

2021-22 Revenue Forecast

October 21, 2019



Economic Outlook

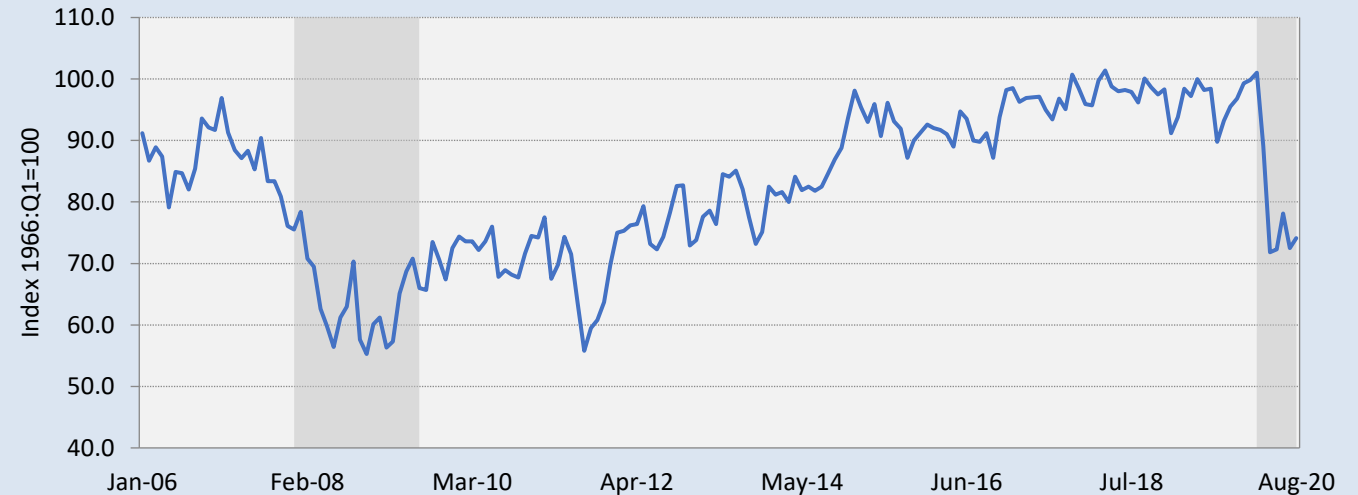
High degree of uncertainty

COVID-19 remains the dominant destabilizing factor

The election and subsequent potential fiscal stimulus could also impact the rate of recovery

Consumer sentiment and consumption are lower than prerecession

University of Michigan: Consumer Sentiment



Source: University of Michigan/FRED

Real Personal Consumption Expenditures

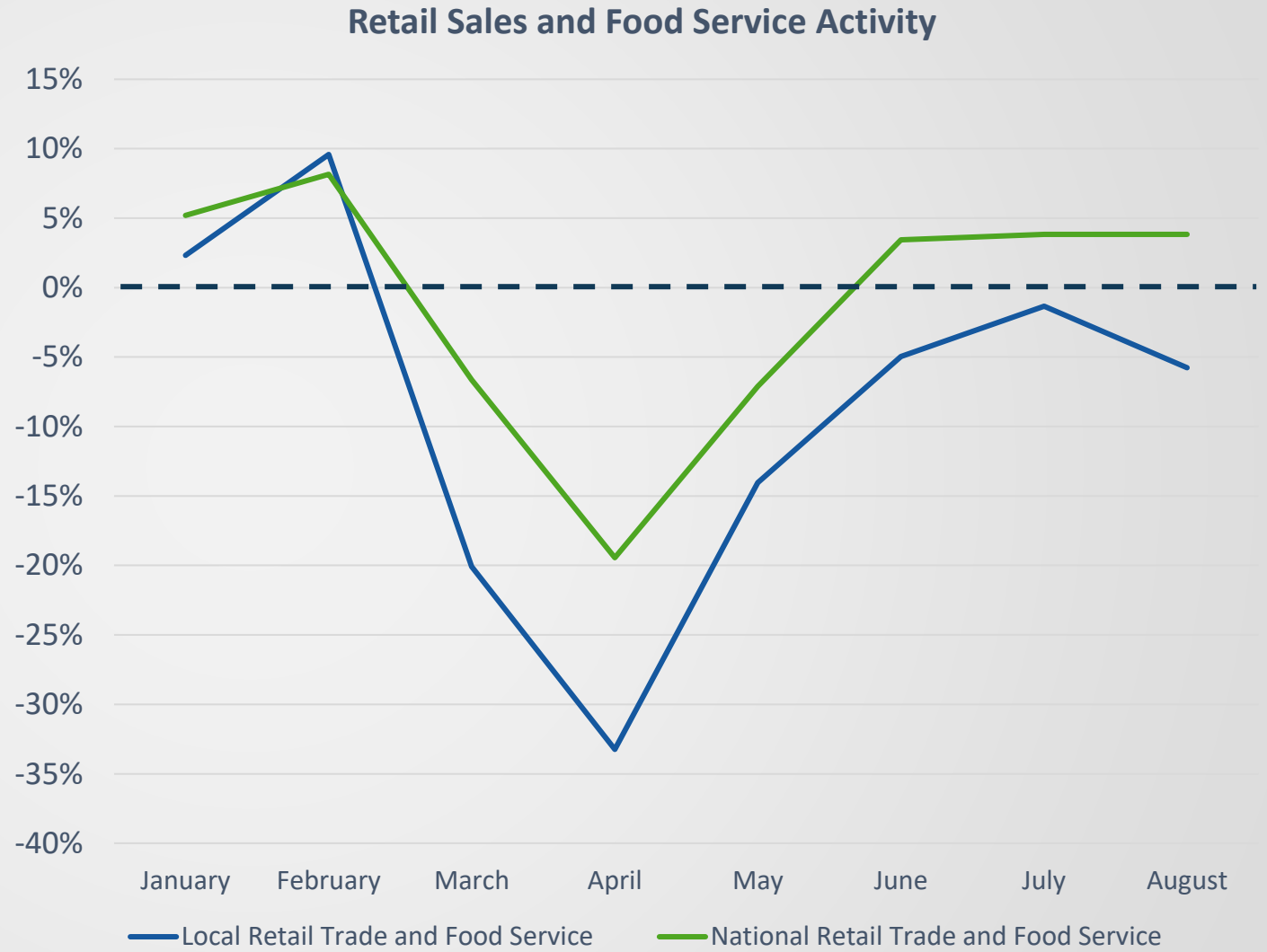


Source: U.S. Bureau of Economic Analysis/FRED

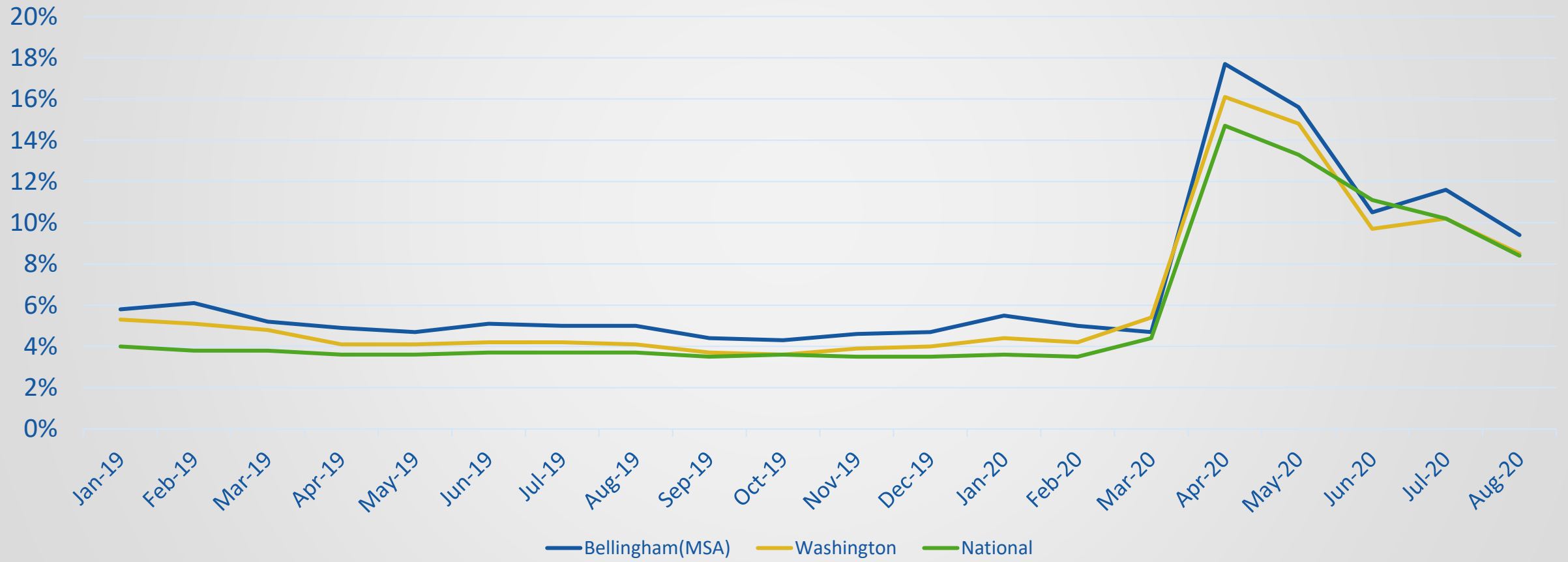
Retail sales have improved but are still below 2019 levels locally

Expect continued negative or flat year over year activity through the end of the year

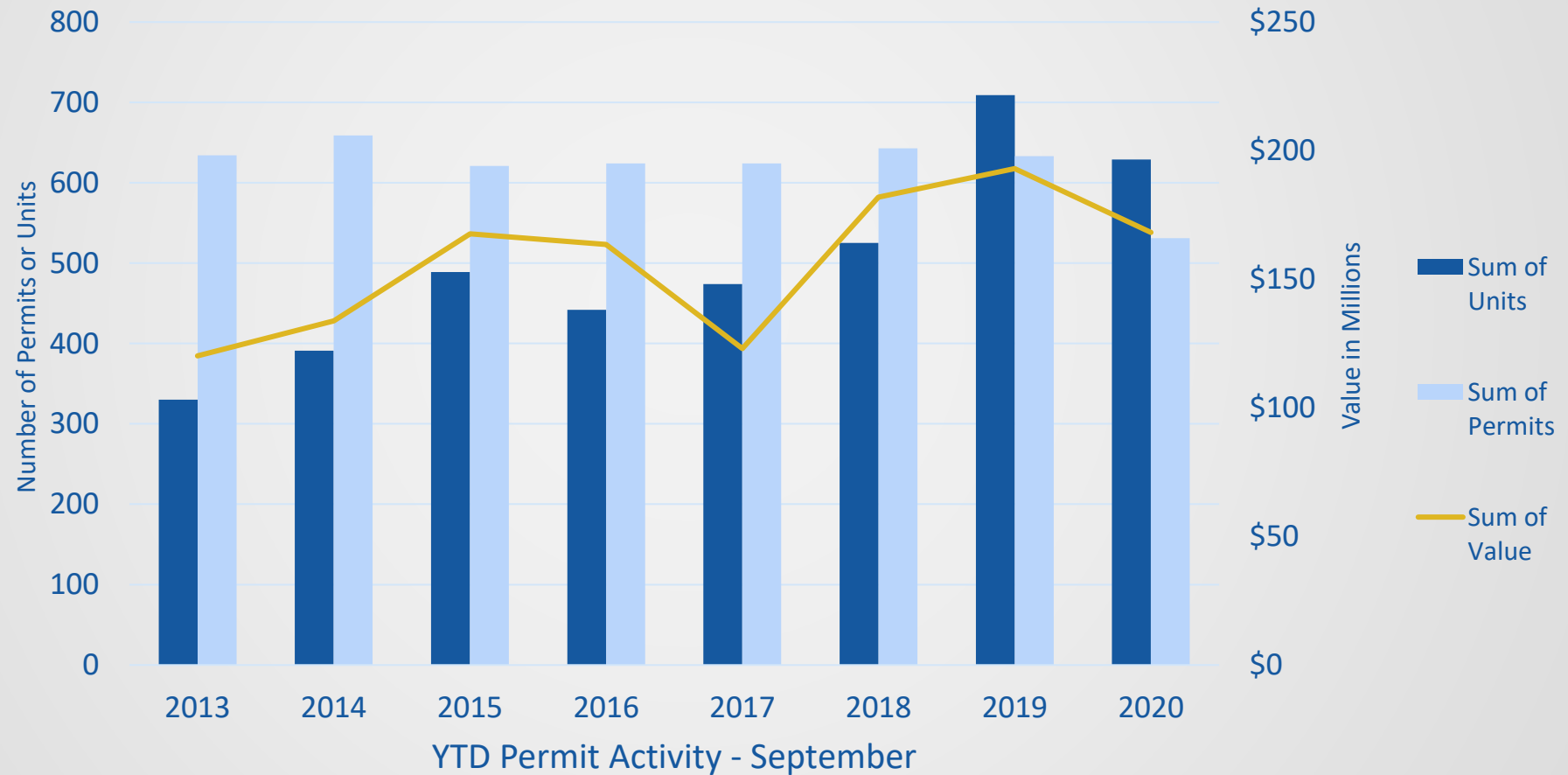
Stimulus and enhanced unemployment (\$3 trillion) had an impact on recovery from COVID shutdowns. It remains unclear if end to those stimulus efforts will create a gap in recovery



Unemployment Rates Dropping but Remain High

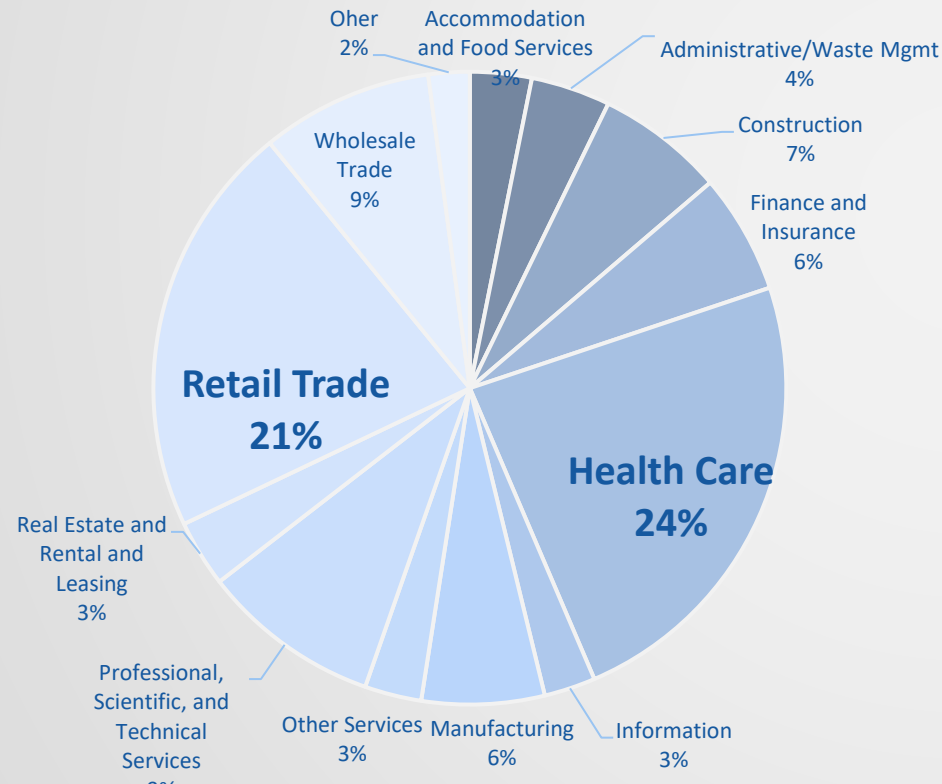


Permit Activity Remains Strong

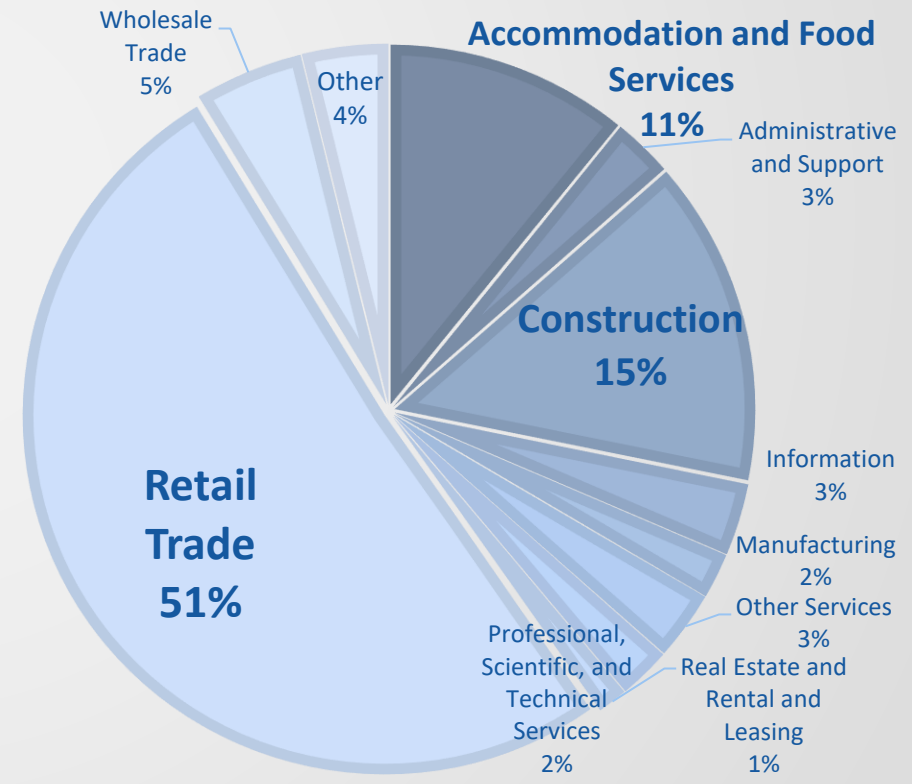


Local Tax Source Comparison

Business & Occupation Tax



Sales & Use Tax



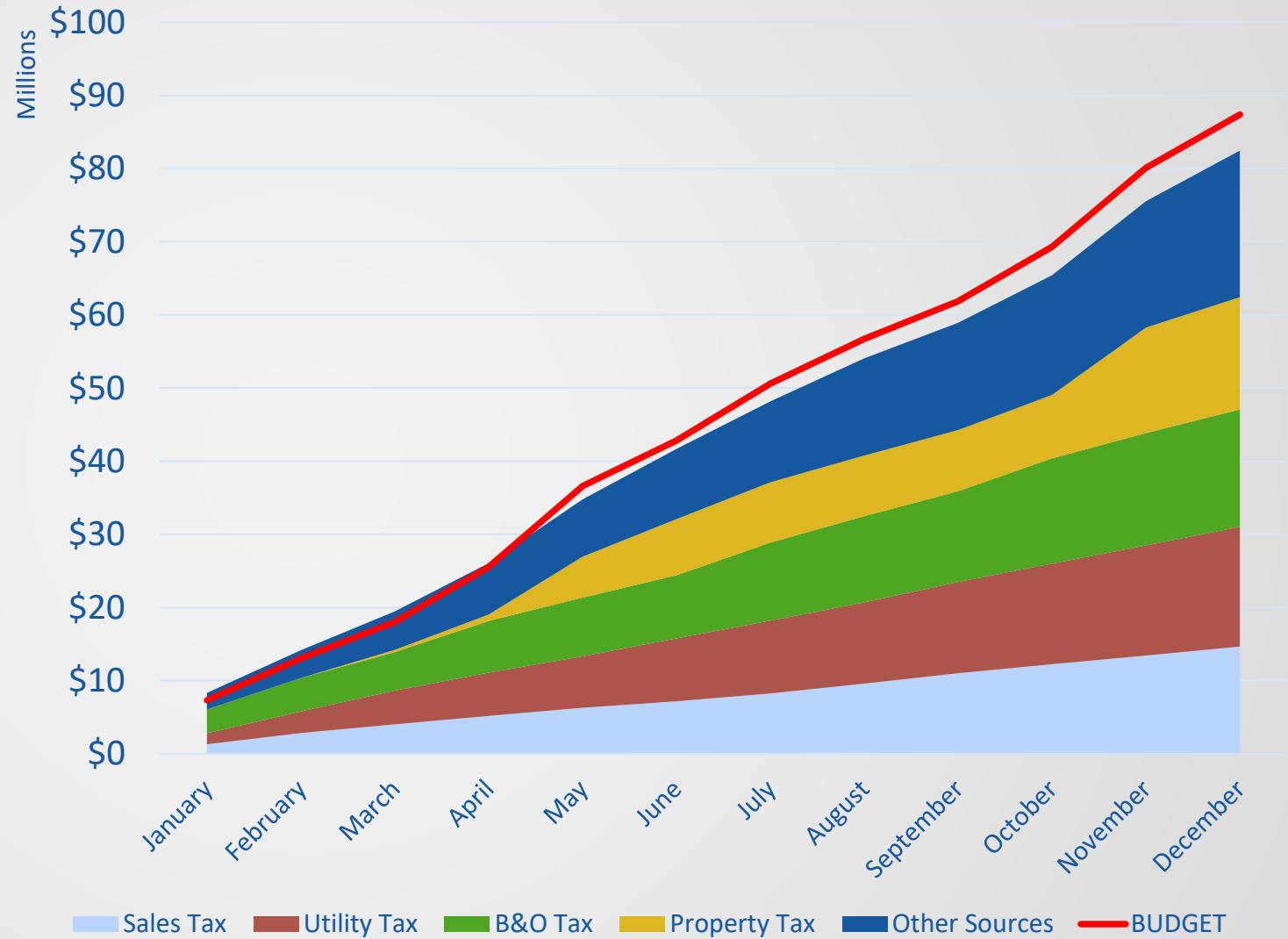
2020 Revenue Forecast General Fund

Still anticipating about an 8%
general fund revenue shortfall

COVID-19 brought shutdowns in
March, which appear in major
revenues beginning in May

Sales tax and B&O tax are most
impacted

We have seen an uptick in some
sectors over the last periods, but it
is unclear if those are establishing
a new trend



2021 Forecast Highlights

- High degree of uncertainty
- Sales and B&O tax expected to continue recovery at slow pace
- Property tax assumes Council approves the 1% increase
- Other revenue sources related to city activities (parks, fines, etc.) are expected to recover more quickly as more operational paths forward are discovered.

Citywide Revenues Table

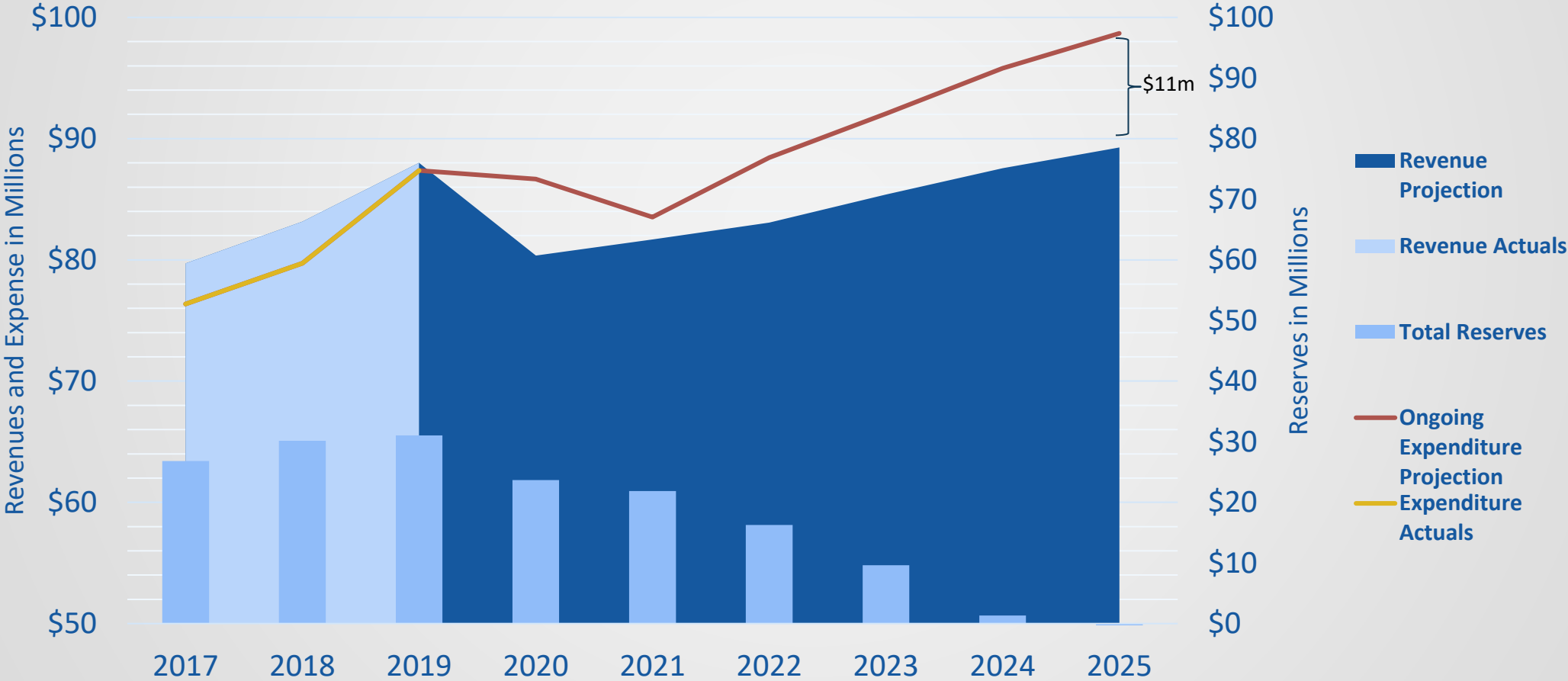
	2021	2022	2021-2022
	Proposed	Proposed	Proposed
BEGINNING RESERVE BALANCE	241,031,317	187,977,039	241,031,317
TAXES	102,014,220	104,130,821	206,145,042
LICENSES AND PERMITS	3,091,744	3,081,744	6,173,488
INTERGOVERNMENTAL REVENUE	41,222,821	13,197,414	54,420,236
CHARGES FOR GOODS AND SERVICES	131,058,456	134,219,666	265,278,122
FINES AND PENALTIES	1,068,547	1,086,647	2,155,194
MISCELLANEOUS REVENUE	6,480,666	5,274,065	11,754,731
NON REVENUES	3,843,819	2,520,022	6,363,840
OTHER FINANCING SOURCES	27,291,155	2,997,349	30,288,505
TOTAL REVENUE	316,071,429	266,507,730	582,579,159
TOTAL EXPENDITURE	369,125,697	295,371,360	664,497,057
Net Surplus/(Deficit)	(53,054,269)	(28,863,630)	(81,917,899)
ESTIMATED ENDING RESERVE BALANCE	187,977,048	159,113,409	159,113,409

General Fund Budget

	Actual 2019	Forecast 2020	Proposed 2021	Proposed 2022	Proposed 2021-2022
<i>BEGINNING RESERVE BALANCE</i>	29,989,312	30,696,709	23,695,626	21,866,063	23,695,626
TAXES	68,677,782	63,901,487	65,621,553	66,820,820	132,442,373
LICENSES AND PERMITS	910,346	855,725	873,900	863,900	1,737,800
INTERGOVERNMENTAL REVENUE	5,422,004	4,500,000	3,071,106	3,071,106	6,142,212
CHARGES FOR GOODS AND SERVICES	10,988,138	9,559,680	10,629,134	10,870,642	21,499,776
FINES AND PENALTIES	644,225	450,958	592,946	606,046	1,198,992
MISCELLANEOUS REVENUE	1,360,387	1,088,310	897,847	849,086	1,746,933
TOTAL REVENUE	88,002,882	80,356,160	81,686,487	83,081,600	164,768,086
TOTAL EXPENDITURE	87,359,812	87,357,243	83,516,049	88,443,635	171,959,685
Net Surplus/(Deficit)	643,070	-7,001,083	-1,829,563	-5,362,036	-7,191,598
<i>RESTRICTED RESERVES</i>	<i>14,000,000</i>	<i>14,000,000</i>	<i>13,900,000</i>	<i>14,100,000</i>	<i>14,100,000</i>
<i>UNRESTRICTED RESERVES</i>	<i>16,696,709</i>	<i>9,695,626</i>	<i>7,966,063</i>	<i>2,404,028</i>	<i>2,404,028</i>
TOTAL ENDING RESERVE BALANCE	30,696,709	23,695,626	21,866,063	16,504,028	16,504,028

Long-term General Fund Outlook

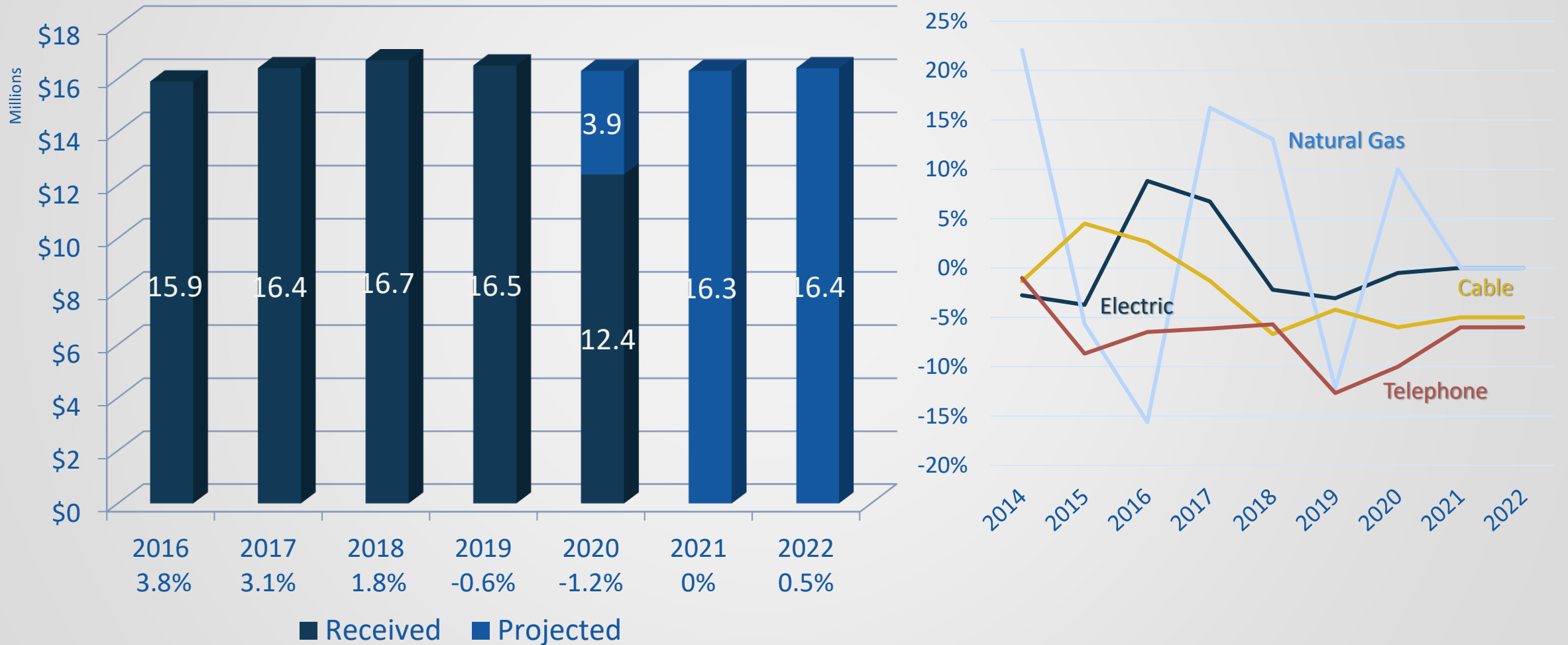
5-Year Revenue and Expense Projection



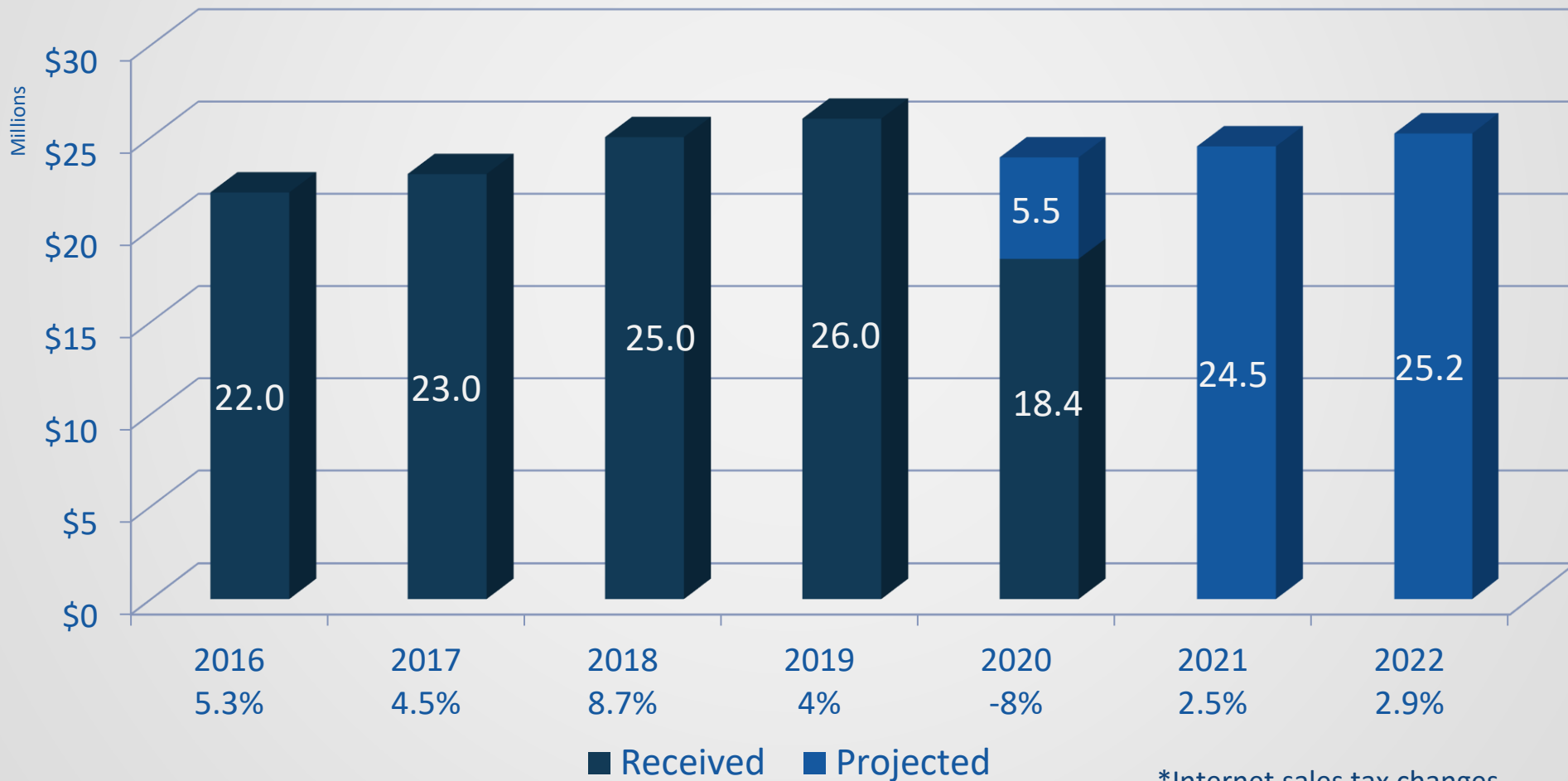
B&O Tax Projection



Utility Tax Projection

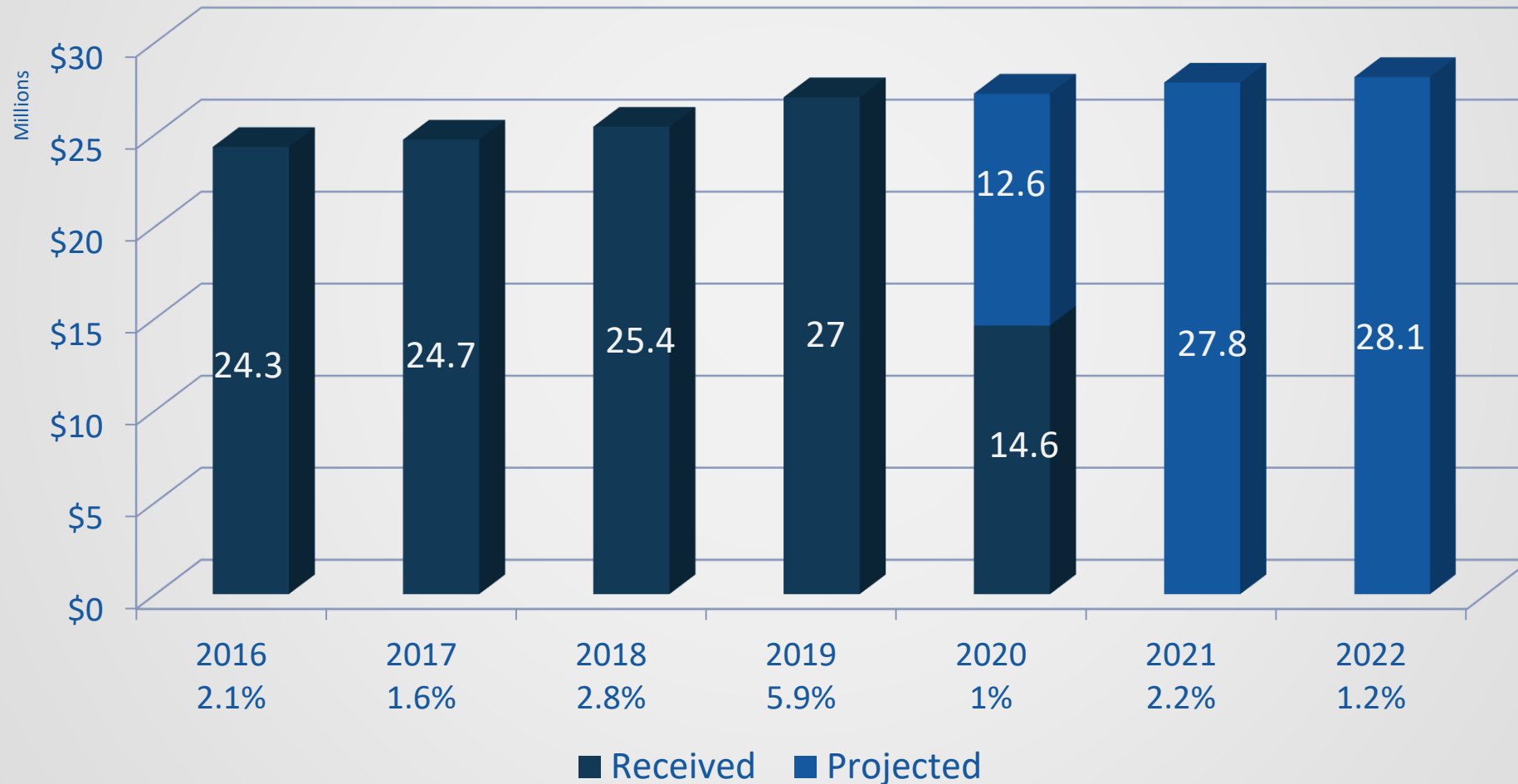


Citywide Sales Tax Projection

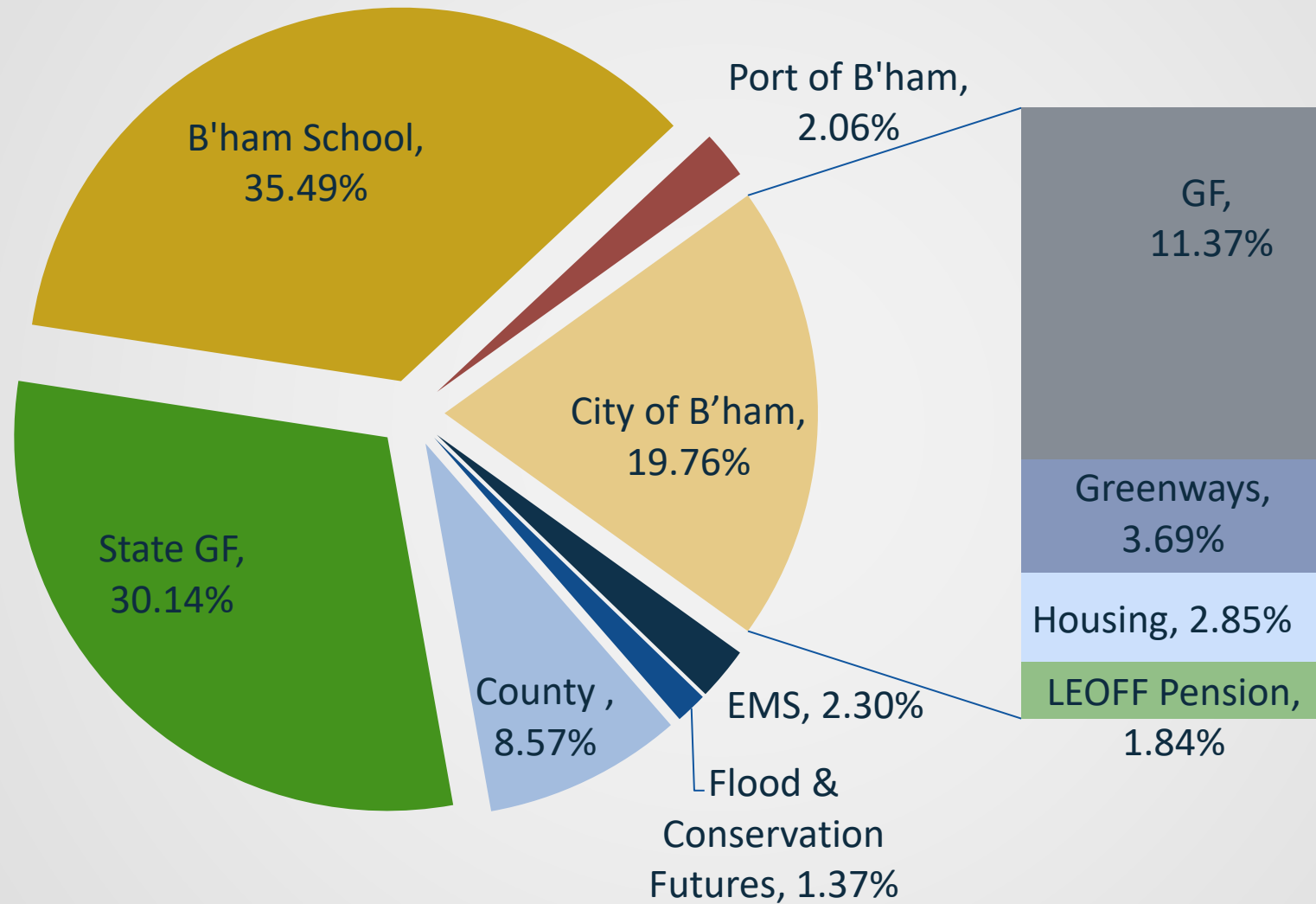


*Internet sales tax changes

Citywide Property Tax



2020 Property Tax Distribution



How Property Tax Works

- Budget based property tax:
 - Council sets a dollar amount - statutorily limited to 1% increase each year plus new construction
 - $Levy\ rate = \left(\frac{Budgeted\ Property\ Tax\ Amount}{Assessed\ Value \div 1000} \right)$
- Maximum rate is \$3.60 per \$1000 of assessed value
- $Individual\ tax\ bill = \left(\frac{Property\ assessed\ valuation}{1000} \right) \times Levy\ Rate$

Property Tax Example

<u>Year 1: No Increase</u>		Property #1	Property #2	Total
Assessed Valuation = \$800,000 Budgeted Levy = \$1000 $Rate = \left(\frac{\$1000}{800,000/1000} \right)$ Levy Rate = \$1.25 (per \$1000 AV)	Assessed Valuation	\$350,000	\$450,000	\$800,000
	Multiplied by Levy Rate (per \$1000 of AV)	x 1.25	x 1.25	x 1.25
	Tax Bill	\$437.5	\$562.5	\$1000
<u>Year 2: 1% Levy Increase</u>		Property #1	Property #2	Total
Assessed Valuation = \$900,000 (increases \$100,000) Budgeted Levy = \$1010 $Rate = \left(\frac{\$1010}{900,000/1000} \right)$ Levy Rate = \$1.12 (per \$1000)	Assessed Valuation	\$375,000 (+\$25k)	\$525,000 (+\$75k)	\$900,000 (+\$100k)
	Multiplied by Levy Rate (per \$1000 of AV)	x 1.12	x 1.12	x 1.12
	Tax Bill	\$420.83 (-\$16.67)	\$589.16 (+\$26.67)	\$1010 (+\$10)

Resolution of Substantial Need

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELLINGHAM, WASHINGTON MAKING A DECLARATION OF SUBSTANTIAL NEED FOR PURPOSES OF SETTING THE LIMIT FACTOR FOR THE PROPERTY TAX LEVY FOR 2021.

WHEREAS, the Revised Code of Washington (RCW 84.55.010), provides that a taxing jurisdiction may levy taxes in an amount no more than the limit factor multiplied by the highest levy of the most recent three years plus additional amounts resulting from new construction and improvements to property, newly constructed wind turbines, and any increase in the value of state-assessed utility property; and

WHEREAS, under RCW 84.55.005(2)(c), the limit factor for a taxing jurisdiction with a population of 10,000 or over is the lesser of 101 percent or 100 percent plus inflation; and

WHEREAS, RCW 84.55.005(1) defines "inflation" as the percentage change in the Implicit Price Deflator for personal consumption expenditures for the United States as published by the Bureau of Economic Analysis for the Federal Department of Commerce; and

WHEREAS, the change in the Implicit Price Deflator rate of "inflation" for 2020 equals 0.602 percent; and

WHEREAS, RCW 84.55.0101 provides for use of a limit factor of 101 percent or less with a finding of substantial need by two-thirds of the members when the board consists of four members or less, or a majority plus one approval of the board when the board consists of more than four members; and

WHEREAS, the 2021-22 Biennial Budget includes the statutorily allowed 1% increase in property taxation in 2021 and still uses \$1,829,563 of General Fund Reserves to balance revenues with expenditures; and

WHEREAS, the Bellingham City Council has determined that there is substantial need to increase the regular property tax limit factor to the statutorily allowed 101 percent.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BELLINGHAM:

A finding is made of substantial need under RCW 84.55.0101, which authorizes the use of a limit factor of 101 percent for the property tax levy for 2021.

Required when inflation falls below 1%

- RCW limits jurisdictions of 10,000 population or more to increase of 1% or inflation, whichever is less
- Inflation is measured using the Implicit Price Deflator (IPD)
- 2020 IPD is 0.6%
- Resolution must pass with a majority plus one

Impact of 1% Increase

2020 Total Levy	\$27,692,589
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<i>1% Levy Increase*</i>	<i>\$194,825</i>
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New Construction*	\$314,330
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2021 Total Levy	\$28,201,745
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Estimated City Levy on \$450,000 home	+\$15	\$920
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* Excludes Affordable Housing Levy which has a fixed amount

2020 Levy

2021 Levy

	Actual Levy	Rate per 1000/AV	Change in Amount	Amount	Estimated Rate per 1000/AV
General Fund	\$15,873,698	1.25	\$341,778	\$16,279,916	1.10
Greenways	5,175,559	0.37	\$111,713	\$5,287,272	0.36
Affordable Housing	4,000,000	0.29	\$0	\$4,000,000	0.27
Fire / Police Pension	2,578,893	0.18	\$55,665	\$2,634,557	0.18
CITY TOTAL	\$27,692,589	2.21	\$509,156	\$28,160,062	1.91

Banked Capacity

- Accumulates when the city does not take a 1% increase to the property tax
- Based on the Highest Lawful Levy the City could be taking
- Can be taken by stating that intent in the property tax ordinance

Total Banked Capacity	Includes capacity related to voted <i>rate</i> of Home Levy & Greenways - would disappear if those levies expired or were renewed at a different rate	\$2,964,700
“Real” Banked Capacity	Exclusive of any capacity related to levy lid lifts (Home Levy & Greenways)	\$338,000

Questions?

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