



Whatcom County, Washington

Justice Facility Project Update

February 2025

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Agenda

- ◆ Introduction
- ◆ Goals of the Justice Project Implementation Plan and Justice Facility Financing
- ◆ Challenges
- ◆ Available Tools
- ◆ Scenario Analysis
- ◆ Considerations
- ◆ Questions



Introduction

- ◆ In 2023, the County hired PFM Financial Advisors LLC (“PFM”) to assist with financial modeling and development of the plan of finance for the proposed Justice Facility Project and Justice Project Implementation Plan (“JPIP”)

- ◆ In November 2023, County voters approved a 0.2% increase to the Countywide public safety sales tax to fund JPIP
 - By statute, 60% of the public safety sales tax is allocated to the County
 - The remaining 40% is allocated to the cities, prorated by population size

- ◆ PFM, in consultation with the County, developed a preliminary funding plan that informed the Interlocal Agreement (“ILA”) among the County and cities adopted July 2024

- ◆ The Justice Facility Project funding plan:
 - Cities would apply a portion of their statutory allocated public safety sales tax towards the project
 - County would issue limited tax general obligation bonds to fund a significant portion of the project cost
 - Contributions from the cities in later years (after project completion) would be applied toward debt service on the County’s bonds



Goals of the JPIP and Justice Facility Project

Goal	Source:
Ensure 50% of the County and Bellingham's aggregate share of the new public safety sales tax revenue is available for investments in behavioral health, re-entry, supportive housing, and diversion facilities and services (referenced herein as "behavioral health") by 2030	Ordinance Section 5.1(e)
Cities share the first four to six years of sales tax collections to reduce the bond size	Ordinance Section 5.1(e)
Maintain ongoing County debt service between \$6.3 and \$6.6 million	ILA Part III - 4(a)
City contributions not to exceed 75% of allocable annual sales tax collections	ILA Part III - 4(f)
City contributions may be extended if the County's annual debt service would otherwise exceed \$6.6 million	ILA Part III - 4(f)



Challenges

- ◆ Several assumptions / project inputs have changed since 2023-2024:
 - Estimated project cost
 - Estimated interest rates on County bonds
 - Actual 2024 sales tax revenues vs. forecast
- ◆ The County has asked PFM to provide alternatives that demonstrate the various tools available to meet JPIP stakeholder goals

Assumptions	Feb. 2024	Jan. 2025
Project Cost	\$155,000,000 ⁽¹⁾	\$170,000,000
2023-2024 Growth in Public Safety Sales Tax Base	5.0% (projected)	(2.4%) (actual)
Change in Interest Rates ⁽³⁾	-	+0.22%
First Bond Issuance Date	June 2025	February 2026

- ◆ As a result in the lower growth in sales tax revenues, and a higher estimated project cost, the anticipated size of bonds increased from \$108.2 million to \$121.9 million



Changes to the Public Safety Sales Tax Forecast

- The preliminary funding plan which informed the ILA included a 5.0% growth assumption for the public safety sales tax base in 2024
- Actual growth in the public safety sales tax base was *negative* 2.4%

Projected Public Safety Sales Tax Revenue	Feb. 2024	Jan. 2025	Difference
2024 Revenue (County Share)	\$ 4,631,371	\$ 4,512,641	\$ (118,730)
2025 Projected Revenue (County Share)	8,257,074	7,876,251	(380,823)
Total Projected Revenue (County Share)	581,453,266	554,731,059	(26,722,207)
2024 Revenue (Total)	7,718,952	7,521,068	(197,884)
2025 Projected Revenue (Total)	13,761,789	13,127,085	(634,704)
Total Projected Revenue	969,088,777	924,551,766	(44,537,012)

Note: Distributions of the additional two-tenths of one percent public safety sales tax began in June 2024.

- The funding plan has consistently assumed a 4% annual growth rate in public safety sales tax in 2025 and every year thereafter



Tools Available to Meet Policy Goals

Tools available to meet policy goals:

- ◆ Length, amount, and “shape” of city contributions
- ◆ Bond structure, including County’s maximum share of annual debt service payments

Outputs:

- ◆ Total annual debt service
- ◆ Percentage of revenue applied towards behavioral health in any given year



Scenario Analysis

- The following scenarios demonstrate the impact how changing available inputs impacts policy goals

Scenario	Objectives
Scenario 1	\$6.6 million annual County debt service; city contributions as short as possible
Scenario 2	\$6.6 million annual County debt service; increase amount and duration of city contributions to allocate 50% of revenues towards behavioral health by 2030
Scenario 3	Same as scenario 2, with the County's annual debt service limit raised to \$6.8 million

City Contribution Schedule			
Year	Scenario 1	Scenario 2	Scenario 3
2024	75%	75%	75%
2025	75%	75%	75%
2026	75%	75%	75%
2027	75%	75%	75%
2028	75%	75%	75%
2029	75%	75%	75%
2030	75%	40%	40%
2031	75%	40%	40%
2032	30%	10%	10%
2033		10%	10%
2034		10%	10%
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2043		10%	10%
2044		10%	10%
2045		10%	10%
2046		10%	10%
2047		10%	10%
2048		10%	10%
2049		10%	10%
2050		10%	2%
2051		10%	
2052		10%	
2053		10%	
2054		7%	

Policy Goals	Scenario 1	Scenario 2	Scenario 3
County Ongoing Debt Service (through 2058)	\$6,600,000	\$6,600,000	\$6,800,000
Total Debt Service	\$223,071,250	\$234,624,250	\$232,399,000
City Contributions End	2032	2054	2050
Total City Contributions	\$35,433,717	\$53,610,188	\$46,799,716
Behavioral Health Funding Goal Met	2033	2030	2030
Total Rev. Available for Behavioral Health (2024 through 2058)	\$545,551,005	\$539,856,121	\$539,881,557



Considerations & Risks

- ◆ Various approaches to prioritizing and balancing various policy goals:
 - Allowing behavioral health funding goal (50%) to be reached after 2030 (*scenario 1*)
 - Extending city contributions to meet behavioral health funding target by 2030 (*scenarios 2-3*)
 - Increasing maximum County share of ongoing debt service costs (*scenario 3*)
 - Limiting the scope and cost of the project
 - Increasing maximum annual city contributions >75%
- ◆ Certain changes to funding plan may require an amendment to ILA
- ◆ **Future sales tax growth, bond market conditions, and final project costs are not yet known and may further influence the funding framework in the coming years**
- ◆ Under any funding plan, the County will bear risk associated with bonds
 - The County is obligated to make debt service payments if sales tax receipts do not materialize as projected after the bonds are issued
 - Risks are greater in earlier years and diminish as sales tax base grows



Questions for Finance and Facility Board?



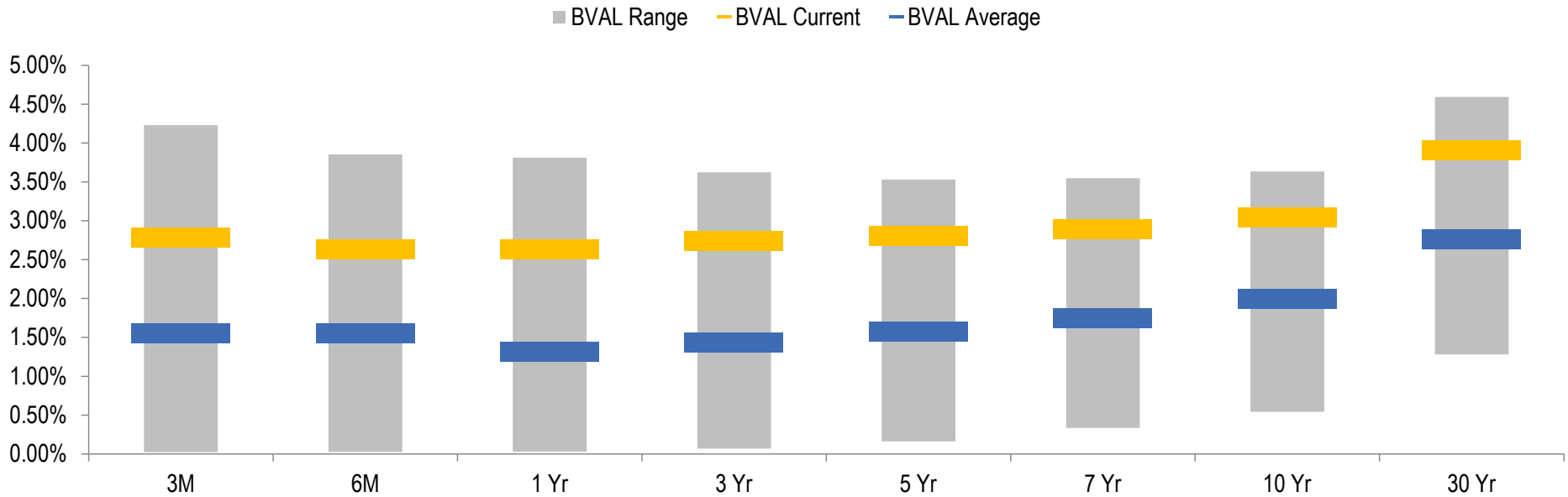
Appendix: Market Update

Data, rates, and related statistics and charts are as of January 31, 2025, unless otherwise indicated



Historical AAA BVAL Position

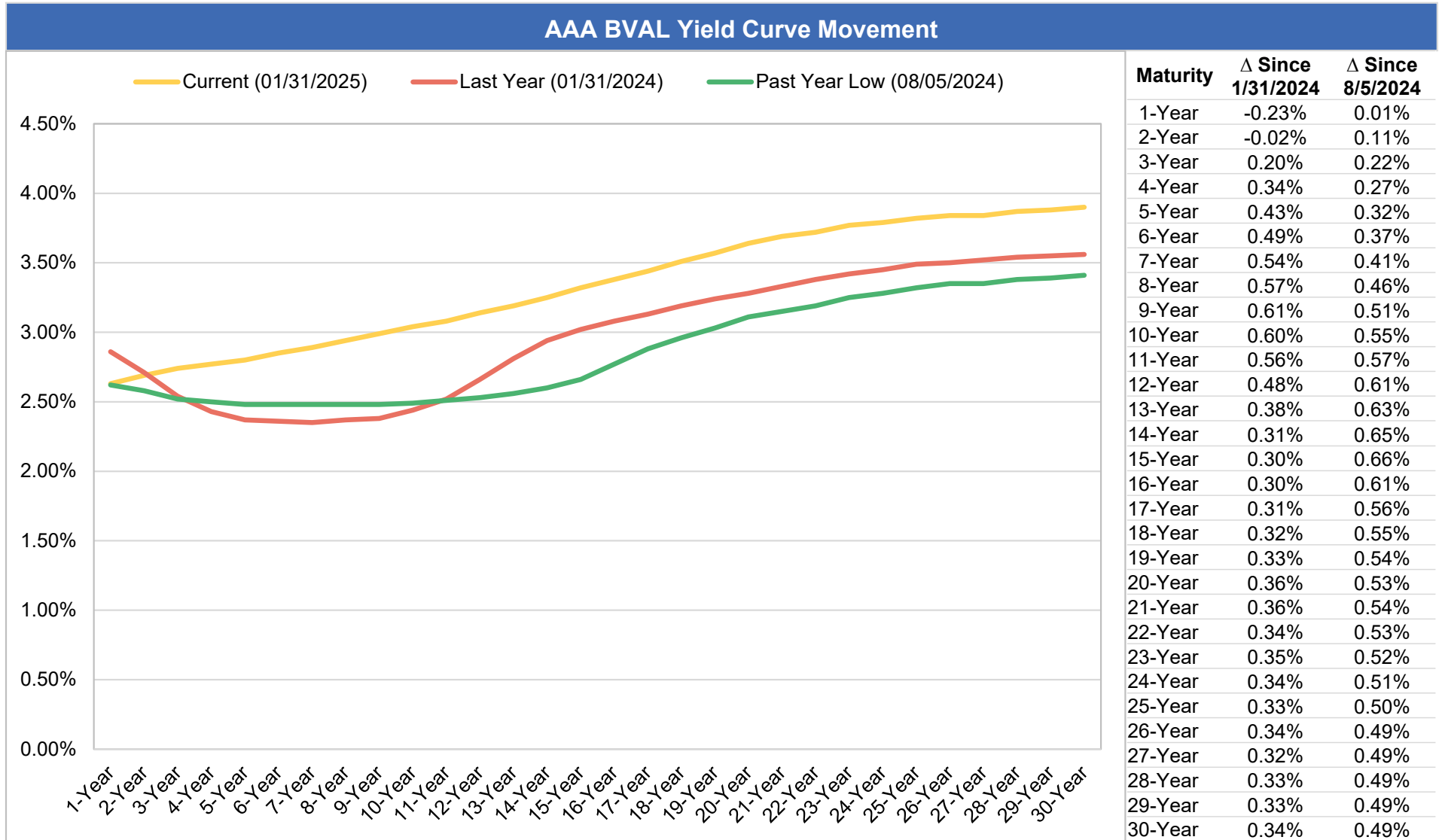
AAA BVAL Rate Position
(10-Year History)



STATISTIC	3 Month	6 Month	1 Year	3 Year	5 Year	7 Year	10 Year	30 Year
1/31/2025	2.78%	2.63%	2.63%	2.74%	2.80%	2.89%	3.04%	3.90%
Average	1.55%	1.55%	1.31%	1.44%	1.58%	1.75%	1.99%	2.76%
Spread to Avg.	1.23%	1.08%	1.32%	1.31%	1.22%	1.14%	1.05%	1.14%
Minimum	0.02%	0.03%	0.03%	0.07%	0.16%	0.34%	0.54%	1.28%
Spread to Min.	2.76%	2.61%	2.60%	2.67%	2.64%	2.55%	2.50%	2.62%
Maximum	4.23%	3.85%	3.81%	3.62%	3.53%	3.55%	3.63%	4.59%
Spread to Max.	-1.45%	-1.22%	-1.18%	-0.88%	-0.73%	-0.66%	-0.59%	-0.69%
Percent of Market Days Lower	55.72%	54.01%	80.89%	88.63%	93.02%	94.89%	95.65%	96.05%



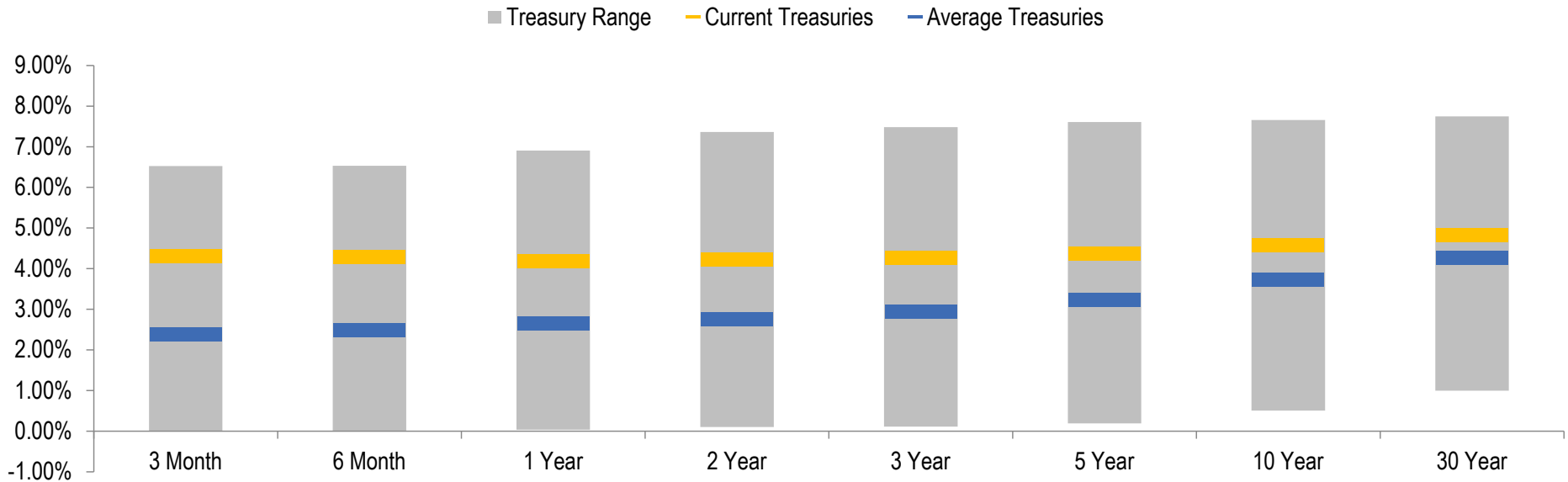
Recent AAA BVAL Yield Curve Movement





Historical U.S. Treasury Position

U.S. Treasury Rate Position
(30-Year History)

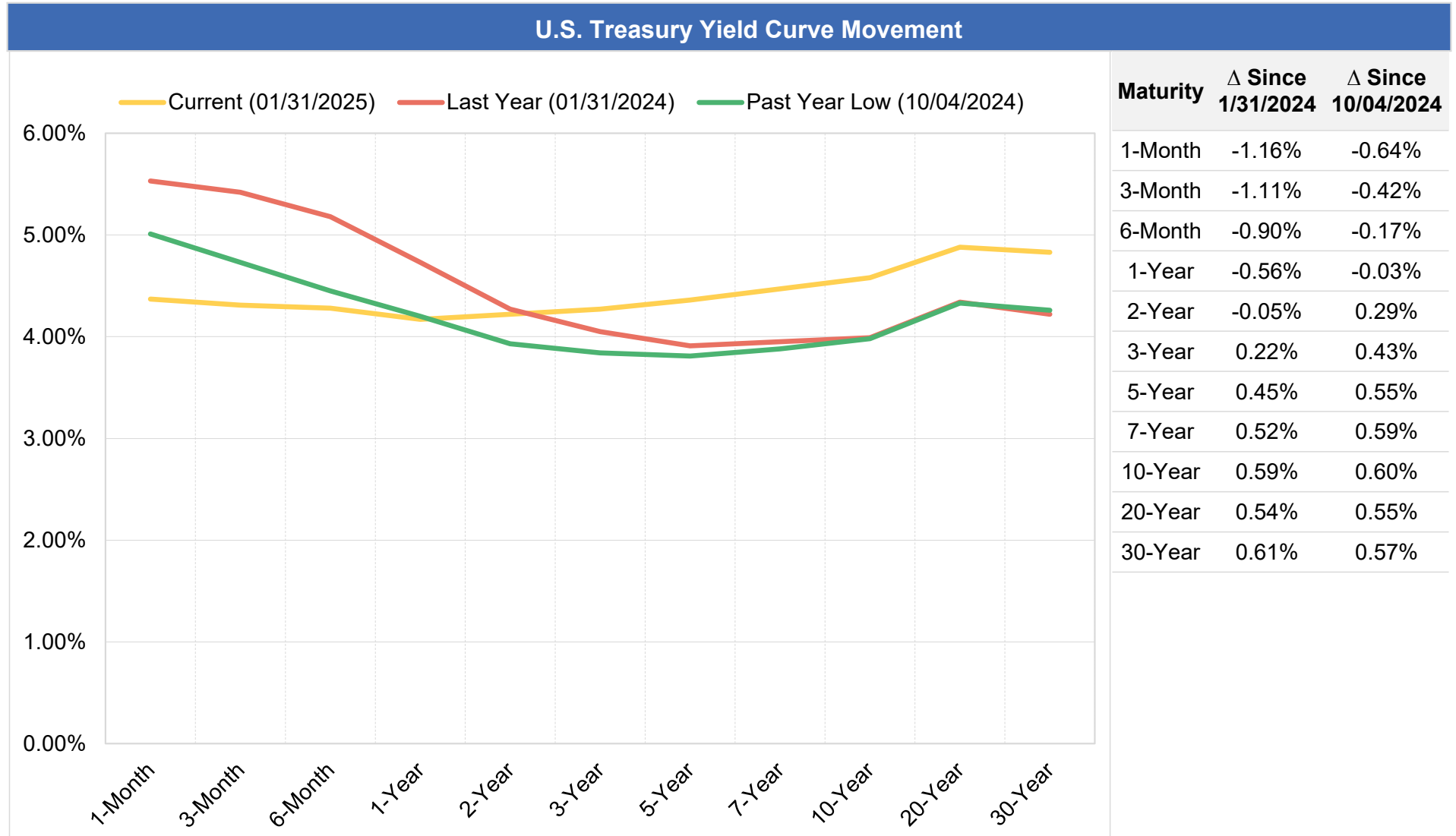


Statistic	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	10 Year	30 Year
1/31/2025	4.31%	4.28%	4.17%	4.22%	4.27%	4.36%	4.58%	4.83%
Average	2.38%	2.48%	2.66%	2.76%	2.94%	3.23%	3.73%	4.26%
Spread to Avg.	1.93%	1.80%	1.51%	1.46%	1.33%	1.13%	0.85%	0.57%
Minimum	-0.09%	0.00%	0.04%	0.10%	0.11%	0.19%	0.51%	1.00%
Spread to Min.	4.40%	4.28%	4.13%	4.12%	4.16%	4.17%	4.07%	3.83%
Maximum	6.44%	6.53%	6.91%	7.36%	7.48%	7.61%	7.66%	7.75%
Spread to Max.	-2.13%	-2.25%	-2.74%	-3.14%	-3.21%	-3.25%	-3.08%	-2.92%
Percent of Market Days Lower	67.60%	66.60%	72.77%	67.86%	68.76%	69.74%	69.44%	64.65%

Source: Bloomberg



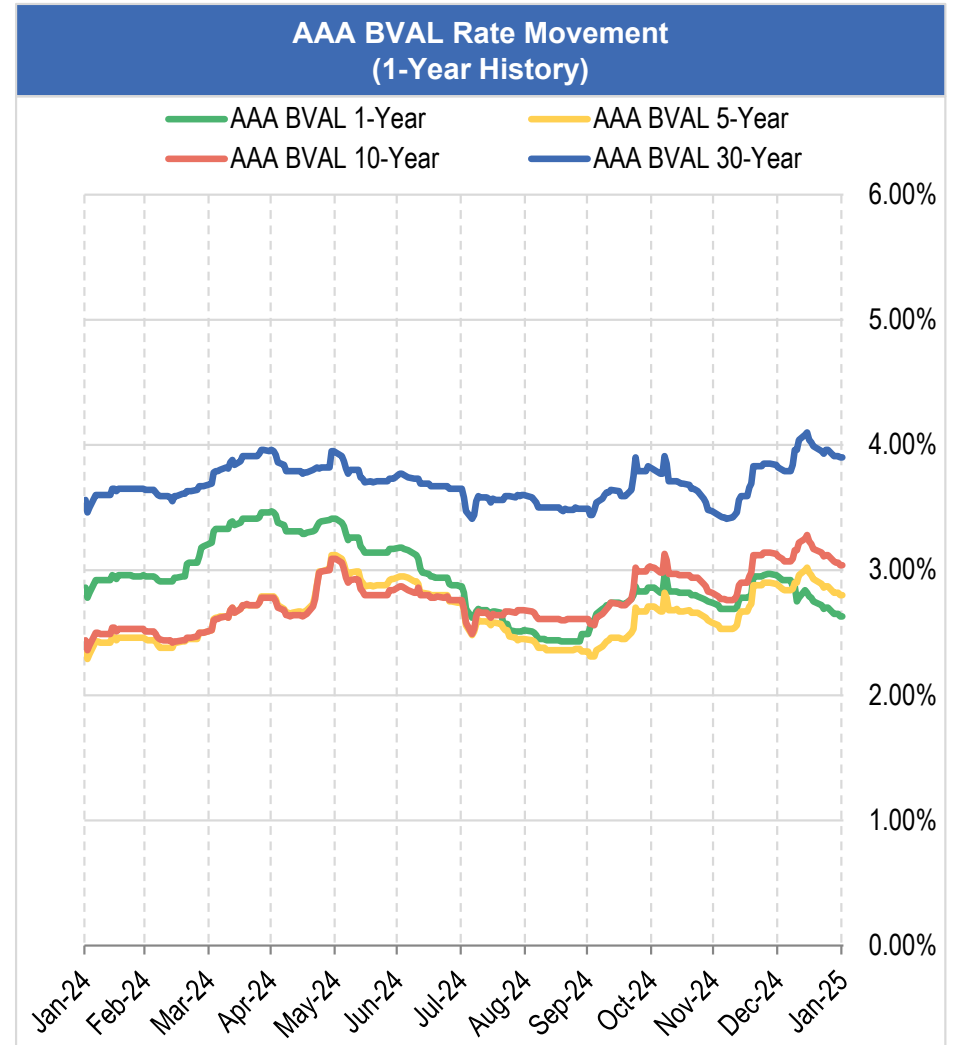
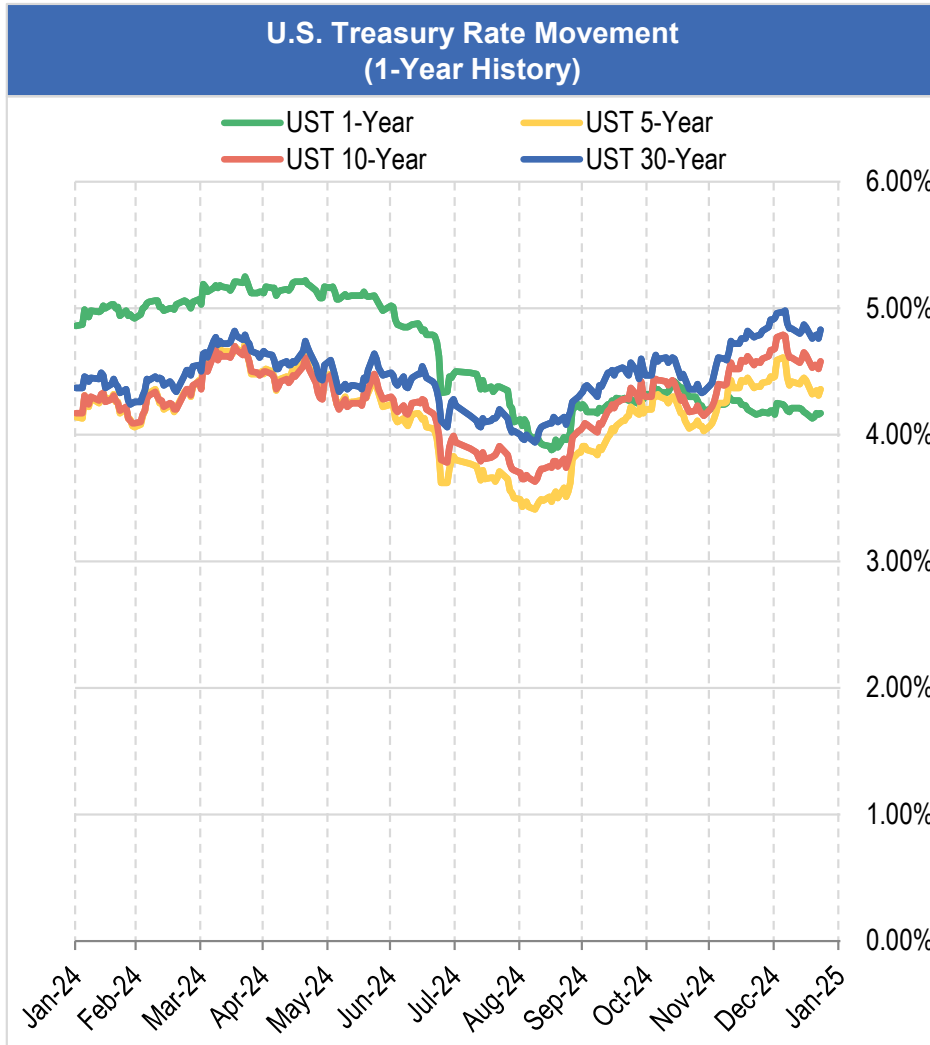
Recent U.S. Treasury Yield Curve Movement



Source: Bloomberg



U.S. Treasury & AAA BVAL Rate Movement

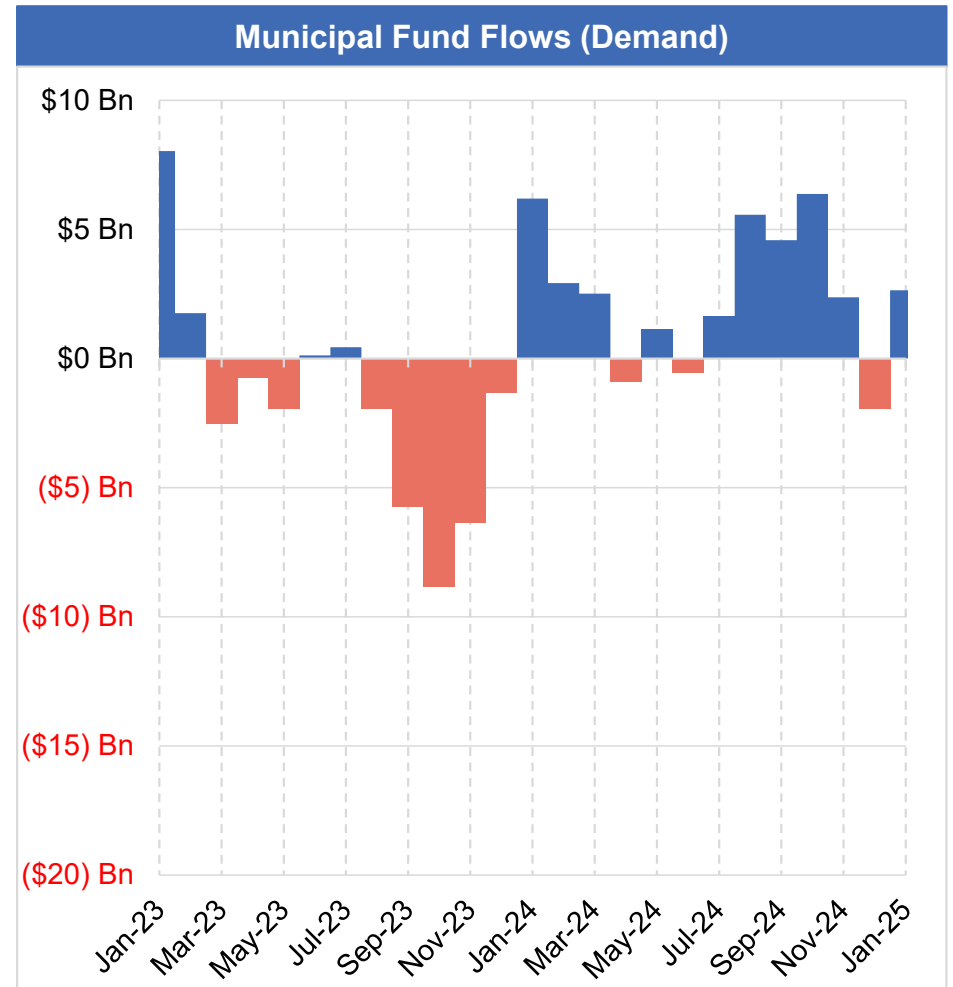
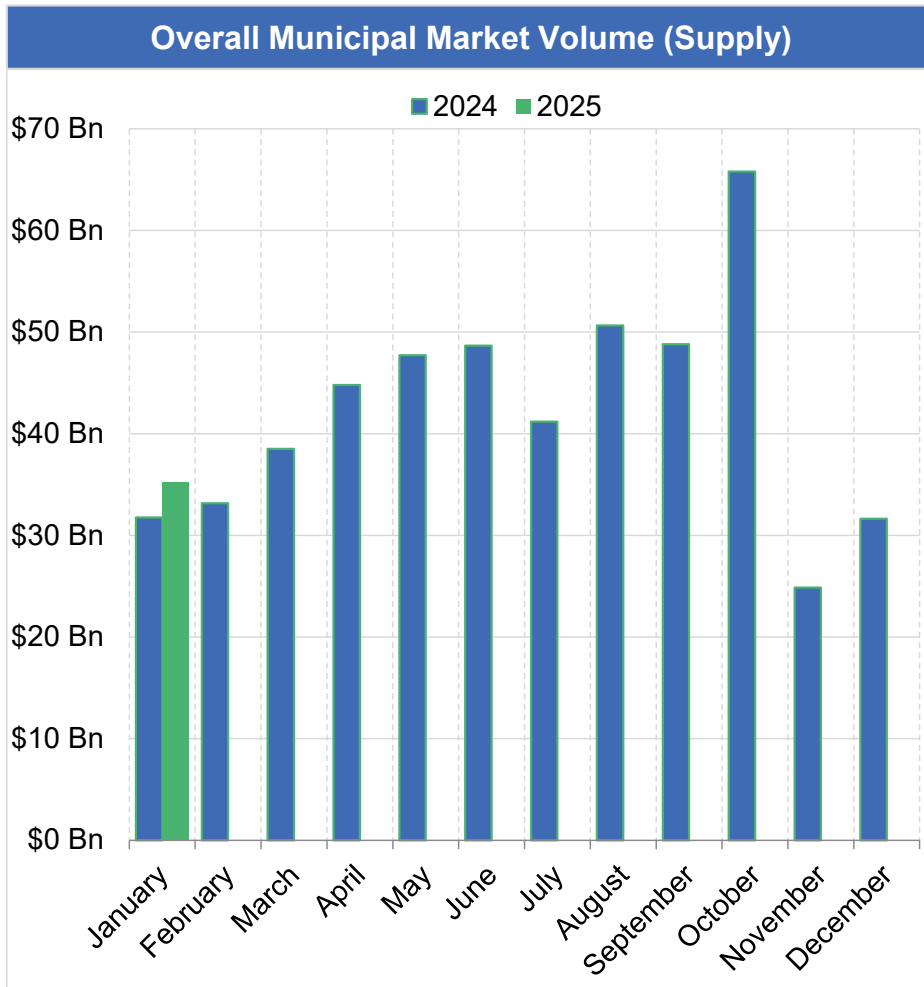


Source: Bloomberg



Municipal Market Supply & Demand

- 2025 new issuance volume is 10.93% higher than the 2024 issuance through January.



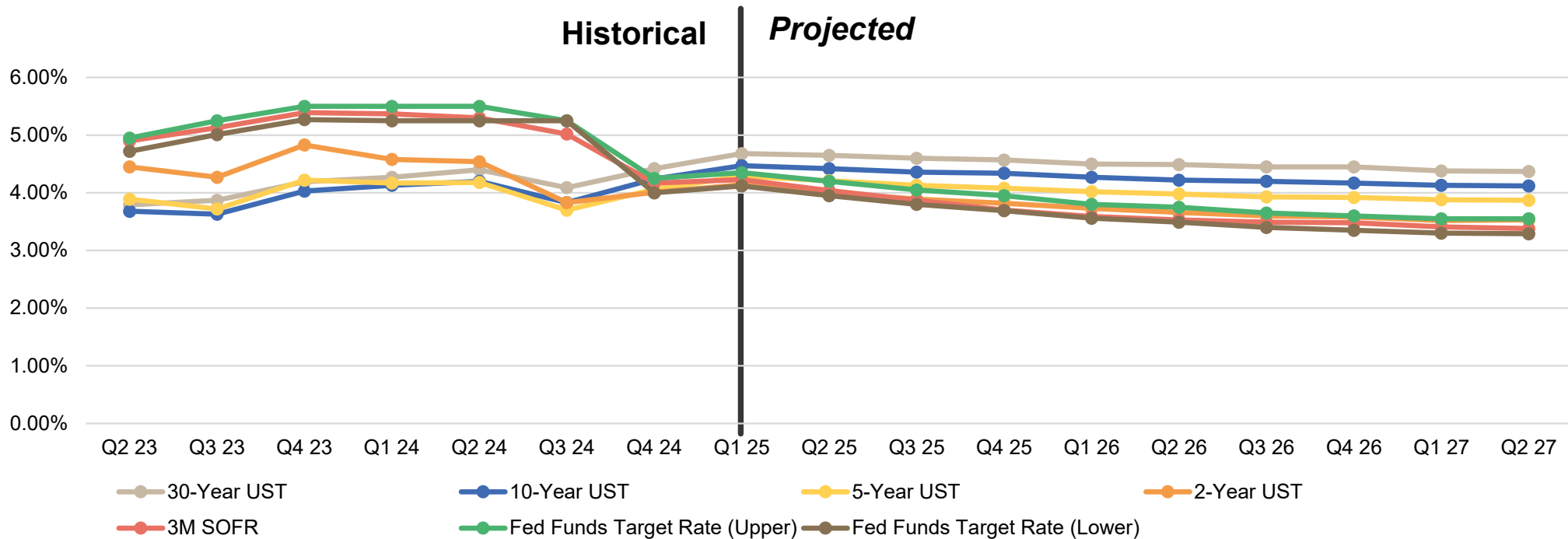
Source: Bond Buyer, Investment Company Institute



Historical and Forecasted Interest Rates

The charts below show consensus forecasts from numerous financial institutions as reported by Bloomberg.

Bloomberg Bond Yield Forecast (As of February 3, 2025)											
Average Forecasts	Current	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27
30-Year UST	4.73%	4.68%	4.65%	4.60%	4.57%	4.50%	4.49%	4.45%	4.45%	4.38%	4.37%
10-Year UST	4.50%	4.47%	4.42%	4.36%	4.34%	4.27%	4.22%	4.20%	4.17%	4.13%	4.12%
5-Year UST	4.32%	4.29%	4.21%	4.13%	4.08%	4.02%	3.98%	3.93%	3.92%	3.88%	3.87%
2-Year UST	4.24%	4.14%	4.01%	3.89%	3.82%	3.73%	3.66%	3.60%	3.58%	3.52%	3.53%
3M SOFR	4.30%	4.23%	4.04%	3.87%	3.70%	3.59%	3.53%	3.49%	3.48%	3.41%	3.38%
Fed Funds Target Rate (Upper)	4.50%	4.35%	4.20%	4.05%	3.95%	3.80%	3.75%	3.65%	3.60%	3.55%	3.55%
Fed Funds Target Rate (Lower)	4.25%	5.25%	3.95%	3.80%	3.69%	3.56%	3.49%	3.40%	3.35%	3.30%	3.29%



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