

2023-2024 Revenue Forecast

October 24, 2022



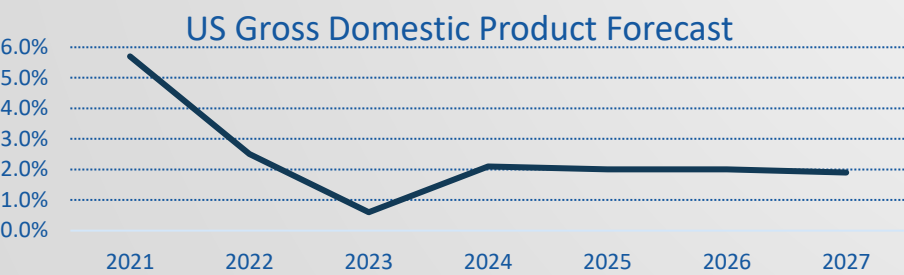
Economic Outlook

Inflation is driving the economic outlook as it remains persistently high

Federal Reserve continues to try to slow inflation
Higher rates = higher borrowing costs = economic headwinds

The City’s diverse revenue streams and strong local housing market provide revenues some insulation from national trends

WA Economic Forecast Council predicts 0.6% National GDP growth in 2023



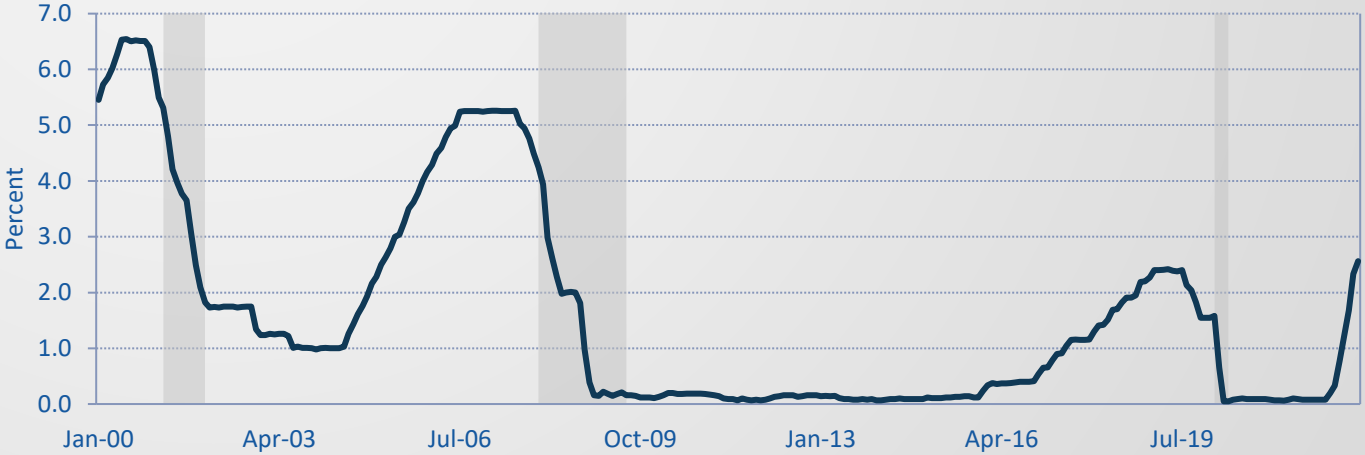
Source: WA Economic & Revenue Forecast Council

Inflation: US Consumer Price Index



Source: U.S. Bureau of Labor Statistics/FRED

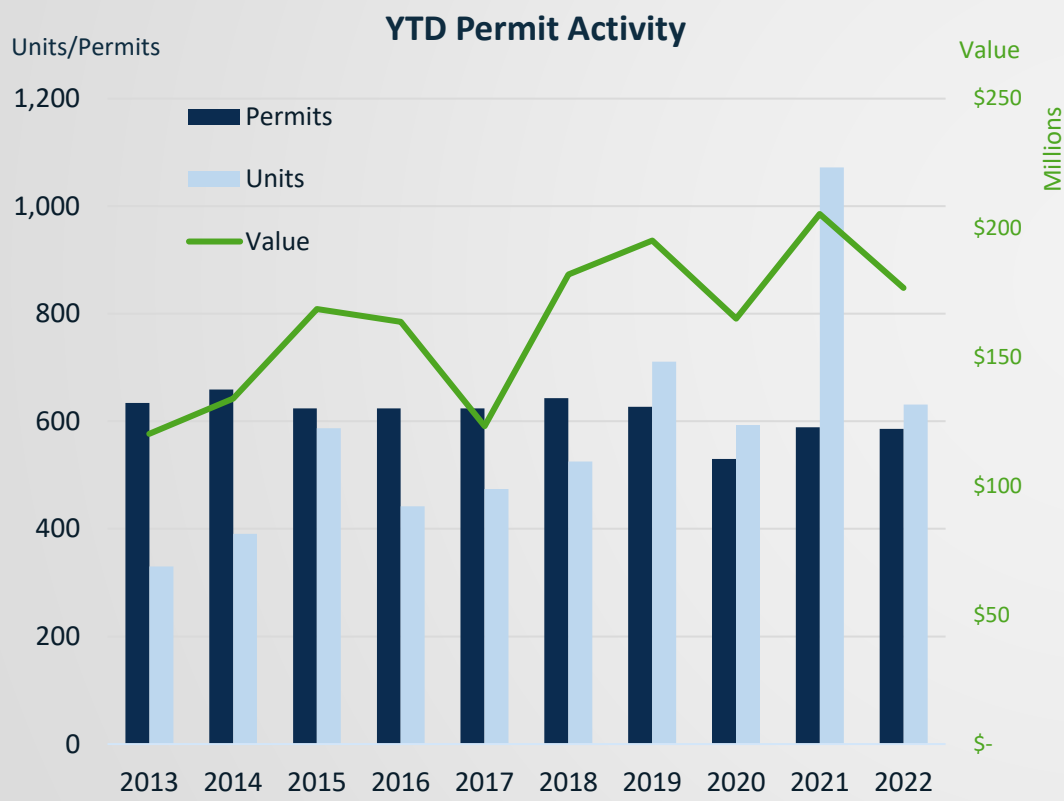
Borrowing Costs: Federal Funds Effective Rate



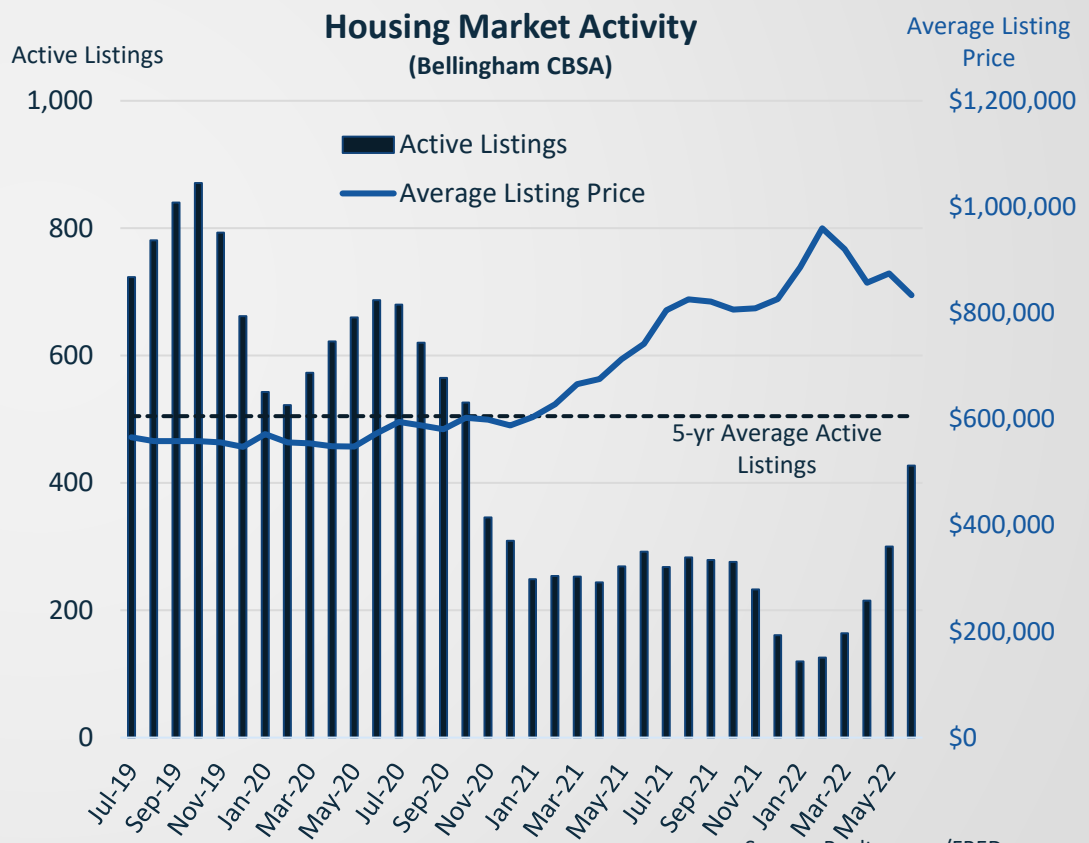
Source: Board of Governors of the Federal Reserve System (US)/FRED

Local Economic Indicators

Construction



Source: COB Planning & Community

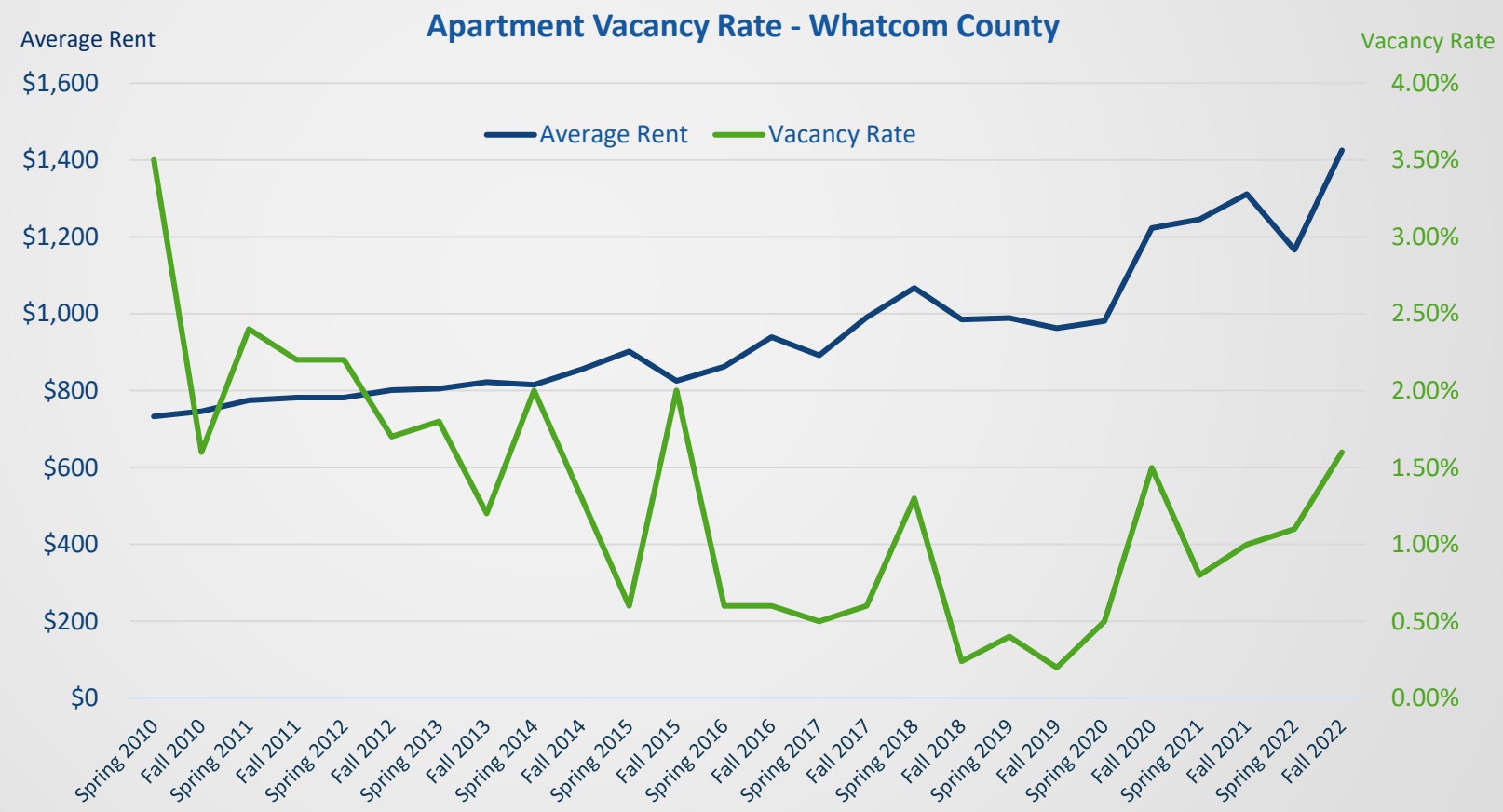


Source: Realtor.com/FRED

Local Economic Indicators

Construction

- Permitting may be moderating, but remains active
- Vacancy rates and housing supply remain very low
- Economic drivers for housing construction remain



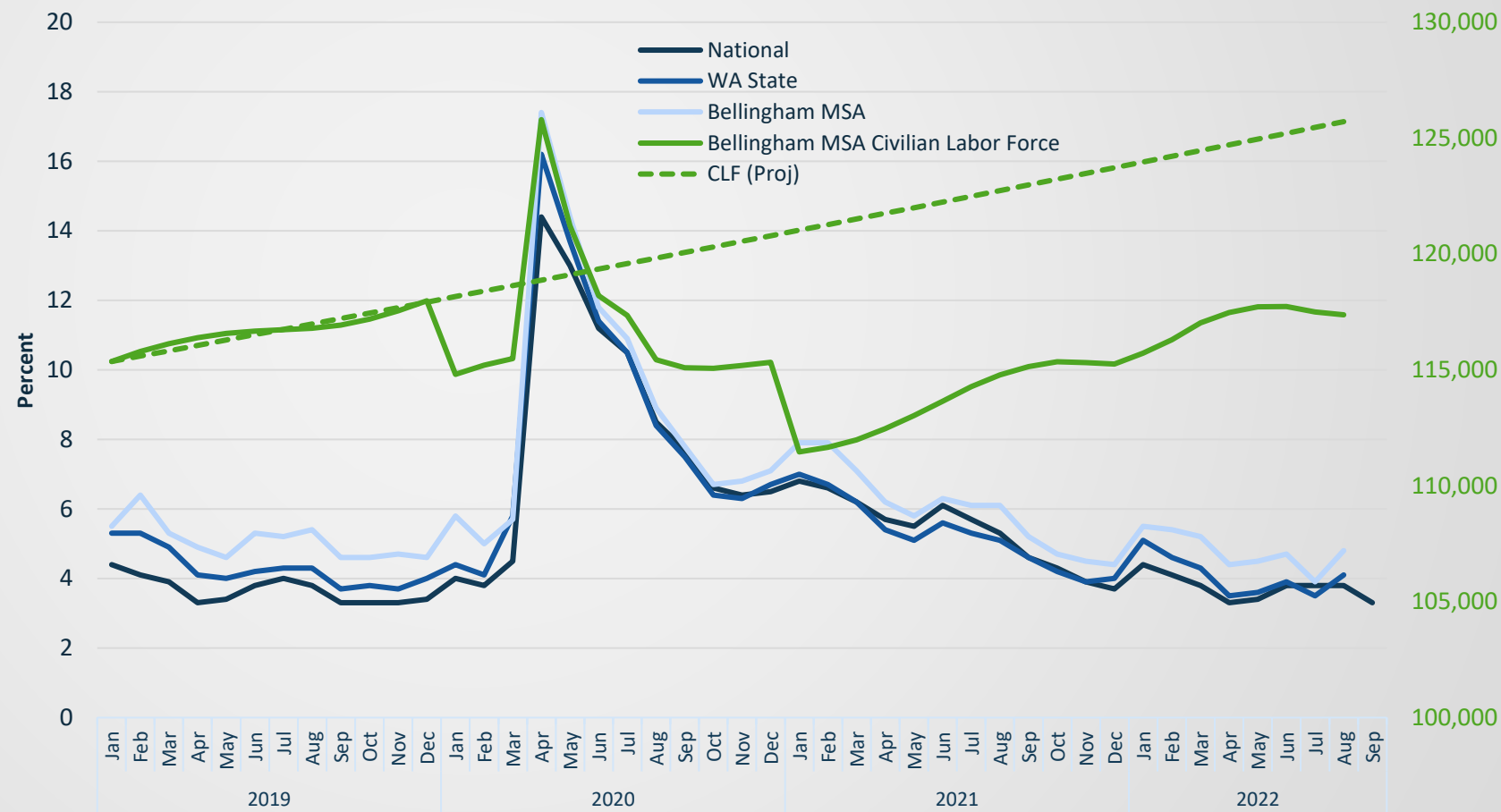
Source: Washington Center for Real Estate Research

Local Economic Indicators

Employment

Unemployment rates are the bright spot in the economic outlook

A significant number are still not participating in the workforce



Source: Bureau of Labor Statistics/FRED

2023 Revenue Forecast

Summary

Assumes continued growth at a slower rate

Follows City’s revenue forecast model for sales tax with minimal modification

Property tax forecast assumes Council approves 1% increase

Risks to forecast:

Persistent inflation

Continued increases to borrowing costs - drag on critical retail activity

Escalating geopolitical disruptions

2023-2024 City Wide Revenues

	2021-2022 Budget	2023 Proposed	2024 Proposed	2023-2024 Proposed
<i>Beginning Reserve Balance</i>	256,810,765	358,571,544	375,118,196	358,571,544
Taxes	235,019,633	133,085,580	136,674,628	269,760,208
Licenses and permits	6,118,488	3,036,244	3,021,244	6,057,489
Intergovernmental revenue	79,173,917	15,219,743	11,734,743	26,954,486
Charges for goods and services	268,573,450	173,036,012	177,778,669	350,814,681
Fines and penalties	1,855,194	846,446	909,546	1,755,992
Miscellaneous revenue	11,622,731	5,740,458	6,670,213	12,410,672
Non revenues	6,363,840	2,652,358	2,809,462	5,461,820
Other financing sources	72,816,059	5,460,178	4,559,495	10,019,673
TOTAL REVENUE	681,543,313	339,077,020	344,158,001	683,235,021
TOTAL EXPENSE	791,575,185	322,530,367	318,740,000	641,270,367
Net Surplus/(Deficit)	(110,031,872)	16,546,652	25,418,001	41,964,654
<i>Est. Ending Reserve Balance</i>	146,778,893	375,118,196	400,536,198	400,536,198

2023-2024 General Fund Revenues

	2021-2022 Budget	2023 Proposed	2024 Proposed	2023-2024 Proposed
<i>Beginning Reserve Balance</i>	49,669,480	55,000,000	47,924,830	55,000,000
Taxes	149,359,110	84,263,767	86,442,267	170,706,034
Licenses and permits	1,737,800	873,400	863,400	1,736,800
Intergovernmental revenue	21,232,121	4,850,158	4,850,158	9,700,316
Charges for goods and services	22,165,776	11,142,421	11,365,371	22,507,792
Fines and penalties	898,992	442,946	506,046	948,992
Miscellaneous revenue	2,106,933	1,180,533	1,334,779	2,515,312
TOTAL REVENUE	197,500,732	102,753,225	105,362,021	208,115,246
TOTAL EXPENSE	201,411,042	109,828,395	115,905,103	225,733,498
Net Suplus/ (Deficit)	(3,910,310)	(7,075,170)	(10,543,082)	(17,618,252)
<i>Restricted Reserves</i>	15,000,000	15,900,000	16,200,000	16,200,000
<i>Unrestricted Reserves</i>	23,609,170	24,874,830	14,931,748	14,931,748
<i>Ending Balance</i>	45,759,170	47,924,830	37,381,748	37,381,748

Current Year Forecast

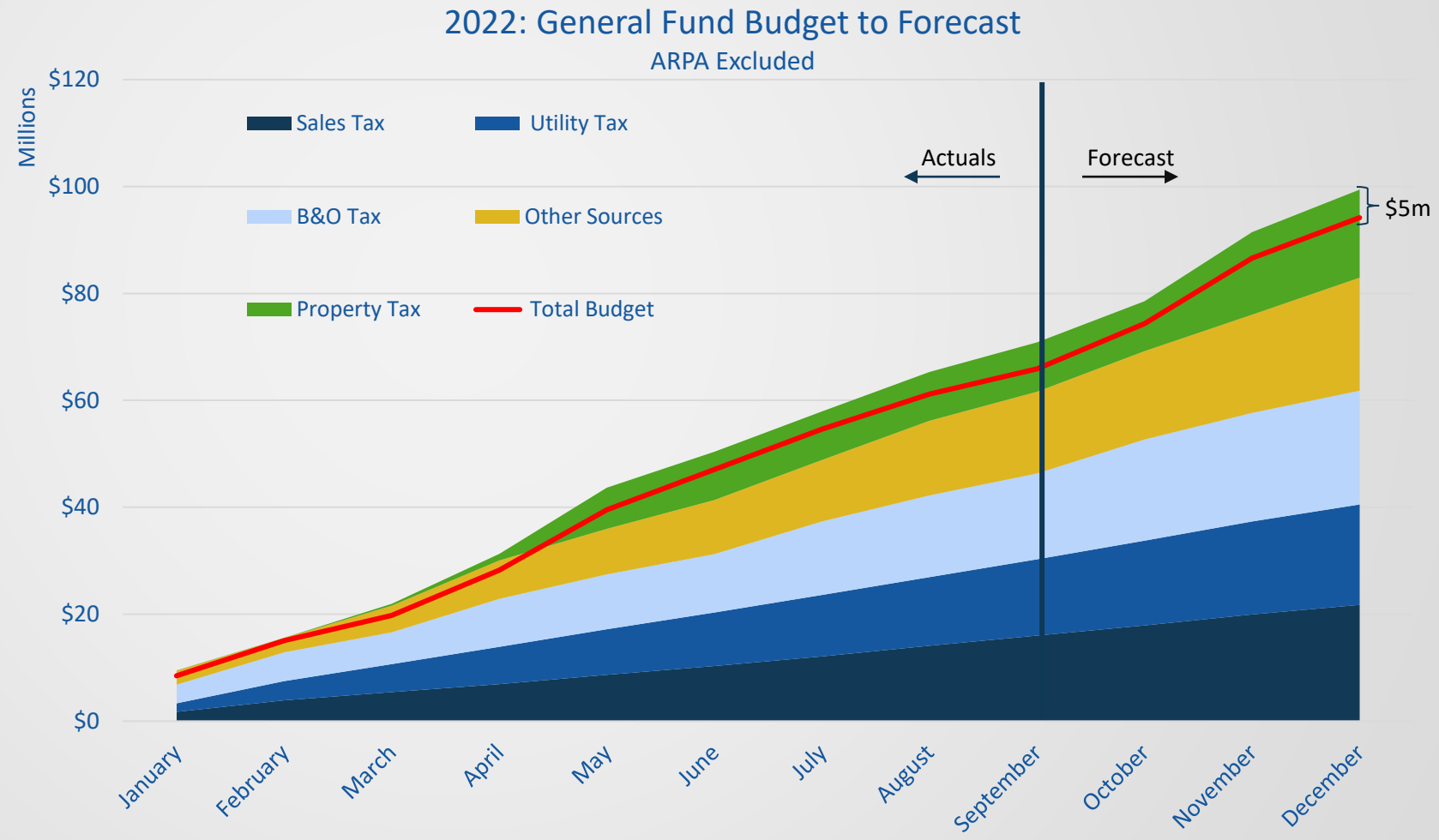
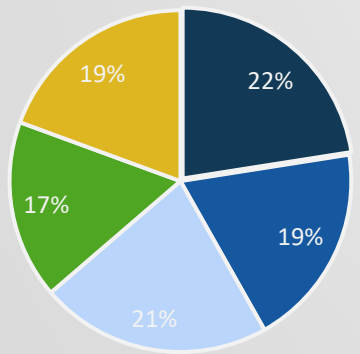
General Fund

Under-forecast B&O tax & utility taxes

Sales tax model is performing well

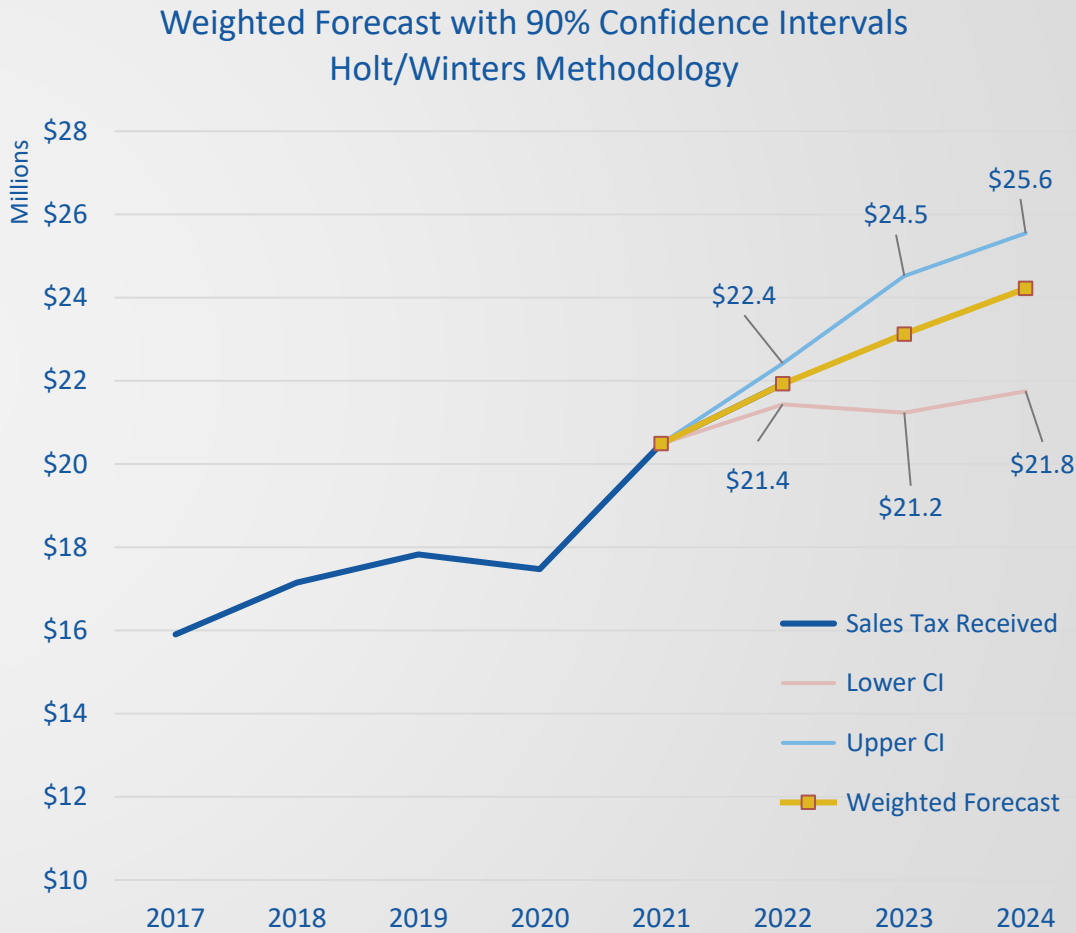
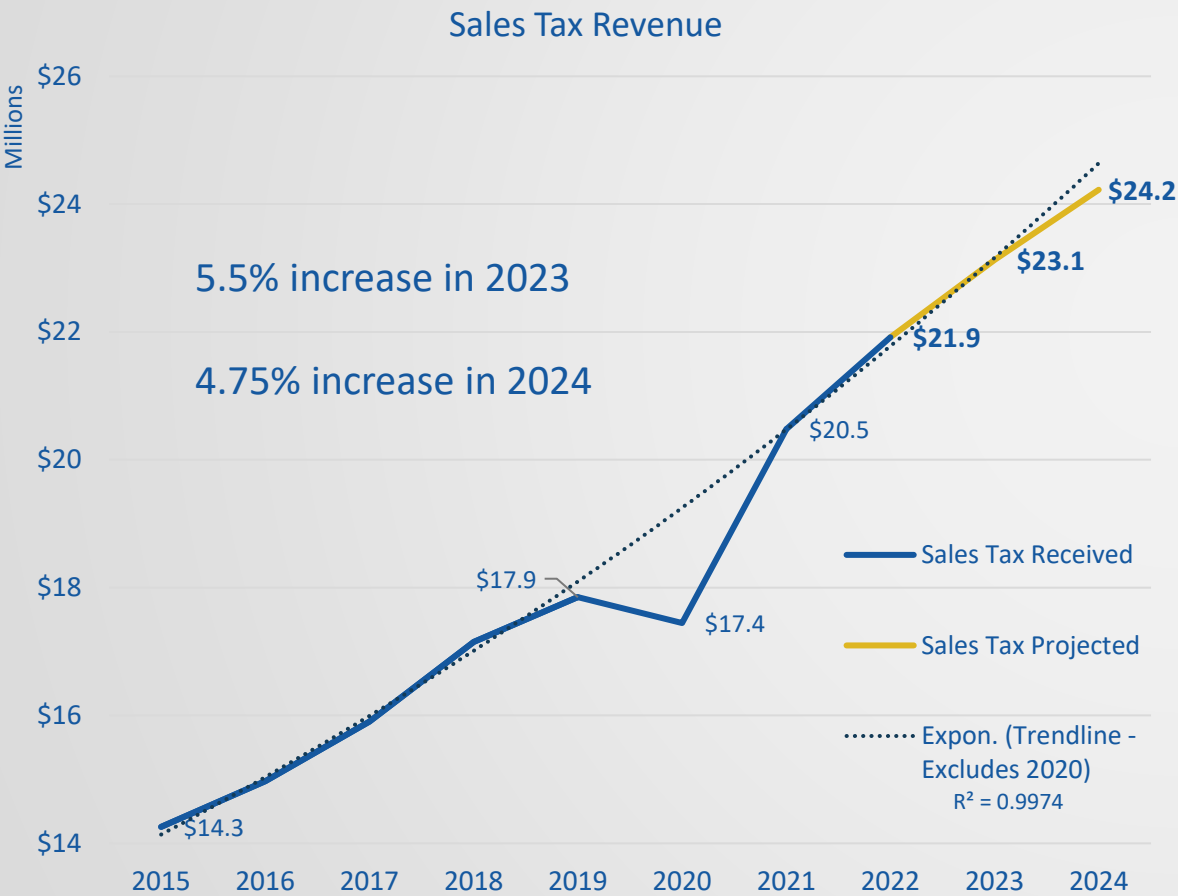
Revenue expected to exceed forecast by \$5m

Sales Tax Revenue Distribution



Sales Tax Forecast

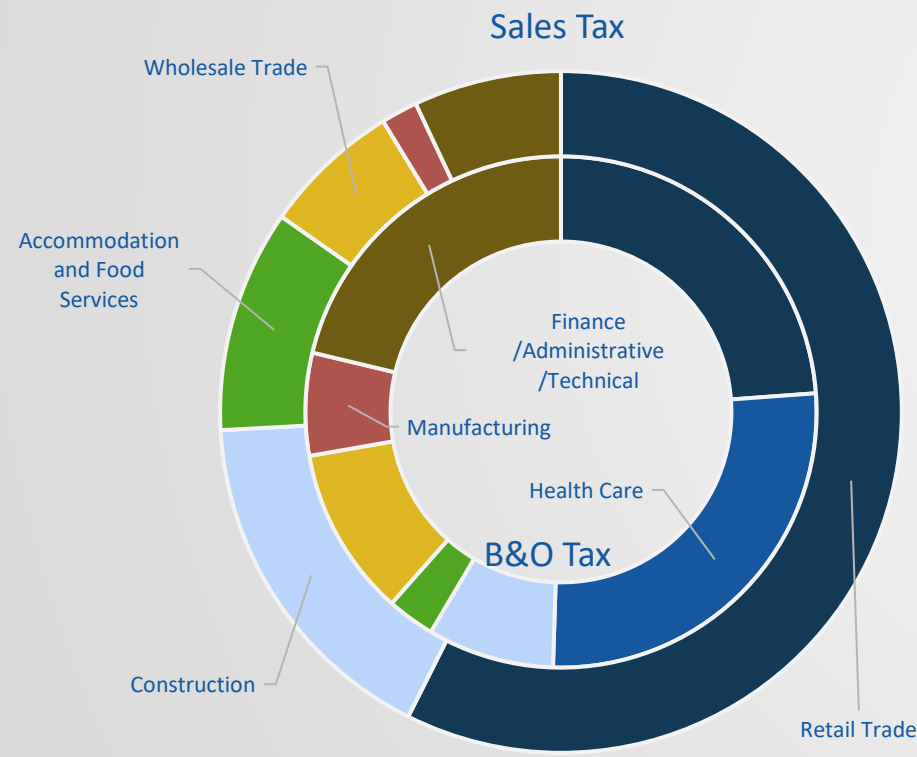
General Fund



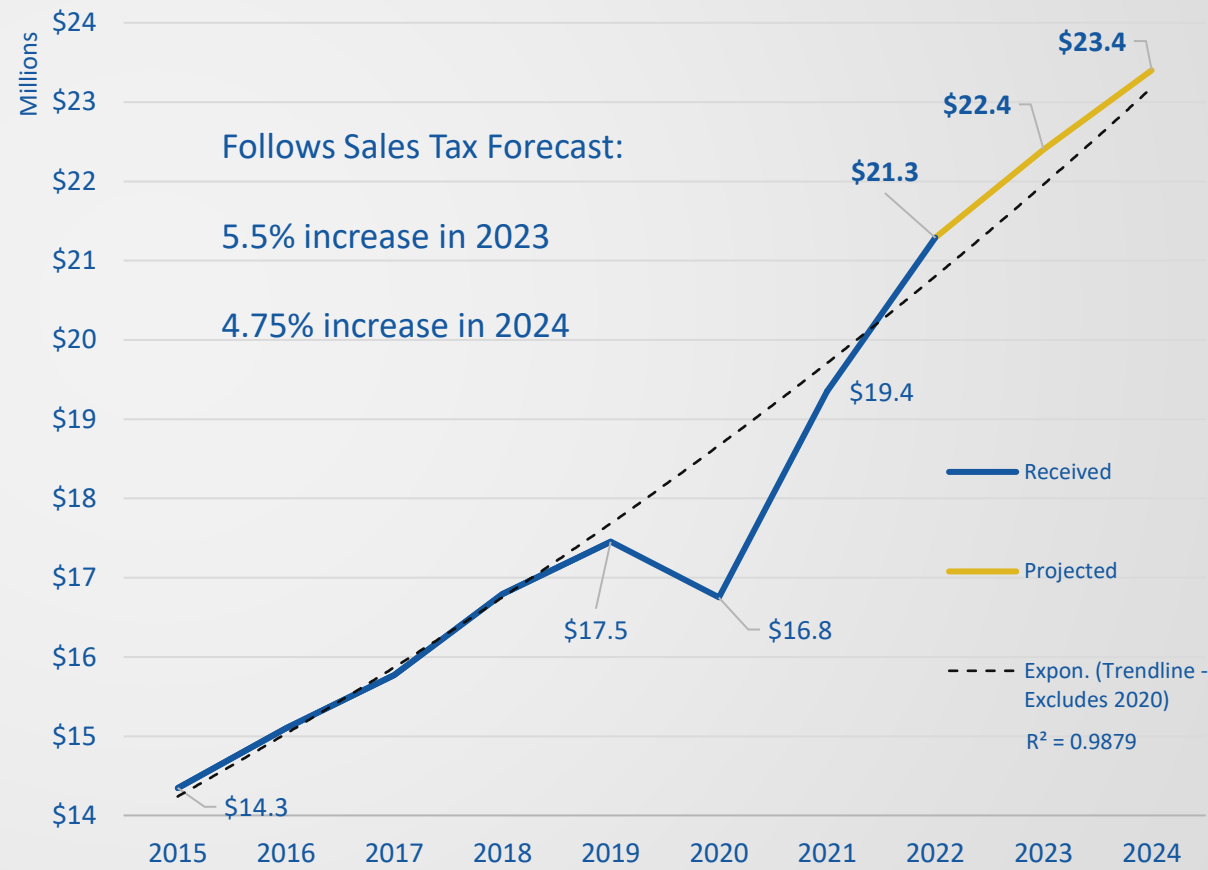
Business & Occupation Tax Forecast

General Fund

Top Five Categories
Sales Tax vs B&O



B&O Tax Revenue Forecast



Follows Sales Tax Forecast:

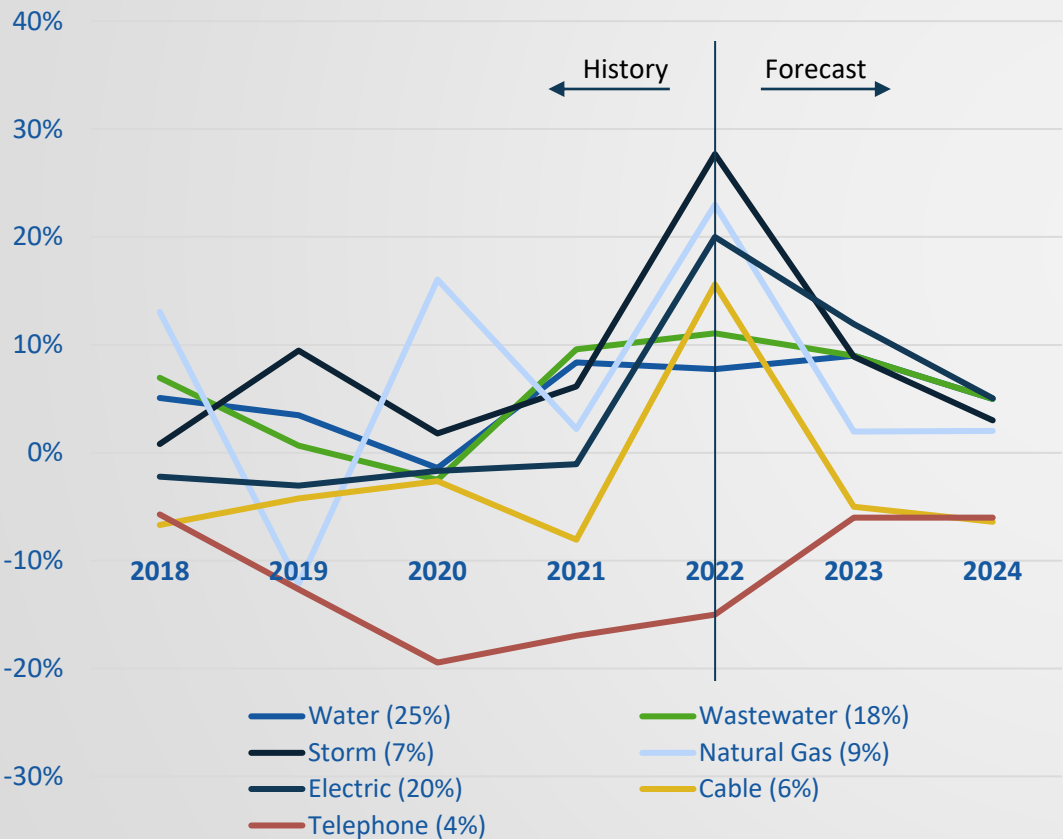
5.5% increase in 2023

4.75% increase in 2024

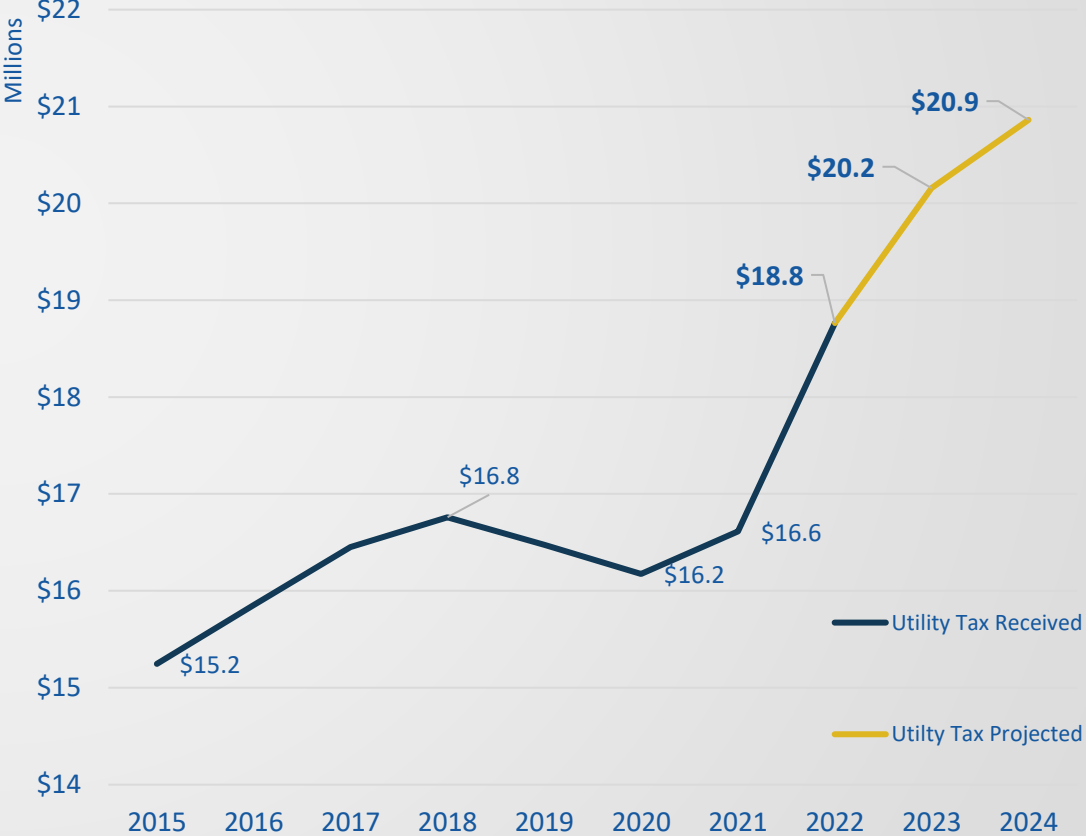
Utility Tax Forecast

General Fund

Utility Trends



Combined Utility Tax Forecast



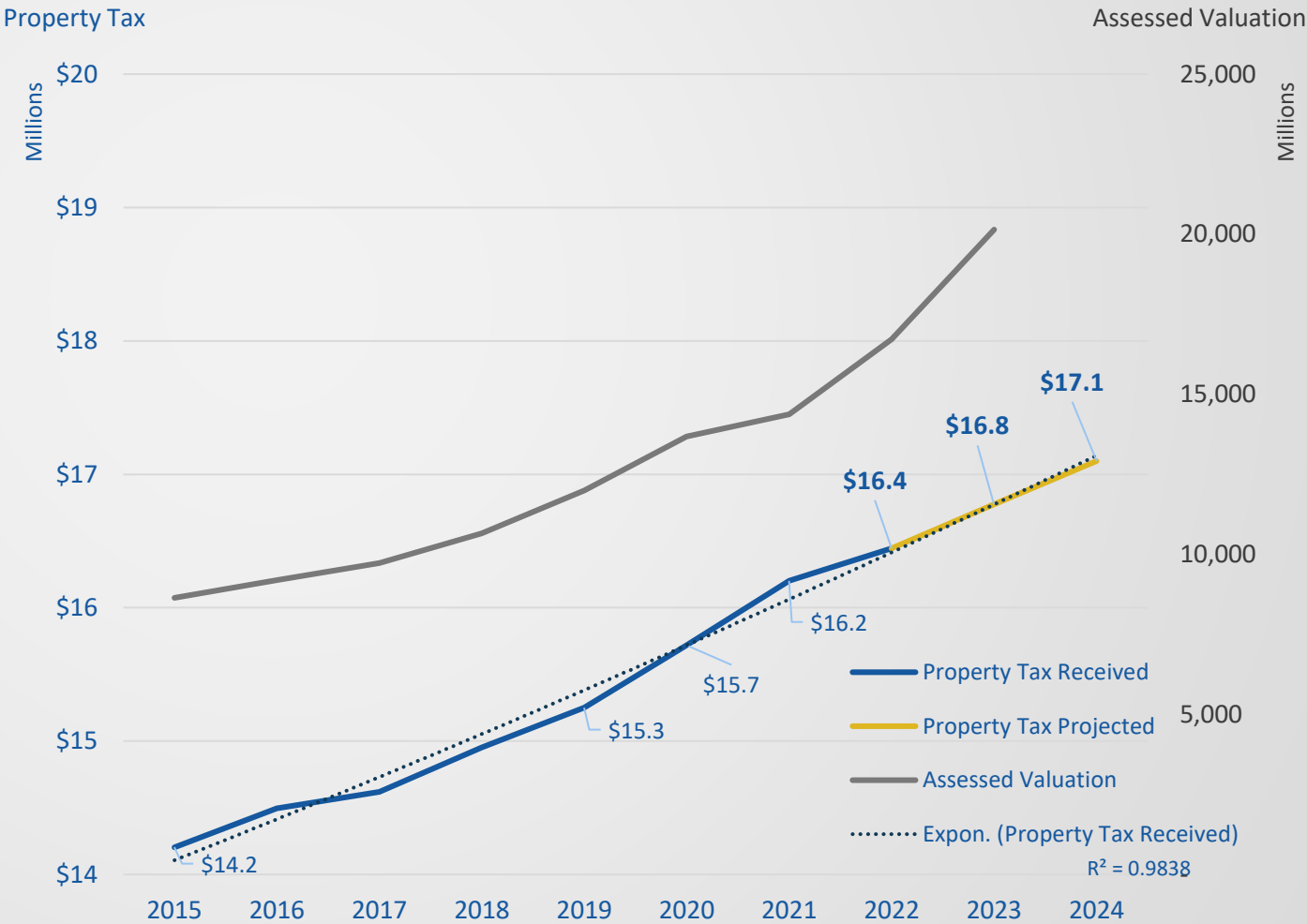
Property Tax Forecast

All Funds

Estimated Impact of 1% Increase	
2021 Total Levy	\$29,023,446
1% Levy Increase*	\$249,193
New Construction*	\$270,908
2022 Total Levy	\$29,543,567
Estimated City Levy on \$500,000 home	+ \$11 \$888

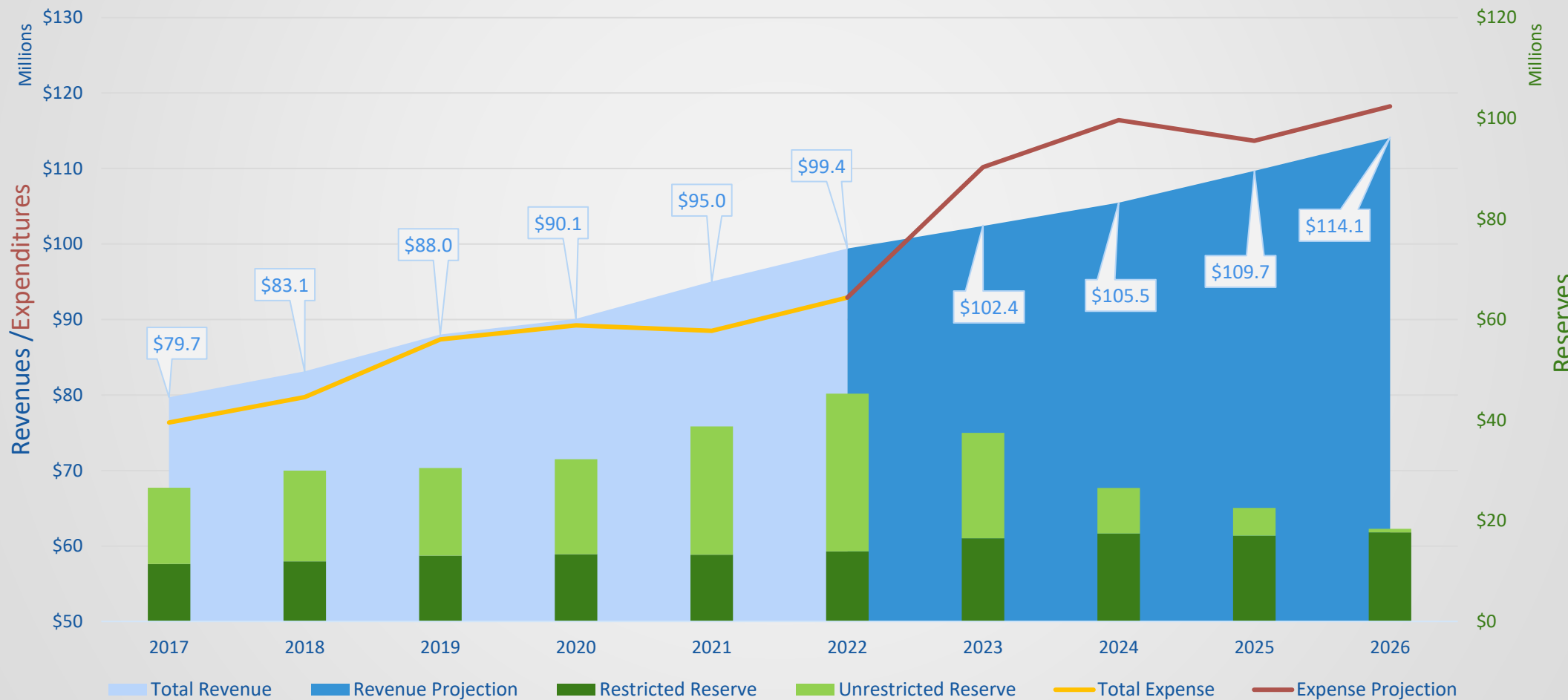
* Excludes Affordable Housing levies which are fixed at \$4,000,000

General Fund Property Tax Revenue



Long-term General Fund Outlook

Two Biennium Revenue and Expense Projection



Questions?

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