



City of Shoreline, Washington Unlimited Tax General Obligation Bonds, 2022

Presentation to
S&P Global Ratings

April 27, 2022

Meeting Participants

City of Shoreline, Washington

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Schedule



Transaction Schedule

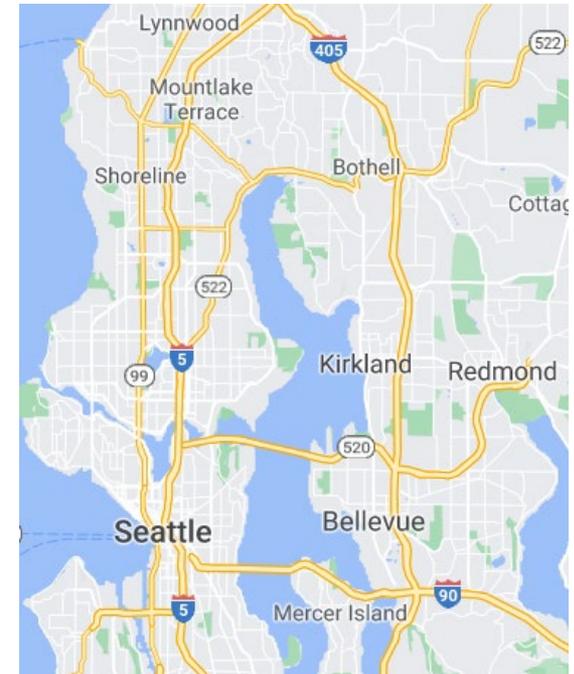
Rating Meeting	April 27
Rating Requested	May 5
POS Release	May 6*
Bond Sale	May 17*
Closing	May 26*

* Preliminary, subject to change

City of Shoreline Overview



- Located approximately 10 miles north of downtown Seattle
- Incorporated in 1995 as a non-charter code city
- Estimated 2021 population of 59,260
- The City provides a full range of local government services including police, park and recreation facilities and activities, cultural events, construction and maintenance of streets, planning, zoning and general administrative services
- The City owns and operates a surface water utility and wastewater utility operation
 - Completed assumption of the Ronald Wastewater District on April 31, 2021
- Water provided to residents by Seattle Public Utilities and North City Water District
- Electricity provided to residents by Seattle City Light
- Contract with King County Sheriff's Office for its full-service police department
- Fire protection and emergency medical services provided by King County Fire District No. 4



Major Economic Development



Completed

- \$140-Million Aurora Corridor Project completed in 2016
- 1,200 new multifamily units and 500 new townhomes since 2019



Planned

- Lynwood Link Extension of Sound Transit Link Light Rail (2024)
- \$82-Million NE 145th St. Corridor Project (2024)
- \$17-Million 148th St. Non-Motorized Bridge Project (2024)
- 9,000+ multifamily residential units including 1,700+ in Shoreline Place Community Renewal Area plus jobs, bars, and restaurants *coming soon*: shorelineplace.com
- Shoreline Community College a Biotech “National Hub” (NSF)
- New Health Science & Manufacturing Classroom Complex (2023)
- Washington State W.R. Geidt Public Health Laboratories expanded newborn screening wing (2023)
- STRIDE Bus Rapid Transit to Bothell (2026)

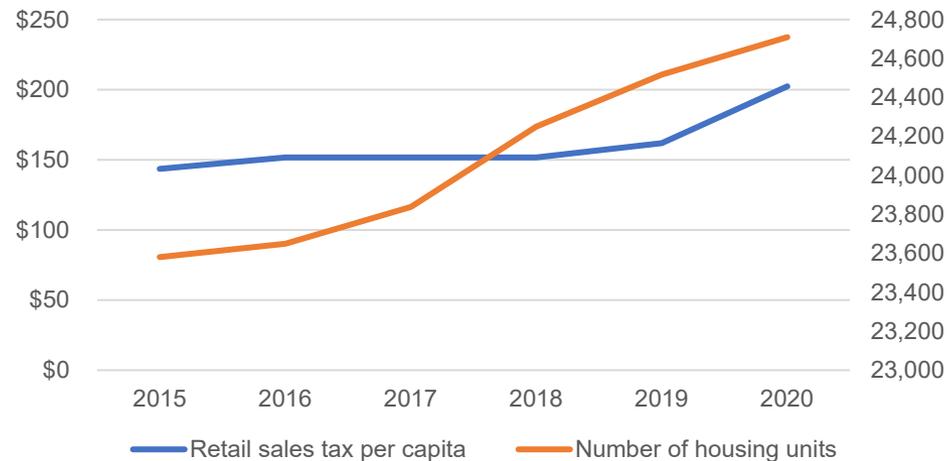
Major Economic Development



City of Shoreline Building Permits

Year	New Single Family Units		New Multi-Family Units		Commercial	
	# of Permits	Value of Permits	# of Permits	Value of Permits	# of Permits	Value of Permits
2021	160	\$41,401,351	823	\$152,285,413	31	\$38,158,027
2020	152	39,079,458	30	4,781,059	34	32,498,476
2019	108	24,335,506	467	78,562,785	52	139,788,411
2018	89	26,045,264	275	39,917,088	52	78,428,901

New Construction, More Sales Tax (Per Capita)



2021 Results/COVID-19 Update



Preliminary 2021 Operating Results

- Although the City prepared for the potential impacts of a recession as the result of the pandemic, the results for 2021 were significantly better than anticipated
- 2021 Results: General Fund
 - Revenue increased 12.5% from 2020, primarily due to one-time revenues associated with development
 - Sales tax receipts up 6.0% from 2020
 - Retail trade sector and hotels/restaurants returned to pre-pandemic levels of activity
 - Operating expenses decreased 3.9% from 2020

COVID-19 Updates

- Indoor mask mandates were lifted on March 12, 2022
- Financial assistance
 - In 2020, the City received \$2,536,650 in Federal CARES Act assistance
 - The City was awarded \$7,533,842 American Rescue Plan Act assistance
 - The 1st tranche was received in August 2021; the 2nd will be received in August 2022
 - Allowed the City to fund Human Services, Business Recovery, and Infrastructure Investments

City Governance and Management



- Council-Manager form of government
- Seven-member council elected by voters for a four-year term, Council chooses Mayor

Elected Official	Position	Initially Elected	Current Term Expires
Keith Scully	Mayor	November 2015	December 31, 2023
Betsy Robertson	Deputy Mayor	January 2019	December 31, 2023
Doris Fujioka McConnell	Council Member	November 2007	December 31, 2023
Laura Mork	Council Member	November 2021	December 31, 2025
Eben Pobee	Council Member	November 2021	December 31, 2025
John Ramsdell	Council Member	November 2021	December 31, 2025
Chris Roberts	Council Member	November 2009	December 31, 2025

Key administrative staff:

- *Debbie Tarry, City Manager*
- *John Norris, Assistant City Manager*
- *Sara Lane, Administrative Services Director*

Economic Indices

Taxable Retail Sales

Year	King County	City of Shoreline
2021 ⁽¹⁾	\$ 57,372,941,684	\$ 1,029,003,175
2020	66,955,895,952	1,321,836,197
2019	72,785,180,223	1,266,408,409
2018	69,018,485,985	1,103,168,616
2017	62,910,608,935	1,000,349,221

⁽¹⁾ Through September 30, 2021

Population

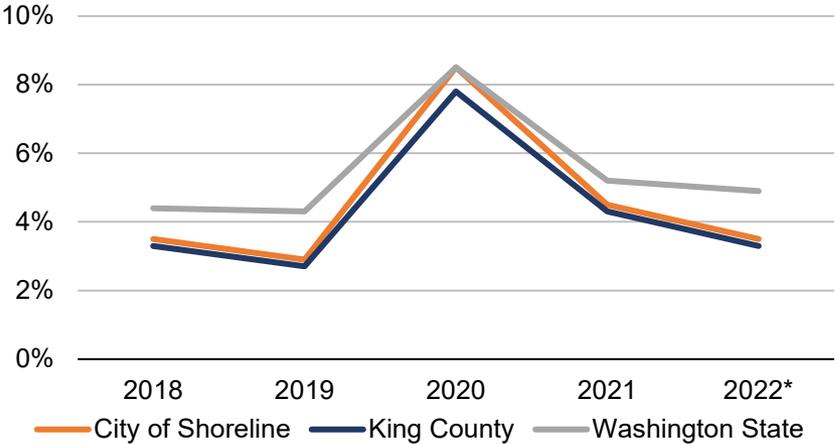
Year	City of Shoreline	King County
2021 ⁽¹⁾	59,260	2,287,050
2020	58,608	2,269,675
2019	56,370	2,226,300
2018	55,730	2,190,200
2017	55,060	2,153,700

⁽¹⁾ Estimated

Per Capita Personal Income

Year	King County	State of Washington
2020	\$ 96,647	\$ 67,126
2019	92,026	63,021
2018	88,308	60,352
2017	83,086	57,389
2016	78,776	55,038

Unemployment Rate



* Through February 2022

General Fund Revenue by Source



- Total tax revenue has increased steadily over the past five years, with decreases in Utility Taxes and Other Taxes offset by larger increases in Property Taxes and Sales and Use Taxes
- The City imposed a business and occupation tax effective January 1, 2019
- “Other Revenue” includes gambling tax, excise tax, and penalties and interest

Fiscal Year	Property Taxes ⁽¹⁾	Sales and Use Taxes	Utility Taxes ⁽²⁾	B&O Taxes	Other Taxes ⁽³⁾	Total Taxes
2021	\$ 14,031,079	\$ 14,099,017	\$ 3,364,370	\$1,807,482	\$ 968,136	\$34,270,084
2020	13,842,670	13,123,462	3,350,681	1,902,999	925,191	33,145,004
2019	13,372,160	12,703,604	3,332,844	1,493,202	1,460,552	32,362,363
2018	12,644,231	12,375,399	3,451,643	N/A	1,604,753	30,076,026
2017	12,172,701	10,153,986	3,720,822	N/A	1,589,222	27,636,731

(1) City voters approved Proposition 1 in November 2016, which set a property tax of \$1.39 per \$1,000 of assessed valuation effective January 1, 2017

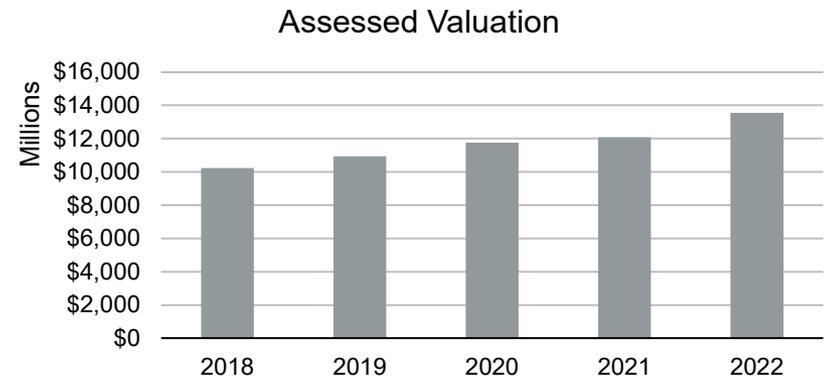
(2) Includes taxes on City-owned utilities, which represent approximately 7-10 percent of Utility Tax revenue each year

(3) Includes gambling tax, excise tax, and penalties and interest.

Property Tax Revenue

- The City’s 2022 levy rate limit is effectively \$2.517/\$1,000 of assessed valuation
 - The reduced limit from \$3.60/\$1,000 AV is due to the King County Library System’s 2022 levy of \$0.292/\$1,000 AV and Fire Protection District No. 4’s 2022 levy of \$0.791/\$1,000 AV
 - For 2022, the City’s actual regular levy rate is \$1.13188/\$1,000 AV
- Multi-year levy lid lift through 2022
 - Allows the City to set its limit factor at an amount not to exceed inflation (Seattle CPI), rather than the 101% limit set by State law
 - City anticipates seeking renewal in 2022
- Assessed Value has increased 32.5% since 2018

Tax Year	Assessed Valuation	Regular Levy Rate
2022	\$13,549,995,071	\$1.13188
2021	12,076,248,955	1.19311
2020	11,764,631,816	1.19583
2019	10,942,263,005	1.24039
2018	10,228,874,349	1.26752



Largest Taxpayers in the City



Largest Property Taxpayers in the City – 2022 Tax Year		
Taxpayer	Assessed Valuation	% of Total A.V.
Echo Lake Owner LLC	\$ 88,945,000	0.66%
Public Storage	45,844,382	0.34
Market Square Associates LLC	41,317,000	0.30
Shoreline Apartments Owner, L.L.C.	36,265,500	0.27
Larson Christopher R	30,311,000	0.22
Kim Edward S	28,822,000	0.21
Merlone Geier Partners	27,413,200	0.20
Engineers Investment Co	26,499,500	0.20
Merlone Geier Partners	25,649,000	0.19
Costco	24,303,062	0.18
Subtotal – Ten Largest Taxpayers	375,369,644	2.77%
All Other City Taxpayers	13,174,625,427	97.23%
	\$13,549,995,071	100.00%

General Fund Operating Results



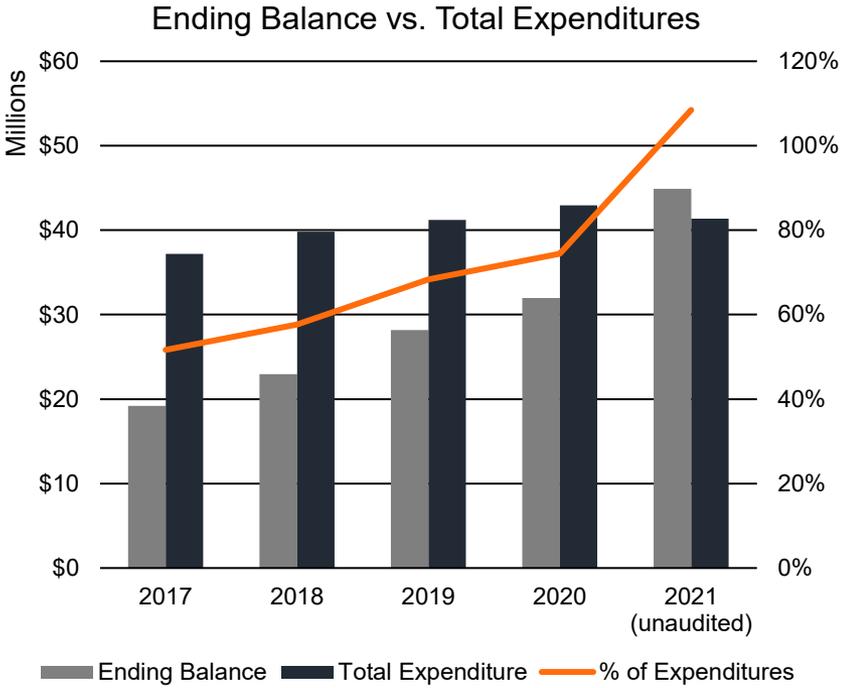
	2017	2018	2019	2020	2021 (unaudited)
REVENUES					
Taxes	\$27,636,731	\$30,076,026	\$32,362,363	\$33,145,004	\$35,224,393
Licenses & Permits	4,557,663	5,157,336	5,155,689	5,803,450	4,800,553
Intergovernmental	3,935,920	4,450,972	5,208,409	7,863,775	12,940,401
Charges for Services	2,361,315	2,460,005	3,689,356	1,491,778	2,269,836
Fines & Forfeits	423,469	470,486	327,454	193,825	137,710
Investment Interest	166,443	344,243	542,444	256,905	2,980
Miscellaneous	1,317,480	1,397,210	1,407,854	2,480,710	2,430,940
Total Revenues	\$40,399,021	\$44,356,279	\$48,693,569	\$51,235,447	\$57,806,812
EXPENDITURES					
Current:					
General Government Services	\$9,776,698	\$11,003,844	\$10,776,469	\$11,069,034	\$11,706,984
Public Safety	15,487,995	16,103,233	16,134,333	16,565,981	16,212,607
Transportation	2,708,782	2,777,256	3,577,238	3,887,027	3,213,729
Natural and Economic Environment	3,234,604	3,464,441	3,625,714	5,336,282	4,119,960
Culture and Recreation	5,967,427	6,321,190	7,110,948	6,094,924	6,118,104
Capital Outlay	8,681	153,013			
Total Expenditures	\$37,184,187	\$39,822,975	\$41,224,701	\$42,953,249	\$41,371,384
Excess of Revenues over Expenditures	\$3,214,834	\$4,533,304	\$7,468,868	\$8,282,198	\$16,435,428
Other Financing Sources (Uses)	(\$2,542,041)	(\$765,486)	(\$2,268,916)	(\$4,466,483)	(\$3,533,588)
Fund Balances - Beginning	\$18,527,625	\$19,200,418	\$22,968,236	\$28,168,187	\$31,983,903
Fund Balances - Ending	19,200,418	22,968,236	28,168,187	31,983,903	44,885,743
Net Changes in Fund Balances	\$672,793	\$3,767,818	\$5,199,951	\$3,815,716	\$12,901,840

General Fund

- The City’s General Fund balance has increased 134% since 2017
- The ratio of ending balance to total expenditures has increased over the past five years, with ending balances averaging 72% of total expenditures

General Fund Balance and Expenditures

Year	Fund Balance	Total Expenditures	Percent
2021 (unaudited)	\$44,885,743	\$41,371,384	108.49%
2020	31,983,903	42,953,249	74.46%
2019	28,168,187	41,224,701	68.33%
2018	22,968,236	39,822,975	57.68%
2017	19,200,418	37,184,187	51.64%



General Fund Budget



- The budget is monitored throughout the year and the City may make amendments to reflect known changes or updated projections
- 2021 (unaudited) operating revenues higher than budgeted; operating expenses lower than budgeted

	<u>2021 Adopted</u>	<u>2022 Adopted</u>
Beginning Fund Balance (1)	18,503,585	14,193,054
REVENUES		
Property Tax	14,106,259	14,430,037
Sales Tax	8,623,063	9,070,770
Utility Tax	3,673,019	3,697,412
Gambling Tax	700,000	1,400,000
Other Taxes	2,638,056	2,744,014
Franchise Fees & Contract Payments	2,684,800	1,794,100
Licenses & Permits	1,968,203	1,992,695
Intergovernmental	4,627,660	4,821,246
Charges for Goods and Services	1,764,897	1,771,329
Fines and Forfeits	404,000	404,000
Investment Interest	69,000	69,000
Miscellaneous	1,214,352	1,353,790
Sub-Total Revenues	42,473,309	43,548,393
Transfers from Other Funds	1,774,059	1,774,059
Other Financing Sources	15,000	15,000
Total Other Financing Sources	1,789,059	1,789,059
Total Resources	44,262,368	45,337,452
USES		
<i>Operating Uses</i>		
Salaries and Wages	12,762,042	13,050,315
Personnel Benefits	4,998,839	5,159,324
Supplies	901,910	892,284
Other Services and Charges	7,488,746	7,832,268
Intergovernmental Services	16,571,410	17,028,030
Capital Outlays	8,434	-
Interfund Payments/Charges	348,065	350,469
Contingencies	240,000	1,383,208
Sub-Total Operating Uses	43,319,446	45,695,898
<i>Other Uses</i>		
Transfers Out Capital Support	3,675,384	628,496
Transfers Out Debt Service	677,104	695,072
Other Transfers Out	900,965	872,518
Sub-Total Other Uses	5,253,453	2,196,086
Total Uses	48,572,899	47,891,984
Ending Fund Balance (1)	14,193,054	11,638,522

(1) 2021 Budgeted beginning balance based on the 2020 year-end as estimated at the time of budget development

Financial Policies

Reserve Policies

- General Fund Operating Reserve Requirements:
 - Cash flow reserve of \$3,000,000
 - Budget Contingency of 2% of operating revenue
 - Insurance Reserve of \$255,000
 - City maintains reserves that are more than 3x the required level of reserves
 - GF Unassigned and Undesignated Projected 2022 Ending Fund Balance: \$8.491 million
- City Street Fund Reserves
 - An operating reserve is held within the City Street Fund of 20% of annually budgeted operating revenues
- Revenue Stabilization Reserves
 - The City maintains a revenue stabilization fund with a reserve equal to 30% of annual economically sensitive revenues within the operating budget (\$5.6 million)

Investment Policy

- Adopted by resolution of the City Council and continuously reviewed and evaluated by the City's Finance Director
- Primary objectives in priority order: safety, liquidity, and return on investment

Debt Management Policy

- Limit the use of debt so that debt service payments will be predictable and manageable
- Raise capital at the lowest cost, consistent with the need to borrow
- The City also maintains a post-issuance compliance policy for tax-exempt bonds

Background on the Financing

- On July 31, 2017, City Council adopted the 2017-2022 Parks, Recreation & Open Space Plan (the “PROS Plan”)
- On February 8, 2022 voters approved Proposition 1, authorizing the issuance of up to \$38.5 million in UTGO bonds for projects identified in the City’s Parks, Recreation & Open Space (“PROS”) Plan

	Number of Votes	Percentage
Yes	9,637	69.97%
No	4,136	30.03

- Proceeds of the 2022 Bonds will be used to:
 - Finance and refinance the construction, development, equipping, upgrading, acquiring, and improvement of park and recreation facilities, including the acquisition of park land, as described in the PROS Plan
 - Refund a portion of the City’s outstanding LTGO BAN, which was issued in 2020 to provide preliminary financing for a portion of the projects



Plan of Finance

Summary of the 2022 Financing

- \$38.5 million in net proceeds
- Estimated annual debt service: \$2.75 million
- Final Maturity: 12/1/2041
- The City has no other UTGO bonds outstanding

Future Financing Plans

- The City anticipates issuing LTGO bonds payable from transportation benefit district revenue in 2023 to finance the construction of new sidewalks
- The City expects to propose a ballot measure for the issuance of UTGO bonds to finance an aquatics and community center in the next few years (subject to Council and voter approval)

Limited Tax General Obligation Debt



Series	Amount Issued	Delivery Date	Final Maturity	Call Date	Outstanding Par
2013	\$3,565,000	08/21/2013	12/01/2033	12/01/2023	\$3,070,000
2019A	15,490,000	11/06/2019	12/01/2039	12/01/2029	14,505,000
2019B	10,000,000	11/06/2019	12/01/2034	12/01/2029	9,030,000
2020 BAN ⁽¹⁾	25,000,000	02/14/2020	12/01/2022	Any time	25,000,000
2021	8,060,000	05/21/2021	12/01/2039	5/21/2028	8,060,000

⁽¹⁾ A portion of the 2020 BAN is expected to be refunded with proceeds of the 2022 UTGO Bonds

Summary



- The City demonstrates continued positive operating trends and strong fund balances
- Strong policy based reserves supported at the Council level
- Property valuation continues to demonstrate a strong recovery from recessionary period declines
- Highly desirable residential appeal with high wealth levels
- Strong management team and management practices