



City of Bellevue

Comprehensive Financial Policies



November 2024

(Effective January 1, 2025)

Table of Contents

1.0	Comprehensive Financial Policies and Procedures.....	3
2.0	Guiding Principles	3
3.0	Definitions	4
4.0	Accounting and Funds	7
5.0	Financial Planning.....	9
6.0	New Programs, Services, and Assets.....	10
7.0	Revenues	11
8.0	Reserves and Contingencies	16
9.0	Operations.....	21
10.0	Capital	23
11.0	Biennial Budget.....	26
12.0	Budget Adjustments and Amendments.....	28
13.0	Financial Reporting	29

Comprehensive Financial Policies and Procedures

- 1.1 **Purpose and Scope** – The City of Bellevue (City) shall maintain a single comprehensive financial policies and procedures document (CFP) for all its funds and functions. The following policies and procedures will collectively articulate the City's strategy for its financial structures and functions.
- 1.2 **Responsibility** – The Finance and Asset Management (FAM) Director is responsible for establishing, maintaining, and publishing these policies and procedures. The City Manager will review with the City Council and identify potential updates to these policies in advance of a biennial budget transmittal.

Guiding Principles

THE CITY'S FINANCIAL STRATEGY IS ALSO SHAPED AND MANAGED BY THE FOLLOWING:

- 2.1 **Transparency** - Understanding the City's resources and financial "rules of the road" is critical for Council, the public, and staff to effectively engage with and hold accountable the work of the City. While comprehensive, the City's Financial Strategy should be understandable and clearly aligned with the City's priorities.
- 2.2 **Stewardship** - As Core Values of the City, Stewardship and Integrity should be central to the City's Financial Strategy. Stewardship both aligns the city resources with the priorities of the City (as articulated through the Strategic Framework) and safeguards the city's resources with diligent oversight and strategic planning. Similarly, integrity serves as the ethical foundation with an emphasis on responsibility, truth, open communication and compliance with applicable regulations and statutes.
- 2.3 **Professionalism** - Grounding the Financial Strategy in industry best practices and a unified standard will drive towards advancing the city's outcomes. Staying apprised of, applying, and reinforcing best practices is central to a sound financial strategy.
- 2.4 **Balanced Risk Profile** - Risk is part of any financial picture and placing the public's resources at some level of risk is unavoidable. However, managing those risks within our established risk tolerance through reasonable enterprise risk management approaches must underly the Financial Strategy. With risk comes opportunities and the Financial Strategy should reflect the balancing of risk reduction and mitigation with opportunities which provide reasonable near and long-term benefits.
- 2.5 **Nimble** - The City's Financial Strategy should be adaptable and actionable within the evolving challenges including regular evaluation to identify possible improvements and appropriate adjustments. Serving as a living strategy, the Financial Strategy should be responsive to broader environmental conditions and provide actionable information to Council, the public, and staff.

Definitions

- 3.1 **Fund(s)** - Per [35A.34.030.6](#) Revised Code of Washington (RCW) a fund is a budgeting or accounting entity authorized to provide a sum of money for specified activities or purposes. For City purposes this definition will be the primary use of the word, and revenues, monies, expenditures, appropriation, et al will be used to describe dollars.
- 3.2 **Fund Accounting** - An accounting system for recording resources whose use has been limited by the donor, grant authority, governmental agency, or other individuals or organization or by law. Fund accounting emphasizes accountability rather than profitability.
- 3.3 **Revenues** – The financial resources of taxes, fees, grants, donations, rates, and other incomes received and subsequently managed by the City.
 - 3.3.1 One-Time Revenues are revenues that arise from non-operational or non-recurrent activities such as real estate taxes, grants, sale of assets, investment and interest earnings, donations, et al.
 - 3.3.2 On-going revenues such as property and sales taxes or utility rates, are revenues that are derived from regular and predictable sources. While Development Services rates are one-time revenues, specific reserves and contingencies exist to mitigate periodic variability, and department operations are funded through the General Fund.
- 3.4 **Reserve** – A reserve is an assigned but unappropriated fund balance held for specific reasons. Reserves are individually designated and specify any constraints or requirements associated with access.
- 3.5 **Contingency** – A contingency is an appropriated fund balance with general use and access constraints associated with each designated contingency.
- 3.6 **Financial Plans** - Financial Plans are documents that align the financial resources available (or needed) to achieve anticipated results. They are expressed in multi-year terms showing anticipated revenues, expenditures, reserves, and net position to support fiscally responsible planning and delivery of outcomes. These are not adopted plans but are supporting documents for the Council and the public to understand the financial implications of proposed policy and service decisions. Anticipated revenues, including grants, debt, and other non-recurring revenues, are identified in financial plans as part of planning and forecasting, recognizing that the longer the horizon, the less surety there is in actual revenues. Financial planning for long-term capital investment shall be based on principles that result in smooth rate transitions, maintain high credit ratings, provide financial flexibility and achieve inter-generational equity.
 - 3.6.1 **Current Financial Plan** – a 6-year or three-biennia plan in 2025-2026, transitioning to a 6-year or five-biennia investment financial plan, thereafter, showing the current adopted/amended biennium and projections for four future biennia including the citywide operational investments.

- 3.6.2 **Capital Improvement Plan** - a 6-year or five-biennia capital investment financial plan showing the current adopted/amended biennium and projections for four future biennia. The CIP is for capitalized asset planning, major maintenance, construction, and acquisition meeting specific financial thresholds. The State of Washington requires a 6-year subset of the CIP for its planning purposes, which will be produced as needed.
- 3.6.3 **Long-Range Capital Plan** – A lifecycle asset plan for long-life assets of the City. It is a minimum 20-year plan and should provide for intergenerational planning and smoothing of revenue generation and expenditures. Long Range Capital Plans are developed and updated concurrent with Long Range Plans for the City.
- 3.6.4 **Subordinate Financial Plans** – Enterprise Funds (e.g. Utilities Funds), department operations, capital programs, and other organizing functions will maintain current financial plans, capital improvement plans, and long-range capital plans that aggregate with Citywide Financial Plans developed and published by the Finance and Asset Management Department (FAM).
 - 3.6.4.1 **Utilities Financial Plans** – City utilities, including water, sewer, storm & surface water, and solid waste, are financially sustainable, enterprise funds within the city, with independent rates and fees to meet the financial obligations and planning of each utility. As such, the Utilities department maintains financial plans for each utility. Funding for these operating, CIP, and long-range capital plans shall be sufficiently identified to meet the projected 75-year (or longer) program costs.
- 3.7 **Long-Range Plan(s)** – Functional plan(s) for Strategic Target Areas, specific departments, or policy areas. These plans identify operational characteristics, services and their scalability, performance metrics, and assets necessary to meet 20-year or greater outcomes of the City. Long-Range Plans are developed consistent with Comprehensive Plan policies and with meaningful and inclusive public engagement practices.
 - 3.7.1 **Long-Range Facility Master Plan** - FAM develops and maintains a Long-Range Facility Master Plan for the City that aggregates and aligns the individual department plans, identifies potential dependencies, while accounting for future functions, services, facilities, and land for the City as a whole. Note: This plan is under development in 2024-2025.
 - 3.7.2 **Utilities System Plans** – All Utility system plans shall use a 20-year planning horizon or greater and shall direct the Utility to consider life cycle costs to identify funding needs. Studies to analyze specific geographic areas or issues, such as Storm & Surface Water sub-basin plans, Wastewater capacity and flow studies, or Water pressure zone studies and seismic impact will be completed as required. All Utility system plans use similar criteria for planning infrastructure needs.
 - 3.7.2.1 The Water Utility System Plan is updated every ten years consistent with state law.

- 3.7.2.2 The Wastewater and Storm & Surface Water System Plans are updated as required by changed conditions or regulatory requirements, between every six to ten years.
- 3.8 **Capital Improvement Project or Program** is a project or program that exceeds a cost of \$100,000, that involves city funding in whole or in part, or involves no City monies but is the City's responsibility for implementing, and is planned to deliver:
 - 3.8.1.1 A new physical facility or asset,
 - 3.8.1.2 An enterprise-wide technology system
 - 3.8.1.3 A reconstruction designed to gradually and systematically replace an existing facility or system.
 - 3.8.1.4 Replacement of a major component of an existing facility or technology system,
 - 3.8.1.5 Acquisition of land or structures, or
 - 3.8.1.6 The project control functions, planning, administration, and/or management of an organized group of capital improvement projects and programs (such as for transportation, utilities, parks or municipal facilities).
- 3.9 **Technology System** - An integrated set of hardware, software, and processes working cohesively to perform a business function.
- 3.10 **Strategic Framework** – The City's management system of Vision, Core Values, and Strategic Target Areas (STAs) through which operational performance, capital delivery, and long-range planning is funded via the Biennial Budget; measured through regular performance measurement; and reported via the City's performance and accountability system.
- 3.11 **Strategic Plans** – Strategic plans are plans that describe how the City, a department, or functions of the City align with and advance the Strategic Framework. They articulate the goals, measurement, anticipated resources, and process improvements for the services and investments, actions, and activities to advance the advance the STAs.
- 3.12 **Finance and Asset Management (FAM)** – The Department responsible for preparing forecasts, financial plans, and performance reporting for the City's finances.
- 3.13 **Chief Financial Officer (FAM Director)** – The principal financial advisor to the City Manager and City Council. This position is held by the Director of FAM, and fulfills the Clerk functions required in [35A.34](#) RCW and the Treasurer functions required in [35.23.131](#) RCW.
- 3.14 **Revised Code of Washington (RCW)** – The Revised Code of Washington is the compilation of all permanent laws in force in Washington state. References to the RCW reflect the appropriate application at the time of this document's publication. Any subsequent change or successor legislation to the references in this document shall govern the City's Comprehensive Financial Policies.

Accounting and Funds

The system of accounting, including accounting basis and framework consisting of the chart of accounts, technologies and more.

- 4.1 **Responsibility** - FAM will maintain a single defined Chart of Accounts in support of the City's a modified accrual accounting system that is consistent with guidelines and rules of generally accepted accounting principles (GAAP), Governmental Accounting Standards Board (GASB), and the State Auditor's Office (SAO). The FAM Director is the fund custodian for all funds of the City.
- 4.2 **Fund Uses and Types** - The City appropriates all funds per the Optional Municipal Code, [35A.34](#) RCW. In accordance with state law, the City prepares its biennial budget on an estimated cash receipts and disbursements basis and by a process that conforms to the stated timing requirements. The City maintains the following types of funds, but may also establish other funds per state authority:
 - 4.2.1 **Operating, Current Use, or General Fund** – This fund receives the unrestricted revenues of the city. It is also where operations, maintenance, and delivery functions of a municipality in Washington state, regardless of restrictions on revenue sources paying for the expenditure activity. Expenditure authority (appropriations) for this fund lapse at the end of each biennium when a new appropriation must be adopted by the City Council.
 - 4.2.2 **Capital Funds** – These include the General and Utility Capital Investment Program Funds, which provide for the City's ten-year capital funding. Appropriations in these funds are provided for obligations in the appropriation biennium and do not lapse. Appropriations in these funds are carried forward until the monies are fully expended or their objectives are accomplished or abandoned ([35A.34.270](#) RCW).
 - 4.2.3 **Equipment Rental Funds** – These funds, also known as repair and replacement funds, include the General and Utility Repair and Replacement Funds, which are revolving funds for the repair, replacement, purchase, and operation of equipment, and for the related purchase of equipment, materials, and supplies. Monies from rental or sale of assets resourced through these funds are deposited here within.
 - 4.2.4 **Special Purpose Funds** – These funds are distinguished from General and Capital Funds by their limited objectives, revenue source restrictions, and/or finite lifespans. Special purpose fund appropriations do not lapse and are carried forward until the monies are fully expended or their objectives are accomplished or abandoned ([35A.34.270](#) RCW.)

- 4.3 **Simplified Fund Structure** - The City will minimize the number of funds, utilizing subfunds as appropriate. The funds and subfunds will be categorized in accordance with GAAP for reporting purposes.
- 4.4 **Standard Fund Descriptions** – Funds have been developed and authorized in a standard format for all city funds and are included in the Budget Detail volume of each biennial budget book. Fund descriptions include the following:
- Fund Type
 - Fund Description
 - Year Created
 - Major Revenue Sources
 - Major Expenditures
 - Reserve Requirement

Note: All Sub-Funds should be individually described with the same description format as Funds and include identification of the hierarchical parent fund.

Financial Planning

The system of looking forward at revenues and expenses to forecast and plan for risk and sustainability.

- 5.1 **Responsibility** – FAM is responsible for preparing Financial Plans, Capital Improvement Plans, and Long-Range Capital Plans for the City with the support of departments through their subordinate financial plans.
- 5.2 **Agenda Review** – FAM will review all agenda items submitted for City Council action. The objective of these reviews will be to ensure compliance with the GAAP, adopted budget, financial policies, regulations, and disclosure of all fiscal issues to the council. This information will be presented in the fiscal impact section of each agenda memorandum.
- 5.3 **Forecasting** - FAM will prepare, maintain, and update a financial forecast for the Citywide Financial Plan, which is based on current debt, operations and maintenance service levels, reserves, contingencies, and other financial obligations, and current revenues. This forecast will provide insight into whether the current mix and level of resources are likely to continue to be sufficient to cover current service levels. Forecasts should also discuss ongoing and one-time revenues, as well as period revenue volatility. Departments that generate rate or other revenue will provide data, insight, support, and participate in this routine forecasting.
 - 5.3.1 **Frequency & Timing** – Forecasts will be published at least annually, no less than 90 days before Preliminary or Amended Biennial Budget proposals are transmitted to City Council.
- 5.4 **Rates and fees** will be concurrently forecasted based on Cost Recovery policy, intergenerational cost planning, and/or rate smoothing concepts. Rate and fee departments include, but are not limited to, Development Services, Utilities, Fire, and Parks and Community Services.
- 5.5 **Monitoring** - Revenues will be monitored and reported as part of regular performance measurement.
- 5.6 **Planning within Existing Policies** - Financial Plans all capital plans shall be developed and maintained within the City's existing policy constructs and commitments. Planning exceptions to these policies should be documented and necessitated by the availability of resources or other reasonable justification(s). Alternate Financial Plans illustrating options analysis and scenario planning should be developed as appropriate.

6.0 New Programs, Services, and Assets

- 6.1.1 **Pilot programs and service delivery demonstrations** can be planned and deployed with one-time resources for up to a three-year demonstration period. For pilots and demonstrations greater than three years, ongoing resources must be identified. When deployed, these should also have performance measures to evaluate the effectiveness of the demonstration period and documented approaches to either funding and extending the program or service or ceasing operations.
- 6.1.2 **New capital improvement project and/or acquisition proposals** will include estimated maintenance and operating (M&O) costs. First year M&O costs will be included in capital proposals and thereafter included in M&O operating costs of the Current Financial Plan. If M&O costs cannot be funded, project design and construction should be deferred until such time as resources are available to support M&O costs.
- 6.1.3 **New programs and services** must be financially sustainable through the entire Current Financial Plan period.

Revenues

The financial resources of taxes, fees, grants, donations, rates, and other incomes received and subsequently managed by the City. Revenues can be restricted in their use by the State and other sources such as granting agencies or limited in their use by the City to specific or categorical operating and/or capital uses, or they can be unrestricted.

- 7.1 **Responsibility** – FAM is responsible for the receipt, administration, investment, forecasting, and oversight of revenues authorized by the City Council. Departments responsible for generating fee revenues actively partner with FAM for the regular reporting and forecasting of revenues.
- 7.2 **Prioritization of City Resources** - Revenues of the City will be invested in Debt, Operations, and Capital as guided by the below *Investment Prioritization Waterfall*. The waterfall, while a guide, provides discretion and flexibility between prioritization levels that will be justified to Council as part of any budget or budget amendment process.
 - 7.2.1 **Debt** – Meet all financial obligations to creditors.
 - 7.2.2 **Current Operations and Maintenance** – Maintain (and replace) the City's assets and services of the Current Financial Plan to Industry Standard levels of service, which includes.
 - 7.2.2.1 Funding Major Maintenance to support lifecycle capital planning.
 - 7.2.2.2 Meeting and replenishing Reserve and Contingency requirements.
 - 7.2.2.3 When possible, maintaining the City's assets and services at specified levels and benchmarked against relevant industry standards/best practices.
 - 7.2.3 **Planned New Investments** – Utilize the planned resources to implement the capital investments and operations, as anticipated through long-range planning and growth planning in the waterfall being delivered.
 - 7.2.4 **Growth Planning** – Financially plan for operations and infrastructure, including land acquisition, to meet planned and approved growth as represented in the Long-Range Facility Master Plan. Planning for growth also includes the deposit of Capital Recover Charges and Direct Facility Charges into the Utility long-term capital replacement reserve to ensure growth (new customers connecting to utility systems) pays for capital infrastructure capacity to accommodate growth.
 - 7.2.5 **New Pilot and Service Delivery Demonstrations**– Invest in new or pilot programs, services, and assets in support of emerging priorities.
- 7.3 **Mix of Revenues** - The City should strive to maintain a diversified mix of tax revenues to balance the sources of revenue amongst taxpayers and to provide ongoing stability and predictability.

- 7.3.1 Property Taxes and other stable revenues provide a reliable base of revenues during periods of economic downturn.
- 7.3.2 Revenues more sensitive to regional and national economic pressures (with normal periodic volatility of greater than +/- five percent) provide additional regular capacity to base services, but also require mitigation of volatility in the form of operational reserves.
- 7.3.3 The City's overall revenue structure should be designed to recapture for the City some of the financial benefits resulting from city economic and community development investments.
- 7.3.4 The City will strive to keep a total revenue mix that encourages growth and keeps Bellevue economically competitive and a place where people choose to live, visit, and do business.
- 7.3.5 Inflation's effect on stable revenue sources limits the purchasing power of those revenues and increases volatility in the City's revenue. As a result, efforts to mitigate these impacts should be prioritized.
- 7.4 **Revenue Identification** - Taxes should be selected for balance, applicability, and probable economic impact. The following factors will be considered when the City's taxes are increased, decreased, extended, or changed in any way:
 - 7.4.1 Stability of the tax source over its expected life.
 - 7.4.2 Suitability for a pledge against future debt.
 - 7.4.3 Ability to mitigate inequities and hardships where appropriate (e.g., Property Tax exemptions and deferrals, and utility tax rebates for low-income elderly people). State and local legislative remedies for detrimental tax impacts should be sought where appropriate.
- 7.5 **Cost Recovery** – The City's Cost Recovery policy is a full cost recovery policy whereas rates and fees providing private or discrete benefit are structured to recover full costs, including all direct and indirect costs, capital costs, department overhead, and citywide overhead. With authorization of the City Manager, a subsidy by other revenues of a portion of the costs for such services may be considered when consistent with legal requirements to meet other city interests and objectives, such as remaining competitive within the region.
 - 7.5.1 **Utility Connection Responsibilities** – Those seeking or who are required to have Utility service are responsible for extending and/or upgrading the existing Utility systems prior to connecting.
 - 7.5.2 **Affordable Housing Consideration** – Utilities may waive capital recovery charges with respect to construction of affordable housing projects as found by the Utilities director, provided there is non-utility revenue available to reimburse the city for the charges waived.
- 7.6 **Restricted Revenues** – The City will prioritize appropriate use of restricted revenues for operations and non-capitalized expenditures, unless otherwise required per the source restrictions.

- 7.7 **Latecomer Fees** – City utilities may enter into Latecomer Agreements with developers for recovery of their costs for capital improvements, which benefit other properties in accordance with State law. The Utility will add an administrative charge for this service.
- 7.8 **Direct and Indirect Cost Allocations** – Consistent with the Cost Recovery policy, all capital improvement projects and programs, operations, services provided to other governmental entities, and expenses against restricted use revenues shall be budgeted to include overhead rate components to recover their share of general overhead costs, as well as department overhead from those departments directly involved in delivery of the project, program, or revenue generation activities.
 - 7.8.1 The FAM Director is responsible for establishing cost allocation methodologies, incorporating direct and indirect cost pools.
- 7.9 **Grants**
 - 7.9.1 **Grant Review** - Grant proposals and agreements will be reviewed by a committee of FAM, Intergovernmental Relations, and sponsoring departments for consistency with City regulations and policies.
 - 7.9.2 **FAM Responsibility** - FAM is responsible for the grant review and approval process consistent with aligning and administering grant revenues consistent with the regulations, policies, Strategic Framework, and priorities of the City.
 - 7.9.3 **City Manager's Office (CMO)** – The CMO is responsible for information sharing on grant application opportunities and best practices as well as tracking ongoing grant efforts and reviews.
 - 7.9.4 **Department Responsibility** - Associated departments are responsible for developing grant proposals, including Cost Recovery through grant and matching dollars, and delivery consistent and in alignment with administrative processes and requirements. Proposals will include a balanced financial plan addressing all maintenance and operations costs for the grant-funded acquisition or service over the Current Financial Plan period.
- 7.10 **Rates and Fees** – Rates and fees shall be established annually at Cost Recovery levels for activities and investments associated with delivery of the service for which the rate or fee is established. Directors of departments with rates or fees maintain methodologies for rates and fees, which are reviewed by FAM and approved by the City Manager. Rates and fees are established and adjusted based on the direct costs of those individuals involved in the activities, as well as overhead and indirect City costs.
 - 7.10.1 **Development Rates and Fees** are established for Cost Recovery based on the type of service being provided. Fees and rates will also fund Development Services contingencies and reserves consistent with these policies to support predictable and high-quality services, and reasonable permit and inspection timeline requirements.

7.10.2 **Utility Rates** – The City’s utilities are financially self-supporting and not subsidized by the City’s general tax resources. As such rates for the City’s utilities shall be established for Cost Recovery, including pass through costs, development services, and the cost of capital facilities that provide services to the property.

7.10.2.1 Utility rates shall be based on financial analysis considering cost-of-service and set at a level sufficient to cover current and future expenses and maintain reserves and contingencies consistent with policies, policy objectives, and long-term financial forecasts. Changes in rate levels should be gradual and uniform to the extent that costs (including CIP and transfers) can be forecast. Cost increases or decreases for wholesale services shall be passed directly through to Bellevue customers. Utility rates will provide for equity between customers based on use of the system and services provided.

7.10.2.2 **Storm and Surface Water Rate Structure** – In addition the Storm and Surface Water Rate Structure will provide adjustments for actions taken under approved City standards to reduce related service impacts.

7.10.2.3 **Water Rate Structure** – In addition the Water Rate Structure supports water conservation and wise use of water resources.

7.10.2.4 **Rate Equity** – The rate structure shall fairly allocate costs between the different customer classes.

7.10.2.5 **Rate Uniformity** – Rates shall be uniform for all utility customers of the same class and level of service throughout the service area. However, special rates or surcharges may be established for specific areas, which require extraordinary capital investments and/or maintenance costs. Revenues from such special rates or surcharges and expenses from capital investments and/or extraordinary maintenance shall be accounted for in a manner to assure they are used for the intended purposes.

7.10.2.6 **Rate Assistance** – Rate assistance programs shall be provided for specific low-income customers as permitted by State law and City policy.

7.11 **Debt**

7.11.1 **Debt Policy** – Debt is defined as the monies borrowed to achieve public purpose sooner and at current costs. The City has the capacity to use debt strategically to support the current and future capital and land needs in support of the Strategic Framework and Long-Range Plans. Debt should meet the following criteria:

- 7.11.2 **Mechanisms** - The City will utilize standard and stable sourcing for its debt mechanisms, including alignment with the City's Strategic Framework. Debt mechanisms can come in different forms, including but not limited to interfund, commercial, federal or state, and market (e.g. sale of bonds) sources.
- 7.11.3 **Timeframe** - When choosing debt, FAM will recommend debt timeframes consistent with value achievement and identified revenues. Debt can come in the form of short (0-5-year), medium (6-20-year), and long-term (greater than 20-year). Timeframe frequently has an impact on available debt mechanism options.
- 7.11.4 **Evaluation** - For more than simple cashflow management accomplished through inter/intra-fund borrowing, City projects, programs and acquisitions should be evaluated on a net present value basis using standard industry practices.
- 7.11.5 **Debt Service Coverage Ratio (DSCR)** - The City will maintain a DSCR of 2.0 or greater. DSCR is calculated by dividing total revenue available for debt payment less any tax or interest obligations by the cost of debt service.
- 7.11.6 **Debt Responsibility** - FAM is responsible for evaluating, recommending, and managing debt issuances. The FAM Director is authorized to initiate and execute debt issuances identified in a Capital Improvement Plan or Long-Range Capital Plan associated with an approved or amended budget, unless otherwise designated in state or federal law, or debt agreement.
- 7.12 **Investment Policy** - The primary objective of the investment policy is to establish a conservative set of investment criteria that will prudently protect the City's principal sums and enable the City to generate a market rate of return from its investment activities while assuring adequate liquidity to meet its cash flow needs.
 - 7.12.1 All investment activity will be in compliance with [35A.40.050 RCW](#) and any other statutes or regulatory requirements, such as Internal Revenue Codes, which may apply.
 - 7.12.2 The FAM Director is authorized per [BCC 3.32.060](#) to determine monies available per Fund for investment types, and procedures for implementation and management of this policy.

8.0 Reserves and Contingencies

Monies that are set aside for specific purposes. These can come in the form of reserves for longer-term (generational) risk mitigation or contingencies for shorter-term (unplanned, non-programmed) risk mitigation.

8.1 **Responsibility** - Except for individual capital project contingencies, Reserves and Contingencies are maintained at the fund level. The FAM Director is authorized to activate spending and transfer monies as needed, consistent with any reserve or contingency appropriation restrictions and authorizations.

8.2 **Reserves**

8.2.1 **Operating Reserve** – The City will maintain an operating reserve in the general fund equivalent to at least 15%-16.5% of the annualized operating appropriation excluding Development Services or one-time expenses, and any reserves or contingencies within the fund. (This reserve is also known as the 60-day Operating Reserve) The City Manager may authorize use of this reserve during periods of prolonged economic downturn, natural catastrophe, or for other, one-time extraordinary expenditures and shall notify the Mayor and Council within 48 hours of authorization. If this reserve is used, the next Preliminary Biennial Budget Proposal shall identify how the reserve will be replenished within two biennial budget periods after the end of the catastrophic event.

Note: For initial establishment or following periods of reserve usage, the city should achieve target reserve levels within two biennia.

8.2.2 **Bellevue Arts Reserve** – The City shall maintain a reserve for the commissioning, acquisition, and installation of arts as defined in Bellevue City Code. The City Manager may authorize use of this reserve for any appropriate and prioritized arts investment or expenditure. This reserve may receive resources from general, capital improvement, enterprise, and other city Funds, as well as private donation, public and other sources consistent with this reserve's uses. No minimum is established.

- 8.2.3 **Long-Range Planning Reserve** – Consistent with Revised Code of Washington and the City's Long Range Facilities Master Plan, or its successor document, the City shall establish a reserve for City purposes, including land acquisition and development. The City Manager is authorized to negotiate and execute transactions for use of this reserve; however, only the City Council shall authorize spending of this reserve. This reserve may receive resources from general, capital improvement, enterprise, and other city Funds, as well as private donation, public and other sources consistent with this reserve's uses. No minimum is established.
- 8.2.4 **Capital Program Reserves:** The City will maintain Capital Program Reserves in the appropriate CIP Fund(s) of monies that were identified to prefund appropriated spending within the 6-year Capital Improvement Plan.
- 8.2.5 **Risk and Compensation Reserves** – City maintains reserves for Workers' Compensation, Unemployment Compensation, General Self-Insurance, and Health Benefits programs. The reserve levels are set based on actuarial study.
- 8.2.6 **Development Services Reserves:** The City will maintain:
- 8.2.6.1 **Operating Reserve** –a Development Services Operating Reserve equivalent to a level consistent with 24 months of 100% of Core Services staffing levels, as determined by the Development Services Director, including estimated Cost Recovery. The City Manager may authorize use of this reserve when Development Fee revenues are less than operating costs for two or more consecutive quarters as adjusted for seasonal fluctuations. Within three months of accessing this reserve, the City Manager will notify the Mayor and Council of actions and planned actions related to negative economic growth. If used and following when the reserve is either fully depleted or spending of the reserve is no longer needed during an authorization period, this reserve shall be replenished by rate revenues within two subsequent biennia.
 - 8.2.6.2 **Prepaid Fees Reserve** – The City will maintain a Prepaid Fees Reserve equivalent to the total amount of prepaid fees for which services have not been delivered by December 31st of each year. The fund balance will be used to offset expenditures in the year(s) of service delivery following the year of prepayment. This reserve will be tracked and reconciled annually.
 - 8.2.6.3 **Rates Offset Reserve** – The City will maintain a Rate Offset Reserve for periodic fluctuations in Development Services rate revenues. This reserve balance, if any, will be used to offset and/or smooth short and mid-term impacts on rates.
- 8.2.7 **Utilities Reserves** – Utilities will maintain:

- 8.2.7.1 **Mobility Infrastructure Initiative (MII) Reserve** – For the period of 2008 to 2018, storm water rates included a 1.5% levy for the MII to fund storm drain and stream corridor (i.e., culvert) improvements in the Bel-Red area. After 2018, the rate capacity established during this period continues to fund the MII, with annual transfers to the reserve. MII funds may be accessed to support planned capital projects for related storm water improvements.
- 8.2.7.2 **Capital Facilities Renewal and Replacement (R&R) Reserve** – Contributions are supplied by utility revenues (e.g. planned transfers, one-time revenues, Capital Recovery Charges, Direct Facility Connection Charges, and interest) for long-term capital reinvestment in utility systems as outlined in long-term financial forecasts. In addition, at the end of the budget cycle, fund balances greater than anticipated and other one-time revenues shall be transferred to the R&R Reserve until it is shown that projected funds will be adequate to meet long-term needs, and only then will be used for rate relief. This reserve minimizes large rate impacts as the systems near the end of their useful life and must be renewed or replaced. Inter-generational equity will be assured by making contributions to and withdrawals from the R&R reserve in a manner which produces smooth rate transitions over a 75-year (or longer) planning period. Borrowing from R&R Reserve for non-utility purposes is permissible if treated as a short-term loan, which is repaid with applicable interest and the borrowing does not negatively impact Utility R&R needs. Accessing the R&R reserve requires City Council approval through the biennial budget process or by specific action.
- 8.2.7.3 **Asset Replacement Reserve** - Funding for future replacement of operating equipment and systems. For all Utilities asset and equipment items, the anticipated replacement costs by year for the upcoming 20-year period will be developed as a part of each biennial budget process. The budgeted contribution will be based upon the annual amount needed to maintain a positive cash flow balance in the Asset Replacement Reserve over the 20-year forecast period. At a minimum, the ending Asset Replacement Reserve balance for each utility will equal, on average, the next year's projected replacement costs for that utility fund.

8.2.7.4 **Operating Reserves** – The following reserve levels will be met with appropriate utility revenues. Allowances will be applied to account for duplication, or offsetting, reserves across all utility funds. The City Manager may authorize use of this reserve during periods of prolonged economic downturn, natural catastrophe, or for other, one-time extraordinary expenditures and shall notify the Mayor and Council within 48 hours of authorization.

8.2.7.4.1 **Water** – 48 days of budgeted O&M costs, excluding debt service and capital funding.

8.2.7.4.2 **Sewer** – 30 days of budgeted King County pass-through costs and 20 days of O&M costs, excluding debt service and capital funding.

8.2.7.4.3 **Storm & Surface Water** – 29 days of budgeted O&M costs, excluding debt service and capital funding.

8.2.7.4.4 **Solid Waste** – 75 days of budgeted O&M costs and 100% of anticipated grant budget.

8.3 Contingencies

8.3.1 **Operating Contingency** – The City will maintain an operating contingency equivalent to 1% of the annualized general operating appropriation excluding Development Services, Utilities, Non-Departmental, and any one-time expenses within the fund. The City Manager may authorize the use of this contingency to mitigate unplanned operational expenses and risk. This contingency should be proposed for replenishment as appropriate through the budget process.

8.3.2 **Council Contingency** - The City will maintain a contingency of up to \$1,000,000 per calendar year as part of the Operating Contingency. A majority vote of the City Council can authorize the use of this contingency for operating or capital improvements at its prerogative. This contingency, like others, does not accumulate beyond the current biennium.

8.3.3 **Utilities Operating Contingencies** – The City will maintain an operating contingency for Utilities activities according to utility fund as identified below. The department director may authorize use of this contingency to mitigate unplanned operational expenses, plant emergencies, and risk for which rate funded revenues are appropriate.

8.3.3.1 **Water** – 7.5% of water purchase costs and 11% of other water O&M costs.

8.3.3.2 **Sewer** – 2.0% of King County pass-through costs and 5% of other wastewater O&M costs.

8.3.3.3 **Storm & Surface Water** – 2.5% of O&M costs.

8.3.3.4 **Solid Waste** - \$75,000 (2012 dollars) adjusted for annual CPI.

- 8.3.4 **Development Services Contingency**– The City will maintain a Development Services Contingency from the Development Services Reserves equivalent to 10% of the Development Services forecasted fee revenues (based on the highest year of the biennium). The Development Services department director may authorize use of this contingency to mitigate unanticipated peaks in rate volume or other Development Services-related expenditures with the approval of the City Manager.
- 8.3.5 **Capital Project Contingency** – Each capital program with the capital Fund(s) will plan for and request appropriation for capital project contingencies. These contingencies are not line-item specific and can be proposed for appropriation at the project, program, or fund level, but not at multiple levels. Industry standards and delivery complexity shall be drivers in the establishment of capital project contingencies.
- 8.3.6 **Capital Grant Project Contingency** - The City will maintain a capital project contingency with the purpose of setting aside resources and appropriation for grant local match funding. The FAM Director may authorize the use of this contingency for grants having received approval governed by CFP 7.9

Operations

The financial system of operational budget appropriations that authorizes the City Manager to expend resources to achieve the City's prioritized results. Operations includes the staff and resources to deliver work, services, projects, and maintenance that are not capitalized.

- 9.1 **Responsibility** – Each department director under the guidance and supervision of the City Manager is responsible for implementing the programs, services, and projects as authorized through the biennial budget process. The city's department operations and services are supported by internal, enterprise-wide services and systems as designated by the City Manager.
- 9.2 **One-time and on-going expenditures** One-time expenditures that are not capitalized should be within the Current Use Funds and be sustained or completed within the Current Financial Plan. On-going operations should not be funded with one-time or grant revenues.
- 9.3 **Appropriations** for Operations are authorized by the City Council for the biennium and are subject to reauthorization, for any subsequent biennium.
- 9.4 **Continuous Improvement of Service Delivery** – The City and its departments seek to optimize the efficiency and effectiveness of its services through business process improvement, performance management and reporting, and benchmarking with comparable cities to manage costs and improve service quality. FAM is responsible for partnering to develop tools, business systems, and resources to support continuous improvement efforts.
- 9.5 **Cash Management** – FAM will develop, maintain, and constantly seek to improve cash management systems, which ensure the accurate and timely accounting, investment, and security of all cash assets. All cash and checks received by city departments will be deposited with the Treasurer within 24 hours of receipt ([43.09.240](#) RCW).
- 9.6 **Fund Balances** - Accruals and non-cash enhancements to revenues will not be made to influence fund balances at year-end or during budget discussions.
- 9.7 **Fixed Asset Inventories** - Accurate inventories of all physical assets (including roads and utilities infrastructure), asset condition, life spans, and cost (historical and replacement) will be maintained to ensure proper stewardship of public property. The FAM Director will establish policies and appropriate procedures to manage fixed assets, including establishing the threshold dollar amount for which fixed asset records are maintained and how often physical inventories will be taken.

- 9.8 **Intergovernmental Services** – All agreements between the City and other governmental entities shall be in writing specifying the scope of services, financial terms of the agreement, the length of the agreement, the timing of any required payments, and dispute resolution methods. When the City enters into an Intergovernmental Agreement to provide services to or on behalf of another governmental entity, it shall do so consistent with the City's Cost Recovery policy.

Capital

The financial system of capitalized budget appropriations authorizing the City Manager to expend resources to achieve the City's prioritized outcomes. Capital includes the delivery of planning, design, construction, major maintenance, and acquisition of assets typically greater than \$100,000.

- 10.1 **Eligible expenditures** - Capital project or program costs include:
 - 10.1.1 Studies/plans that support the preliminary design of future CIP projects, but not for long-range capital planning or determining feasibility;
 - 10.1.2 Pre-design, design, development, right-of-way, net cost of land acquisition and disposal, construction, inspection, and/or testing; and
 - 10.1.3 Cost Recovery for staff and consultants to administer, deliver, manage, evaluate, and audit the effectiveness of the capital project.
- 10.2 **Cashflow** – As part of the Capital Improvement Program Plan and associated Financial Plan, FAM will maintain a balanced cashflow projection utilizing all anticipated revenue sources and expenditures within existing City policies. Alternate cashflow projections and scenarios will be developed by FAM as needed.
- 10.3 **Appropriation** – Capital Improvement Program Fund appropriations extend beyond a given biennium ([35A.34.270](#) RCW). Unutilized expenditure authority from previous biennia still considered available as allocated to individual CIP projects and programs. These appropriation allocations remain available until the projects or programs are closed out and abrogated by Council.
- 10.4 **Capital Improvement Project or Program** – All projects and programs in the CIP Plan are included in a Long-Range Plan. Capital projects and programs are subject to the Investment Prioritization Waterfall and proposed for addition, changes, or elimination as part of a budget or budget amendment process.
 - 10.4.1 **Scoping and Costing Based on Predesign Study** - It has proven difficult to develop accurate project scopes, cost estimates, and schedules on which no preliminary engineering or community contract work was performed. To address this problem, some projects are initially proposed and funded only for preliminary engineering and planning work. This funding will not provide any monies to develop final plans, specifications, and estimates to purchase rights-of-way, real property, or to construct the projects. However, generally, an estimated amount, sufficient to cover these costs based on a rough preliminary estimate is earmarked within the program area.

- 10.4.2 **Three Primary Phases or Gates** - CIPs will be scoped, budgeted, and milestone dates identified at the Planning, Design, and Delivery level. Individual capital program areas may establish additional phases or gates in their processes, which must align with the three primary phases for public reporting purposes. While projects are appropriated at the CIP level, the FAM Director may authorize the adjustment of appropriated resources within each CIP to align with three primary phases as milestones are achieved.
- 10.4.3 **Required Project Features and Financial Responsibility** - If a proposed project will cause a direct impact on other publicly-owned facilities, an equitably shared and funded cost plan must be coordinated between the affected program areas.
- 10.5 **Land Acquisition and Disposal**
 - 10.5.1 **Land Acquisition** – The City will regularly review its Long-Range Facility Master Plan to identify land needs for municipal operations and acquisition priorities. Utilizing a combination of revenue sources including various City and other public, private, philanthropic, grant, and debt, FAM will propose financing structures consistent with the timeline and use for property development.
 - 10.5.2 **Co-Location of Capital Facilities** – Municipal facilities and services should be co-located whenever possible and service characteristics are reasonably aligned. As a result, the Directors of capital program delivery shall coordinate the scoping of projects, documenting how co-location is achieved and funded.
 - 10.5.3 **Land Disposal** – Whether remnants left after a construction project is complete or whole or partial parcels that are declared surplus, the City should regularly, through FAM and its citywide real property committee, evaluate and dispose of its surplus properties. Land shall be valued based on an appraisal obtained through FAM and based on industry standards. FAM will maintain a roster of qualified appraisal firms. Unless original source restrictions require otherwise, proceeds from land disposal shall be deposited in the appropriate Current Use Fund. In the surplusage of City land and prior to disposal, the City may prioritize allocation of its surplus lands for the significant public benefit provided by partnering in the development of affordable housing consistent with [39.33.15](#) RCW.

- 10.6 **CIP Plan Update and Amendment** - The CIP Plan will be updated at least biennially as part of the City's biennial budget process. The City Council may amend the CIP Plan at any time if a decision must be made and action must be taken before the next CIP review period. The City Council has delegated authority to the City Manager to administratively approve CIP Plan adjustments, except for changes in project scope or changes totaling more than 10 percent of a project's adopted CIP Plan budget (unless a 10 percent adjustment is less than \$100,000), or regardless of the percentage, budgeted expenditure or commitment changes totaling more than \$1,000,000 during a calendar year.

Biennial Budget

The system through which the City Council authorizes the application and expenditure of financial resources to achieve the City's prioritized results.

This system is governed by [35A.34](#) RCW.

- 11.1 **Responsibility** - FAM is responsible for the overall preparation and administration of the City's budgets and budget calendar. Department directors have primary responsibility for formulating department and cross-departmental budget proposals in line with City Council, Leadership Team, and City Manager priority direction, and for implementing them once approved.
- 11.2 **General Budget Development Policies**
 - 11.2.1 **Performance Budgeting and Monitoring** – FAM will prepare budgets and maintain a system of public monitoring for the City's financial, operations, and capital performance, including benchmarking in a manner that reflects the outcomes identified in the Strategic Framework and emerging Priorities. This system will provide departments with tools and systems to monitor and improve service delivery in City programs.
 - 11.2.2 **Examination of Base Budget** - During each biennial budget development process, existing services and service levels will be reviewed and proposed adjustments will be advanced for consideration based on service level or quality changes within the context of how they advance the Strategic Framework. Every five biennia beginning with the 2025-2026 preliminary Budget, a more thorough evaluation of services and service levels will be conducted for effectiveness, efficiency, and appropriateness of services and service levels for all City services.
 - 11.2.3 **Balanced Budget** - As required by state law, the biennial budget will reflect balanced expenditure and revenue estimates. Although revenue estimates and appropriations are made only at the fund level, expenditure budgets are prepared at the department and service level for the purpose of administrative oversight.
 - 11.2.4 **Public Hearings** – The City Council will hold three budget hearings, including at least one hearing for the purpose of budget development at least 90 days before transmittal of the Preliminary Budget to the Council.
 - 11.2.5 **Overhead and Full Cost Allocation** - Department budgets are prepared in a manner to reflect the full cost of providing services, including all internal services. FAM will maintain cost allocation methodologies in partnership with cost pool contributing departments consistent with GASB and SAO guidelines.

- 11.2.6 **Service Quality and Service Levels** – Consistent with the Investment Prioritization Waterfall, maintenance and operations (aka services) will be delivered to identified and documented standard levels of service and quality.
- 11.2.7 **Service Reductions** – In the event of expenditure reductions, the City values minimum levels of service over generally degraded experiences. As such, the City's staff Leadership Team will work the City Manager to propose targeted service or service level and quality adjustments to achieve identified reduction goals, should they become necessary.
- 11.2.8 **Distinguished Budget Presentation** - The City will seek to obtain the Government Finance Officers Association Distinguished Budget Presentation Award for each biennial budget. The Budget will be presented in a way that clearly communicates the budget and its intended results to members of the public.

12.0 Budget Adjustments and Amendments

- 12.1.1 **Budget adjustments** – This method of budgetary change involves a change in appropriations not affecting the bottom line of the approved appropriations within a fund. These circumstances typically exist where a department has unanticipated costs that cannot be absorbed in their allocation of the appropriation, or if there is a “phase gate” adjustment to a CIP that does not affect the overall CIP fund appropriation. In adjustment circumstances, FAM can review and analyze adjustment requests within revenue source constraints and potentially across department operations and with the affected department directors or designees, in order to recommend to the FAM Director potential changes. The FAM Director is authorized to make these adjustments, consistent with state law, and inform the City Manager of changes.
- 12.1.2 **Budget amendments** - This method of budgetary change involves a potential change in appropriations resulting in a net difference to the fund. This net difference requires council action via a budget amendment ordinance. FAM will review all requests, adjust financial plans to ensure sustainability, and prepare budget amendment proposals as needed.

Financial Reporting

The systematic sharing of factual financial and management accounting data, including clarifications, to meet regulatory and community objectives of financial comprehension.

- 13.1 **Responsibility** - The FAM Director shall maintain a system of financial monitoring, control, and reporting for all expenditures and funds to provide effective means of ensuring that overall city goals and objectives are met.
- 13.2 **Accounting Records and Reporting** - The City will maintain its accounting records in accordance with state and federal law and regulations. Budgetary reporting will be in accordance with the state's budget laws and regulations. The City will report its financial condition and results of operations in accordance with state regulations and GAAP applicable to governments.
- 13.3 **Auditing** - The State Auditor will annually perform the City's financial and compliance audit. Their opinions will be contained in the City's Annual Comprehensive Financial Report (ACFR). Results of the annual audit shall be provided to the council in a timely manner.
- 13.4 **Excellence in Financial Reporting** - As an additional independent confirmation of the quality of the City's financial reporting, the City will annually seek to obtain the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting.
- 13.5 **Public Presentation of Financial Reporting** - The ACFR and Budget Book will be presented in a way designed to communicate with the public about the financial affairs of the City. FAM will develop and publish financial and performance reporting tools designed to be understood by non-technical audiences.