

Chris –

Below are answers to your questions in red. I'll make sure to share this information with the entire City Council.

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From: Chris Roberts <croberts@shorelinewa.gov>
Sent: Sunday, March 22, 2020 4:56 PM
To: Debbie Tarry <dtarry@shorelinewa.gov>
Cc: John Norris <jnorris@shorelinewa.gov>; Pollie McCloskey <pmccloskey@shorelinewa.gov>
Subject: Questions

Debbie,

This the first of three sets of questions about this week's agenda. With this set I am not expecting immediate answers.

- 1) In light of the NLC estimates on revenue losses for cities, at what points is the City expecting to see actual data of revenues? That is, when is the earliest that the city receive sales tax or REET revenue, and other revenues?

ANSWER:

Each revenue source has a different timing, so the actual impacts will be staggered. We are however working on creating an initial estimate of the impact for Shoreline Revenues based on a variety of sources including our historic experience during the great recession. Following are the major revenue sources and when we will have our first sense of the immediate impact. We plan to update our initial estimate as real data becomes available to ensure that we are appropriately managing our response to the event. For the long-term impact, we will be relying on our Economic Forecaster in addition to our own experience and incorporating that into our regular budget process.

- **Sales Tax:** Two factors impact the timing of Sales Tax Receipts. Most businesses remit their sales tax collections to the Washington State Department of Revenue (DOR) on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. There is a minimum two-month lag from the time that sales tax is collected to the time it is distributed to the City. So generally, Sales Taxes collected by businesses in February are remitted to the City in April. However, the State is offering deferrals upon request for monthly filers impacted by COVID-19, and automatic deferrals for Quarterly and Annual filers. These factors will impact our ability to measure the full impact of this event on our immediate collections.
- **REET:** The City receives REET reports on a monthly basis of the transactions for the prior month. This information is reported to the City Council on a monthly basis through the City Manager's updates.

- **Property Tax:** Property tax is received two times annually, at the end of April and end of October. Approximately 60% of property owners remit property taxes through a mortgage escrow. We understand that King County is considering a deferral for collection of property taxes for those that pay directly. We do not know the timing for the deferral or likelihood that it will be approved, or if the County uses some other means to provide relief to those impacted by COVID-19. Note that because we collect our Surface Water Management fees with property tax, these two revenue sources will be impacted equally by any delay and delinquencies.
- **Utility Taxes/Contract Payments-** Our largest utility tax filer file on a Monthly basis. The City is not planning to offer a blanket deferral for these business filers.
- **Business and Occupation & Gambling Tax -** Our largest taxpayers file on a quarterly basis with payments due at the end of April, July, October, January. The City Manager is issuing an emergency policy offering a deferral of taxes for businesses with gross receipts of less than \$5million annually, deferring the first and second Quarters to October.

1a) How detailed is the data on sales tax revenues? Do we get data by sector or by business?

ANSWER:

The data provided by the DOR tells us the period reported by business. We pull reports that roll up businesses to sectors using parts of the NAICS code.

2. Does the state provide a per city breakdown of unemployment claims?

ANSWER:

There is no regularly available report reporting city-level unemployment fillings. Staff has contacted the WA Employment Security Department (WAES) to see if there is a process the City can obtain such info. Staff will follow-up if this data point is available. We did however receive the following update from the WAES on Thursday regarding State Unemployment Data broken down by County. Demonstrating the COVID-19 wave washing across the state, Spokane County experienced the highest increase, 455 to 8,766 up 1,826 percent from the week before. King County, the most populous in the state and one that had already started to see a precipitous rise in claims the prior week, saw new claims increase from 5,834 to 37,296 during the week of March 15-21, up 539 percent from the week before.

All other counties experienced a spike in new claims, with some of the highest during the same period in:

- **Pierce County:** New claims filed increased from 1,559 to 14,730 up 845 percent from the week before.
- **Snohomish County:** New claims filed increased from 1,386 to 13,692 up 888 percent from the week before.

3. Can you remind me how the “economically sensitive revenue” reserves were calculated ? That is what was the projected economic conditions those revenues were based upon?

ANSWER:

Reserve and Contingency Fund Policies are discussed on pp. 422-423 of the 2019-2020 Adopted Biennial Budget Book and 2019-2024 Capital Improvement Plan book. The Revenue Stabilization Fund was established to accumulate a reserve equal to thirty percent (30%) of annual

economically sensitive revenues within the City's operating budget to cover revenue shortfalls resulting from unexpected economic changes or recessionary periods. Assignment of "economically sensitive" is not based on a "projected economic condition", rather experience that shows certain revenue streams are more likely to be impacted. With that being said, the City may "tap into" the Revenue Stabilization Fund as a stopgap measure to provide time to methodically analyze the nature of the economic change and/or recession and develop the appropriate course of action (e.g., hold the course, budget reductions, etc.). If reserves and/or fund balances fall below required levels as set by this policy, the City shall include within its biennial budget a plan to restore reserves and/or fund balance to the required levels.

4. When is the earliest we can get a sense of permit activity (January- present)?

ANSWER:

Permit activity data is reported to the City Council on a monthly basis through the City Manager's updates (Provided February data in March 13th Update). Planning & Community Development can prepare a report of activity for the period of January through March in early April.

5. Do we have an estimate on the costs to start up the pool from a prolonged shutdown?

ANSWER:

We do not anticipate that there will any significant costs directly attributable to re-opening the pool after the shut-down. We have lowered temperature of water to 70 to save some money during shut-down period. King County will need to provide deep clean following their use of the facility.

Thank you,

Chris

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