

Finance Update

Expenses through July 2020
& Revenue Forecast



Revenue Bond Refunding

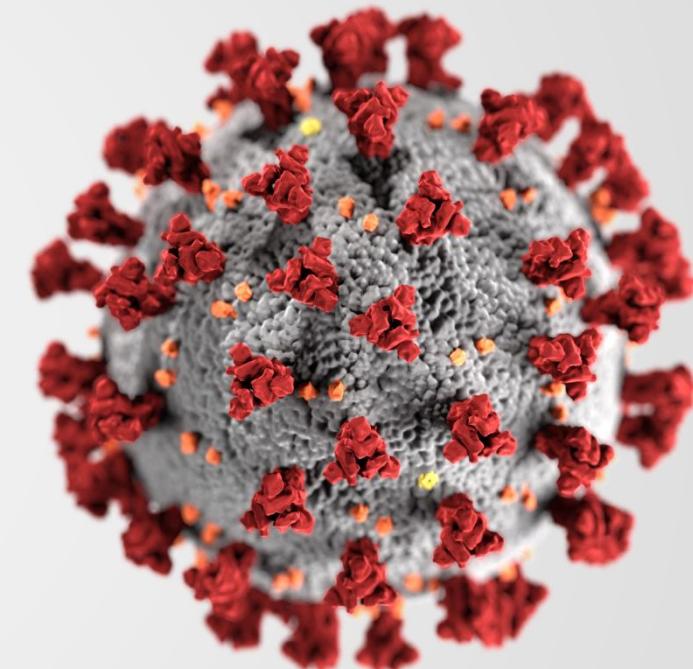
- Refunding 2011, 2012 and 2013 Revenue Bonds (not 2015)

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

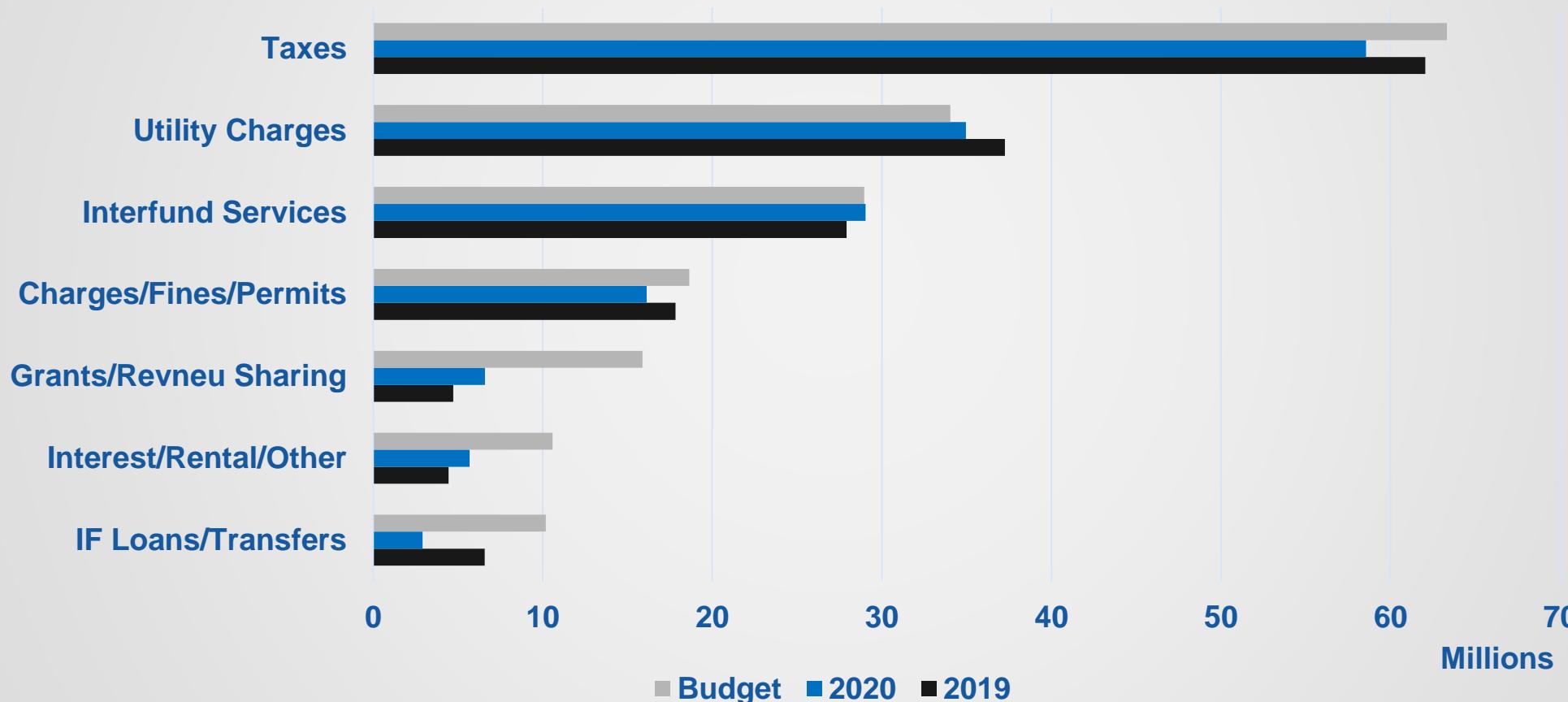
- Aa2 Bond rating from Moody's
- Net Present Value savings of \$12,887,735
- Average annual savings of approximately \$735,000

COVID-19 Expenses

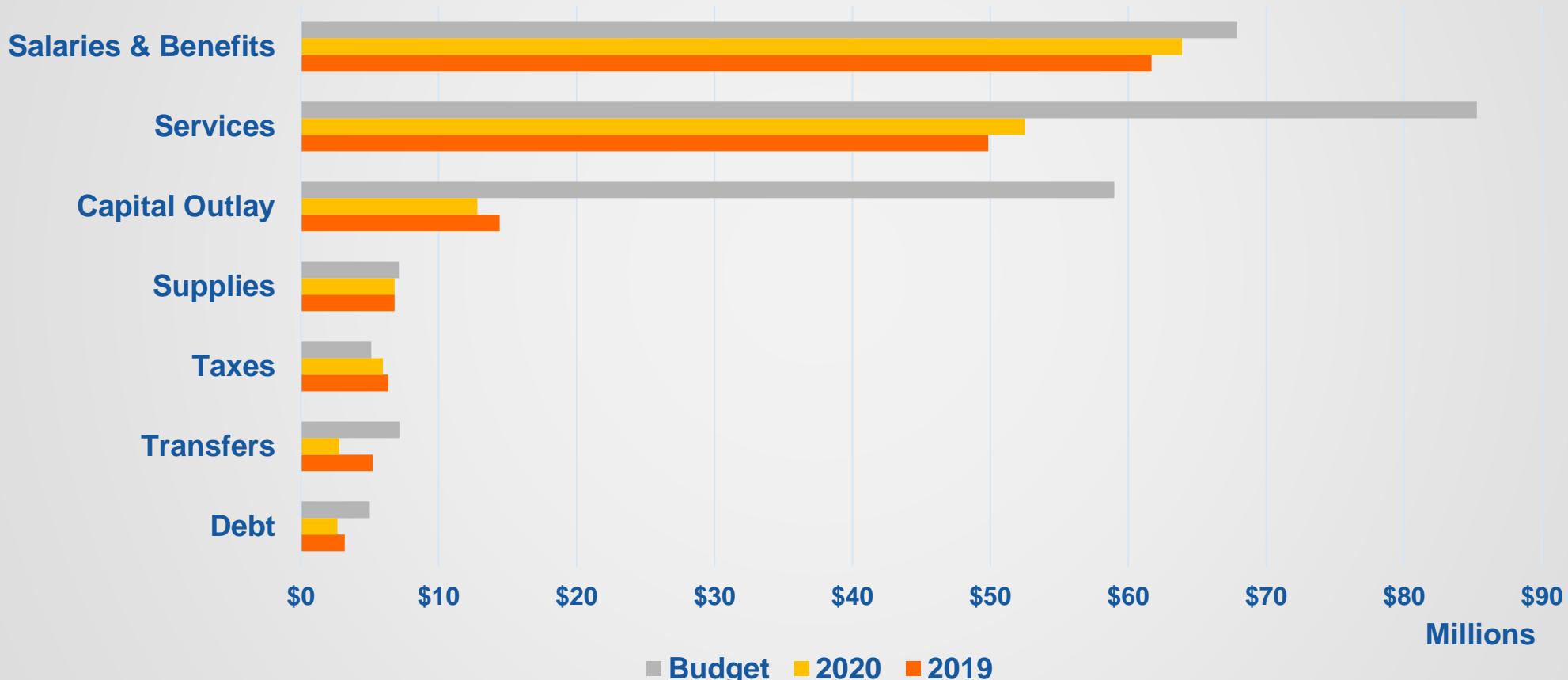
- Citywide - \$2,100,000
 - Salaries & Benefits - \$889,000
 - It Equipment & Software - \$378,000
 - PPE & Supplies - \$350,000
 - Base Camp - \$330,000
 - Sick Leave - \$140,000
- OEM (Office of Emergency Management)
 - Salaries & Benefits - \$552,000
 - OEM Employees - \$138,700
 - Reassigned Personnel - \$413,400



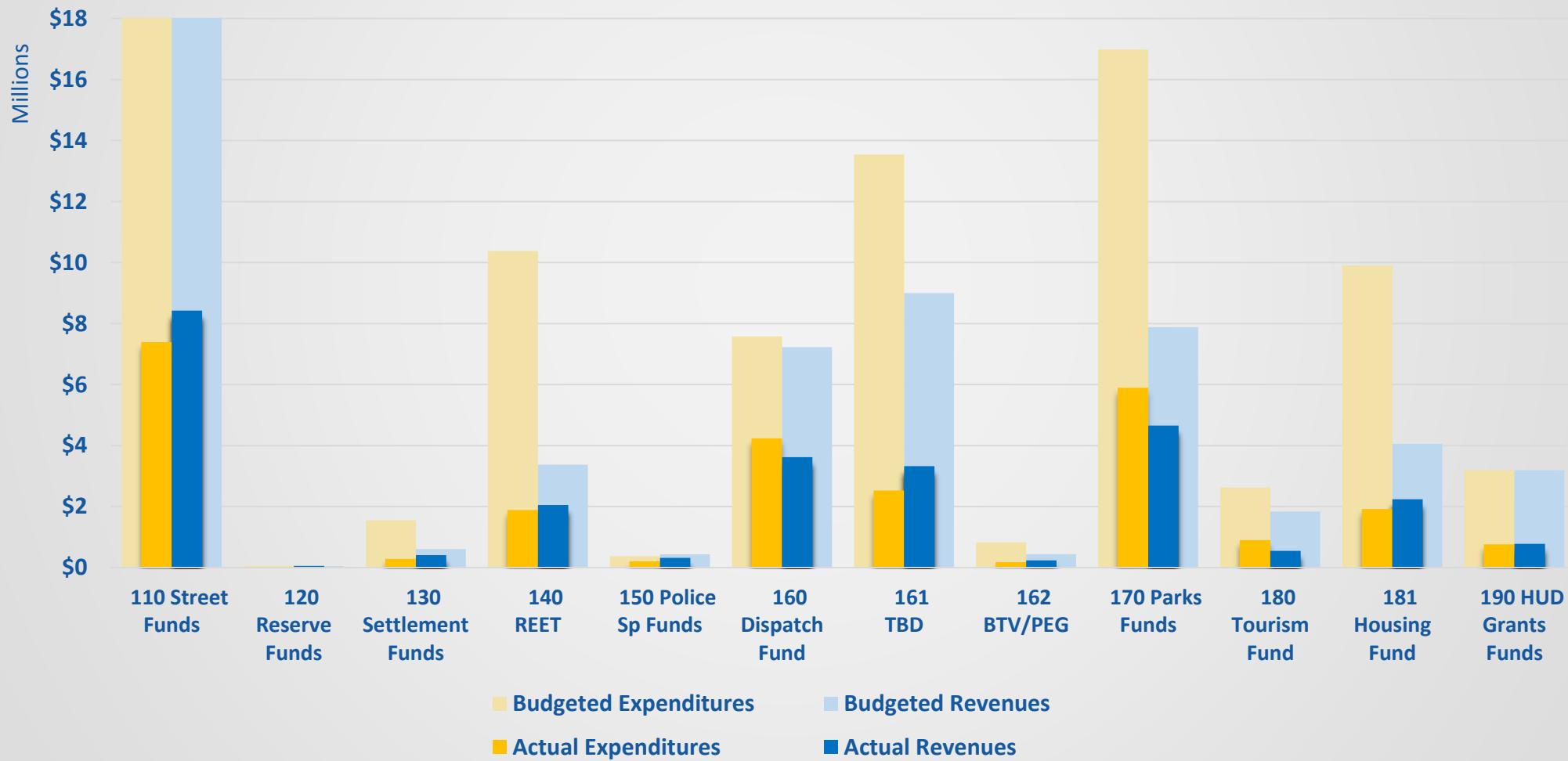
Citywide Revenues - \$154 M



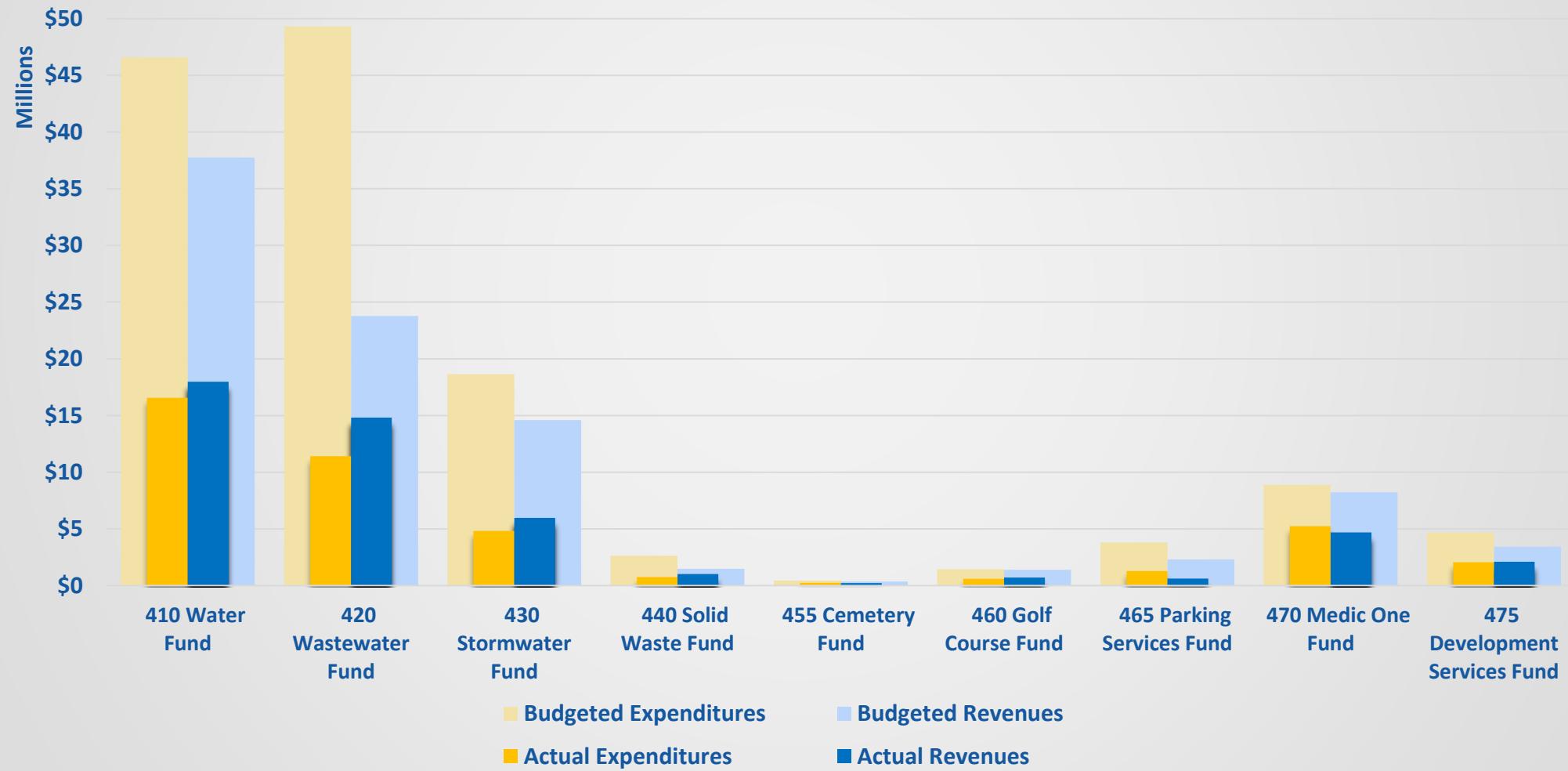
Citywide Expenses - \$147 M



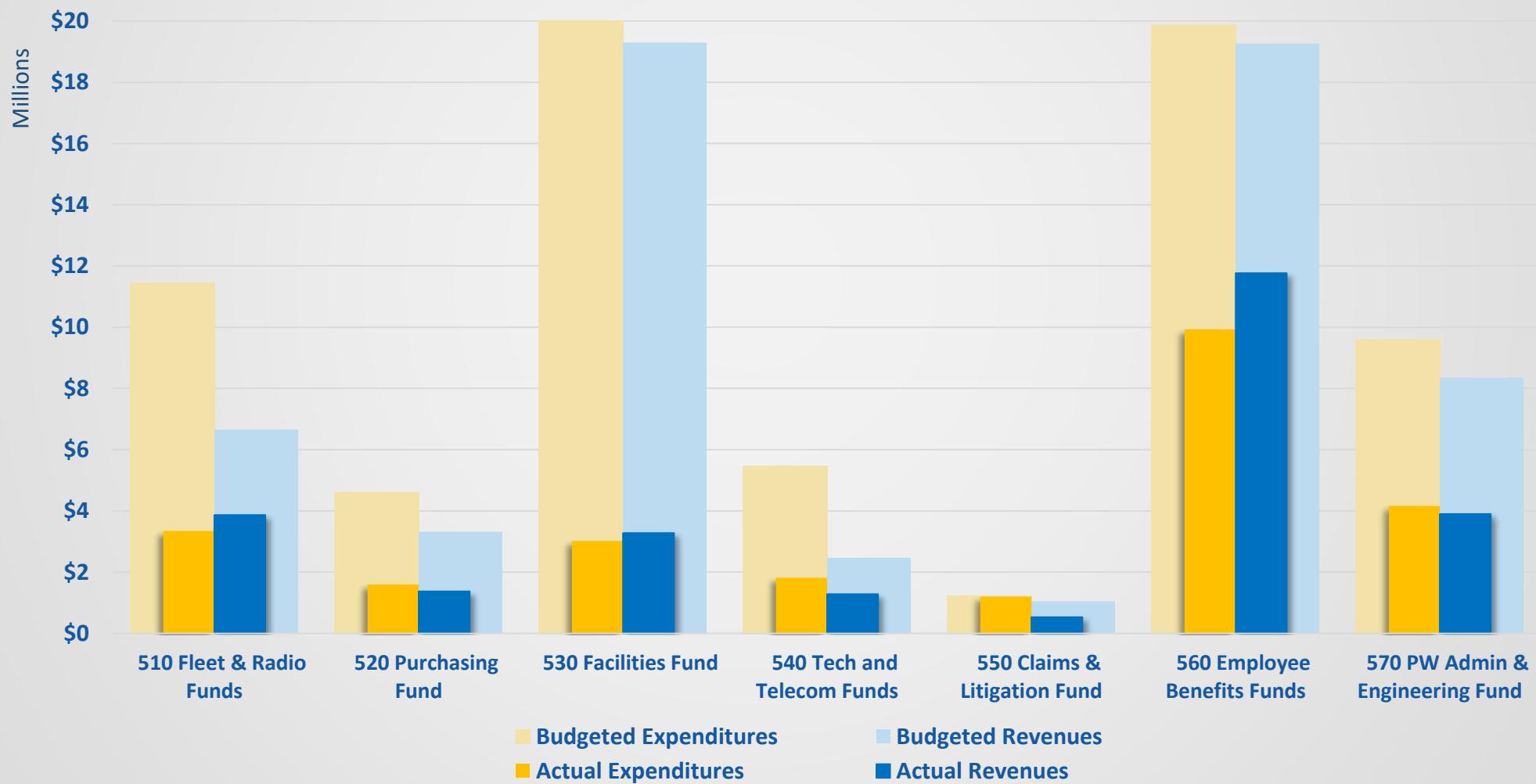
Special Revenue Funds



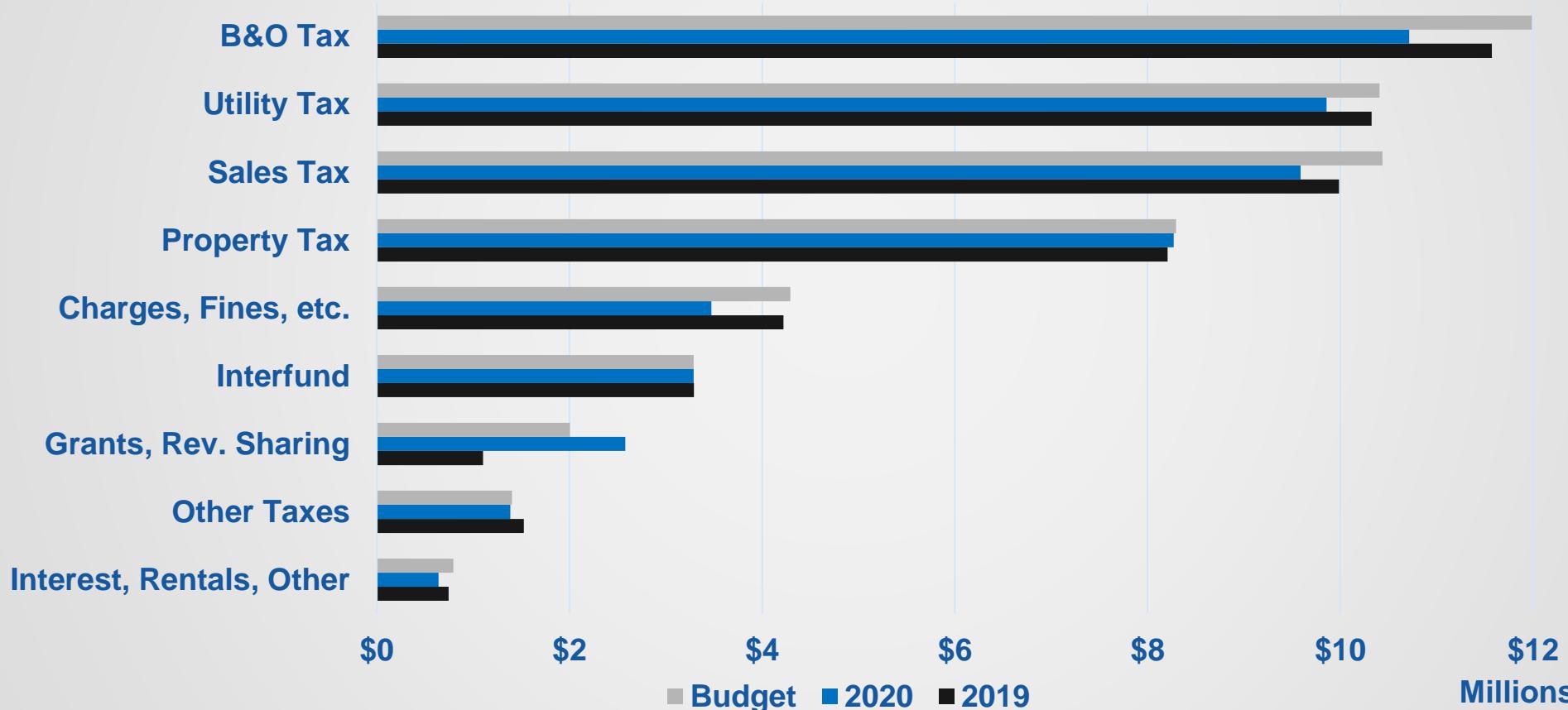
Enterprise Funds



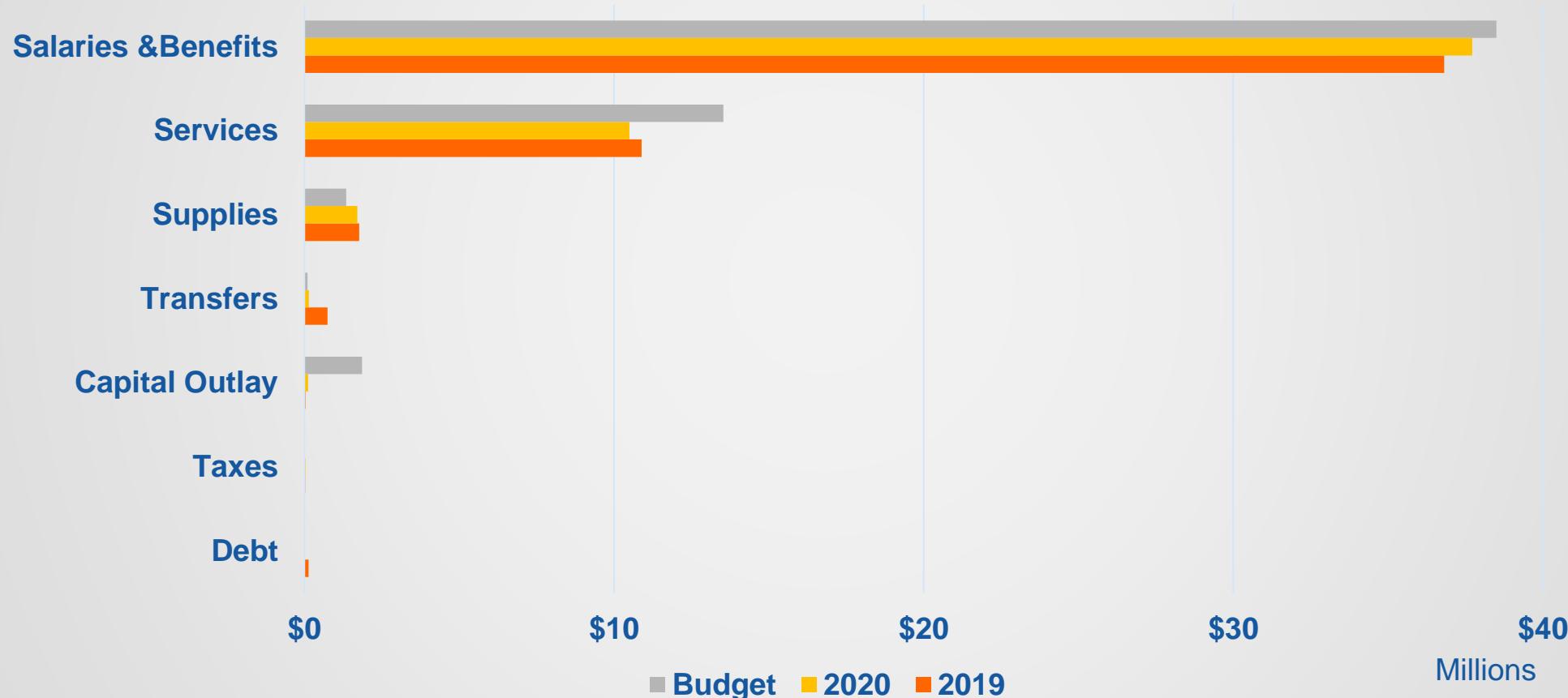
Internal Service Funds



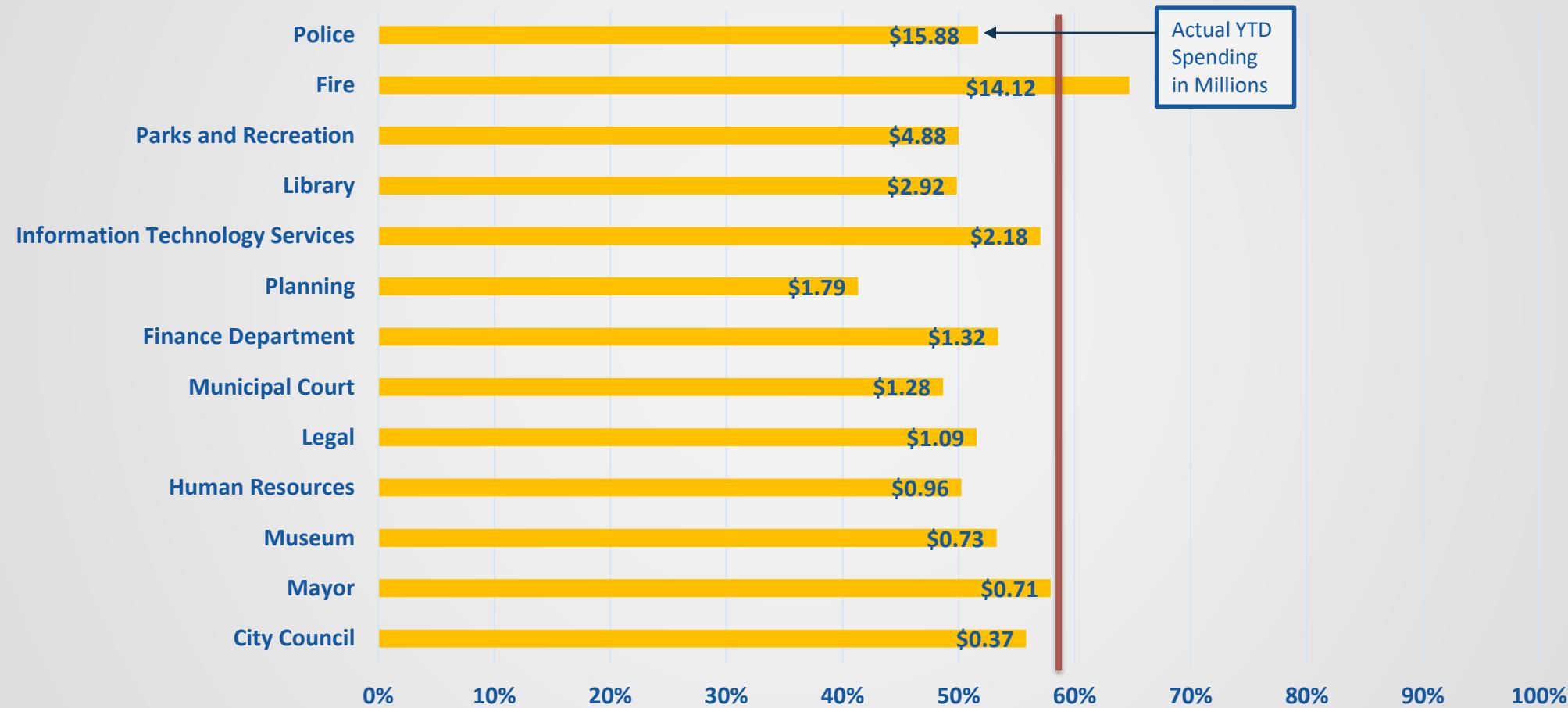
General Fund Revenues - \$49.8 M



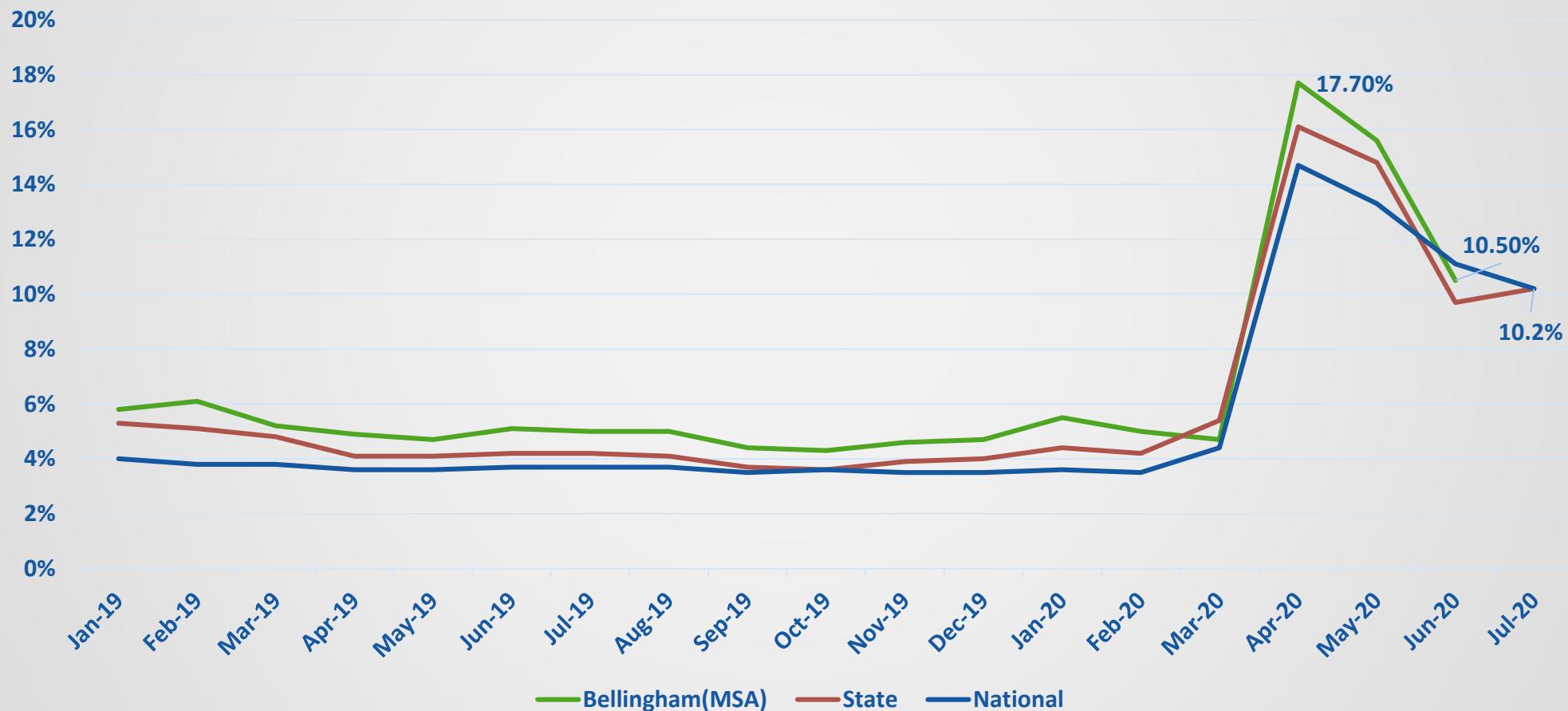
General Fund Expenditures - \$50.2 M



General Fund - % of Budget Spent by Department

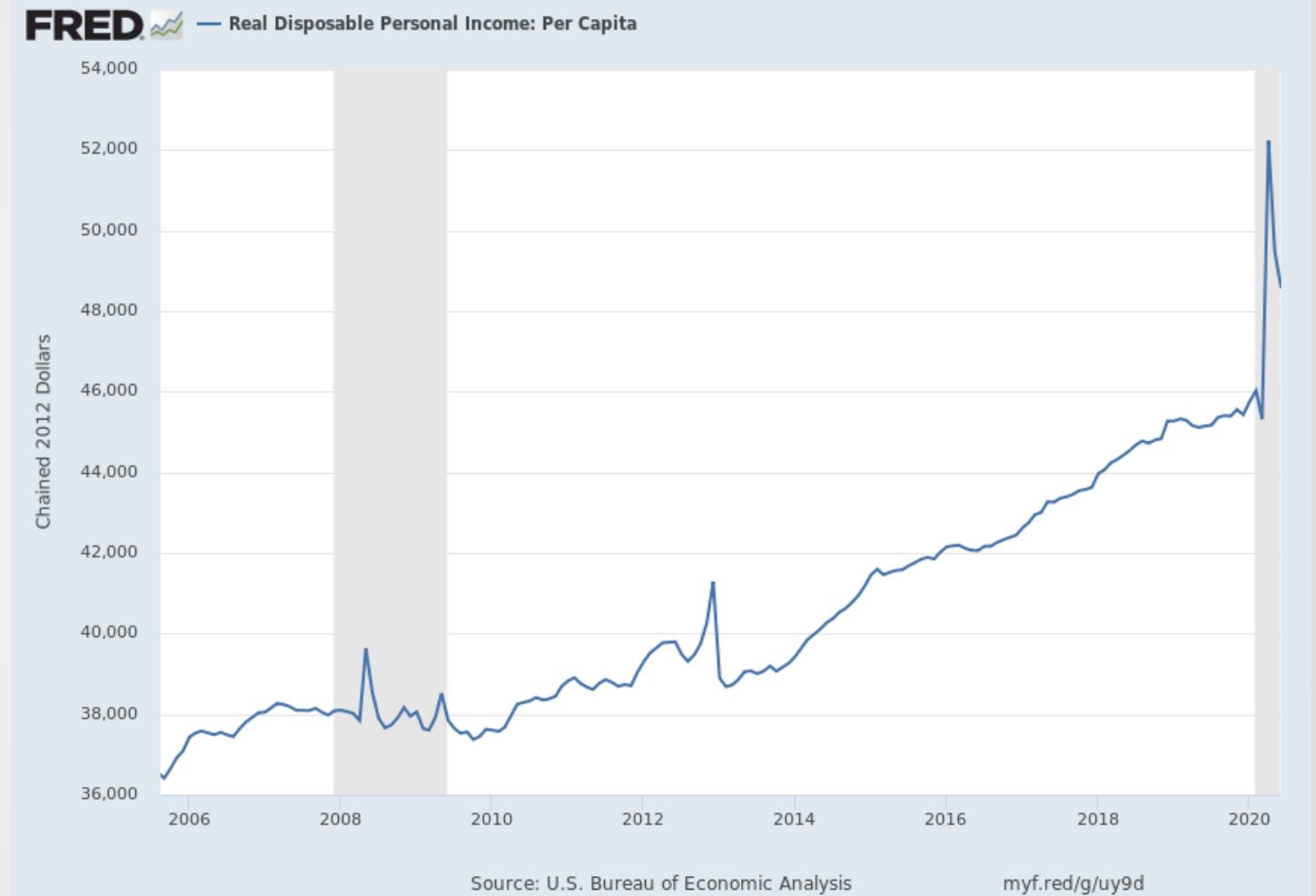


Unemployment Rate Falling?



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.

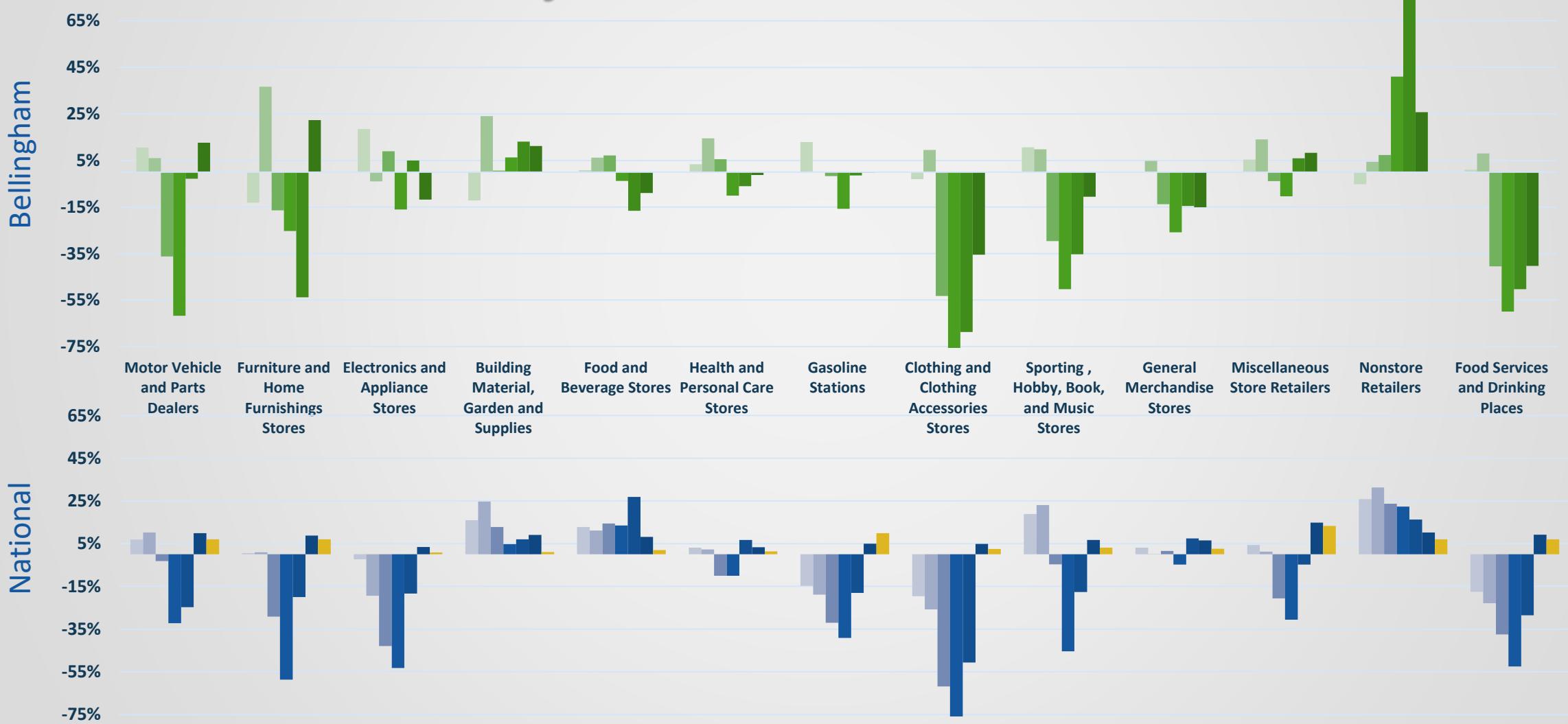


Retail Sales and Food Service

- 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



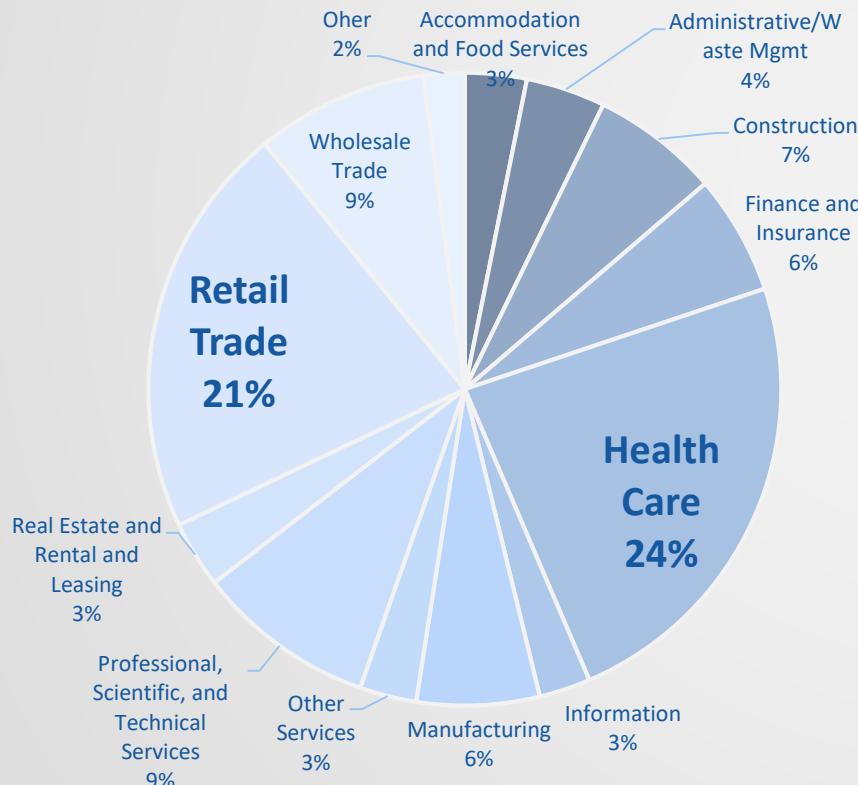
Sales Tax Comparison to 2019 with Projection

- Assumes 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.

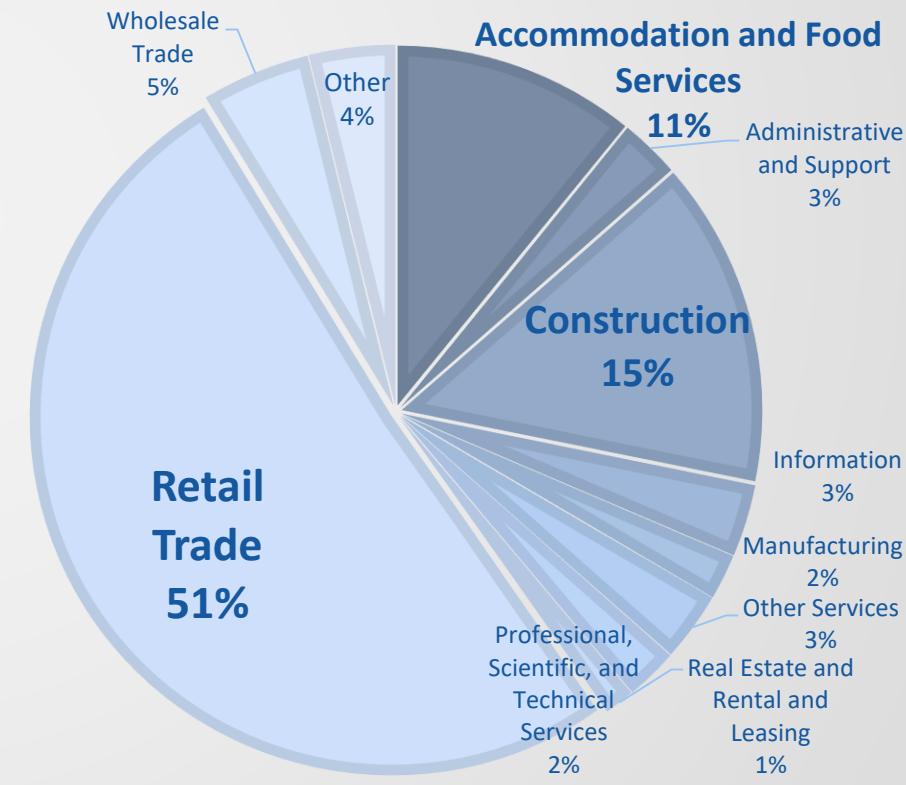


Local Tax Source Comparison

Business & Occupation Tax

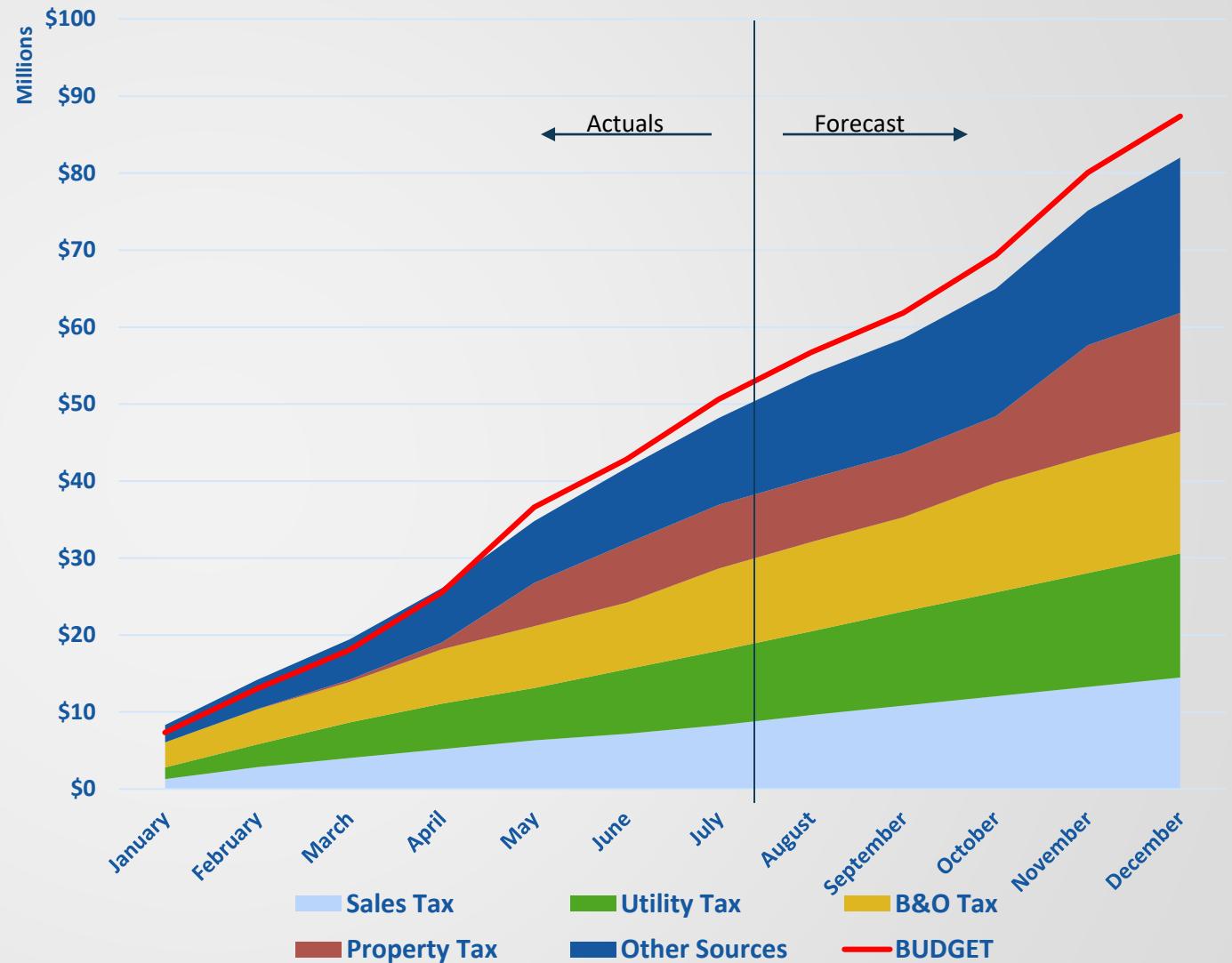


Sales & Use Tax



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.

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

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

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

Budget Timeline

- October 1st: Budget delivered to Council
- October 12th: 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>

