

**CITY COUNCIL STUDY SESSION**

Preliminary 2019-2020 Budget and the 2019-2025 Capital Investment Program (CIP) Plan

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*Finance Department*

**DIRECTION NEEDED FROM COUNCIL****DIRECTION**

This is the sixth and final scheduled study session discussion on the budget. Staff is seeking direction to bring back legislation for the adoption of the 2019-2020 Budget and the 2019-2025 Capital Investment Program Plan (CIP) on December 3.

The Preliminary 2019-2020 Budget and the 2019-2025 CIP Plan may be found at <https://www.bellevuewa.gov/budgets>.

**RECOMMENDATION**

N/A

**BACKGROUND & ANALYSIS****Background**

The City Manager introduced the Preliminary 2019-2020 Budget on October 15. Tonight is the sixth in a series of discussions to review the budget prior to tentative budget adoption on December 3. See the latter part of this memorandum for a history of Council discussions and direction received. Attached to this memorandum is the 2019-2020 Executive Summary (Attachment A) and the City Manager's Transmittal Letter (Attachment B).

The budget is a policy document establishing an operational plan to provide continuing quality services and to set the strategy for continued progress in meeting the City's capital infrastructure needs. One of the foundational policy documents underpinning this budget is the Council three-year priorities that were adopted in 2018. The Preliminary Budget advances the priorities and increases investment in areas such as affordable housing, Grand Connection, Downtown Park Gateway and congestion management, among others.

The 2019-2020 biennial budget totals \$1.7 billion. This total includes \$1.1 billion in the operating budget (\$476 million in the General Fund, \$215 million in Internal Service and Other Operating Funds, \$442 million in Enterprise Funds), \$72 million in special purpose expenditures (such as grants, donations and debt, among others) and \$534 million for the 2019-2020 portion of the General and Utilities CIP. Further information regarding the overall preliminary budget can be found in the 2019-2020 Executive Summary (Attachment A) and the full on-line version of the budget located at <https://www.bellevuewa.gov/budgets>.

Community engagement is an essential component in developing a budget that responds to the community's needs. Staff and the Council have received public input through a variety of ways. Council held public hearings on June 4, August 6 and November 19, budget and performance surveys were conducted and, over the course of the summer, staff held several neighborhood walks that provided feedback. Councilmembers and staff have also received emails, phone calls, and other communications on numerous issues. In addition, several community groups including the Bellevue Downtown Association, the Bellevue Chamber of Commerce, and the Boards and Commissions have provided staff or Council with recommendations.

Tonight, staff is requesting final direction on the content of the Preliminary 2019-2020 Budget and the 2019-2025 Capital Investment Program Plan as noted in this memorandum, attachments and links. Based on Council direction, staff will prepare legislation for anticipated adoption on December 3, including a property tax levy for 2019 and appropriation levels by fund, among others. See the latter part of this memorandum for the full list of legislation required for budget adoption. Attachment C provides a list of all funds and the proposed appropriation by fund.

### **Council Discussions and Timeline**

The budget process started early in the year with Council holding a budget workshop on March 26. At that time, Council received information on the budget process, the state of the City's general fund financial forecast, the Utilities forecast, budget and business survey highlights and the early look at the CIP plan.

On September 10, staff reviewed the upcoming budget calendar with the Council and reviewed the actions necessary for budget adoption.

On October 15, City Manager Miyake presented his 2019-2020 Preliminary Budget and 2019-2025 CIP plan to the City Council. The Executive Summary and transmittal letter are attached to this memorandum.

On October 22, the Development Services fees were presented to the City Council with direction to staff to return with legislation for adoption as proposed.

On November 5, Human Services and Community Development Block Grant (CDBG) from the Human Services Commission presented their recommendations to Council. Council provided direction for staff to return with legislation for adoption as proposed.

On November 13, staff presented the public safety initiatives included in the operating proposed budget. The Preliminary Budget:

- Invests in public safety by increasing patrol officer time in the community by adding resources to the Police Department, including four public safety officers, three administrative positions which are currently being addressed with patrol officers and one homelessness outreach coordinator, and

- Invests in public safety by increasing fire inspector positions by 2 FTEs and proposes a 100 percent cost recovery of the direct fire inspection program consistent with cost recovery objectives in similar code inspections. The proposed fire inspection fee is budgeted to begin in 2020. Council provided direction for staff to return with legislation to update the fire inspection code to allow for fire inspection fees.

In addition, staff provided an overview of the CIP with specific focus on the Transportation and Parks and Community Services capital projects included in the 2019-2025 CIP.

On November 19, staff completed the overview of the CIP with the specific focus on the Community Development capital projects. In addition, staff presented the 2019-2020 Utilities proposed rates.

### **Budget Adoption Council Required Actions**

There are several items that will be required to adopt the 2019-2020 budget:

<b>Ordinance Title</b>	<b>Brief Explanation</b>
Human Services Commission Recommendation Ordinance	Adopts funding recommendations for allocations to human services agencies. <i>Direction received on November 5 to return with legislation for adoption.</i>
Fire Inspection Fee Ordinance	Authorizes the creation of Fire Inspection fees for recurring fire inspections. <i>Direction received on November 13 to update with the budget adoption the fire inspection code to allow for fire inspection fees.</i>
Community Development Block Grant Recommendation Ordinance	Adopts recommended spending plan for Community Development Block Grant funds and associated actions to enter into agreements with grant subrecipients. <i>Direction received on November 5 to return with legislation for adoption.</i>
Development Services Fee Ordinance	Approves 2019 Development Services fees for all Development Services functions, including building, land use, fire, transportation and utilities plan review and inspection. <i>Direction received on October 22 to return with rate ordinances with budget adoption.</i>
Utilities Rates Ordinances (3 Ordinances)	Establishes the 2019-2020 water, sewer, and storm and surface water drainage utility rate charges. <i>Staff presented rates on November 19.</i>
Property Tax Banked Capacity Resolution	Provides for the banking of the maximum amount of levy capacity pursuant to RCW 84.55.005, 84.55.0101 and 84.55.092.

Property Tax Levy Ordinance	<p>Establishes the 2019 regular and voted property tax levy. By law (RCW 35A.34.230 and RCW 84.55.092), Council is required to adopt property tax levies annually. The Preliminary Budget includes a one percent increase for 2019.</p> <table border="1" data-bbox="568 399 1380 724"> <thead> <tr> <th></th> <th style="text-align: center;">2018</th> <th style="text-align: center;">Estimated 2019**</th> </tr> </thead> <tbody> <tr> <td>Regular Property Tax Rate*</td> <td style="text-align: center;">\$0.71</td> <td style="text-align: center;">\$0.63</td> </tr> <tr> <td>Parks Voted Property Tax Rate*</td> <td style="text-align: center;">0.07</td> <td style="text-align: center;">0.06</td> </tr> <tr> <td>Fire Facilities Voted Property Tax Rate*</td> <td style="text-align: center;">0.11</td> <td style="text-align: center;">0.10</td> </tr> <tr> <td>Neighborhood Safety, Connectivity and Congestion Voted Property Tax Rate*</td> <td style="text-align: center;">0.14</td> <td style="text-align: center;">0.12</td> </tr> <tr> <td><b>Total Property Tax Levy Rates*</b></td> <td style="text-align: center;"><b>\$1.03</b></td> <td style="text-align: center;"><b>\$0.92</b></td> </tr> </tbody> </table> <p>*Rates are per \$1000 Assessed Value and rounded to the nearest hundredth. Totals may not balance due to rounding.  **Final assessed value to establish the property tax levy information is not yet available from the King County Assessor's Office. As a result, property tax levy amounts are based on preliminary numbers provided by the County and include the one percent increase for 2019.</p>		2018	Estimated 2019**	Regular Property Tax Rate*	\$0.71	\$0.63	Parks Voted Property Tax Rate*	0.07	0.06	Fire Facilities Voted Property Tax Rate*	0.11	0.10	Neighborhood Safety, Connectivity and Congestion Voted Property Tax Rate*	0.14	0.12	<b>Total Property Tax Levy Rates*</b>	<b>\$1.03</b>	<b>\$0.92</b>
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2019-2020 Budget Ordinance	Adopts the 2019-2020 Budget and 2019-2025 Capital Investment Program (CIP) Plan. This is the "umbrella" budget ordinance which includes appropriation approval by Fund, 2019 pay plans and summarizations of grants that are less than \$90,000 and donations accepted. Attachment C provides the proposed appropriation by fund as of November 26.																		

## POLICY & FISCAL IMPACTS

### 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;
- Council adoption of the budget prior to the beginning of the ensuing fiscal biennium, i.e., January 1, 2019.

## OPTIONS

N/A

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

- A. Reprint of 2019-2020 Preliminary Budget Executive Summary
- B. Reprint of City Manager's Budget Transmittal Letter
- C. 2019-2020 Fund Appropriation List

## **AVAILABLE IN COUNCIL LIBRARY**

N/A