



Dear Honorable Mayor Robinson, Deputy Mayor Malakoutian, and members of the Council:

Today, I am transmitting my Preliminary 2025-2026 Budget to the City Council. The Budget represents our proposed revenue and spending plan for the next two years. It totals \$1.75 billion and is balanced across all funds. As city managers before me have shared, Bellevue's many strengths and assets make Bellevue the city where you want to be: a resilient and desirable community for all stages of life, strong values, active community participation, and a vibrant business environment.

This year, I am excited to share new elements in the Preliminary Budget, designed to increase the transparency of budgetary investments. These elements include:

- Updated Comprehensive Financial Policies providing greater insight and clarity regarding our City's finances and reserves;
- Holistic financial plans summarizing all of our proposed financial activity for our Enterprise and Non-Enterprise funds attached to the proposed appropriation ordinance, which includes consolidated appropriations to more clearly identify and report on expenditures;
- A detailed electronic, interactive budget book that people can 'drill' into to better answer questions about our revenues and expenditures; and
- Launching more interactive performance reporting tools in 2025 and beyond.

As noted in the lead-up to this Preliminary Budget proposal, our tax revenues are beginning to stabilize along with the broader economy, which means that in this budget cycle, new investments in City services and programs will be modest in nature. The most notable non-cyclical changes in our revenue environment include the expiration of American Rescue Plan Act (ARPA) funding. Additionally, the increases associated with the voter-approved, 9-year Parks Levy and the Business and Occupancy taxes added in 2023-2024 are providing the diversification and resources to help us weather these less stable economic times and reserve capacity for future growth.

The Preliminary Budget proposal includes only one tax adjustment: the 1% adjustment in property taxes in 2025 and 2026. While on its own, this 1% adjustment on certain property taxes does not keep pace with the underlying cost of goods and staffing, it is part of our overall balanced financial strategy and Council's past practice. Staff are also preparing for conversations in 2025 about how we want to grow as a city and the types of new investments, if any, we should pursue to support the City's vision over time.

Through our surveys, we know that, while residents and businesses have high approval ratings for our city, we have room to do better. Among the biggest issues facing Bellevue, community members continue to point to public safety, access to housing, a safe transportation system, and being a caring community. Reflecting these issues and the priorities of the Council, highlights of our proposed new investments are focused in three general areas:

#### **Improving access to and the supply of affordable housing**

- Develop an Office of Housing and increase support for affordable housing permit refunds.

- Consistent with the Human Services Commission recommendations, invest human services program dollars in access to shelter and supportive services at historic levels.
- Add partnership resources to directly initiate the development of at least 100 units of affordable housing each year.
- Support the City's predictable and timely permit review services through additional consulting services as well as code and policy staffing.

### **Supporting how people thrive in Bellevue**

- Develop a coordinated approach to community engagement that streamlines and enhances how the City informs, solicits and receives input.
- Enhance investment in Human Services programs with targeted new investments supporting youth and beginning to address the gaps identified with the withdrawal of federal ARPA funding.
- Continue Bellevue's Arts funding.
- Use of a new Budget Equity Toolkit to establish an inventory of our existing investments to support the City Council Vision and inform the final stages of the update to the Diversity Advantage Plan and department workplans for future years.
- Focus economic development resources on retaining and growing small and mid-sized businesses in Bellevue.
- Add resources for community-led arts partnerships and City-owned arts facilities.
- Focus Parks resources on implementing the 2022 parks levy-funded facilities and maintenance.

### **Enhancing Community safety and resiliency**

- Complete major Transportation maintenance and capital improvement projects, which includes beginning design on the last segment of 130<sup>th</sup> Avenue NE as well as Spring Boulevard.
- Focus new investments in neighborhood connectivity, bicycle and pedestrian infrastructure and safety enhancements.
- Support Vision Zero implementation, including technology to enhance safety for people walking and biking.
- Invest in citywide threat management coordination, an enhanced water rescue program and a dedicated police captain to manage large events.
- Engage with historically underserved communities to enhance emergency preparedness and disaster recovery.
- Deliver major maintenance including fuel tank, back-up generator and fire system replacements, and planning for City Hall building systems end of lifecycle replacements.
- Conduct a deep dive into our Capital Improvement Program with the goal of streamlining delivery and prioritizing toward our OneCity long-term goals.

The \$1.75 billion biennial budget includes \$795.3 million in the general fund, \$497.2 million in enterprise funds, \$60.1 million in debt service, \$306.1 million in capital and equipment rental funds, and \$94.1 million in special revenue and other funds. This budget eliminates interdepartmental chargebacks except in places where it is truly an expense in both locations, such as capital projects to internal service support.

Ongoing feedback from our residents, businesses, and stakeholders is a central component in developing this budget that responds to the needs of the community. This cycle's input came through public meetings, public outreach on City projects, direct communications, surveys, and other tools. Additional opportunities for comment are scheduled prior to Council's action to adopt the final budget, including a second public hearing on September 24, and a third public hearing on November 12.

On September 17, the Preliminary Budget and Executive Summary will be posted, and the Budget Office staff and I will provide an overview to Council. Over the next five weeks, staff will provide Council with a comprehensive review of important areas of the budget through a series of public study session briefings before the Council considers action in November. It is important to note that the preparation of this budget reflects our highly skilled, dedicated employees who are committed to delivering quality services that make Bellevue "the city where you want to be." I want to thank the staff of the Budget Office, our staff Evaluation and Packaging teams, the members of the City Manager's Office, the Leadership Team, department fiscal managers, and every employee who contributed to the process of the 2025-2026 budget development.

It is my privilege to present to you this preliminary budget proposal, which positions us to be nimble and future-focused, while being grounded in our stewardship and responsible investment practices of our past. This budget delivers on our commitments, advances Council priorities and looks toward a prosperous and equitable future.

Sincerely,

A handwritten signature in black ink, appearing to read "Diane Carlson", written in a cursive style.

Diane Carlson  
Acting City Manager