



City of Bellevue Budget Monitoring Report

For the period January 1 through March 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 March 2024.

In the first quarter of 2024 the national real GDP grew by 1.6 percent year-over-year after 3.4 percent growth in the fourth quarter of 2023 ([BEA](#)). Most of the growth can be attributed to consumer spending. This is offset by a decrease in net exports, which shows imports growing thanks to the strength of the American consumer ([BEA](#)) while the collapse of the Francis Scott Key Bridge in Maryland in late March closed a major shipping hub, accounting for 28 percent of coal exports alone in 2023 ([EIA](#)).

The strength of the consumer reflects the strength of labor. The unemployment rate has remained steady at 3.8 percent in the first quarter of 2024. The unemployment rate has been below 4 percent for 26 straight months, which has not happened since the late 1960s. The total nonfarm payroll employment rose by 303,000 in March with gains occurring in health care, government, and construction ([BLS](#)). Another factor allowing consumers to continue spending is the large year-over-year increases in credit card debt balance ([NY Fed](#)). The fourth quarter 2023 saw the highest credit-card delinquency rates on record ([PA Fed](#)).

The Federal Reserve held interest rates steady in March 2024 as indicators suggest that economic activity has been expanding at a solid pace ([Federal Reserve](#)). 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 since peaking in 2022 it is still higher than the target rate. In March 2024, all items consumer price index has increased 3.5 percent compared to March 2023 ([BLS](#)).

Performance at a Glance

Pg. 3	General Fund Revenue Projection vs. Expenditure Projection	●
Pg. 4	General Fund Revenue Performance as 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%

The first quarter of 2024 saw the property sector issue in China intensifying, with some property companies ordered to liquidation or suspending trade causing a lack of confidence from homebuyers ([Fitch](#)). While this situation has drawn comparisons to Lehman’s downfall, it is important to note that Lehman overused a risky and opaque financial product whereas the current situation in China is due to excessive borrowing by private companies. As such it is unlikely to trigger contagion across global financial systems like Lehman’s failure did in 2008 ([Council on Foreign Relations](#)).

The Ukraine-Russia conflict continued without significant impacts on the broader economy in the first quarter 2024. The situation surrounding Israel has been escalating, with South Africa presenting a genocide case before U.N. court and various navies engaging with Houthis in the Red Sea. 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.



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Regional Economy

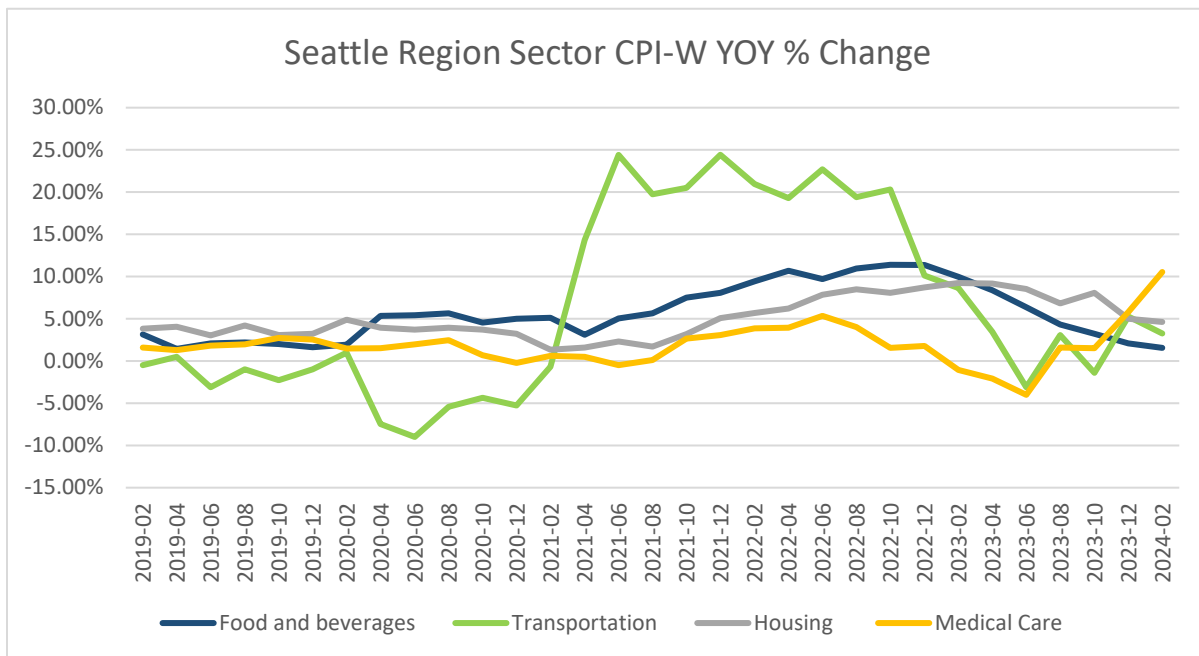
Inflation in the Seattle-Tacoma-Bellevue area has been successfully moderate for the most part in 2024. The food and beverages category moderated the most, going from 10 percent annual growth in February 2023 to 1.5 percent annual growth in February 2024. The second-best improved category is transportation with only 3.3 percent growth year-over-year currently, compared to 8.7 percent annual growth in February 2023. Even housing has improved significantly moving from 9.2 percent year-over-year growth in February 2023 to drop by half to 4.6 percent year-over-year growth in February 2024. The moderation of inflation has not been universal across the categories, however. Medical care was in a disinflationary situation coming out of the pandemic with -1.1 percent annual growth in February 2023 and now in February 2024 inflation in that category is 10.5 percent year-over-year. Over all items inflation in the Seattle region has decreased by almost half from February 2022 when it was 8.1 percent annually, in February 2023 it decreased slightly to 7.5 percent annually, and now in February 2024 it is a cooled 4.19 percent growth year-over-year (BLS).

Bellevue Economy

In the first quarter of 2024 tenant demand exceeded the historical norm for most of the quarter, with demand hyper-focused on trophy buildings in Bellevue’s central business district. Buildings outside of Bellevue’s central business district have experienced a sharp correction in tenant occupancy (Broderick Group).

Bellevue’s City Council voted unanimously in January to fund five projects through the Housing Trust Fund and three projects through Bellevue’s Housing Stability Program to provide nearly 900 units of affordable housing on the Eastside, including 350 units in Bellevue. These projects are through A Regional Coalition for Housing (ARCH) and Bellevue contributed \$1.4 million ([Bellevue](#))

The City of Bellevue received a \$1.4 million for a real-time Traffic Signal Safety Intervention (RTSSI) project that will allow the City to make real-time safety improvements at intersections to protect elderly pedestrians ([BellevueWA](#)).



Source: BEA

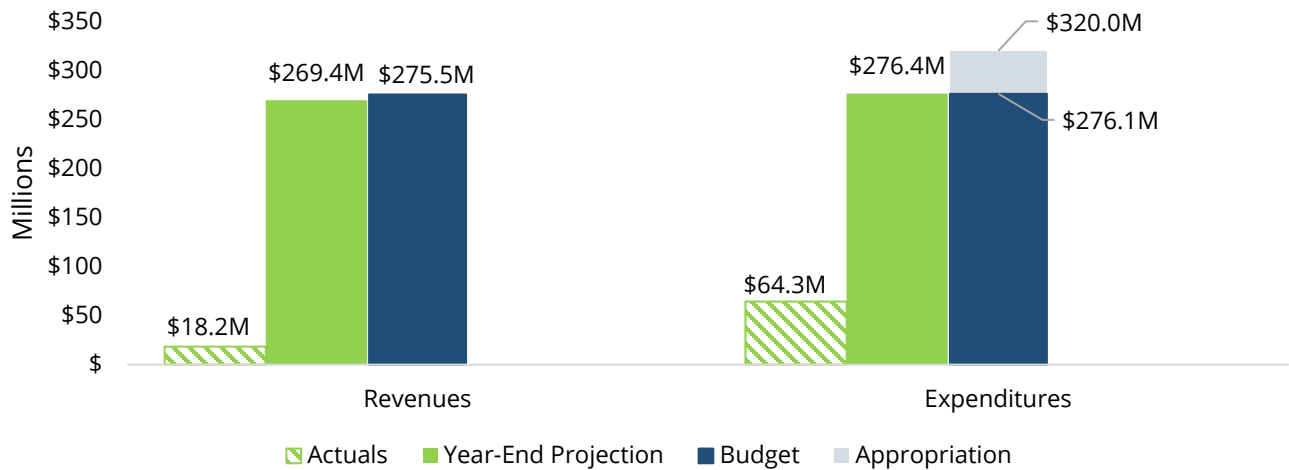


City of Bellevue Budget Monitoring Report

For the period January 1 through March 31, 2024

General Fund Performance

General Fund Revenues and Expenditures as of March 31, 2024



NOTE 1: Graph illustrates year-to-date revenue and expenditure actuals, year-end projections, amended budget, and budget appropriations (includes fund balance) through March 31, 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 2.2 percent below budget in 2024. This is in part due to the sales taxes forecast being revised down due to expected weakness in the auto, construction, and services sector. Utility and other revenues are expected to slightly offset this due to rate increases in electric and gas utilities.

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 0.1 percent or \$302k over budget in 2024. The increase is attributed to rising Police overtime and SCORE jail costs. However, this is partially offset by 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 22.6 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.

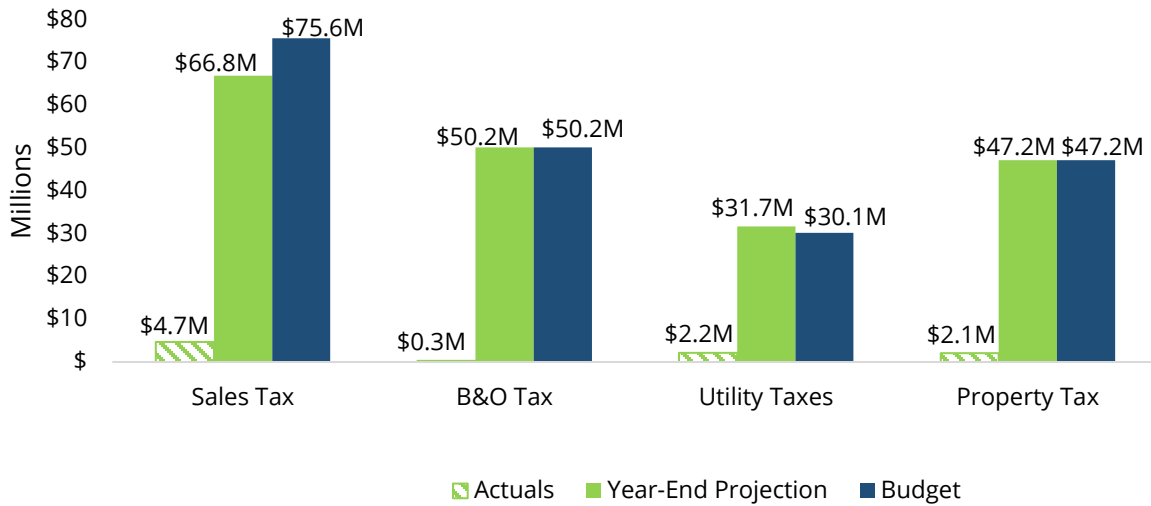


City of Bellevue Budget Monitoring Report

For the period January 1 through March 31, 2024

General Fund Performance

General Fund Tax Collections as of March 31, 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 projected to be lower than budget due to lower-than-expected sales tax collections. This is slightly offset by higher utility taxes and higher court revenues. The Federal Reserve maintained interest rate levels throughout the first quarter 2024, but there is still much uncertainty. 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 11.6 percent below budget. The services sector, which includes technology and media companies, and the auto sector had continued weakness in the first quarter of 2024. This was slightly offset by strong growth in the food and accommodation sector.

Business and Occupation (B&O) Tax

B&O tax collection is projected to be at budget based on first 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

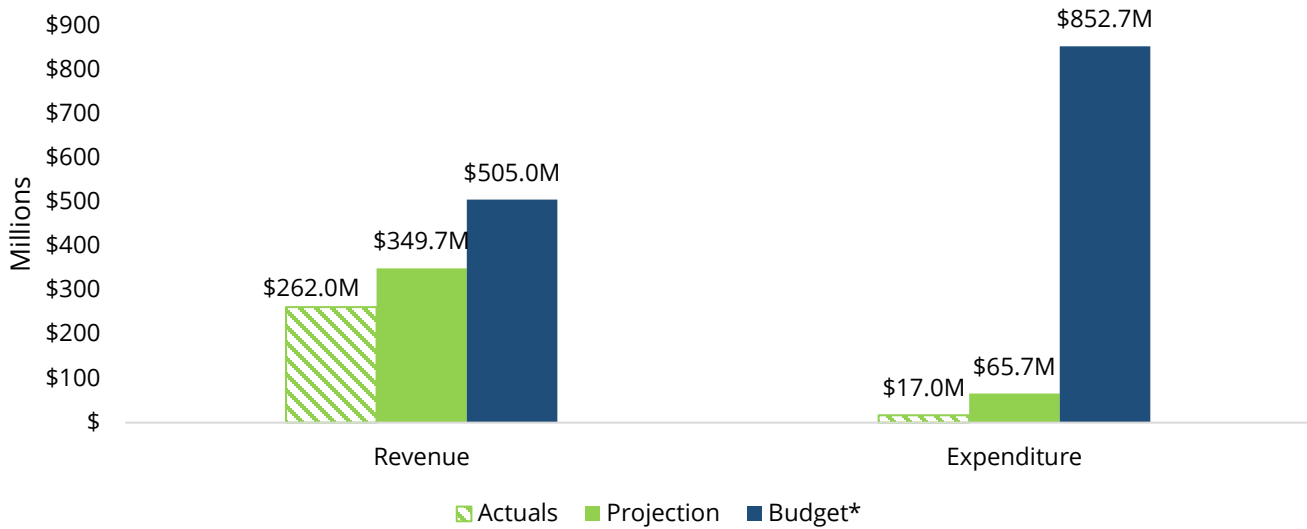


City of Bellevue Budget Monitoring Report

For the period January 1 through March 31, 2024

General CIP Performance

General CIP Fund Revenues & Expenditures as of March 31, 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 10 percent or \$1.9 million. The City is anticipating a 35 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 first quarter of 2024 and has drawn \$52.6 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 \$66 million or 7.7 percent of the available CIP expenditure budget.



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Development Services Performance



100 112th Avenue NE

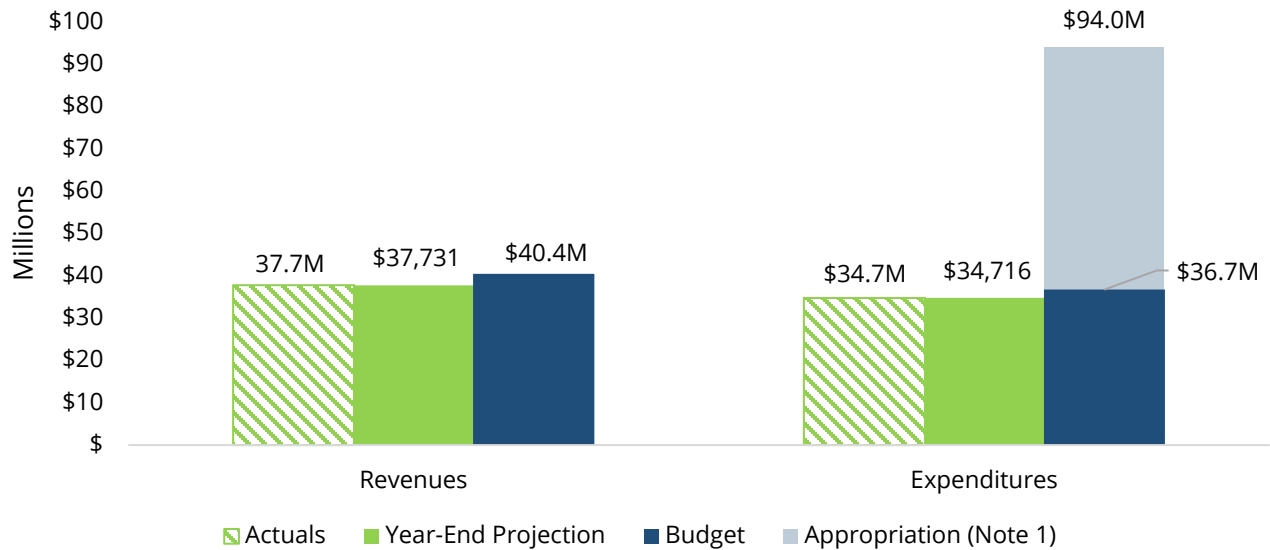


8 100th Avenue NE



10666 NE 8th Street

Development Services Revenues & Expenditures as of March 31, 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. However, the development pipeline is slowing due to uncertain economic conditions and is reflected by lower than anticipated revenue.

Expenditure savings are for vacant positions, miscellaneous M&O and delays for the DS remodel project.

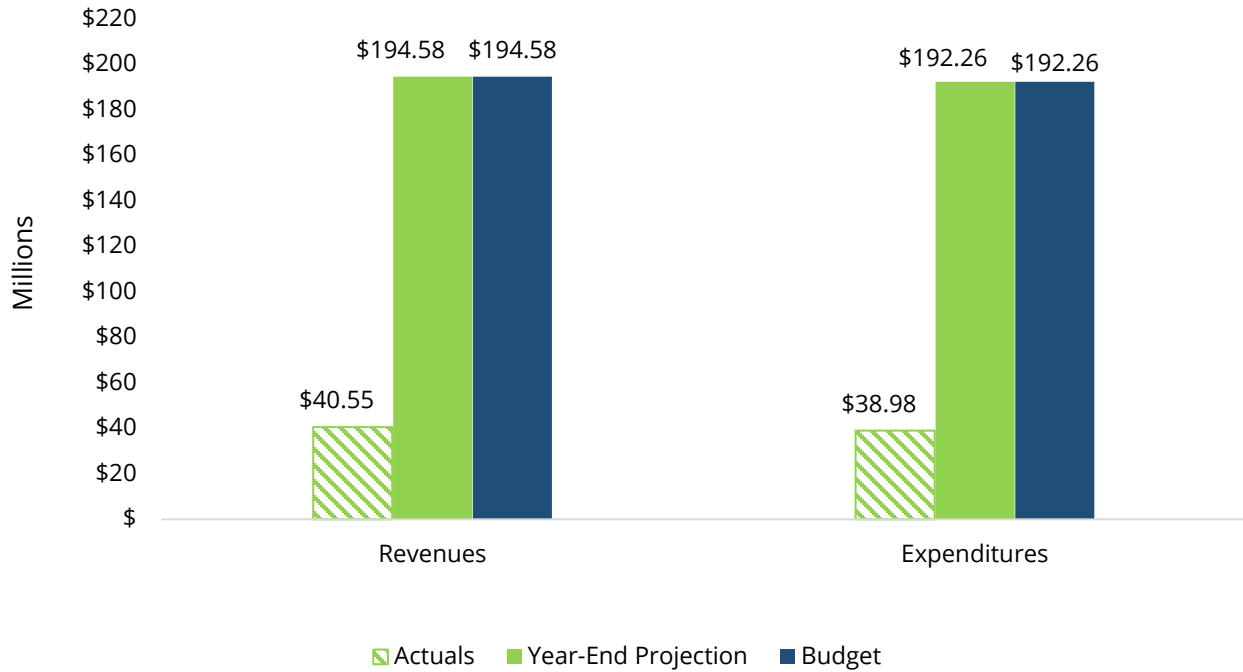


City of Bellevue Budget Monitoring Report

For the period January 1 through March 31, 2024

Utilities Operating Funds

Utilities Operating Funds Revenues & Expenditures as of March 31, 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 at budget by year-end.

Utility year-to-date expenditures are within expectations. Year-end expenses are forecasted to be on budget by year-end.

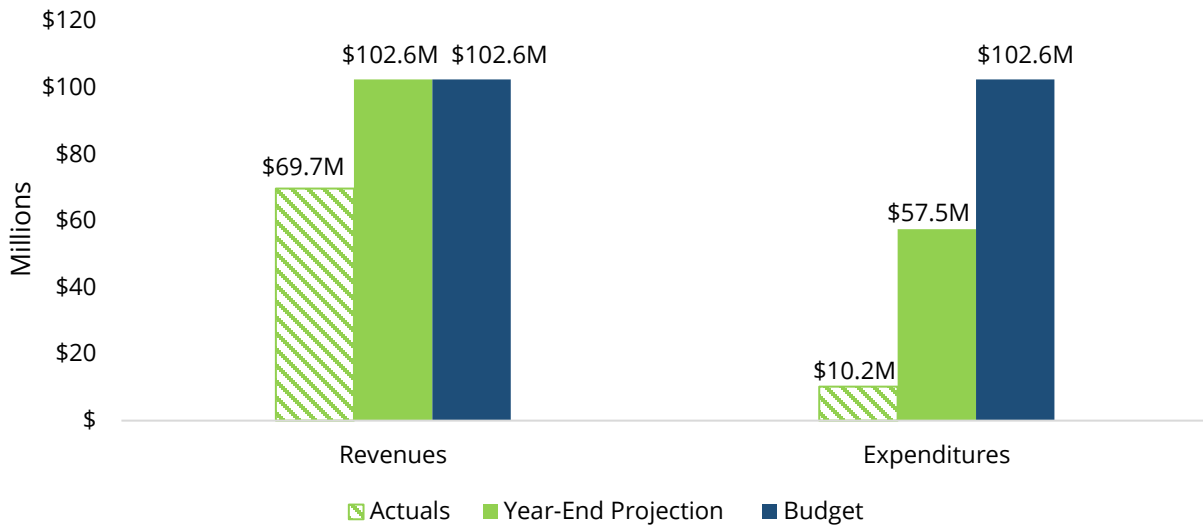


City of Bellevue Budget Monitoring Report

For the period January 1 through March 31, 2024

Utilities CIP

Utilities CIP Revenues & Expenditures as of March 31, 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 56% 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 ongoing 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.