

**CITY COUNCIL AGENDA TOPIC**

Budget Deliberations: Discussion of the 2025-2026 Operating Budget and the 2025-2030 Capital Improvement Program (CIP) Plan through the High-Performance Government and Thriving People & Communities Strategic Target Areas.

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**EXECUTIVE SUMMARY****INFORMATION  
ONLY**

Tonight, staff will present information related to the 2025-2026 Preliminary Budget and 2025-2030 Capital Improvement Program (CIP) Plan for the High-Performance Government and Thriving People & Communities Strategic Target Areas.

**RECOMMENDATION**

N/A

**BACKGROUND/ANALYSIS**

On September 17, the City Manager transmitted the 2025-2026 Preliminary Budget and 2025-2030 CIP to the Council, providing an overview of the investments and approach to the budget process including the revenue picture and first steps of the budget equity toolkit.

On September 24, staff presented the latest information on the resources and revenues included in the Preliminary Budget and the impacts of recent updates to the City's Comprehensive Financial Policies. The Development Services Department presented proposed adjustments to fees and rates charged for the development services line of business and adjustments related to school impact fees for the Issaquah and Renton school districts.

This is the third of three meetings covering each of the six Strategic Target Areas (STAs) that guide the City’s operations, investments and objectives. Tonight, Council will discuss proposed investments in the Vibrant Economy and High Quality Built & Natural Environment STAs. On October 8, Council received information related to Community Safety & Health and Safe & Efficient Transportation System, as well as the proposed Utilities rates for 2025-2026. The Vibrant Economy and High Quality Built & Natural Resources Strategic Target Areas came to Council on October 15.

The sequence of discussions on the City’s Strategic Target Areas and scheduled topics for the remainder of the Council’s budget deliberations are below.

**Next Items on the Council Budget Calendar**

Date	Budget Item(s)
October 22	<ul style="list-style-type: none"> <li>• High Performance Government</li> <li>• Thriving People &amp; Communities</li> </ul>
October 29	<ul style="list-style-type: none"> <li>• Council Questions, Follow-Up &amp; Deliberation</li> </ul>
November 12	<ul style="list-style-type: none"> <li>• Final Public Hearing</li> <li>• Council Direction for Adoption</li> </ul>
November 19	<ul style="list-style-type: none"> <li>• Tentative Budget Adoption</li> </ul>

**High Performance Government**

In the 2025-26 Preliminary Budget, the City will focus on delivering efficient, innovative, transparent, effective and collaborative services. In addition to the community-facing services provided by the city, High Performance Government includes internal services essential to operations.

***Maintaining Current Assets***

In alignment with the City’s core value of stewardship, the Preliminary Budget focuses on maintaining current assets including funds for major maintenance projects in municipal buildings (\$23.4m) which covers the replacement of fire alarm systems and generators at both City Hall and the Bellevue Service Center. Also included is a proposed expansion of electric vehicle charging infrastructure at City Hall (\$6.6m) to help meet the City’s Green Fleet and environmental stewardship goals.

The Preliminary Budget also funds a pair of projects that will set the groundwork for a broader remodel of City Hall that will replace aging building infrastructure and modernize workspaces. The City Hall Remodel project covers the construction of a half-floor pilot and demonstration space as well as planning and design for the rest of City Hall’s office space. The Interim Space Solutions project (\$4.3m) will fund projects around the building that will allow departments to make short-term space changes to meet their operational needs and prepare for the broader remodel project in future years.

### ***Planning, Performance & Innovation***

The Preliminary Budget includes investments in improvements to future planning by developing a long-range municipal services and facilities plan (\$250k). The Finance & Asset Management Department (FAM) will engage a contractor to perform analysis across all departments to show needs that extend into the 20–30-year horizon. This includes growth assumptions, facilities investments and ranking based on conditions and fleet needs. This will be the foundation of a plan to provide solutions/strategies to address the needs, conducted as a second phase that will need funding and staff resources.

The Business Intelligence Team, located in FAM and supporting the enterprise, will focus on increasing the capacity of the organization to better understand the work they do through data analytics, continuous improvement and performance management. This will include facilitating regular data reviews for leadership, collaborating with IT to increase access to important data sets and systems, guiding work groups on the creation of and use of data visualization tools and focusing work groups on measuring the things that best connect to the work they do, be it day-to-day work or special projects.

Preliminary budget funds projects that reduce the environmental impact of city operations and increase sustainable resource planning, such as staff support for municipal energy efficiency projects and the LEED/Clean Fuels Incentive Programs (\$31k). This will provide for costs needed to submit reports associated with the ongoing projects at City Hall and the Bellevue Service Center showing compliance with the Clean Building Act, and consultant support for assessments needed for City Council reporting such as the wedge analysis showing Greenhouse Gas Emissions by source. This does not fund any construction projects to adjust impacts.

Along with business and community partners, the city will establish an inclusive innovation forum to conceptualize and invest in new technologies (\$1.0m). The innovation forum will help support Bellevue's vision, where innovation supports opportunity, equity, mobility, and economic development. Goals include assessing emerging technologies for equity and community impacts, supporting community education opportunities and digital equity, enhancing Bellevue as a place where innovators want to grow their businesses and test their ideas, and growing innovative partnerships.

### **Thriving People & Communities**

In the 2025-26 Preliminary Budget, the City is making investments aimed at enhancing quality of life, fostering engagement, and ensuring the needs and well-being of all Bellevue residents.

#### ***Support for Community Engagement & Multicultural Gathering***

A 2024-26 Council Priority is to “Enhance community engagement efforts to increase equitable public participation in city decision-making and improve the reach and effectiveness of the City’s engagement strategies.” To meet this priority, funding is included for the development of a coordinated approach to community engagement that streamlines and enhances how the City informs, solicits and receives input. This effort will support broad public participation for citywide initiatives with a focus on improving outreach to historically marginalized or underrepresented communities, transparency and consistency of reporting on community input received and leveraging community input data to inform future city

decision making.

Another year of grants (\$200k) through the Cross-Cultural Center Without Walls program will engage an additional 15-20 community-based organizations in leading cross-cultural events and activities throughout the city. The first phase of programming completed so far in 2024 has shown a continued demand for intercultural engagement and a high level of interest across a growing network of cultural organizations to lead this work. We are finding that the more the community engages with the Cross-Cultural Center without Walls, the more interest there is in continuing this approach to programming and community building.

Concurrently with additional community programming, funding (\$100k) is proposed to advance a fourth phase of study to site a future cross-cultural facility. This phase will manage by an interdepartmental staff team, led by Parks & Community Services, in close collaboration with Diversity Advantage Team staff. In the community engagement completed in 2023, more physical gathering spaces dedicated to themes of belonging and cross-cultural interactions consistently surfaced as a top theme. Lessons learned from the current rounds of programming will further guide how a future facility should ideally be designed and located.

The community consistently provides high ratings for the City's recreation programs, with approximately 94% rating the programs as good or excellent over the past 5 years. Community attendance at Parks & Community Services events and participation in recreation programs is rapidly increasing and exceeds pre-pandemic levels. In community outreach related to the Recreation Program Plan and Centering Communities of Color, community members asked for increased provision and access to recreation programs and facilities. In response to the increased demand, the proposed budget adds staff to support community recreation programs, outreach to marginalized communities, and extended operating hours.

### ***Meeting Community Needs: Human Services Investments***

The Preliminary Budget advances Council priorities by supporting human services programs to meet community needs and increasing equitable access and outcomes, as recommended by the Human Services Commission. The Commission's recommendations are based on policy guidance in the Human Services Strategic Plan and data from the Human Services Needs Update indicating the areas of greatest need and disparity

The Commission reviewed 154 applications for funding. The Commission's recommendations include several funding sources: the Human Services Fund, Behavioral Health and Housing-Related Services Housing Stability Program and Community Development Block Grant funding. In addition, the recommendations include a one-time city investment of an additional \$2.5m in the 2025-2026 biennium to help address the gaps created by the expenditure of pandemic funding. The Commission's funding recommendations will enhance investment in the human services infrastructure, advancing access to the resources necessary to thrive for Bellevue's residents.

The funding requests that were received totaled over \$36 million, which is more than double the available funding of approximately \$17 million. A detailed description of the Commission's review process and funding recommendations is included in the attached Transmittal Letter from the Human Services Commission Chair (Attachment B). The 2025-2026 funding recommendations are included in

two attachments. Attachment C provides an overview of funding for 125 programs via all funding sources. Attachment D provides the details of funding recommendations by funding source.

The Commission followed policy guidance from the Human Services Strategic Plan and data from the Human Services Needs Update to prioritize funding recommendations in the areas of greatest need and disparity, including culturally and linguistically specific services, shelter/ housing/housing stability, food/basic needs, childcare, behavioral health and housing-related services, and youth services.

Funding Sources:

*Human Services Fund*

The base Human Services Fund budget is calculated according to a formula (base amount + inflation adjustment + population growth). In addition, other city funding sources or donations can be added. The budget for the 2025-2026 biennium includes \$9,925,886 in the Human Services Fund. The Human Services Fund is awarded to local agencies providing services that address the most significant gaps and disparities for Bellevue residents. The Commission's Human Services Fund funding recommendations are found in Attachment D.

*Behavioral Health and Housing-Related Services: Housing Stability Program Funding*

The Housing Stability Program is funded via a council-adopted 0.1% sales and use tax. Council approved allocating approximately 15 percent of the annual revenue from the Housing Stability Program to behavioral health and housing-related services. Fifteen percent of the total revenue for the biennium is expected to be \$3,880,746. Applications for this ongoing program must meet the criteria adopted by Council in the Housing Stability Program Framework. This year's recommendations include youth and adult behavioral health, including culturally and linguistically specific services and intensive case management and employment services. The Commission's Behavioral Health and Housing Related Services funding recommendations are found in Attachment D.

*Community Development Block Grant (CDBG)*

The annual amount of CDBG funding received by the City is based on a formula calculated by the federal Department of Housing & Urban Development. Bellevue's exact CDBG entitlement amount for 2025 will not be known until after the 2025 federal budget has been adopted. The 2024 entitlement is used as a placeholder below for the 2025 estimated CDBG entitlement. The City's annual CDBG budget also includes loan paybacks, known as program income, from the Major Home Repair program. The estimated CDBG budget for 2025 is as follows:

2025 Estimated CDBG Entitlement:	\$ 850,000
2025 Estimated Program Income:	\$ 150,000
<b>Total Estimated 2025 Funds:</b>	<b>\$1,000,000</b>

CDBG funds may be awarded to local agencies engaging in activities that are eligible under national objectives defined in federal regulations. For the City of Bellevue, funded activities must meet the national objective to benefit low- and moderate-income persons. This year's recommendations include microenterprise business assistance, rehabilitation/repair of single-family homes, a public

services program and planning and administration of the CDBG program. The Commission's 2025 CDBG funding recommendations are found in Attachment D. The CDBG Contingency Plan in Attachment E outlines how the funding will be allocated if the actual CDBG budget is higher or lower than the estimated amount.

### *One Time Funding*

The Preliminary Budget includes a one-time investment of \$2,500,000 to address the most critical gaps after the expenditure of all pandemic funding, with two-thirds allocated to the areas of greatest disparity for youth services and the remaining one-third beginning to address the additional gaps identified with the spenddown of federal ARPA funding.

### *Homelessness Outreach Program*

The Preliminary Budget supports the City Council's priorities by investing in the staffing and resources needed to carry out the Homelessness Outreach Program (\$866k) and extend the safe parking program partnership (\$900k). The City's Homelessness Outreach Program works directly with community members experiencing homelessness to address barriers and connect them with services, shelter, and housing, including as part of encampment resolution. Program funds support outreach staff positions serving over 400 individuals a year and direct expenses including basic client needs and severe weather response. The City's pilot safe parking program launched in spring 2024, and to date has served 31 households (43 adults and 72 children) living in vehicles, 12 of which have already moved to stable housing. This Budget provides funding to extend the safe parking program through 2026.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

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 will be conducted before adoption of a final budget, which should be held on or before the first Monday in December.
- Balanced expenditure and revenue estimates for each of the City's funds.
- Council adoption of the budget prior to the beginning of the ensuing fiscal biennium, i.e., January 1, 2025.

### **Fiscal Impact**

This briefing is information only and, until adoption, will have no fiscal impact.

## **OPTIONS**

N/A

## **ATTACHMENTS**

- A. Council Questions and Responses (Memory Bank)
- B. Transmittal Letter from the Human Services Commission Chair
- C. Overview of Human Services Funding: All Sources
- D. Human Services Funding Recommendations by Funding Source
- E. CDBG Contingency Plan

## **AVAILABLE IN COUNCIL LIBRARY**

N/A