

TO: Mayor John Marchione and City Council

FROM: Mike Bailey, Finance and Information Services Director; 425-556-2160

SUBJECT: **Staff Report: 2013 Fourth Quarter Financial Report**


DATE: February 4, 2014

We continue to believe the current financial condition of the General Fund remains at a 2.0 (no change from the prior four quarters). This is based on the continued soundness of the 2013-2014 biennial budget.

As we have discussed, there are some issues that may impact the budget. These include legal costs for defense of claims as well as support for Human Resources, and continued under-collection of utility taxes. We believe that the overall budget can respond to these issues sufficiently and no council action is necessary. We will address this during the brief staff presentation.

General Fund Financial Condition Scale

1	2	3	4	5	6	7	8	9	10
Good	Normal	Some Concern	Manageable Problems	Revenue Stress	Revenues Revised	Short-term problems	Long-term problems	Revise Budget	Fundamental Fiscal Stress



Budget Status Scale Ratings

1. **Better than budgeted conditions** – surplus expected
2. **Normal** – Use typical care in managing expenses
3. **Some short-term concern** – revenues may not meet budget, manage expenses conservatively
4. **Some manageable problems** – modest voluntary budget reductions encouraged to avoid deteriorating financial condition
5. **Revenue revisions recommended** – expenditure targets in place (managed by department directors)
6. **Revenues revised** – expenditures controlled to targets by Mayor’s office

7. **Short-term problems** – cost savings plans implemented (furloughs, hour reductions, overtime reductions)
8. **Long-term problems** – cost savings plans implemented (layoffs, permanent hour reductions)
9. **Revise budget** – reduction in services using Budgeting by Priorities
10. **Fundamental/long-term fiscal stress** – budget revised accordingly

Mike E. Bailey, Finance Director

Date

Approved for Council Agenda _____

John Marchione, Mayor

Date