

CITY COUNCIL AGENDA TOPIC**2025-2026 Mid-Biennium Update Overview**

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Finance & Asset Management Department

EXECUTIVE SUMMARY**INFORMATION
ONLY**

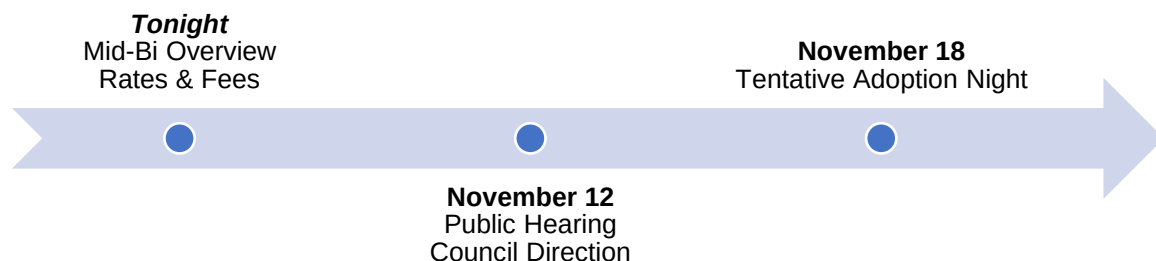
Tonight is the first discussion regarding the upcoming mid-biennium budget update. Staff will provide the calendar, next process steps, and an overview of proposed changes.

RECOMMENDATION

N/A

BACKGROUND/ANALYSIS

The City adopted the 2025-2026 Budget and the 2025-2030 Capital Improvement Program (CIP) Plan by Ordinance 6822 on November 19, 2024. The 2025-2026 Mid-Biennium Budget update provides an opportunity for modifications to the 2025-2026 Operating Budget and the 2025-2030 CIP Plan in accordance with RCW 35A.34.130. As in prior practice, mid-biennium changes include adjustments to personnel for updated benefit costs, collectively bargained contracts, and other impacts, as well as adjustments to fund budgets for updated fiscal information, correction of errors and other modifications as needed. Tonight, staff will review the proposed timeline for the 2025-2026 Mid-Biennium Budget update. This will be the first meeting with Council to hear from the public, discuss, consider and provide direction for updates to the 2025-2026 Mid-Biennium Operating Budget and the 2025-2030 CIP Plan timeline. The following reflects the upcoming discussions related to the mid-biennium budget process.



Upcoming Discussions

October 28: Overview of Mid-Biennium (Mid-Bi) Adjustments, Rates, and Fees

Staff will provide for Council consideration and discussion an overview of the primary changes proposed for the 2025-2026 Mid-Biennium Budget and 2025-2030 CIP Plan. The overview includes technical updates to the General Fund and the City's other operating and capital funds.

Utilities Department staff will present for Council consideration, discussion, and direction on adjustments to sewer rates for 2026 to account for the increase to the King County sewer treatment rate and related local and state taxes. Additionally, Utilities will discuss technical water and storm & surface water rate adjustments due to increases in State Business and Occupation (B&O) taxes.

Development Services Department staff will present for Council consideration, discussion, and direction on adjustments to the 2026 Development Services fee ordinance for all Development Services functions, including building, land use, fire, transportation, survey and utilities plan review and inspection. Rates are adjusted annually to ensure that fees reflect the cost of providing services, and to sustain adequate resources to meet demand through the development cycle. Transportation will also provide brief information regarding Transportation Wireless Communication Fees in order to formalize by ordinance the official fee schedule.

November 12: Public Hearing and Council Direction

The Mid-Biennium Budget public hearing will be held. This provides an opportunity for the public to provide feedback on any of the changes or considerations under discussion. Time will also be reserved for any Council follow-up or Council considerations that have not been addressed previously.

November 18: Tentatively Scheduled Mid-Biennium Budget Adoption

Tentatively Scheduled Mid-Biennium Budget Adoption Depending on Council Direction, tentative action on the mid-biennium budget is scheduled for November 18. If needed, action can also occur on November 25. The following actions are required to adopt the 2025-2026 Mid-Biennium Budget update:

- Development Services Fee Ordinance: Set the Development Services 2026 rates
- Transportation Wireless Communication Fees Ordinance: formalize by ordinance Wireless Communication Fee Schedule
- Sewer Rate Ordinance: Set the Sewer 2026 rates
- 2026 Property Tax Ordinance*: Adopt 2026 property tax levy (RCW 35A.23.230 and RCW 84.55.092)
- 2026 Property Tax Banked Capacity Resolution: Preserve the full levy amount available to the City
- 2025-2026 Mid-Biennium Budget Ordinance: "Umbrella" budget ordinance that includes appropriation approval by fund, 2026 pay plans and summarizations of grants and donations accepted that are less than \$350,000.
- Any other action directed by Council

*Must be adopted by City Council by November 25 to meet King County's November 30, 2025, deadline for the 2026 property tax levies.

Mid-Biennium Budget Overview

Executive Summary

The mid-biennium continues the implementation of the investments included in the 2025-2026 Budget and 2025-2030 Capital Improvement Program (CIP) Plan while making technical adjustments across numerous areas including, but not limited to City revenues, personnel salaries and benefits, contractual obligations, among others. The proposed mid-biennium budget continues the Council direction from the 2025-2026 Adopted Budget for a 1 percent property tax adjustment for 2026. The following is an overview; see Attachment A for Mid-Biennium Changes by Fund.

Personnel Adjustments that impact all funds with personnel:

As is the City's usual practice, the mid-biennium budget updates expenditures for the second year of the biennium including any known impacts from prior actions or Council amendments. At a minimum, inflation impacts all funds with personnel. Funds generally will not require an appropriation adjustment as they are balanced with changes to ending fund balance. The actual rates for 2026 are as noted below:

- June to June Seattle-Tacoma-Bellevue CPI-W, as published in July 2025 by Bureau of Labor Statistics (BLS), which provides the basis for most inflation and cost-of-living adjustments (COLA), is 2.7 percent.
- All non-represented employees within the G, M, and E pay plans will receive a General Wage Increase (GWI) of 2.65 percent in 2026.
- All effective labor contracts which have been brought before Council which have set rate increases for 2026 have been adjusted in accordance with the contract.
- The employer portion of the Public Employees' Retirement System 2 (PERS 2) pension rate as published by the State of Washington has been adjusted to 5.58 percent from 9.11 percent.
- The employer portion of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 pension rate as published by the State of Washington remained unchanged at 5.32 percent.
- The self-insurance City contribution for medical and dental insurance was updated to the actuarial amount of \$33,195,203 from \$28,857,573, an increase of 13.1 percent.
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Summary of Technical Adjustments by Fund and Reserve:

General Fund

The 2025-2026 Proposed Mid-Biennium Budget adjusts appropriation for personnel, certain contracts, and other miscellaneous items. For further details, these adjustments include:

- Technical adjustments including items such as personnel adjustments, updating reorganized positions, true-up of the City's A Regional Coalition for Housing (ARCH) contributions, updating interfund transfers due to fund consolidations, fund corrections, and others of similar nature
- Funding to cover contractual increase for Regional King County Animal Services
- Software-related contractual increases for core IT tools

CIP & Other Funds

General CIP Fund

Ordinance No. 6822 adopted the 2025-2026 Budget and the 2025-2030 Capital Improvement Program Plan on November 19, 2024, setting the project spending plan for the six-year CIP plan. Since adoption, there have been several amendments to the General CIP and this update reflects all Council actions through October 21, 2025. Additionally, the CIP spending plan has been updated to adjust for program delivery rates and does not require an increase to Council appropriations as it utilizes previously appropriated expenditures to update CIP spending plans.

Human Services Fund

The 2025-2026 Proposed Mid-Biennium Budget decreases appropriation within the Human Services Fund to reflect technical adjustments due to fund consolidations stemming from the 2024-2025 Budget Development Process.

Equipment Rental Fund

The 2025-2026 Proposed Mid-Biennium Budget increases appropriation within the Equipment Rental Fund to reflect technical interfund transfers due to fund consolidations stemming from the 2024-2025 Budget Development Process.

Land Purchase Revolving Fund

The 2025-2026 Proposed Mid-Biennium Budget increases appropriation within the Land Purchase Revolving Fund to reflect technical adjustments for Mechanical Equipment Rental Fund.

Operating Grants & Donations Fund

The 2025-2026 Proposed Mid-Biennium Budget increases appropriation within the Operating Grants & Donations Fund to reflect technical adjustments to Utilities grants.

Restricted Special Purpose Fund

The 2025-2026 Proposed Mid-Biennium Budget increases appropriation within the Restricted Special Purpose Fund to reflect the latest adjustments to Hotel/Motel and Tourism Promotion Area expenditures.

Debt Service Fund

The 2025-2026 Proposed Mid-Biennium Budget decreases appropriation within the Debt Service Fund to reflect the latest adjustments to Debt Service payments.

Sewer Utility Fund

The 2025-2026 Proposed Mid-Biennium Budget increases appropriation within the Sewer Utility Fund to reflect technical adjustments related to interfund transfers corrections, personnel salaries & benefits updates, sewer treatment expenses, and tax corrections.

Solid Waste Fund

The 2025-2026 Proposed Mid-Biennium Budget increases appropriation within the Solid Waste Fund to reflect technical adjustments related to interfund transfers corrections and personnel salaries & benefits updates.

Storm & Surface Water Utility Fund

The 2025-2026 Proposed Mid-Biennium Budget increases appropriation within the Storm & Surface Water Utility Fund to reflect technical adjustments related to interfund transfers corrections, personnel salaries & benefits updates, and tax corrections.

Water Utility Fund

The 2025-2026 Proposed Mid-Biennium Budget increases appropriation within the Water Utility Fund to reflect technical adjustments related to interfund transfers corrections, personnel salaries & benefits updates, and tax corrections.

Utility CIP Fund

The 2025-2026 Proposed Mid-Biennium Budget reflects updates to the Utility CIP spending plan to adjust for program delivery rates and does not require an increase to Council appropriations as it utilizes previously appropriated expenditures.

Forecasts

The goal of the forecast is to provide out year fiscal information, based on current knowledge, to help inform today's decisions. At this time, the City's overall financial forecast remains unchanged. Given ongoing volatility in geopolitical events and broader economic conditions, staff will return in Spring 2026 with an updated financial outlook to guide planning for the 2027–2028 budget process. For additional context and detailed analysis, please refer to the forecast update presented on [July 9, 2024](#).

Property Tax

As mandated by RCW 35A.34.230, the mid-biennium update includes Council action on the City's 2026 property tax levy. The following provides background on the City of Bellevue's levies and the relevant changes for Council's consideration. The Adopted 2025-2026 Budget includes a one percent property tax adjustment for both 2025 and 2026. By State statute, the City Council is required to set the property tax each year. The mid-biennium budget continues the Adopted Budget financial plan including the one percent property tax adjustment in 2026. One percent in 2026 is estimated to be approximately \$15 for a property with a median assessed valuation of \$1,524,000 (Source: 2025 King County Assessor).

Regular Property Tax Levy

The proposed 2026 levy includes increases for new construction and a levy for prior year refunds based on preliminary information provided by the King County Assessor's Office. Minor revisions may be made when the final numbers are available from King County. The property tax information below includes the councilmanic statutorily allowable one percent adjustment in 2026. King County has preliminarily established that Bellevue's total assessed value (AV) has increased to \$98.9 billion in 2026 from \$93.6 billion in 2025, an increase of 5.7 percent. As with past practice, staff will update the

final assessed value information in January once the King County Assessor finalizes the property tax rolls. Under Initiative 747, the regular levy can grow at the lesser of a maximum of 1 percent annually or the rate of inflation. Inflation is defined as the increase in the implicit price deflator (IPD), plus additions for new construction. The IPD for 2026 is 2.44 percent, which means the City's councilmanic statutory ability to adjust property taxes will be limited to one percent other than when using banked capacity.

Voted Property Tax Levies for Background

In November 2008 voters approved a levy lid lift for the parks and natural area programs. The levy lid lift provided \$3,389,000 annually to fund the parks capital program over 20 years and \$660,000 annually for ongoing maintenance and operations funding, for an annual total of \$4,049,000.

In November 2016, voters approved the Fire Facilities Levy to fund improvement to fire facilities at a 2017 property tax rate of \$0.125 per \$1,000 of assessed value for collection in 2017 and for 19 years thereafter as allowed by RCW 84.55.

Also in November 2016, voters approved the Neighborhood Safety, Connectivity and Congestion Levy to fund neighborhood projects at a 2017 property tax rate of \$0.15 per \$1,000 of assessed value for collection in 2017 and 19 years thereafter as allowed by RCW 84.55.

In November 2022, voters approved the Parks, Community/Recreation Facility and Open Spaces levy at a 2023 property tax rate of \$0.20 per \$1,000 of assessed value for collection in 2023 and for the nine years thereafter increases as allowed by chapter 84.55 RCW.

Total Property Tax Levy:

	2025	2026 Estimate
Assessed Valuation (\$ in Billions)	93.6	98.9
Regular Levy Amount (\$ in Millions)	50.5	52.4
Regular Property Tax Rate (Per \$1,000 AV)	0.54	0.53
Voted Levy Amount – Parks (\$ in Millions)	4.0	4.0
Voted Property Tax Rate – Parks (Per \$1,000 AV)	0.04	0.04
Voted Levy Amount – Fire Facilities (\$ in Millions)	7.7	7.9
Voted Property Tax Rate – Fire Facilities (Per \$1,000 AV)	0.08	0.08
Voted Levy Amount – Neighborhood Connectivity (\$ in Millions)	9.2	9.5
Voted Property Tax Rate – Neighborhood Connectivity (Per \$1,000 AV)	0.10	0.10
Voted Levy Amount – 2022 Parks (\$ in Millions)	21.1	21.7

	2025	2026 Estimate
Voted Property Tax Rate – 2022 Parks (Per \$1,000 AV)	0.23	0.22
Total Property Tax Levy Rates (Per \$1,000 AV)	0.99	0.97

POLICY & FISCAL IMPACTS

Policy Impact

RCW 35A.34.130: State law requires that a mid-biennium budget review be completed between September 1 and the end of the first year of the biennium and that a public hearing be held on the mid-biennium review.

RCW 35A.34.230: Council action on the City's 2026 property tax levy required by State law in conjunction with the budget update.

RCW 84.55.092 protects the future levy capacity for tax levies below the level that otherwise could be imposed.

Fiscal Impact

Mid-Biennium fiscal impacts, if appropriated in their current form, are as noted by fund in Attachment A: 2025-2026 Mid-Biennium Changes by Fund.

OPTIONS

N/A

ATTACHMENTS

A. 2025-2026 Mid-Biennium Changes by Fund

AVAILABLE IN COUNCIL LIBRARY

N/A