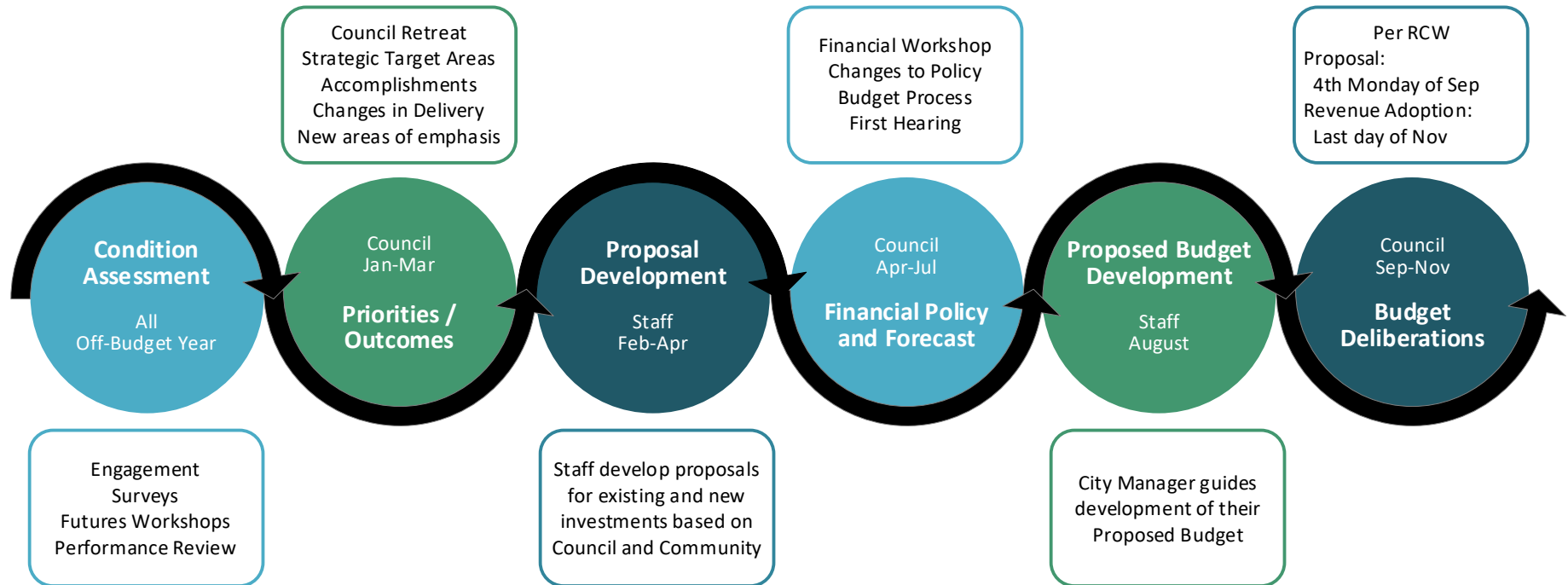
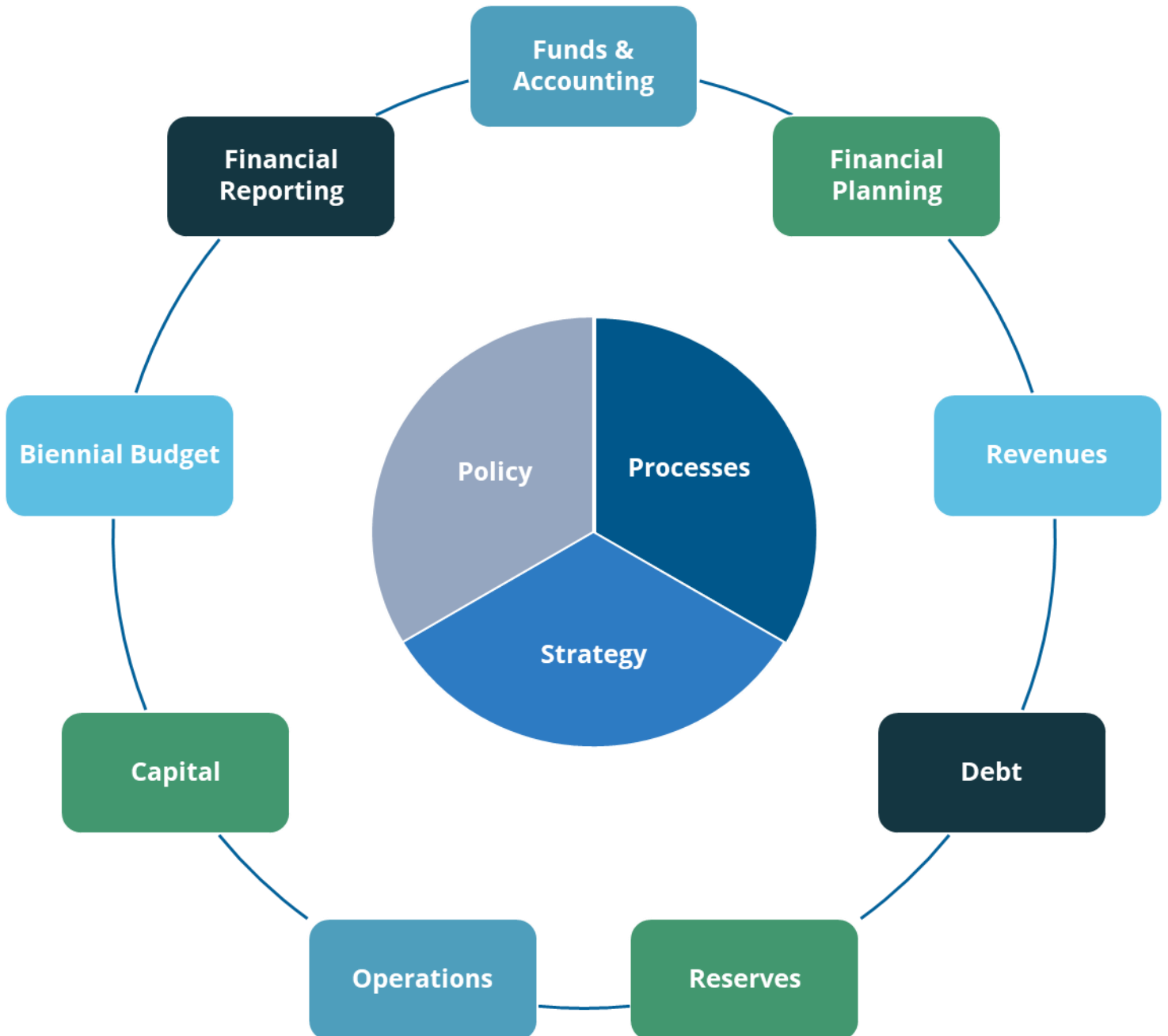


How does it all fit together?



City of Bellevue's Financial System



Financial System Definitions

Term	Definition
Funds & Accounting	The system of accounting including accounting basis and framework including the chart of accounts, technologies and more.
Financial Planning	The system of looking forward at revenues and expenses to forecast and plan for sustainability.
Revenues	<p>The input or financial resources of taxes, fees, grants, donations, and other incomes.</p> <p>Revenues can be natively (by the State) or artificially (by the City) restricted in their use to specific or categorical operating and/or capital uses, or they can be generally unrestricted.</p>
Debt	Monies that are borrowed to achieve purpose sooner and current costs. Debt can come in short (0-5-year), medium (6-20-year), and long term (greater than 20-year).
Reserves	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.
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 ongoing work, services, and maintenance.
Capital	The financial system of capitalized budget appropriations that authorizes the City Manager to expend resources to achieve the City's prioritized results. Capital includes the delivery of planning, design, construction and delivery, major maintenance, and acquisition of assets that are typically greater than \$100,000.
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 RCW 35A.34.
Financial Reporting	The systematic sharing of factual financial and management accounting data, including clarifications, to meet regulatory and community objectives of financial comprehension.
Supplemental note/definition: Strategic Framework is the framework that contains the City Council Vision and Strategic Target Areas (STAs), which are the outcomes that the City is trying to advance through policy and financial action.	

Draft/Conceptual

Financial Strategy Guiding Principles

TRANSPARENCY & CLARITY

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 approachable and clearly aligned with the City's priorities. (Transparency)

STEWARDSHIP & INTEGRITY

As Core Values of the City, Stewardship and Integrity should be central to the City's Financial Strategy. Central to the Financial Strategy, stewardship 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. (Stewardship)

BEST PRACTICE & STANDARDIZATION

Grounding the Financial Strategy in industry best practices and a unified standard should drive towards advancing the city's outcomes. Staying apprised of, applying, and reinforcing best practices is central to a sound financial strategy. (Professionalism)

MINIMIZE RISK & SEIZE OPPORTUNITY

Risk is part of any financial picture and placing the public's resources at some level of risk is unavoidable. However, minimization of those risks within our risk tolerance must underly the Financial Strategy. With risk comes opportunities and the Financial Strategy should reflect the balancing of risk minimization with those opportunities that provide reasonable near and long-term benefits. (Balanced Risk)

ADAPTABLE & ACTIONABLE

The City's Financial Strategy should be nimble in adapting to the evolving challenges of the city with 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 City staff. (Nimble)

Role and Use of Debt:

Utilities Policy:

The Utilities should fund capital investment from rates and other revenue sources and should not plan to use debt.

It pledges the strengths and revenues of the three separate Utilities for the common financial good while keeping each Utility financially separate for budgeting, rate-setting, revenues, expenditures, debt, and accounting.

Debt service coverage ratio (DSCR) of approximately 2.00

Comprehensive Financial Policies and Procedures:

The use of long-term debt has been minimized, allowing the City to put money into actual projects that benefit Bellevue residents and businesses rather than into interest payments to financial institutions. To that end, this policy limits debt to short-term obligations, primarily for cash flow purposes.

DSCR Ratio: The ratio Net Revenue to Total Debt Service (interest plus payment amounts). With a DSCR of 2.0 we would have to have at least \$2 of revenue available for every \$1 of debt service.

State Limit \$6 billion (7.5% of \$92B Assessed Value)

2.0 DSCR ~\$2B-\$3B

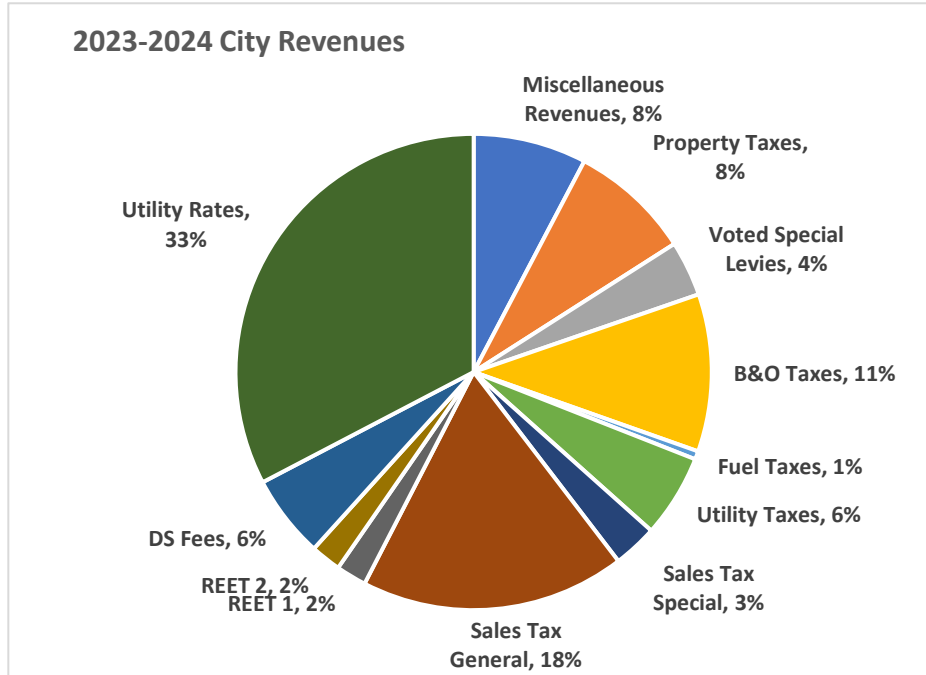
Conceptual Approach Revision:

Maintain DSCR of no less than 2.0 and strategically use short, mid, or long-term debt instruments to advance City Priorities and STAs

City Revenues

Total Revenues: ~ \$1.1 billion/biennia

Total Appropriation: ~\$2.2 billion/biennia



City Revenues*	% of Total	State Restrictions	City Restrictions
Miscellaneous Revenues	8%	None	n/a
Property Taxes	8%	None	n/a
Voted Special Levies	4%	Fire Parks Transportation	100% 100% 100%
B&O Taxes	11%	None	n/a
Fuel Taxes	1%	Transportation	100%
Utility Taxes	6%	none	n/a
Sales Tax Special	3%	Affordable Housing Public Safety	10% 6%
Sales Tax General	18%	None	n/a
REET 1	2%	Any CIP	Jointly 100%
REET 2	2%	Transportation CIP Parks CIP	Jointly 100%
DS Fees/Rates	6%	None	n/a
Utility Rates	33%	Utility Purposes	100%

*Excluding Grants, which always have specific source restrictions

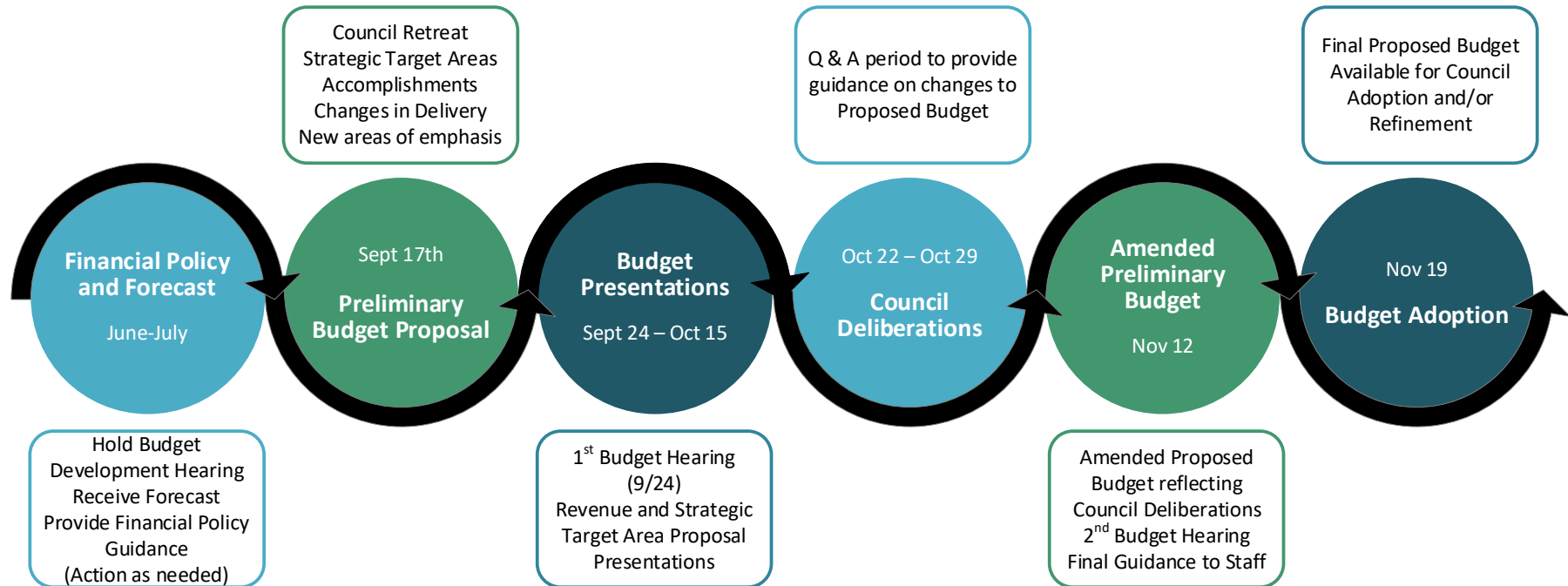
The City's practice of restricting revenues pre-guides the uses (outside of STAs and Priorities) of approximately \$125-\$200 million/biennia. (23/24=\$140m)

Enhanced Investment Waterfall

Priority	Category	Description
First	Debt	Meet all financial obligations to creditors.
Second	Maintain Assets and Services	<ul style="list-style-type: none"> A. Maintain (including replace) the City's assets and services of the Current Financial Plan to Industry Standard levels. B. Fund Major Maintenance to support 10-year Capital Plan. C. Meet (& replenish) Reserve and Contingency requirements. D. (<i>optional</i>) Maintain the City's assets and services at a defined premium/alternative level.
Third	Meet Growth Demands	At planned times, fund capital investments and services – aligning with growth activity.
Fourth	Plan for New Assets to meet Future Growth	<ul style="list-style-type: none"> A. Financially plan for land acquisition and facility construction to meet planned and approved growth. B. Financially plan for Services to support/maintain growth.
Fifth	Demonstrate New Programs, Services, and Pilots	Invest in new or pilot programs, services, and assets in support of emerging priorities.

This is NOT intended to prescribe exact math – meaning there is some flexibility in the edges, and we may not fully exhaust a step in the waterfall before looking to the next step in the waterfall.

2025-2026 Budget Process



Changes and Potential Changes in Comprehensive Financial Policies and Processes for 2025-2026

Changes in Comprehensive Financial Policies and Processes

- Reducing double appropriations wherever possible.
- Shifting mid and long-term holding to Source or Replacement Funds rather than CIPs.
- Moving all Operations General Fund - charging Source Funds as appropriate.
- Improving alignment of resources to services for improved tracking and reporting.
- Moving all related costs, including staffing, to General CIP and Waterworks CIPs.
- Right sizing CIPs on a 10-year basis.
- Shifting operational capital programs, projects, and maintenance to Operations, as appropriate.
- Aligning Comprehensive Financial Policies and Waterworks Utility Policies into a single document instead of two.
- Enhancing performance reporting to a more comprehensive online dashboard.
- Rightsizing and clarifying bases for reserves and contingencies.

Potential Changes in Comprehensive Financial Policies and Processes (tonight's discussion to inform)

- Should Guiding Principles be added to the Comprehensive Financial Policies and Processes?
- Should strategic use of Debt be considered?
- Should the Investment Waterfall be used to guide all Revenues or Capital only (current practice)?