



Budget Monitoring Report

1st Quarter, 2016

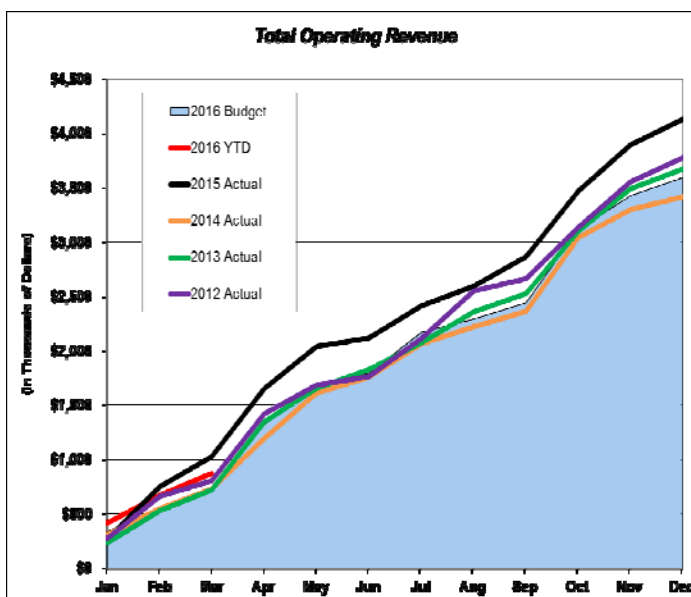
City of Clyde Hill, Washington

Background

To avoid any negative budget surprises during the course of the fiscal year, the City Council relies on the enhanced Budget Monitoring Plan as an early warning system. Started in 2009 as a result of the extreme economic turbulence caused by the recession, this plan focuses on materiality and ties specifically to the City's Monthly Operating Report. Overall, this plan is designed to strengthen the City's internal control system by identifying potential revenue or expenditure problems as early as possible and if found, to specifically describe a means in writing to work around the budget problem(s). Revenues or expenditures meeting certain criteria will be classified as being on a "Watch List" or the more significant "Red Flag List." Red flag list items will require a "treatment plan" to mitigate the unfavorable condition by year end. The report will start with the City's revenue picture, both good and bad and then follow with expenditure information.

Revenue Overview

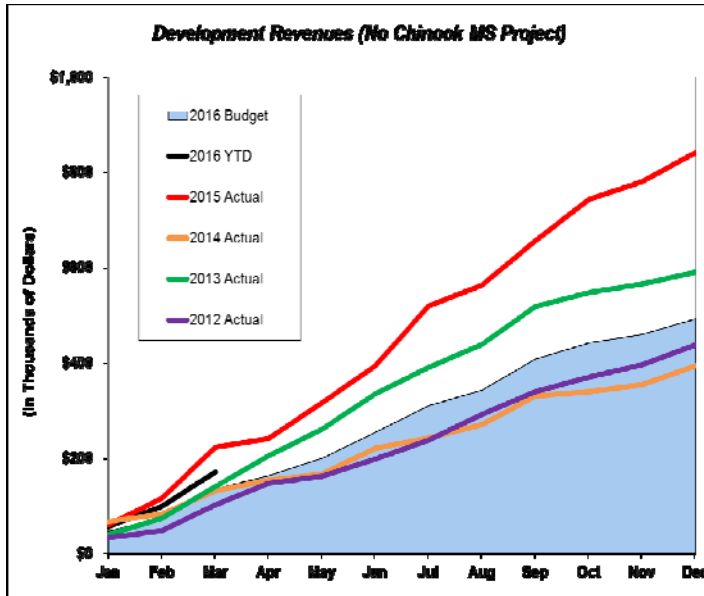
- Total Operating Revenues are unrestricted type monies received to run the day to day operations of the City.
- Through the 1st quarter of the 2016 fiscal year, total operating revenues are estimated to be \$162,964 or 23.0% ahead of budget YTD.
- Similar to last year, one of the telecommunication companies did not pay their 2016 wireless communication facility lease on time in 2015. This understated the 2015 year end surplus by \$34,386 and overstates the already favorable 2016 year to date budget variance by \$68,772 (includes the \$34,386 late payment penalty).
- For comparison to last year after the 1st quarter of the fiscal year ending March 31st, this year is **\$147,541** or **14.5%** behind last year at this time.



Development Revenues

- Development Revenues are ahead of budget year to date expectations by \$36,203 or 26.9%.
- The 2016 budget was built with an estimated 16 new homes for the year with an average valuation of \$1.8M. So far this year, 3 new home permits have been issued with an

average valuation of \$1.8M and 11 more new homes are in the plan check pipeline.



Traffic Fines and Other Penalties

- This revenue category has a budget over-run of \$34,777 or 150.3% through the 1st quarter of 2016.
- Traffic Fines have a slight budget under-run of \$1,684 or 10.2% while Other Penalties are causing the budget over-run: AT&T failed to pay their wireless communication facility lease on time and was assessed a \$34,386 late payment penalty.

Wireless Communication Facility Leases

- Similar to last year involving Sprint, this revenue category is again misleading due to AT&T not paying their 2016 lease payments on time at the end of 2015. The entire budget over-run of \$34,386 as of March 31, 2016 should have been received in 2015.
- This caused the projected 2015 year end surplus to be \$34,386 less than expected.

Revenue “Watch List”

- Revenue sources falling behind budget year to date expectations by 5% are placed on the watch list to highlight as a potential problem.
- No revenue sources qualify for the watch list after the 1st quarter of 2016.

Revenue “Red Flag List”

- Revenue sources falling behind budget year to date expectations by 15% are placed on the red flag list in order to highlight the problem and require staff to develop a specific treatment plan to mitigate the impact of the problem.
- No revenue sources qualify for the red flag list after the 1st quarter of 2016.

Expenditure Overview

- Overall, expenditures are in good shape with the 2016 budget plan after the 1st quarter with the exception of Legal Services.
- Operating expenditures (day to day expenditures) are \$142,718 or 17.9% under budget year to date expectations as of March 31, 2016.

Expenditure “Watch List”

- Expenditure groupings exceeding the budget year to date expectation by 10% are placed on the watch list to highlight as a potential problem.
- No expenditure groupings qualify for the watch list after the 1st quarter of 2016 (Salary & Benefits – General Government is only at

9.1% and was caused by filling the initial budget idea of a management intern with the City's first ever Assistant City Administrator).

Expenditure "Red Flag List"

- Expenditure groupings exceeding the budget year to date expectation by 15% are placed on the red flag list and require a specific treatment plan to address the unexpected increased cost.
- Legal Services (i.e. City Attorney & Litigation Specialists) have a budget over-run of \$7,626 or 40.7% at the end of the 1st quarter.
- This unfavorable variance is the result of continuing legal matters involving AT&T

Mobility, a drainage issue with a Clyde Hill homeowner and continued police contract resolution proceedings.

- As shown in the "Treatment Plan" below, this budget over-run is expected to correct itself by year end.
- There were no other expenditure groupings on the expenditure red flag list at the end of the 1st quarter of 2016.

<i>Treatment Plan</i>	
Projected 2016 expenditure budget over-run for Legal Services	(\$0)
Subtotal	(\$0)

**2016 General Fund Expenditures
Final Budget**

