

2022-2028 Revenue Forecast: General Fund, CIP, and Utility Funds

Finance, Administration & Communications Committee of the Whole Meeting

September 13, 2022

Chip Corder, Finance Director



Redmond
WASHINGTON

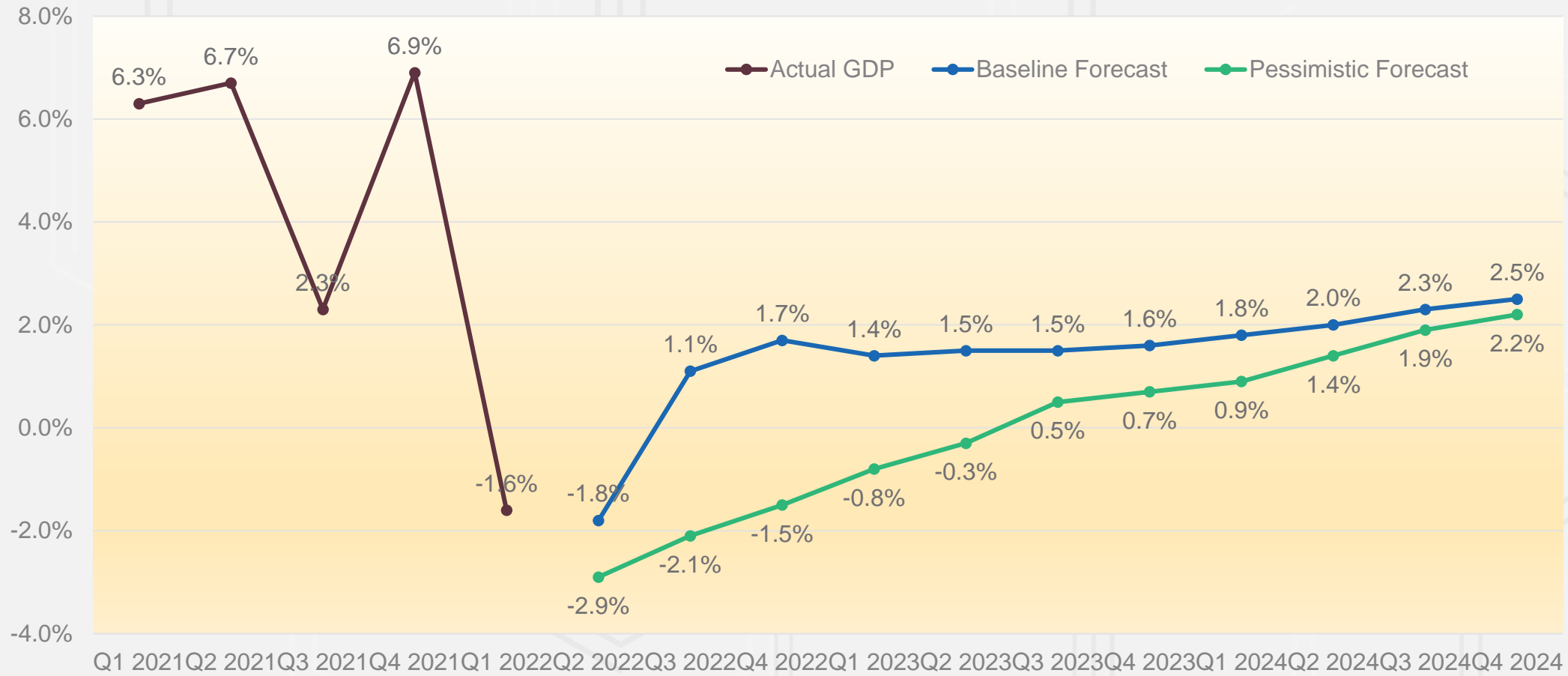
Agenda

- Economic Update
- 2023-2028 General Fund Revenue Forecast
- 2023-2028 Capital Investment Program (CIP) Revenue Forecast
- Utility Funds Fiscal Policy
- 2023-2028 Utility Rate Forecast
- 2023-2024 Utility Bill Impacts
- 2023-2024 Budget Calendar (Oct-Dec 2022 Council Meetings)



Economic Update

U.S. Real GDP Forecast



Source: King County Office of Economic and Financial Analysis (July 2022 Forecast); IHS Global Insight



Economic Update

CPI-W (Seattle/Tacoma/Bellevue)

Feb 2021	Apr 2021	Jun 2021	Aug 2021	Oct 2021	Dec 2021	Feb 2022	Apr 2022	Jun 2022
1.7%	3.7%	6.3%	5.1%	6.3%	7.8%	8.1%	8.5%	9.5%

Projections by King County Office of Economic and Financial Analysis (July 2022 Forecast)

Jun 2023	Jun 2024	Jun 2025	Jun 2026	Jun 2027	Jun 2028
5.0%	2.9%	2.6%	2.6%	2.6%	2.6%



Economic Update

King County Forecasts

Countywide Taxable Retail Sales Growth (August 2022 Forecast)

2022	2023	2024	2025	2026	2027	2028
7.7%	3.7%	4.6%	4.5%	4.8%	4.2%	5.0%

Countywide Assessed Valuation Growth (August 2022 Forecast)

2022	2023	2024	2025	2026	2027	2028
17.5%	2.7%	4.8%	5.2%	5.2%	5.4%	5.3%

Countywide Employment Growth (June 2022 Forecast)

2022	2023	2024	2025	2026	2027	2028
4.9%	2.4%	0.9%	0.8%	0.8%	0.8%	0.8%

Source: King County Office of Economic and Financial Analysis



2023-2028 General Fund Revenue Forecast

Key Assumptions

- Development activity
 - Very strong in 2022-2024
 - 10% decline in 2025 (still strong)
 - 10% decline in 2027 (still above average)
- Ongoing sales tax
 - 10% growth in 2022
 - 4% annual growth in 2023-2028
- Construction sales tax
 - Budget \$6.5M (35% of total) as ongoing beginning in 2023 + 4% growth per year in 2024-2028
 - Reduced one-time construction sales tax by \$2.0M in 2024 and \$1.5M in 2025 (Microsoft Refresh & Sound Transit project completion)



2023-2028 General Fund Revenue Forecast

Key Assumptions (cont'd)

- Property tax
 - 2023: 1% optional growth + 3.8% new construction
 - 2024: 1% optional growth + 3.6% new construction
 - 2025: 1% optional growth + 2.7% new construction
 - 2026: 1% optional growth + 2.5% new construction
 - 2027: 1% optional growth + 2.2% new construction
 - 2028: 1% optional growth + 2.1% new construction
- Utility tax (electric, gas, cable, garbage, cellular, and telephone)
 - 0.4% growth in 2022
 - 0.1-0.7% annual growth in 2023-2028
- Fees adjusted annually for inflation



2023-2028 General Fund Revenue Forecast

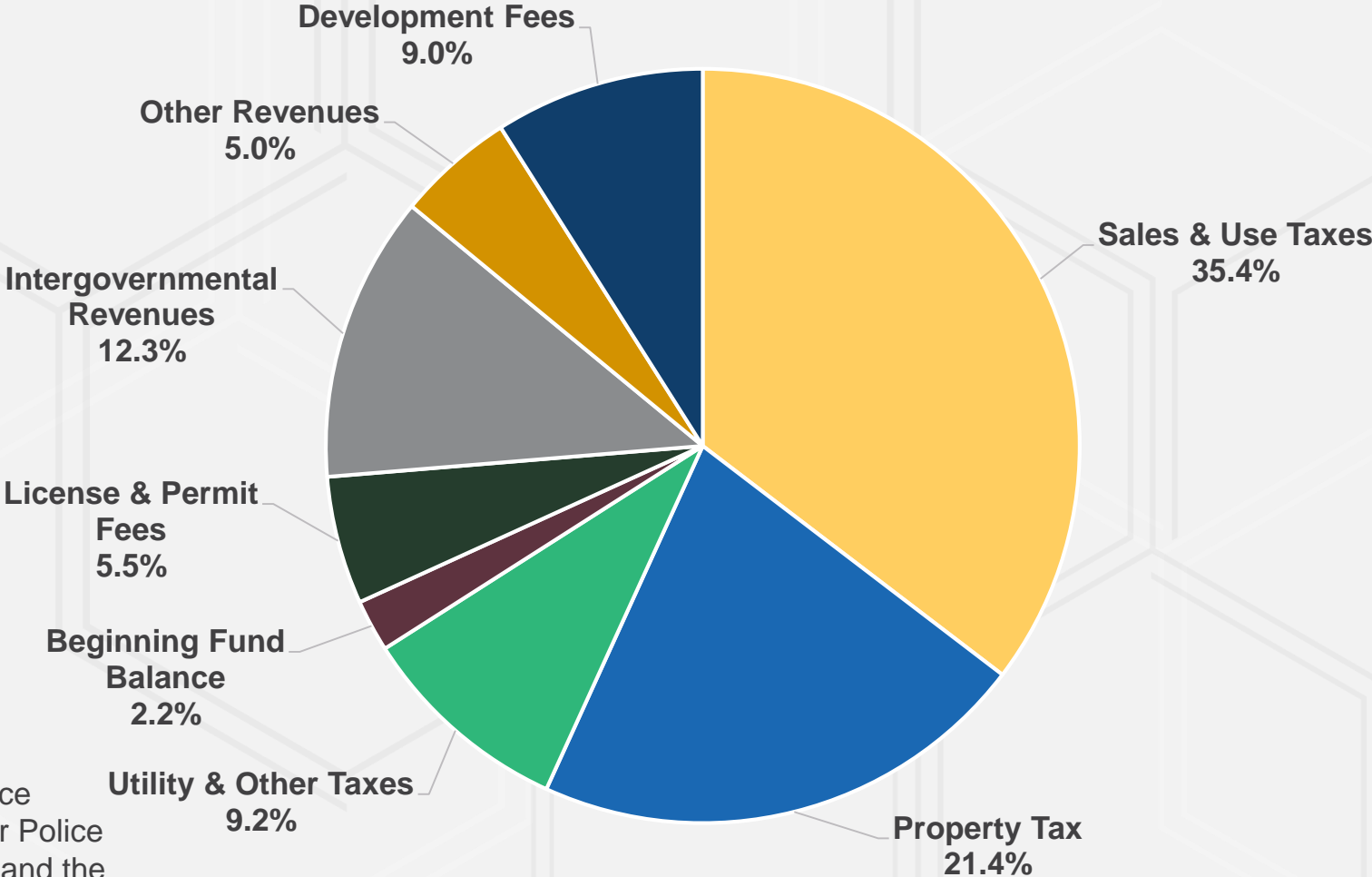
Key Assumptions (cont'd)

- 2022 public safety levy lid lift
 - Not assumed in revenue forecast
 - Body-worn camera program costs are funded by one-time monies reserved by Council for 2023-2025
 - 2007 public safety levy funding shortfall in 2023-2024 is bridged with 2021-2022 General Fund surplus (\$3.9M)
 - Transfer to Public Safety Levy subfund



2023-2024 General Fund Resources (Baseline)

\$235.2 Million

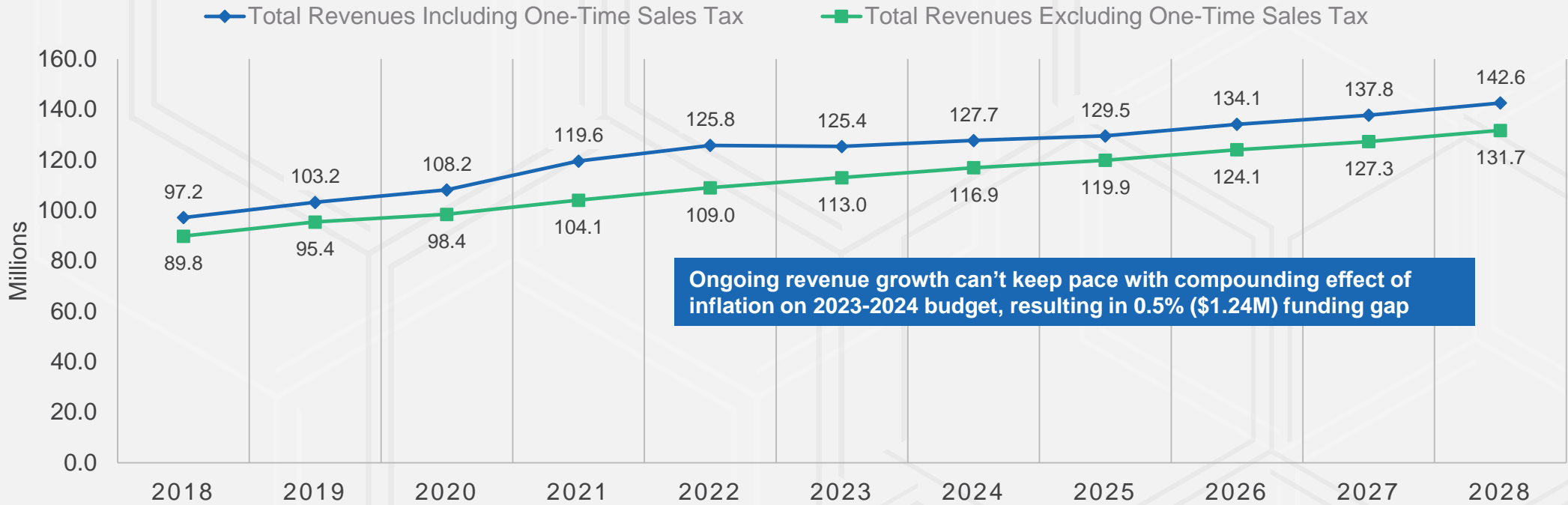


Note: Beginning Fund Balance includes one-time funding for Police body-worn camera program and the Economic Contingency.



2023-2028 General Fund Revenue Forecast

Total Revenues



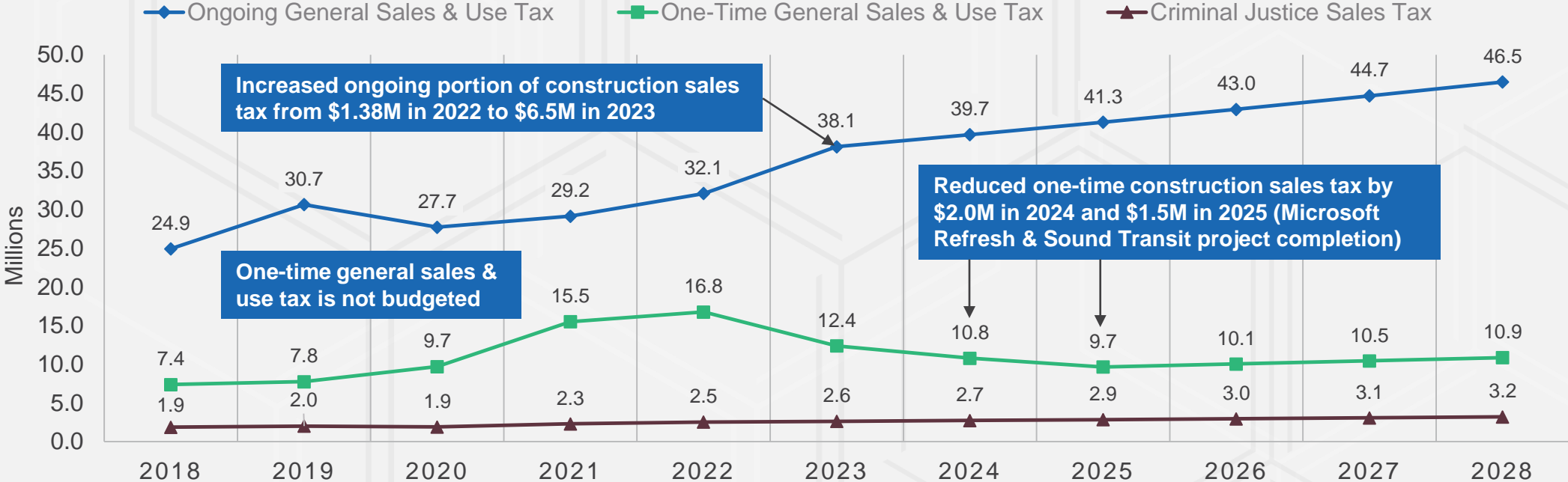
% Change vs. Prior Year	2019 Act	2020 Act	2021 Act	2022 Fcst	2023 Fcst	2024 Fcst	2025 Fcst	2026 Fcst	2027 Fcst	2028 Fcst
Total Revenues	-5.0%	5.2%	7.2%	4.6%	3.6%	3.5%	2.5%	3.5%	2.6%	3.5%

Note: One-time general sales & use tax is not budgeted.



2023-2028 General Fund Revenue Forecast

Sales & Use Taxes *(35% of 2023-2024 Budget)*



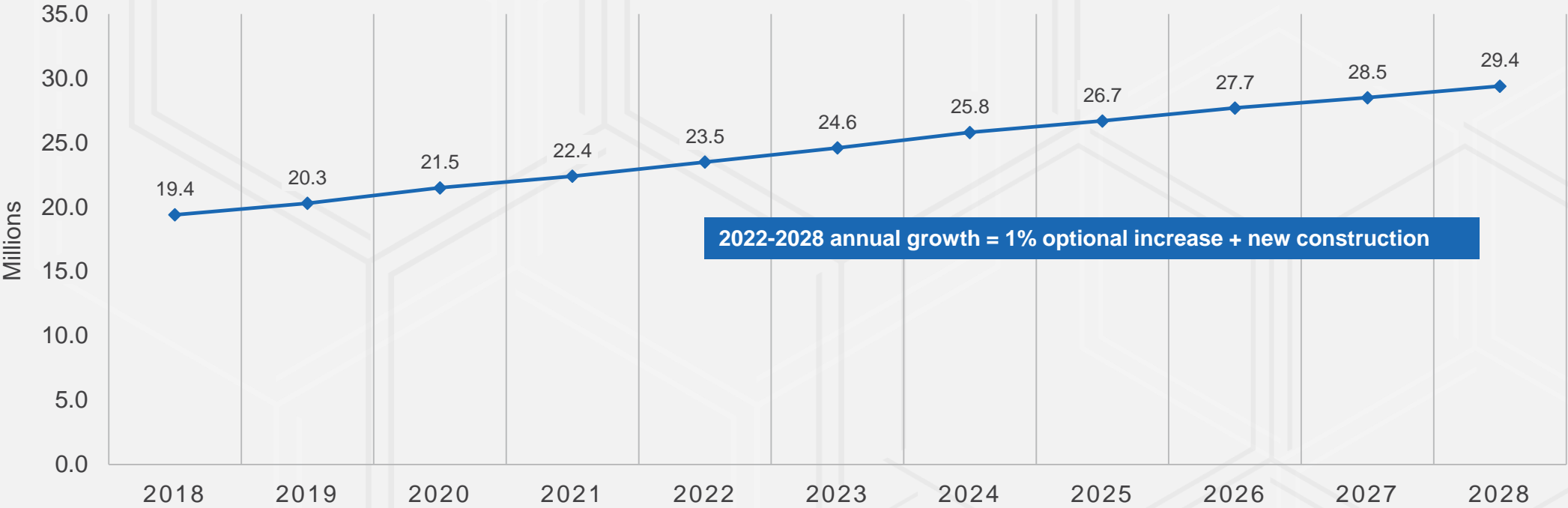
% Change vs. Prior Year	2019 Act	2020 Act	2021 Act	2022 Fcst	2023 Fcst	2024 Fcst	2025 Fcst	2026 Fcst	2027 Fcst	2028 Fcst
Ongoing General Sales & Use Tax	23.0%	-9.6%	5.2%	10.0%	18.9%	4.1%	4.0%	4.0%	4.0%	4.0%
One-Time General Sales & Use Tax	5.2%	25.0%	59.9%	8.1%	-26.2%	-12.8%	-10.5%	4.0%	4.0%	4.0%
Criminal Justice Sales Tax	7.2%	-5.6%	21.3%	10.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Note: Ongoing general sales & use tax is net of the portion of construction sales tax that is redirected to the Debt Service Fund.



2023-2028 General Fund Revenue Forecast

Property Tax *(21% of 2023-2024 Budget)*

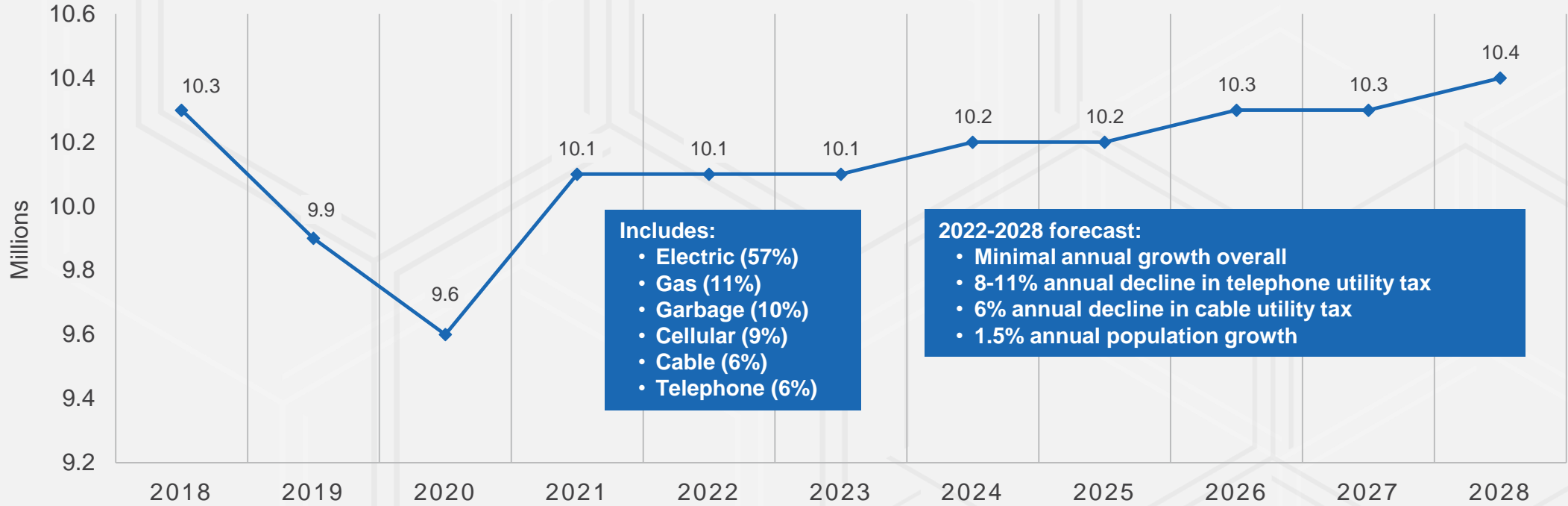


% Change vs. Prior Year	2019 Act	2020 Act	2021 Act	2022 Fcst	2023 Fcst	2024 Fcst	2025 Fcst	2026 Fcst	2027 Fcst	2028 Fcst
Property Tax	4.7%	5.7%	4.2%	4.9%	4.8%	4.6%	3.7%	3.5%	3.2%	3.1%



2023-2028 General Fund Revenue Forecast

Utility Taxes (9% of 2023-2024 Budget)

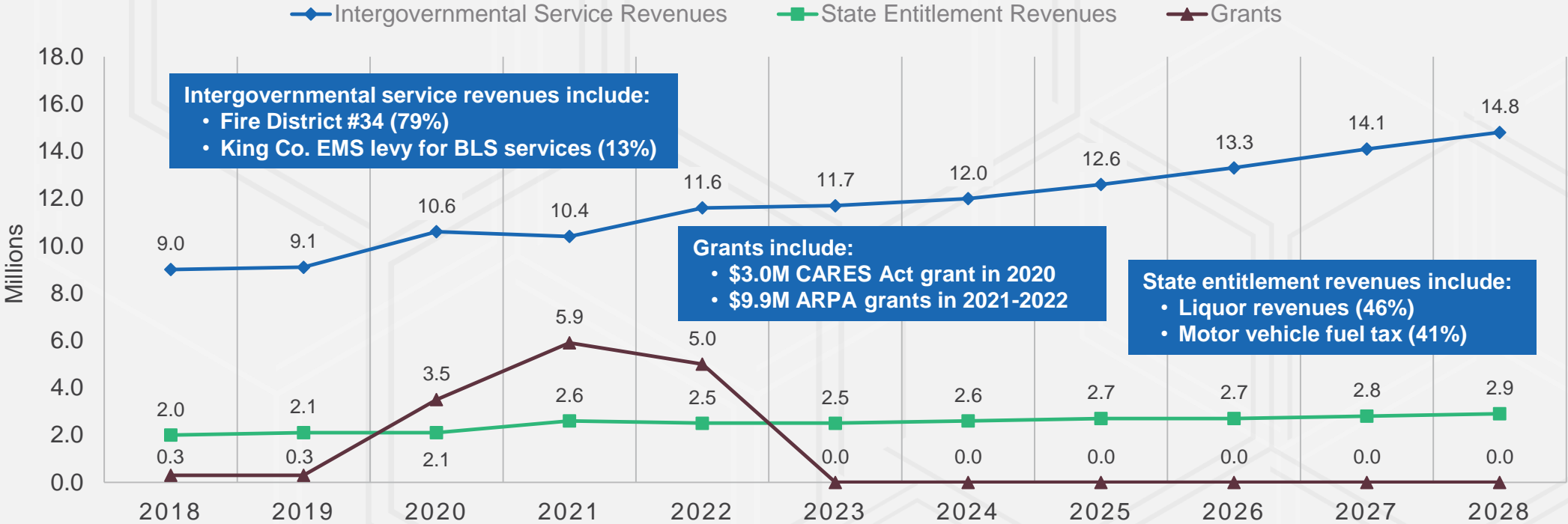


% Change vs. Prior Year	2019 Act	2020 Act	2021 Act	2022 Fcst	2023 Fcst	2024 Fcst	2025 Fcst	2026 Fcst	2027 Fcst	2028 Fcst
Utility Taxes	-4.2%	-2.7%	4.5%	0.4%	0.1%	0.3%	0.4%	0.5%	0.6%	0.7%



2023-2028 General Fund Revenue Forecast

Intergovernmental Revenues (12% of 2023-2024 Budget)

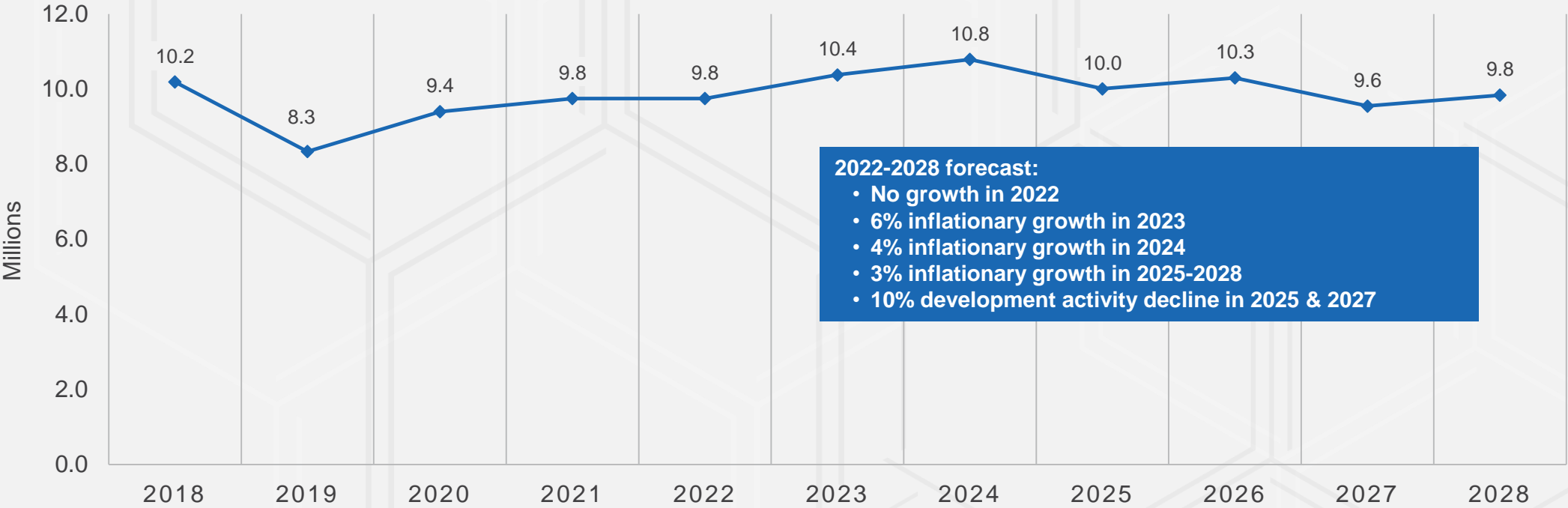


% Change vs. Prior Year	2019 Act	2020 Act	2021 Act	2022 Fcst	2023 Fcst	2024 Fcst	2025 Fcst	2026 Fcst	2027 Fcst	2028 Fcst
Intergovernmental Service Revenues	1.5%	16.4%	-1.8%	10.9%	1.2%	3.0%	5.1%	5.5%	5.5%	5.3%
State Entitlement Revenues	2.4%	-0.4%	23.9%	-4.5%	2.9%	2.9%	2.6%	2.7%	2.7%	2.7%
Grants	24.5%	961.3%	66.2%	-15.6%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%



2023-2028 General Fund Revenue Forecast

Development Fees (9% of 2023-2024 Budget)



2022-2028 forecast:

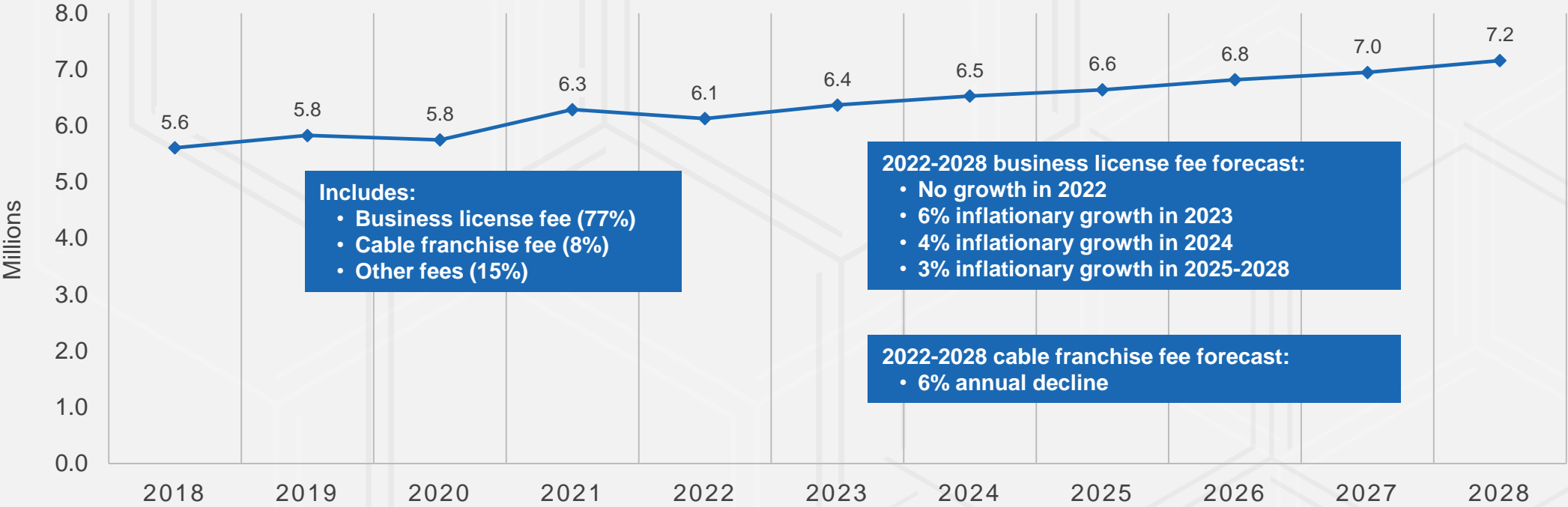
- No growth in 2022
- 6% inflationary growth in 2023
- 4% inflationary growth in 2024
- 3% inflationary growth in 2025-2028
- 10% development activity decline in 2025 & 2027

% Change vs. Prior Year	2019 Act	2020 Act	2021 Act	2022 Fcst	2023 Fcst	2024 Fcst	2025 Fcst	2026 Fcst	2027 Fcst	2028 Fcst
Development Fees	-18.2%	12.8%	3.7%	0.0%	6.4%	4.0%	-7.3%	3.0%	-7.3%	3.0%



2023-2028 General Fund Revenue Forecast

License & Permit Fees *(6% of 2023-2024 Budget)*



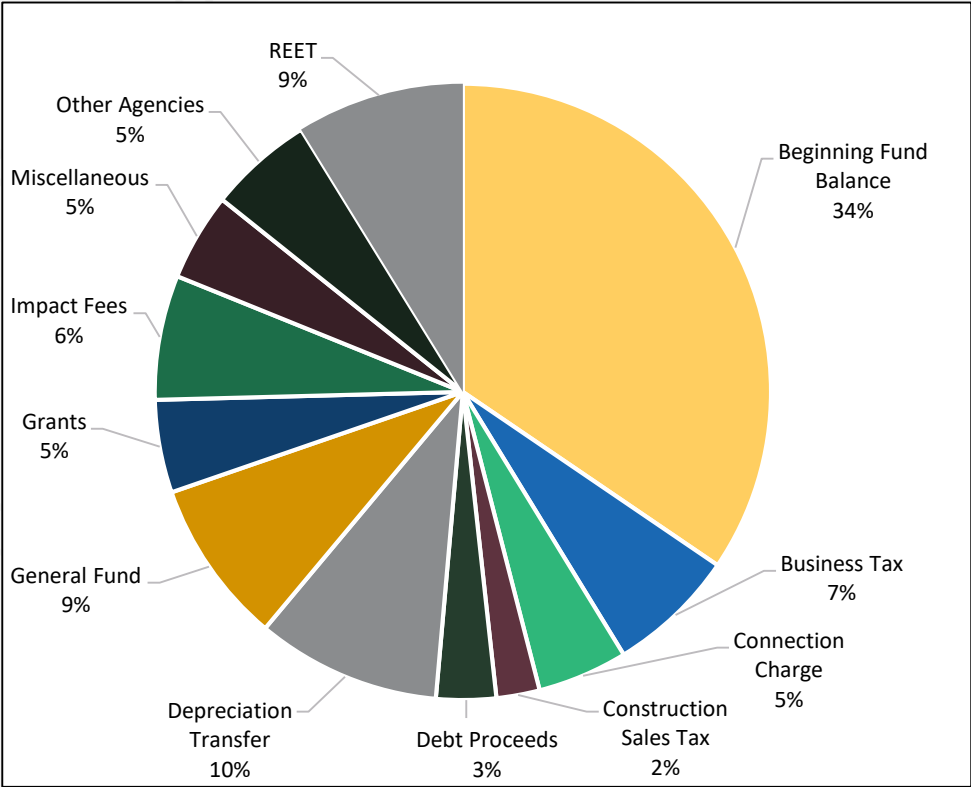
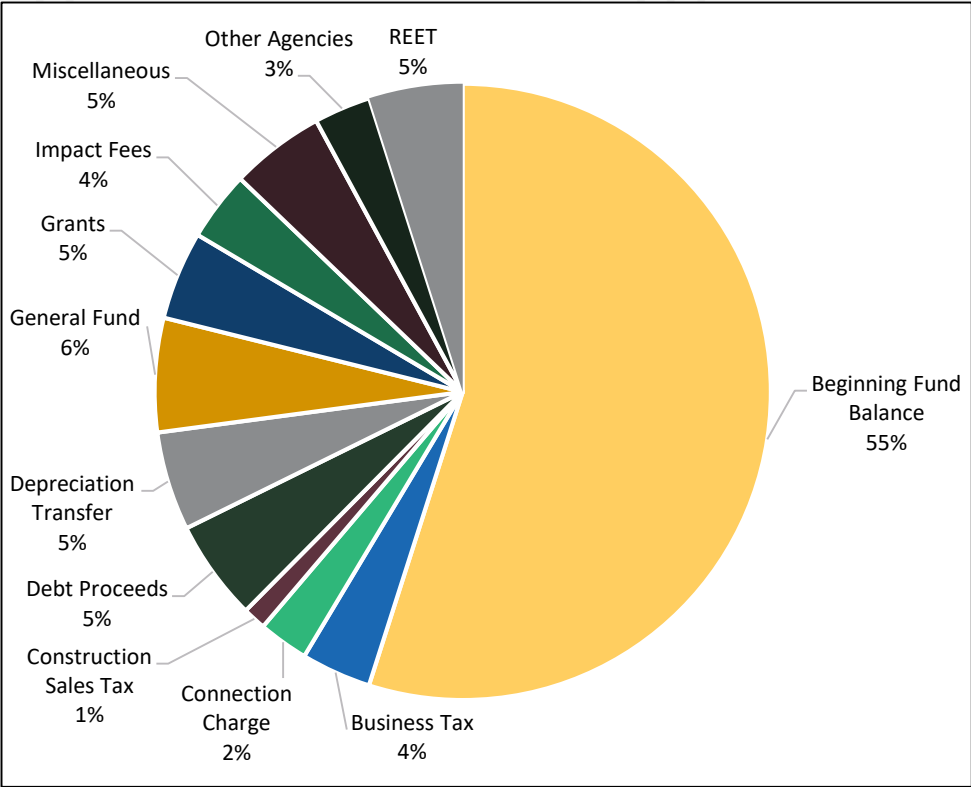
% Change vs. Prior Year	2019 Act	2020 Act	2021 Act	2022 Fcst	2023 Fcst	2024 Fcst	2025 Fcst	2026 Fcst	2027 Fcst	2028 Fcst
License & Permit Fees	3.8%	-1.3%	9.3%	-2.5%	3.9%	2.6%	1.6%	2.8%	1.9%	2.9%



2023-2028 CIP Revenue Forecast

2023-2024 = \$285.05M

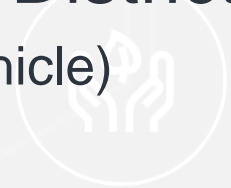
2023-2028 = \$477.34M



2023-2028 CIP Revenue Forecast

Key Assumptions

- Beginning Fund Balances
- General Fund Contributions
 - 5% transfer to CIP
 - Pavement management
 - Construction sales tax
- Business Tax decrease
- Development Revenues
 - Real Estate Excise Tax (REET)
 - Impact Fees
 - Connection Charges
- Grant and American Rescue Plan Act Funding
- Regional Partners:
 - Sound Transit
 - Community Facility District
- Debt Proceeds
 - Redmond Senior and Community Center
- Transportation Benefit District
 - Beginning 2024 (\$20 per vehicle)



Utility Funds Fiscal Policy

- **Financial Policy:**

“The City will set fees and user charges for each enterprise fund at a level that fully supports the total direct and indirect cost of the activity including the cost of annual depreciation of capital assets.”

- **Financial Tests:**

- Positive Net Income: Ensures operating revenues are sufficient to cover operating expenses
- Positive Cash Flow: Ensures the utility is able to generate sufficient revenues to meet cash obligations
- Compliance with Bond Coverage Requirement: Ensures revenue will equal cash operating expenses plus 1.2 times the revenue bond debt service



2023-2028 Utility Rate Forecast

Utility	Historical						Forecast					
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Stormwater	0%	0%	0%	0%	0%	0%	1%	1%	2%	2%	2%	2%
City Water	2%	2%	2%	2%	0%	0%	5%	5%	3%	3%	3%	3%
City Wastewater	0%	0%	4%	4%	0%	0%	3%	3%	3%	3%	3%	3%
Novelty Hill Water	8%	8%	3%	3%	0%	0%	8%	8%	5%	5%	5%	5%
Novelty Hill Wastewater	0%	0%	5%	5%	0%	0%	6%	6%	4%	4%	4%	4%
King County Wastewater Treatment	5%	0%	3%	0%	4.5%	4%	5.75%	6.5%	5%	5%	5%	5%

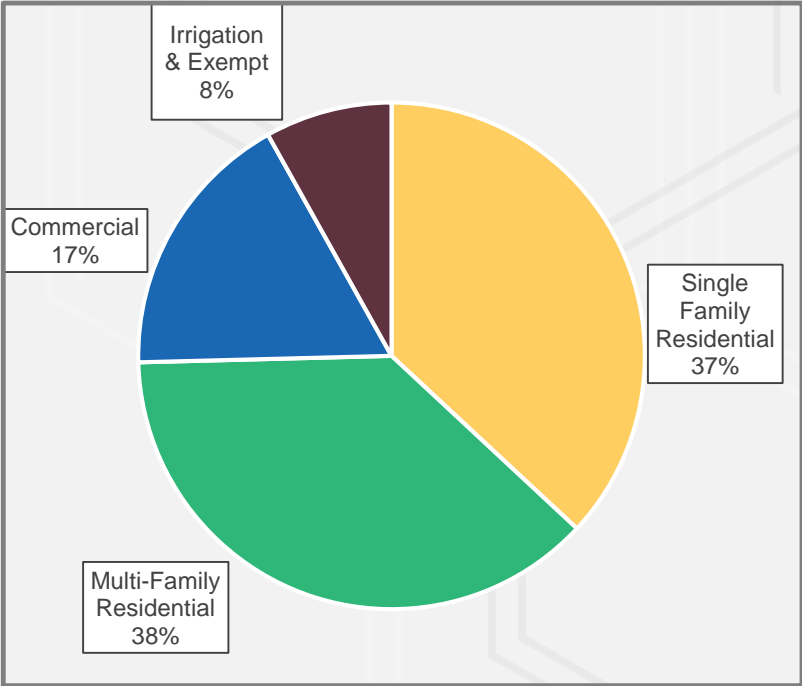


2023-2024 Utility Revenue Assumptions

- King County Wastewater Treatment increases in 2023 and 2024
- Development decline 2025
- Commercial water consumption recovery continuing thru 2023
- Microsoft Campus Refresh reconnections
- Continued grant funding for wellhead protection and stormwater efforts
- Fund Balance
 - Cascade Water Alliance
 - Development



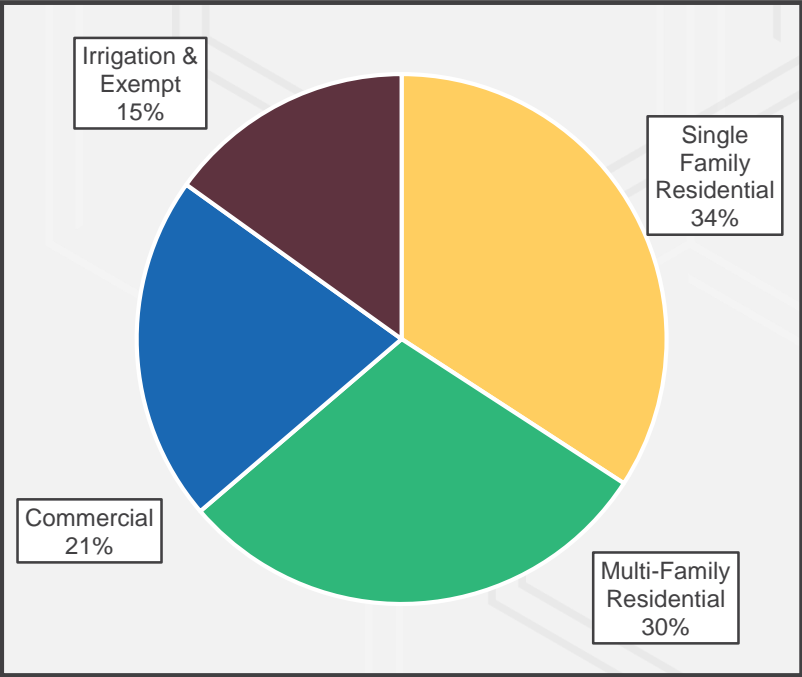
Water/Wastewater Customer Base Growth



City Meter Equivalents	2017	2018	2019	2020	2021	2022
Single Family Residential	11,998	12,126	12,233	12,284	12,361	12,423
Multi-Family Residential	9,886	10,877	11,874	12,296	12,603	12,918
Commercial	6,038	6,025	5,891	5,895	5,788	5,904
Irrigation & Exempt	2,827	2,864	2,768	2,764	2,715	2,715
Total	30,749	31,892	32,766	33,239	33,467	33,960
% Inc/Dec from Previous Year	0.35%	3.72%	2.74%	1.44%	0.68%	1.45%



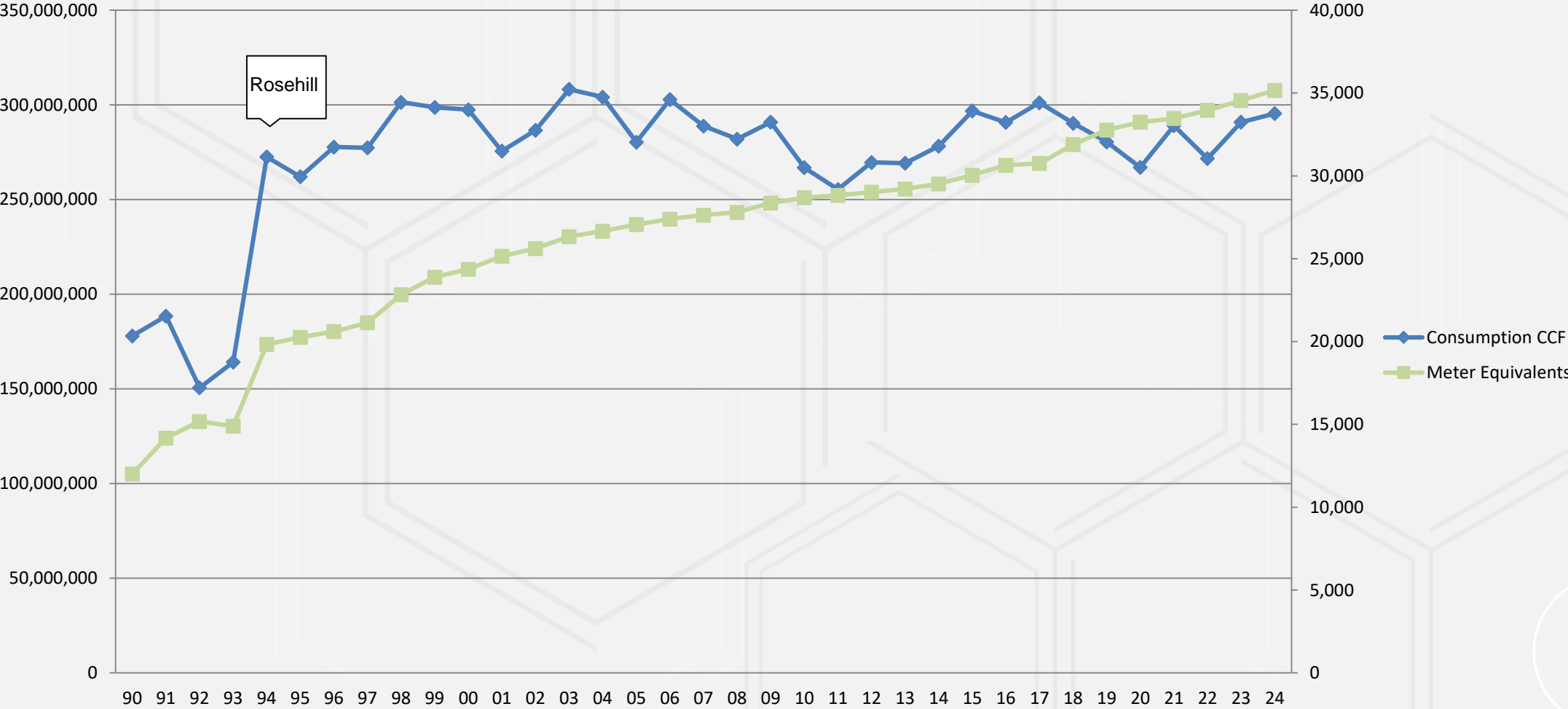
Water Demand



Consumption by Class	2017	2018	2019	2020	2021	2022
Single Family Residential	99,315,979	94,689,812	91,979,000	97,288,810	102,542,000	95,177,085
Multi-Family Residential	80,395,000	78,279,000	79,602,700	85,790,700	89,819,900	89,032,100
Commercial	74,839,200	71,755,000	68,379,100	45,371,000	47,222,300	52,351,320
Irrigation & Exempt	47,677,000	45,601,000	40,497,400	38,513,100	49,395,400	35,062,613
Total	302,227,179	290,324,812	280,458,200	266,963,610	288,979,600	271,623,118
% Inc/Dec from Previous Year	3.96%	-3.94%	-3.40%	-4.81%	8.25%	-6.01%



Forecasted Growth and Demand



Consolidated Utility Expenditures

	2021-2022 Budget	2023-2024 Proposed	Variance	% Inc/Dec
Salaries and Benefits	\$20,502,447	\$26,389,315	\$5,886,868	29%
Operating Expenses	\$10,290,620	\$12,573,267	\$2,282,647	22%
Interfund Overhead	\$8,127,770	\$8,737,005	\$609,235	7%
Depreciation Expense	\$18,466,756	\$17,884,926	(\$581,830)	-3%
Debt Service	\$3,947,665	\$3,917,467	(\$30,198)	-1%
Taxes	\$2,361,983	\$2,836,078	\$474,095	20%
Capital Expenses	\$763,000	\$980,354	\$217,354	28%
King County Metro	\$35,395,176	\$44,151,320	\$8,756,145	25%
Cascade Water Alliance	\$19,697,568	\$19,192,033	(\$505,535)	-3%
Total	\$119,552,985	\$136,661,765	\$17,108,780	14%



2023-2024 Utility Bill Impacts

Average User	2022 Current Rates	2023 Proposed Rates	Change from 2022 Bill	2024 Proposed Rates	Change from 2023 Bill	%age Increase 2022 to 2023	%age Increase 2023 to 2024
Water (flat rate & consumption)	\$35.57	\$37.35	\$1.78	\$39.22	\$1.87	5%	5%
Wastewater (flat rate)	\$14.15	\$14.57	\$0.42	\$15.01	\$0.44	3%	3%
Stormwater (flat rate)	\$16.56	\$16.73	\$0.17	\$16.89	\$0.17	1%	1%
Total CITY Portion of Monthly Bill	\$66.28	\$68.65	\$2.37	\$71.12	\$2.47	4%	4%
Total CITY Bi-Monthly Bill	\$132.56	\$137.30	\$4.74	\$142.24	\$4.94	4%	4%
King County Wastewater Treatment	\$45.33	\$47.94	\$2.61	\$51.05	\$3.12	5.8%	6.5%
Total	\$111.61	\$116.59	\$4.98	\$122.17	\$5.59	4%	5%
<i>Total Bi-Monthly Bill</i>	\$223.22	\$233.17	\$9.95	\$244.35	\$11.18	4%	5%



2023-2024 Budget Calendar

Oct-Dec 2022 Council Meetings

Task/Meeting	Date
Mayor presents 2023-2024 Preliminary Budget to Council	Oct 4
Public Hearing #2 (2023 property tax levy & other revenue sources)	Oct 18
Operating budget review—baseline offers (Study Session)	Oct 20 (Th) Oct 25
Public Hearing #3 (2023-2024 Preliminary Budget)	Nov 1
Operating budget review—service reduction & service enhancement offers (Study Session)	Nov 3 (Th) Nov 7 (M)
2023-2028 CIP final review & 2023-2026 BTIP final review (Study Session)	Nov 10 (Th)
Public Hearing #4 (2023-2024 Preliminary Budget)	Nov 15
Finalize changes to 2023-2024 Preliminary Budget (Study Session)	Nov 17 (Th)
Additional budget meeting, if needed (Study Session)	Nov 22
Council adoption of 2023-2024 Final Budget	Dec 6



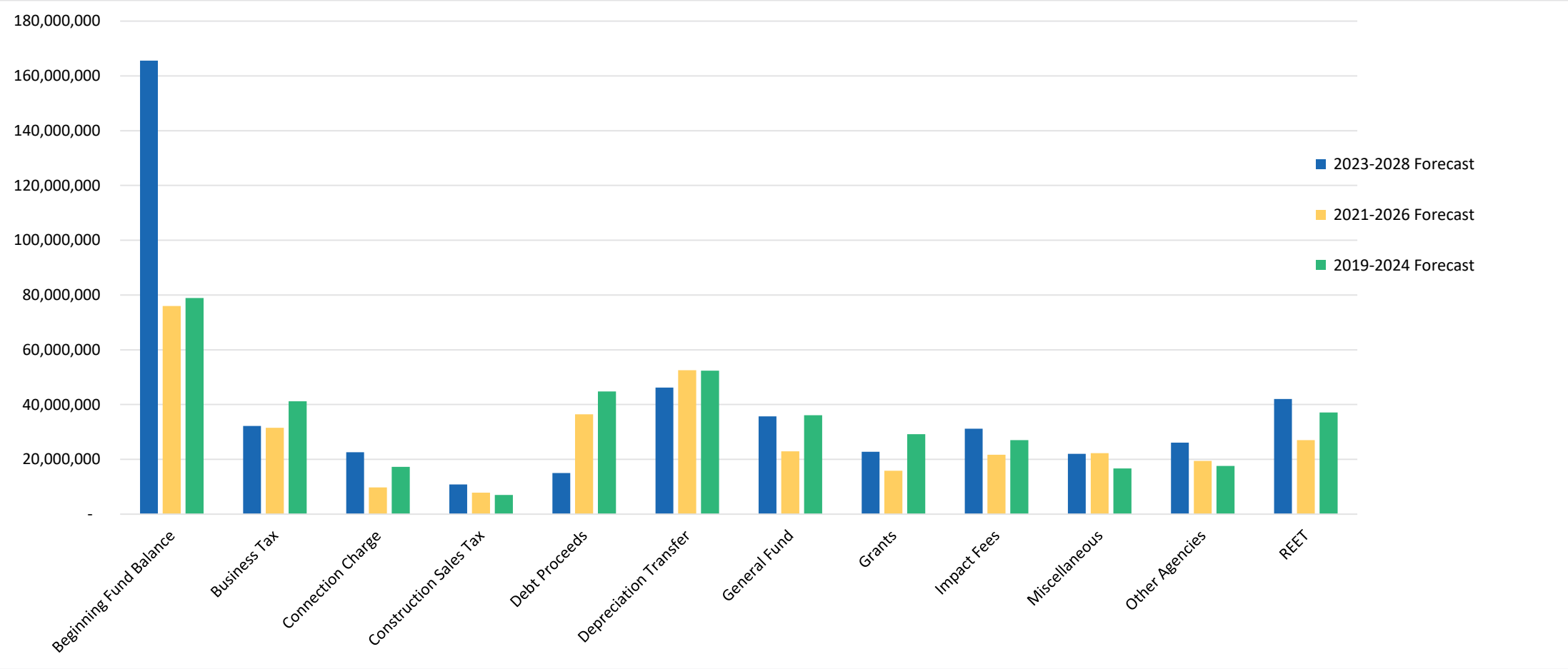
Thank you

Any Questions?



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Preliminary Forecast Comparison



2021-2022 Utility Rate Forecast

Utility	Historical						Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Stormwater	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%	3%	6%
City Water	3%	3%	2%	2%	2%	2%	0%	0%	7%	6%	3%	3%
City Wastewater	2%	2%	0%	0%	4%	4%	0%	0%	6%	4%	4%	4%
Novelty Hill Water	3%	3%	8%	8%	3%	3%	0%	0%	8%	8%	6%	6%
Novelty Hill Wastewater	3%	3%	0%	0%	5%	5%	0%	0%	8%	8%	5%	5%
King County Wastewater Treatment	6%	0%	5%	0%	3%	0%	4.5%	0%	5%	0%	5%	0%

