

City of Kent, WA

Q2 2015 Financial Status Report

City Council Workshop
September 1, 2015

SPECIAL RECOGNITION TO:

Barbara Lopez, Assistant Finance Director

Kathleen Etheredge, Senior Financial Analyst

SPOTLIGHT:

Internal Debt Reduction

Interfund Obligations – 2015

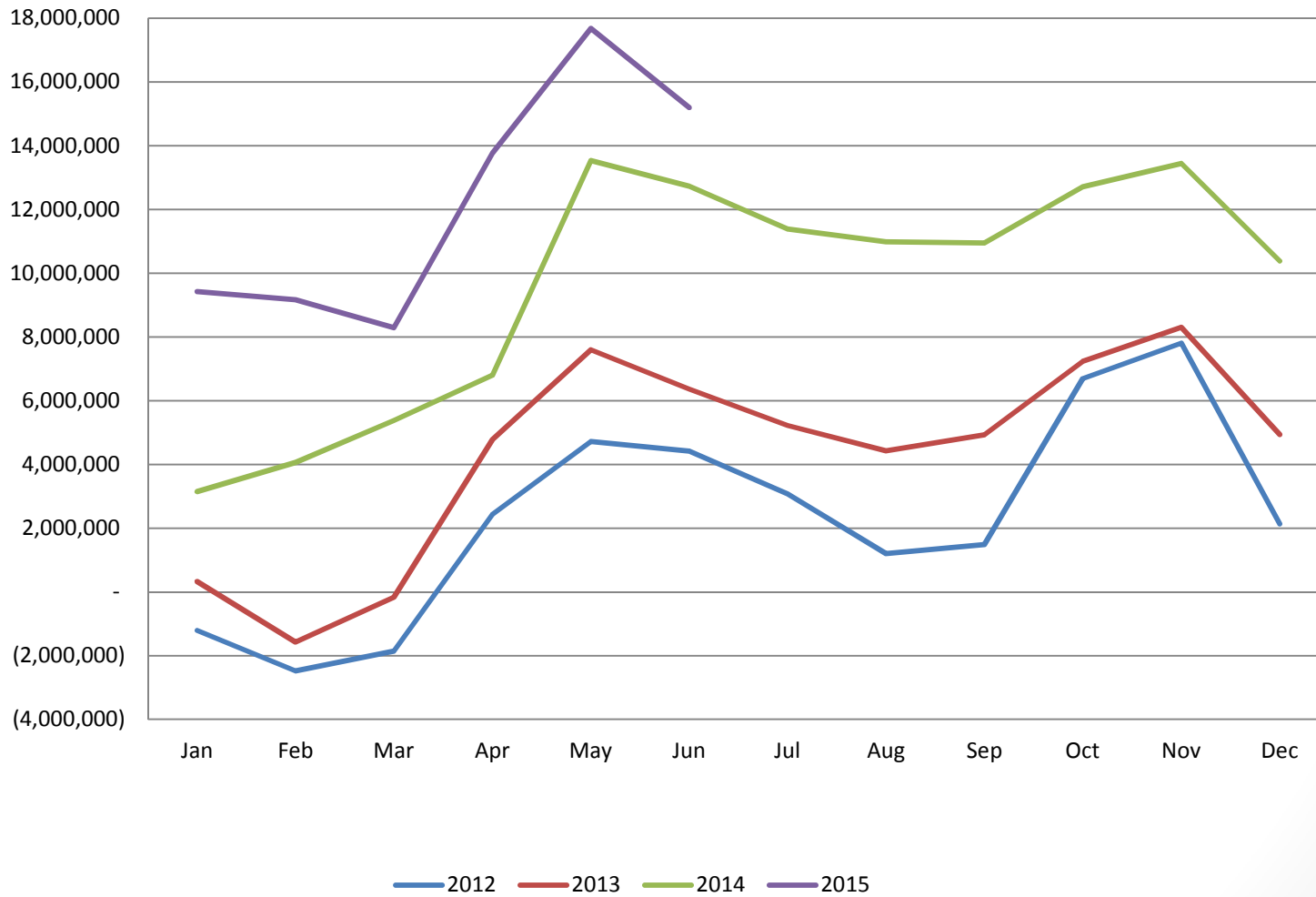
- Short-term Interest Bearing Obligations:
 - Capital Improvement Fund. One-year interest bearing loan of \$4.2M from the Self-Insurance Fund.
 - Golf Fund. One-year interest bearing loan of \$3.0M from the Water Fund.
- Long-term Interest Bearing Obligations:
 - Other Capital Projects Fund. \$9.7M loan to pay for ShoWare construction changes. Amount outstanding as of 12/31/14, \$7.7M. Paid by 2% utility tax, approximately \$1.2M /year. Expected pay-off 2020/2021.
 - Street Fund. \$2.2M loan to pay for LED Lighting Replacement (\$1.8M is long-term). Began this calendar year. Paid by savings generated in electricity savings, \$230K/year. Expected pay-off 2024.

Deficit Fund Balance Successes

- ShoWare Operating Fund. \$2.7M deficit fund balance eliminated at the end of 2014 through General Fund transfer.
- Capital Improvement Fund. As of 12/31/2013 had a deficit fund balance of \$11M. City has taken significant steps to reduce this negative balance (4% Utility Tax, reduced capital spending, \$2.6M one-time GF transfer of cash, B&O collections over \$5.0M). We now expect to end 2015 in positive fund balance position.
- Played significant role in our ratings increases for both Standard & Poor's and Moody's.

2015 BUDGETARY STATUS AND COMPARISONS TO PREVIOUS YEARS:

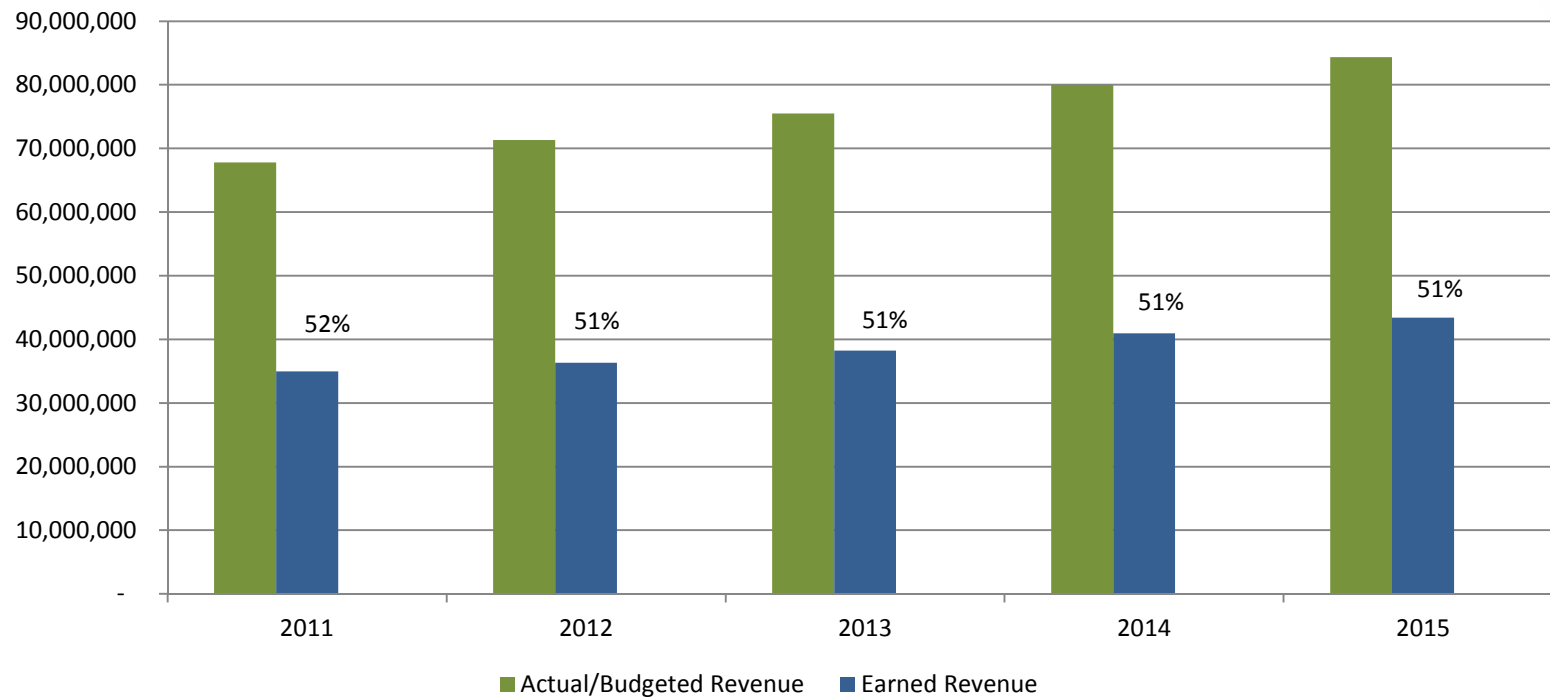
General Fund Cash Flow



General Fund

2nd Quarter Revenue Collections

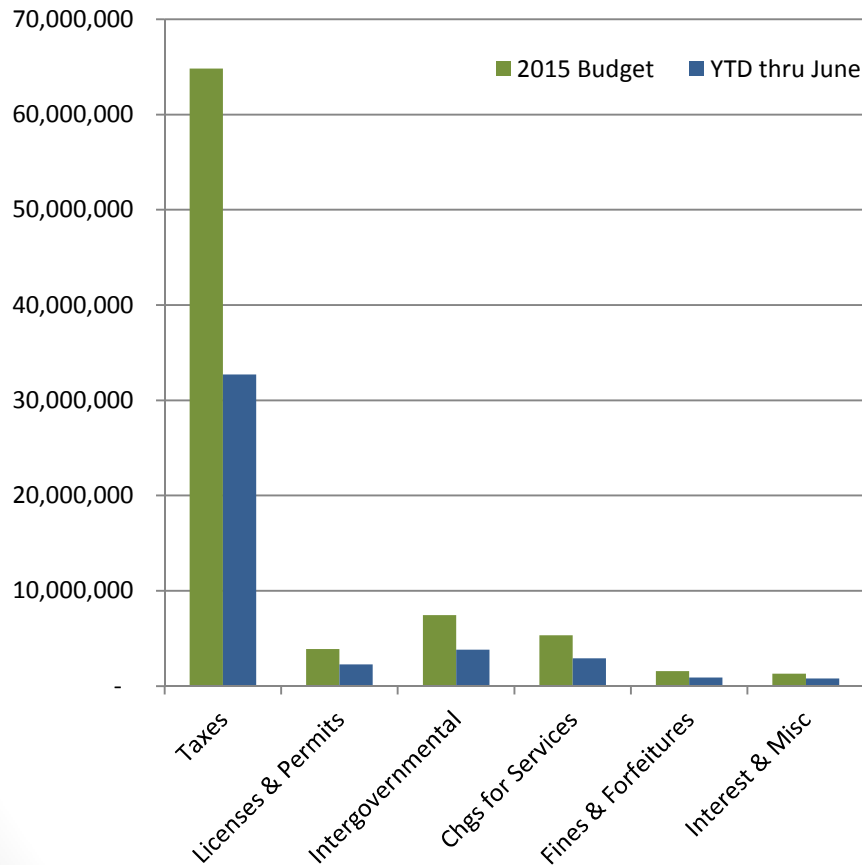
(does not include transfers in from other funds)



	2011	2012	2013	2014	2015
Actual/Budgeted	67,780,036	71,297,860	75,505,459	79,979,356	84,338,899
Earned Revenue	34,964,528	36,323,832	38,247,658	40,936,237	43,398,512

General Fund Revenues by Classification

(does not include transfers in from other funds)

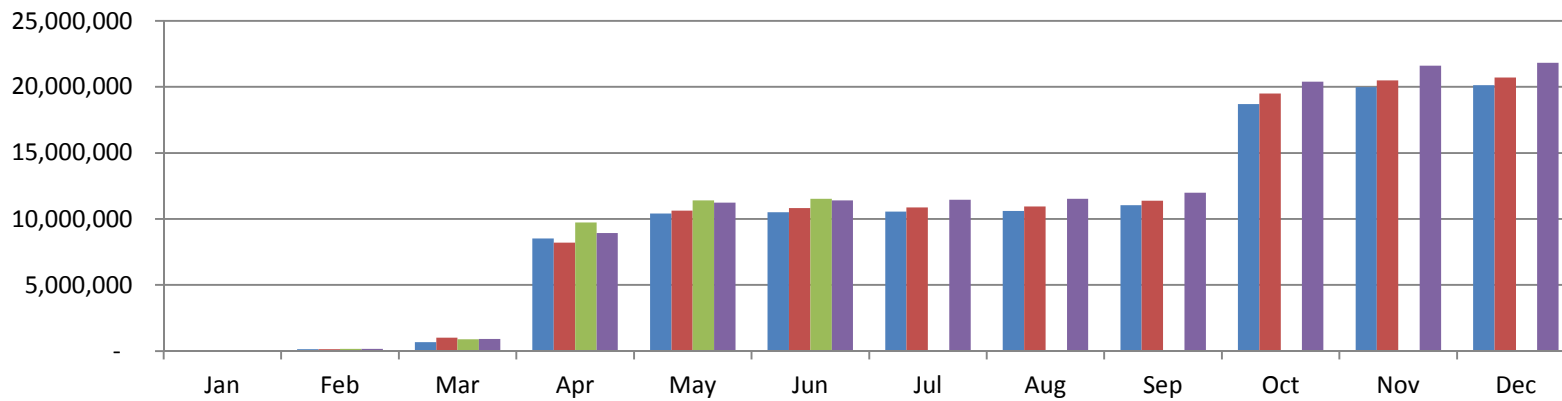


	2015 Budget	YTD thru June	% Rec'd
Taxes	64,818,785	32,707,253	50.5%
License & Permits	3,894,278	2,267,780	58.2%
Intergovernmental	7,431,869	3,830,852	51.5%
Chgs for Services	5,342,632	2,897,641	54.2%
Fines & Forfeitures	1,565,961	894,684	57.1%
Interest & Misc	1,285,374	800,303	62.3%
Total Revenues	84,338,899	43,398,512	51.5%

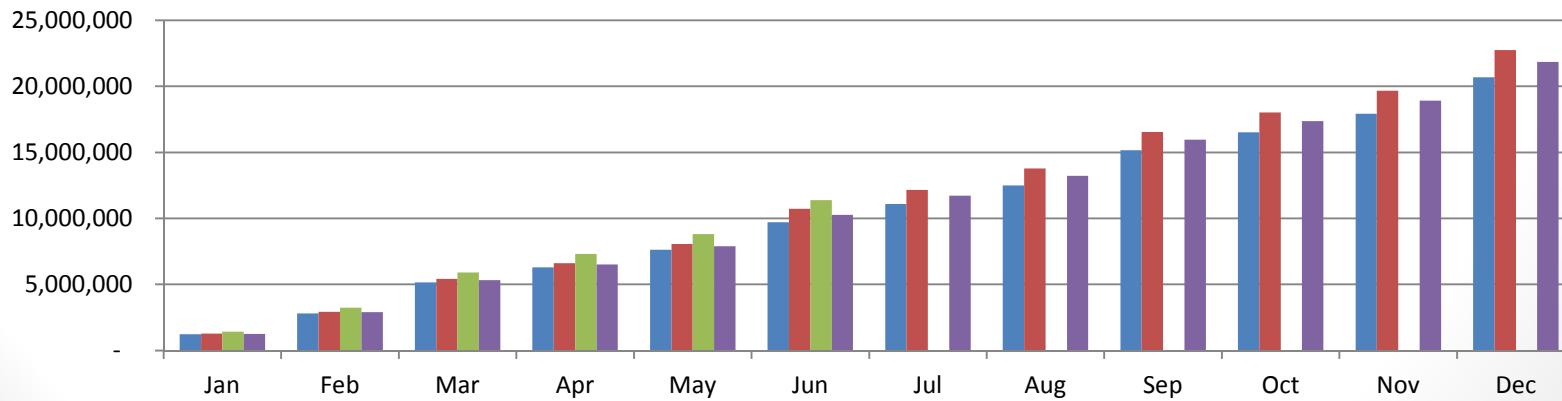
General Fund Revenues by Major Type

Property Tax

2013 2014 2015 2015 Budget



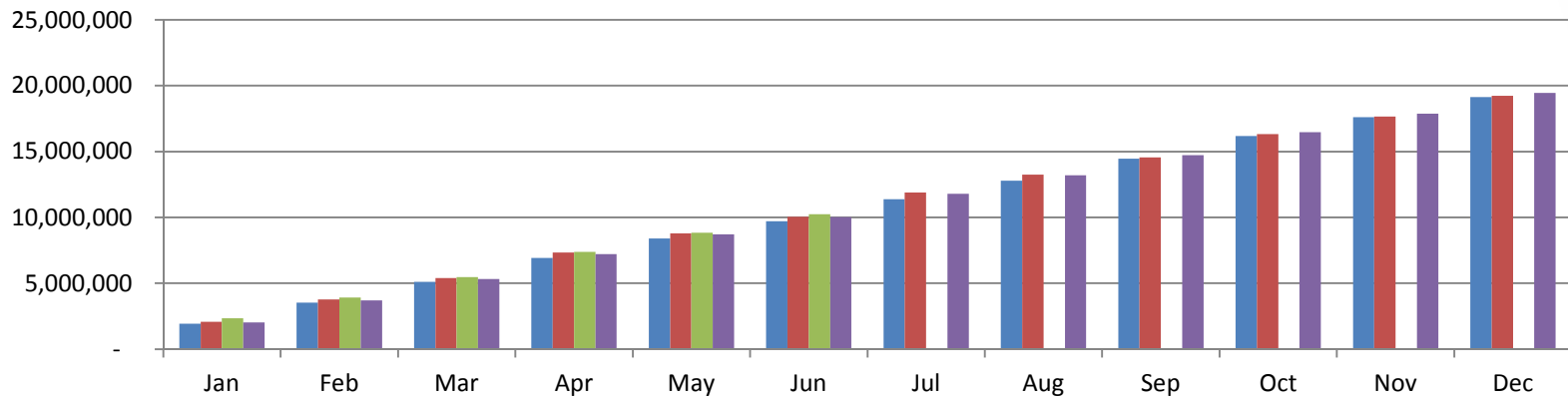
Sales Tax



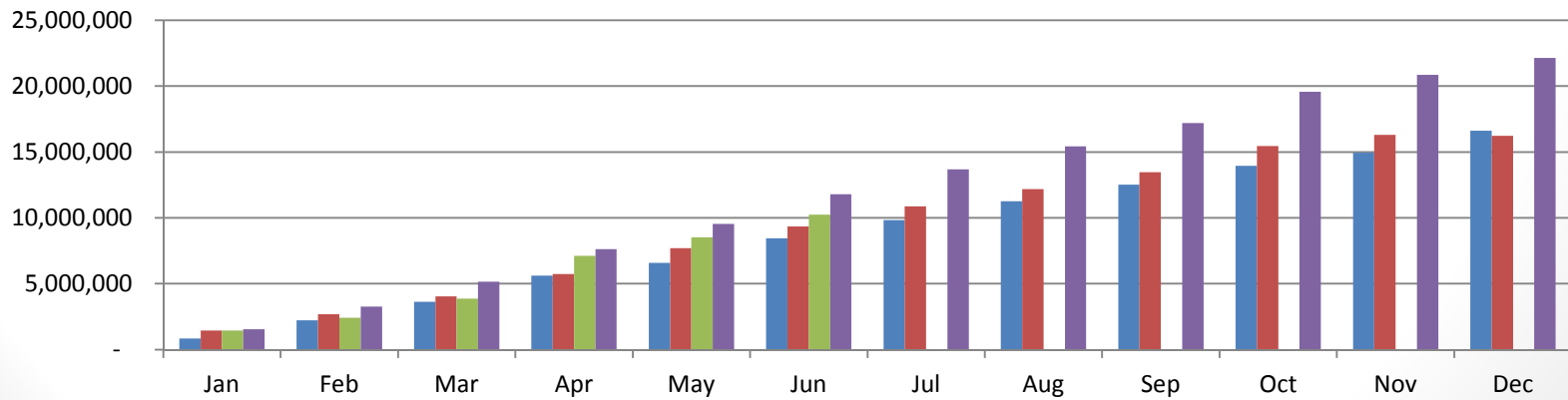
General Fund Revenues by Major Type

Utility Tax

2013 2014 2015 2015 Budget

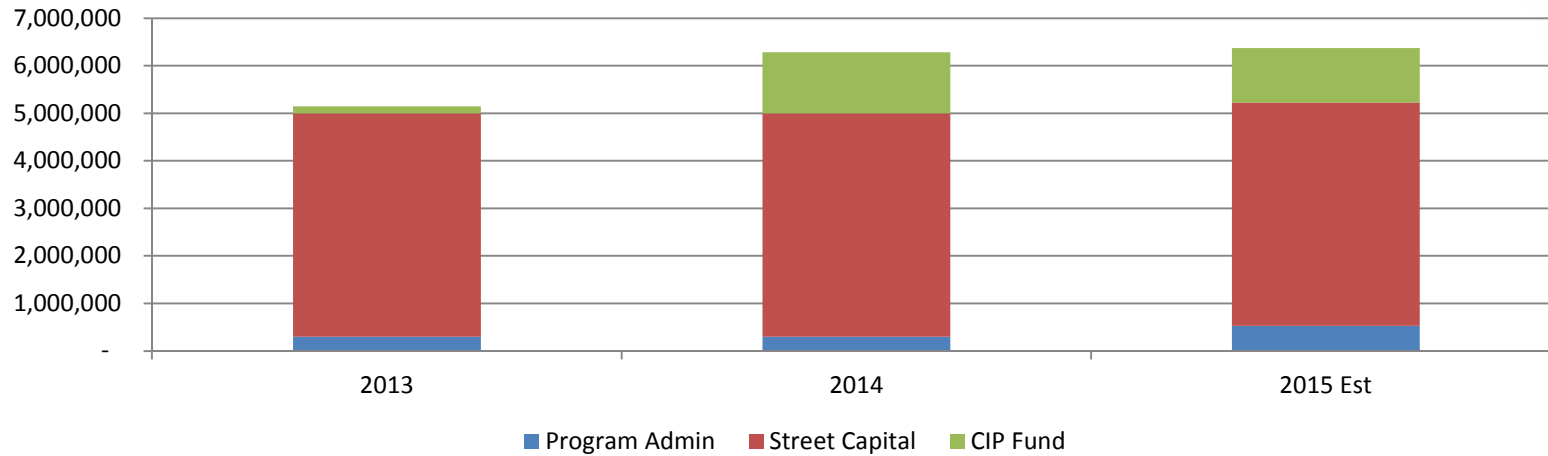


All Other

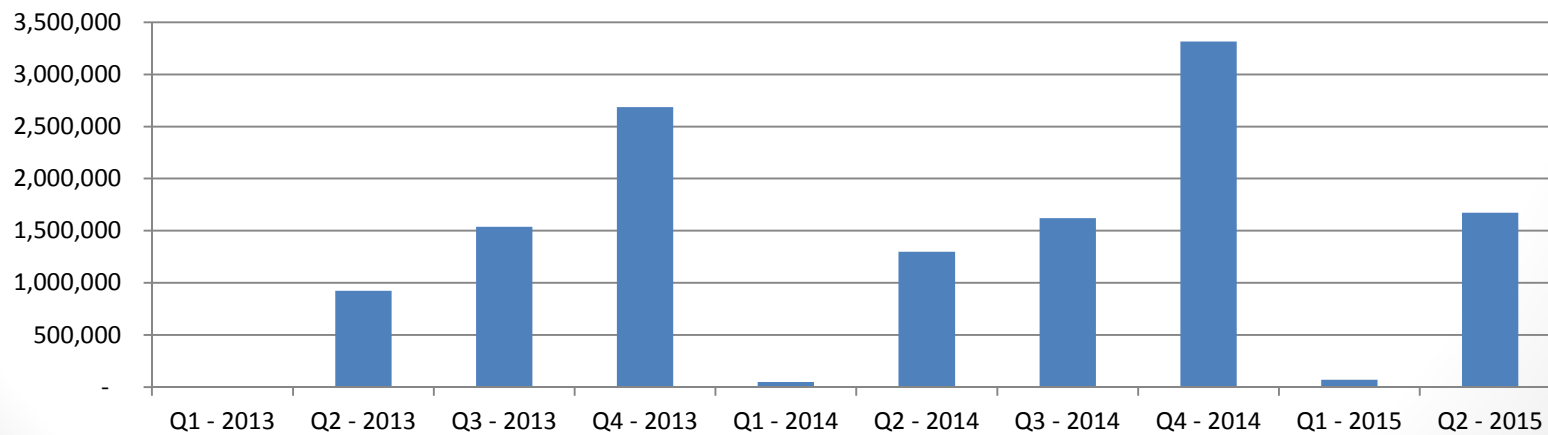


B&O Revenue Collections

Annual Collections by Function



Collections by Quarter



B&O Program Statistics

Activity	# of Accounts	Past Due Collected thru August	Est Ongoing Annual Collections
Taxpayer Accounts Added	104	\$662k	\$410k
Delinquent Account Collections	108	\$186k	N/A
Taxpayer Onboarding in Progress	32	TBD	TBD
Desk Audits	162	N/A	N/A
Total:	406	\$848k	\$410k

- Total 2015 program costs are estimated at \$530k, which is \$177 less than budgeted
- Cost savings largely due to hiring timing of new positions

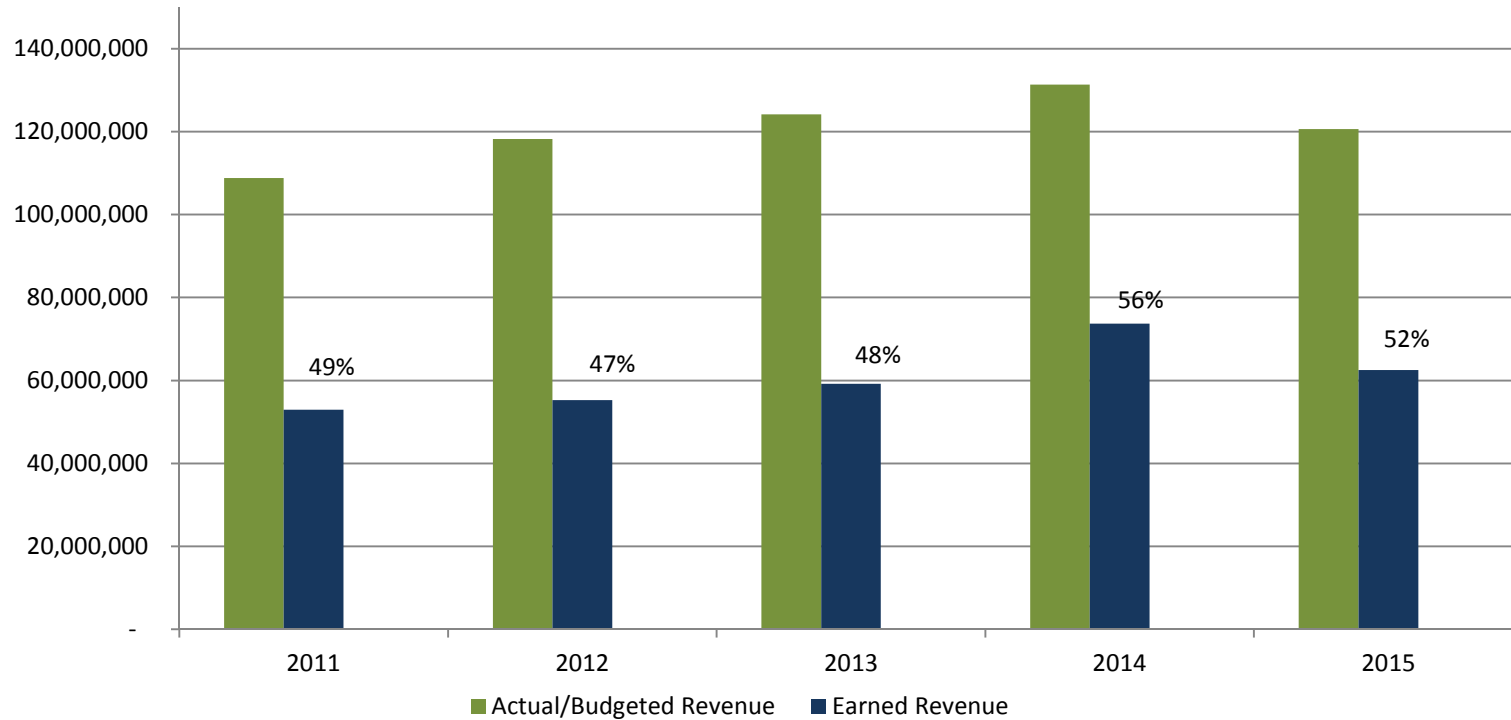
B&O Activities & Audit Timeline

	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Staffing	Positions Authorized Field Auditor resigned Hired Customer Svc Spec	Hired new Field Auditor Hired Desk Auditor	Compliance Officer Recruitment – closed 9/1 evaluating applicants	Hire Compliance Officer
Filing Cycle	Quarterly/Annual Filing Taxpayer questions Review returns Follow-up as needed Convert annual to quarterly and vice versa	Quarterly Filing Taxpayer questions Review returns for discrepancies - follow-up as needed Review compliance monitoring reports – follow-up as needed		
Daily Program Support	Taxpayer questions & communications Processing Amended Returns, Refunds and Assessments Desk Audits – 140+ taxpayer accounts through August			
Taxpayer Discovery		Letters to 90 unregistered businesses Letters to 300 new businesses from business license list Continuing to onboard, educate and follow-up		
Field Audit		Create working paper templates Create field audit frameworks Create pre-audit letter and questionnaire Send pre-audit letter to selected taxpayers	Review & prioritize taxpayer responses Notify selected auditees Begin audit field work	
Technology		Project Manager / Business Analyst (PMBA) hired by IT Educate PMBA on current tools and processes Work with PMBA to define business requirements PMBA researching technology options available	Business Requirements Options & Costs	

All Other Funds

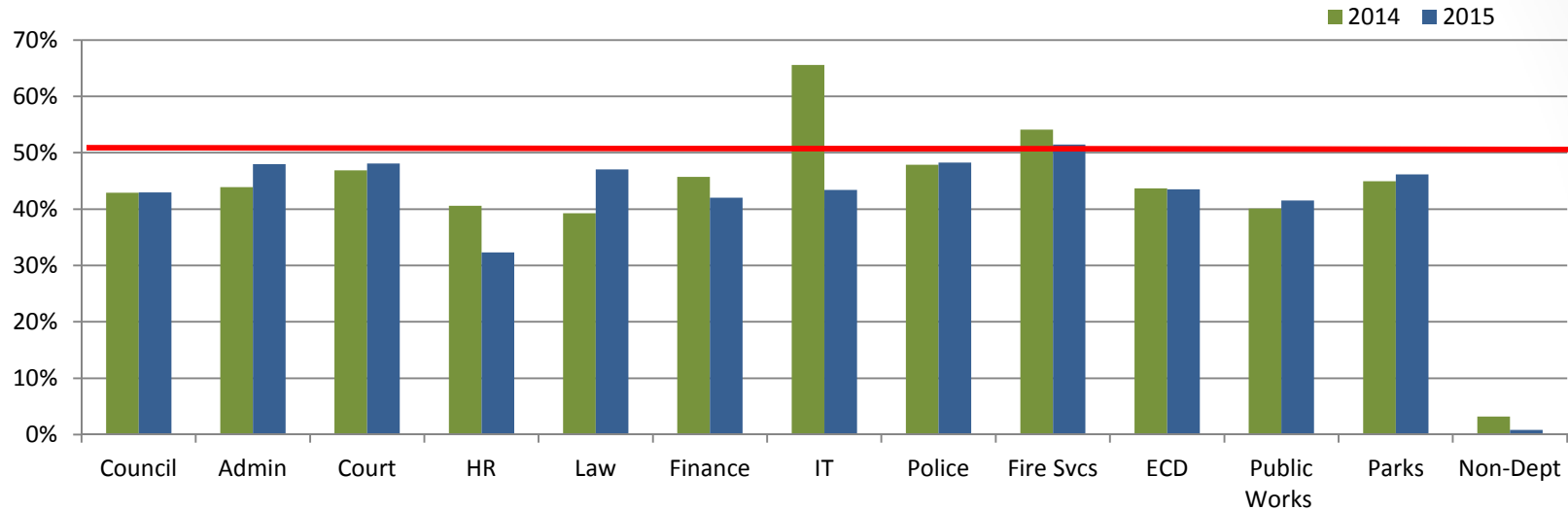
2nd Quarter Revenue Collections

(does not include capital and transfers in from other funds)



	2011	2012	2013	2014	2015
Actual/Budgeted	108,830,144	118,238,044	124,144,953	131,326,130	120,627,440
Earned Revenue	52,950,069	55,243,558	59,199,767	73,674,286	62,522,593

General Fund Spending Compared to Budget

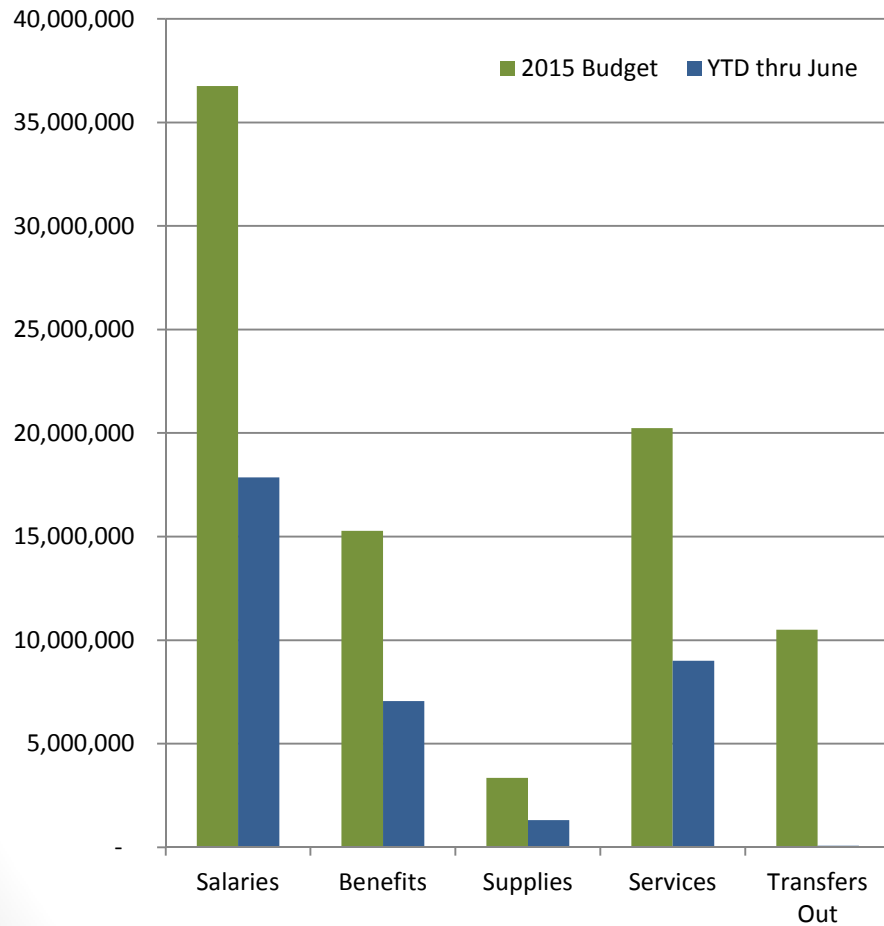


2015 Budget versus YTD

	Council	Admin	Court	HR	Law	Finance	IT
Budget	353,001	2,318,617	3,020,623	1,606,838	1,262,302	2,638,487	467,705
Thru June	151,722	1,112,837	1,452,837	518,917	594,096	1,108,462	202,924

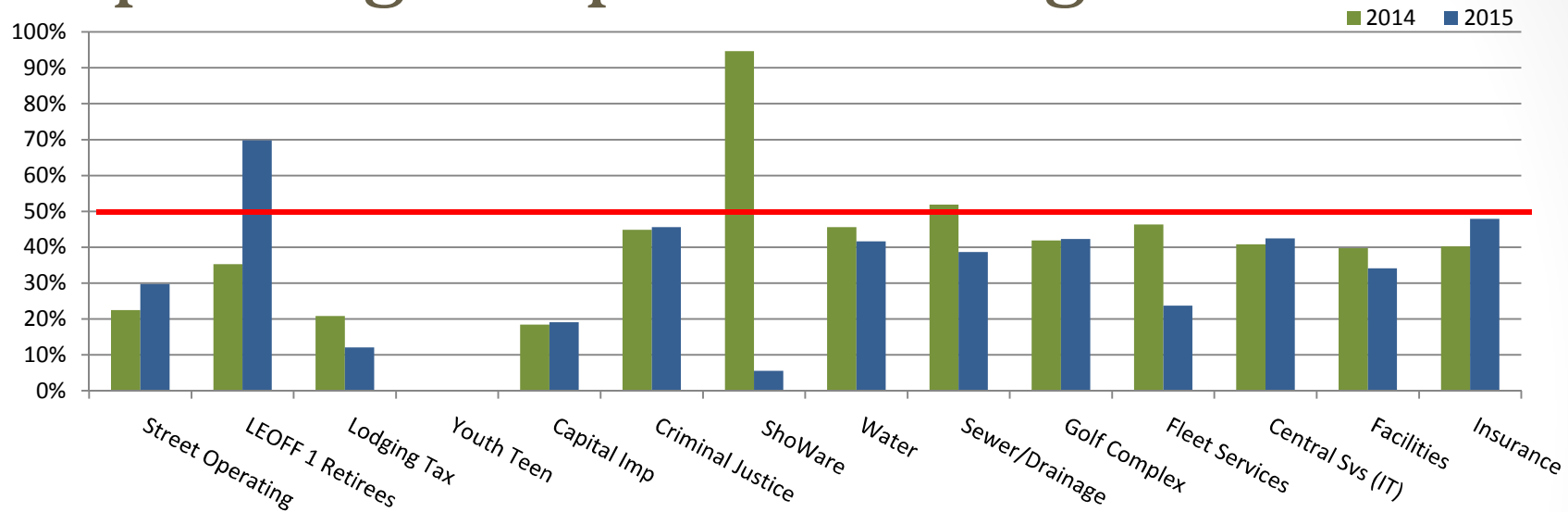
	Police	Fire Svcs	ECD	PW	Parks	Non-Dept
Budget	33,104,095	3,454,298	5,872,056	5,526,170	16,224,254	10,279,681
Thru June	15,974,854	1,777,084	2,555,596	2,295,183	7,490,599	81,785

General Fund Spending by Classification



	2015 Budget	YTD thru June	% Spent
Salaries	36,759,495	17,857,610	48.6%
Benefits	15,283,321	7,063,203	46.2%
Supplies	3,348,856	1,306,255	39.0%
Services	20,231,769	9,008,546	44.5%
Transfers Out	10,504,686	81,282	0.8%
Total Spending	86,128,127	35,316,896	41.0%

All Other Funds Spending Compared to Budget



	Street Operating	LEOFF 1 Retirees	Lodging Tax	Youth Teen	Capital Imp	Criminal Justice	ShoWare
Budget	7,356,734	1,085,460	188,500	932,000	10,982,484	3,101,951	528,003
Thru June	2,190,703	757,454	22,762	-0-	2,095,389	1,413,557	29,109

	Water	Sewer Drainage	Golf Complex	Fleet	Central Svcs (IT)	Facilities	Insurance
Budget	22,657,650	48,186,125	3,095,372	5,107,202	7,540,740	5,910,632	15,814,765
Thru June	9,427,311	18,642,598	1,308,855	1,210,381	3,201,677	2,017,407	7,575,600

MID-BIENNIUM BUDGET UPDATE:

General Fund

2016 Budget Balancing Highlights

as of 9/1/2015

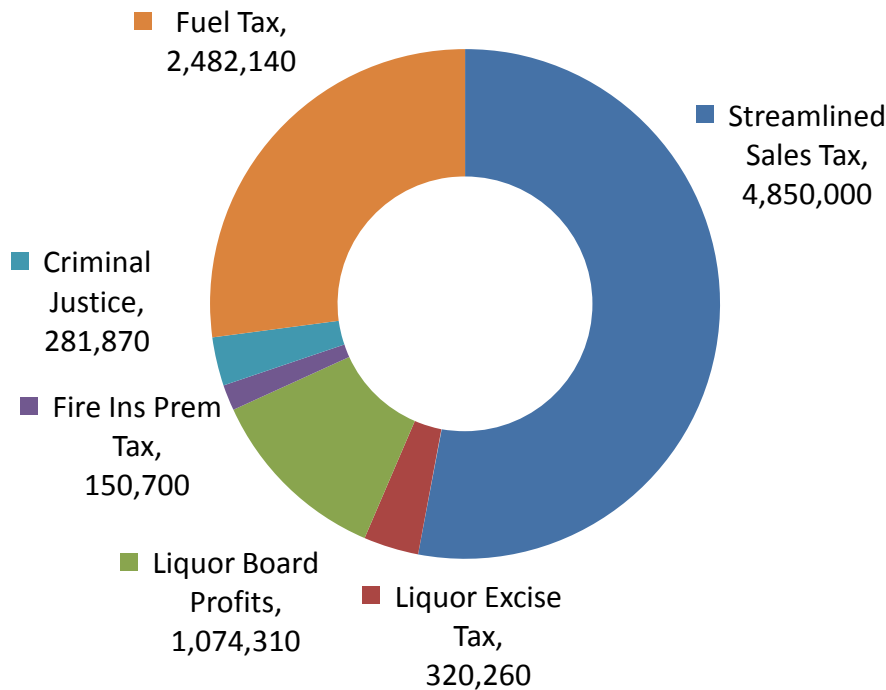
2016 Adopted Budget – Beginning (Gap) / Surplus	\$ (2,160,000)
Baseline Adjustments to 2016 Adopted Budget	\$ 1,404,930
Remaining (Gap) / Surplus	\$ (755,070)
Additional Department Requests Under Consideration	\$ (312,860)
Revised (Gap) / Surplus	\$ (1,067,930)

Upcoming and Continuing Budgetary Items

- State Shared Revenues & McCleary
 - SST Mitigation
 - Other
- Annexation Sales Tax Credit – expires 6/30/2020
- Benefits Costs: Medical, Dental, and DRS (Retirement)
- Balancing 2016 General Fund Budget
- Public Facilities District Debt
- Labor Negotiations
 - KPOA contract expires 12/31/2015
 - AFSCME and Teamsters contracts expire 12/31/2016

State Shared Revenues

2015 Budgeted Revenues



Budgeted by Fund:

General Fund	
SST Mitigation	4,850,000
Liquor Excise Tax	248,520
Liquor Board Profits	833,670
Fire Ins Prem Tax	150,700
Crim Justice-Other	<u>17,680</u>
GF Total	6,100,570
Annexation	
Liquor Excise Tax	71,740
Liquor Board Profits	240,640
Crim Justice-MVET/Other	63,140
Fuel Tax	<u>558,480</u>
Annex Total	934,000
Street Operating Fund	
Fuel Tax	1,923,660
Criminal Justice Fund	
Crim Justice-MVET	201,050
Budgeted Total*	9,159,280

Questions?