



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

DATE: July 19, 2018
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 June 30, 2018

Attached for your review is the City's budget status report as of June 30, 2018.

I am pleased to report that the General Fund's operating surplus after the 6th quarter of the eight quarter 2017-2018 biennium was \$1,490,937. The City is currently analyzing the projected forecast to determine the magnitude of impending budget amendments which will be proposed to Council in the coming months.

Staff has been working diligently to accomplish the numerous projects that are currently underway. Many of the current CIP projects are the largest the City has undertaken in many years. Staff members across all departments have pulled together and are working collaboratively to achieve the many goals and objectives to make the City a success.

As you may recall, staff is working to improve the report and is interested in hearing your thoughts about the format going forward. We have made some changes to the format and information content that is believed to provide the reader with a concise summary of the City's financial condition. In an effort to promote transparency and communication with our citizens, the City's financial report will now be published on the City's website going forward.

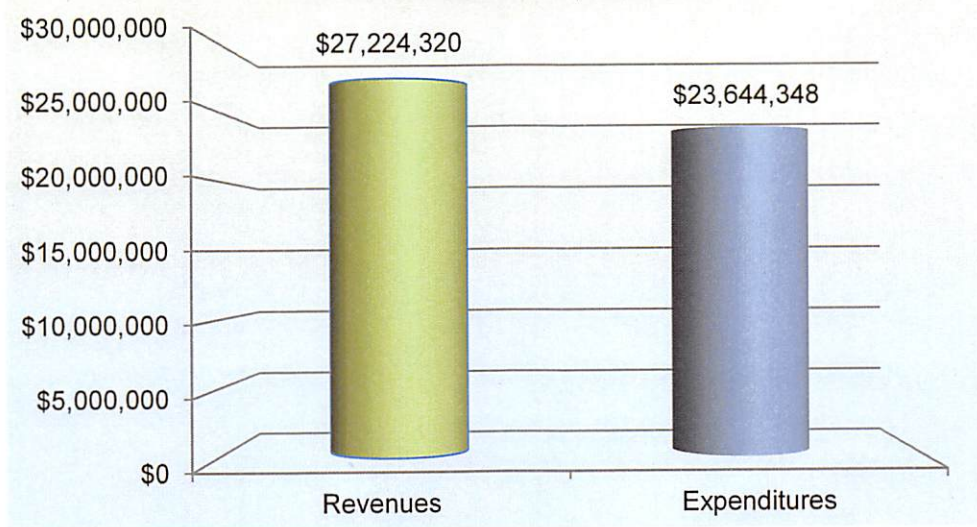
Please contact Interim City Manager Stowe or me if you have any questions concerning the attached financial data.

**City of Mill Creek
2017-2018 Budget Status Report
For the Quarter Ending, June 30, 2018
Executive Summary**



On June 30, 2018, the City concluded the sixth quarter of the 2017-2018 biennium. The budget period described in this report is 75% complete.

**City Wide Revenues vs Expenditures
as of June 30, 2018**



Notable Highlights

Retail sales tax receipts for the first six quarters of the 2017-2018 biennium were up \$751,303 from 2015-2016 results. Construction sales tax revenue generated by City development has brought in \$916,779 for the biennium.

Major impacts to 2017-2018 revenues vs same period 2015-2016:

- EMS Levy Lid Lift: up \$727,485 (41%)
- Passport Fees: up \$313,693 (42%)
- REET: down \$356,849 (15%)
- Mitigation Fees: down \$614,056 (55%)
- Grants(CIP) Awards: \$1,826,000

City Wide

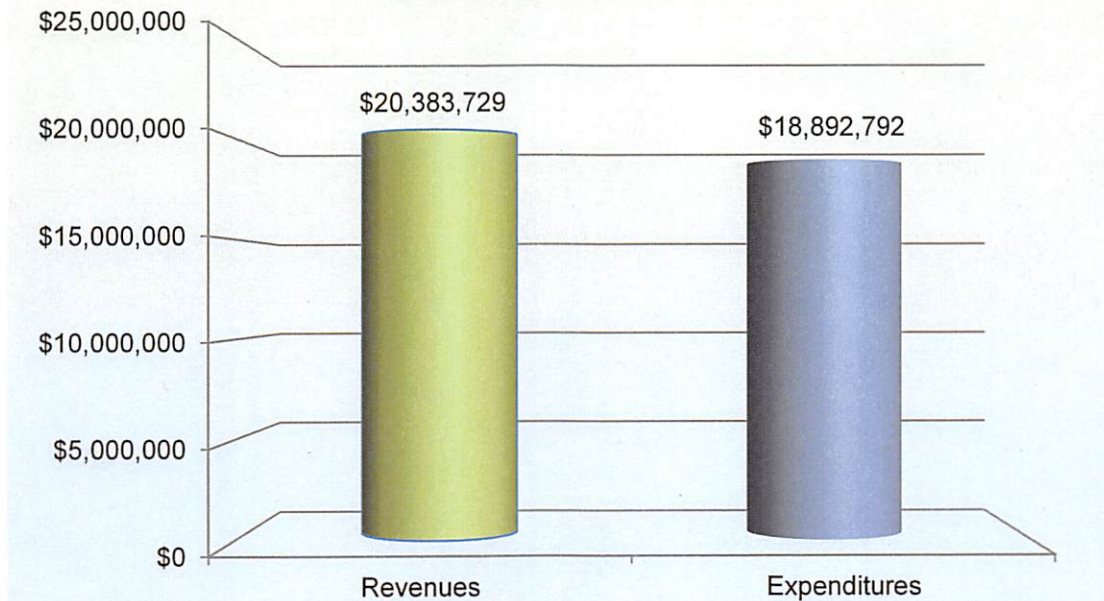
City wide 2017-2018 surplus/deficit

• General Fund	\$ 1,490,937
• Street Fund	\$ (18,160)*
• Capital Improvement Funds	\$ 2,223,956
• Surface Water	\$ 123,865
• Recreation	\$ 940
• Equipment Replacement	\$ (290,962)**

* Temporary difference

** Budget Adjustment necessary

General Fund Revenues vs Expenditures as of June 30, 2018



Budget vs Actual Figures		Inflow/Outflow	2017-18 Budget	% of Budget
City Wide Total	Inflow	\$ 27,224,320	\$ 40,548,600	67.1%
	Outflow	\$ 23,644,348	\$ 42,170,952	56.1%
General Fund	Inflow	\$ 20,383,729	\$ 25,029,600	81.4%
	Outflow	\$ 18,892,792	\$ 25,029,600	75.5%
Street Fund	Inflow	\$ 758,307	\$ 1,016,446	74.6%
	Outflow	\$ 776,467	\$ 1,016,446	76.4%
Capital Improvement Funds	Inflow	\$ 3,607,042	\$ 11,298,032	31.9%
	Outflow	\$ 1,383,086	\$ 12,242,064	11.3%
Surface Water	Inflow	\$ 1,199,742	\$ 1,476,000	81.3%
	Outflow	\$ 1,075,877	\$ 1,248,735	86.2%
Recreation	Inflow	\$ 829,387	\$ 1,225,000	67.7%
	Outflow	\$ 828,447	\$ 1,225,000	67.6%
Equipment Replacement	Inflow	\$ 34,543	\$ -	0.0%
	Outflow	\$ 325,505	\$ 432,000	75.3%

I. ECONOMIC INFORMATION

The State Economic and Revenue Forecast Council's June 2018 forecast stated that the Washington economy is expanding at a rapid pace. Income, employment and population growth all exceed national averages. The major change in the Washington economic forecast since February is higher personal income, part of which is due to higher inflation in the near term.

Nationally, the new forecast calls for slightly higher GDP growth rates for 2018 and 2019 compared to February. Major threats to the US and Washington economies remain, including international trade concerns, geopolitical risks and a maturing economic expansion.

CPI-W Data – Seattle/Tacoma/Bremerton Region

April 2018 – June 2018: +0.1%

June 2017 – June 2018: +3.6%

II. GENERAL FUND - REVENUES

The General Fund's operating surplus as of June 30 was \$1,490,937. Revenue inflows totaled 81.4% of the biennial projection, while expenditure outflows amounted to 75.5%.

Sales tax, building/development services, passports and interest are contributing to this positive variance.

	Inflows	% of Budget	2017-2018 Budget
Property Tax-Regular	11,895,418	76.1%	15,634,356
Sales Tax	5,000,097	88.0%	5,683,550
Licenses & Permits	1,099,425	83.4%	1,318,250
Grants/Intergovernmental	547,371	71.4%	767,054
Charges for Services	1,245,000	115.4%	1,079,120
Fines	306,346	87.5%	350,000
Miscellaneous	290,073	152.7%	190,000
Transfers In	-	0.0%	7,270
Total	20,383,729	81.4%	25,029,600

Property tax is a very stable revenue source. Regular and EMS property tax revenue are on target with budget.

The City has received \$4,243,457 in retail sales tax revenue for the first six quarters of the biennium. Retail sales tax was up \$58,000(11%) and services increased \$61,000(14%) for the first two quarters of 2018 compared to that of the same time period in 2017. Construction sales tax was flat for this comparison.

Charges for services continue to outperform the budget which is largely driven by development services and passports. Advertising revenue related to the City

Connection magazine was \$14,000 which offsets the expense of producing of \$30,000. Sponsorships received to date for the Party in Parks were \$7,000 which will offset the costs of \$10,500 related to this program; an additional \$2,000 has been committed.

III. GENERAL FUND - EXPENDITURES

General Fund outflow as was \$18,892,782 or 75.5% of the biennium budget.

	Outflows	% of Budget	2017-2018 Budget
Legislative	134,258	94.0%	142,897
City Manager	1,162,199	79.1%	1,468,647
Finance & Administration	1,052,605	73.7%	1,428,673
Information Technology	532,683	65.2%	817,375
Police	7,321,442	77.3%	9,475,826
Fire Services	5,723,424	75.7%	7,557,900
Non-Department	745,037	71.5%	1,041,850
Community Development/	1,005,783	68.3%	1,472,014
Public Works	1,215,362	74.8%	1,624,418
Total Expenditures	18,892,792	75.5%	25,029,600

Projections for the remainder of the year are currently being analyzed. The City anticipates requesting additional appropriations related to legal fees and personnel costs.

IV. OTHER MAJOR FUNDS

REET

	Inflow/Outflow	2017-18 Budget	% of Budget
Inflow	\$ 2,820,173	\$ 1,520,000	185.5%
Outflow	\$ 33,194	\$ 3,046,032	1.1%

Tax collection from the sale of properties continues to perform well with revenue of \$1,963,000 or 185.5% collected. This is great news as we look at our CIP and future infrastructure needs.

An analysis of the Park Fund revealed amounts had been transferred to this fund from REET during the period 2000-2010. Statutes require money be returned if the original intent of the funding no longer exists. As a result, a transfer of \$641,000 (includes accumulated interest) was made back to the REET Fund in June. This amount is higher than previously estimated as finance recalculated the information back to 2000.

Throughout the period 2011-2014, transfers totaling \$160,000 were made to the

Equipment Replacement Fund (EQRF) from REET for the anticipated replacement of the MCSP turf. This type of expenditure does not qualify as rolling stock and therefore should not have been transferred. This was corrected in June.

CIP

	Inflow/Outflow	2017-18 Budget	% of Budget
Inflow	\$ 198,987	\$ 582,032	34.2%
Outflow	\$ 154,126	\$ 1,016,032	15.2%

The CIP Fund has been revised from what was originally presented in the 2017-2018 biennial budget approved in November 2016. At the time the budget was presented, the CIP and the Equipment Replacement Fund (EQRF) were collapsed into one fund. The EQRF was originally set up by an ordinance and was not properly dissolved. In addition, the CIP is meant to track projects and not intended to account for capital assets considered rolling stock such as police cars, street sweepers, computers etc. These types of assets are commonly accounted for in an Internal Service Fund which is considered best practices.

A formal budget amendment will be proposed to correct the revenue and expenditures for these two funds.

PARKS

	Inflow/Outflow	2017-18 Budget	% of Budget
Inflow	\$ 69,265	\$ 1,169,000	5.9%
Outflow	\$ 757,397	\$ 1,320,000	57.4%

As mentioned above, the Park Fund had received amounts during 2000-2010 that were not utilized for their original intent and as a result these funds were transferred back to REET. Included in the inflows above are additional awards of \$200,000 from Snohomish County for Mill Creek Sports Park turf project and Exploration Park. These amounts will be included in an upcoming budget amendment.

The balances for the various parks are as follows:

	Comm. Parks	Exploration Park	Other Neighborhood Parks	Total
Fund Balance	1,963,831	149,937	728,570	2,842,338

ROAD IMPROVEMENT FUND

	Inflow/Outflow	2017-18 Budget	% of Budget
Inflow	\$ 518,616	\$ 8,027,000	6.5%
Outflow	\$ 438,368	\$ 6,860,000	6.4%

The inflows as presented above include additional grant awards that were not included in the original budget. A formal budget amendment will be made to include funds from WSDOT and Snohomish County for a total increase in revenue of \$1,300,000.

EQUIPMENT REPLACEMENT FUND

This fund was created in 1991 to accumulate replacement funds for City-owned vehicles and equipment. Individual departments owning and operating vehicles/equipment pay into this fund based on specific depreciation schedules.

As mentioned previously, this fund was erroneously consolidated with the CIP Fund. A budget amendment will be presented to accommodate inflows and outflows for this fund that were previously reported in the CIP Fund.

A budget amendment will also include an increase in appropriations for the General Fund, City Streets and Surface Water Fund to allow for payments into this fund and will be calculated retroactively for the entire biennium.

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. The fund balance at 6/30/2018 was \$729,224.

The Sweetwater Ranch Storm Water Project will consume the majority of the fund balance as it is anticipated that the original cost estimates will increase an additional \$400,000. Given the cost and timing of the payments of the project, additional funding of up to \$300,000 may be necessary to provide additional liquidity for any upcoming change orders. To facilitate any funding shortfall, an inter fund loan may be provided by the General Fund or REET. Any loans will carry an interest charge at the rate of the Local Government Investment Pool (LGIP).

BALANCE SHEET

Cash and Investments

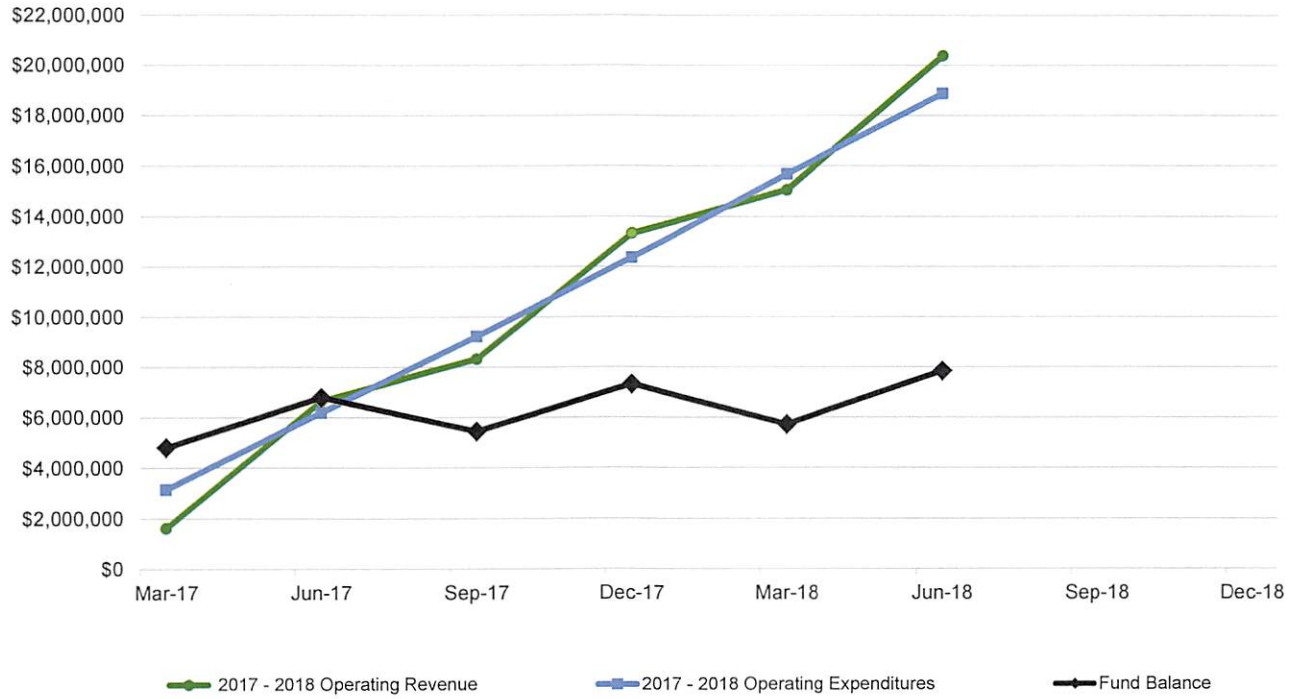
The City's cash and investment balances were \$373,590 and \$20,857,356 respectively. The City invests in U.S. Government Securities and the Local Government Investment Pool (LGIP). As of June 30, 2018, the City had \$6,246,172 invested in securities and \$14,611,184 invested in the LGIP.

The City will continue to monitor cash flow needs for CIP before investing in longer term securities.

Compensated Absences:

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The City does not accrue accumulated unpaid vacation and associated employee-related costs when earned by the employee and are not reflected in the financial statements. The value of these absences is \$567,588.41 on June 30, 2018.

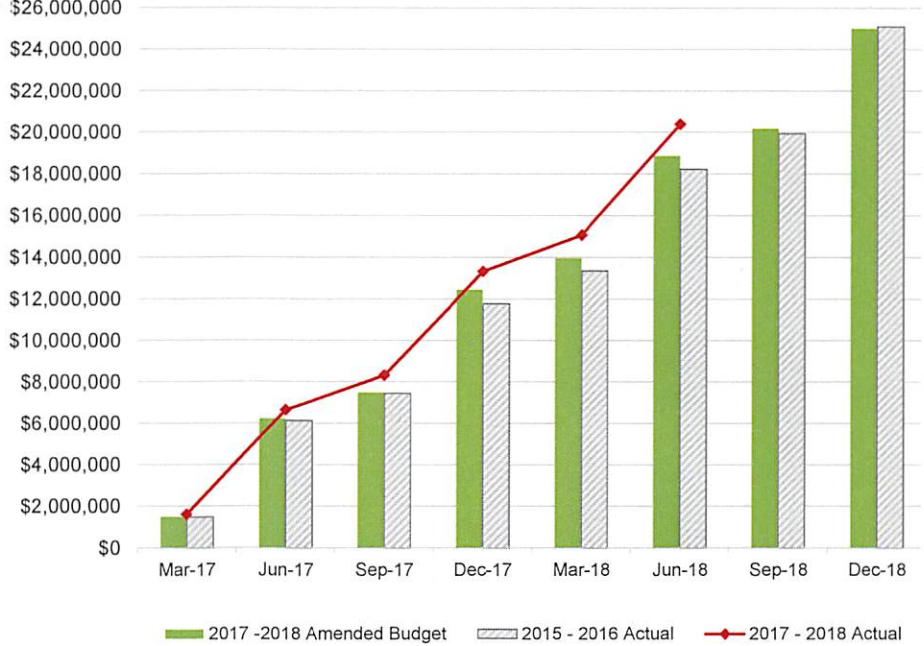
General Fund Revenues, Expenditures and Fund Balance



General Fund Revenues and Expenditures

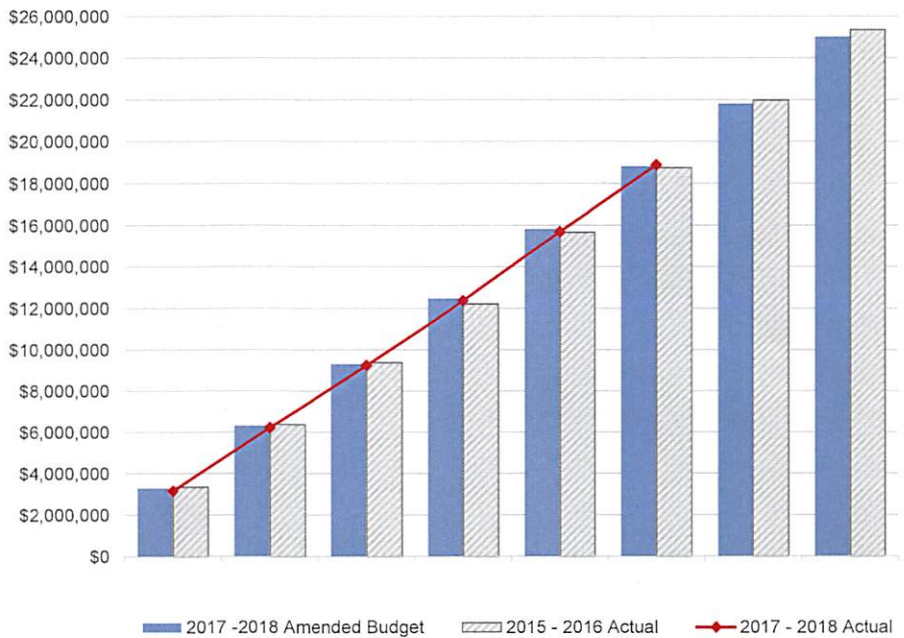
General Fund Revenues

	2017 -2018 Amended Budget	2017 - 2018 Actual	
Mar-17	\$1,502,438	\$1,627,223	\$26,000,000
Jun-17	\$6,238,733	\$6,659,072	\$24,000,000
Sep-17	\$7,509,914	\$8,331,171	\$22,000,000
Dec-17	\$12,461,571	\$13,342,550	\$20,000,000
Mar-18	\$13,966,427	\$15,072,078	\$18,000,000
Jun-18	\$18,873,599	\$20,383,729	\$16,000,000
Sep-18	\$20,184,221		\$14,000,000
Dec-18	\$25,029,600		\$12,000,000



General Fund Expenditures

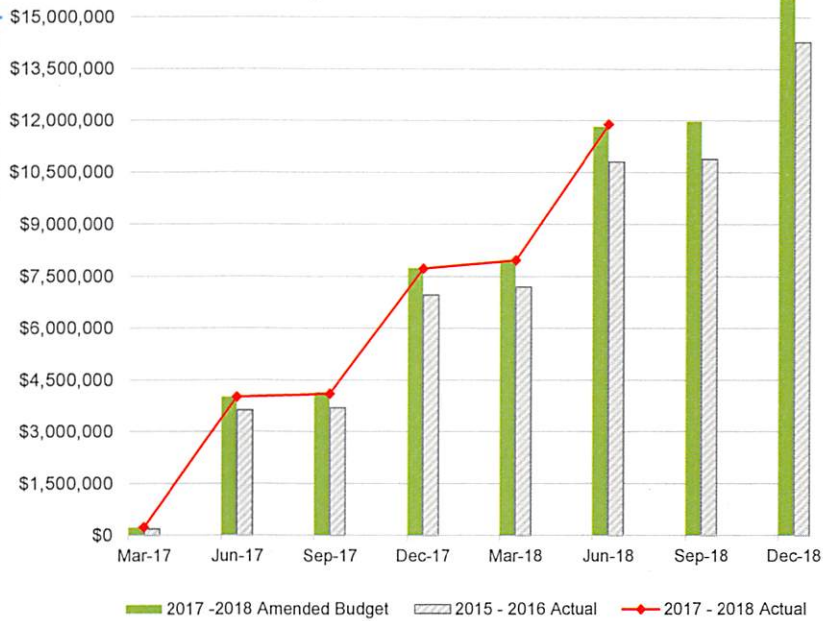
	2017 -2018 Amended Budget	2017 - 2018 Actual	
Mar-17	\$3,318,978	\$3,171,580	\$26,000,000
Jun-17	\$6,331,708	\$6,215,283	\$24,000,000
Sep-17	\$9,328,045	\$9,242,028	\$22,000,000
Dec-17	\$12,491,653	\$12,373,642	\$20,000,000
Mar-18	\$15,836,965	\$15,699,211	\$18,000,000
Jun-18	\$18,834,477	\$18,892,792	\$16,000,000
Sep-18	\$21,835,788		\$14,000,000
Dec-18	\$25,029,600		\$12,000,000



General Fund Revenues

Property Tax Revenues Regular & EMS Property Tax

	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$235,077	\$243,476
Jun-17	\$4,020,340	\$4,016,712
Sep-17	\$4,160,043	\$4,117,981
Dec-17	\$7,761,275	\$7,737,917
Mar-18	\$7,989,594	\$7,973,780
Jun-18	\$11,839,531	\$11,895,418
Sep-18	\$11,981,246	
Dec-18	\$15,634,356	



	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$774,577	\$792,003
Jun-17	\$1,347,232	\$1,405,324
Sep-17	\$2,056,620	\$2,360,652
Dec-17	\$2,835,890	\$3,265,031
Mar-18	\$3,548,947	\$4,146,402
Jun-18	\$4,237,991	\$5,000,096
Sep-18	\$4,976,273	
Dec-18	\$5,683,550	

Sales Tax Revenues Retail, Public Safety & Criminal Justice

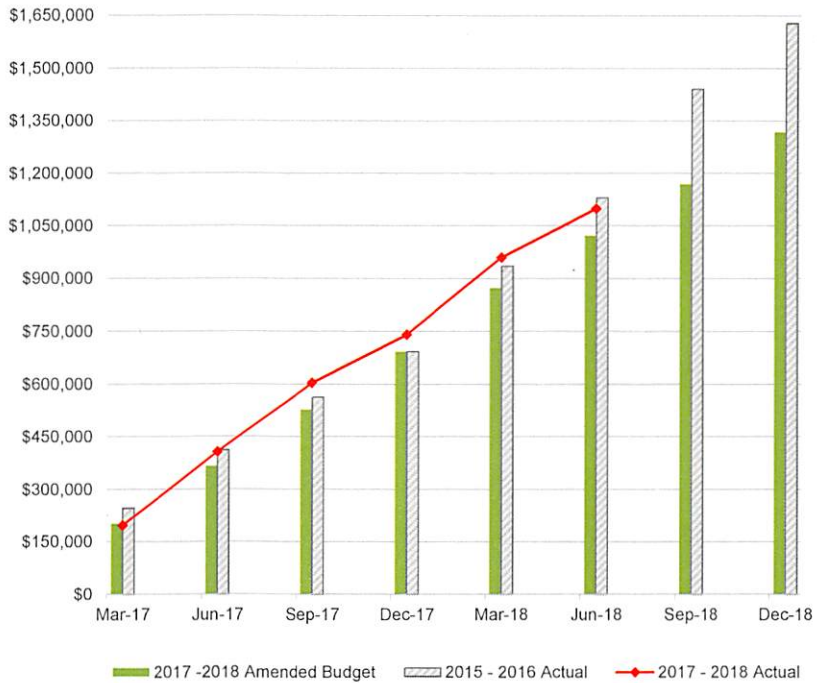


Sales tax excludes \$185,000 of construction sales tax which is designated to the capital improvement fund.

General Fund Revenues

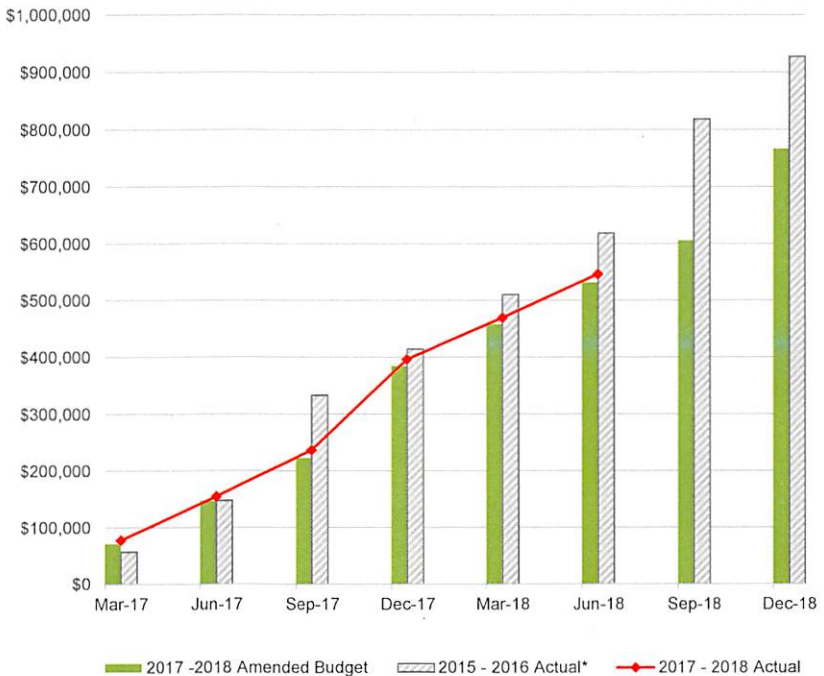
	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$202,129	\$196,786
Jun-17	\$367,247	\$407,438
Sep-17	\$528,381	\$604,368
Dec-17	\$693,514	\$741,192
Mar-18	\$873,948	\$959,757
Jun-18	\$1,022,295	\$1,099,425
Sep-18	\$1,170,272	
Dec-18	\$1,318,250	

License & Permit Revenues



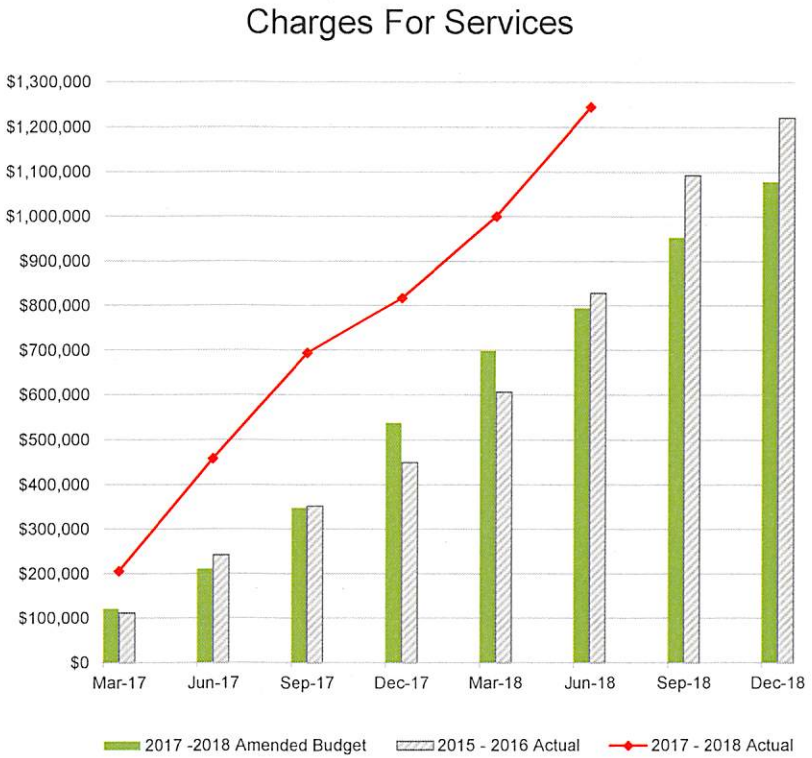
	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$71,806	\$78,061
Jun-17	\$147,678	\$154,939
Sep-17	\$223,550	\$237,583
Dec-17	\$384,917	\$396,415
Mar-18	\$458,659	\$469,461
Jun-18	\$532,401	\$547,371
Sep-18	\$606,142	
Dec-18	\$767,054	

Intergovernmental & Grant Revenues

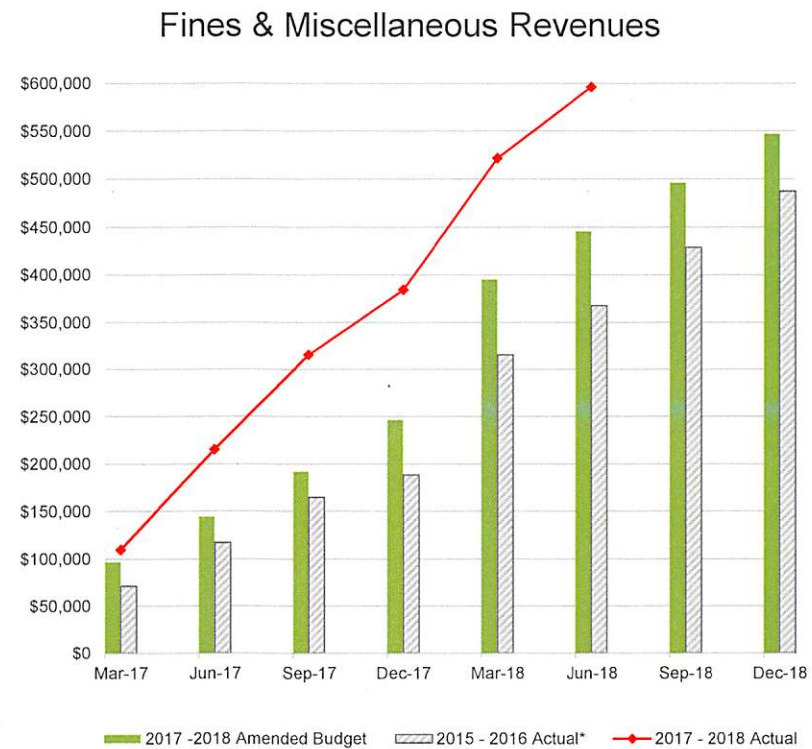


General Fund Revenues

	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$121,726	\$206,206
Jun-17	\$211,653	\$459,369
Sep-17	\$349,279	\$694,756
Dec-17	\$539,205	\$817,627
Mar-18	\$699,884	\$1,000,931
Jun-18	\$795,363	\$1,245,000
Sep-18	\$953,641	
Dec-18	\$1,079,120	

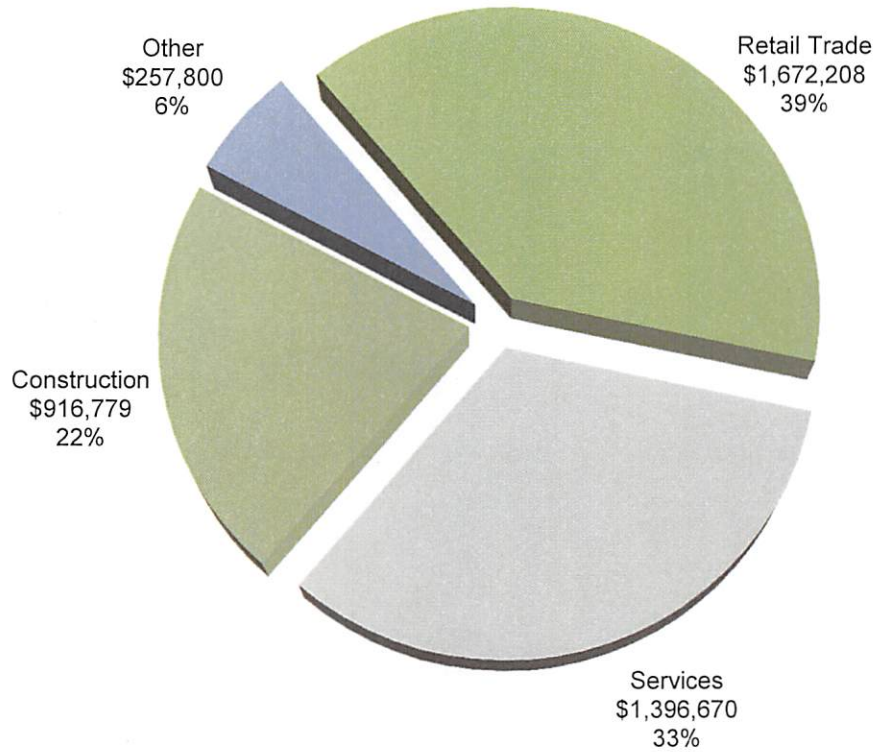


	2017 -2018 Amended Budget	2017 - 2018 Actual
Mar-17	\$97,124	\$110,213
Jun-17	\$144,583	\$215,289
Sep-17	\$192,041	\$315,831
Dec-17	\$246,770	\$384,369
Mar-18	\$395,395	\$521,746
Jun-18	\$446,020	\$596,419
Sep-18	\$496,645	
Dec-18	\$547,270	



General Fund Revenues

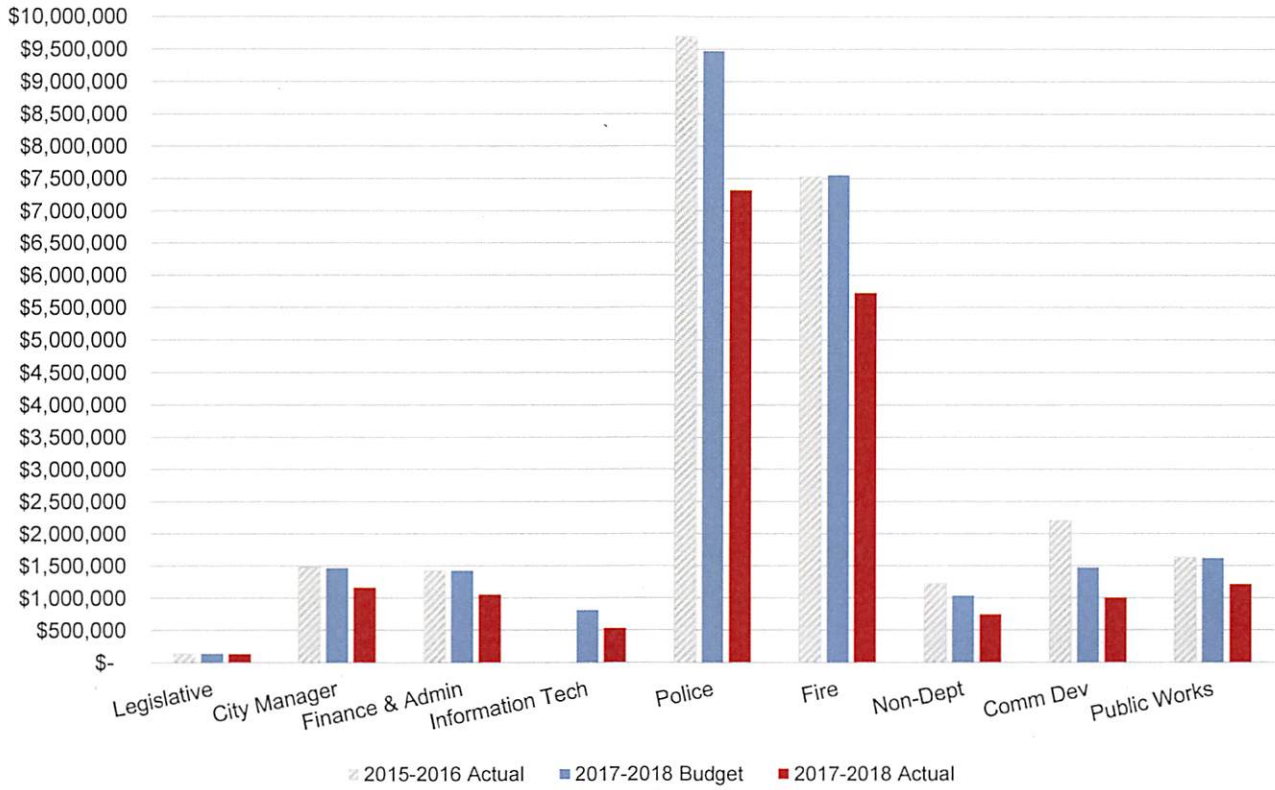
Retail Sales Tax Revenues



	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
Total	\$1,672,208	\$1,396,670	\$916,779	\$257,800	\$4,243,457

GENERAL FUND EXPENSES

General Fund Expenditures Budget vs. Actual by Department



General Fund Revenues and Expenditures - Budget to Actual

	Through 6/30/2018	% of Budget	2017-2018 Amended Budget
Revenues			
Property Tax-Regular	11,895,418	76.1%	15,634,356
Sales Tax	5,000,097	88.0%	5,683,550
Licenses & Permits	1,099,425	83.4%	1,318,250
Grants/Intergovernmental	547,371	71.4%	767,054
Charges for Services	1,245,000	115.4%	1,079,120
Fines	306,346	87.5%	350,000
Miscellaneous	290,073	152.7%	190,000
Transfers In	-	-	7,270
Total Resources	20,383,729	81.4%	25,029,600
BEGINNING FUND BALANCE	6,351,133		6,351,133
Expenditures			
Legislative	134,258	94.0%	142,897
City Manager	1,162,199	79.1%	1,468,647
Finance & Administration	1,052,605	73.7%	1,428,673
Information Technology	532,683	65.2%	817,375
Police	7,321,442	77.3%	9,475,826
Fire Services	5,723,424	75.7%	7,557,900
Non-Department	745,037	71.5%	1,041,850
Community Development/Building	1,005,783	68.3%	1,472,014
Public Works	1,215,362	74.8%	1,624,418
Total Expenditures	18,892,792	75.5%	25,029,600
CHANGE IN FUND BALANCE	1,490,937		
BEGINNING FUND BALANCE	6,351,133		6,351,133
ENDING FUND BALANCE	7,842,070		6,351,133

Other Funds Revenues and Expenditures - Budget to Actual

	Through 6/30/18	% of Budget	2017-2018 Amended Budget
SPECIAL REVENUE FUNDS			
City Street Fund			
Beginning Fund Balance	192,511		155,376
Revenues	758,307	74.6%	1,016,446
Expenditures	(776,467)	76.4%	(1,016,446)
Ending Fund Balance	174,350		155,376
Annex Building Fund			
Beginning Fund Balance	509,533		514,533
Revenues	297,038	82.6%	359,482
Expenditures	(287,022)	33.3%	(861,243)
Ending Fund Balance	519,549		12,772
DEBT SERVICE FUNDS			
Debt Service Fund			
Beginning Fund Balance	13,991		13,991
Revenues	33,194	50.1%	66,218
Expenditures	(34,730)	52.4%	(66,218)
Ending Fund Balance	12,455		13,991

Other Funds Revenues and Expenditures - Budget to Actual

	Through 6/30/18	% of Budget	2017-2018 Amended Budget
CAPITAL PROJECT FUNDS			
Real Estate Excise Tax			
Beginning Fund Balance	2,987,459		4,233,755
Revenues	2,820,174	185.5%	1,520,000
Expenditures	(33,194)	1.1%	(3,046,032)
Ending Fund Balance	<u>5,774,438</u>		<u>2,707,723</u>
Capital Improvement			
Beginning Fund Balance	325,140		316,728
Revenues	198,987	34.2%	582,032
Expenditures	(154,126)	15.2%	(1,016,032)
Ending Fund Balance	<u>370,001</u>		<u>(117,272)</u>
Park Capital Improvement			
Beginning Fund Balance	3,530,471		3,444,579
Revenues	69,265	5.9%	1,169,000
Expenditures	(757,397)	57.4%	(1,320,000)
Ending Fund Balance	<u>2,842,339</u>		<u>3,293,579</u>
Road Improvement			
Beginning Fund Balance	1,249,697		1,379,844
Revenue	518,616	6.5%	8,027,000
Expenditures	(438,368)	6.4%	(6,860,000)
Ending Fund Balance	<u>1,329,944</u>		<u>2,546,844</u>

Other Funds Revenues and Expenditures - Budget to Actual

	Through 6/30/18	% of Budget	2017-2018 Amended Budget
ENTERPRISE FUNDS			
Surface Water Utility			
Beginning Fund Balance	605,359		860,595
Revenues	1,199,742	81.3%	1,476,000
Expenditures	(1,075,877)	86.2%	(1,248,735)
Ending Fund Balance	<u>729,224</u>		<u>1,087,860</u>
Recreation Enterprise			
Beginning Fund Balance	(715)		186
Revenues	829,387	67.7%	1,225,000
Expenditures	(828,447)	67.6%	(1,225,000)
Ending Fund Balance	<u>225</u>		<u>186</u>
INTERNAL SERVICE FUNDS			
Equipment Replacement			
Beginning Fund Balance	1,556,210		1,569,850
Revenues	34,543	-	-
Expenditures	(325,505)	75.3%	(432,000)
Ending Fund Balance	<u>1,265,248</u>		<u>1,137,850</u>

Cash and Investments Balances

	6/30/2018	12/31/2017
Cash Bank Accounts ⁽¹⁾	\$ 373,590	\$ 546,168
State Local Government Investment Pool (LGIP)	\$ 14,611,184	\$ 12,296,489
US Government Agency Securities ⁽²⁾	\$ 6,246,172	\$ 7,229,784
Total Cash and Investment Holdings	\$21,230,946	\$ 20,072,441

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

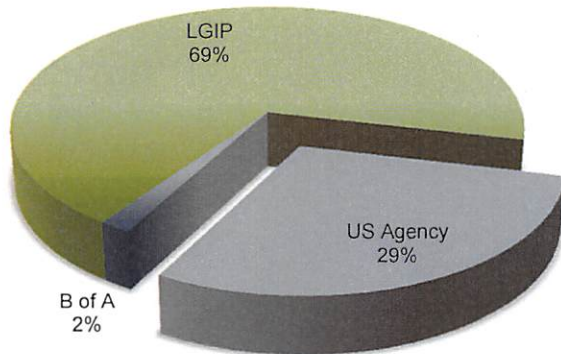
(2) Investments are reported at original cost

Cash and Investments By Fund

	General	REET	CIP	Parks	Roads	Surface Water	Equipment Replacement	Other	Totals
Securities	3,751,758	1,745,594	-	748,820	-	-	-	-	6,246,172
LGIP	4,127,178	4,027,826	203,495	2,062,593	1,328,851	728,193	1,429,682	703,366	14,611,184
Cash	4,878	1,019	1,000	733	1,093	1,030	1,071	362,766	373,590
Totals	7,883,814	5,774,438	204,496	2,812,146	1,329,944	729,223	1,430,753	1,066,132	21,230,946

Investment Summary

Cash and Investments by Category



■ B of A ■ LGIP ■ US Agency

Security Type

US Agency - Original Cost	\$ 6,246,172
Local Government Investment Pool (LGIP)	\$ 14,611,184
Bank of America Checking	\$ 373,590
Total Investment Portfolio	\$ 21,230,946