Finance Update

Expenses through July 2020
& Revenue Forecast
Revenue Bond Refunding


- Aa2 Bond rating from Moody’s
- Net Present Value savings of $12,887,735
- Average annual savings of approximately $735,000

<table>
<thead>
<tr>
<th>Name of issuance/purpose</th>
<th>Original issue amount</th>
<th>Issue date</th>
<th>Maturity date</th>
<th>Interest rates</th>
<th>Debt outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business-type activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Water/Sewer system improvements</td>
<td>$42,655,000</td>
<td>09/27/11</td>
<td>08/01/41</td>
<td>2.00 - 5.00%</td>
<td>$38,485,000</td>
</tr>
<tr>
<td>12 Water/Sewer Rfdg 04 bond system imprvmts</td>
<td>3,275,000</td>
<td>03/29/12</td>
<td>08/01/24</td>
<td>2.00 - 4.00%</td>
<td>1,820,000</td>
</tr>
<tr>
<td>13 Water/Sewer system improvements</td>
<td>15,785,000</td>
<td>08/27/13</td>
<td>08/01/43</td>
<td>4.25 - 5.00%</td>
<td>15,570,000</td>
</tr>
<tr>
<td>15 Water/Sewer Rfdg 06 bond system imprvmts</td>
<td>4,035,000</td>
<td>11/10/15</td>
<td>08/01/26</td>
<td>2.17%</td>
<td>2,861,000</td>
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<tr>
<td>Total revenue bonds outstanding</td>
<td>$65,750,000</td>
<td></td>
<td></td>
<td></td>
<td>$58,736,000</td>
</tr>
</tbody>
</table>
COVID-19 Expenses

• Citywide - $2,100,000
  • Salaries & Benefits - $889,000
  • It Equipment & Software - $378,000
  • PPE & Supplies - $350,000
  • Base Camp - $330,000
  • Sick Leave - $140,000

• OEM (Office of Emergency Management)
  • Salaries & Benefits - $552,000
    • OEM Employees - $138,700
    • Reassigned Personnel - $413,400
Citywide Revenues - $154 M

- **Taxes**
- **Utility Charges**
- **Interfund Services**
- **Charges/Fines/Permits**
- **Grants/Revenue Sharing**
- **Interest/Rental/Other**
- **IF Loans/Transfers**

Budget 2020 2019

Millions
Special Revenue Funds
Internal Service Funds

- 510 Fleet & Radio Funds
- 520 Purchasing Fund
- 530 Facilities Fund
- 540 Tech and Telecom Funds
- 550 Claims & Litigation Fund
- 560 Employee Benefits Funds
- 570 PW Admin & Engineering Fund

Millions

- Budgeted Expenditures
- Actual Expenditures
- Budgeted Revenues
- Actual Revenues
General Fund Revenues - $49.8 M
General Fund Expenditures - $50.2 M

Salaries & Benefits
Services
Supplies
Transfers
Capital Outlay
Taxes
Debt

Budget  2020  2019

Millions

$0  $10  $20  $30  $40

10
General Fund - % of Budget Spent by Department

- Police: $15.88
- Fire: $14.12
- Parks and Recreation: $4.88
- Library: $2.92
- Information Technology Services: $2.18
- Planning: $1.79
- Finance Department: $1.32
- Municipal Court: $1.28
- Legal: $1.09
- Human Resources: $0.96
- Museum: $0.73
- Mayor: $0.71
- City Council: $0.37

Actual YTD Spending in Millions
Unemployment Rate Falling?

Bellingham (MSA) | State | National


0% | 2% | 4% | 6% | 8% | 10% | 12% | 14% | 16% | 18% | 20%

17.70% | 10.50% | 10.2%
Federal Stimulus Drove Consumer Spending

- Stimulus checks and $600 a week supplemental unemployment benefits distributed $540 billion to consumers
- Personal income hit record highs in April
- Supplemental unemployment benefits ended on July 31.
Bellingham had deeper reduction and hasn’t recovered as much – likely due to Washington’s COVID response.

To what extent was stimulus driving the recovery in retail sales?

Preliminary July data shows continued, if slowed, recovery
Retail Sales by Sector, B’ham vs. Nation

Bellingham

National

Motor Vehicle and Parts Dealers
Furniture and Home Furnishings Stores
Electronics and Appliance Stores
Building Material, Garden and Supplies
Food and Beverage Stores
Health and Personal Care Stores
Gasoline Stations
Clothing and Clothing Accessories Stores
Sporting, Hobby, Book, and Music Stores
General Merchandise Stores
Miscellaneous Store Retailers
Nonstore Retailers
Food Services and Drinking Places
Sales Tax Comparison to 2019 with Projection

- Assummes equilibrium state in economic activity – holding at current activity level through the end of the year

- Guides B&O forecast – B&O filing deferrals have complicated establishing a trend for B&O

- Could improve if Whatcom County moves beyond Phase 2 – forecast assumes it does not.
Local Tax Source Comparison

### Business & Occupation Tax
- Retail Trade: 21%
- Health Care: 24%
- Other Services: 3%
- Manufacturing: 6%
- Information: 3%
- Professional, Scientific, and Technical Services: 9%
- Real Estate and Rental and Leasing: 3%
- Accommodation and Food Services: 3%
- Administrative and Support: 4%
- Construction: 7%
- Finance and Insurance: 6%

### Sales & Use Tax
- Retail Trade: 51%
- Accommodation and Food Services: 11%
- Construction: 15%
- Professional, Scientific, and Technical Services: 2%
- Real Estate and Rental and Leasing: 3%
- Information: 3%
- Manufacturing: 2%
- Other Services: 3%
General Fund Forecast

- Minimal change from May forecast
- 8% less revenue from adopted budget forecast - $7 million shortfall
- Early months exceeded expectations
### General Fund Detail

#### Other funds face shortfalls

- All sales tax reliant sources are seeing revenue shortfalls. This is not impacting current year projects.

- Tourism and parking remain heavily impacted. Parking is no longer expect to need General Fund support.

- Minor funds across the City are also impacted.

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Change from Budget</th>
<th>Percent Change</th>
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</thead>
<tbody>
<tr>
<td>General Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>(1,445,454)</td>
<td>-9%</td>
</tr>
<tr>
<td>B&amp;O Tax</td>
<td>(2,232,066)</td>
<td>-13%</td>
</tr>
<tr>
<td>Utility Tax</td>
<td>(919,984)</td>
<td>-6%</td>
</tr>
<tr>
<td>Other GF</td>
<td>(2,541,935)</td>
<td>-50%</td>
</tr>
<tr>
<td><strong>SubTotal Net GF Change</strong></td>
<td><strong>(7,139,440)</strong></td>
<td><strong>-8.08%</strong></td>
</tr>
<tr>
<td>Other Funds Impacted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Street (Sales Tax)</td>
<td>(891,363)</td>
<td>-9%</td>
</tr>
<tr>
<td>TBD (Sales Tax)</td>
<td>(612,163)</td>
<td>-9%</td>
</tr>
<tr>
<td>Tourism</td>
<td>(884,159)</td>
<td>-47%</td>
</tr>
<tr>
<td>Parking</td>
<td>(1,066,212)</td>
<td>-46%</td>
</tr>
<tr>
<td><strong>SubTotal Net Other Funds Change</strong></td>
<td><strong>(3,453,898)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Major Revenue Reduction</strong></td>
<td><strong>(10,593,337)</strong></td>
<td></td>
</tr>
</tbody>
</table>
General Fund Unrestricted Reserve Impact

- JC Penny project is unlikely to be resolved before the end of the year.

- Salary savings includes frozen non-essential positions – this is subject to increase as vacancies occur.

- Expect *additional* savings as all departments are trying to reduce spending beyond requirements.

- 2019 Fire Overtime will likely add additional expense.

<table>
<thead>
<tr>
<th>2020 Beginning Unrestricted Reserve</th>
<th>16,500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgeted Revenues</strong></td>
<td>88,695,946</td>
</tr>
<tr>
<td>Projected Revenue Reduction</td>
<td>(7,139,440)</td>
</tr>
<tr>
<td><strong>Projected Revenues</strong></td>
<td>81,556,506</td>
</tr>
<tr>
<td><strong>Budgeted Expenditures</strong></td>
<td>94,013,446</td>
</tr>
<tr>
<td>Projected Savings</td>
<td></td>
</tr>
<tr>
<td>JC Penny Building</td>
<td>(2,135,000)</td>
</tr>
<tr>
<td>5% Salary Savings</td>
<td>(3,350,000)</td>
</tr>
<tr>
<td><strong>Projected Budgeted Expenditures</strong></td>
<td>88,528,446</td>
</tr>
<tr>
<td><strong>Use of Reserve</strong></td>
<td>(6,971,940)</td>
</tr>
<tr>
<td><strong>2020 Proj. Ending Unrestricted Reserve</strong></td>
<td>9,528,060</td>
</tr>
</tbody>
</table>
Budget Timeline

- October 1\textsuperscript{st}: Budget delivered to Council
- October 12\textsuperscript{th}: Budget introduction
- October – November: Budget work sessions
- November 9: 2021-2022 Revenue Forecast
- November 23: Council Adopts Property Tax Ordinance
- December 7: Introduce Budget Ordinance
- December 14: Council Adopts Budget
Questions?

Presentation and additional reports available at:
https://www.cob.org/gov/dept/finance/pages/reports.aspx