CITY OF KENT, WA
2014 FINANCIAL STATUS REPORT

PRESENTED TO COUNCIL ON SEPTEMBER 16, 2014
SPECIAL RECOGNITION

TO:

BARBARA LOPEZ, FINANCIAL PLANNING MANAGER

PATTY ROSETO, SR. FINANCIAL ANALYST

KATHLEEN ETHEREDGE, SR. FINANCIAL ANALYST
### GENERAL FUND

### CURRENT RATIO

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>6,961,280</td>
<td>6,029,040</td>
<td>7,031,230</td>
<td>7,753,540</td>
<td>12,742,440</td>
</tr>
<tr>
<td>Liabilities</td>
<td>5,400,030</td>
<td>7,285,340</td>
<td>7,800,830</td>
<td>6,304,260</td>
<td>5,630,350</td>
</tr>
<tr>
<td>Ratio</td>
<td>1.29</td>
<td>0.83</td>
<td>0.90</td>
<td>1.23</td>
<td>2.26</td>
</tr>
</tbody>
</table>

**Current Ratio** = **Current Assets** (includes cash and receivables) / **Current Liabilities**.

A ratio of 1.0 or greater generally implies that the city is able to pay its general fund expenses when they come due.
Operational Margin = (Resources – Current Expenses (use of resources)) / Total Expense (use of resources).

If the operating margin is positive, funding received in the current year was sufficient to cover the city’s spending on operating and contributions toward capital and transfers to other funds.
GENERAL FUND
FUND BALANCE SUFFICIENCY

Fund Bal. Sufficiency Days - All

<table>
<thead>
<tr>
<th>Years</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending Fund Balance</td>
<td>2,060,230</td>
<td>826,110</td>
<td>142,460</td>
<td>2,363,760</td>
<td>8,279,930</td>
</tr>
<tr>
<td>Unassigned</td>
<td>(205,780)</td>
<td>1,290,800</td>
<td>5,200,180</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assigned</td>
<td>-</td>
<td>772,590</td>
<td>968,870</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Committed</td>
<td>283,670</td>
<td>129,560</td>
<td>184,690</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>5,030</td>
<td>67,440</td>
<td>1,846,130</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>59,540</td>
<td>103,370</td>
<td>80,060</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Expenditure</td>
<td>78,477,910</td>
<td>78,919,320</td>
<td>64,887,610</td>
<td>67,523,730</td>
<td>68,520,000</td>
</tr>
<tr>
<td>Sufficiency/days all</td>
<td>10</td>
<td>4</td>
<td>1</td>
<td>13</td>
<td>44</td>
</tr>
<tr>
<td>Sufficiency/days unassigned</td>
<td>N/A</td>
<td>N/A</td>
<td>-</td>
<td>7</td>
<td>28</td>
</tr>
</tbody>
</table>

Current Expenditure does not include capital outlay expenses.

 Sufficiency days = Fund Balance / (Current Expenditures / 365 days)
GOVERNMENTAL FUNDS
CHANGE IN NET POSITION

<table>
<thead>
<tr>
<th>Year</th>
<th>Ending Net Position</th>
<th>Change in Net Position</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>736,610,850</td>
<td>(14,938,810)</td>
<td>-2.0%</td>
</tr>
<tr>
<td>2010</td>
<td>725,377,330</td>
<td>(11,233,520)</td>
<td>-1.5%</td>
</tr>
<tr>
<td>2011</td>
<td>713,577,780</td>
<td>(11,799,550)</td>
<td>-1.6%</td>
</tr>
<tr>
<td>2012</td>
<td>724,143,800</td>
<td>10,566,020</td>
<td>1.5%</td>
</tr>
<tr>
<td>2013</td>
<td>728,898,190</td>
<td>4,754,390</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Change in Net Position = Change in Net Position / Prior Year Net Position
### General Fund Cash Flow & Average Expenses and Revenues

#### Table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Expenditures</th>
<th>Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Jan</td>
<td>(4,000,000)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Feb</td>
<td>(2,000,000)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Mar</td>
<td>0</td>
<td>2,000,000</td>
</tr>
<tr>
<td></td>
<td>Apr</td>
<td>4,000,000</td>
<td>6,000,000</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>8,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td></td>
<td>Jun</td>
<td>12,000,000</td>
<td>14,000,000</td>
</tr>
<tr>
<td></td>
<td>Jul</td>
<td>16,000,000</td>
<td>16,000,000</td>
</tr>
<tr>
<td>2013</td>
<td>Jan</td>
<td>(4,000,000)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Feb</td>
<td>(2,000,000)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Mar</td>
<td>0</td>
<td>2,000,000</td>
</tr>
<tr>
<td></td>
<td>Apr</td>
<td>4,000,000</td>
<td>6,000,000</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>8,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td></td>
<td>Jun</td>
<td>12,000,000</td>
<td>14,000,000</td>
</tr>
<tr>
<td></td>
<td>Jul</td>
<td>16,000,000</td>
<td>16,000,000</td>
</tr>
</tbody>
</table>

#### Diagrams:

- Line graphs for expenditures and revenues from 2012 to 2014.
- Bar graphs for the same data, showing the monthly expenditures and revenues.
2014 BUDGETARY STATUS AND COMPARISONS TO PREVIOUS YEARS
GENERAL FUND
2014 EXPENSE BY CATEGORY

2014 Budget
- General Gov't: 7,729,640
- Judicial: 2,938,750
- Transfers/Other: 4,559,790
- Health/Human Svc: 4,964,000
- Leisure Svc: 10,500,620
- Public Works: 4,600,110
- Community Dev.: 5,830,190
- Public Safety: 35,106,410

August YTD Actual
- General Gov't: 4,497,222
- Judicial: 1,848,189
- Transfers/Other: 378,874
- Health/Human Svc: 2,980,824
- Leisure Svc: 6,551,568
- Public Works: 2,496,359
- Community Dev.: 3,401,749
- Public Safety: 22,633,079

Graphical representation of the budget and actual expenses categorized by type.
GENERAL FUND
2014 EXPENSE BY TYPE

**2014 Budget**
- Salaries & Benefits: 49,757,314
- Supplies: 3,416,487
- Services & Charges: 18,169,210
- Transfers Out: 4,834,673
- Capital Outlay: 0

**August YTD Actual**
- Salaries & Benefits: 31,772,827
- Supplies: 1,586,789
- Services & Charges: 11,035,221
- Transfers Out: 388,820
- Capital Outlay: 4,206
GENERAL FUND EXPENDITURE TYPE COMPARISON: 2012, 13, & 14 AUG YTD

Salaries & Benefits
- 2012 Thru August
- 2013 Thru August
- 2014 Thru August

Services & Charges

Supplies

Transfers Out

Capital Outlay
CITY–WIDE SPENDING COMPARISON
AUGUST YTD IN RELATION TO BUDGET

GENERAL FUND BY DEPARTMENT

ALL OTHER FUNDS; FUND LEVEL
GENERAL FUND MONTHLY EXPENSE AND REVENUE

Monthly Expenditures

Monthly Revenue

Legend:
- 2012
- 2013
- 2014
- 2014 Budget
GENERAL FUND REVENUES BY MAJOR TYPE

Property Tax

Sales Tax

Utility Tax

ALL Other
SPECIAL REVENUE FUNDS EXPENSE AND REVENUE AUGUST YTD

- Lodging Tax - Rev
- Lodging Tax - Exp
- Youth / Teen - Rev
- Youth / Teen - Exp
- Criminal Justice - Rev
- Criminal Justice - Exp
- ShoWare - Rev
- ShoWare - Exp

2012 2013 2014
**ONGOING BUDGETARY ISSUES/CONCERNS**

- **Internal Debt:** The City owes millions of dollars to itself and until the repayment of debt, those funds repaying the debt can not be used for another purpose.

- **Balancing Expense and Revenue:** GF projected base budget expense for 2015 was 1.8% higher than projected revenue.

- **Benefit Costs:** Medical, Dental, and PERS.

- **State Shared Revenue:** Potential impact of Supreme Court case estimated to be $1B to $2B.

- **City Infrastructure Needs:** How will we pay for the ongoing needs of maintenance/improvements/expansion of city roads, utilities, parks, and facilities.
The Mayor’s 2015 – 2016 Preliminary Budget is currently under development. Her budget message is scheduled for September 30th, at which time her proposed budget will become public.

As in previous years, the budget process was tremendously difficult, especially for the General Fund, and again required the Mayor to make tough decisions on how to spend our valuable resources.

The 2015 -2016 budget is balanced and sustainable for the biennium.

The following high level information concerning some of our base expenditure and revenue projections.
2015 – 2016 ASSUMPTIONS
(30,000 FOOT VIEW)

Expenditure Assumptions

- COLA of 2.2% each year (June 2014 CPI-W Seattle / Tacoma / Bremerton), in accordance with labor contracts.
- Healthcare flat for 2015 (to use fund balance), then 3% increase in 2016.
- Continue increase Fleet reserves for vehicle replacements until full annual funding is reached.
- Mandates and contracts funded at required levels.
- 2014 ongoing positions, totaling 641.605 FTE:
  - GF: 421.505
  - Other Funds: 220.10

Revenue Assumptions

- Property Tax – 1% increase, plus new construction of $75,000 per year.
- Sales Tax – reset based on 2013 actual, with 1% growth.
- External Utility Tax – reset based on 2013 actual, with .5% growth.
- Internal Utility Tax – .5% growth on water, drainage; known city/kc metro increases on sewer.
- All state-shared revenues remain at their 2014 funding levels.
- Permits/Plans Review – 2.2% June CPI-W (Seattle/Tacoma/Bremerton).
- The following remained essentially flat:
  - Cultural & Recreation Fees
  - Fines & Forfeitures
  - Interest Income
  - Rents, contributions and other miscellaneous revenues
QUESTIONS?