



Memorandum

Date: 2/13/2024

Meeting of: Committee of the Whole - Finance, Administration, and Communications

File No. CM 24-045

Type: Committee Memo

TO: Committee of the Whole - Finance, Administration, and Communications

FROM: Mayor Angela Birney

DEPARTMENT DIRECTOR CONTACT(S):

Finance	Kelley Cochran	425-556-2748
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DEPARTMENT STAFF:

Finance	Haritha Narra	Financial Planning Manager
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TITLE:

Budget Process Update and Financial Report Review

OVERVIEW STATEMENT:

To update Council on the status of the planning efforts for the upcoming budget process and to seek guidance on proposed improvements to staff facilitation of the process for Council. In addition, the financial results for the city through November 2023 will be reviewed. Discussion will help to inform the upcoming budget and forecast update scheduled for a Study Session on February 27th.

☐ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☒ **Receive Information**

☐ **Provide Direction**

☐ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
N/A
- **Required:**
N/A
- **Council Request:**
N/A
- **Other Key Facts:**
N/A

OUTCOMES:

Staff's intent is to make improvements to the budget process that provide adequate opportunities for Council input before the proposed budget is developed and that facilitate the Council's review of the proposed budget in a more

efficient manner.

Regarding the November 2023 Financial Report, the City is doing well overall so far in the biennium and the results highlighted below indicate that things are going as planned. Staff is currently reviewing the initial 2023 year-end results and developing the preliminary forecast for the 2025-2026 budget. Information on both efforts will be shared with Council during the upcoming Study Session.

REVENUE

- **Property Tax** is 1.5%, or \$357,000, above target.
- **Sales & Use taxes** is 20.1%, or \$7.0 million, above target primarily due to the high level of development activity.

This includes retail sales tax, criminal justice sales tax, and use tax. One-time retail sales tax, which primarily relates to construction activity, is \$12.1 million.
- **Utility & other taxes** are 10.1%, or \$987,000, above target primarily due to increase electricity rates by PSE.
- **Development Permit and Business License fees** meets the target at 46.0%, generating a total of \$13.5 million as of November 2023.
- **Intergovernmental revenue** is 11.0%, or \$344,000, above target primarily due to increase in criminal justice state entitlement fees and new grant awards.
- **Charges for Services** are 6.3%, or \$993,000, lower than target, attributed to pending invoice for communication and dispatch services.
- **Miscellaneous fees** are 80.5%, or \$3.1 million, above target primarily due to high Annual Percentage Yield (APY) on short term investments.
- **Fine & Forfeit fees** are 13.6%, or \$35,000, under target primarily due to decrease in penalties on business license since the City moved to the State system in 2022.

EXPENDITURES:

- Total expenditures meet the spending target of 46.0%, or \$129.0 million.
- Spend rate for some departments is over the target ranging 2% and 9%.
 - **Non-Departmental** is 9.0%, or \$6.0 million, over the target primarily due to the timing of operating transfers that are processed.
 - **Fire department** is 2.0%, \$752,000, over the target primarily in overtime due to position vacancies and staffing required to meet minimum staffing levels.
 - **Planning department** is 9.0%, or \$2.4 million, under the target primarily due to position vacancies.
 - **Finance** is 7.0%, or \$729,000, below target primarily attributed to position vacancies and delay in audit services.

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- *Capital Investment Program (CIP) and Business Technology Investment Program (BTIP)*: Total expenditures are 37.0% of budget at the 46.0% point of the 2023-2024 biennium.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
N/A
- **Outreach Methods and Results:**
N/A
- **Feedback Summary:**
N/A

BUDGET IMPACT:

Total Cost:

N/A

Approved in current biennial budget:

☐ Yes

☐ No

☒ N/A

Budget Offer Number:

N/A

Budget Priority:

Strategic and Responsive

Other budget impacts or additional costs:

☐ Yes

☐ No

☒ N/A

If yes, explain:

N/A

Funding source(s):

N/A

Budget/Funding Constraints:

N/A

☐ Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
N/A	Item has not been presented to Council	N/A

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Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
3/12/2024	Committee of the Whole - Finance, Administration, and Communications	Receive Information

Time Constraints:

N/A

ANTICIPATED RESULT IF NOT APPROVED:

N/A

ATTACHMENTS:

Attachment A: November 2023 Monthly Report