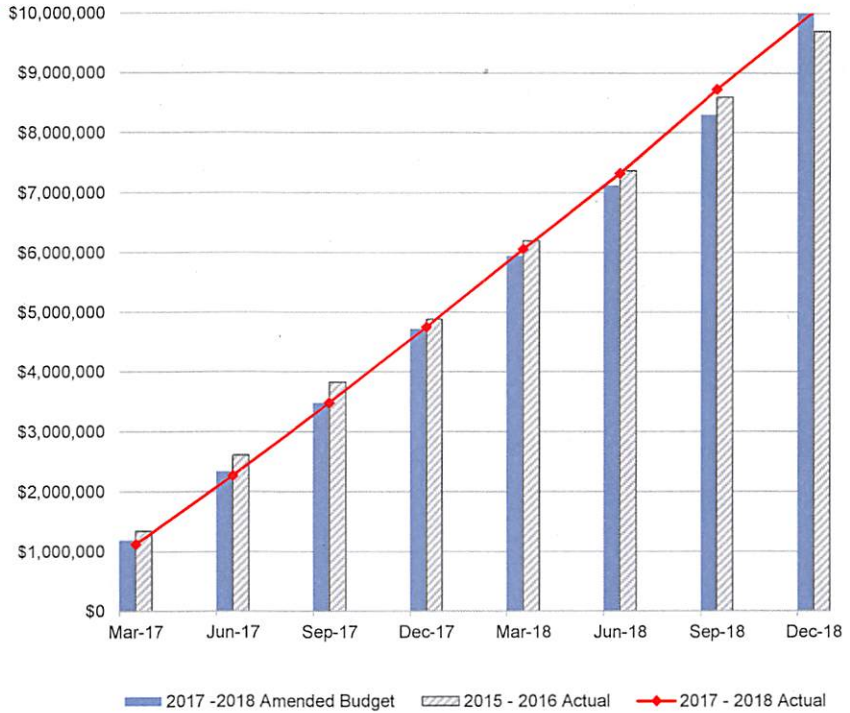


IT was not a separate department in the 2015-2016 biennium and costs are reflected in multiple departments.

General Fund Expenditures

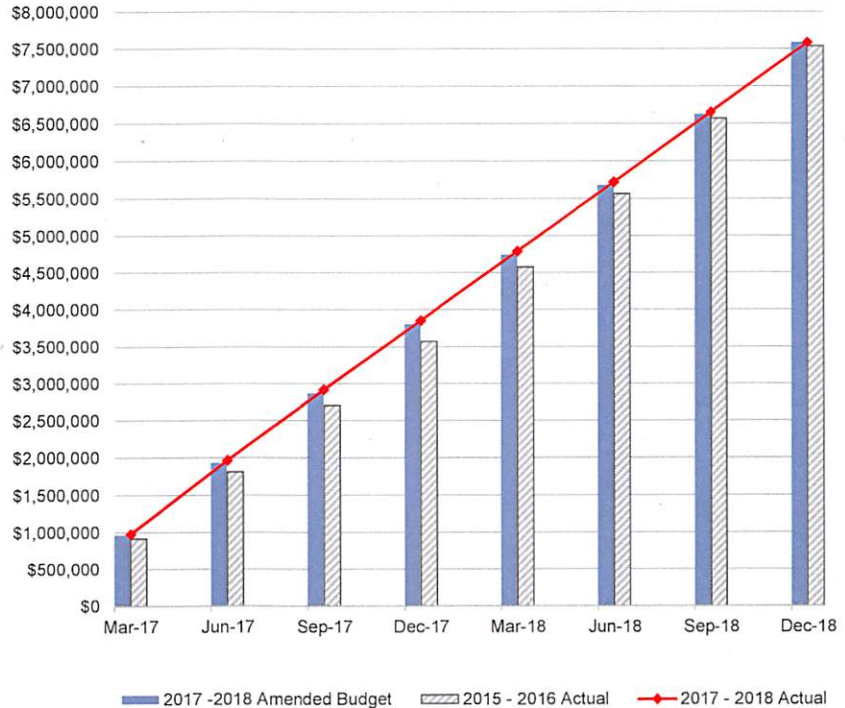
	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$1,192,446	\$1,128,602
Jun-17	\$2,335,892	\$2,265,074
Sep-17	\$3,479,337	\$3,482,937
Dec-17	\$4,723,083	\$4,754,032
Mar-18	\$5,947,944	\$6,061,381
Jun-18	\$7,123,805	\$7,321,442
Sep-18	\$8,299,665	\$8,727,408
Dec-18	\$10,033,092	\$10,032,866

Police Expenditures



	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$966,188	\$982,977
Jun-17	\$1,932,375	\$1,968,687
Sep-17	\$2,870,063	\$2,920,507
Dec-17	\$3,807,450	\$3,855,972
Mar-18	\$4,745,138	\$4,792,949
Jun-18	\$5,682,825	\$5,723,424
Sep-18	\$6,620,513	\$6,653,651
Dec-18	\$7,584,300	\$7,584,236

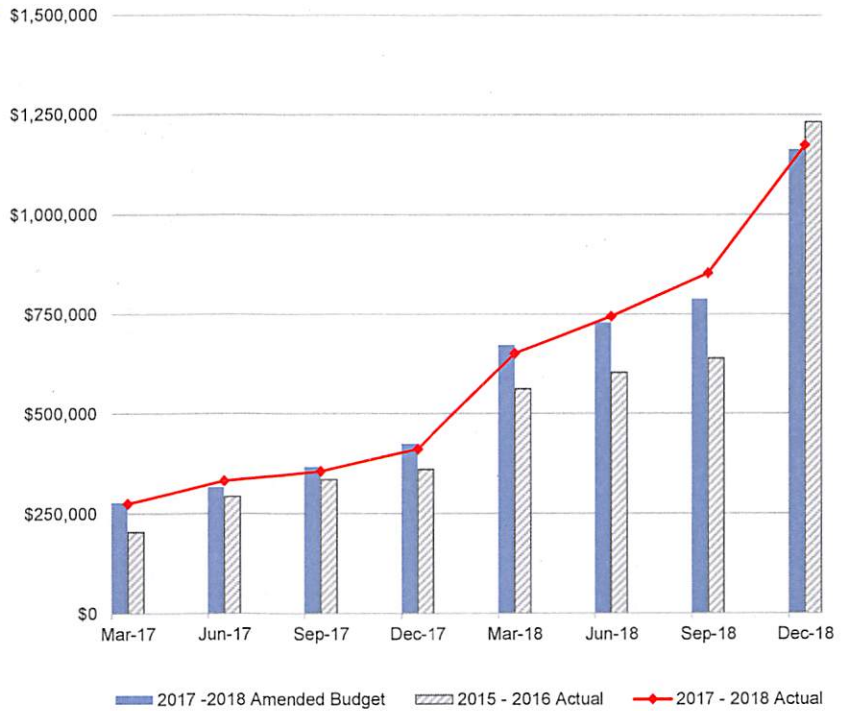
Fire Expenditures



General Fund Expenditures

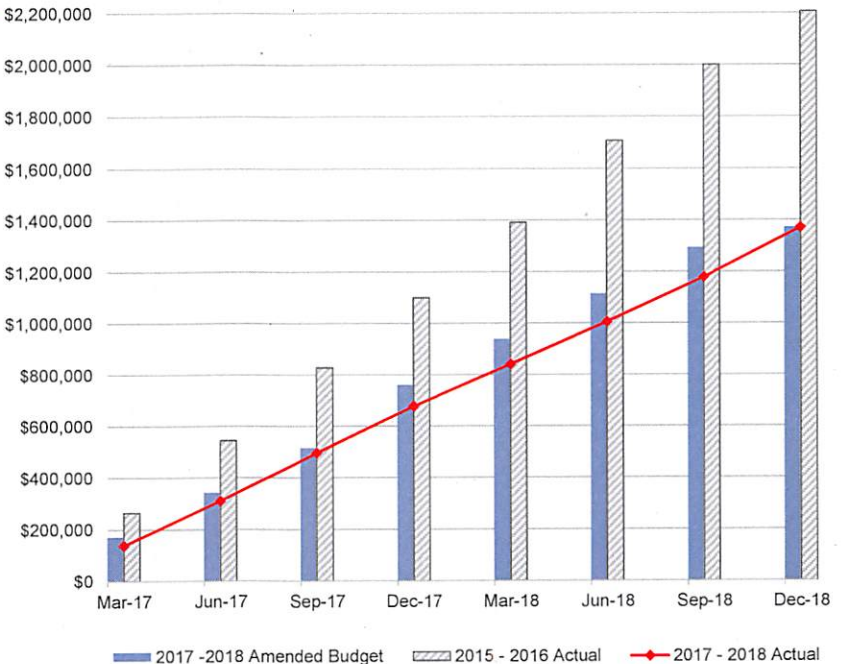
	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$278,542	\$275,364
Jun-17	\$316,836	\$332,539
Sep-17	\$367,238	\$356,772
Dec-17	\$424,910	\$411,806
Mar-18	\$672,970	\$652,013
Jun-18	\$729,230	\$745,037
Sep-18	\$789,290	\$854,606
Dec-18	\$1,163,049	\$1,173,651

Non-Department Expenditures

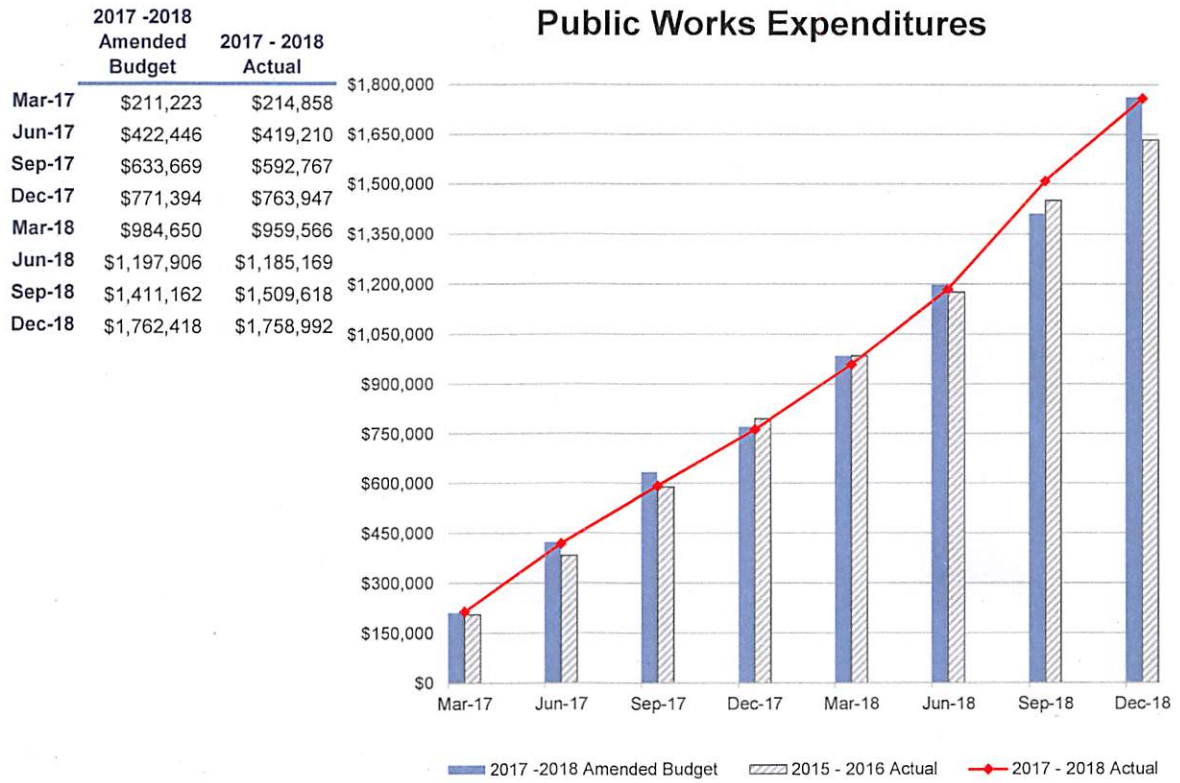


	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$171,888	\$140,363
Jun-17	\$343,776	\$310,793
Sep-17	\$515,663	\$497,012
Dec-17	\$761,049	\$679,115
Mar-18	\$938,790	\$841,621
Jun-18	\$1,116,532	\$1,005,783
Sep-18	\$1,294,273	\$1,180,744
Dec-18	\$1,372,014	\$1,371,070

Community Development Expenditures

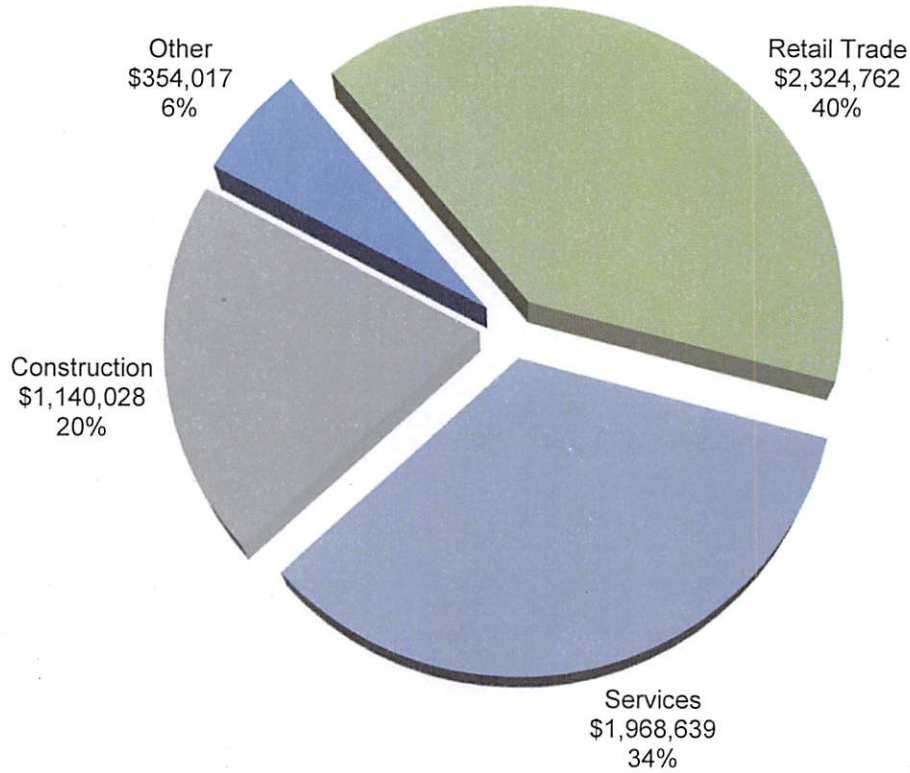


General Fund Expenditures



General Fund Revenues

Retail Sales Tax Revenues



	Retail Trade	Services	Construction	Other	Total
Mar-17	\$271,886	\$218,538	\$109,115	\$43,271	\$642,810
Jun-17	\$251,036	\$217,031	\$149,206	\$37,538	\$654,811
Sep-17	\$298,160	\$233,574	\$208,318	\$48,613	\$788,666
Dec-17	\$270,156	\$231,258	\$196,674	\$43,540	\$741,628
Mar-18	\$302,921	\$240,261	\$131,433	\$43,610	\$718,225
Jun-18	\$278,048	\$256,009	\$122,033	\$41,228	\$697,318
Sep-18	\$341,502	\$293,549	\$137,622	\$55,861	\$828,533
Dec-18	\$311,052	\$278,420	\$85,627	\$40,356	\$715,456
Total	\$2,324,762	\$1,968,639	* \$1,140,028	\$354,017	\$5,787,446

*185,000 was posted directly to CIP Fund

Cash and Investments Balances

	12/31/2018	12/31/2017
Cash Bank Accounts ⁽¹⁾	\$ 108,583	\$ 546,168
State Local Government Investment Pool (LGIP)	\$14,377,057	\$ 12,296,489
US Government Agency Securities ⁽²⁾	\$ 4,751,731	\$ 7,229,784
Total Cash and Investment Holdings	\$19,237,370	\$ 20,072,441

(1) Reflects General Ledger balances, not actual bank cash balances.

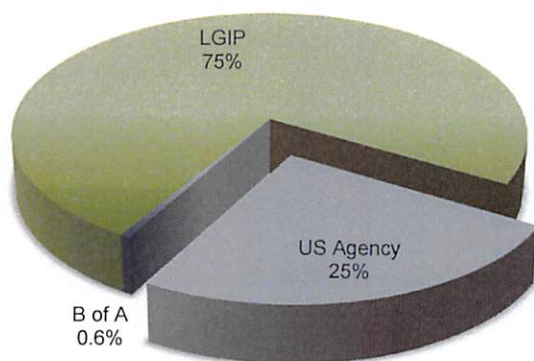
(2) Investments are reported at original cost

Cash and Investments By Fund

	General	REET	CIP	Parks	Roads	Surface Water	Equipment Replacement	Other	Totals
Securities	3,751,758	499,973	-	500,000	-	-	-	-	4,751,731
LGIP	2,332,038	2,922,863	1,415,735	2,342,315	2,208,318	648,816	1,659,879	847,093	14,377,057
Cash	4,577	3,036	821	1,501	2,167	868	745	94,867	108,583
Totals	6,088,372	3,425,872	1,416,557	2,843,816	2,210,485	649,684	1,660,624	941,960	19,237,370

Investment Summary

Cash and Investments by Category



■ B of A ■ LGIP ■ US Agency

Security Type	
US Agency - Original Cost	\$ 4,751,731
Local Government Investment Pool (LGIP)	\$ 14,377,057
Bank of America Checking	\$ 108,583
Total Investment Portfolio	\$ 19,237,370