

November 21, 2016

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Discussion of the Preliminary 2017-2018 Operating Budget and the 2017-2023 Capital Investment Program (CIP) Plan.

STAFF CONTACTS

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City Manager's Office

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POLICY ISSUES

RCW 35A.34 – Biennial Budgets:

State law specifies requirements that must be followed in budgeting each of the City's funds. Key areas covered include:

- Preparation and filing of a preliminary budget by the Chief Administrative Officer, i.e., City Manager;
- A "budget message" from the Chief Administrative Officer explaining the content, financial policies and major proposed changes;
- A public hearing on the proposed preliminary budget conducted before adoption of a final budget, which shall be held on or before the first Monday in December;
- Balanced expenditure and revenue estimates for each of the City's funds; and
- Council adoption of the budget prior to the beginning of the ensuing fiscal biennium, i.e., January 1, 2017.

The City's proposed 2017-2018 Operating Budget and 2017-2023 Capital Investment Program (CIP) plan are consistent with Council's direction to continue high quality, efficient municipal services.

DIRECTION NEEDED FROM COUNCIL

ACTION

DIRECTION

INFORMATION ONLY

Council feedback on specific budget elements and/or requests for additional information that might be needed for deliberation are welcomed this evening and at future scheduled sessions to enable Budget adoption on December 5, 2016.

Tonight is the fifth of several discussions. This memorandum and its attachments summarize the known proposals, requests, and information requested to date. Staff will be seeking final direction on each of the known proposals and requests on November 28 in preparation for tentative budget

adoption on December 5. Additional detail on each of the known items is contained in Attachments A, B, C and D. Responses to information requests can be found in Attachment E – the Memory Bank.

The preliminary budget overviews were provided on:

- October 17 – City Manager presented the Preliminary 2017-2018 Budget;
- October 24 – First utilities rate discussion;
- November 7 – Overview of the operating, special purpose fund, and general capital investment program plan; and
- November 14 – Second utilities rate discussion and the development services discussion.

Staff is not presenting an overview tonight, and anticipates the bulk of tonight's discussion will be in regard to items raised in Attachments A, B, C, and D. Council may have additional items for discussion.

BACKGROUND/ANALYSIS

On October 17, City Manager Miyake presented the preliminary 2017-2018 operating budget and 2017-2023 Capital Investment Program (CIP) plan to the Council. The 2017-2018 preliminary budget process solicited feedback from the community through surveys such as the biennial budget survey, annual performance and business surveys, public meetings, and direct communication. The full budget detail can be found online at <http://www.bellevuewa.gov/budgets.htm>.

On October 24, staff provided the first in a series of briefings with Utilities providing an overview of both the preliminary Utility 2017-2018 operating budget and the Utilities' 2017-2023 capital investment program, including proposed rate increases.

On November 7, staff presented an overview of both the preliminary 2017-2018 operating and special purpose fund budget and the 2017-2023 capital investment program, noting that the preliminary budget is a balanced budget that maintains current operations, advances Council priorities, grows modestly, builds key infrastructure and increases general operating fund reserves to better position the City for anticipated costs and to assist in protecting in case of an economic downturn.

On November 14, staff presented the second Utilities briefing and the Development Services rate update. Council directed both Development Services and Utilities to return on December 5 with rate ordinances for 2017 in alignment with the 2017-2018 preliminary budget.

Items for Further Council Discussion and Direction

At the November 7 meeting, staff provided the list of known items for further discussion and direction. Attachments A, B, C, and D include requests received to date specifically, the two Council Priority proposals which directed staff to bring back proposals in this budget, Council directed items from previous Council discussions, additional Council requests that have been received by staff, and community requests. Each item in the attachments has funding options which includes reducing expenditures, funding through the use of contingency or reserves, deferring decision until a later date, or other direction as provided by Council.

Attachment A summarizes the two Council priorities that were adopted in May of 2015 which directed staff to bring forward budget proposals in the 2017-2018 budget for Council consideration. Additional information can be found in Attachment A. The two proposals included are:

- **Council Priority #18:** “Implement the Diversity Plan and bring forward a concept for a multi-cultural center to the Council for consideration for inclusion in the 2017/2018 budget.” This proposal requests \$150,000 in one-time capital funding.
- **Council Priority #19:** “Bring a budget proposal forward to support Eastside Pathways and a plan for further partnership opportunities to achieve their goals.” This proposal requests \$200,000 annually in operating funding.

Attachment B provides summaries on several items that Council has raised in previous discussions. Council asked for additional information regarding the parental leave and park restrooms on November 7, and Multi-Cultural Center on November 14, which can be found in Attachment B.

- **Parental Leave:** Council asked staff to analyze the policy and financial implications of adding a parental leave policy to the City’s Total Rewards package. Staff recommends that the parental leave program options be analyzed and addressed within the broader context of the Workforce Development Initiative/Total Rewards program. Staff expects this work to proceed in 2017, with periodic Council updates to facilitate Council direction for the 2017-2018 mid-biennium budget process.
- **Park Seasonal Restroom Closures:** The City implemented seasonal restroom closures at 17 of 28 park facilities as part of the 2011-2012 budget in response to the economic downturn. A cost estimate to restore service is \$4,000 per site to cover supplies, cleaning, utilities and maintenance. On November 7, Council requested a recommendation from the Parks department regarding seasonal closures. Based on public comments and field knowledge, restoring service to the 5 highest priority restrooms is an ongoing cost of up to \$20,000 per year. These sites include Chism Beach, Clyde Beach, Enatai Beach, Larsen Lake, and Spiritridge Park.
- **Guan Yin Water Feature:** In the 2015-2016 mid-biennium budget process, Council discussed adding a moving water feature to City Hall Plaza for the Asian culture of good fortune and blessings associated with Guan Yin. At the mid-biennium, Council directed staff to further identify options. Attachment B provides three options ranging in cost up to \$150,000.
- **Solid Waste Study:** On November 14, in response to Council request, staff recommended funding a solid waste study for review of options in 2017 for \$150,000. This funding will come from the solid waste fund reserves with no rate impact and will be presented on December 5 as an adjustment to the preliminary budget barring different direction from Council.

Attachment C summarizes the additional items from Councilmembers that staff has received to date. There may be additional items that Council wishes to discuss.

- **TechHire Initiative:** The City of Bellevue Office of Economic Development (OED) could support the local TechHire program by focusing to improve diversity and inclusion in the technology sector in key communities in the City. The cost of which would be \$50,000.
- **Grand Connection Seed Funding:** Additional funding of \$1,000,000 to \$1,500,000 in 2020 and 2021 would allow for construction of several key physical improvements, including raised intersection treatments along the Grand Connection route that will help establish the identity and presence of the Grand Connection.

- **Eastside Rail Corridor Design Support:** Funding of \$500,000, divided equally between 2017 and 2018, would advance the design of remaining key crossings and connections in the Wilburton Segment in partnership with other regional agencies.
- **Squash Program Funding:** Request for support and funding in the amount of \$50,000 for Squash programs that take place year-long throughout the Bellevue area.

Attachment D summarizes the community requests received to date with funding options. In the budget process, the Council typically receives requests for funding the operations or capital needs of community organizations. After the last budget process, the Council asked staff to develop a suggested process for considering those requests. Attachment D also includes a recommended set of criteria with staff analysis for the requests that have come in during this budget cycle. Should the Council approve a request, a funding agreement similar to the ones executed for other community organizations will be required and would include the five guiding principles.

- **Pacific Northwest Ballet** requests funding for Pacific Northwest Ballet School at the Francis Russell Center. This request is for a \$500,000 one-time capital contribution.
- **Housing Development Consortium** requests an update the ARCH/housing parity goals with an increase in contribution to the housing trust fund. This request is for \$1,500,000 biennially, ongoing from capital funding.

Council Calendar, Actions needed for Adoption, and Memory Bank

Over the course of the recent Council meetings regarding the preliminary budget, Council has raised several questions and requested information on a variety of topics. Attachment E provides a “Memory Bank” for those requests and contains the status of Council information requests. This attachment will be a living document updated to reflect Council deliberations and will be expanded to include future Council requests.

The calendar prior to adoption is tentatively scheduled as follows:

Date	Tentative Agenda	Status
October 17	Study Session: Preliminary budget presentation	Completed
October 24	Study Session: Response to areas of interest from October 17 and Utilities Early Review	Completed
November 7	Study Session: Deeper dive into CIP and operating budget; respond to areas of Council interest	Completed
November 14	Study Session: Utilities and Development Services fee discussions	Completed
November 21	Study Session: Respond to areas of Council interest Regular Session: Public Hearing	Tonight
November 28	Study Session: Respond to areas of Council interest	
December 5	Regular Session: Tentative Adoption	

There are several actions that are required to adopt the 2017-2018 budget:

Ordinance Title	Brief Explanation
2017-2018 Human Services Funding and Community Development Block Grant (CDBG) Ordinances	Human Services Fund and CDBG recommendations as developed by the Human Services Commission, to act as guidelines for the allocation of General Fund and CDBG money.
2017 Property Tax Levy Ordinance	By law (RCW 35A.34.230 and RCW 84.55.092), Council is required to adopt property tax levies annually.
2017 Property Tax Banked Capacity Resolution	Staff recommends a property tax banked capacity resolution to continue to reserve banked capacity.
2017 Substantial Need Resolution	Under Initiative 747, the regular levy or banked capacity, if no increase in the regular levy is taken, can grow at a maximum of one percent annually or the rate of “inflation” (defined as the increase in the implicit price deflator (IPD) whichever is less, plus additions for new construction). IPD for 2017 is 0.953 percent, which means that under normal circumstances the City’s statutory ability to increase the regular levy or banked capacity if no increase in the regular levy is taken would be limited to the 0.953 percent rather than one percent. There is, however, a provision in the Revised Washington Code (RCW 84.55.0101) for cities with “Substantial Need” to levy or bank the full one percent with a majority plus one vote from their governing board or City Council for cities with a population greater than 10,000. To utilize this provision in the law the City must adopt an Ordinance establishing substantial need in order to access the full one percent increase. Staff recommends adopting a substantial need ordinance to fully bank the one percent capacity.
Utility Rate Fee Ordinances (Water, Storm, and Sewer)	Staff will present for Council consideration increases in Utility rates for 2017 and 2018 to address aging infrastructure and wholesale costs.
Development Services Fee Ordinance	Staff will present for Council consideration routine updates to the 2017 Development Services fee ordinance for all Development Services functions, including building, land use, fire, transportation, and utilities plan review and inspection.
2017-2018 Budget Ordinance	This is the “umbrella” ordinance which includes appropriation approval by Fund, 2017 pay plans, and summarizations of accepted grants and donations that are less than \$90,000.

Staff requests that Council bring the Preliminary Budget document to each of the future Study Sessions scheduled for budget review and deliberations.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

ATTACHMENTS

A – Council Priority Known Items for Discussion and Direction

B – Council Requests for Discussion and Direction from previous discussions

C – Additional Council Requests for Discussion and Direction

D – Community Requests for Discussion and Direction

E – Memory Bank

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A