

CITY COUNCIL REGULAR SESSION

An Ordinance adopting the City of Bellevue’s 2023-2024 Budget and 2023-2029 Capital Investment Program (CIP) Plan; setting forth the estimated revenues and appropriations; establishing job classifications and pay ranges; and establishing an effective date.

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EXECUTIVE SUMMARY

As directed by Council on November 14, this Ordinance adopts the 2023-2024 operating budget and the 2023-2029 Capital Investment Program Plan, the associated job classifications and pay plans as well as establishing an effective date.

RECOMMENDATION

Move to adopt Ordinance No. 6698

BACKGROUND/ANALYSIS

This is the final action to implement the 2023-2024 budget. The Ordinance adopts the total appropriation by fund (Attachment C) and summarized in the table below, establishes pay plans for 2023 (Attachment D) , notifies Council of acceptance of grants of less than \$90,000 as received from November 1, 2021 to October 31, 2022 (Attachment E), provides a list of donations received from November 1, 2021 to October 31, 2022 (Attachment F), and the 2023-2029 Capital Investment Program Cashflow (Attachment G).

The total of the 2023-2024 Budget is \$2.2 billion and is summarized by major category in the table below. All numbers reflect changes through November 14 as directed by Council (See Council Amendments below).

2023-2024 General Fund	\$591,838,758
2023-2024 Other Operating Funds	\$261,012,194
2023-2024 Enterprise Funds	\$568,171,280
2023-2024 Special Purpose Funds	\$139,149,431
2023-2024 Capital Investment Program	\$679,258,999
Total 2023-2024 Budget	\$2,239,430,661

Council Directed Adjustments

General Operating Fund Changes from the Preliminary Budget:

- Arts and Culture Funding, \$85,000, one-time, 2023
 - *The Council adopted budget transfers \$85,000 for one year of additional funding for the Arts from the CIP project, Arts & Culture Fund (G-112) to the General Fund arts operating grants. This would be one time funding for 2023 only and would have minimal*

impact on the Arts and Culture Fund. In addition, this item requests a review of arts funding at either the mid-biennium or the next biennium budget before Council.

General Capital Investment Fund Changes since the Preliminary Budget:

- Vision Zero Funding Acceleration, \$286,000, one-time, 2023 and 2024
 - *The Council adopted budget proportionally reduces expenditures in the Vision Zero Rapid Build Data Driven Safety Program (PW-R-205) for years 2025 through 2029 by \$57,200 annually and increase expenditure authority in each 2023 and 2024 by \$143,000 to ensure a \$500,000 budget in the first years. In addition, Council requested that the Vision Zero project return for discussion in the next budget once the BeSafe grant award is known. This transfer is illustrated below:*

Vision Zero Rapid Build Data Driven Safety Program (PW-R-205) (\$ in 000s)							
	2023	2024	2025	2026	2027	2028	2029
Preliminary Budget	\$357	\$357	\$357	\$357	\$357	\$357	\$357
Amendment	\$143	\$143	(\$57.2)	(\$57.2)	(\$57.2)	(\$57.2)	(\$57.2)
Revised Budget	\$500	\$500	\$299.8	\$299.8	\$299.8	\$299.8	\$299.8

Additional Council Discussion

In addition to the budget direction noted above, the Council also reiterated the need for outreach and engagement for the City’s public safety investments included in the budget. Engagement includes hearing from the City’s diverse communities in forums such as the Bellevue Diversity Advisory Network (BDAN), the Communities of Color Coordinating Team (CCC), Police advisory councils, among other opportunities. Council restated the need for input from the community, learning from best practices and, taking data-informed approaches to inform how these public safety programs adapt and evolve going forward.

Budget Overview

The 2023-2024 Budget was developed and is being delivered in an uncharted economic environment. Inflation remains concerning, interest rates are increasing, and the community continues to grapple with long-term economic effects from the COVID-19 pandemic. Surveys and public testimony over the last year show that residents and businesses have high approval ratings for the City and yet respondents highlight the biggest concerns facing Bellevue as affordability, public safety, and homelessness, among others. This Budget addresses these concerns, other growth pressures, out-year fiscal sustainability, and Council Priorities.

The 2023-2024 Budget provides for the ongoing operations and capital needs of the City, invests in the services to meet the challenges of a rapidly urbanizing community, and centers new spending on areas most important to Bellevue residents.

Highlights

- Invests in critical staffing for public safety including the Community Crisis Assistance Team (CCAT), Fire Station 10, and responding to growth.
- Increases spending to further the goals set out in the Environmental Stewardship Initiative.

- Invests in human services and small business recovery through the American Rescue Plan Act.
- Advances programming in clean streets and affordable housing.
- Invests in equity and inclusion through advancing existing programming and new cross-cultural programming, apprenticeship utilization as well as fostering pathways for women and minority-owned businesses in City procurements.
- Increases investment in individuals experiencing homelessness with programming in safe parking and other investments
- Continues to build the highest priority infrastructure needed for further growth.
- Includes planned increases utility rates to address aging infrastructure and wholesale costs.
- Includes a 2 percent property tax adjustment for 2023 (\$18 for a \$1M property owner); 1 percent adjustment in 2024, and a 0.01 percent adjustment to business & occupation taxes.
- Adjusts Development Services fees, including land use review to meet growth demand and maintain cost recovery objectives.

Further information regarding the overall preliminary budget can be found in the 2023-2024 Preliminary Budget Executive Summary (Attachment B); and the full budget document located here: https://bellevuewa.gov/sites/default/files/media/pdf_document/2022/2023-2024 Preliminary Budget Final 0.pdf

Community engagement has been an essential component in developing a budget that responds to the community’s needs. Staff and Council have received public input through the Business, Performance, and Budget surveys conducted in advance of the budget development. Additionally, staff and Council heard directly from constituents during the three public hearings held as part of this year’s process including hearings on May 23, August 1, and November 7. Councilmembers and staff also received written communications from numerous budget-related topics and concerns.

Actions brought forward in advance of the final budget adoption

Earlier actions brought forward tonight to fully implement the 2023-2024 budget included the following items that have been incorporated into the umbrella Ordinance:

- 2023 Development Services Fee Ordinance: Updates fees charged for development services applications requiring construction, land use, fire, survey, sign, transportation, utility and clearing and grading review and inspection services effective January 1, 2023. This Ordinance reflects the updated cost recovery policy change for land use review.
- 2023-2024 Utility Rates Ordinances: Increases waters consumption, water standby capacity charges and water, sewer, and stormwater service fees effective January 1, 2023. These increases are necessary to support the Utilities’ 2023-2024 operating and 2023-2029 CIP plan funding needs. The table below displays the service fee increase for each utility.

Utility	2023 Service Fee Increase	2024 Service Fee Increase
Water	5.9%	4.7%
Sewer	7.7%	6.8%
Storm & Surface Water	5.3%	5.3%

- Human Services 2023-2024 Funding Ordinance: Human Services Commission's 2023-2024 Human Services Fund funding recommendations
- Community Development Block Grant (CDBG) Ordinance: Recommendations for the use of 2023 CDBG funds as transmitted by the Human Services Commission
- Behavioral Health and Housing Stability Ordinance: Authorizes the execution of contracts for Behavior Health and Housing-Related Services Housing Stability Program (Funded by HB 1590).
- 2023 Business & Occupation Tax Ordinance: Adjusts the taxable gross receipts tax rates for Bellevue business activities from 0.1496 percent to 0.1596 percent.
- Property Tax Ordinance and Resolutions:
 1. Property Tax Increase Ordinance – Regular and voted property tax including new construction and other increase allowed under RCW 84.55.010 and refund amounts, including the statutorily available 1 percent allowable increase for 2023 as well as the use of 1 percent of the City's banked capacity.
 2. Preserve Banked Capacity Resolution – Preserving the full levy amount available to the City to ensure sufficient capacity to fund operating costs of new facilities and maintain current levels of service.

Previous Council Discussions

On September 26, the City Manager presented his 2023-2024 Preliminary Budget and 2023-2029 Capital Investment Plan (CIP) plan to the City Council. The Preliminary 2023-2024 biennial budget totaled \$2.2 billion. This total includes \$1.4 billion in operating budget (\$592 million in general fund, \$261 million in internal service and other operating funds, \$568 million in Enterprise Funds), \$139 million in special purpose expenditures (such as grants, donations and debt, among others), and \$679 million for the 2023-2024 portion of the General and Utilities CIP. See Attachments A and B for the City Manager's transmittal letter and the Preliminary 2023-2024 Executive Summary.

On October 3, an overview of investments in: Public Safety, Homelessness, the American Recovery Plan Act (ARPA) and, the Safe Clean, Vibrant City initiative was presented. The agenda memo and meeting materials can be found at the link below or by searching from the Bellevuewa.gov website under the Council Meetings section.

<https://bellevue.legistar.com/LegislationDetail.aspx?ID=5859889&GUID=B65054A3-8E2F-48BD-9E03-8D3A26898C9C>

On October 10, the Utilities Department presented materials to the City Council on proposed rates. Agenda materials can be found at the link below or by searching from the Bellevuewa.gov website under the Council Meetings section.

<https://bellevue.legistar.com/LegislationDetail.aspx?ID=5866748&GUID=08347F75-87D2-4D51-9D4A-E34151F467FC>

On October 24, the Development Services Permit Fees and Issaquah and Renton School Impact Fee Schedule Update, Environmental Stewardship Initiative (ESI) and Diversity Equity and Inclusion (DEI), and Human Services were presented to the City Council. Agenda materials can be found at the link below or by searching from the Bellevuewa.gov website under the Council Meetings section.

- 10/24 Development Services Materials
<https://bellevue.legistar.com/LegislationDetail.aspx?ID=5893305&GUID=6892E379-6F82-4DB4-BA1F-CA9B3EB363A5>
- 10/24 ESI and DEI Materials
<https://bellevue.legistar.com/LegislationDetail.aspx?ID=5893311&GUID=17014621-DA8B-4C16-A944-F2DF31352F95>
- 10/24 Human Services Materials
<https://bellevue.legistar.com/LegislationDetail.aspx?ID=5893307&GUID=21D5029E-4987-4CD0-8C84-8E4E33199703>

On November 7, the City Council hosted the final of three public hearings on the 2023-2024 budget and CIP. The three public hearings were an opportunity for residents and other stakeholders to provide input on the 2023-2024 Preliminary Budget, including all proposed levies, taxes, fees, and rates to aid the City Council in their review, discussion, and eventual adoption of the City's 2023-2024 Budget and 2023-2029 Capital Investment Program (CIP) Plan. The City previously held public hearings on May 23 and August 1. <https://bellevue.legistar.com/LegislationDetail.aspx?ID=5923375&GUID=42DA57AE-5CDE-4B0D-A341-8C2CDD9BD326&Options=&Search=>

On November 14, the City Council proposed amendments to the 2023-2024 Preliminary Budget and the 2023-2029 Capital Investment Program Plan. Amendments were presented on the arts funding, Vision Zero, the proposed Police transit unit and, a potential behavioral health responder pilot. Each proposed amendment was presented by the sponsoring Councilmember, discussed by the Council and, when asked, staff provided clarification as to the impacts and concerns of the amendment. The amendments were given a vote of the Council and the passed Amendments, which include alterations to the arts and Vision Zero budgets, can be found earlier in this document.

Bellevue Pay Plans

Pay plans for represented employees were established in accordance with their respective labor agreements. As part of the budget Ordinance, the Council approves the 2023 City of Bellevue Pay Plans (Attachment D) which include the effect of a 2023 salary ranges adjustment of 5.5 percent for non-represented staff.

RCW 41.50.152 requires disclosure of "excess compensation" costs (e.g., overtime payments that exceed twice the regular rate of pay, termination or severance payments, and cash out of unused annual leave in excess of 240 hours for a limited number of eligible employees). This legislation was designed to avoid the situation where significant future liability was unknowingly accepted as part of a compensation agreement. The provisions of the pay plans for non-represented employees are estimated to increase these future retirement billings by \$1,244 or 11.5 percent (from \$11,445 to \$12,075). Any increase in excess compensation for union contract settlements are communicated in agenda memos when the contracts are proposed for Council approval.

Grants and Donations

Per Ordinance No. 6187, the City Manager is authorized to apply for grants in any amount and to execute contracts for grants up to \$90,000. The City Manager shall notify the City Council periodically of such grant contracts. A list of grants received in the most recent annual period of November 1, 2021

through October 31, 2022 in Attachment E.

Ordinance No. 4177 which created the Donations Fund on October 8, 1990, delegates authority to accept donations to the City Manager. Attachment F summarized donations received by project for the most recent annual period of November 1, 2021 through October 31, 2022.

POLICY & FISCAL IMPACTS

Policy Impact

RCW 35A.34 – Biennial Budgets

State law specified 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, 2023.

Fiscal Impact

This Ordinance adopts the City of Bellevue's 2023-2024 Budget and the 2023-2029 Capital Investment Program (CIP) Plan. 2023-2024 fiscal impacts are noted by fund in Attachment C: Total Appropriation by Fund.

OPTIONS

1. Adopt the Ordinance adopting the City of Bellevue's 2023-2024 Budget and 2023-2029 Capital Investment Program (CIP) Plan; setting forth the estimated revenues and appropriations; establishing job classifications and pay ranges; and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS

- A. City Manager's Transmittal Letter
 - B. 2023-2024 Preliminary Budget Executive Summary
 - C. Total Appropriation by Fund
 - D. 2023 City of Bellevue Pay Plans
 - E. Summary of 2022 Grants Accepted Under \$90,000
 - F. Summary of 2022 Donations Accepted
 - G. 2023-2029 Capital Investment Program Cashflow
- Proposed Ordinance No. 6698

AVAILABLE IN COUNCIL LIBRARY

N/A