

Date: March 21, 2017

To: Mayor Ibershof and City Council

From: Dean Rohla, Finance Director
Jennifer Anderson, Accountant

Re: Fourth quarter 2016 Financial Report (100% of year = 100% Target)

At the end of fourth quarter 2016, total City revenues are 59.01% of budget and expenses are 59.29%. A summary by each fund type is shown in Exhibit 1 and 2.

Highlights year-to-date include:

GENERAL FUND

- General Fund operating revenue ended fourth quarter at 101.60% of budget and operating expenditures are 94.59%. In comparison, 2015 4th quarter ended with operating revenue at 98.3% and operating expenses at 96.10% (see **Exhibit 9** for details by department and object).
- Approximately 25% of the General Fund revenue comes from Property Tax which is primarily received in April/May and Oct/Nov each year.
- Building permit revenue ended the fourth quarter at 113.33% of budget or a total of \$195,606.28. This is a significant increase compared to end of 4th quarter 2015 which ended with \$113,802.86 in revenue or 69.92% of budget.
- Other development fees and engineering fees have brought in revenue of \$183,353.64 thru end of year 2016. This represents 107.86% of budget (\$170,000).
- Plan check fees were at 148.72% of budget or \$108,849.03 at the end of fourth quarter. Again, this is higher than 2016 fourth quarter which ended with \$53,973.49.
- Sales Tax revenue ended fourth quarter with 113.87% of the \$715,000 budget received (**Exhibit 3**).
- Utility Taxes are at 91.22% of budget or \$996,591.09 (**Exhibit 6**). This is low since the City did not receive water, sewer and storm interfund utility taxes for October and November until January 2017.

CAPITAL FUNDS

- City received 33 park and street impact fees in 2016. Impact fees are receipted at the time building permits are issued (**Exhibit 5**).
- Real Estate Excise Tax (REET) ended the quarter at 120.56% of budget with homes and property continuing to sell at increased prices. (**Exhibit 4**).

UTILITY FUNDS

- The City has no General Obligation debt, only Revenue debt for the water and sewer utility as shown in **Exhibit 7**.
 - The 2.2 M gallon water tank bonds were paid off in July 2016
- Bond Reserve** was reevaluated by Bond Counsel and revised down to \$159K from \$262K. Gives us about \$100K we can use to pay Principal and Interest.

ALL FUNDS

- Interest on Investments revenue ended the year at \$60,361.40. This is 207.46% of the 2016 budget, \$29,095.
- Reserve fund balances are being met (**Exhibit 8**).
- Overall City fund balances have decreased through the end of fourth quarter 2016 by \$388,554. (**Exhibit 10**).

Please feel free to contact me if you have any questions, 425-939-8066.

EXHIBIT 1: Budget to Actual Revenues thru December 31, 2016 – all funds

Fund Types	2016 Total Budget	2016 Begin. Fund Balance	2016 Total Budget Less Begin. Fund Bal.	YTD 2016 Revenues	% Received	Target
General Fund	5,416,735	1,064,236	4,352,499	4,422,275	101.60%	≥100%
Contingency Fund	180,615	28,015	152,600	152,679	100.05%	≥100%
Special Revenue Funds	700,823	187,313	513,510	522,930	101.83%	≥100%
Debt Service	3,000,000	-	3,000,000	-	0.00%	≥100%
Capital Project Funds	13,143,324	2,195,564	10,947,760	3,917,628	35.78%	≥100%
Utility Funds	13,688,980	7,104,405	6,584,575	5,674,503	86.18%	≥100%
Bond Redemption & Reserve	721,268	279,413	441,855	442,918	100.24%	≥100%
Internal Service Funds	1,062,891	590,608	472,283	483,083	102.29%	≥100%
Totals	\$ 37,914,635	\$ 11,449,553	\$ 26,465,082	\$ 15,616,015	59.01%	≥100%

Total revenues are under the target of 100% or higher.

EXHIBIT 2: Budget to Actual Expenditures thru December 31, 2016 – all funds

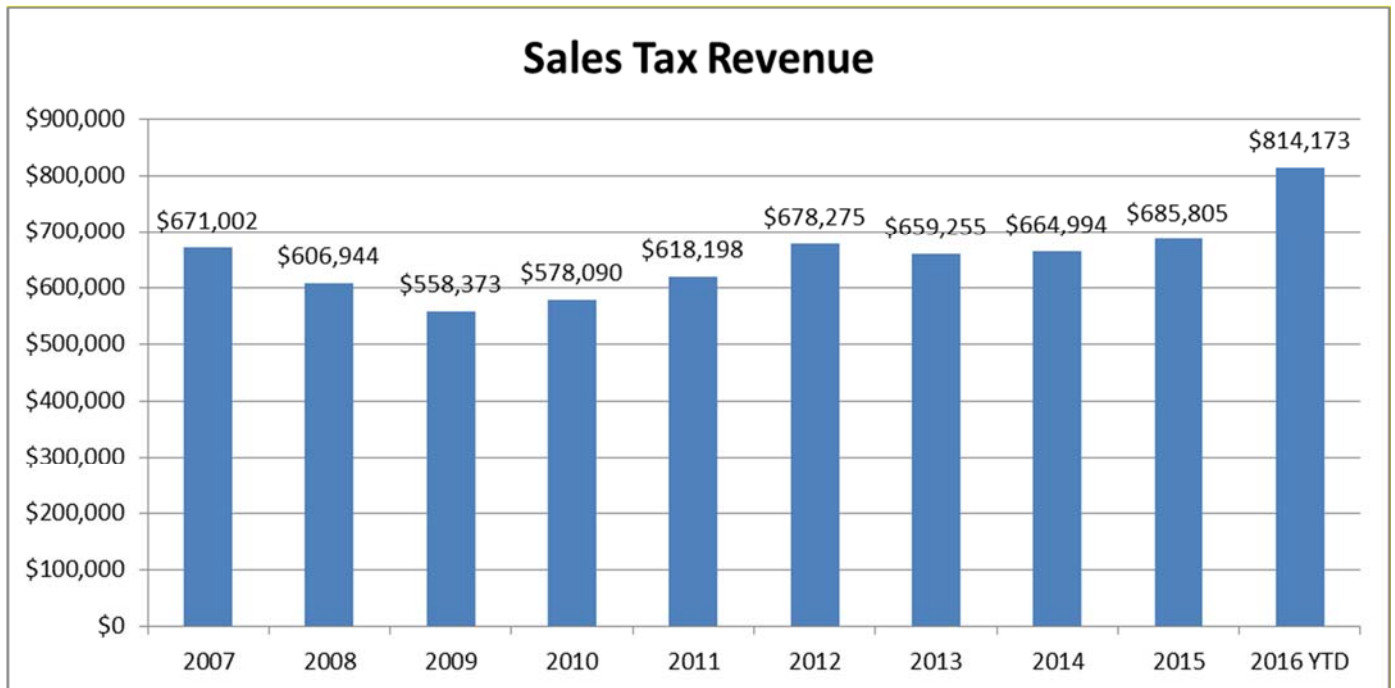
Fund Types	2016 Total Budget	2016 Budget Ending Fund Balance	2016 Total Budget less End. Fund Bal.	YTD 2016 Expenditures	% Expended	Target
General Fund	5,416,735	935,954	4,480,781	4,238,269	94.59%	<100%
Contingency Fund	180,615	162,615	18,000	18,000	100.00%	<100%
Special Revenue Funds	700,823	45,111	655,712	534,115	81.46%	<100%
Debt Service	3,000,000	-	3,000,000	-	0.00%	<100%
Capital Project Funds	13,143,324	3,299,283	9,844,042	3,610,168	36.67%	<100%
Utility Funds	13,688,980	5,676,481	8,012,499	6,787,361	84.71%	<100%
Bond Redemption & Reserve	721,268	279,163	442,105	441,105	99.77%	<100%
Internal Service Funds	1,062,891	522,525	540,366	375,551	69.50%	<100%
Totals	\$ 37,914,635	\$ 10,921,131	\$ 26,993,504	\$ 16,004,570	59.29%	<100%

Big Rock & Main St
Debt and projects fully
budgeted but not spent



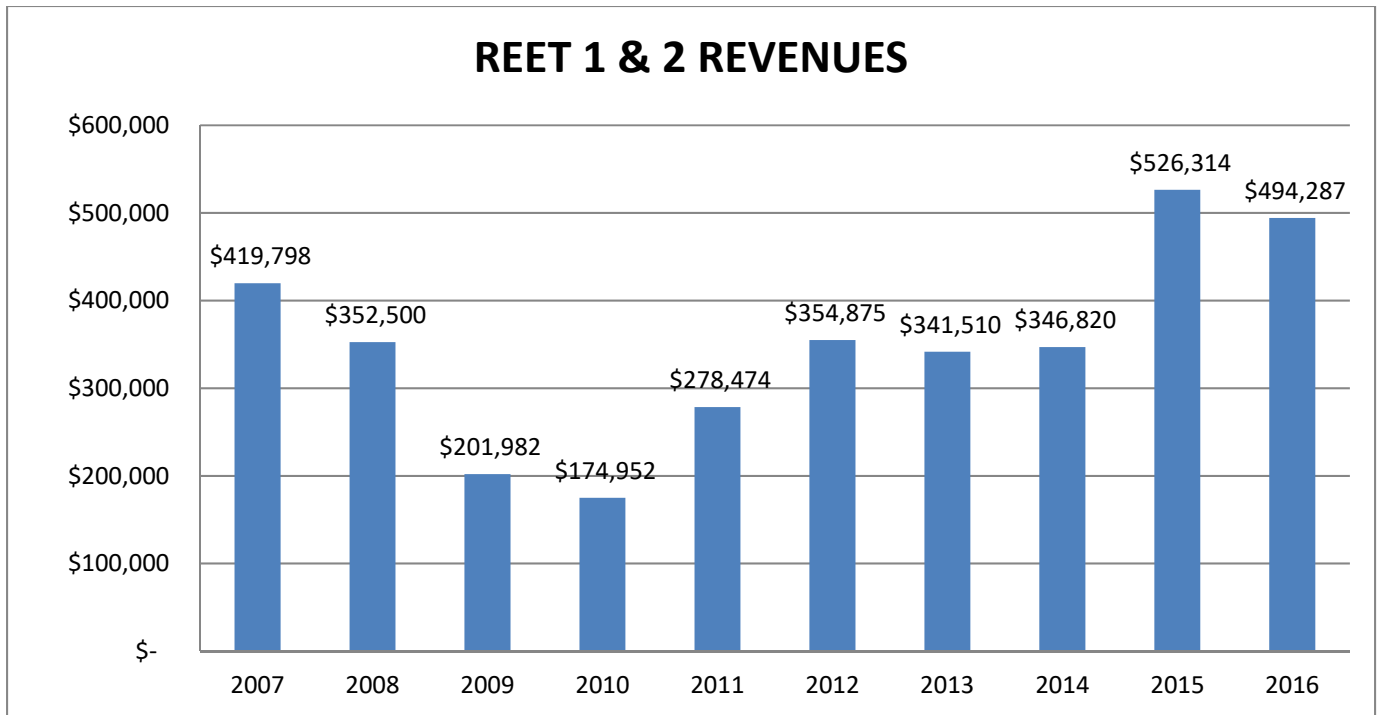
Expenditures are below the 100% target at the end of fourth quarter.

EXHIBIT 3: Sales Tax



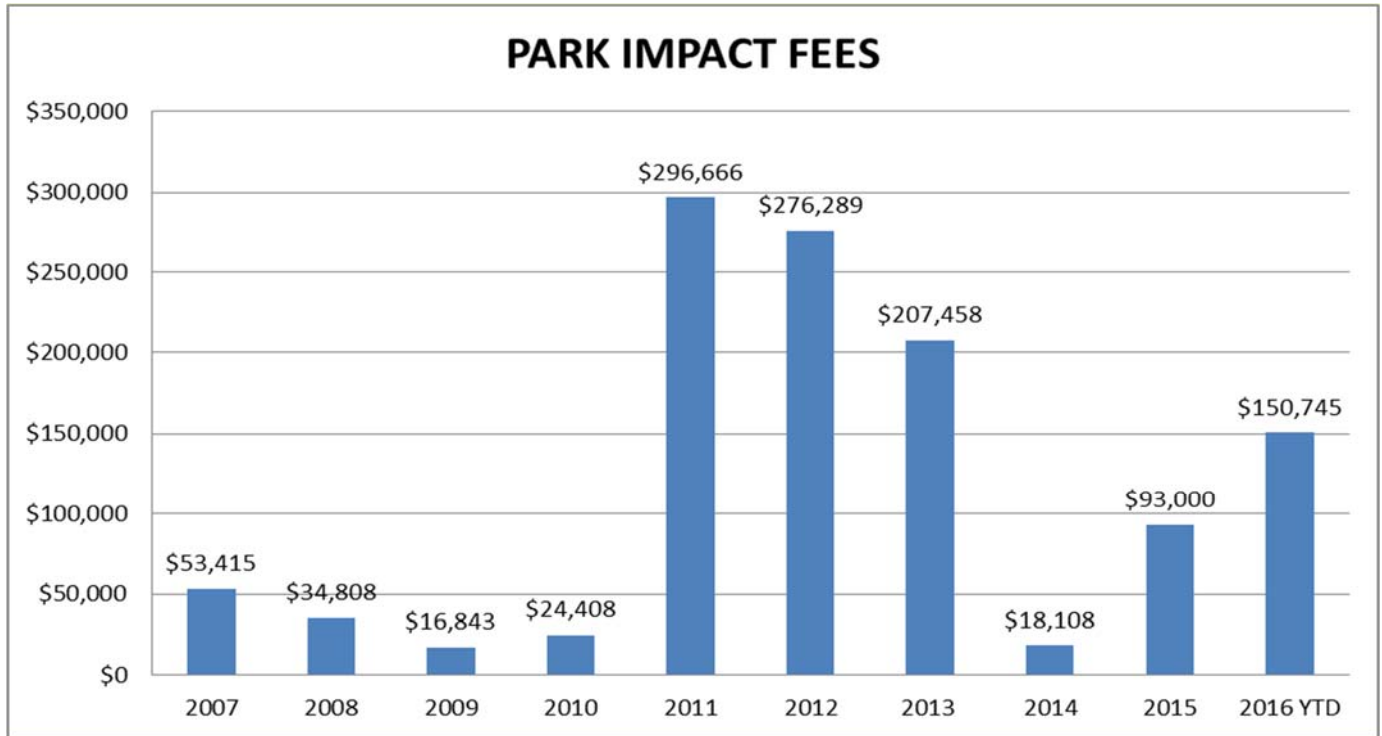
At the end of the year, sales tax is at 113.87% of our \$715,000 budget and is 18.72% higher than fourth quarter 2015 sales tax revenues.

EXHIBIT 4: REET

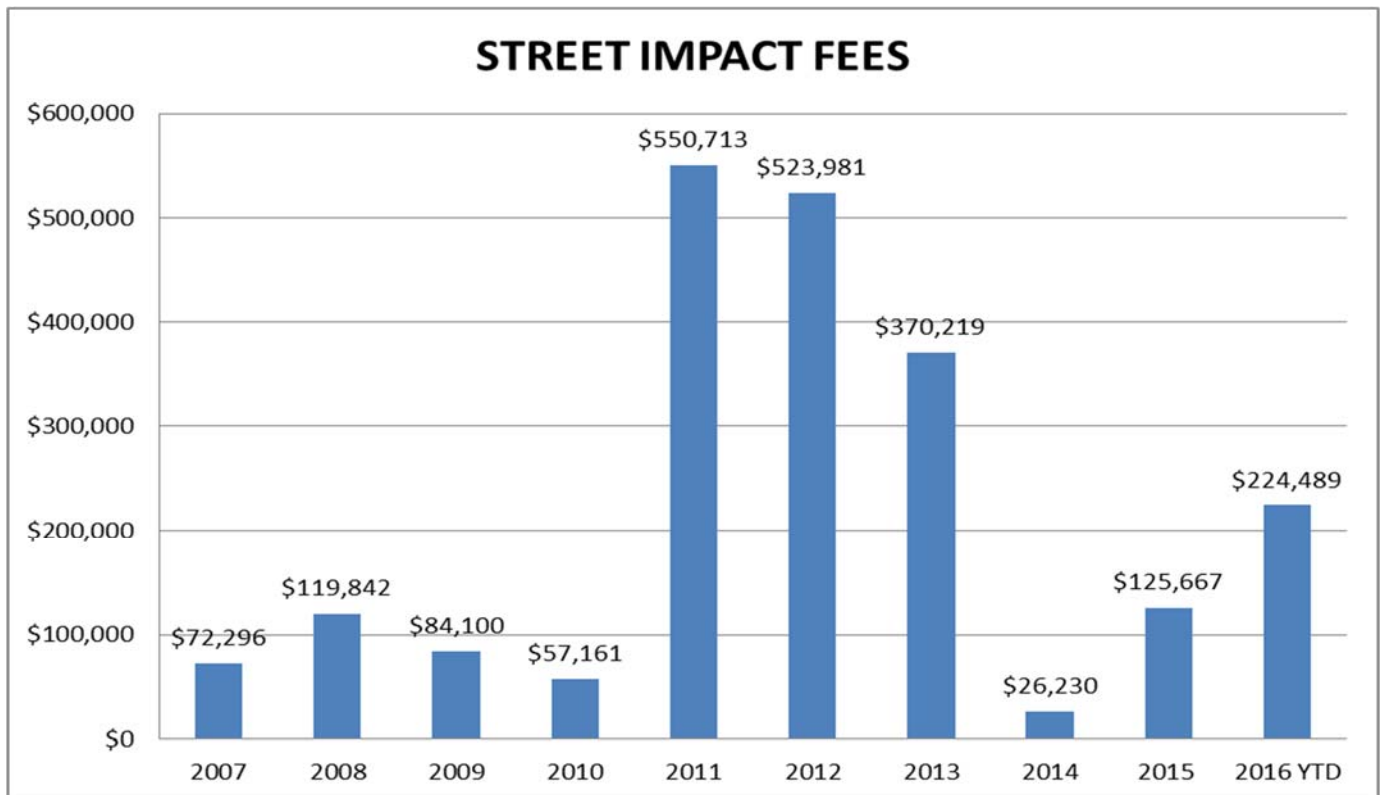


Real Estate Excise Tax Revenues (REET) completed the year at 120.56% of the 2016 budget (\$410,000). These funds are primarily for capital improvements.

EXHIBIT 5: Impact Fees

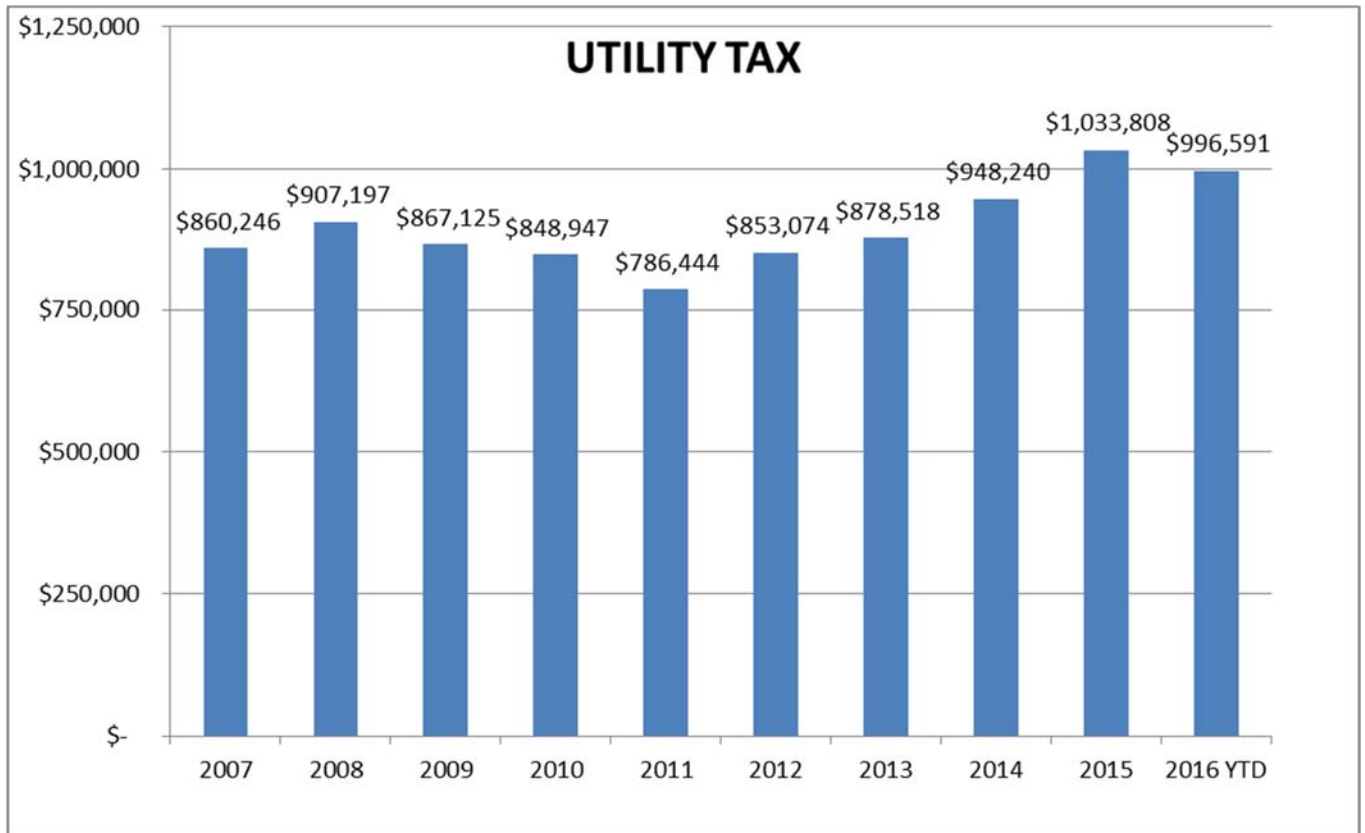


The City has collected 33 park impact fees, or 98.24% of budget, thru December 31, 2016. Park impact fees are restricted for park capital improvements.



The City has collected 33 street impact fees, or 90.16% of budget, thru December 31, 2016. Street impact fees are restricted for transportation capital improvements.

EXHIBIT 6: Utility Taxes



At the end of the fourth quarter, utility taxes are at 91.22% of budget (\$1,092,500). Utility tax revenues are from electric, gas, telephone, garbage, cable, and the city’s water, sewer, and storm drain utilities.

EXHIBIT 7: Debt

Utility Revenue Debt	Principal
Water Main Pump PWTF	15,525
2.2 M Gal Water Tank Bonds	-
Sewer Bonds	595,000
SRF WWTP Loan	2,780,671
Total	\$ 3,391,197

The City has no outstanding general obligation debt as of 12/31/16. The utilities have outstanding loans and revenue bonds as shown above. In December 2014, Standard & Poor’s rated our water and sewer bonds “AA/Stable.” Duvall has bond reserves set aside which are in compliance with bond covenants.

Duvall issued \$4,865,000 in Limited-Term General Obligation (LTGO) debt on February 22, 2017.

EXHIBIT 8: Fund Balance Reserves

General Fund	\$ 720,506	17% of operating budget, 2 months coverage
Disaster Relief	25,000	
Contingency	162,694	Limitation 37.5% of AV (2016 = \$391,534.34)
Water Utility	680,269	
Sewer Utility	907,025	
Sewer Utility, DOE Loan	335,000	
Storm Drain	283,447	
Utility Bond Debt Reserve	159,000	Per bond covenants (rev 2016 by bond counsel)
Equipment Fund	200,000	
Insurance Deductible (all funds)	<u>25,600</u>	Per budget. In Bldg Maint fund 503
Total Restricted Funds	<u>\$ 3,498,541</u>	

- Reserve balance policies are being met.

NOTES:

- Cash & Investment balances shown on the Fourth Quarter Investment Report were “preliminary numbers.” Below are the revised numbers.

At December 31, 2016, the City’s total cash balance (all funds) is as follows:

Investments	\$ 10,746,853.64
Checking Accounts	309,828.66
Operating cash (imprest/drug enforcement)	<u>12,408.46</u>
Total Cash & Investments	<u>\$ 11,069,090.76</u>

- Fourth quarter Budget amendments were approved by Council Tuesday, December 6, 2016.

EXHIBIT 9:

Annual Revenue Report				Target ≥ 100%
General Fund as of 12/31/16				
Resources	2016 Budget	YTD	YTD % Collected	2015 Comparison
Begin Fund Balance	\$ 1,064,235.51	\$ 1,064,235.51	100.00%	100.00%
Taxes	3,102,780.00	3,131,311.25	100.92%	99.00%
Licenses & Permits	371,202.00	394,894.29	106.38%	86.60%
Intergovernmental Revenues	244,954.00	255,267.72	104.21%	111.70%
Charges for Goods and Services	283,389.00	322,700.75	113.87%	103.70%
Fines & Penalties	55,000.00	58,409.49	106.20%	62.80%
Miscellaneous Revenues	73,690.00	85,848.05	116.50%	128.40%
Other	221,484.00	173,843.71	78.49%	87.00%
TOTAL OPERATING REVENUE:	\$ 4,352,499.00	\$ 4,422,275.26	101.60%	98.30%
TOTAL BUDGET	\$ 5,416,734.51	\$ 5,486,510.77	101.29%	98.60%

Annual Expense Report				Target < 100%
General Fund as of 12/31/16				
Expenses by Department:	2016 Budget	YTD	YTD % Spent	2015 Comparison
Legislative	\$ 86,019.00	\$ 74,419.92	86.52%	81.00%
Executive	157,781.00	155,762.62	98.72%	96.60%
Community Events	2,000.00	1,963.47	98.17%	0.00%
Finance Dept.	270,740.00	257,366.28	95.06%	98.30%
Planning Dept.	464,344.00	381,996.09	82.27%	95.80%
Building Dept.	164,453.00	159,916.92	97.24%	84.90%
Police Dept.	2,261,323.00	2,197,254.17	97.17%	96.80%
Recycling Dept.	18,170.00	18,982.75	104.47%	79.00%
Civil Service	10,192.00	9,800.44	96.16%	133.70%
Parks Dept.	241,444.00	203,737.18	84.38%	90.90%
Cultural Commission	94,750.00	69,953.43	73.83%	88.90%
Engineering Dept.	221,111.00	193,107.88	87.34%	104.50%
Fire	4,100.00	3,750.00	91.46%	189.10%
Non-Departmental	484,354.00	510,258.12	105.35%	97.80%
TOTAL OPERATING EXPENSES	\$ 4,480,781.00	\$ 4,238,269.27	94.59%	96.10%
Ending Fund Balance	\$ 935,953.51	\$ 1,248,241.50	133.37%	110.30%
TOTAL BUDGET	\$ 5,416,734.51	\$ 5,486,510.77	101.29%	

General Fund as of 12/31/16				
Expenses by Category:	2016 Budget	YTD	YTD % Spent	2015 Comparison
Salaries and Wages	\$ 2,043,434.00	\$ 1,993,719.71	97.57%	99.30%
Personnel Benefits	819,906.00	758,720.04	92.54%	99.40%
Supplies	86,325.00	69,096.87	80.04%	74.00%
Services	1,186,444.00	1,071,984.53	90.35%	93.50%
Intergovernmental Svcs.	315,672.00	344,748.12	109.21%	85.20%
Capital Outlays	29,000.00	-	0.00%	0.00%
TOTAL OPERATING EXPENSES	\$ 4,480,781.00	\$ 4,238,269.27	94.59%	96.10%
Ending Fund Balance	\$ 935,953.51	\$ 1,248,241.50	133.37%	110.3%
TOTAL BUDGET	\$ 5,416,734.51	\$ 5,486,510.77		

Operating Revenue less Operating Expenses **\$ 184,005.99**

CITY OF DUVALL
2016 REVENUE AND EXPENSE SUMMARY

Quarter ended 12/31/2016

EXHIBIT 10:

Fund	Description	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Net Change		
001	General Fund	\$ 1,064,235.51	\$ 4,422,275	\$ 4,238,269	\$ 1,248,241.50	\$ 184,005.99	318,684.99	General Fund
002	Contingency Fund	28,014.90	152,679	18,000	162,693.90	134,679.00		
101	Street Fund	121,133.28	456,842	466,002	111,973.14	(9,160.14)	(11,185.27)	Special Revenue Funds
106	Big Rock Ball Park Maintenance	27,760.21	65,888	68,113	25,535.21	(2,225.00)		
107	Sensitive Areas Mitigation Fund	38,419.08	200	-	38,618.95	199.87		
206	2016 LTGO - Main St Debt Svc	-	-	-	-	-	-	Debt Svc Fd
304	Real Estate Excise Tax Fund 1	431,383.06	499,904	240,051	691,236.24	259,853.18	307,459.76	Capital Project Funds
305	Real Estate Excise Tax Fund 2	327,438.18	499,169	315,492	511,115.42	183,677.24		
306	Main Street Improvement	-	2,516,789	2,310,456	206,333.51	206,333.51		
307	Street CIP Fund	686,620.77	231,646	604,131	314,135.64	(372,485.13)		
308	Parks CIP Fund	750,122.25	170,119	140,038	780,203.21	30,080.96		
401	Water Fund	2,773,668.46	1,937,315	1,874,220	2,836,763.53	63,095.07	(1,111,045.81)	Proprietary Funds
402	Sewer Fund	1,906,400.73	2,295,824	2,104,993	2,097,231.51	190,830.78		
404	Storm Drainage Fund	535,478.50	715,909	613,827	637,559.89	102,081.39		
407	Water CIP Fund	356,606.54	251,259	228,577	379,289.08	22,682.54		
408	Sewer CIP Fund	1,512,014.69	471,796	1,965,710	18,100.18	(1,493,914.51)		
409	Storm Drainage CIP Fund	20,235.92	2,400	34	22,601.90	2,365.98		
410	Bond Redemption Fund	17,068.85	441,554	440,705	17,917.94	849.09		
411	Bond Reserve Fund	262,343.73	1,364	400	263,307.58	963.85		
501	Equipment Fund	514,700.94	139,753	127,878	526,576.37	11,875.43	107,532.33	Internal Service Funds
502	IT Fund	41,487.67	205,228	150,962	95,754.18	54,266.51		
503	Building Maintenance Fund	34,419.47	138,102	96,711	75,809.86	41,390.39		
TOTAL		\$ 11,449,552.74	\$ 15,616,016	\$ 16,004,570	\$ 11,060,998.74	\$ (388,554.00)	(388,554.00)	

\$ 27,065,568.26 = \$ 27,065,568.26