

SEQUIM CITY COUNCIL AGENDA COVER SHEET

MEETING DATE: February 25, 2013

FROM: Elray Konkell, Administrative Services Director EHK
Initials

SUBJECT/ISSUE: 2012 City Year-End Financial Statement Report (Pre-Audit)

Discussion dates	04/23/2012	07/23/12	10/22/12	02/25/2013
CATEGORY	<input type="checkbox"/> City Manager Report	<input type="checkbox"/> Information Only	Time Needed for Presentation	
	<input type="checkbox"/> Public Hearing	<input type="checkbox"/> Consent Agenda		
	<input checked="" type="checkbox"/> Unfinished Business	<input type="checkbox"/> New Business		
Reviewed by			Initials	Date
Steve Burkett, City Manager			SCB	2/20/13
Craig Ritchie, City Attorney				

PROBLEM/ISSUE STATEMENT:

The 2012 Year-End Report provides the Pre-Audit financial results of the City with an explanation of significant variances from budget. The reports are provided for accountability and transparency.

LIST OF ATTACHMENTS:

1. [What to Look For on the City's Financial Statement](#)
2. [Summary by Fund All Activity](#)
3. [Summary by Fund Condensed](#)
4. [Summary by Fund, Fund Balance Only](#)
5. [Narrative Summary of Funds](#)
6. [Supporting Data Graphs](#)

DISCUSSION/ANALYSIS:

The attached information is presented to give the City Council and Community a pre-audit look at results of operations for 2012 and a view of financial position at the start of 2013. The Budget is adopted at the fund level and thus is presented accordingly.

General Fund Overall, the City's financial performance in the General Fund for 2012 was very well balanced. The Final Amended 2012 Budget projected a decrease in fund balance of \$134,200. General Fund revenues were \$103,009 less than budgeted but General Fund expenditures were \$378,212 less than budgeted so our General Fund balance actually increased by \$141,001. Year-end fund balance is \$1.755 million (2.63 months 2013 expenditures). While Sales Tax was \$214,000 under budget, overall expenditure constraints and budgeted contingencies plus solid revenues outside of sales tax more than mitigated the revenue challenges.

Street Operations (Unrestricted) Actual beginning Fund Balance for 2012 was \$9k under forecast. Actual Revenues for the year were \$4k more than projected and actual expenditures were \$35k or 4% less than projected. The result of operations was an increase in Fund Balance of \$46k. Ending fund balance of \$207k represents 2.58 months of budgeted 2013 Budgeted Expenditures.

Water Operations (Unrestricted) Actual beginning Fund Balance for 2012 was \$61k under forecast. Actual Revenues for the year were \$37k or 2% more than projected and actual expenditures were \$208k or 12% less than projected. Controlled expenditures within this fund increased Fund Balance by \$233k. Ending fund balance of \$1.2ml represents 7.9 months of budgeted 2013 Budgeted Expenditures.

Sewer Operations (Unrestricted) Actual beginning Fund Balance for 2012 was \$1.6ml. Actual Revenues for the year were \$55k or 2% less than projected and actual expenditures were \$243k or 7% less than projected. Controlled expenditures within this fund allowed the result of operations to reduce the projected decline in Fund Balance to only \$139k instead of \$327k. Ending fund balance of \$1.5ml represents 4.77 months of budgeted 2013 Budgeted Expenditures.

All **Other Funds** were either on track or above general budget projections or did not present any significant concerns

FINANCIAL IMPLICATIONS: The 2013 Budget period begins with overall better than expected beginning fund balances.

RECOMMENDATION: Presented as an unfinished business update to the City Council and Community.

What to Look For In the City's Financial Statement

- **Acceptable Fund Balance:**
 - See Summary of Funds column labeled "ACTUAL End Balance". The City has established target fund balances for operating funds: General Fund, Streets Unrestricted, Water Unrestricted and Sewer Unrestricted.
 - Other funds fluctuate based on projects and do not have a target fund balance.
- **Budget to Actual Comparison:** Financial statements should be reviewed for budgetary compliance (actual expenses < budget) because the City must have Council authority, as set forth in the adopted budget, to spend funds. There should be reasonable explanations for significant variances.
 - See Summary by Fund, column labeled "ACTUAL Exp – BUDGET Ex". This column should be reviewed for any positive numbers (over budget) and for large variances.
 - See Narrative Summary of Funds. This report provides an explanation of the financial results and any significant variances.
- **Monitoring Key Revenues and Expenses:** Key revenues and expenses should be reviewed on a regular basis to monitor the City's activity against budget and to make appropriate adjustments if necessary. Various graphs and tables are provided quarterly and at year-end.

City of Sequim
Summary by Fund
All Activity
2012

	BUDGET Beg Fund Balance	BUDGET Net Gain (Loss)	BUDGET End Balance	BUDGET Revenues	ACTUAL Revenues	ACTUAL Rev - BUDGET Rev	BUDGET Expenditures	ACTUAL Expenditures	ACTUAL Exp - BUDGET Exp	ACTUAL Beg Fund Balance	ACTUAL Net Gain (Loss)	ACTUAL End Balance
General Fund	1,455,352	(134,202)	1,321,150	8,279,151	8,176,141	(103,009)	8,413,352	8,035,140	(378,212)	1,614,777	141,001	1,755,778
Special Revenue Funds												
101-U Street Unrestricted	173,338	7,512	180,850	852,766	856,729	3,963	845,254	810,282	(34,972)	160,966	46,447	207,413
101-R Street Restricted	188,271	82,611	270,882	3,280,863	1,434,234	(1,846,629)	3,196,252	1,180,791	(2,017,460)	144,138	253,442	397,581
115 Lodging Tax Hotel / Motel	258,827	(66,951)	191,876	222,596	227,019	4,423	289,546	242,581	(46,966)	280,477	(15,561)	264,916
120 Criminal Justice	43,463	(16,971)	26,492	54,655	41,186	(13,469)	71,626	37,818	(33,809)	68,170	3,368	71,539
121 Police Asset Seizure	4,422	77	4,499	20,077	8,178	(11,899)	20,000	7,042	(12,958)	18,387	1,136	19,522
140 Parks Restricted	186,255	(70,920)	115,335	145,857	166,854	20,997	216,777	165,863	(50,914)	193,565	991	194,556
150 Real Estate Excise Tax	128,547	(127,684)	863	147,076	137,497	(9,579)	274,760	236,760	(38,000)	215,801	(99,263)	116,538
160 Gifting & Donations	300	6,340	6,640	19,800	6,119	(13,681)	13,460	5,628	(7,832)	143	490	633
164 Equip Reserve	472,918	(93,788)	379,130	212,384	227,421	15,037	306,172	221,002	(85,170)	532,697	6,419	539,116
Capital Funds												
306 City Hall	2,284,033	(1,384,448)	899,585	103,432	104,468	1,035	1,487,880	1,437,940	(49,940)	2,260,610	(1,333,473)	927,138
Enterprise Funds												
401-U Water Unrestricted	980,096	(11,500)	968,596	1,713,835	1,750,756	36,920	1,725,335	1,517,080	(208,255)	983,380	233,676	1,217,055
401-R Water Restricted	3,124,680	(1,395,220)	1,729,460	549,551	492,885	(56,666)	1,944,771	1,124,139	(820,632)	4,237,911	(631,254)	3,606,657
402-USewer Unrestricted	1,479,225	(327,399)	1,151,826	3,335,010	3,280,039	(54,971)	3,662,409	3,419,352	(243,057)	1,645,123	(139,312)	1,505,811
402-R Sewer Restricted	3,177,794	(731,849)	2,445,945	1,632,406	1,409,579	(222,827)	2,364,255	1,653,461	(710,795)	4,062,923	(243,882)	3,819,041
403 Solid Waste	2,903	(4,803)	(1,900)				4,803	4,738	(65)	4,738	(4,738)	
Trust, Agency & Permanent Funds												
621 Police Expendable Trust	31,482		31,482	20,000		(20,000)	20,000	8,711	(11,289)	17,546	(8,711)	8,835
631 Construction Deposit	2,449	(1)	2,448	325,000	22,993	(302,007)	325,001	11,479	(313,522)	4,704	11,514	16,218
635 Intergovernmental Agency Fund	1,718	1,681	3,399	172,247	86,438	(85,809)	170,566	92,053	(78,513)	7,041	(5,615)	1,426
701 Haller Park Fund Permanent	35,938	455	36,393	455	539	84				35,845	539	36,384
Formula Sum	14,032,011	(4,267,059)	9,764,952	21,087,162	18,429,074	(2,658,088)	25,354,221	20,211,860	(5,142,361)	16,488,943	(1,782,787)	14,706,157

**City of Sequim
Summary by Fund
Condensed
2012**

	2012 Original Budgeted Ending Fund Balance	2012 Projected Ending Fund Balance	2012 ACTUAL Ending Balance	Projected vs Actual Excess (shortage)
General Fund				
001 General Fund	\$ 1,331,352	\$ 1,510,879	\$ 1,755,778	\$ 244,899
Special Revenue Funds				
101-U Street Unrestricted	180,850	206,401	207,413	1,012
101-R Street Restricted	138,347	575,702	397,581	(178,121)
115 Lodging Tax Hotel / Motel	206,827	208,602	264,916	56,314
120 Criminal Justice	36,491	52,049	71,539	19,490
121 Police Asset Seizure	4,499	19,872	19,522	(350)
140 Parks Restricted	115,335	143,397	194,556	51,159
150 Real Estate Excise Tax	55,963	112,534	116,538	4,004
160 Gifting & Donations	6,640	607	633	26
164 Equip Reserve	391,430	453,928	539,116	85,188
Capital Funds				
306 City Hall	899,585	857,543	927,138	69,595
Enterprise Funds				
401-U Water Unrestricted	980,096	992,616	1,217,055	224,439
401-R Water Restricted	2,562,770	3,224,563	3,606,657	382,094
402-USewer Unrestricted	1,163,326	1,348,177	1,505,811	157,634
402-R Sewer Restricted	2,445,945	3,322,910	3,819,041	496,131
Trust, Agency & Permanent Funds				
621 Police Expendable Trust	31,482	8,870	8,835	(35)
631 Construction Deposit	2,448	2,255	16,218	13,963
635 Intergovernmental Agency Fund	3,399	1,109	1,426	317
701 Haller Park Fund Permanent	36,393	36,139	36,384	245
Total	\$ 10,593,178	\$ 13,078,153	\$ 14,706,157	\$ 1,628,004

Attachment 3

City of Sequim
Summary by Fund
Fund Balance Only
2012

	BUDGET Beg Fund Balance	BUDGET Net Gain (Loss)	BUDGET End Balance	ACTUAL Beg Fund Balance	ACTUAL Net Gain (Loss)	ACTUAL End Balance
General Fund						
001 General Fund	1,455,352	(134,202)	1,321,150	1,614,777	141,001	1,755,778
Special Revenue Funds						
101-U Street Unrestricted	173,338	7,512	180,850	160,966	46,447	207,413
101-R Street Restricted	188,271	82,611	270,882	144,138	253,442	397,581
115 Lodging Tax Hotel / Motel	258,827	(66,951)	191,876	280,477	(15,561)	264,916
120 Criminal Justice	43,463	(16,971)	26,492	68,170	3,368	71,539
121 Police Asset Seizure	4,422	77	4,499	18,387	1,136	19,522
140 Parks Restricted	186,255	(70,920)	115,335	193,565	991	194,556
150 Real Estate Excise Tax	128,547	(127,684)	863	215,801	(99,263)	116,538
160 Gifting & Donations	300	6,340	6,640	143	490	633
164 Equip Reserve	472,918	(93,788)	379,130	532,697	6,419	539,116
Capital Funds						
306 City Hall	2,284,033	(1,384,448)	899,585	2,260,610	(1,333,473)	927,138
Enterprise Funds						
401-U Water Unrestricted	980,096	(11,500)	968,596	983,380	233,676	1,217,055
401-R Water Restricted	3,124,680	(1,395,220)	1,729,460	4,237,911	(631,254)	3,606,657
402-USewer Unrestricted	1,479,225	(327,399)	1,151,826	1,645,123	(139,312)	1,505,811
402-R Sewer Restricted	3,177,794	(731,849)	2,445,945	4,062,923	(243,882)	3,819,041
403 Solid Waste	2,903	(4,803)	(1,900)	4,738	(4,738)	
Trust, Agency & Permanent Funds						
621 Police Expendable Trust	31,482		31,482	17,546	(8,711)	8,835
631 Construction Deposit	2,449	(1)	2,448	4,704	11,514	16,218
635 Intergovernmental Agency Fund	1,718	1,681	3,399	7,041	(5,615)	1,426
701 Haller Park Fund Permanent	35,938	455	36,393	35,845	539	36,384
Formula Sum	14,032,011	(4,267,059)	9,764,952	16,488,943	(1,782,787)	14,706,157

Attachment 4

Narrative Summary of Results

General Fund

*****	****	***	**	*
Excellent	On Target	Need to Monitor	Caution	Extreme Caution
Revenues/Fund Balance exceeded Budget	Revenues/Fund Balance met Budget	Revenues/Fund Balance 1-2% under Budget	Revenues/Fund Balance 3-5% under Budget	Revenues/Fund Balance under 5% or more under Budget
Expenditures below Budget 3-5%	Expenditures at/near Budget	Expenditures 1-2% over Budget	Expenditures 3-5% over Budget	Expenditures 5% or more over Budget

Item	Description	Results
Beginning Fund Balance	2011 ended the year better than budgeted or projected and 2012 continued that trend. Controlled expenditures in times of lower activity contribute to the results.	*****
Revenues Summary	Revenues were \$102k under or 1% with sales tax deficiencies offset in taxes, fees and charges but less than expected cost recovery due to uncompleted capital projects. Permits, Plan Check/Development Fees and Fines and Forfeitures should be budgeted more conservatively in future years until building and development picks up.	***
Property Tax	\$85k over budget or 7% due to conservative budget estimates and the effects of foreclosure sales resulting in payments of prior years taxes.	*****
Sales Tax	Lower than budget by \$214k or 9%. 2012 total sales tax less than 2006 total..	*
Utility B&O Tax	Literally right on budget with year over year growth of 3%.	***
Intergovernmental	\$24k over budget or 12% with year over year growth of 16%.	*
Interfund Services Fees	Lower than budget by only \$22k or 1%. Under in allocations to capital projects. Significant capital expenditures completed in 2012. Care will be taken in future years to monitor multiyear projects and adjust projections accordingly.	***

Attachment 5

Expense Summary	Expenses were \$378k under budget or 4.5%, due to controlled expenditures across all departments and sufficient contingencies for separation and unplanned costs.	*****
Salaries	Over budget by \$69k or 2% the results of separations costs off set by contingencies.	***
Benefits	Under budget by \$82k or 5% the result of understaffing in permanent positions.	*****
Supplies	Under budget by \$58k or 16% the result of excellent controlled expenditures in a less active service level.	*****
Services	Under budget by \$346k or 22%. Contingencies of \$167k for separation costs plus overall control of consulting services.	*****
Intergovernmental	Over budget by \$50k 11%. Primarily in Prisoner Detention costs.	*****
Capital	Under budget by \$10k, nominal costs incurred for the year.	*****
NonExpenditures	Under budget by \$12.5k or 2%. General Fund transfer to Streets Operations was reduced for capital projects.	*****
Ending Fund Balance	Overall 2012 ended the year \$141k better than forecasted. Additions were due to general constraint in expenditures literally across all departments with contingencies offsetting separation and unplanned costs plus good offsetting revenues. Ending Fund Balance of \$1.755ml represents 2.63 months of 2013 Operating Expenditures.	*****

**Streets, Parks, Capital
Facilities and Utility funds**

*****	****	***	**	*
Excellent	On Target	Need to Monitor	Caution	Extreme Caution
Revenues/Fund Balance exceeded Budget	Revenues/Fund Balance met Budget	Revenues/Fund Balance 1-2% under Budget	Revenues/Fund Balance 3-5% under Budget	Revenues/Fund Balance under 5% or more under Budget
Expenditures below Budget 3-5%	Expenditures at/near Budget	Expenditures 1-2% over Budget	Expenditures 3-5% over Budget	Expenditures 5% or more over Budget

Fund	Description	Results
Streets Operations	Actual beginning Fund Balance for 2012 was \$9k under forecast. Actual Revenues for the year were \$4k more than projected and actual expenditures were \$35k or 4% less than projected. The result of operations was an increase in Fund Balance of \$46k. Ending fund balance of \$207k represents 2.58 months of budgeted 2013 Budgeted Expenditures.	****
Street Restricted Projects	Actual beginning Fund Balance for 2012 was \$72k under forecast. Actual Revenues for the year were \$1.8ml less than projected and actual expenditures were \$2.0ml less than projected. The timing difference of uncompleted capital projects, including W Sequim Bay Road, relates to the differences. The result was an increase in Fund Balance of \$253k.	****
Parks Restricted	Actual beginning Fund Balance for 2012 was \$41k over forecast. Actual Revenues for the year were \$21k more than projected and actual expenditures were \$51k less than projected. This is also the timing difference of uncompleted capital projects. The result was a nominal increase in Fund Balance.	***
Capital Facilities Projects (City Hall)	The property acquisition process for City Hall resulted in a considerable Fund Balance decrease but ending Fund Balance of \$927k will more than fund the initial design process in 2013.	****
Water Operations	Actual beginning Fund Balance for 2012 was \$61k under forecast. Actual Revenues for the year were \$37k or 2% more than projected and actual expenditures were \$208k or 12% less than projected. Controlled expenditures within this fund increased Fund Balance by \$233k. Ending fund balance of \$1.2ml represents 7.9 months of budgeted 2013 Budgeted Expenditures.	*****

Fund	Description	Results
Water Restricted	Water Capital Improvements for the Battelle project. were delayed until future years and revenues of the fund were \$56.6k less than planned and actual expenditures were \$820k less than planned leaving an ending Fund Balance of \$3.6ml.	*****
Sewer Operations	Actual beginning Fund Balance for 2012 was \$1.6ml. Actual Revenues for the year were \$55k or 2% less than projected and actual expenditures were \$243k or 7% less than projected. Controlled expenditures within this fund allowed the result of operations to reduce the projected decline in Fund Balance to only \$139k instead of \$327k. Ending fund balance of \$1.5ml represents 4.77 months of budgeted 2013 Budgeted Expenditures.	*****
Sewer Restricted	Sewer Capital revenues were \$223k less than budgeted with Capital Improvements \$710 less than budgeted leaving an ending Fund Balance of \$3.8ml.	*****

Other Key Funds

*****	****	***	**	*
Excellent	On Target	Need to Monitor	Caution	Extreme Caution
Revenues/Fund Balance exceeded Budget	Revenues/Fund Balance met Budget	Revenues/Fund Balance 1-2% under Budget	Revenues/Fund Balance 3-5% under Budget	Revenues/Fund Balance under 5% or more under Budget
Expenditures below Budget 3-5%	Expenditures at/near Budget	Expenditures 1-2% over Budget	Expenditures 3-5% over Budget	Expenditures 5% or more over Budget

Item	Description	Results
Lodging Tax Hotel/Motel	Actual beginning Fund Balance for 2012 was \$280k. Actual Revenues for the year were \$4.4k more than projected and actual expenditures were \$46.9k less than projected leaving an ending Fund Balance of \$264k.	*****
Criminal Justice	Actual beginning Fund Balance for 2012 was \$68k. Actual Revenues for the year were \$13.4k less than projected while actual expenditures were \$33.8k less than projected. Ending Fund Balance is \$71.5k.	*****
Police/Asset Seizure	Funds budgeted and reserved for Police expenditures. Ending Fund Balance is \$19.5k	*****
REET	Funds restricted for capital facilities and expenditures only. Actual beginning Fund Balance for 2012 was \$215k. Actual Revenues for the year were \$9.5k or 7% less than projected and actual expenditures were \$38k or 14% less than projected leaving an ending Fund Balance of \$116k..	***
Equipment Reserve	Funds set aside for capital equipment acquisitions. Actual Revenues for the year were \$212k and actual expenditures were \$221k leaving solid ending Fund Balance of \$539k.	*****

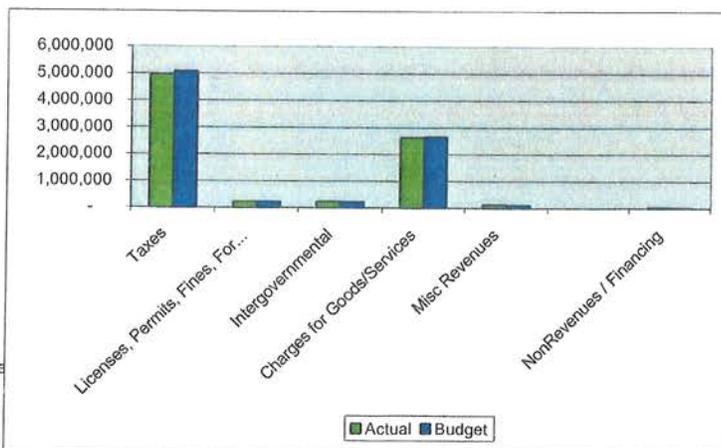
**Total General Fund Activity
(Operating & NonOperating)**

As of 12/31/12

	Actual	Budget	Actual / Budget
Taxes	4,945,522	5,072,648	97.49%
Licenses, Permits, Fines, Forfeits	222,787	225,389	98.85%
Intergovernmental	231,750	207,471	111.70%
Charges for Goods/Services	2,629,812	2,645,681	99.40%
Misc Revenues	128,060	114,040	112.29%
NonRevenues / Financing	18,387	13,922	132.07%
Total Revenues	8,176,318	8,279,151	98.76%

Intergovernmental is PUD privilege tax
Charges for Good and Services includes Int
Charges

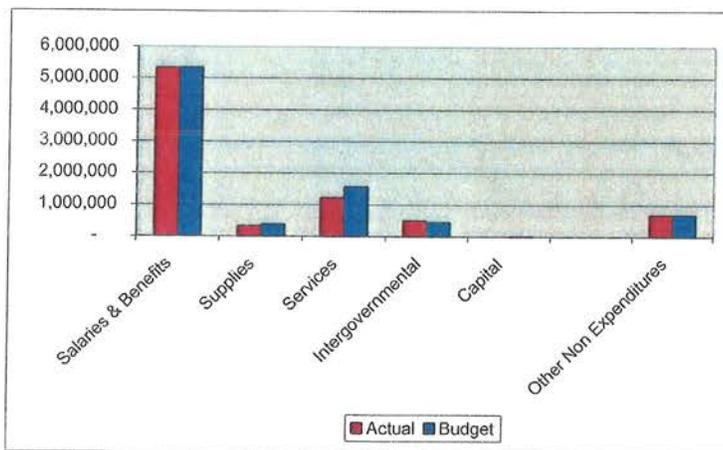
**Total General Fund Revenues
Budget to Actual**



As of 12/31/12

	Actual	Budget	Actual / Budget
Salaries & Benefits	5,322,917	5,336,121	99.75%
Supplies	320,274	379,246	84.45%
Services	1,219,145	1,565,557	77.87%
Intergovernmental	492,343	442,144	111.35%
Capital	1,159	11,000	
Other Non Expenditures	679,235	679,285	99.99%
Total Expenses	8,035,072	8,413,352	95.50%

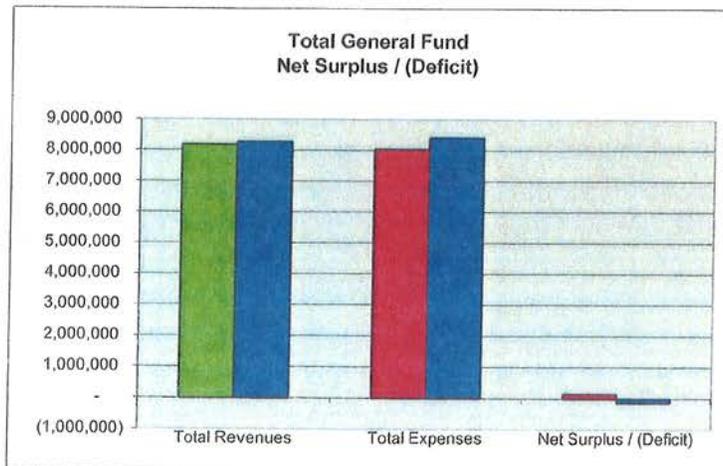
**Total General Fund Expenses
Budget to Actual**



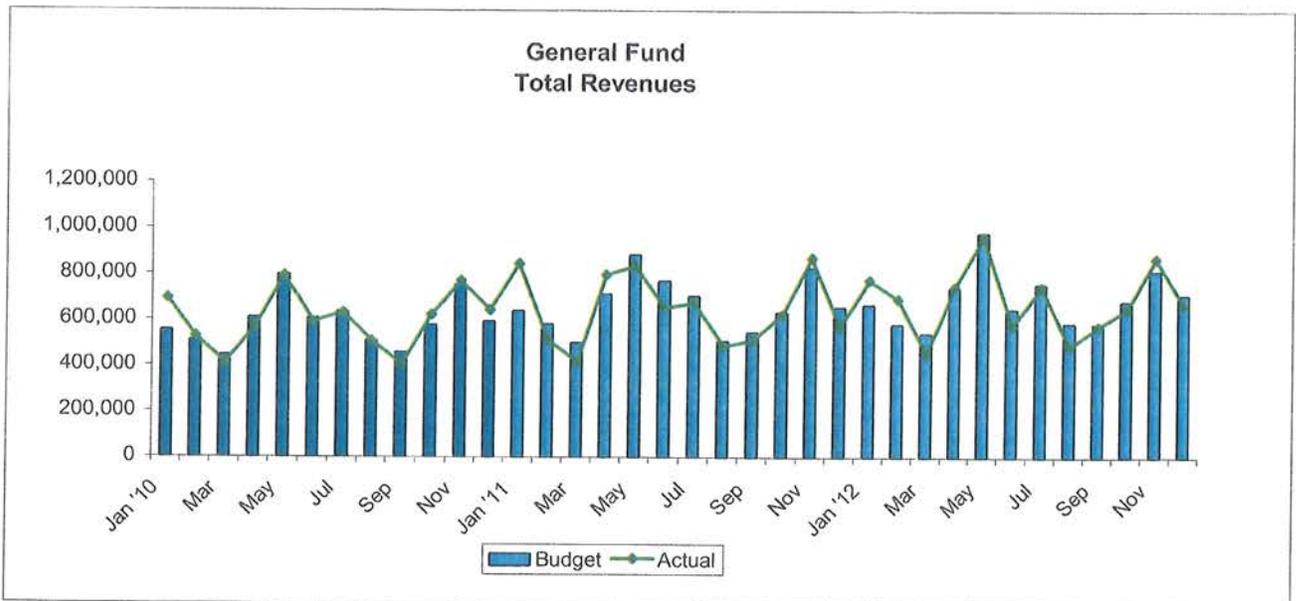
As of 12/31/12

	Actual	Budget	Net Over / (Under)
Total Revenues	8,176,318	8,279,151	(102,833)
Total Expenses	8,035,072	8,413,352	(378,281)
Net Surplus / (Deficit)	141,246	(134,202)	275,448

**Total General Fund
Net Surplus / (Deficit)**



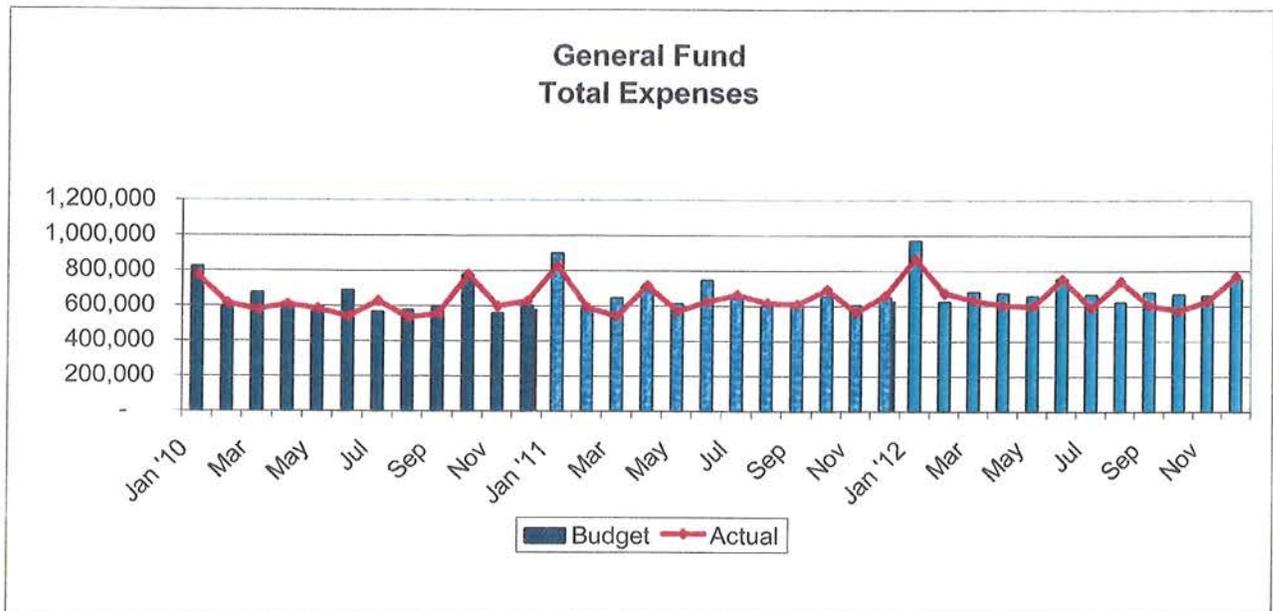
Actual Revenue
Actual Expense
Budget



As of 12/31/2012

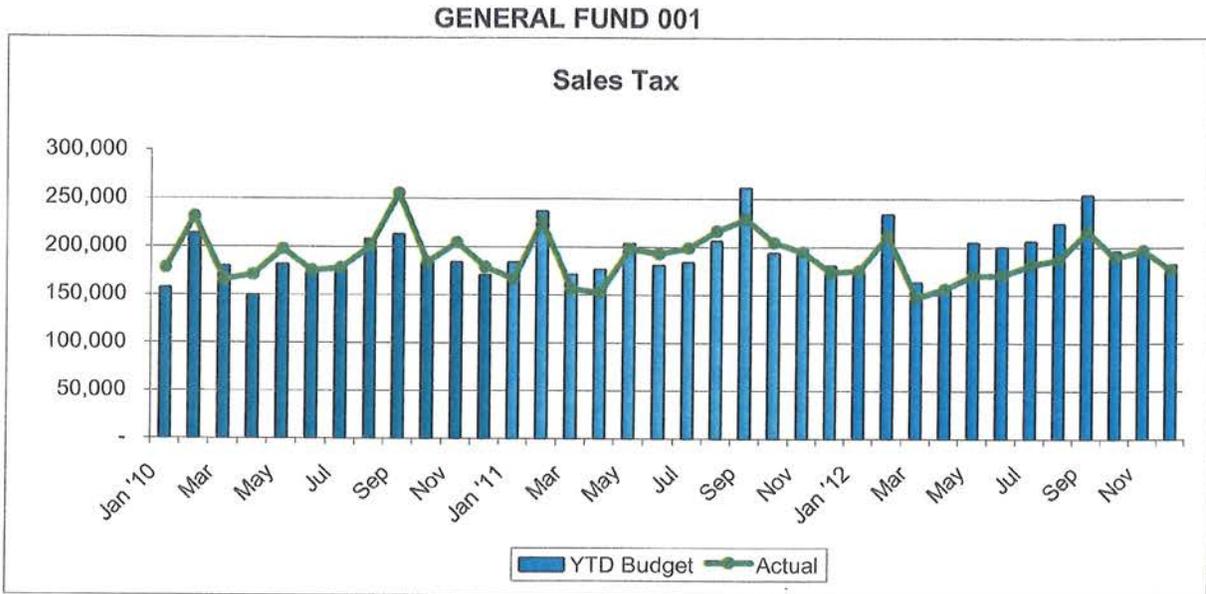
	2009	2010	2011	YTD Actual	YTD Budget	Actual / Budget	2012 Budget
Operating							
Taxes	4,553,094	4,740,511	5,086,645	4,945,522	5,072,648	97%	5,072,648
Licenses & Permits	179,902	253,835	159,541	153,210	154,655	99%	154,655
Intergovernmental	236,700	232,011	200,551	231,750	207,471	112%	207,471
Charges for Services	1,888,201	1,723,125	2,091,701	2,629,812	2,645,681	99%	2,645,681
Fines Forfeits	91,843	69,613	66,136	69,577	70,735	98%	70,735
Misc Revenues	88,012	95,751	176,658	128,060	114,040	112%	114,040
Op Rev Total	7,037,751	7,114,847	7,781,232	8,157,931	8,265,229	99%	8,265,229
NonOperating							
NonRevenues	12,850	8,191	5,468	6,193	9,119	68%	9,119
Financing Sources	0	31,117	3,513	12,194	4,803	254%	4,803
Total Revenues	7,050,601	7,154,154	7,790,213	8,176,318	8,279,151	99%	8,279,151
Total Expenses	6,939,677	7,412,193	7,671,083	8,035,072	8,413,352	96%	8,413,352
Net Over / (Under)	110,924	(258,038)	119,130	141,246	(134,202)	-105%	(134,202)

	2009	2010	2011	YTD Actual
Operating Revenue	7,037,751	7,114,847	7,781,232	8,157,931
Operating Expenses	6,894,402	7,412,193	7,557,387	7,982,802
Net Over / (Under)	143,349	(297,346)	223,845	175,129



As of 12/31//2012

	2009	2010	2011	YTD Actual	YTD Budget	Actual / Budget	2012 Budget
Operating							
Wages & Benefits	4,329,494	4,660,309	4,990,288	5,322,917	5,336,121	100%	5,336,121
Supplies	221,661	243,245	328,434	320,274	379,246	84%	379,246
Service Charges	1,276,423	1,272,019	1,375,210	1,219,145	1,565,557	78%	1,565,557
Intergovernmental	335,108	412,875	400,145	492,343	442,144	111%	442,144
Capital Equipment	150,991	70,240	5,311	1,159	11,000	11%	11,000
Transfers for Operations	580,725	753,504	458,000	626,965	626,965	100%	626,965
Op Exp Total	6,894,402	7,412,193	7,557,387	7,982,802	8,361,032	95%	8,361,032
NonOperating							
Other NonOperating Expenses	-	0	195	(50)	-		-
Transfers for Capital Projects	45,275	-	113,500	52,320	52,320	100%	52,320
Total Expense	\$ 6,939,677	\$ 7,412,193	\$ 7,671,083	\$ 8,035,072	\$ 8,413,352	96%	\$ 8,413,352
Total Revenue	7,050,601	7,154,154	7,790,213	1,918,281	1,788,790	107%	8,279,151
Net Over / (Under)	110,924	(258,038)	119,130	(6,116,791)	(6,624,562)	92%	(134,202)
	2009	2010	2011	YTD Actual			
Operating Revenues	7,037,751	7,114,847	7,781,232	8,157,931			
Operating Expenses	6,894,402	7,412,193	7,557,387	7,982,802			
Net Over / (Under)	143,349	(297,346)	223,845	175,129			

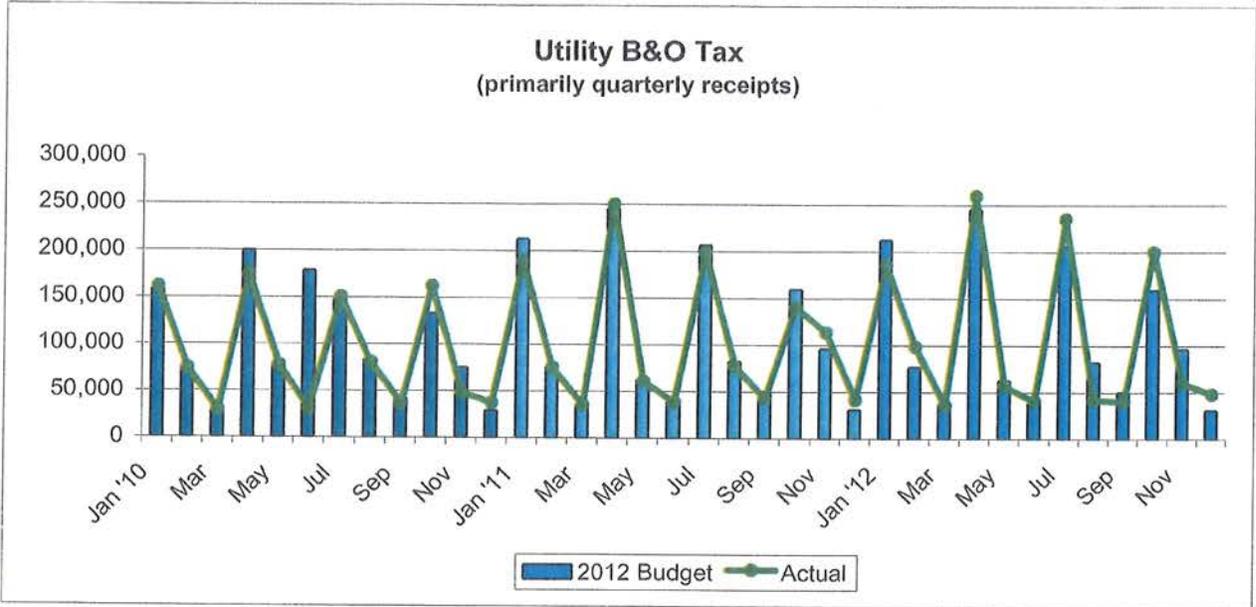


As of 12/31/12

	2009	2010	2011	YTD 2012	YTD Budget	Actual / Budget	2012 Budget
Sales Tax	2,229,439	2,322,938	2,311,882	2,180,508	2,394,508	91%	2,394,508

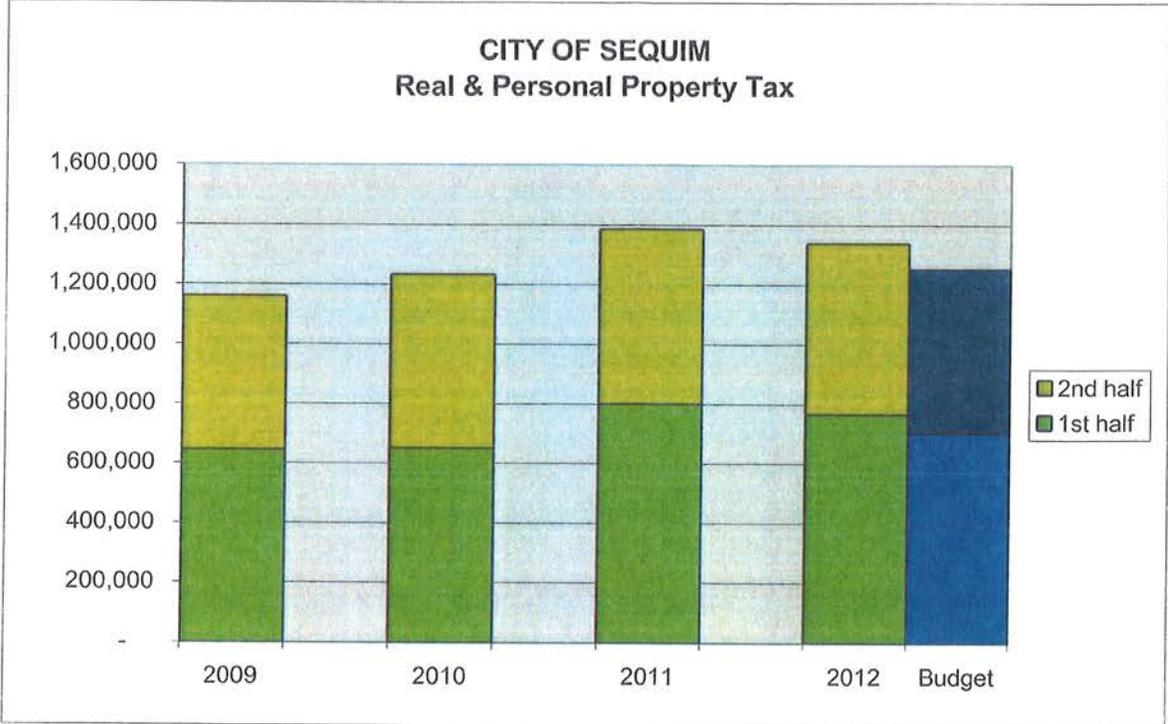
TBD SALES TAX (not included above)

	2010	2011	YTD 2012	YTD Budget	Actual / Budget	2012 Budget
TBD Sales Tax	312,702	535,413	511,030	508,500	100%	508,500



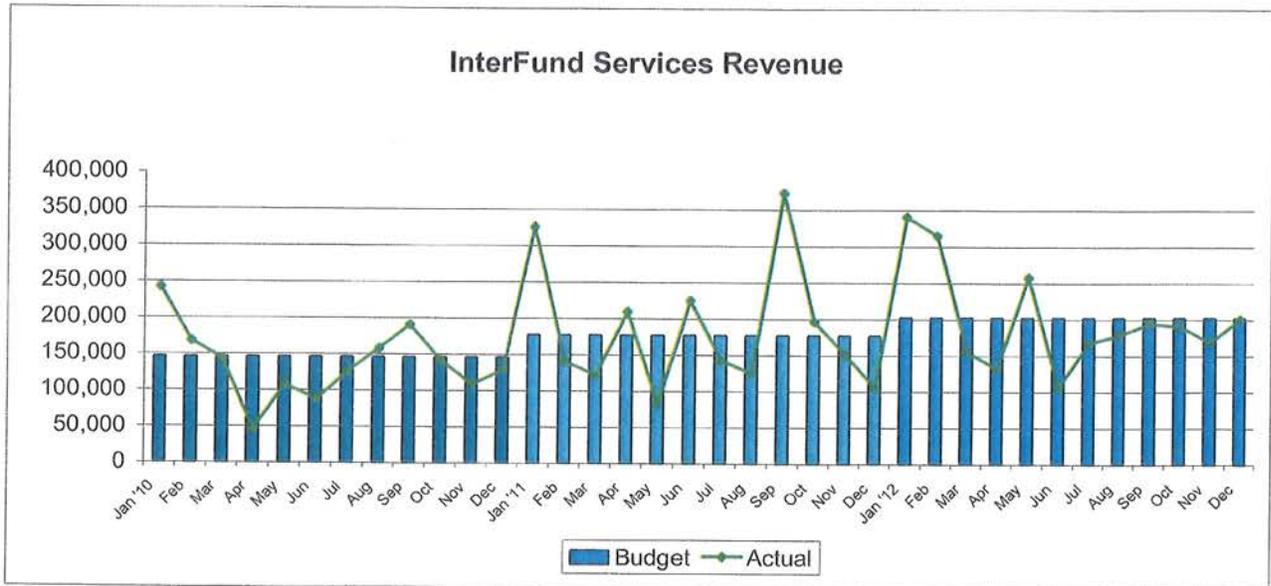
12/31/2012

	2009	2010	2011	YTD Actual	YTD Budget	Actual / Budget	Budget 2012
Electric	458,680	439,201	485,357	506,078	505,662	100%	505,662
Gas	-	-	-	-	-	-	-
Garbage	95,002	101,642	140,429	145,957	154,300	95%	154,300
Cable	53,912	56,247	57,249	59,300	57,783	103%	57,783
Telephone	177,863	185,468	176,798	182,577	177,112	103%	177,112
Water	95,587	95,473	147,098	142,285	137,124	104%	137,124
Sewer	164,806	185,620	255,638	265,350	264,593	100%	264,593
Total	1,045,850	1,063,651	1,262,569	1,301,547	1,296,575	100%	1,296,575



As of 12/31/2012

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2012 Budget</u>	<u>Actual / Budget</u>
1st half	644,855	650,716	800,047	766,945	702,548	109%
2nd half	515,206	582,350	585,275	571,633	550,603	104%
	1,160,061	1,233,066	1,385,322	1,338,578	1,253,151	111%



12/31/2012

	2009	2010	2011	YTD 2012	YTD Budget	Actual/Budget	2012 Budget
Streets UnRestricted	139,207	193,349	196,988	263,880	256,472	102.9%	256,472
Streets Restricted	11,030	11,798	199,080	263,836	357,533	73.8%	357,533
Water UnRestricted	222,638	246,473	375,422	427,813	426,846	100.2%	426,846
Water Restricted	67,435	44,092	136,692	174,366	146,676	118.9%	146,676
Sewer UnRestricted	514,690	622,046	883,895	985,841	964,625	102.2%	964,625
Sewer Restricted	763,577	334,141	138,669	143,201	147,046	97.4%	147,046
Solid Waste	6,337	3,182	707	-	-		* closed
Capital Facilities	17,303	51,758	-	148,855	130,986	113.6%	130,986
TOTAL	1,742,217	1,506,839	1,931,453	2,407,792	2,430,185	99.1%	2,430,186
GF allocation	46%	37%	41%	33%			
NonGeneral allocation	54%	63%	59%	67%			

Interfund Services are departments that provide Central Services:

City Council, City Manager, City Clerk, City Attorney, Finance, HR, IT, GIS Engineer, PW Admin, Facilities Maint, and NonDepartment

Central Services Costs are passed through to Operating Departments which include:

General Fund - Criminal Prosecution (Muni Court), Police, Building / Code Compliance, Park Operations, Planning

NonGeneral Fund - Streets*, Parks Restricted, Capital Facilities, Water*, Sewer*, and Solid Waste

* Includes UnRestricted and Restricted

2009 Actual reflects change in methodology

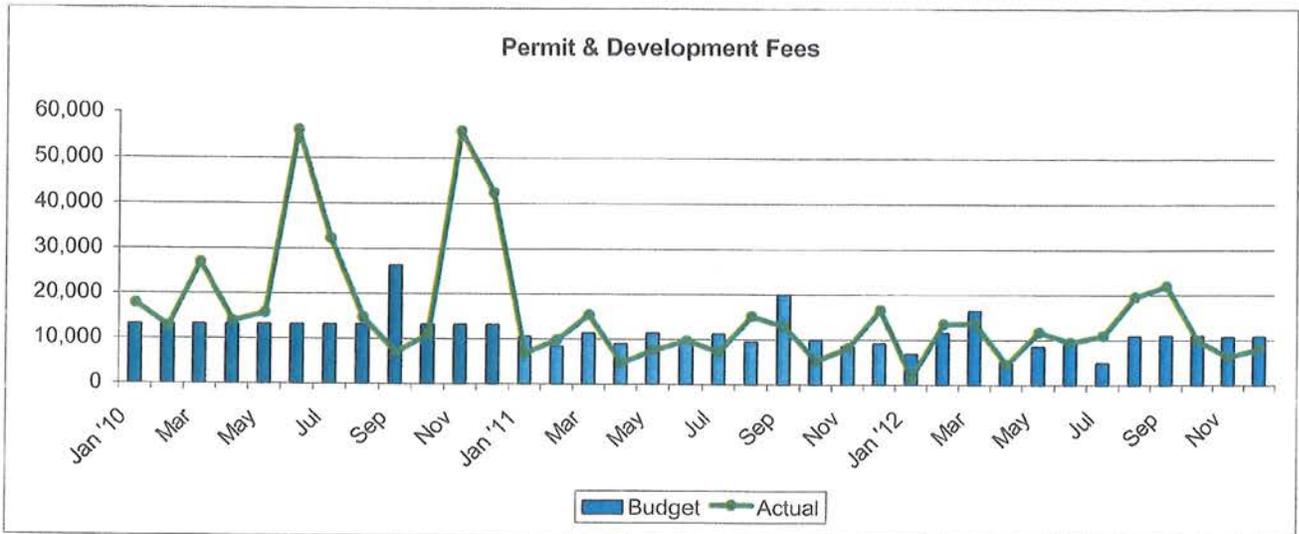
2010 Actual reflects methodology applied monthly

2011 WaterR and SewerR capital projects and related prof services were substantially under budget (\$970K and \$1MIL) primarily due to dela Battelle and Reclaimed Water Phase III projects. This redistributed charges to other funds (StreetsU&R and Water/SewerU).

StreetsR, on the other hand, had substantial carryover expenses for 2011 projects not reflected in the budget.

2012 January: \$270,000 insurance premium distorts allocations early in the year when fund activity is generally low.

April: Adjusted City Hall Land Purchase by 60% given nature of transaction and per budget



As of 12/31/12

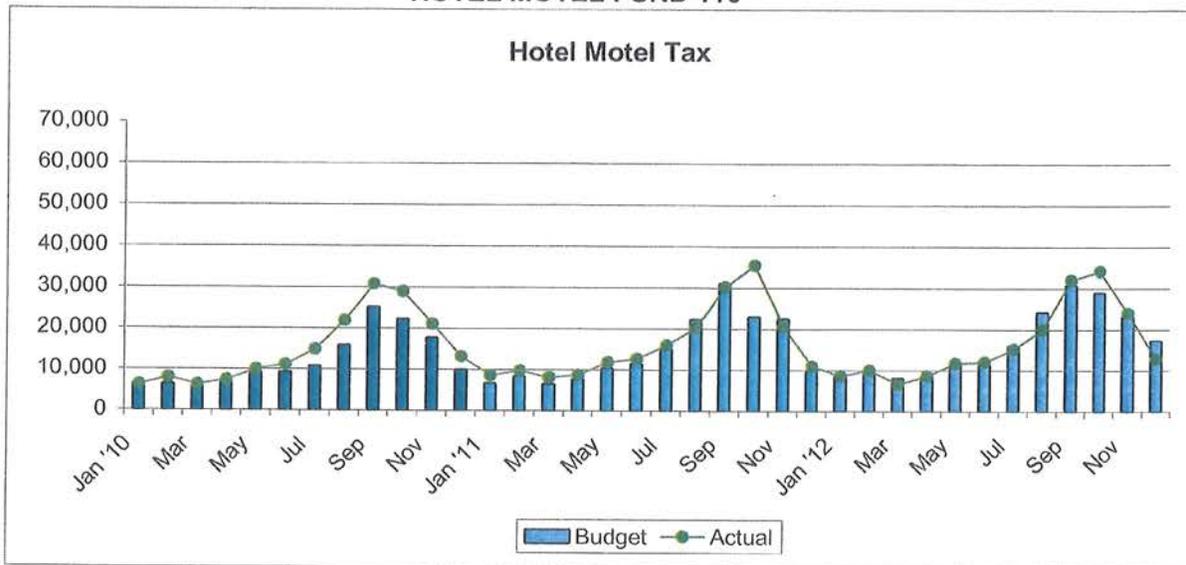
	2009	2010	2011	YTD Actual	YTD Budget	Actual / Budget	2012 Budget
Building Permits	117,838	192,333	86,908	81,210	86,581	94%	86,581
Plan Check Fees	47,577	87,840	25,434	39,024	23,764	164%	23,764
Inspection Fees	3,100	5,011	1,900	2,450	1,210	202%	1,210
Other Planning Development	25,230	21,177	4,748	7,880	5,814	136%	5,814
	193,745	306,360	118,990	130,563	117,369	111%	117,369
Construction Sales Tax	251,586	217,676	181,805	139,557	82,000	170%	82,000
Total Development Related	445,331	524,036	300,795	270,120	199,369	135%	199,369

2010: June and July permits totalled 26 and 21, respectively, compared to monthly average of 15. Included new Taco Bell, 6 single family dwellings and a duplex. Spike represents summer increases in building activity.
 2010: November, Sea Breeze Assoc. permits for commercial and multi family dwelling
 2010: December, Ross Dress for Less permits for commercial construction

PERMIT DATA

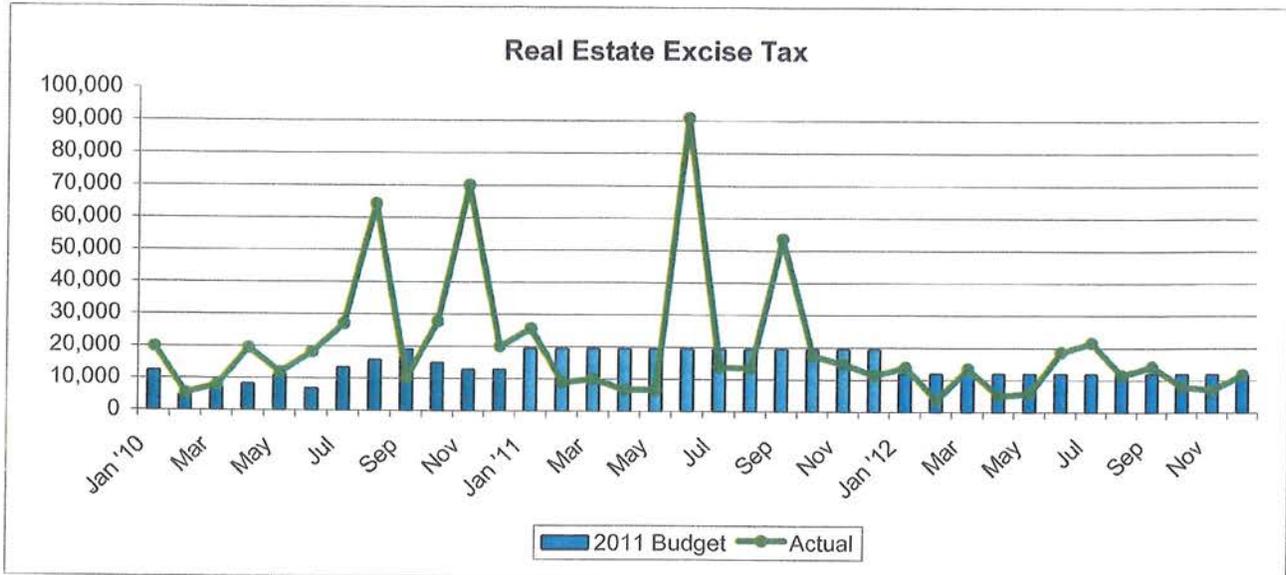
Number of Permits		2009	2010	2011	2012
New	Residential	19	30	15	20
	Commercial	4	6	3	0
		23	36	18	20
Remodel	Residential	71	84	54	99
	Commercial	99	92	108	71
		170	176	162	170
Totals		193	212	180	190

HOTEL MOTEL FUND 115



12/31/2012

	2009	2010	2011	YTD Actual	YTD Budget	Actual / Budget	2012 Budget
Hotel Motel Tax	150,779	179,932	193,027	195,607	200,000	98%	200,000



As of 12/31/12

	2009	2010	2011	YTD Actual	YTD Budget	Actual / Budget	2012 Budget
REET 1st 1/4%	71,372	151,577	156,160	67,022	71,500	94%	71,500
REET 2nd 1/4%	71,372	149,874	116,473	66,778	71,500	93%	71,500
	142,743	301,451	272,633	133,800	143,000	94%	143,000

1/1/2009 through 4/30/2010: Federal Home Buyer Tax Credit resulting is higher home sales
 8/2010 - Walgreens/HFP Investment LLC sold
 11/2010 - Madison Sequim LLC sold 9 properties in October for \$11,750,000/\$58K in REET, received in 11/2010
 1/1/2011-Sale of IHOP property in January
 06/2011-Sale of 1000 South 5th to Sequim Properties LLC \$17.8 million
 09/2011 - Transfer of controlling interest in 408 W Wash and 1000 S Fifth, by Nat. Health Prop of \$7.6 mill = \$38k in REET



2012 Year-End Financial Reports (Pre-Audit) City and



Sequim
Transportation Benefit District

What to Look For In the City's Financial Statements

- **Fund Balance:**
 - Established targets for operating funds: General Fund, Streets Unrestricted, Water Unrestricted and Sewer Unrestricted.
 - Other funds fluctuate based on projects

What to Look For In the City's Financial Statements

Budget to Actual Comparison:

- Financial statements should be reviewed for budgetary compliance
- Narrative Summary of Funds provides an explanation of the financial results by fund and any significant variances.

Key Revenues:

- Key revenues need to be reviewed quarterly and at year-end.

2012 Results

General Fund

Beginning Fund Balance

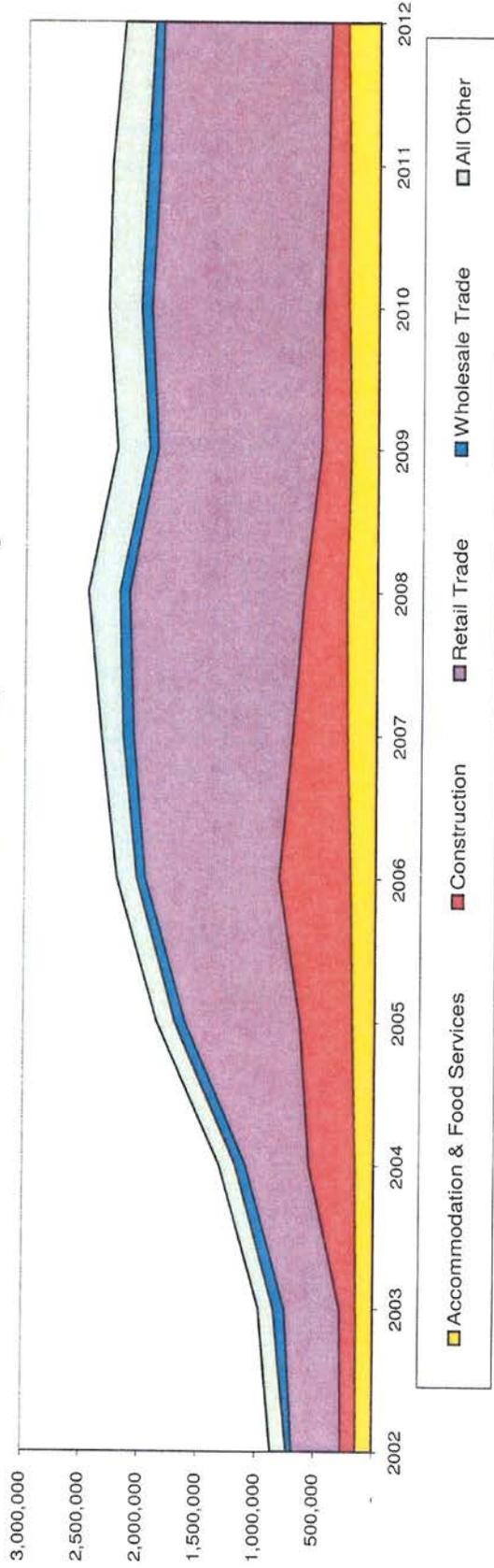
- 2011 ended better than expected.

Revenues Summary

- Revenues were \$103k under or 1.2%

2012 Results

Annual Sales Tax by Industry



Year	Grand Total	Accommodation & Food Services		Construction		Retail Trade		Wholesale Trade		All Other	
		Value	%	Value	%	Value	%	Value	%	Value	%
2002	865,550	139,926	16%	125,634	15%	420,254.52	49%	43,540	5%	136,195	16%
2003	975,782	146,934	15%	137,027	14%	472,732.80	48%	92,143	9%	126,945	13%
2004	1,319,954	161,561	12%	393,321	30%	540,049.73	41%	82,046	6%	142,977	11%
2005	1,858,701	192,157	10%	446,266	24%	978,469.44	53%	86,868	5%	154,941	8%
2006	2,207,586	212,845	10%	608,061	28%	1,144,059.03	52%	71,965	3%	170,656	8%
2007	2,348,937	248,590	11%	464,738	20%	1,356,325.27	58%	90,097	4%	189,187	8%
2008	2,466,084	262,720	11%	360,063	15%	1,491,648.47	60%	83,757	3%	267,896	11%
2009	2,224,229	230,702	10%	251,566	11%	1,396,520.72	63%	70,924	3%	274,517	12%
2010	2,304,765	253,484	11%	217,676	9%	1,466,840.01	64%	86,857	4%	279,908	12%
2011	2,280,574	254,626	11%	181,805	8%	1,438,378.71	63%	103,303	5%	302,462	13%
2012	2,174,850	272,504	13%	139,557	6%	1,434,724.33	66%	67,857	3%	260,209	12%

2012 Results

Expense Summary

- Expenses were \$378k under budget or 4.5%,

Ending Fund Balance

- Ending General Fund balance \$1.755ml

2012 Results

Street Operations Fund (unrestricted)

- Beginning Fund Balance \$13k under forecast
- Revenues were \$4k more than projected
- Expenditures were \$35k less than projected.
- Ending fund balance of \$207k represents 2.58 months of 2013 Budgeted Expenditures.

Water Unrestricted

- Beginning Fund Balance was \$61k under forecast.
- Revenues for the year were \$37k more than projected
- Expenditures were \$208k less than projected.
- Ending fund balance of \$1.2ml represents 7.9 months of 2013 Budgeted Expenditures.

2012 Results

Sewer Unrestricted

- Beginning Fund Balance \$1.6ml
- Revenues \$55k less than projected
- Expenditures \$243k or less than projected.
- Ending fund balance of \$1.5ml represents 4.77 months of 2013 Budgeted Expenditures.

Other Funds

On track or above general budget projections and represent positive activity and solid fund balance

2012 Results

Capital Projects

2012 Water/Sewer Master Plan drafts finished:

- to Council scheduled for April, 2013.
- **Transportation Master Plan draft finished:**
- to Council scheduled for May, 2013.

South Sequim Ave Project Complete:

- Water main replacement, traffic signal improvements, ADA ramp improvement and street resurfacing. Cost \$533,000

North 7th Improvements: Washington to Spruce and installation of bike lanes.
Cost \$200,000

North End Lift Station and Reservoir Rd Generator Project:

- purchase and installation of a generator for each location. Costs \$147K.

West Sequim Bay/Oakwood Drive repair:

- Preparatory work done on West Sequim Bay Rd and Oakwood Drive. Project will be completed in 2013. Contract amount is \$190,000.

City Hall properties:

- Completed a Facility Needs Analysis and Conceptual Design for new Civic Center Facility. Project cost \$30,000

Debt Status Report

- Legal limits a percentage of AV
- City has minimal (.17%) general obligation debt.
- Water debt was paid off in 2012.
- \$6.7 million in sewer debt

Investment Report

- The City's investments appropriately meet the requirements of Washington State Law and the Investment Policy
- The City's rate of return on investments continues to be above the fair rate of return established by the policy.

Sequim Transportation Benefit District (TBD)



Sequim Transportation Benefit District (TBD)

Revenues of \$522,076 exceeded the amended budget by \$8,026

- Expenses of \$764,732 include
 - \$4k - 2012 Insurance and audit expenses
 - \$4k - 2011 Priest Road project
 - \$11K - 2011 Bike Rack project
 - \$66k - 2011 N. 3rd Ave Sidewalk project
 - \$39k - 2011 S Sequim Ave Pavement project
 - \$144k - 2011 14th Ave (New Connector Road)
 - \$267k - 2012 N. 7th Ave rehabilitation project
 - \$130k - Contributions to the W. Sequim Bay Road, Olympic Discovery Trail and Transportation Master Plan projects
 - \$100k - Safety enhancement and for street maintenance and operations, including new contract services for hot mix patching.

Sequim
Transportation Benefit District
(TBD)

- City provides professional services under an interlocal agreement
- The District ended 2012 with a fund balance of \$291,552

2014 Budget Calendar

February	2012 City and TBD Financial Results and Policy Review Review of Financial Policies City Council Retreat Management Retreat
April-July	Water, Sewer, Transportation Master Plans Utility Rates and GFCs Review of 6-Year CIP
July	Mid Year Financial Review City Council and TBD Budget Calendars Budget Development Policy Review Personnel Summary
August	Long Range Financial Plan and Budget Impacts
September	Review of Capital Projects Review of Rates and Fees
October	Proposed City Manager Budget delivered to City Council with Citywide Overview Proposed City Manager Budget - Review of Departments Proposed City Manager Budget – Review of Capital Projects
November	Public Hearings on Revenue Sources, Rates & Fees, Property Tax Levy and Proposed Budget

TRANSPORTATION BENEFIT DISTRICT AGENDA COVER SHEET

MEETING DATE: February 25, 2013

FROM: Elray Konkel, City Administrative Services Director
as the ex officio Treasurer

EHK
Initials

SUBJECT/ISSUE: TBD Financial Activity, for the year ended December 31, 2012
Safety and Maintenance Update: City of Sequim Services
Provided through December 31, 2012

Discussion dates	4/23/12	7/23/12	10/22/12	2/25/13
CATEGORY	<input type="checkbox"/> Exec Director Report <input type="checkbox"/> Information Only <input type="checkbox"/> Public Hearing <input type="checkbox"/> Consent Agenda <input checked="" type="checkbox"/> Unfinished Business <input type="checkbox"/> New Business			Time Needed for Presentation
Reviewed by			Initials	Date
Steve Burkett, City Manager as ex officio Executive Director			SCB	2/20/13
Craig Ritchie, City Attorney as ex officio TBD Attorney				
Paul Haines, City Public Works Director				

PROBLEM/ISSUE STATEMENT:

This report provides financial activity information for the Transportation Benefit District (TBD), for the 12 month period ending December 31, 2012, including safety and maintenance services provided under contract by the City of Sequim. TBD eligible safety and maintenance costs incurred by the City are much greater than what the TBD has agreed to pay for. A comparison of current year expenses and revenues to prior year activity and to the amended 2012 budget are provided. The reports are provided for accountability and transparency.

LIST OF ATTACHMENTS:

1. [TBD Year-End Report 2012](#)

DISCUSSION/ANALYSIS:

Financial Activity

Revenues in 2012 of \$522,076 exceeded the amended budget by \$8,026 (2%) due to a conservative approach to budgeting. Revenues fell below those collected in prior years by \$17,400 reflecting continued economic sluggishness.

Expenses in 2012 of \$764,732 include the following payments to the City of Sequim:

- \$4k - 2012 Insurance and audit expenses
- \$4k - 2011 Priest Road project
- \$11K - 2011 Bike Rack project
- \$66k - 2011 N. 3rd Ave Sidewalk project
- \$39k - 2011 S Sequim Ave Pavement project
- \$144k - 2011 14th Ave (New Connector Road)
- \$267k - 2012 N. 7th Ave rehabilitation project
- \$130k - Contributions to the W. Sequim Bay Road, Olympic Discovery Trail and Transportation Master Plan projects
- \$100k - Safety enhancement and for street maintenance and operations, including new contract services for hot mix patching.

Expenses in 2012 are \$120,673 below budget and \$512,152 higher than 2011 primarily due to the timing of projects and billing and a \$35k increase for safety and maintenance services..

Safety and Maintenance Services

The City of Sequim provides professional services to the TBD under an interlocal agreement dated March 8, 2010. The City invoices the TBD for safety and maintenance services on a quarterly basis. The services rendered and materials used were for safety enhancements related to operations and maintenance on arterial and major collector roadways. The charges are for improving the visibility of roadway lanes, medians and roundabouts, refurbishing/repairing traffic signal equipment, signage, repairing/pothole patching of roadways, and the purchase/screening of road sand and ice-melt supplies. All of the charges are eligible for reimbursement based on meeting TBD criteria specified in the adopting ordinance.

The TBD has paid the City the maximum budgeted amount for 2012 of \$100,000, even though the City has incurred \$212,860 in eligible expenses through December 2012. In 2011 the City incurred \$104,192 for the year while only billing \$65,000.

Actual 2012 costs to the City are \$108,668 higher than the prior year due to a 250% increase in hours worked on TBD eligible activities. This significant increase from prior year activities is a result of excellent weather conditions that allowed the workers to begin seasonal work earlier and continue long into the fall as well as major improvements made to street signage and asphalt patching. Lastly, in 2011 staff was reassigned to more capital projects than typical.

For the years ended December 31			
Year	TBD	City Contribution	Total TBD Eligible Costs
2012	\$100,000	\$108,666 <small>(after a FEMA reimbursement)</small>	\$212,860
2011	\$65,000	\$39,192	\$104,192
2012 vs. 2011	\$35,000	\$69,474	\$108,668

FINANCIAL IMPLICATIONS:

The City will end 2012 with a healthy ending fund balance of \$291,552 which exceeds budget by \$128,749.

RECOMMENDATION: For informational purposes only.

MOTION: None

Sequim

Transportation Benefit District
(TBD)



Year-End Report
2012

Sequim

Transportation Benefit District (TBD)

Fiscal Year 2012
(Year ending December 31, 2012)

	<u>Page</u>
• Executive Director Message	1
• 2012 Budget to Actual Summary	2
• 2012 Safety and Maintenance Summary	3



Sequim Transportation Benefit District 152 W. Cedar Street, Sequim, Washington 98382 Phone (360) 683-4139 Fax (360) 681-3448

2012 YEAR-END REPORT

TBD Board of Directors,

I am pleased to present this 2012 Year-End Financial Report for the Sequim Transportation Benefit District (TBD). The tax revenues are used to fund projects which include street preservation, replacing or upgrading all modes of transportation infrastructure (streets, sidewalks, bicycle lanes, trails, etc.), creating new infrastructure, and district-wide safety enhancement as part of street maintenance and operations.

Beginning Fund Balance

We started the year with a solid beginning fund balance of \$534,208.

Revenues

Revenues totaled \$522,076 for 2012. TBD taxes are distributed by the state on a monthly basis and totaled \$511,030 which is 101% of the annual amended budget for sales tax revenues. Additionally, the TBD earned \$11,046 in interest income on investments and this compares favorably to the \$5,500 in interest revenues budgeted. Interest revenues were higher than expected due to higher ending fund balances throughout the year

Expenses

Expenses totaled \$764,732 in 2012. Expenses for projects predominantly performed in prior years but paid in 2012 totaled \$264,109. Expenses for project performed and completed in 2012 totaled \$395,538. Insurance and audit expenses totaled \$4,086. The projects paid for included the Grant/14th Ave. Connector Road (\$144k), Bike Racks (\$11k), the Priest Road Sidewalk (\$4k), South Sequim Pavement Repair (\$39k), North 3rd Sidewalk (66k), and North 7th Avenue (\$267k) including overhead expenses.

Additional expenses incurred for the TBD included:

- \$100k for safety enhancement and for street maintenance and operations, including new contract services for hot mix patching.
- \$46k contribution to the W. Sequim Bay Road improvements project
- \$30k contribution to the Olympic Discovery Trail Phase III project estimated at \$100k
- \$30k contribution for the Transportation Master Plan

Ending Fund Balance

We ended the year with a fund balance of \$291,552.

Sincerely,

Steven C. Burkett
Executive Director

Attachments

- 2012 Budget to Actual Summary
- 2012 Safety and Maintenance Summary

**Sequim Transportation Benefit District
Financial Activity as of 12/31/2012**

	Comparison to PY			Comparison to Budget		
	2011 Actual	2012 Actual	Over (Under)	2012 Actual	Amended Budget	Over (Under)
Beginning Fund Balance	\$ 247,271	\$ 534,208	\$ 286,937	\$ 534,208	\$ 534,207	\$ 1
Revenues						
TBD Sales & Use Tax	535,413	511,030	(24,383)	511,030	508,500	2,530
Interest Income	4,103	11,046	6,943	11,046	5,500	5,546
Total Revenue	\$ 539,516	522,076	(17,440)	\$ 522,076	\$ 514,000	8,076
Expenses						
Safety and Maintenance Prof Serv *	65,000	100,000	35,000	100,000	100,000	-
Capital Projects						
<u>2012 Projects</u>		325,031	325,031	325,031	426,000	(100,969)
<u>2011 Projects</u>		98,107	98,107	98,107	98,107	-
<u>2010 River Road Carryover Project</u>	160,945	-	(160,945)	-	-	-
<u>2010 Connector Road Carryover Project</u>		119,493	119,493	119,493	118,787	706
SubTotal Capital Projects	160,945	542,631	381,686	542,631	642,894	(100,263)
Indirect Rate						
Project Management & Administration Fee						
<u>2012 Projects</u>	22%	22%	71,507	71,507	93,352	(21,845)
<u>2011 Projects</u>		22%	21,584	21,584	21,584	-
<u>2010 River Road Carryover Project</u>	16%	-	(25,751)	-	-	-
<u>2010 Connector Road Carryover Project</u>		11%	24,925	24,925	24,925	0
SubTotal Management Fee	25,751	118,015	92,264	118,015	139,860	(21,845)
Contingency Rate						
Contingency	-	-		-	-	-
Other						
AWC Insurance & SAO Annual Audit	883	4,086	3,202	4,086	2,650	1,436
Total Expenses	\$ 252,579	\$ 764,732	\$ 512,152	\$ 764,732	\$ 885,404	\$ (120,673)
Ending Fund Balance	\$ 534,208	\$ 291,552	\$ (242,656)	\$ 291,552	\$ 162,803	\$ 128,749

* Services are performed per the Interlocal Agreement with the City of Sequim dated 03/08/10.

**Sequim Transportation Benefit District
Safety & Maintenance Summary
2012**

Summary Description of Expense	Total 2011	2012 Activity by Quarter				Total 2012	Over (Under) 2011
		Q1 2012	Q2 2012	Q3 2012	Q4 2012		
Roadway Markings Includes: Thermal tape on main arterial intersections, paint and reflective materials, roadway markings and bundy adhesives (reflective Turtles) for roundabouts and islands	35,765.18	13,388.30	15,522.68	17,998.03	5,384.43	52,293.44	16,528.26
Signs, Lights & Signals Street sign, street light and signal repair and maintenance including DOT maintenance of pedestrian and traffic signals. Directional and Safety Signage	6,112.38	5,019.46	5,922.72	11,587.75	13,842.49	36,372.42	30,260.04
Roadway Repairs Asphalt and sealer for patching main arterials	7,191.52	889.42	1,858.67	9,440.15	6,640.67	18,828.91	11,637.39
Miscellaneous	814.50					-	(814.50)
Road Sand and Ice Melt Supplies	14,754.63	7,837.61	-	-	-	7,837.61	(6,917.02)
City of Sequim Labor Wages and benefits	30,610.37	12,705.65	20,498.30	37,675.95	26,648.01	97,527.91	66,917.54
<i>hours</i>	988.50	597.00	922.00	1,028.00	919.50	3,466.50	2,478.00
City of Sequim - TBD Qualifying Expenses	104,191.82	39,840.44	43,802.37	76,701.88	52,515.60	212,860.29	108,668.47
TBD Payment for Services	65,000.00	39,840.44	39,607.72	20,551.84	-	100,000.00	35,000.00
FEMA Reimbursement			4,194.65			4,194.65	4,194.65
City of Sequim Contribution	39,191.82		-	56,150.04	52,515.60	108,665.64	69,473.82