

CITY COUNCIL AGENDA TOPIC

Introduction of the Preliminary 2025-2026 Operating Budget and the 2025-2030 Capital Investment Program (CIP) Plan

Diane Carlson, Acting City Manager, 425-452-4616
City Manager's Office

John Resha, Chief Financial Officer/Director, 425-452-2567
Evan Phillips, Financial Strategy & Performance Director, 425-452-2831
Finance and Asset Management Department

EXECUTIVE SUMMARY**INFORMATION
ONLY**

The City Manager's Preliminary Budget will be presented for Council feedback, discussion, consideration, and eventual action. Additional study sessions are scheduled through mid-November, with tentative budget adoption scheduled for November 19. Attached to this agenda memo is the City Manager's Transmittal Letter, a Preliminary Budget Financial Plan, and the Comprehensive Financial Policies. Though the executive summary portion of the budget document is typically included with this initial packet of budget materials, our budget teams prioritized the larger sections of the budget document given the meaningful changes to our financial processes and methodologies this year, which has taken more time than usual. The full preliminary budget document will be an interactive electronic budget book, including the Executive Summary, and will be available by noon on Tuesday, Sept. 17 at BellevueWA.gov/Budget.

RECOMMENDATION

N/A

BACKGROUND/ANALYSIS

Tonight, Council will be presented the Preliminary 2025-2026 Operating Budget and the 2025-2030 Capital Investment Program (CIP) Plan. This will be the first of several meetings with Council to review, deliberate, and eventually adopt the 2025-2026 Operating Budget and the 2025-2030 CIP Plan.

The process for developing this budget is consistent with core past practices for developing the City's operating budget and CIP. However, there have been enhancements central to bringing valuable perspectives and analysis to how the preliminary budget delivers on prior commitments, the City's Strategic Target Areas and Council's Policy Priorities. As has been the case in prior budget processes, an evaluation team of staff from every department participated in an evaluation exercise to examine the changes requested by departments. This included changes to existing services, current service adjustments such as changes to scope or level of services, as well as potential new services and pilots. Next, a separate staff working group of cross-functional subject matter experts packaged the evaluation team's feedback into thematic packages for the City's Leadership Team who provided a recommendation to the Acting City Manager. These staff efforts were designed to test the assumptions

and trade-offs made in the department requests to ensure the requests are feasible within the City's resources, capacities and priorities.

Additionally, this budget process continued the City's journey of integrating Diversity, Equity and Inclusion (DEI) into our budget development process. City departments engaged with a Budget Equity Toolkit (BET) designed to examine how each department's investments consider known opportunities to address, improve, and/or resource tools and feedback necessary to advance equitable solutions. This toolkit is helping inform the departments in their work and in the development of the Diversity Advantage Plan update.

For additional information regarding the Preliminary Budget, please see the full preliminary budget document, including the Executive Summary, which will be available on Sept. 17 at BellevueWA.gov/Budget.

Council Budget Calendar

Date	Budget Item(s)
April 8	<i>Council Budget and Financial Strategy Workshop</i>
July 9	<i>Initial Public Hearing Tax Revenue Forecast and Preliminary Budget Guidance Study Session</i>
Tonight	<i>Acting City Manager's Preliminary Budget Overview</i>
September 24	<i>Second Public Hearing Policies, Funds, Budget Equity Toolkit, Resources, Development Services fees and Utility rates</i>
October 8, October 15, and October 22	<i>Staff will present various components of the budget through two Strategic Target Areas per meeting</i>
October 29	<i>Council Questions, follow-up, and deliberation</i>
November 12	<i>Final Public Hearing and Council Direction for Adoption</i>
November 19	<i>Tentative Budget Adoption</i>

Previous Council Meetings

Council held a budget and financial strategy workshop on April 8 where staff briefed Council on the process and milestones of developing the budget and engaged in a discussion of the City's Comprehensive Financial Policies. On July 9, Council held a public hearing on the 2025-2026 Budget for purposes of early community input into budget development. Following the hearing, staff briefed Council on the inflationary pressures and fiscal stability of the City. Council provided feedback on the Budget Guiding Principles that assisted the Acting City Manager in developing her Preliminary Budget.

Community Information Sessions

Staff will be hosting information sessions with public to share information about how to read and interact with the budget documents and Council's budget deliberations. These sessions will be held:

- September 23 – 6 p.m. at Crossroads Community Center
- September 24 – 1:30 p.m. at North Bellevue Community Center

September 26 – 6:00 p.m. at South Bellevue Community Center

Preliminary Budget Council Required Actions

There are several items that will be required to adopt the 2025-2026 Operating Budget and the 2025-2034 CIP Plan which include:

Ordinance/Resolution Title	Brief Explanation
2025 Development Services Fee Ordinance	Set Development Services 2025 Fees
2025-2026 Utility Rates Ordinances (4)	Set the Utilities 2024-2026 Rates
2025 Property Tax Banked Capacity Resolution	Preserve the full levy amount available to the City
2025 Property Tax Ordinance	Adopt 2025 property tax levies (RCW 35A.34.230 and RCW 84.55.092)
WaterWorks Financial Policy Sunset Resolution	Removes potential for language conflicts with City Comprehensive Financial Policies.
2025-2026 Budget Ordinance	Adopt “umbrella” budget ordinance which includes appropriation approval by fund, 2025 pay plans and, summarizations of grants and donations accepted that are less than \$90,000
(potential) Commission Recommendations Acceptance Resolution	Accept and acknowledge recommendations of Boards and Commissions
Award Human Services Grants Resolution and/ Ordinance	Authorize initial awards for Community Development Block Grants and other Human Services contracting

Note: Only taxes, fees, and rates with changes are identified above, other taxes and fees as previously adopted remain in force. Additionally, a substantial need ordinance is not needed for property taxes as the implicit price deflator surpasses 1 percent.

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 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, 2023.

Fiscal Impact

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

OPTIONS

N/A

ATTACHMENTS

- A. City Manager's Transmittal Letter
- B. 2025-2030 Preliminary Financial Plan
- C. Comprehensive Financial Policies – Proposed – September 2024

AVAILABLE IN COUNCIL LIBRARY

N/A