



October 17, 2016

The Honorable John Stokes
Members of the City Council
Residents and Stakeholders of the City of Bellevue

Dear Mayor Stokes, City Councilmembers, Residents and Stakeholders of Bellevue,

I am pleased to submit for your consideration my Preliminary Budget, which includes the **2017-2018** Operating Budget and the **2017-2023** Capital Investment Program (CIP). My proposed budget is balanced and maintains current city services without raising property taxes. It also provides service enhancements to address City Council priorities and reflects the community's vision for Bellevue. The community was involved in the budget process through surveys such as biennial budget, annual performance and business surveys, public meetings and direct communications. Through resident and stakeholder engagement combined with Council's thoughtful direction, this budget is reflective of prudent fiscal planning as our city prepares for challenges in coming years.

The overall 2017-18 biennial budget totals \$1.5 billion, which includes \$1 billion in total operating budget expenditures, \$65 million in special purpose expenditures, and \$412 million for the 2017-2018 portion of the General and Utilities CIP.

On the operating side, the Preliminary Budget grows the city's reserves in order to position the city for the challenges of delivering high-quality municipal services during unprecedented growth, the increasing urbanization of Bellevue. The CIP continues existing programs, includes funding for discrete Council priority projects, and prepares the city in the event that additional resources are secured for transportation infrastructure.

Some highlights from the 2017-2018 budget include:

- Assumes tax rates at current levels, without any increase;
- Continues to fund the Council 2016-2017 priorities, including increased funding for economic development, smart cities, Eastside Rail Corridor and early implementation of the Grand Connection; and completes Phase I of Meydenbauer Park and Downtown Park Circle;
- Meets many of the city's infrastructure priorities, including maintaining existing infrastructure, parks levy projects, transportation and mobility improvements, and neighborhood programs;
- Grows the city's reserves by 1.5% to better position the City for anticipated shortfalls in the Operating Budget in the mid-term and to protect the city in the case of an economic downturn; and
- Adjusts Development Services rates to account for inflation, and increases Utility rates by 4% to address aging infrastructure, wholesale costs and implementation of automated meter reading.

Long Range Financial Planning Efforts

The recommendations in the Preliminary Budget reflect the long range financial planning effort that began in 2016. The City Council took considerable time and effort in 2016 to review the fiscal condition of the general CIP. As a result of that work and an assessment of the infrastructure needs that are required to maintain Bellevue's quality of life, Council acted to place voters two measures on the November ballot that, if passed, will address some of the infrastructure backlog that the city faces. In addition, the City Council has directed staff to continue to pursue a Transportation Infrastructure and Financing Innovation Act (TIFIA) loan from the federal government. If secured, the loan will assist with the creation of the BelRed Street Network – a total of 12 multimodal roadways planned to support the new BelRed neighborhood.

While we expect to review the long range financial outlook for the Operating Budget in greater depth next year, the Preliminary Budget grows our reserves in order to allow for flexibility in responding to our mid-range forecast. The principle drivers influencing this forecast are:

- Population, employment and economic growth, which will require more complex and urban services;
- depletion of the Law Enforcement Officers and Fire Fighters Plan 1 (LEOFF 1) Medical Reserve by 2019. When the fund is exhausted the city will begin to "pay as you go" at an estimated annual cost of \$2,300,000; and
- expiration of the annexation sales tax credit in 2022, reducing revenues to the city's General Fund by \$1,000,000 annually.

Our current forecasts show General Fund expenditures exceeding revenues by 2020. My Preliminary Budget ensures that we have adequate time to identify the right set of strategies to address this forecast, and I look forward to working with you next year on that challenge.

Conclusion

The city's combined budget is an important document, where the community's vision and needs are translated into the resources, personnel and projects needed to support those efforts. This Preliminary Budget presents a strong operational plan to support the services of the city and a capital program that responds to the most urgent needs. The budget I present to you underscores the city's commitment to strategic fiscal stewardship and innovation.

This Preliminary Budget is reflective of our hard-working, dedicated employees who are committed to delivering on Bellevue's reputation as "the city where you want to be." I want to thank members of the Results Teams, 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 success of the 2017-2018 Budget One process. As a community, we are working together to ensure Bellevue is ready for the future by making fiscal decisions that position us well as our city prospers and grows.

Sincerely,



Brad Miyake
City Manager