

City of Bellevue Budget Monitoring Report

For the period from April 1 through June 31, 2024

Economic Performance

This report discusses revenues and expenditures for the General Fund, General Capital Investment Program (CIP) Fund, Development Services Fund and the Utilities Operating and CIP Funds. The purpose of this report is to compare actual expenditures and revenues to the Mid-Bi Budget, to explain any variances, and to convey an economic outlook from a national to a local scope. This monitoring report reflects the impacts to the city as of June 2024.

In the second quarter of 2024 the national real GDP grew by 2.8 percent year-over-year after 1.4 percent year-over-year growth in the first quarter 2024 ([BEA – Gross Domestic Product](#)). This was driven by increases in the services sector, with both air transportation and gambling up by 10.3 percent year over year in the second quarter 2024, and health care up 8.3 percent year over year. The goods sector offset this growth, especially the auto sector. Domestic new autos were down 26.7 percent, foreign new autos were down 2.6 percent, and net purchases of used autos were down 11.5 percent. This occurred as car dealerships in North America were roiled by cyberattacks that caused delays at dealerships as orders had to be written up by hand ([AP](#)).

The housing market increased year over year, with single family structures increasing by 17 percent, manufactured homes increasing by 19.7 percent, and construction spending increasing at 12.5 percent. Interest rates being sustained at such a high level is creating a lock-in effect in existing homes keeps supply tight ([NY FED](#)).

Retail sales as of June 2024 are up 2.3 percent year over year, normalizing after a volatile few years with the pandemic and post-pandemic demand boom ([US Census](#)). In June 2024, the all items consumer price index has increased 3.0 percent compared to June 2023. Used cars and trucks decreased by 10.1 percent year over year ([BLS](#)). One of the goals of the Federal Reserve is to maintain inflation at a target rate of 2 percent, and while inflation has moderated greatly

Performance at a Glance

Pg. 3	General Fund Revenue Projection vs. Expenditure Projection	●
Pg. 4	General Fund Revenue Performance Compared to Budget	●
Pg. 6	General CIP Revenue Actual vs. Expenditure Actual	+
Pg. 7	Development Services Revenue Actual vs. Expenditure Actual	+
Pg. 8	Utilities Operating Funds Revenue Actual vs. Expenditure Actual	+
Pg. 9	Utilities CIP Revenue Actual vs. Expenditure Actual	+

Legend:

- + Positive variance or negative variance <1%
- Negative variance of 1-4%
- ✗ Negative variance of >4%

since peaking in 2022 it is still higher than the target rate ([FED](#)).

The unemployment rate increased slightly at 4.1 percent in June of 2024 ([BEA – Employment Situation](#)). The most recent JOLTS report shows a reduction in job openings, which means companies are avoiding layoffs by hiring more while dropping quits rates show employees are staying on board longer, with less optimism about job prospects. ([BLS – JOLTS](#))

There are many risks to the economy on the horizon that are being monitored. The Congressional Budget Office reported in June that U.S. debt levels were growing quicker than expected ([CBO](#)). The Russia-NATO conflict and Gulf tensions remain an issue ([Blackrock](#)). The auto dealership cyberattack in June has heightened awareness of the increasing risk of cyberattacks ([S&P](#)). Rise in oil prices March-April 2024 threaten consumer prices as commodities can be key drivers of inflation ([EIA](#)).

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Regional Economy

In April and May of 2024 housing construction permits fell to an average rate of 18,500 single-family units and 16,100 multi-family units, seasonally adjusted. This decrease in permit activity in Washington was due to weaker multi-family activities ([ERFC](#)). Building permits can be volatile, and are associated with the demand for housing. On a national, state, and local level there has been a cooling effect seen since March 2022 when the Fed began raising interest rates ([FRED](#)). The commercial real estate market is also experiencing cooling. Both Seattle ([Kidder](#)) and the Eastside office markets ([Broderick Group](#)) have vacancies at roughly 18 percent in the second quarter of 2024.

King County Council began to implement the Crisis Care Centers Initiative in June 2024, this is a nine-year levy to fund five crisis care centers around the county which King County voters approved in April 2023. This levy will cost the median King County property owner roughly \$119 per year while generating more than \$1.2 billion to create more capacity in hospitals and mental health residential treatment beds ([King County](#)).

Bellevue Economy

There are several residential projects underway which will increase the supply of housing in Bellevue. The City of Bellevue helped finance a 68-unit building purchase from the Low Income Housing Institute, which will off rents around \$1,000 below market rate for Bellevue to veterans, people with disabilities, and families with children ([LIHI](#)). Additionally, a proposal to demolish a 1980s office building and use the space for 67 units as well as a bike path cleared a hurdle with the City ([Bellevue](#)).

The East Link Extension opened on April 27, 2024, with the 2 Line between South Bellevue to Redmond Technology Station ([Sound Transit](#)). As part of the Bellevue-Redmond tourism promotion area, a new service called Bike Hop which provides electric bike services is in development which will push Bellevue as a destination ([Bellevue](#)). This service will be similar to BellHop the electric free shuttle which gained official permanent status in June 2024 ([Bellevue Downtown Association](#)). These sustainable transportation options are in line with the Bellevue Environmental Stewardship Plan and provide connectivity which will stimulate the local Bellevue economy.

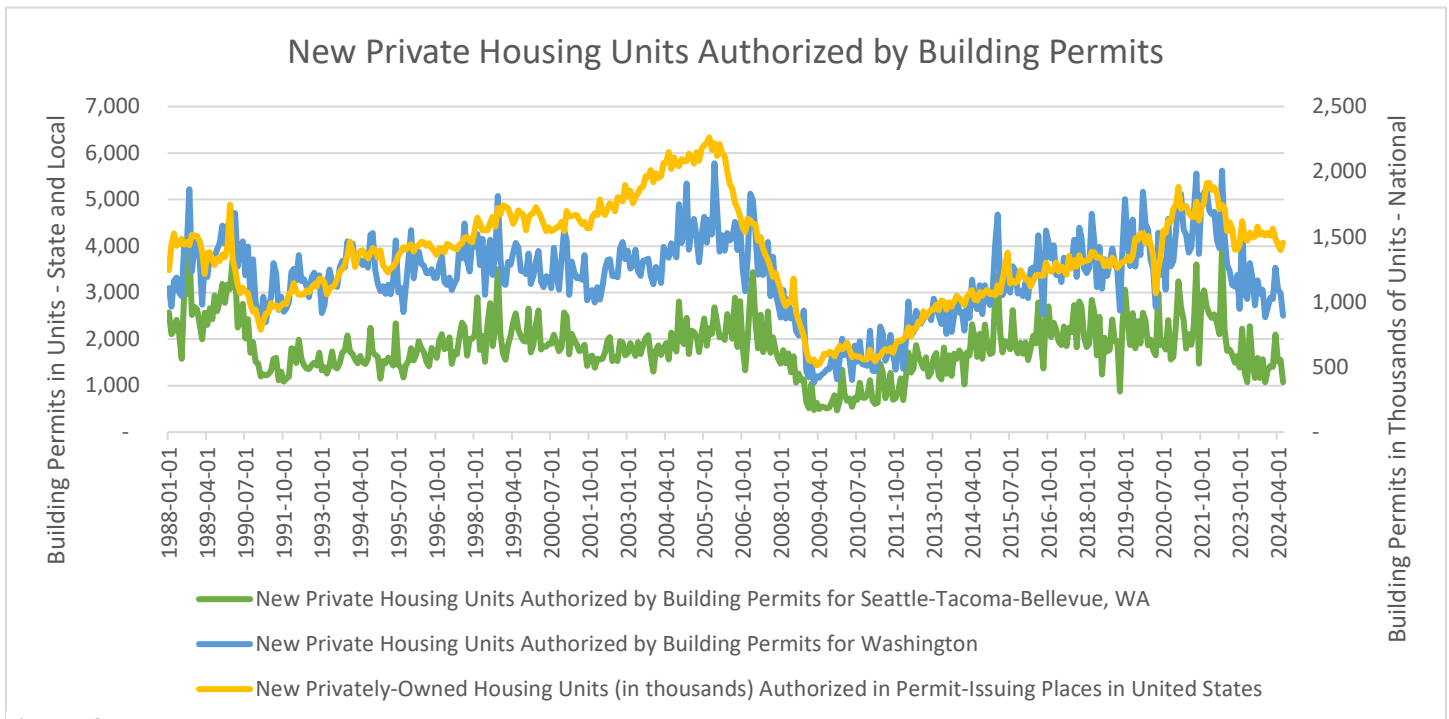


Figure 1 Source: FRED

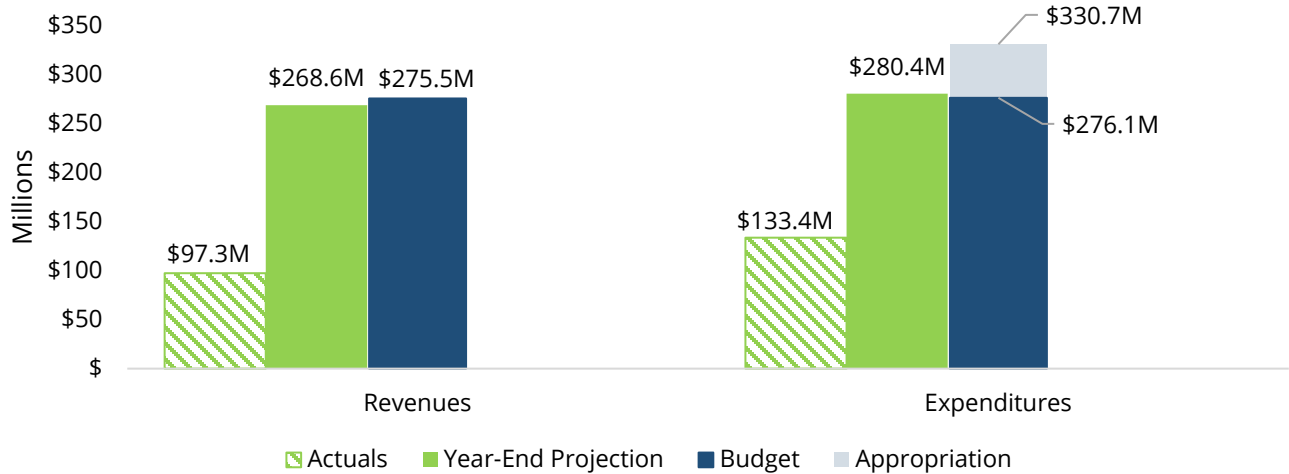


City of Bellevue Budget Monitoring Report

For the period January 1 through June 30, 2024

General Fund Performance

General Fund Revenues and Expenditures as of June 30, 2024



NOTE 1: Graph illustrates year-to-date revenue and expenditure actuals, year-end projections, amended budget, and budget appropriations (includes fund balance) through June 30, 2024,

NOTE 2: Appropriation is greater than budgeted expenditures because of the inclusion of reserves in appropriation and not in budgeted expenditures.

Revenue

General Fund revenue collections are projected to be 2.5 percent below budget in 2024. This is largely driven by the reduction in estimated sales tax collection due to a variety of cyber-attacks that impacted several industries. Utility taxes are expected to slightly offset this due to rate increases in electric and gas utilities and usage.

There is much uncertainty around the world which will be continuously monitored for their impacts on the economy and how it may affect the local environment.

Expenditures

Expenditures are projected to be 1.6 percent or \$4.3m over budget in 2024. The increase is attributed to higher-than-normal overtime costs and impacts due to new bargaining agreements. However, this is partially offset by a small amount of personnel savings.

The City is continually monitoring all factors and taking appropriate action as needed to ensure the fiscal sustainability of the City.

Change in Fund Balance

The General Fund reserve as a percentage of General Fund revenues is projected to be 20.8 percent in 2024. The City is projecting to maintain reserves above the Council Reserve Policy figure of 15 percent, which helps ensure the financial stability of the City.

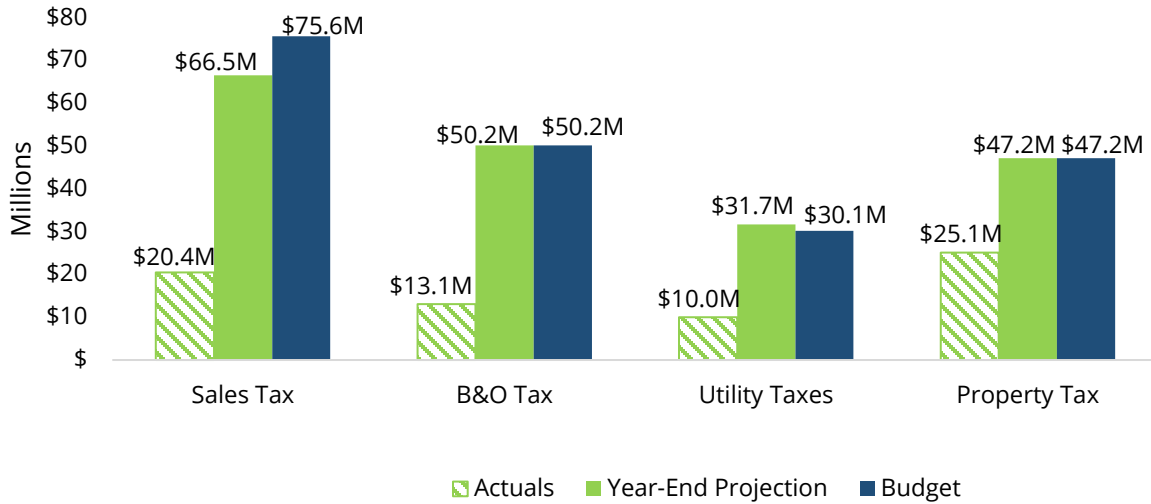


City of Bellevue Budget Monitoring Report

For the period January 1 through June 30, 2024

General Fund Performance

General Fund Tax Collections as of June 30, 2024



NOTE: The above graph illustrates the difference between year-to-date collections through March 31, 2024, and the 2024 Amended Budget.

Tax Revenues

Tax revenue collections are expected to come in under budget due to a slight correction in the sale tax forecast. This is primarily driven by recent cyber-attacks in various industries. This is slightly offset by higher utility taxes and higher court revenues. The Budget Office will continue to monitor ongoing impacts to revenue collection.

Sales Tax

The sales tax collection projection for the City of Bellevue is 12.0 percent below budget. The services sector, which includes technology and media companies have seen increases, but this has been offset by decreases in the auto sector in the second quarter of 2024.

Business and Occupation (B&O) Tax

B&O tax collection is projected to be at budget based on second quarter collections.

Utility Tax

Utility tax collections are projected to be 5.3 percent over budget for 2024. This is due in part to rate increases in the gas and electric lines in 2023 creating a higher base for the forecast.

Property Tax

Property tax revenue collection is projected to be at budget in 2024.

Property tax is determined based on the assessed value (AV) of properties and the tax rate levied within Bellevue. Bellevue's 2024 total rate is \$0.98 per \$1,000 AV which includes: \$0.04 per \$1,000 of AV for the 2008 voter-authorized Parks and Open Space Levy Lid Lift; \$0.08 per \$1,000 AV Levy for Fire Facilities upgrades; \$0.10 per \$1,000 AV Levy for Neighborhood Safety, Connectivity Improvement projects; and \$0.22 per \$1,000 AV Levy for the new 2022 voted Parks and Open Space Levy Lid Lift

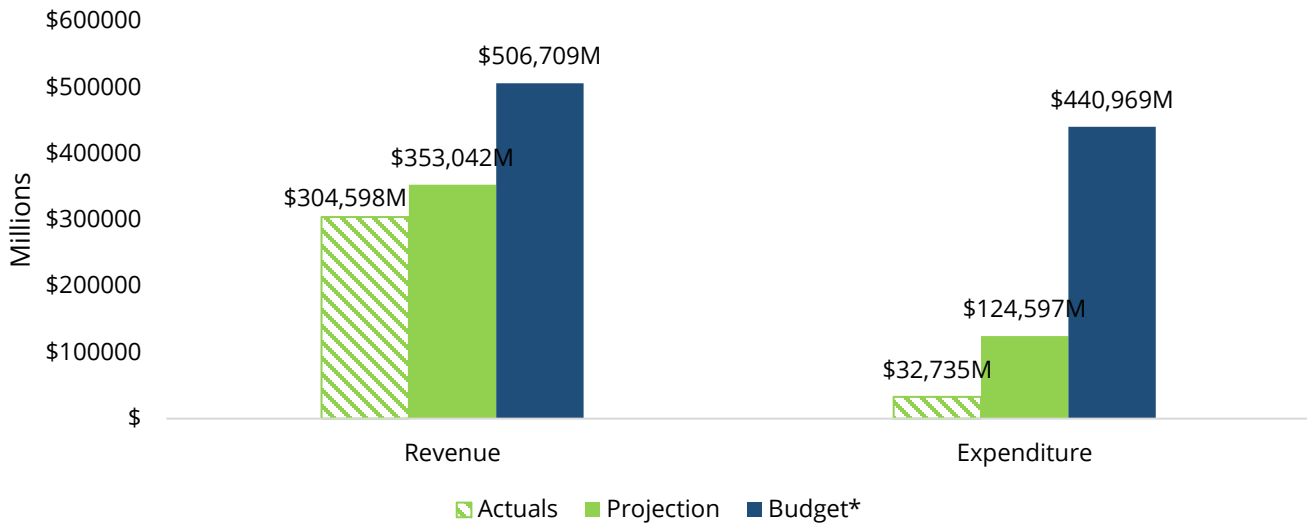


City of Bellevue Budget Monitoring Report

For the period January 1 through June 30, 2024

General CIP Performance

General CIP Fund Revenues & Expenditures as of June 30, 2024



NOTE 1: Under-collection of revenue is driven by lower levels of spending and savings in projects that receive grant funding.

*NOTE 2: Revenue Includes historical carry forward and current period adjustments.

Revenue

Major CIP resources are comprised of taxes, grants, debt, and contributions, including Sales tax, B&O tax, Real Estate Excise Tax (REET), the Fire Facilities and Neighborhood Safety, Connectivity, and Improvement levies approved by voters in 2016, and the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan that was originally executed in 2017, and refinanced in 2021.

The 2024 CIP includes \$300.0 million in the beginning fund balance dedicated to existing projects in the CIP.

The City projects that Real Estate Excise Tax (REET) collection will be below budget in 2024 by 11 percent or \$2.0 million. The City is anticipating a 20 percent year-over-year decline in REET collection as the housing market slows. B&O tax collections are projected to be at budget in 2024. Sales tax collections are projected to be 12 percent under budget.

Transportation Infrastructure Finance & Innovation Act (TIFIA)

The City of Bellevue received one TIFIA loan distribution in the second quarter of 2024 and has drawn \$57.7 million over the life of the loan. The City continues to monitor sites regularly for appropriate safety measures, engage with contractors, local jurisdictions, and other agencies to identify workforce labor and potential supply chain issues throughout the region. The City of Bellevue secured a refinance for the TIFIA loan from the original 2.86 percent down to 1.86 percent as of December 2021. This saved the City over \$20 million over the life of the loan.

Expenditures

The City expects staff capacity and supply chain challenges to continue but still anticipates planned and unexpected spending to continue in 2024. General CIP expenditures are projected to be \$124 million or 28.0 percent of the available CIP expenditure budget.



City of Bellevue Budget Monitoring Report

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Development Services Performance



10112 NE 10th Street

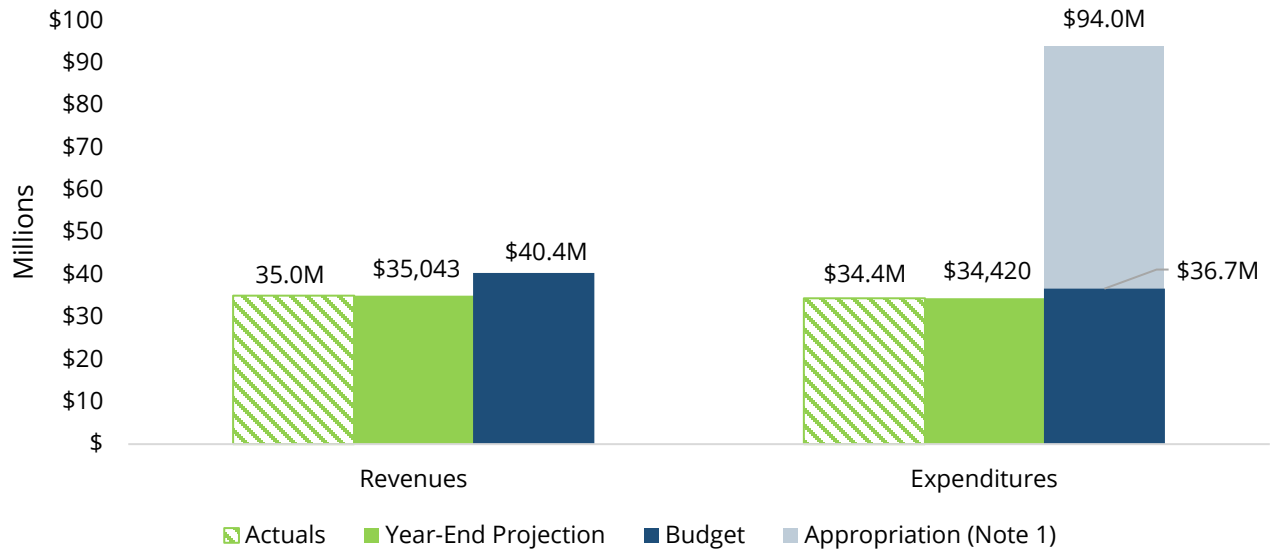


222 112th Avenue NE



228 108th Place NE

Development Services Revenues & Expenditures as of June 30, 2024



NOTE 1: The City's legal appropriation is greater than expenditures. Expenditure budget includes budgeted expenditures, whereas appropriation includes budgeted expenditures and fund balance (reserves).

Development activity continues to generate workload for development services as current projects move through the review and inspection process. The development pipeline for major projects is slowing due to uncertain economic conditions, however, overall permit work remains strong. The slowdown for high valuation projects is reflected by lower than anticipated revenue.

Expenditure savings are due to vacant positions, miscellaneous M&O and the timeline delay for the DS remodel project.

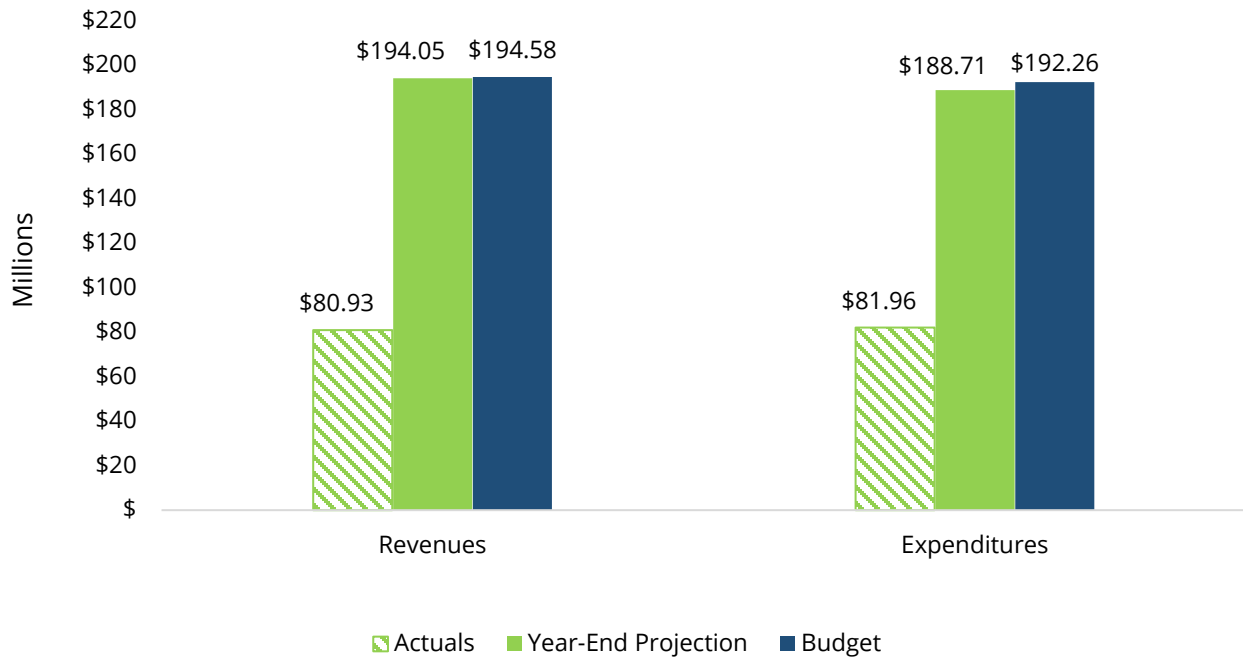


City of Bellevue Budget Monitoring Report

For the period January 1 through June 30, 2024

Utilities Operating Funds

Utilities Operating Funds Revenues & Expenditures as of June 30, 2024



NOTE 1: The legal appropriation includes budgeted expenditures and fund balance (reserves)

Utility year-to-date revenues are within expectations and sufficient to cover expenses. Revenues are forecasted to be slightly below budget by year-end, due to lower-than-expected development activity.

Utility year-to-date expenditures are within expectations. Year-end expenses are forecasted to be below budget at year-end, primarily due to vacancy savings.

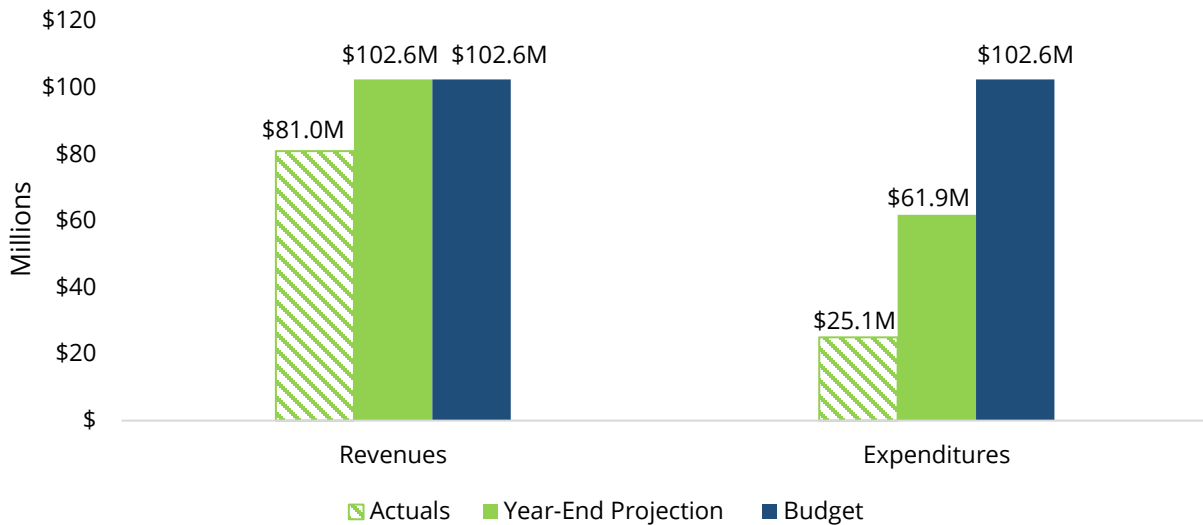


City of Bellevue Budget Monitoring Report

For the period January 1 through June 30, 2024

Utilities CIP

Utilities CIP Revenues & Expenditures as of June 30, 2024



NOTE 1: Total available budget excludes bank capacity projects - \$8.8 million for East Link and \$22.7 million for future Bel-Red stream restoration (Mobility & Infrastructure Initiative).

CIP Revenues are expected to be at budgeted levels at year end. Actual revenues reflect funding for projects budgeted in previous years.

CIP Expenditures are expected to be at approximately 60% of budgeted levels at year end. CIP expenditures reflect delays for several major projects due to one or more of the following factors - ongoing supply chain/materials availability issues, environmental permitting delays, property acquisition issues, and staff turnover.

Examples of projects impacted by these factors include:

- Factoria Blvd Conveyance Improvements
- Horizon View 2 Reservoir and Pump Station
- Bogline Sewer Line Replacement
- Watermain Replacement projects
- Operations & Maintenance Yard Project

The majority of the unspent 2023 budgeted funds will be needed for project delivery within the current CIP period.