



BUDGET MONITORING REPORT

For the period from January 1 through March 31, 2020

Economic Performance

This report presents 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 the report is to compare actual expenditures and revenues to the 2020 Amended Budget, to discuss reasons for variances and to convey an overview of the local and national economic outlook.

Note: In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The impacts of COVID-19 adds uncertainty and is projected to place a near term impact on city funds. The city is actively managing and taking fiscally responsible correction actions to respond the COVID impact in 2020. The future of COVID remains uncertain as is the full extent of the impact. In response to the fluid nature of COVID, the city will continue to monitor and take correction actions to ensure the long term viability of the fiscal condition of the city. This monitoring report reflect the impact estimation as of April 2020.

U.S. Economy

The global outbreak of coronavirus (COVID-19) is causing sudden and deep economic losses across the United States. The closure of nonessential businesses in most states, combined with general guidance for citizens to stay at home as much as possible, is disrupting the labor market. In the week ending March 21, a then-

Performance at a Glance

Pg. 3	General Fund Revenue Actual vs Expenditure Actual	-
Pg. 4	General Fund Revenue Performance as Compared to Budget	-
Pg. 5	General CIP Revenue Actual vs Expenditure Actual	o
Pg. 6	Development Services Revenue Actual vs Expenditure Actual	+
Pg. 7	Utilities Operating Funds Revenue Actual vs Expenditure Actual	+
Pg. 7	Utilities CIP Revenue Actual vs Expenditure Actual	+

Legend:

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

record 3.3 million initial unemployment insurance claims were filed in the U.S. The record was broken during the week ending March 28, as unemployment insurance claims ballooned to 6.6 million (IHS Markit). Real gross domestic product (GDP) decreased at an annual rate of 4.8 percent in the first quarter of 2020 (table 1), according to the "advance" estimate released by the Bureau of Economic Analysis (Source: US. Bureau of Economic Analysis, April 29, 2020 news release).

Economic activity contracted sharply and abruptly across all regions in the United States as a result of the COVID-19 pandemic. The hardest-hit industries—because of social distancing measures and mandated closures—were leisure, hospitality, and retail (with the exception of essential goods). Most districts reported declines in manufacturing, but cited significant variation across industries.

City of Bellevue Budget Monitoring Report

January 1 to March 31, 2020

Regional Economy

All states in the Pacific Northwest region will see negative impacts to employment and GDP in 2020. As stay-at-home orders were implemented, consumer spending in the region fell sharply. Significant declines in in-store shopping and dine-in business were not offset by increases in online shopping and restaurant takeout or delivery services. Business closures led to lower consumer spending and employment at retail stores, restaurants, and tourist attractions.

Washington's employment data shows a loss of 11,100 jobs in March, as the unemployment rate increased to 5.1 percent based on a survey of businesses and governments (Source: Employment Security Department/LMEA; U.S. Bureau of Labor Statistics). The changes in these measures reflect the effects of COVID-19 and efforts to contain it. As the graph indicates, five industries expanded employment from February to March, while eight contracted. Notable declines include leisure and hospitality - a loss of 11,300 jobs, and manufacturing - a loss of 1,400 jobs. These losses were not fully offset by 2,500 new construction jobs, as well as 1,500 added jobs in professional and business services.

Tourism in the Greater Seattle area came to a halt as businesses and attractions closed. Construction activity slowed by the end of March, as ongoing projects were paused as social distancing guidelines went into effect. The

coronavirus outbreak and subsequent social distancing measures have also caused a slowdown in the housing market, as new listings fell by 22.6 percent year-over-year in the Greater Seattle area. Pending home sales were also down by 37 percent year-over-year as of March 31, 2020 (Zillow Research).

Bellevue Economy

The impacts of COVID-19 adds uncertainty and is projected to place a near term impact on the City's economy and revenues. The future of COVID remains uncertain as is the full extent of the impact. In response to the fluid nature of COVID, the city will continue to monitor the economic impact and later recovery from the COVID-19.

To help local businesses and nonprofits impacted by the COVID-19 outbreak and social distancing orders, the City of Bellevue has taken a number of actions, [including deferring first- and second-quarter local B&O tax payments for small businesses until October](#). The City halted water service disconnections and waived late fees for non-payment. Business customers may be eligible for payment plans.

Estimated February to March employment change by industry, seasonally adjusted

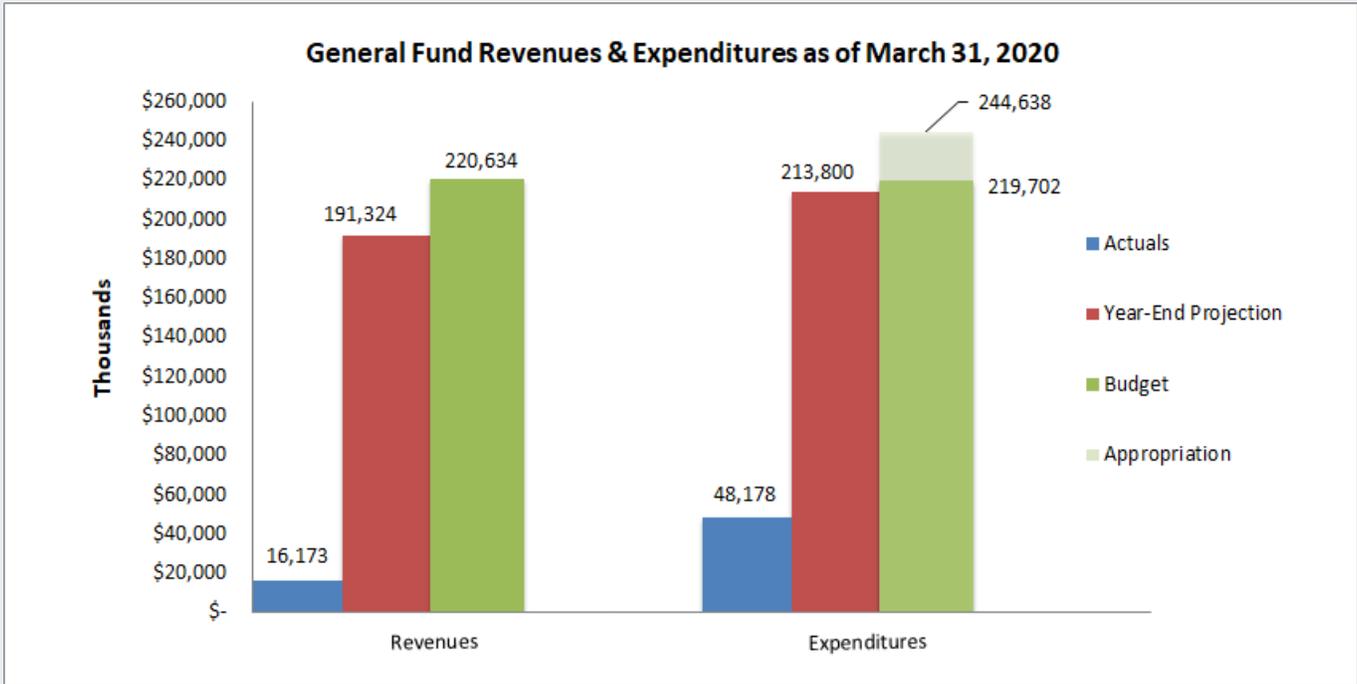
Total nonfarm	-11,100
Construction	2,500
Professional and business services	1,500
Government	600
Information	600
Retail trade	600
Mining and logging	-100
Education and health services	-100
Transportation, warehousing and utilities	-300
Wholesale trade	-500
Other services	-700
Manufacturing	-1,400
Financial activities	-1,500
Leisure and hospitality	-12,300

Source: Employment Security Department/LMEA; U.S. Bureau of Labor Statistics, Current Employment Statistics

City of Bellevue Budget Monitoring Report

January 1 to March 31, 2020

GENERAL FUND PERFORMANCE



* Fund Balance actuals refer to 2020 actual beginning fund balance; year-end projection refers to 2020 ending fund balance projection.

Note 1: The above graph illustrates the difference between year-to-date revenue collections and expenditures through March, current year-end estimates, amended budget, and budget appropriation (includes fund balance). In addition to the time lag between earning and receiving some major taxes, year-to-date actuals are less than actual first quarter activities due to COVID-19 related tax due-date delays. Expenditures are based on actual activities performed during the first quarter.

Note 2: The City's legal appropriation is greater than expenditures. Expenditure budget includes budgeted expenditures, whereas Appropriation includes budgeted expenditures and fund balance (reserves).

Note 3: 2020 budgeted revenue includes an excess revenue estimate of \$932K, which is added back when calculating budget-to-projection variance.

Revenue

General Fund revenue collections are projected to be below budget by \$28.4 million as of the current projection in April. Collections of sales tax and B&O tax (Business and Occupation Tax) are forecasted to be significantly below budget due to the stay-at-home order, business closures and other impacts of COVID-19.

Expenditures

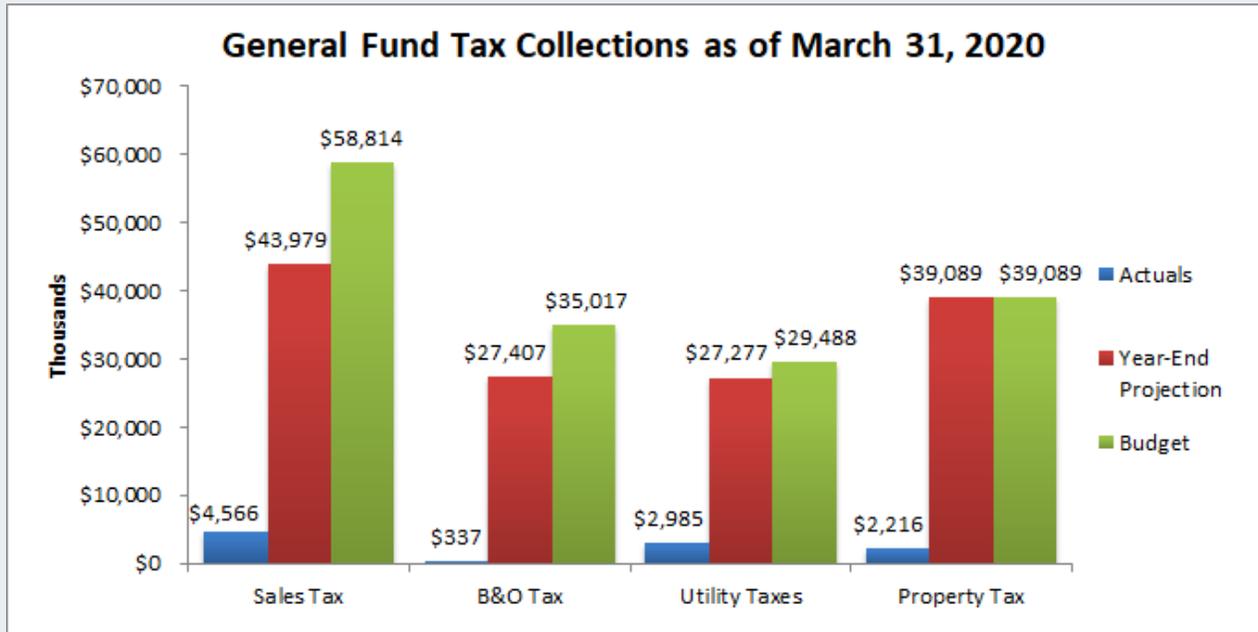
Expenditures are projected to be \$5.9 million under budget in 2020. The City has established an additional 3 percent savings target for all departments in response to the impacts of COVID-19, which accounts for these savings. The City is continually

monitoring and taking appropriate action as needed to ensure the fiscal sustainability of the City.

Change in Fund Balance

The City's General Fund balance is projected to decrease this year due to COVID-19 related revenue loss. The City has financial policy target of having 15 percent of revenues in reserves. We are using existing fund balance to help navigate the unprecedented and rapid decrease in tax revenues. However, since the City purposefully built reserves in prior years in anticipation of balancing the future budget, the City will still maintain the Council policy of 15 percent despite the negative impact of COVID-19.

GENERAL FUND PERFORMANCE



Note: The above graph illustrates the difference between year-to-date collections through March, current year-end estimates, and 2020 amended budget. Due to COVID-19 related tax due-date delays and the time lag between earning and receiving some major tax collections, year-to-date actuals are less than actual first quarter activities. Additionally, year-end projections are based on the limited information available to date. Due to the uncertainty of COVID-19 pandemic, projections are based on possible economic scenarios as well as current information, and will be updated as more information becomes available.

Tax Revenues:

Year-end tax revenue is projected to fall below budget due to COVID - 19 impact. The future of COVID remains uncertain as is the full extent of the impact. All revenue projections reflect point in time projection as of April, the budget office is actively monitoring and assessing the full impact.

Sales Tax

Sales tax collections are projected to be 25 percent below budget due to social distancing and shelter-in-place orders, along with mandatory closures of many non-essential businesses in response to COVID-19.

Business and Occupation Tax (B&O Tax)

B&O tax is projected to be at below budget by 22 percent due to decreased economic activities in response to COVID-19 and the Governor's stay-at-home order for non-essential businesses and employees.

Utility Tax

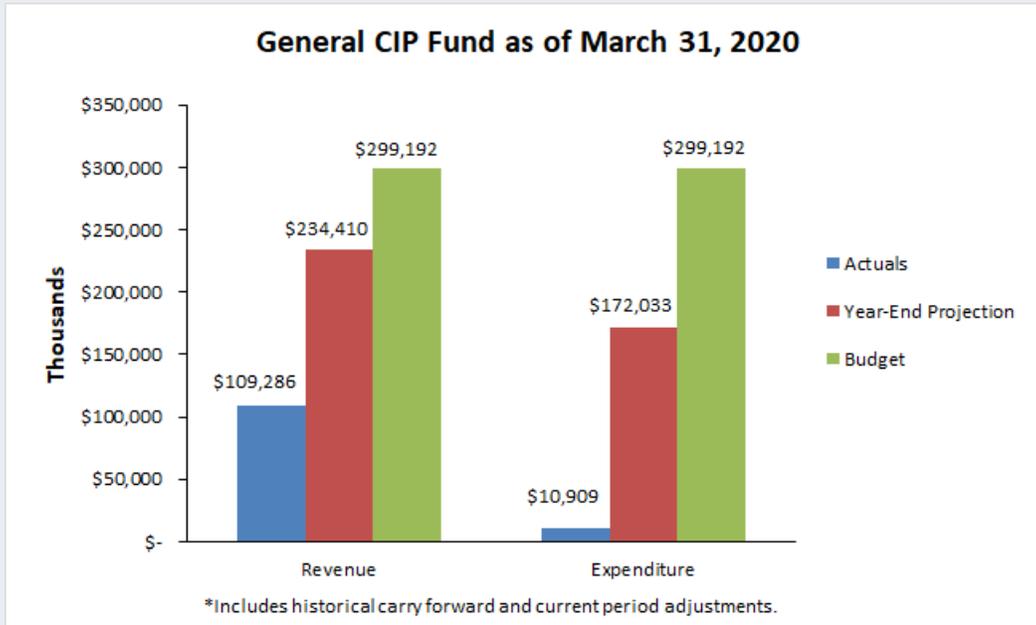
Utility tax projections are expected to have no major impact from COVID-19, while some deferred receipts are expected since the City halted water service disconnections and waived late fees for non-payment due to COVID-19.

Property Tax

Property tax revenue is projected to be at budget in 2020, COVID-19 will impact the timing of receipt of funds due to tax deferrals.

Property tax is determined based on the assessed value (AV) of properties and the tax rate levied within Bellevue. Bellevue's 2019 total levy rate is \$0.92 per \$1,000 AV, which includes \$0.06 per \$1,000 of AV for the voter authorized Parks and Open Space Levy Lid Lift, \$0.125 per \$1,000 AV Levy for Fire Facilities upgrades, and \$0.15 per \$1,000 AV Levy for Neighborhood Safety, Connectivity Improvement projects.

GENERAL CIP PERFORMANCE



Resources

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 Improvement levies approved by voters in 2016, and the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan that was executed in 2017.

The 2020 CIP includes \$95.8 million in beginning fund balance dedicated to existing projects in the CIP. Sales, B&O, and REET tax revenues are estimated to be below budget as a result of the stay-at-home order issued in response to COVID-19, as well as expected drop in property transactions. Grants and Interlocal contributions are projected to come in lower than budgeted due to project delays and timing.

The Budget Office continues to monitor overall cash flow

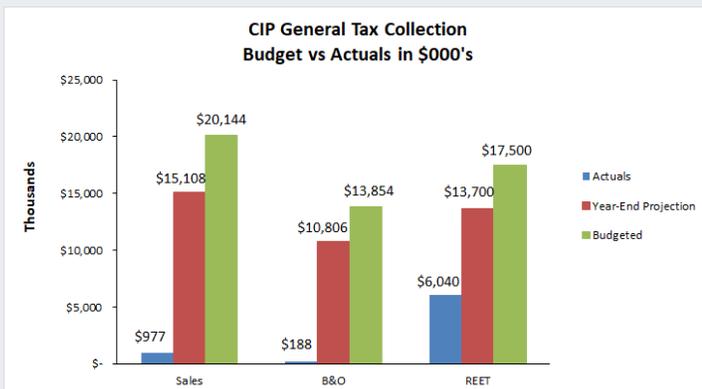
needs within the General CIP.

Transportation Infrastructure Finance & Innovation Act (TIFIA)

The projects started in 2018 and have made significant advances in design and right of way acquisition. The City received \$1.1m reimbursement in Q1 2020 to support projects and will continue to utilize this loan to advance qualifying projects. Under COVID-19, transportation projects were defined as “essential” work and could continue under the safety terms provided. 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.

Expenditures

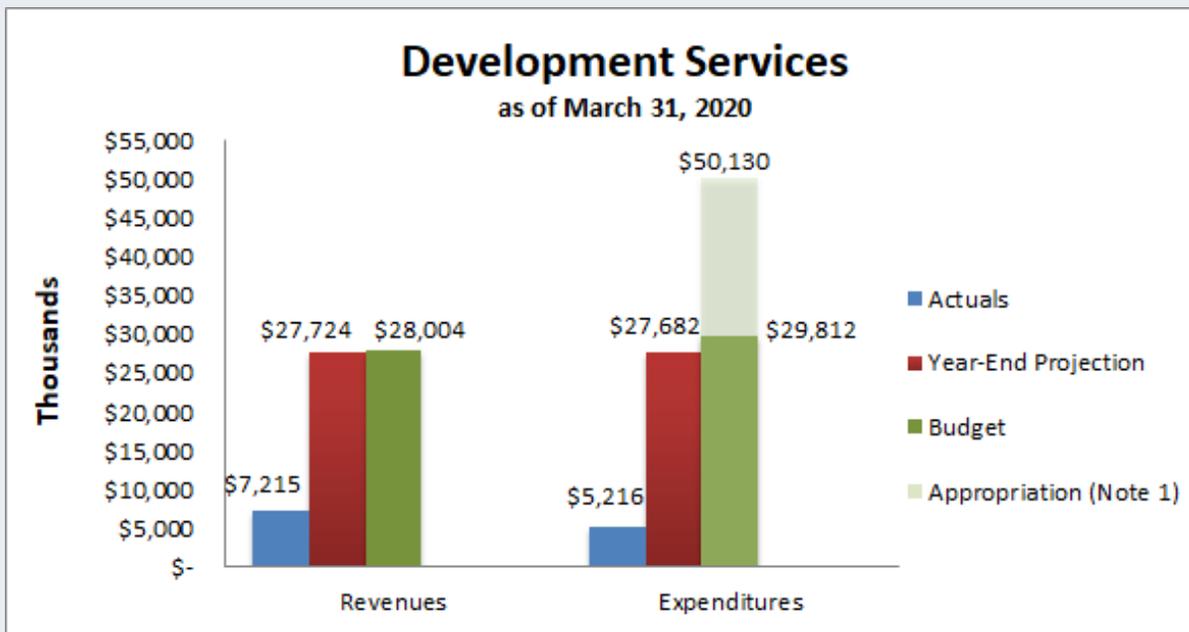
General CIP expenditures are \$10.9 million in the first quarter. Due to the timing of ongoing projects, the City currently projects \$172.0 million to be spent in 2020, or 57.5 percent of the CIP expenditure budget.



DEVELOPMENT SERVICES PERFORMANCE



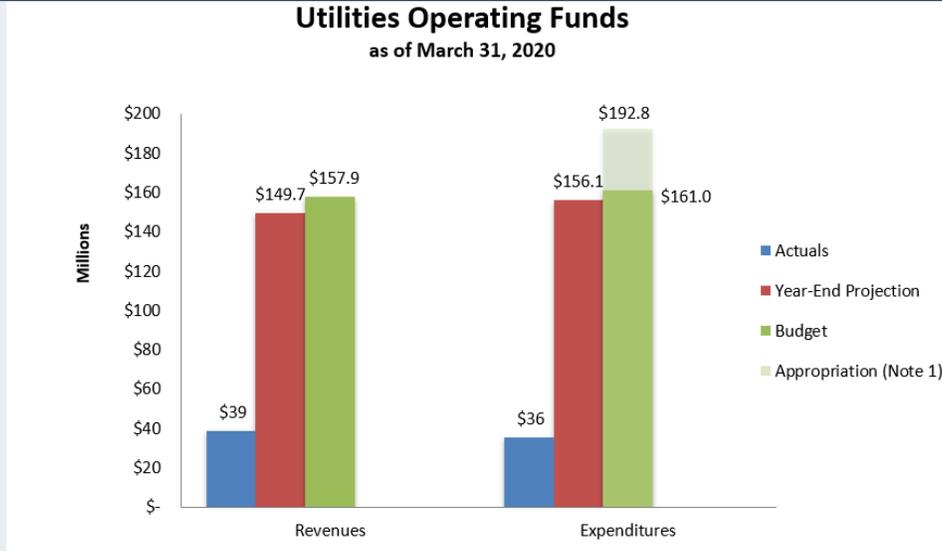
East Link Bellevue Downtown Station



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

New development projects and projects in construction continue to generate revenue for all development services and year-end revenue is projected to be at or near budget. 2020 projections are 18 percent lower than 2019 revenue due to an anticipated decline in development activity. Development services does not anticipate any additional decline in activity due to COVID-19. Expenditures are expected to be under budget at year-end due to vacancy and miscellaneous M&O savings.

UTILITIES OPERATING FUNDS

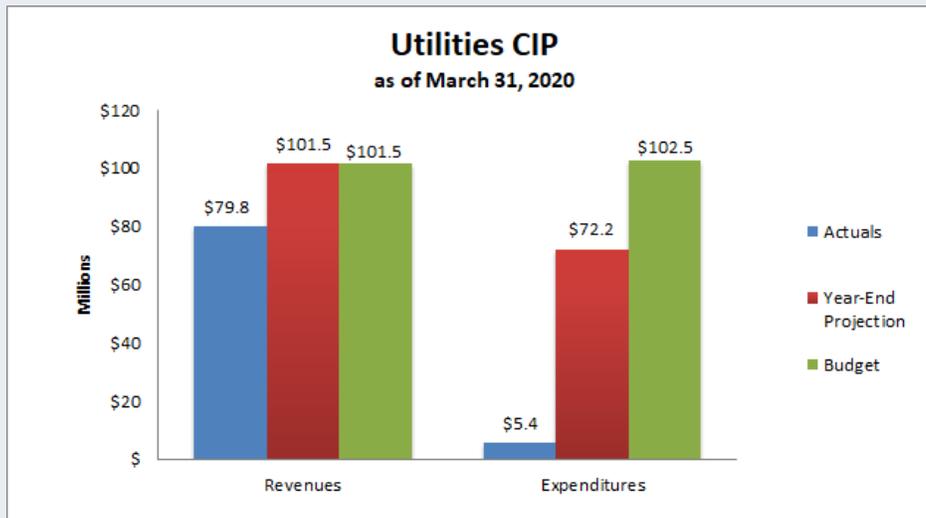


Note 1: The City's legal appropriation is greater than expenditures. Expenditure budget includes budgeted expenditures, whereas Appropriation includes budgeted expenditures and fund balance (reserves).

Note 2: The budget display above reflects a technical adjustment with a net zero impact to Utilities operating fund resources.

Utility operating revenues are projected to be impacted by COVID-19. Operating revenues are projected to be under budget primarily due to possible reductions in water and sewer service revenues due to reduced water consumption in the commercial sector. Expenditures are projected to be under budget primarily due to proactively identified operational cost reduction measures and lower wholesale wastewater treatment costs.

UTILITIES CIP



Note: Total available Budget excludes bank capacity projects - \$8.8 million for East Link and \$10.6 million for future Bel-Red stream restoration (Mobility & Infrastructure Initiative) and \$1.5 million for water facilities for Spring Blvd.

Projected CIP expenditures reflect delays for several major projects due to the "Stay Home/Stay Healthy" order. Projects put on hold to avoid water shutoff to customers in certain neighborhoods include the Cherry Crest Pump Station and Watermain Main Replacement. The Wastewater Pump Station Rehabilitation was delayed to avoid property owner impacts, and the Midlakes Pump Station was suspended by the contractor until the order is lifted. The majority of the anticipated unspent 2020 budgeted funds will be needed to complete construction in 2021 and 2022. Utilities will address the forecasted revenue shortfall through existing reserves.

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January 1 to March 31, 2020