

**CITY COUNCIL STUDY SESSION ITEM**

**SUBJECT**

Discussion of the Preliminary 2017-2018 Operating Budget and the 2017-2023 Capital Investment Program (CIP) Plan.

**STAFF CONTACTS**

Brad Miyake, City Manager 452-4690  
*City Manager's Office*

Toni Call, Interim Finance Director 452-7863  
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**POLICY ISSUES**

RCW 35A.34 – Biennial Budgets:

State law specifies requirements that must be followed in budgeting each of the City's funds. Key areas covered include:

- Preparation and filing of a preliminary budget by the Chief Administrative Officer, i.e., City Manager;
- A "budget message" from the Chief Administrative Officer explaining the content, financial policies and major proposed changes;
- A public hearing on the proposed preliminary budget conducted before adoption of a final budget, which shall be held on or before the first Monday in December;
- Balanced expenditure and revenue estimates for each of the City's funds; and
- Council adoption of the budget prior to the beginning of the ensuing fiscal biennium, i.e., January 1, 2017.

The City's proposed 2017-2018 Operating Budget and 2017-2023 Capital Investment Program (CIP) plan are consistent with Council's direction to continue high quality, efficient municipal services.

**DIRECTION NEEDED FROM COUNCIL**

**ACTION**



**DIRECTION**



**INFORMATION ONLY**



Tonight is the sixth and final of several scheduled discussions. This memorandum and its attachments summarize the known proposals, requests, information requested to date, and current status of items.

Staff is seeking final direction on each of the known proposals and requests in preparation for budget adoption on December 5. Additional detail on each of the known items is contained in Attachments A, B, C, D and E. Responses to previous information requests can be found in Attachment F – the Memory Bank. There have been no changes to the Memory Bank from November 21.

The preliminary budget overviews were provided on:

- October 17 – City Manager presented the Preliminary 2017-2018 Budget;
- October 24 – First utilities rate discussion;
- November 7 – Overview of the operating, special purpose fund, and general capital investment program plan; and
- November 14 – Second utilities rate discussion and the development services discussion.
- November 21 – During the study session, staff presented the known open items remaining in the 2017-2018 preliminary budget for Council discussion. At the regular session, the final public hearing on the budget was held.

### **BACKGROUND/ANALYSIS**

On October 17, City Manager Brad Miyake presented the preliminary 2017-2018 operating budget and 2017-2023 Capital Investment Program (CIP) plan to the Council. The 2017-2018 preliminary budget process solicited feedback from the community through surveys such as the biennial budget survey, annual performance and business surveys, public meetings, and direct communication. The full budget detail can be found online at <http://www.bellevuewa.gov/budgets.htm>.

On October 24, staff provided the first in a series of briefings with Utilities providing an overview of both the preliminary Utility 2017-2018 operating budget and the Utilities' 2017-2023 capital investment program, including proposed rate increases.

On November 7, staff presented an overview of both the preliminary 2017-2018 operating and special purpose fund budget and the 2017-2023 capital investment program, noting that the preliminary budget is a balanced budget that maintains current operations, advances Council priorities, grows modestly, builds key infrastructure and increases general operating fund reserves to better position the City for anticipated costs and to assist in protecting in case of an economic downturn.

On November 14, staff presented the second Utilities briefing and the Development Services rate update. Council directed both Development Services and Utilities to return on December 5 with rate ordinances in alignment with the 2017-2018 preliminary budget.

On November 21, during the study session, staff presented the known open items remaining in the 2017-2018 preliminary budget for Council discussion. Council provided direction on several items and requested additional information on others. Responses to these requests are noted within the agenda memo and attachments. The third and final public hearing on the budget was held later that evening. At the conclusion of the hearing, Council asked for additional information to be brought forward and included in the list of open items for further consideration, including the Parks & Community Services Board recommendations and a request for additional funding for the Bellevue Arts Museum. These requests are included in Attachment E - Requests from the November 21 Public Hearing.

***Council Direction Requested*** Below are the remaining proposals and requests to date. Council is asked to provide final direction on each of the items below for preparation of the tentative adoption materials on December 5. The following table provides staff's understanding of status as of November 21. Each item is more fully discussed below and within the attachments.

<b>Council Attachment</b>	<b>Proposal or Request</b>	<b>Operating - Biennial Amounts (000s)</b>	<b>CIP - 7-Year Amounts (000s)</b>	<b>Update from November 21</b>
A: Council Priority	CP#18: Multi-Cultural Center	-	\$50	Provide an option for consideration for a \$50,000 study to assess the interest and needs specifically related to cross cultural programming.
A: Council Priority	CP#19: Eastside Pathways	\$400	-	Council requested information on fiscal sustainability and performance metrics. Funding agreement process included as a proposed method.

B: Council Requests	Park Seasonal Restroom Closures	-	-	Parks proposal absorbs cost.
B: Council Requests	Guan Yin Water Feature	-	\$150	Updated to reflect option 3 only.
B: Council Requests	Parental Leave	-	-	Staff will return at the mid-biennium.
B: Council Requests	Solid Waste Study	\$150	-	Council early direction is to fund with reserve with no rate impact.

C: Addt'l Council Req	TechHire Initiative	\$50	-	Information requested is included.
C: Addt'l Council Req	Grand Connection Seed Funding	-	\$1,500	Proposal costs moved to 2019 and 2020; from 2020 and 2021. Updated write up to reflect discussion.
C: Addt'l Council Req	Eastside Rail Corridor Design Support	-	\$500	No Change in request, write up is updated to reflect discussion.
C: Addt'l Council Req	Squash Program Funding	\$50	-	Public comment added.

D: Community Req	Pacific Northwest Ballet	-	\$500	No Change.
D: Community Req	Housing Development Consortium	-	\$5,250	No Change.

E: Public Hearing	Parks & Community Services Board Recommendation – Newport Hills Neighborhood Park (Tyler Park) Development	-	\$1,500	New from the public hearing
E: Public Hearing	Parks & Community Services Board Recommendation - Bridle Trails Park Development (140 <sup>th</sup> Street Park)	-	\$1,750	New from the public hearing

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E: Public Hearing	Bellevue Arts Museum	\$500	-	New from the public hearing; \$250 ongoing, annually for 5 or 10 years

Attachment A summarizes the two Council priorities that were adopted in May of 2015 which directed staff to bring forward budget proposals in the 2017-2018 budget for Council consideration. The two proposals included are:

- **Council Priority #18:** “Implement the Diversity Plan and bring forward a concept for a multi-cultural center to the Council for consideration for inclusion in the 2017/2018 budget.”
  - *On November 21, Council requested for consideration an option to transition the initial \$150,000 facility study to a \$50,000 study addressing a public outreach process that assesses the interest and needs specifically related to cross cultural programming which would encompass the full spectrum of diversity. This study would be a basis for further discussions and potentially lead to a facility study.*
- **Council Priority #19:** “Bring a budget proposal forward to support Eastside Pathways and a plan for further partnership opportunities to achieve their goals.” This proposal requests \$200,000 annually in operating funding.
  - *On November 21, Council requested information on Eastside Pathway’s fiscal sustainability and performance outcome metrics. As noted by Council, any approved funding to Eastside Pathways would require a funding agreement similar to the ones executed for other community organizations. Attachment A contains a list of potential conditions that would be addressed in a funding agreement.*

Attachment B provides summaries of several items that Council has raised in previous discussions. Council asked for additional information regarding the parental leave and park seasonal restroom closures on November 7, and Multi-Cultural Center on November 14, which can be found in Attachment B.

- **Park Seasonal Restroom Closures:** The City implemented seasonal restroom closures at 17 of 28 park facilities as part of the 2011-2012 budget in response to the economic downturn. A cost estimate to restore service is \$4,000 per site to cover supplies, cleaning, utilities and maintenance. On November 7, Council requested a recommendation from the Parks department regarding seasonal closures. Based on public comments and field knowledge, restoring service to the five highest priority restrooms is an ongoing cost of up to \$20,000 per year. These sites include Chism Beach, Clyde Beach, Enatai Beach, Larsen Lake, and Spiritridge Park.
  - *On November 21, Council requested staff to provide an option to reopen five locations within existing budget. In order to absorb the \$20,000 cost, Parks will distribute the park restroom maintenance across the system to keep the five restrooms open year-round.*
- **Guan Yin Water Feature:** In the 2015-2016 mid-biennium budget process, Council discussed adding a moving water feature to City Hall Plaza for the Asian culture of good fortune and blessings associated with Guan Yin. During the mid-biennium budget process, Council directed staff to further identify options.
  - *On November 21, Council’s discussion focused on Option 3 which includes a tiered waterfall with a cost ranging from \$50,000, if the city is able to negotiate a change order*

*with Sound Transit, to \$150,000 if the city is not able to negotiate a change. The request in Attachment B focuses purely on Option 3.*

The following two items received early direction on November 21 from Council and staff will proceed as noted below barring different direction from Council.

- **Parental Leave:** Council asked staff to analyze the policy and financial implications of adding a parental leave policy to the City's Total Rewards package. Staff recommends that the parental leave program options be analyzed and addressed within the broader context of the Workforce Development Initiative/Total Rewards program. Staff expects this work to proceed in 2017, with periodic Council updates to facilitate Council direction for the 2017-2018 mid-biennium budget process.
  - *Staff will proceed with bringing back at the 2017-2018 mid-biennium budget process barring further direction on November 28.*
- **Solid Waste Study:** On November 14, in response to Council request, staff recommended funding a solid waste study for review of options in 2017 for \$150,000. This funding will come from the solid waste fund reserves with no rate impact and will be presented on December 5 as an adjustment to the preliminary budget barring different direction from Council.
  - *Staff will present an adjustment to the Solid Waste Fund for a \$150,000 study in 2017 on December 5 adoption.*

Attachment C summarizes the additional items from Councilmembers that staff has received to date. There may be additional items that Council wishes to discuss.

- **TechHire Initiative:** The City of Bellevue Office of Economic Development (OED) could support the local TechHire program by focusing to improve diversity and inclusion in the technology sector in key communities in the City. The cost of which would be \$50,000.
  - *On November 21, Council requested information regarding whether the operating or CIP existing budgets would have capacity to fund TechHire. Attachment C provides a discussion of the existing budgets.*
- **Grand Connection Seed Funding:** Additional funding of \$1,500,000 would allow for construction of several key physical improvements, including raised intersection treatments along the Grand Connection route that will help establish the identity and presence of the Grand Connection.
  - *On November 21, in response to Council discussion, the proposal has been amended to \$500,000 in 2019 and \$1,000,000 in 2020.*
- **Eastside Rail Corridor Design Support:** Funding of \$500,000, divided equally between 2017 and 2018, would advance the design of remaining key crossings and connections in the Wilburton Segment in partnership with other regional agencies.
  - *On November 21, Council had further discussions on the Eastside Rail Corridor options. The proposal in Attachment C has been updated to better reflect the discussions.*
- **Squash Program Funding:** Request for support and funding in the amount of \$50,000 for Squash programs that take place year-long throughout the Bellevue area.
  - *On November 21, Council discussed the possibility of deferring this item until a broader conversation related to all sports programming could be held. In addition, Council*

*requested information on metrics on the squash program which are included in the Attachment C.*

Attachment D summarizes the community requests received to date with funding options. In the budget process, the Council typically receives requests for funding the operations or capital needs of community organizations. After the last budget process, the Council asked staff to develop a suggested process for considering those requests. Attachment D also includes a recommended set of criteria with staff analysis for the requests that have come in during this budget cycle. Should the Council approve a request; a funding agreement similar to the ones executed for other community organizations will be required and would include the long standing guiding principles related to public benefits, fiscal sustainability, not funding fund-raising activities, and providing financial oversight.

- **Pacific Northwest Ballet** requests funding for Pacific Northwest Ballet School at the Francis Russell Center. This request is for a \$500,000 one-time capital contribution.
- **Housing Development Consortium** requests an update of the ARCH/housing parity goals with an increase in contribution to the housing trust fund. This request is for \$1,500,000 biennially, ongoing from capital funding. As note, the 2017-2023 Preliminary CIP includes an increase of \$80,000 to the housing trust fund or an approximately 10% over previous contributions.

Attachment E summarizes the items from the Public Hearing. On November 21 at the regular session, the city held its third and final public hearing. There were two requests referred to staff to have included for further Council direction.

- **Bellevue Art Museum (BAM)** requests \$250,000 annually to fund operations and to underwrite education programs and strengthen the long term financial health and viability of the museum.
- **Parks & Community Services Board Recommendation** requests funding for the neighborhood parks in Newport Hills and Bridle Trails for a combined request of \$3,250,000 during the 2017-2023 CIP. Note: Council requested further information from staff to accompany the Parks & Community Services Board recommendations. Additional information will be included in the Council Desk Packet.

### ***Council Calendar, Actions needed for Adoption, and Memory Bank***

Over the course of the recent Council meetings regarding the preliminary budget, Council has raised several questions and requested information on a variety of topics. Attachment F provides a “Memory Bank” for those requests and contains the status of Council information requests. This attachment is a living document updated to reflect Council deliberations and requests.

The calendar prior to adoption is tentatively scheduled as follows:

<b>Date</b>	<b>Tentative Agenda</b>	<b>Status</b>
October 17	Study Session: Preliminary budget presentation	Completed
October 24	Study Session: Response to areas of interest from October 17 and Utilities Early Review	Completed
November 7	Study Session: Deeper dive into CIP and operating budget; respond to areas of Council interest	Completed
November 14	Study Session: Utilities and Development Services fee discussions	Completed

November 21	Study Session: Respond to areas of Council interest Regular Session: Public Hearing	Completed
November 28	Study Session: Respond to areas of Council interest	Tonight
December 5	Regular Session: Tentative Adoption	

There are several actions that are required to adopt the 2017-2018 budget:

<b>Ordinance Title</b>	<b>Brief Explanation</b>
2017-2018 Human Services Funding and Community Development Block Grant (CDBG) Ordinances	Human Services Fund and CDBG recommendations as developed by the Human Services Commission, to act as guidelines for the allocation of General Fund and CDBG money.
2017 Property Tax Levy Ordinance	By law (RCW 35A.34.230 and RCW 84.55.092), Council is required to adopt property tax levies annually. The levy will reflect the two levies from the November 8 ballot, post certification.
2017 Property Tax Banked Capacity Resolution	Staff recommends a property tax banked capacity resolution to continue to reserve banked capacity.
2017 Substantial Need Resolution	Under Initiative 747, the regular levy or banked capacity, if no increase in the regular levy is taken, can grow at a maximum of one-percent annually or the rate of “inflation” (defined as the increase in the implicit price deflator (IPD) whichever is less, plus additions for new construction). IPD for 2017 is 0.953 percent, which means that under normal circumstances the City’s statutory ability to increase the regular levy or banked capacity if no increase in the regular levy is taken would be limited to the 0.953 percent rather than one-percent. There is, however, a provision in the Revised Washington Code (RCW 84.55.0101) for cities with “Substantial Need” to levy or bank the full one percent with a majority plus one vote from their governing board or City Council for cities with a population greater than 10,000. To utilize this provision in the law the City must adopt an Ordinance establishing substantial need in order to access the full one percent increase. Staff recommends adopting a substantial need ordinance to fully bank the one-percent capacity.
Utility Rate Fee Ordinances (Water, Storm, and Sewer)	Staff will present for Council consideration increases in Utility rates for 2017 and 2018 to address aging infrastructure and wholesale costs.
Development Services Fee Ordinance	Staff will present for Council consideration routine updates to the 2017 Development Services fee ordinance for all Development Services functions, including building, land use, fire, transportation, and utilities plan review and inspection.
2017-2018 Budget Ordinance	This is the “umbrella” ordinance which includes appropriation approval by Fund, 2017 pay plans, and summarizations of accepted grants and donations that are less than \$90,000.

**Staff requests that Council bring the Preliminary Budget document to each of the future Study Sessions scheduled for budget review and deliberations.**

**ALTERNATIVES**

N/A

**RECOMMENDATION**

N/A

**ATTACHMENTS**

- A – Council Priority Known Items for Discussion and Direction
- B – Council Requests for Discussion and Direction from previous discussions
- C – Additional Council Requests for Discussion and Direction
- D – Community Requests for Discussion and Direction
- E – Requests from the November 21 Public Hearing
- F – Memory Bank

**AVAILABLE IN COUNCIL DOCUMENT LIBRARY**

N/A