MEMORANDUM

TO: Monroe City Council, Mayor Thomas, and City Administrator Knight

FROM: Becky Hasart, Finance Director

DATE: September 30, 2020

RE: 2021 Revenue Projections

Please find attached information regarding the proposed revenue projections for fiscal year 2021. The first public hearing to take comments regarding the revenue projections and related property tax recommendation is scheduled for the evening of October 13, 2020 during the City Council meeting.

Total projected revenues for all funds is $95,756,180, inclusive of beginning fund balance. Without beginning fund balance of $42,289,498 and transfers of $5,049,818, total new projected revenues is $48,416,864.

Total projected revenue for the General Fund is $18,502,948, inclusive of beginning fund balance. Without beginning fund balance of $3,886,207, total new revenues is $14,616,741.

The following assumptions were used to assist with projecting 2021 revenues:

- It is recommended that the City does **NOT** impose the 1% property tax increase as allowed by law. Any increase in property tax revenues is from new construction only
- The new construction assessment is currently estimated at $56,663,100 per the county
- For property taxes, the IPD is 0.6015% (updated after original publication)
- The June over June CPI is 0.9%
- It is anticipated the City will have 100 new housing starts in 2021
- It is anticipated there will be an additional 62 sewer connections outside City limits but connected to the City sewer system
- Utility rate increases will be the same as 2020, which were adopted by Resolution 022/2019 which adopted the six year utility rate model for years 2020 – 2025
    - Water rate increase is set at 3%
    - Sewer rate increase is zero (there is no increase to sewer rates)
    - Stormwater rate increase is set at 12.5%
- The City's population increased 2.85% from 2020 to 2021 (19,250 to 19,800)
- Gas taxes are anticipated to decrease by 5%

The revenue projections presented in this packet will be included in the 2021 Mayor's Recommended Budget document which will be available on October 13, 2020.

If you have any questions regarding this material, please contact Becky Hasart, Finance Director, at bhasart@monroewa.gov or 360-863-4518.

Thank you.

2021 REVENUE SOURCES - ALL FUNDS

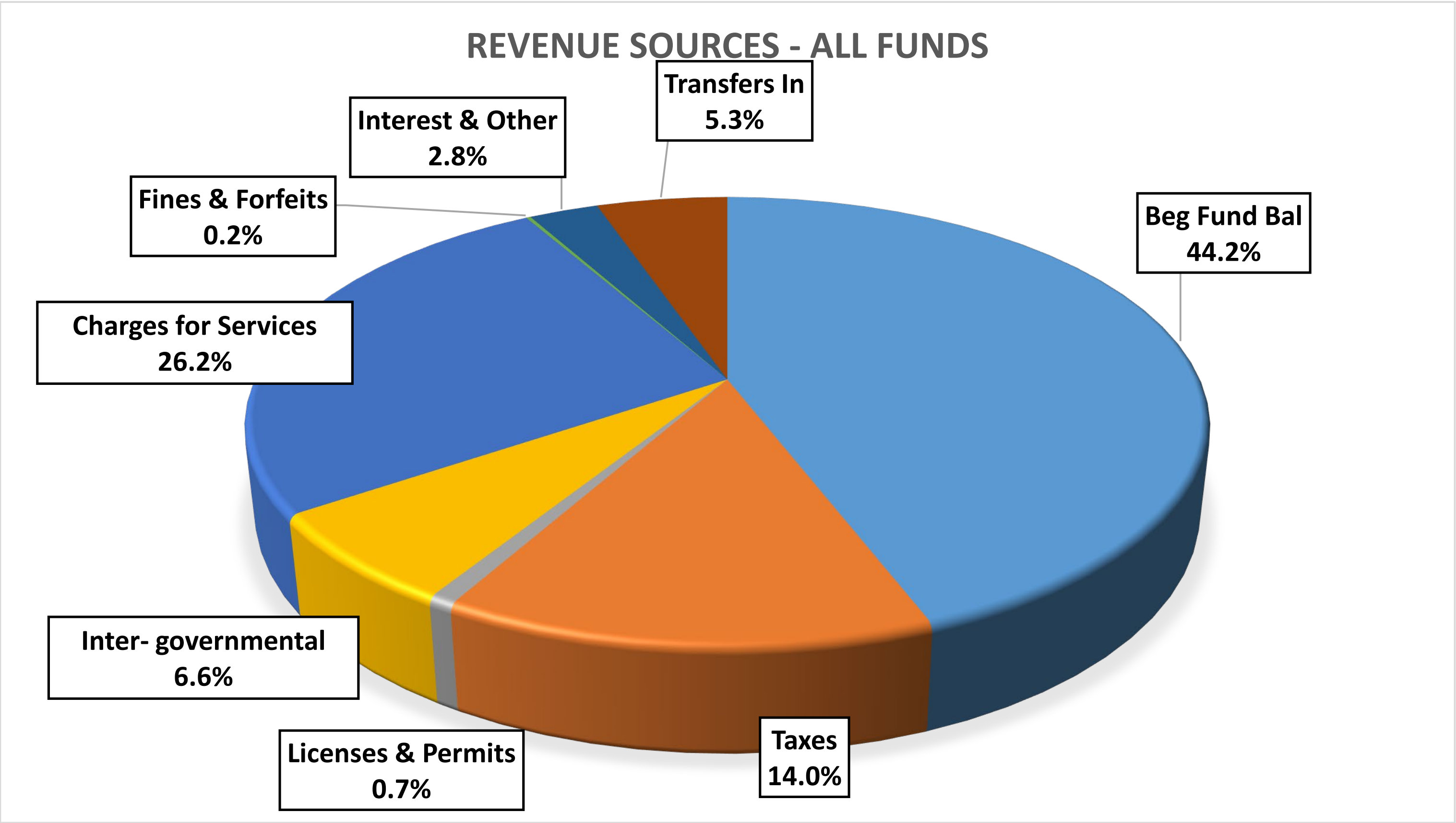
Fund	Beg. Fund Balance	Taxes	Licenses & Permits	Inter-governmental	Charges for Services	Fines & Forfeits	Interest & Other	Transfers In	Totals
General Funds									
General Govt Fund (001)									
Non-departmental	3,886,207	11,190,532	192,000	110,000	50		30,764		15,409,553
Executive					309,041				309,041
Finance					255,299		100		255,399
Human Resources					69,122		100		69,222
Police		831,700	5,700	361,208	60,600		3,000		1,262,208
Legislative (Council)					82,627				82,627
Legal					223,504				223,504
City Clerk					101,939		50		101,989
Municipal Court						166,643	65		166,708
Parks					12,420		1,500		13,920
Jail & Dispatch									-
Human Services		40,000		12,000					52,000
City-wide									-
Community Development			290,000		266,347		350		556,697
Emergency Mngt							80		80
Cares Act									-
Total General Fund	3,886,207	12,062,232	487,700	483,208	1,380,949	166,643	36,009	-	18,502,948
Other General Type Funds									
Contingency Fund (002)	1,082,314						1,724	86,000	1,170,038
Donation Fund (008)	12,403						5,250		17,653
Total All Gen. Type Funds	4,980,924	12,062,232	487,700	483,208	1,380,949	166,643	42,983	86,000	19,690,639
Special Revenue Funds									
Street Fund (105)	465,372	400,000	220,000	421,532	55,000		1,800		1,563,704
Lodging Tax Fund (109)	29,580	40,000					150		69,730
Narcotics Fund (114)	51,702						26		51,728
REET Fund (117)	1,106,896	900,000					10,000		2,016,896
Total All Spec. Rev. Funds	1,653,550	1,340,000	220,000	421,532	55,000	-	11,976	-	3,702,058
Debt Service Fund									
Debt Service Fund (203)	3,458						15	137,836	141,309

2021 REVENUE SOURCES - ALL FUNDS

Fund	Beg. Fund Balance	Taxes	Licenses & Permits	Inter-governmental	Charges for Services	Fines & Forfeits	Interest & Other	Transfers In	Totals
Capital Funds									
General CIP Fund (307)	18,397			1,022,000					1,040,397
Parks CIP Fund (317)	5,009,874			1,305,000	247,900		35,600	33,271	6,631,645
Street CIP Fund (318)	1,254,538			1,965,223	1,684,583		10,100	395,900	5,310,344
No. Kelsey Dev Fund (319)	105,427						500		105,927
Building Fund (330)	-						800,500	567,000	1,367,500
Total All Capital Funds	6,388,236	-	-	4,292,223	1,932,483	-	846,700	996,171	14,455,813
Enterprise Funds									
Water O&M Fund (411)	976,924				6,907,800		6,700		7,891,424
Water CIP Fund (412)	4,887,240						415,100	1,107,743	6,410,083
Sewer O&M Fund (421)	1,309,998				8,387,472		32,500		9,729,970
Sewer CIP Fund (422)	9,676,212			1,139,625			1,292,922	2,285,531	14,394,290
Stormwater O&M Fund (431)	376,719				2,448,625		4,000		2,829,344
Stormwater CIP Fund (432)	3,676,635						1,500	308,106	3,986,241
Rev. Bond Reserve Fund (450)	2,818,211						5,500		2,823,711
Total All Enterprise Funds	23,721,939	-	-	1,139,625	17,743,897	-	1,758,222	3,701,380	48,065,063
Internal Service Funds									
Info. Technology Fund (510)	191,880				681,183		2,500	94,000	969,563
Fleet & Equipment Fund (520)	5,254,750				1,897,215		14,000		7,165,965
Facilities Fund (530)	94,761				1,428,078		8,500	34,431	1,565,770
Total All Internal Svc Fund	5,541,391	-	-	-	4,006,476	-	25,000	128,431	9,701,298
TOTAL ALL FUNDS	**42,289,498**	**13,402,232**	**707,700**	**6,336,588**	**25,118,805**	**166,643**	**2,684,896**	**5,049,818**	**95,756,180**

2021 REVENUE SOURCES - ALL FUNDS

	Beg Fund Bal	Taxes	Licenses & Permits	Inter-governmental	Charges for Services	Fines & Forfeits	Interest & Other	Transfers In	Totals
TOTAL ALL FUNDS	$ 42,289,498	$ 13,402,232	$ 707,700	$ 6,336,588	$ 25,118,805	$ 166,643	$ 2,684,896	$ 5,049,818	$ 95,756,180
	44.2%	14.0%	0.7%	6.6%	26.2%	0.2%	2.8%	5.3%	



General Fund Overview

INTRODUCTION

The General Fund is the principal governmental fund of the City. It accounts for the revenues and expenditures which are not accounted for in any other fund and supports services for the greater good that are more general in nature. These services traditionally do not have a dedicated revenue stream to fully support its program and include police, parks, community and economic development, municipal court, records and legal services, and administrative services.

General Fund - Revenues

	Actual 2017	Actual 2018	Actual 2019	Budget 2020	Projected 2020	Proposed 2021
Taxes	$10,922,890	$11,187,505	$13,018,694	$11,713,376	$12,000,668	$12,062,232
Licenses & Permits	806,563	943,596	792,171	554,700	559,625	487,700
Intergovernmental	616,418	584,359	566,945	1,142,052	1,146,768	483,208
Charges for Services	1,095,781	1,439,399	1,617,822	1,462,711	1,439,997	1,380,949
Fines & Forfeitures	283,176	238,974	240,706	134,516	135,416	166,643
Interest & Other Rev	77,170	104,561	144,619	98,592	100,156	36,009
Transfers In	446,953	122,351	-	40,209	40,209	-
Beginning Fund Balance	3,383,932	4,548,625	4,422,551	4,632,998	4,632,998	3,886,207
Total	$17,632,883	$19,169,371	$20,803,508	$19,779,154	$20,055,837	$18,502,948

Total anticipated revenues for 2021 in the General Fund, without consideration of the beginning fund balance, is a decrease of $529,415 from the 2020 Budget. Tax revenues are relatively stable (no property tax increase is proposed for 2021). The revenue decline is primarily attributable to removal of the one-time Cares Act funding of $607,000 in 2020. The decrease in revenues from this change will be offset by decreased activity spending in 2021. Interest and other revenues are decreased from 2020 levels due to a lower interest rate earnings outlook with began in 2020 and anticipated to continue in 2021.

REVENUES

The majority of the General Fund revenues are taxes. For the 2021 proposed budget, tax revenue represents 65.2% of the overall anticipated revenue into the General Fund. This includes property taxes, sales taxes, utility taxes, leasehold excise taxes, admissions taxes, and gambling taxes. Without consideration of the beginning fund balance, the second largest category of revenue is Charges for Services at 9.5% of the General Fund. These charges include plan review fees, appropriate policing reimbursement fees, field usage fees in our parks, and overhead recovery fees for our administrative services. The table above illustrates the various revenue categories anticipated in 2021 for the General Fund.

General Fund Overview

Property Taxes

The City's property tax is levied based on the assessed value from the previous year, as determined by the Snohomish County Assessor. Annually, the City Council sets the property tax levy as part of the annual budget process. This levy is then legally required to be certified to the County by the end of November. The Council may increase its property tax revenues by either one percent or by the Implicit Price Deflator published in September each year, whichever is lower. If the Council does not increase the property tax by the amount allowed, the City then "banks" the amount for potential future use.

The City has traditionally foregone its statutorily allowed increase each year and "banked" the taxing authority, with the exception of fiscal years 2017 and 2019. For 2017, the City used $484,312 of its banked capacity to help restore specific positions/services within the General Fund, such as a parks supervisor, part time permit tech/code enforcement, and a city accountant (still to be filled). The 2018 Approved Budget did not increase the property taxes over 2017 collections, leaving approximately $671,000 in banked tax capacity. In fiscal year 2019, the City used $450,000 of this remaining banked capacity, specifically to hire two positions for its Parks Department and to help fund some of the Economic Development Advisory Board's recommendations. For fiscal year 2021, the budget again recommends foregoing the statutorily allowed 1% property tax increase. Any growth in property taxes would be solely from new construction, estimated to be $61,645 in new revenue.

The following chart details the historical rate per thousand assessed for City taxes since 2013:

Historical City Assessed Valuation, General Property Tax Levied, and City Property Tax Rate
****2021 rates are preliminary estimates/may be affected by new construction**

Year	Assessed Value	Revenue	per $1,000
2021**	$ 3,062,557,708	$ 3,392,805	$ 1.08
2020	$ 2,885,062,587	$ 3,275,000	$ 1.14
2019	$ 2,600,459,852	$ 3,201,628	$ 1.23
2018	$ 2,255,923,097	$ 2,674,640	$ 1.19
2017	$ 1,991,598,893	$ 2,577,719	$ 1.29
2016	$ 1,773,873,208	$ 2,047,724	$ 1.15
2015	$ 1,631,751,335	$ 2,013,295	$ 1.23
2014	$ 1,464,883,201	$ 1,991,453	$ 1.36
2013	$ 1,349,715,977	$ 1,969,615	$ 1.46

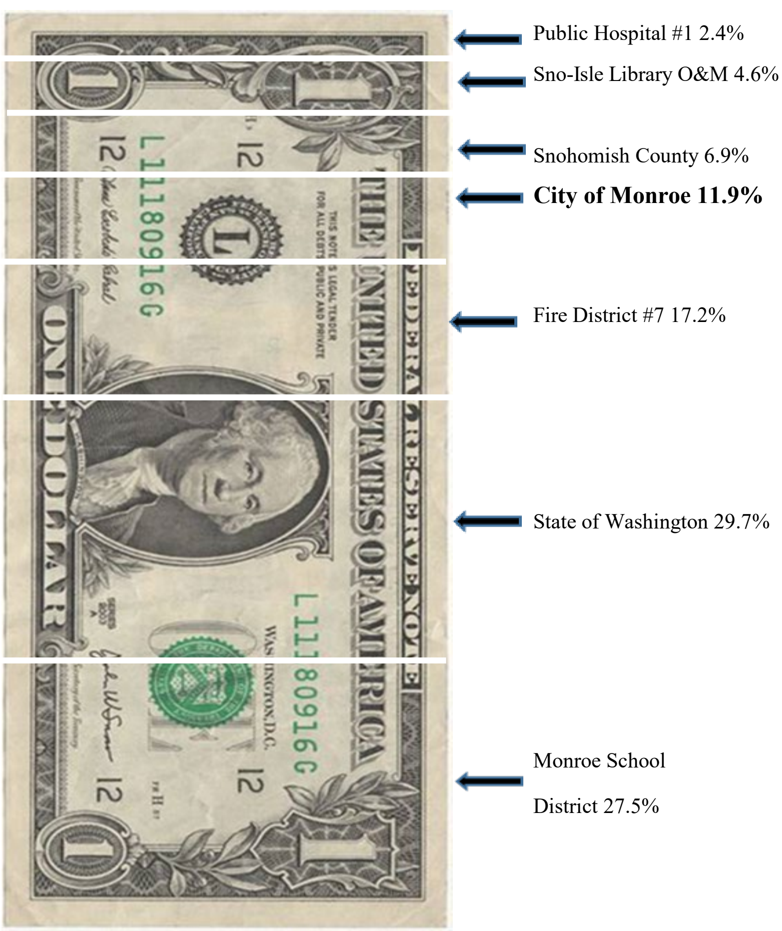
General Fund Overview

Property Taxes continued:

Snohomish County has indicated that estimated increases to assessed values for property in Monroe will be on average 6.17%. By not assessing the 1% increase to property taxes allowed by law, the City of Monroe's portion of the property tax bill should remain the same (slight difference due to rounding). The following table illustrates this:

Taxes calculated by taking assessed value/1,000 times tax rate

2020 Home Value	2021 Estimated Home Value 6.17% Increase	2020 City Tax Rate	2020 City Tax	2021 Estimated City Tax Rate	2021 Estimated City Tax	Difference Year over Year
$ 250,000	$ 265,425	$ 1.15	$ 287.50	$ 1.08	$ 287.43	$ (0)
$ 300,000	$ 318,510	$ 1.15	$ 345.00	$ 1.08	$ 344.91	$ (0)
$ 400,000	$ 424,680	$ 1.15	$ 460.00	$ 1.08	$ 459.89	$ (0)
$ 500,000	$ 530,850	$ 1.15	$ 575.00	$ 1.08	$ 574.86	$ (0)
$ 600,000	$ 637,020	$ 1.15	$ 690.00	$ 1.08	$ 689.83	$ (0)



The property tax rates illustrated above are for the City of Monroe's portion only of the overall tax bill. For the majority of residents, the property tax bill also includes taxes to the state, Fire District #7, the library, schools, hospital, and county. The graphic to the left illustrates how much of each dollar paid in property taxes goes to each jurisdiction. For 2020, the City of Monroe's portion represented 11.9% of the total bill. The total property tax bill on a house with an assessed value of $458,100 in 2020 is $4,438 (total tax rate is $9.69 for this property). The City receives $529 of this $4,438, with the remainder going to other agencies See graphic on the following page for the distribution of the tax collected for this house.

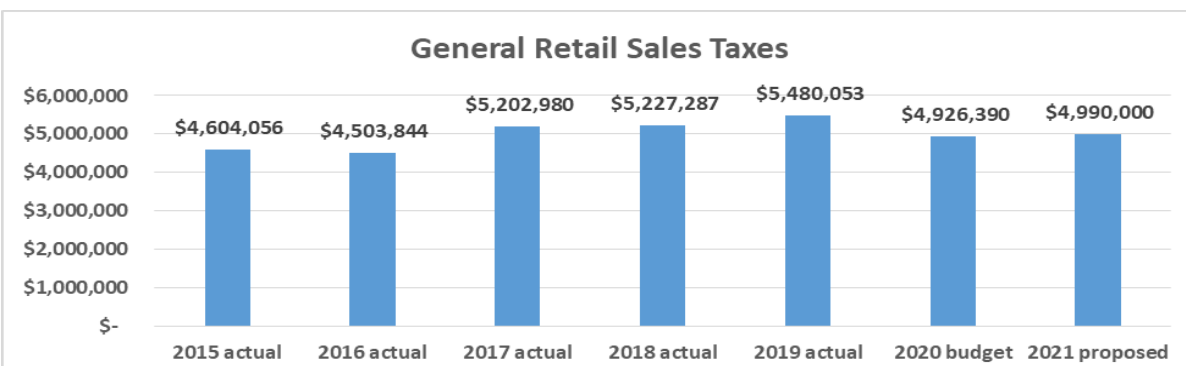
Property taxes continued:

While all taxes represent 65.2% of the 2021 General Fund budget, property taxes alone represent just 18.3% of the anticipated General Fund revenues ($3,392,805 of the $18,502,948 anticipated revenue). The largest source of anticipated taxes to the 2021 General Fund is sales taxes.

Sales Taxes

Sales taxes are the taxes paid on retail sales in the City of Monroe. Monroe's sales tax rate is 9.3%. Of this rate, 6.5% goes to the state, 1.5% to other agencies, and the remaining 1.3% stays here locally. For 2021, the anticipated Monroe portion of general sales taxes represent 27.0% of the overall General Fund budget ($4,990,000 of the $18,502,948 anticipated revenue). These taxes may be used for any general purpose program for the City, such as parks, community development, police, etc.

As illustrated in the chart below, general sales taxes have steadily improved until 2019, but decreased in 2020 and 2021 due to the impacts of the COVID pandemic. As the economy continues to recover, it is anticipated that future years will again see steady growth in this revenue source.



Along with the general sales taxes, the City also assesses an additional 0.1% sales tax (part of the 9.3%) for public safety purposes. This restricted tax, as approved by the voters, may only be used for public safety purposes. The anticipated receipts from this 0.1% sales tax is $416,000 which is 2.2% of the overall anticipated General Fund budget. This $416,000 represents 5.2% of the Police department 2021 proposed expenditure budget.

Remaining 2021 anticipated sales taxes are the state shared taxes for Criminal Justice at 1.8% or $330,000 of the overall anticipated General Fund revenues. This again is restricted resources for public safety and represents 4.1% of the Police Department's 2021 proposed expenditure budget.

General Fund Overview

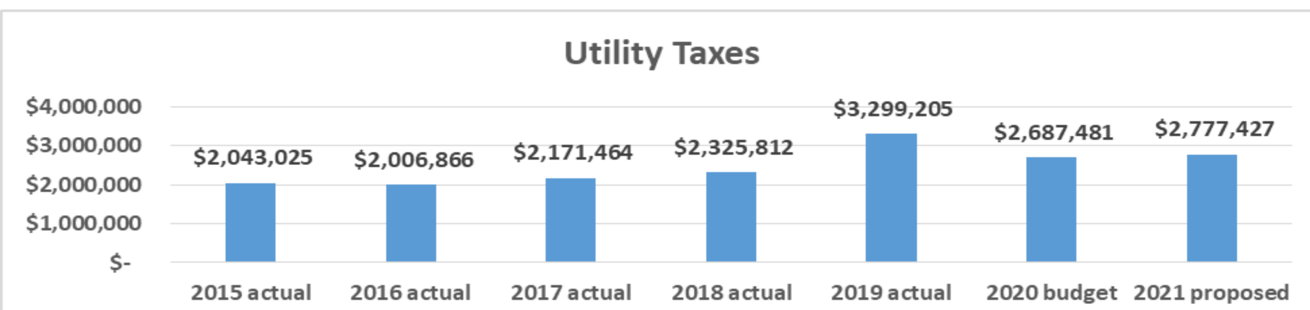
Utility Taxes

Utility taxes are taxes levied on the gross operating revenues earned by both public and private utilities operating within the City of Monroe. A utility tax is not a pass through tax but a tax on the "business" itself. Through 2018, utilities paying a tax to the General Fund included electric, natural gas, phone, and water. It did not include sewer, stormwater, or garbage. (Garbage utilities pay a franchise fee to the City, which we receipt into Fund 105-Street O&M.)

Beginning in 2019, the City assessed a 10% utility tax on its sewer utility, similar to what is assessed on our water utility. In 2021, this tax is estimated to generate approximately $970,000; the first $400,000 of this tax will be receipted into Fund 105 Street O&M to support its operations. The remaining estimated $570,000 will be revenue to the General Fund.

Utility taxes are our third largest revenue source to the General Fund, behind sales and property taxes but exclusive of beginning fund balance. 2021 anticipated utility taxes represent 15.0% of the General Fund anticipated revenues ($2,777,427 of the $18,502,948 total).

With the exception of 2016 actual receipts, the utility taxes have grown at a slow but steady pace, due mostly to our population growth. In 2016, taxes assessed against natural gas decreased over prior years but has begun to grow again. Overall, 2021 utility taxes are anticipated to increase over 2020 before consideration of the $400,000 to be receipted in the Fund 105 Streets O&M. Actual estimated utility tax revenue to the General Fund will see a slight increase in 2021.



General Fund Overview

Other Taxes

The remaining 2021 taxes are derived from Admissions Taxes, Leasehold Excise Taxes, and Gambling Taxes. These taxes represent 0.33% or $60,800 of the overall 2021 General Fund revenues. The city has estimated these taxes very conservatively given the current restrictions on social events.

Licenses & Permits

The City of Monroe assesses fees to license businesses and animals. In addition, Monroe realizes revenue from cable franchise fees and building permits. Building permits are the largest revenue stream within this category, $290,000 of the $487,700 total expected. These are the fees assessed against new housing starts. The City is estimating a conservative 100 new housing permits for 2021, which is a decrease from the 110 anticipated in 2020.

Intergovernmental Revenues

Intergovernmental revenues consist of state shared revenues, grants, and reimbursements from other governmental agencies. State collected revenues that are shared with all cities are allocated on a per capita basis. Population figures, determined annually as of April 1 by the State demographer in the Office of Fiscal Management, are used as the basis for the per capita distributions. For 2021, Monroe's official population is 19,800. This is a 2.85% increase over the 2020 figure of 19,250. Intergovernmental revenues represent 2.6% of the total anticipated General Fund revenue ($483,208 of the $18,502,948). This is a 7.6% decrease from the 2020 Budget.

Charges for Services

The City of Monroe offers a variety of services to its citizens and customers including parks and field usage, fingerprinting, plan reviews, etc. In addition, our police department works with the local school district to staff a School Resource Officer. Fees associated with these services comprise the Charges for Services category for the General Fund.

The 2021 anticipated Charges for Services revenues make up 7.46% of the General Fund anticipated revenues. The majority of the fees in this category are generated by planning services and plan review fees and overhead/fixed cost recovery fees.

General Fund Overview

Fines & Forfeitures

Fines and forfeitures represent traffic citations and other fines imposed through enforcement of local ordinances and state statutes. 2021's projected revenue is a increase from 2020 budget by $31,227 or 23.2%. These revenues are hard to anticipate as they are dependent on specific enforcement actions.

Interest and Other Revenues

Interest and other revenues represents the interest earned on the City's investments and other miscellaneous revenues such as leases, rental income, insurance recoveries, etc. The City determines each month its immediate cash needs and invests any excess cash into the State's Local Government Investment Pool (LGIP) to maximize its interest earnings. Money invested in the LGIP has no risk to the principal and is available within 24 hours. There are no transaction fees associated with these investments. For longer term monies (money associated with future capital projects), the City invests in federal bonds, as allowed by state law. These investments mature anywhere from one to five years from the date of purchase and allows the City to realize a higher rate of return than our short term LGIP investments. While the City does not budget for miscellaneous revenues each year, this category is anticipated to decrease by $64,147 from 2020 budget, mostly due to sharply lower interest yields.

Transfers In

Transfers In represent intermittent moneys that are moved into the General Fund from other funds for special projects. These transfers can fluctuate greatly year to year. There are no anticipated transfers into the General Fund in 2021.

Beginning Fund Balance

The beginning fund balance represents the cash remaining at the end of the prior fiscal year that is available for use by the City. The beginning fund balance grew steadily over the past few years as departments are cost conscious when spending on their programs and revenues can sometimes exceed the budget. The City's practice is to reserve 17% of anticipated expenditures from the beginning fund balance to insure we have a proper reserve for cash flow purposes and other unanticipated needs.