

AB 6357

Mid-biennial Revenue Forecast

Oct 17, 2023



Agenda

1. Economic Outlook
2. General Fund Revenue Forecast
3. Real Estate Excise Tax
4. YFS Fund Revenue Forecast
5. Next Steps

Economic Outlook

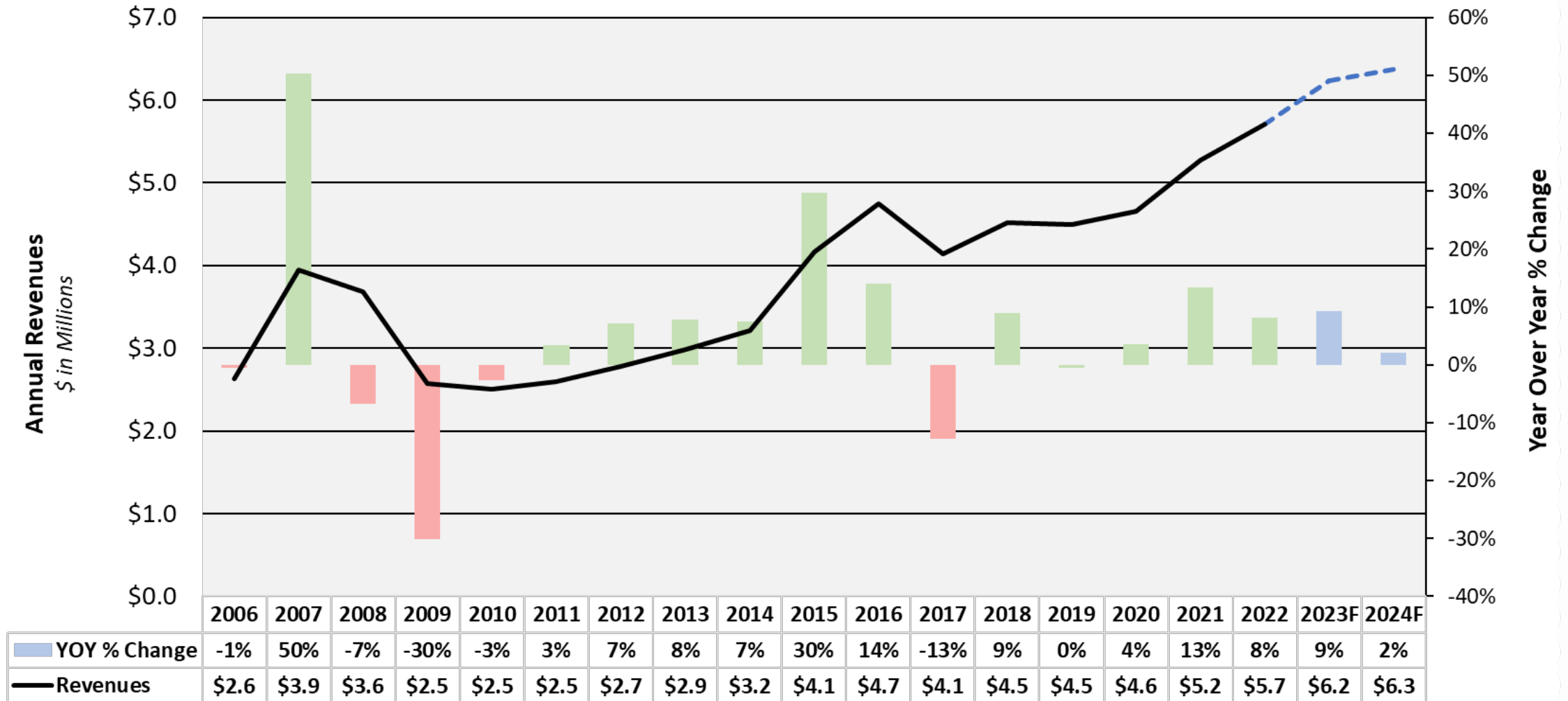
- ❑ A year ago, question was not if a recession, but when...
- ❑ Although no two economists agree on the future, by no aggregate measure is the region in recession.
- ❑ Twelve months of new data indicates most large revenues are trending healthy thru 2024.

General Fund Revenues

MID-BIENNIAL REVENUE FORECAST <i>(\$ in thousands)</i>	Amended Budget 2023	Forecast 2023	Difference from Amended	Forecast 2024	Forecast 2025
01-PROPERTY TAX	13,509	13,705	196	13,942	14,180
02-GENERAL SALES TAX	5,600	7,225	1,625	7,381	7,652
03-UTILITY TAXES	4,852	5,087	234	4,970	5,027
04-LICENSE, PERMIT, AND ZONING FEES	2,635	3,496	861	3,603	3,709
05-B&O TAXES	706	706	0	706	714
06-PARK AND RECREATION	1,339	1,350	11	1,363	1,378
07-EMS REVENUES	2,088	2,161	73	2,115	2,175
08-COST ALLOCATION	1,056	1,056	0	1,081	1,103
09-INTERFUND TRANSFERS	0	0	0	0	0
10-SHARED REVENUES	1,707	1,702	(5)	1,715	1,744
11-MUNICIPAL COURT	175	231	56	243	250
12-MISCELLANEOUS REVENUES	251	401	150	417	417
13-INTEREST EARNINGS	11	2,365	2,354	1,332	888
TOTAL REVENUES	\$33,930	\$39,485	\$5,555	\$38,867	\$39,237

General Sales Tax Revenues

Fiscal Years 2006 - 2022



General Fund Revenues

Total Sales Tax <i>(\$ in thousands)</i>	Amended Budget 2023	Forecast 2023	Difference	Forecast 2024	Forecast 2025
Revenues	\$5,600	\$7,225	\$1,625	\$7,381	\$7,652
Projected % Change (YOY)				2%	4%

- ❑ Sales tax is performing well above budget expectations.
- ❑ Year-over-year (YOY) revenues are up in all sectors.
 - ❑ Construction sector up \$396,255 compared to same period in 2022.
 - ❑ Likely ties to Riot Games building & King County Sewer Upgrade Project.

General Fund Revenues

License, Permit, & Zoning Fees <i>(\$ in thousands)</i>	Amended Budget 2023	Forecast 2023	Difference	Forecast 2024	Forecast 2025
Revenues	\$2,635	\$3,496	\$861	\$3,603	\$3,709
Projected % Change (YOY)				3%	3%

- ❑ Revenues coming off a five-year high in 2022. Projections for 2023 are on par with the prior year.
 - ❑ Effective administrative practices, resulting in efficient revenue recovery.
 - ❑ Buoyed by Riot Games building & King County Sewer Upgrade Project permit activities.
- ❑ Outyear forecast informed by the Puget Sound Economic Forecaster.

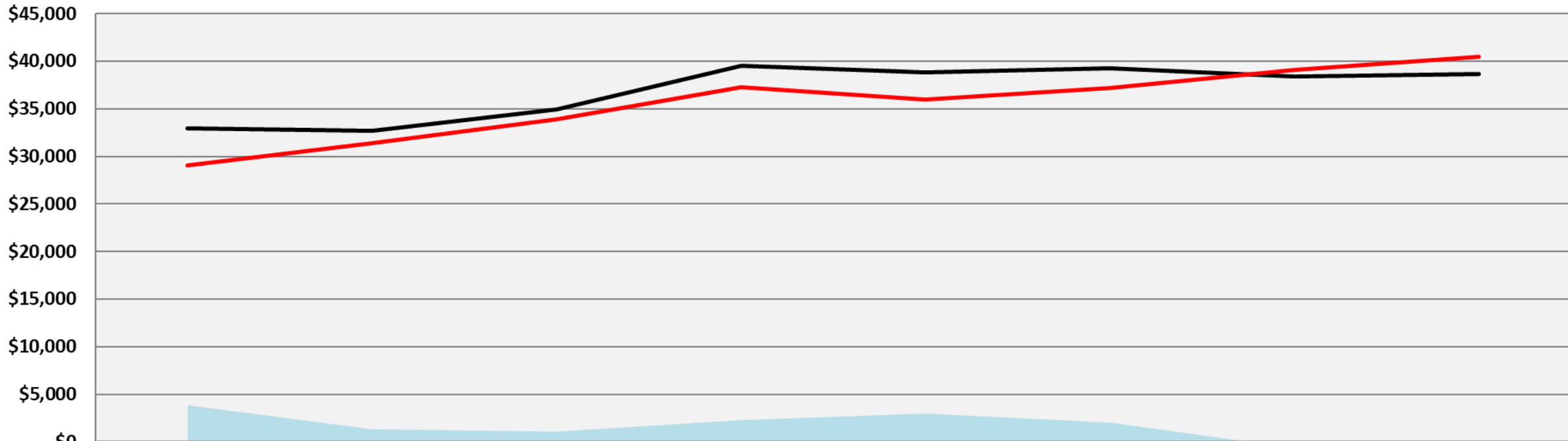
General Fund Revenues

Interest Earnings <i>(\$ in thousands)</i>	Amended Budget 2023	Forecast 2023	Difference	Forecast 2024	Forecast 2025
Revenues	\$11	\$2,365	\$2,354	\$1,332	\$888
Projected % Change (YOY)				-44%	-33%

- ❑ Invested with the State Local Govt Investment Pool.
- ❑ June 2023 earnings rate 5.21%, compared to 1.03% in 2022.
- ❑ First six-months, earnings are \$1.1 M in 2023.
 - ❑ \$90,200 in 2022.
 - ❑ \$38,000 in 2021.
- ❑ 2023 on pace to be **all-time high**, stabilizing to historic levels in outyears.

General Fund Forecast

REVENUES AND EXPENDITURES



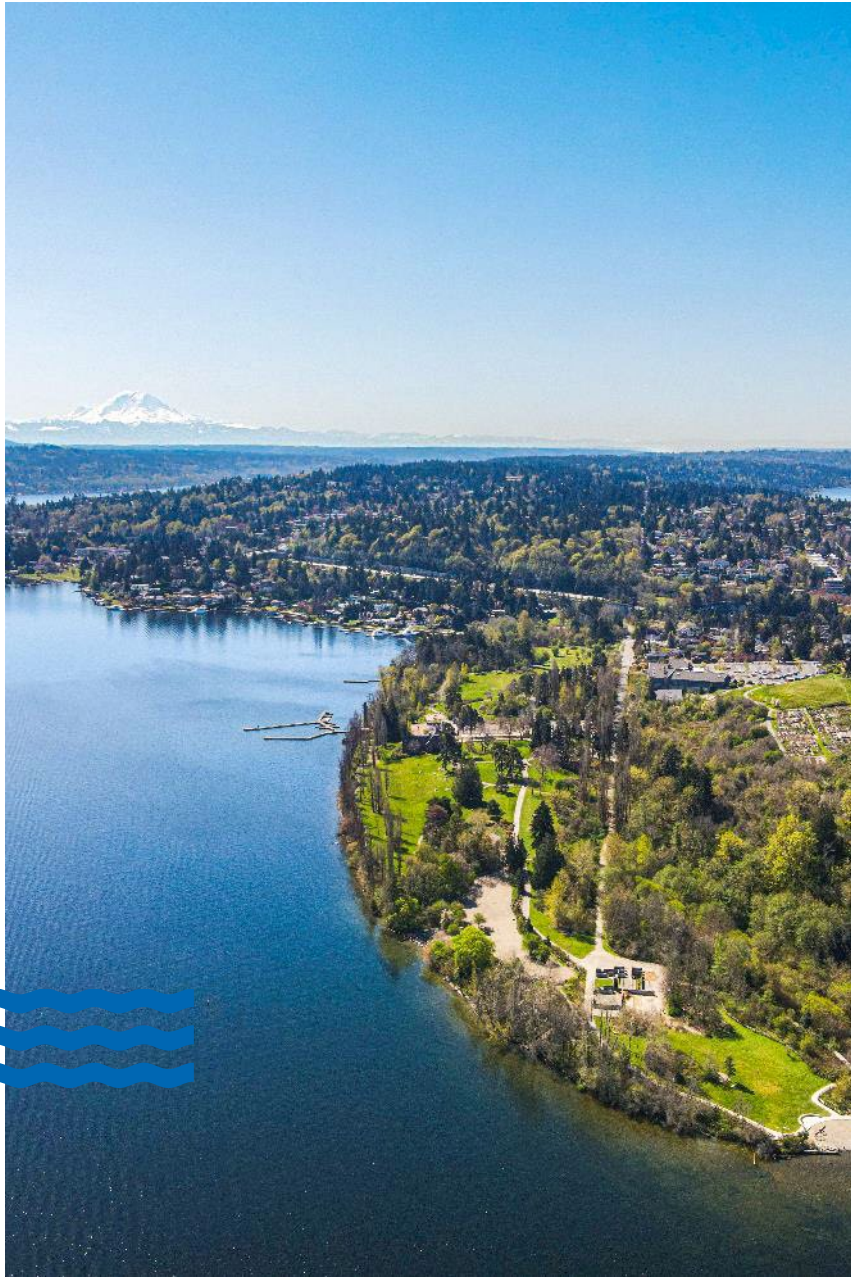
	2020	2021	2022	2023	2024	2025	2026	2027
VARIANCE	3,870	1,293	1,062	2,252	2,926	2,059	(678)	(1,776)
BASELINE REV	32,963	32,673	34,957	39,485	38,867	39,237	38,380	38,685
BASELINE EXP	29,093	31,380	33,895	37,233	35,941	37,178	39,058	40,461

Updated to reflect Council packet revisions on 10/16/2023.

ARPA Funds

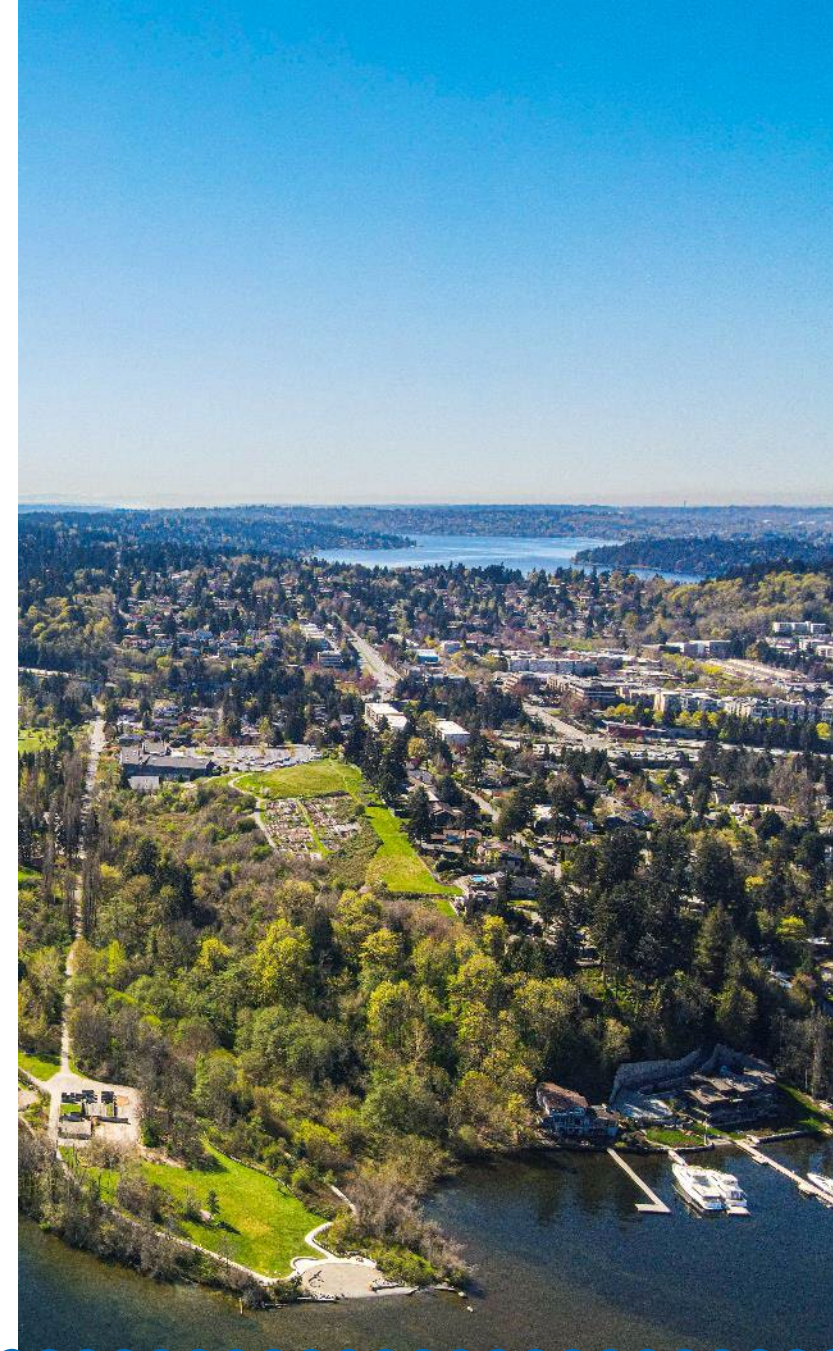
- ❑ Remaining balance is **\$1.05 M** of the original \$7.2 M allocation.
- ❑ Funds must be committed by 12/24, spent by 12/26.

- ❑ As a reminder, funds cannot be used to:
 1. Reduce net tax revenues
 2. Pay down unfunded liabilities
 3. Pay debt or legal settlements.
 4. Replenish financial reserves.



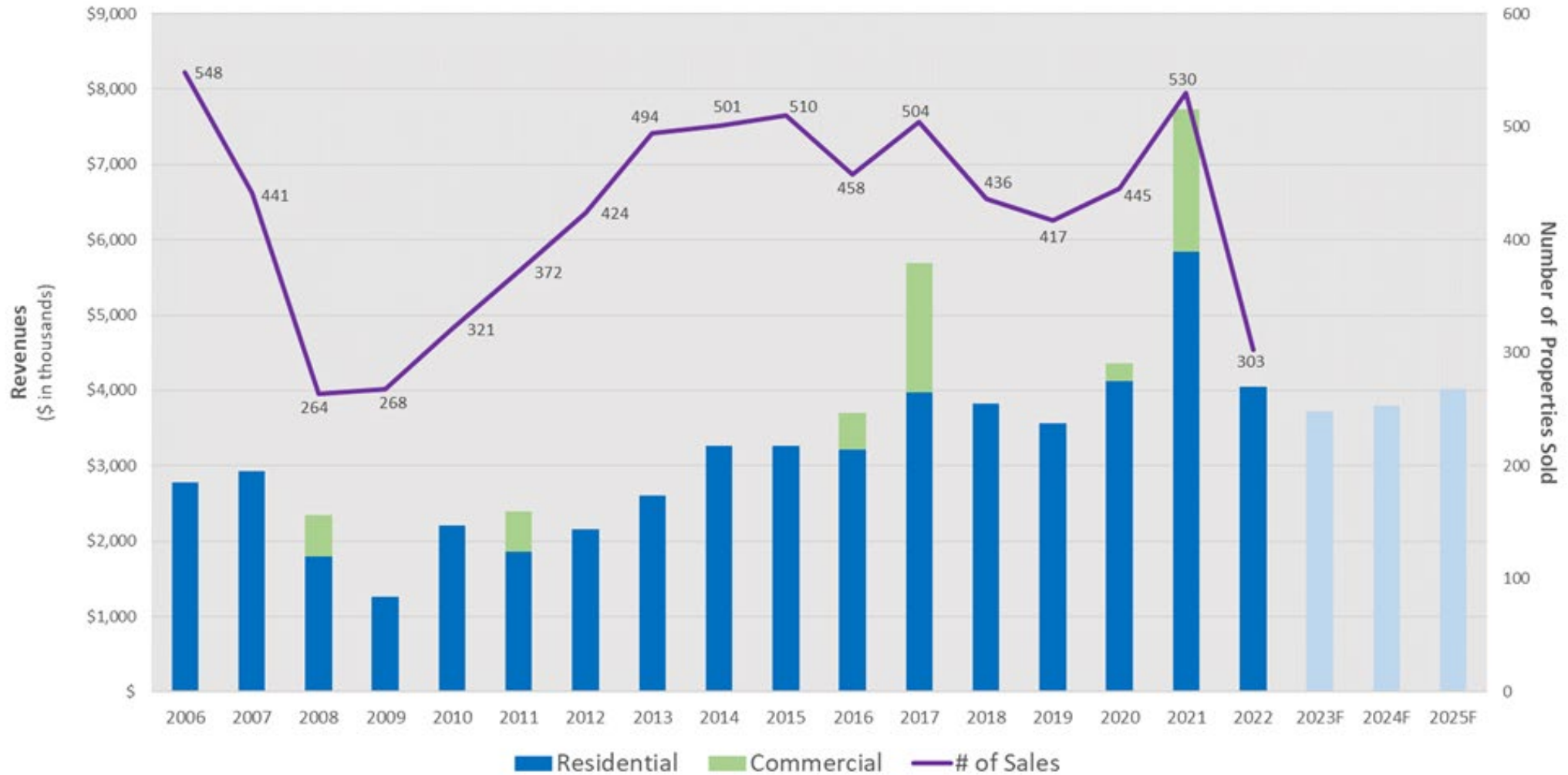
Questions?

Other City Revenues



REET Revenues

Mercer Island Property Sales and Total Revenues
2006-2025



REET Revenues

Real Estate Excise Tax <i>(\$ in thousands)</i>	Amended Budget 2023	Forecast 2023	Difference	Forecast 2024	Forecast 2025
Revenues	\$4,344	\$3,720	(624)	\$3,794	\$4,022
Projected % Change (YOY)				2%	6%

- ❑ Revenues are \$1.6 M through June, down \$338,000 from 2022.
 - ❑ Lower volume of property sales: 170 in June 2022 vs. 150 in June 2023.
 - ❑ AVG property sale price down 9.7% (*excludes property sales over \$5 M*)
- ❑ Project revenues will be **\$624,000 less** in 2023 and **\$333,000 less** in 2024 relative to adopted budget estimates.

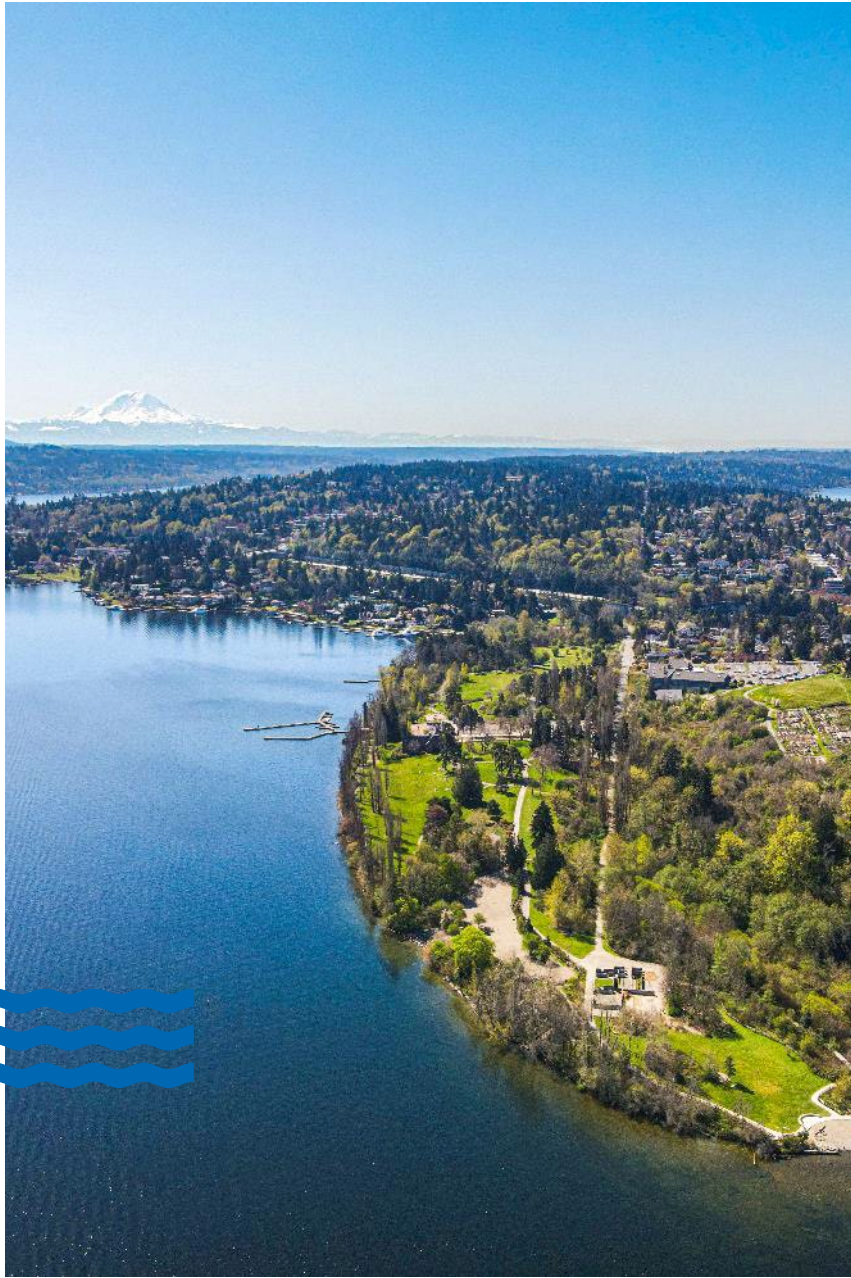
Youth & Family Services Fund

YFS FUND REVENUE FORECAST <i>(\$ in thousands)</i>	2023 Amended Budget	2023 Forecast	Diff. from Amended	2024 Forecast	2025 Forecast
01-CHARGES FOR SERVICES	150	158	8	156	155
02-MIYFS CONTRIBUTIONS	300	515	215	515	515
03-THRIFT SHOP	1,566	1,566	0	1,723	1,787
04-FEDERAL GRANTS	350	350	0	260	0
05-STATE & COUNTY GRANTS	38	38	0	38	38
06-EMERGENCY ASSISTANCE	62	62	0	62	62
07-FOOD PANTRY	100	100	0	100	100
08-ARPA SUPPORT	671	555	(117)	618	0
09-MISCELLANEOUS REVENUES	47	47	0	47	47
TOTAL REVENUES	\$3,284	\$3,390	\$106	\$3,518	\$2,703

YFS Revenues

Thrift Shop <i>(\$ in thousands)</i>	Amended Budget 2023	Forecast 2023	Difference	Forecast 2024	Forecast 2025
Revenues	\$1,566	\$1,566	\$0	\$1,723	\$1,787
Projected % Change (YOY)				10%	4%

- ❑ Thrift Shop on track to meet revenue targets.
- ❑ Project \$450,000 in **net revenues** by yearend, 32% increase over 2022.
- ❑ Assume 10% growth rate in 2024.



Questions?

Next Steps

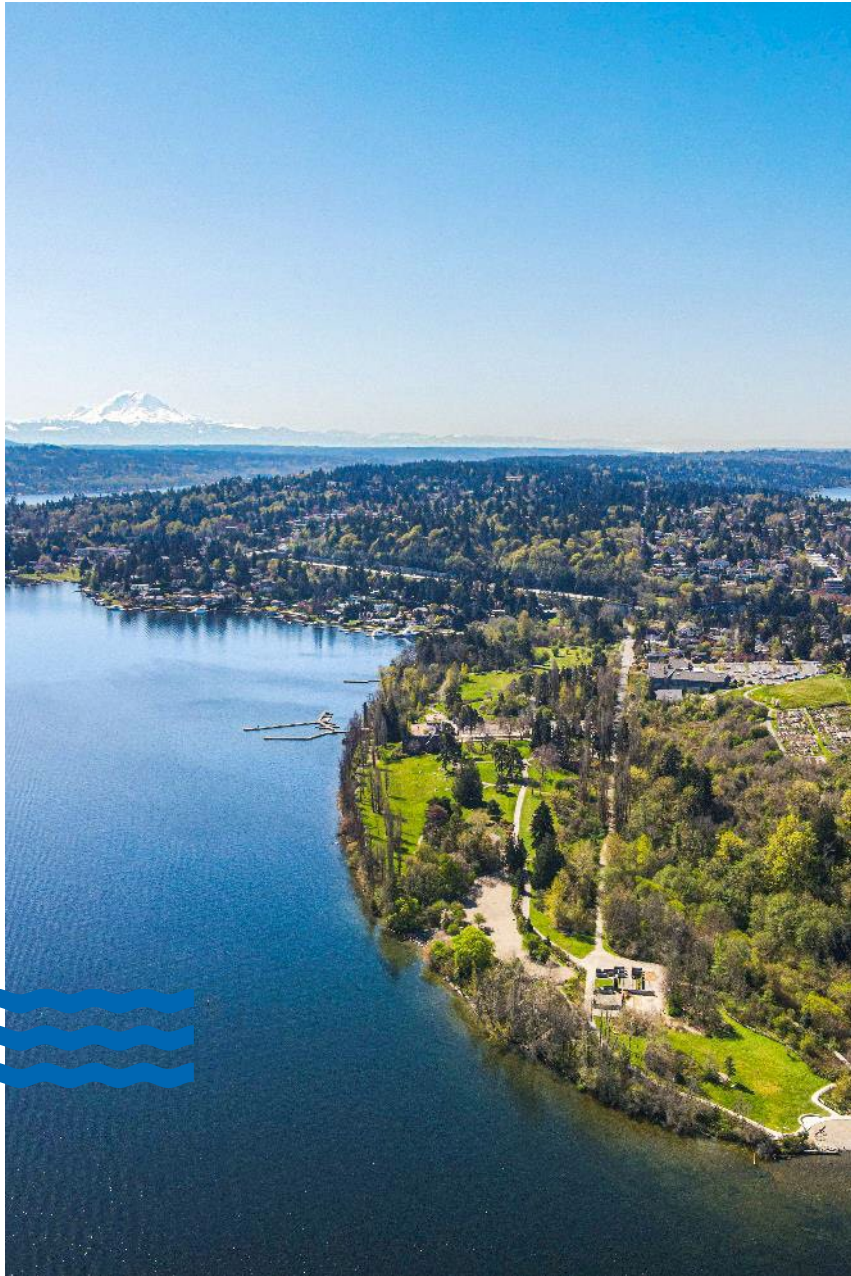
With City Hall's closure, discuss on Nov 21 Council Meeting:

- ❑ Capital Improvement Program project update
 - ❑ Update which projects will move forward.
 - ❑ Revisit REET and ARPA resources supporting the CIP.
- ❑ Unbudgeted operating impacts in the medium-term.
 - ❑ Asbestos testing and remediation work.
 - ❑ Rehousing City operations (e.g., Court, Police, and front counter)

Next Steps

With City Hall's closure, discuss on Nov 21 Council Meeting:

- ❑ Long-term planning for City Hall and PW building.
- ❑ City Manager recommendation for a **Facility Replacement Fund**.
 - ❑ Seek Council's input on purpose and funding target.



Questions

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