



City of Bellevue

City Manager's Office

Dear Honorable Mayor Robinson, Deputy Mayor Nieuwenhuis, and members of the Council:

Today, I am transmitting my Preliminary 2023-2024 Budget to the City Council. The Budget represents our proposed revenue and spending plan for the next two years. It totals \$2.2 billion and is balanced across all funds. Once again, this Budget is being built in uncharted territory, with inflation at an all-time 40-year high, interest rates rising, and impacts of the pandemic continuing. Nevertheless, Bellevue's many strengths and assets—a resilient and desirable community for all stages of life, strong values, active community participation, and business expansion—still make Bellevue the city where you want to be.

The Preliminary Budget balances the increasingly challenging economic times and growing demands with critical investments for our growing community. The cost of existing services, paired with rising demands of growth and urbanization, unduly burden the expenditure side of the ledger. To offset the cost pressures and put the City in position to be able to respond to policy and service priorities, the Preliminary Budget continues the reductions taken in 2021-2022 and includes modest increases in revenues to fund important community priorities.

I do not take increasing revenues lightly. Bellevue has a long history of fiscal prudence and raising revenues only when needed. The Preliminary Budget includes two types of adjustments in tax revenue – a .01% rate increase in the Business and Occupation Tax, raising it from .1496% of business generated taxable gross receipts to .1596% of taxable gross receipts. It also includes a 2% adjustment in property taxes (1% councilmanic adjustment and 1% banked capacity) in 2023 with 2024 containing the councilmanic 1% adjustment only. These actions would adjust property taxes up by \$18 a year for a \$1 million property owner in 2023, and for a business in Bellevue of \$1 million in taxable gross receipts, it would result in a \$100 annual increase from \$1,500 to \$1,600. As a point of reference, more than 75% of Bellevue's businesses have less than \$1 million in taxable gross receipts. The Business and Occupation tax was last raised in 1989.

Both actions, along with maintaining the 2021-2022 cost reductions, allow the City to take steps toward fiscal sustainability and invest in needed services. These actions will go a long way toward solving our structural deficit in the general fund but will not solve it into perpetuity as long as the property tax structure limits growth in revenues to less than inflation. If the growth of expenditures increases at a faster rate than our revenue growth, we will continue to look at all balancing options, including increases in revenue.

We know through our surveys that residents and businesses have high approval ratings for our city, and yet they note the biggest issues facing Bellevue continue to be public safety, affordability, homelessness, and traffic, among others. This Budget echoes our Core Values and addresses these emerging growth pressures on the city, as it:

- Maintains funding levels for critical core safety programs in fire and police and invests in public safety. It includes the addition of a Community Crisis Assistance Team (CCAT), equips Fire

Station #10, and adjusts overall public safety in response to increased safety demands associated with growth. The CCAT program reduces police use of force and assists those with mental health needs, diverting them away from jails or hospitals, and provides appropriate follow-up care and case management afterwards. This budget also builds on the recent one-time \$915,000 federal Justice Assistance Grant to launch a long-term CCAT program.

- Invests \$12 million of American Rescue Plan Act (ARPA) funding in upstream critical human services and rental assistance to keep people in their homes and assist small businesses in their continued recovery. The impact of COVID-19 continues to place burdens on many households and small businesses, resulting in the need for additional stabilizing investments.
- Preserves important existing funding to services to support our most vulnerable populations, including individuals experiencing homelessness, as well as additional related programs such as safe parking.
- Accelerates the Affordable Housing Strategy with investment in the “Next Right Work” by removing barriers to creating housing options and moving forward on affordable housing.
- Invests in programming that advances equity and inclusion including an apprenticeship program, cross cultural programming, expansion of the minority, women, disadvantaged business enterprise program, and advances in the City’s diversity, equity and inclusion work.
- Pilots a program on clean streets to maintain clean sidewalks and neighborhoods throughout the city for all residents, businesses, and visitors.
- Increases spending in programs to effectively implement the goals set out in the adopted Environmental Stewardship Initiative.
- Funds critical capital projects including a non-motorized crossing over Interstate 405, traffic congestion relief projects in BelRed and other neighborhoods, parks enhancements, and economic development projects.
- Increases utility rates to keep pace with the maintenance costs of aging infrastructure and wholesale water supply and treatment.
- Includes a proposed policy change to adjust the Land Use discretionary review cost recovery objective and moves that objective from 50% to 100% fee supported, eliminating the need for a general fund subsidy.

The \$2.2 billion biennial budget includes \$592 million in the 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 and donations among others), and \$679 million for the 2023-2024 portion of the general and utilities capital investment program.

Ongoing feedback from our residents, businesses, and stakeholders is a central component in developing this budget that responds to the needs of the community. This cycle’s input came through public meetings, public outreach on City projects, direct communications, surveys, and other tools. Additional opportunities for comment are scheduled prior to Council’s action to adopt the final budget, including a third public hearing on November 7.

Over the next several weeks, staff will provide Council with a comprehensive review of important areas of the budget through a series of public study session briefings. It is important to note that the preparation of this budget reflects our highly skilled, dedicated employees who are committed to delivering quality services that make Bellevue “the city where you want to be.” I want to thank the staff

of the Budget Office, the members of my Office, the Leadership Team, department fiscal managers, and all other employees who contributed to the development of the 2023-2024 budget process.

Despite various challenges, we are working together effectively to ensure Bellevue is ready for the future by making strategic fiscal decisions to adapt to our growing and diversifying population. It is a responsible, responsive, and balanced budget. We want to thrive by design, and this budget advances the city on that path. We are in many ways so fortunate that we are emerging strong from the pandemic, and this budget provides essential benefits and opportunities that extend throughout our community and look toward a prosperous and equitable future.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Miyake", followed by a horizontal line.

Brad Miyake
City Manager