

December 5, 2016

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Ordinance adopting the City of Bellevue's 2017- 2018 Budget and 2017-2023 Capital Investment Program Plan; setting forth the estimated revenues and appropriations; establishing job classifications and pay ranges; and establishing an effective date.

FISCAL IMPACT

Approval of this Ordinance, commonly known as the "umbrella" ordinance, is the final action to implement the 2017-2018 budget. The Ordinance adopts the total appropriation by fund (Attachment A), establishes the pay plans for 2017 (Attachment B), notifies Council of accepted grants of less than \$90,000 as received from November 1, 2015 to October 31, 2016 (Attachment C) and provides a list of donations as received from November 1, 2015 to October 31, 2016 (Attachment D). The budget is the policy document that sets forth the operational plan to provide continuing services and the strategy for continued progress in meeting the City's capital investment needs.

The 2017-2018 budget totals \$1.5 billion, which includes operating, special purpose, and capital fund budget. The operating budget includes \$1 billion for all operating funds such as the general fund, development services fund, facilities services fund, parks enterprise fund, and utilities operating funds, among others. The special purpose budget is \$65 million and includes restricted monies for dedicated purposes, such as grants, donations, debt service, firemen's pension, and housing, among others. The capital project budget includes General and Utilities CIP funds and totals \$413 million over the two-year budget, the first two years of the 7-year Capital Investment Program Plan.

Summary of the 2017-2018 Budget is as follows:

2017-2018 Operating Budget	\$1,034,825,241
2017-2018 Special Purpose Funds	65,220,513
2017-2018 Capital Projects Funds*	412,810,856
Total 2017-2018 Budget	\$1,512,856,610
Total 2018 Full-Time Equivalent (FTE) Positions	1,341.64

** 2017-2018 Budget does not include the recent November 8, 2016 voter approved Levy for Fire Facilities and Levy for Neighborhood Safety, Connectivity, and Congestion. Staff will bring forward a budget amendment in the first quarter of 2017. The property tax action presented earlier to Council includes the appropriate levy rates to levy the voter approved actions.*

The budget appropriations include any budget ordinances adopted by Council since the preliminary budget presentation and the Council directed changes to the preliminary budget from the November 28 meeting and detailed below in the background section as well as in Attachment E.

Earlier actions brought forward tonight to fully implement the 2017-2018 budget included the following items, the effects of which have been incorporated into the umbrella ordinance:

- **Human Services 2017-2018 Funding Ordinance:** Bellevue Human Services funding recommendations were presented to Council by the Commission on November 7, 2016. The 2017-2018 budget includes the recommendations funded by City tax revenues, interest earnings, and employee charitable contributions.
- **Community Development Block Grant (CDBG) Funding Recommendation Ordinance:** Adopting recommendations for the use of 2017 CDBG funds as transmitted by the Human Services Commission.
- **Development Services Fee Ordinance:** Changes are proposed to the consolidated fee ordinance for all development services functions including Building, Land Use, Fire, Transportation and Utilities plan review and inspection work with an effective date of January 1, 2017. The proposed changes would increase Development Services revenue by approximately \$455,000. The fee update reflects the results of the annual Cost of Service Study and maintains an appropriate alignment between workload, permit revenues, staffing costs and service levels.
- **Utility Services Fee Ordinances:** Increases water consumption, water standby capacity charges and water, sewer and stormwater service fees effective January 1, 2017. These increases are necessary to support the Utilities' annual 2017-2018 operating and 2017-2023 CIP funding needs. The table below displays service fee increases for each utility.

Utility	2017 Service Fee Increase	2018 Service Fee Increase
Water	3.4%	6.1%
Sewer	4.4%	2.2%
Stormwater	4.3%	4.6%

- **Property Tax Resolutions and Ordinance:**
 1. **Substantial Need Resolution** – establishing substantial need for the purposes of setting the limit factor for the property tax levy for 2017 at the full 1% with a majority plus one vote from City Council. This action allows Council to bank or levy the full 1% authorized under state statute.
 2. **Property Tax Increase** – levies the regular and voted property tax including new construction, and other increases allowed under RCW 84.55.010 and refund amounts, and the two levies passed by voters on November 8, 2016 (Levy for Fire Facilities and Levy for Neighborhood Safety, Connectivity and Congestion). This action secures the levy lid lifts increase for 2017. These two levies were certified by King County elections on 11/29/16.
 3. **Preserve Banked Capacity** - Resolution preserving the full levy amount available, including the full 1% authorized under the substantial need resolution, to the City to ensure sufficient capacity to fund operating costs of new facilities and maintain current levels of service.

STAFF CONTACTS

Brad Miyake, City Manager 452-4690

City Manager's Office

Toni Call, Interim Finance Director 452-7863

David Baldwin, Budget Division Manager 452-2017

Finance Department

POLICY CONSIDERATION

State Law:

RCW 35A.34.120 requires that the City Council adopt a budget ordinance setting forth in summary form the totals of estimated revenues and appropriations for each separate fund and the aggregate totals for all such funds combined.

Adopted City financial policy:

By City policy and practice, funding for CIP projects is authorized only when included in the CIP Plan as adopted or amended by ordinance. CIP policies direct review and adoption by the City Council of the City's CIP Plan at least biennially and that Council appropriate the estimated project cost for the fiscal biennium for adopted CIP projects.

BACKGROUND

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 preliminary 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. The rate ordinances presented this evening reflect this direction.

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 for final direction on November 28. The third and final public hearing on the budget was held in the regular session later that evening.

On November 28, during study session, Council gave final direction on a series of changes to the preliminary budget as detailed below. These changes have been incorporated into the total appropriation authority as detailed in Attachment E:

General Operating Fund Changes from the Preliminary Budget:

- Multi-Cultural Feasibility Study, \$50,000 one time, 2017
 - *In response the Council Priority #18, the Council budget funds a study to provide 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.*
- Eastside Pathways, \$200,000 annual, ongoing, starting in 2017
 - *In response to the Council Priority #19, the Council budget earmarks for a funding agreement of \$200,000 annually to Eastside Pathways to further partnership opportunities to achieve their goals. A funding agreement similar to the ones executed for other community organizations will be required for Council approval and would include the long standing guiding principles related to public benefit, fiscal sustainability, not funding fund-raising activities, and providing financial oversight as well as other provisions regarding metrics and reporting.*
- Park Seasonal Restroom Closures, no additional funding, cost will be distributed across the existing total service area and is included within the existing preliminary budget
 - *The Council budget provides for the restoration of the five highest priority park restrooms, based on public comments and field knowledge. These sites include Chism Beach, Clyde Beach, Enatai Beach, Larsen Lake, and Spiritridge Park.*
- TechHire Initiative, \$50,000, one time, 2017
 - *The Council budget provides \$50,000 to the Office of Economic Development to support the local TechHire program by focusing to improve diversity and inclusion in the technology sector in key communities in the City.*
- Advanced Transportation Technology, \$150,000 annually, LTE for 2 years, 2017 and 2018
 - *The Council budget provides for \$150,000 in 2017 and 2018 to hire a Limited Term Employee (LTE) to assist with advanced transportation technology options.*

All general fund operating changes were funded through the use of the operating council contingency, with \$200,000 total contingency remaining for the biennium, as shown below.

Council Contingency			
	2017	2018	17-18
Council Contingency	\$500,000	\$500,000	\$1,000,000
Council identified uses from November 28, 2016			
Multi-Cultural Study	(50,000)	-	(50,000)
Eastside Pathways	(200,000)	(200,000)	(400,000)
TechHire Initiative	(50,000)	-	(50,000)
Advanced Transportation Technology	(150,000)	(150,000)	(300,000)
Total Request	(450,000)	(350,000)	(800,000)
Council Contingency Remaining	\$50,000	\$150,000	\$200,000

Solid Waste Fund Operating Changes since the Preliminary Budget:

- Solid Waste Study, \$150,000, one time in 2017
 - *The Council budget provides \$150,000 for a one time study to review solid waste service options. This study is funded through the use of solid waste fund reserves with no rate impact.*

General Capital Investment Fund Changes since the Preliminary Budget:

In addition to adjusting the preliminary budget for budget ordinances adopted by Council since the preliminary budget presentation, the following adjustments were directed by Council. See Attachment F for a detailed listing by project for the General CIP Fund.

- Grand Connection Implementation, a total of \$1,500,000, spread equally across 2019, 2020, and 2021 (\$500,000 for each year)
 - *The Council budget provides for an additional funding of \$1,500,000 to project CD-44 Grand Connection Implementation for a project total 7-year CIP of \$3,500,000. This funding would allow for 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.*
- Eastside Rail Corridor Design Support, a total of \$500,000, spread equally across 2017 and 2018
 - *The Council budget provides for an additional funding of \$500,000, to project G-103 Eastside Rail Corridor Project for a project total 7-year CIP of \$2,500,000. This funding will advance the design of remaining key crossings and connections in the Wilburton Segment in partnership with other regional agencies.*
- Affordable Housing Contingency, a total of \$3,500,000, spread equally across years 2017 to 2023 (\$500,000 a year), and creates a new project
 - *The Council budget creates a new project, G-109 Affordable Housing Contingency, with a project total 7-year CIP of \$3,500,000. This funding will be held in contingency until further direction of Council.*

All capital investment fund changes were funded through the use of the Council contingency, with \$1,500,000 total contingency remaining over the 7-year CIP.

Council Contingency								
	2017	2018	2019	2020	2021	2022	2023	17-23
Council Contingency	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$7,000,000
Council identified uses from November 28, 2016								
Grand Connection	-	-	(500,000)	(500,000)	(500,000)	-	-	(1,500,000)
ERC Design Support	(250,000)	(250,000)	-	-	-	-	-	(500,000)
Affordable Housing Contingency	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(3,500,000)
Total Request	(750,000)	(750,000)	(1,000,000)	(1,000,000)	(1,000,000)	(500,000)	(500,000)	(5,500,000)
Council Contingency Remaining	\$250,000	\$250,000	\$0	\$0	\$0	\$500,000	\$500,000	\$1,500,000

Additional Direction:

In addition to the budget direction noted above, the Council also deferred the following items for further discussion and/or direction pending additional information: Guan Yin water feature, parental leave for employees, and potential community requests.

City of Bellevue Pay Plans:

Pay Plans for represented employees were established in accordance with their respective labor agreements. As a part of the budget ordinance, the Council approves the 2017 City of Bellevue Pay Plans (Attachment B) which include the effect of a 2017 salary range adjustment of 1.8% (90% of June 2016 CPI-W) for non-represented employees. This increase is consistent with increases associated with most labor agreements. A change to the 2017 Pay plan R and G01 of the general pay plan reflect the minimum wage increase due to the voter approved state initiative I-1433 on November 8, 2016 which establishes fair labor standards by increasing the minimum hourly wage in 2017 and every year until 2020. From 2021 forward, minimum wage will increase with inflation.

RCW 41.50.152 requires disclosure of “excess compensation” costs (e.g., overtime payments that exceed twice the regular rate of pay, termination or severance payments, and cash out of unused annual leave in excess of 240 hours for a limited number of eligible employees). This legislation was designed to avoid the situation where significant future liability was unknowingly accepted as part of a compensation agreement. The provisions of the pay plans for non-represented employees are estimated to increase these future retirement billings by \$2,600 or 3% (from \$91,900 to \$94,500). Any increases in excess compensation for union contract settlements are communicated in agenda memos when the contracts are proposed for Council approval.

Grants and Donations:

Per ordinance 6187, the city manager is authorized to apply for grants in any amount and to execute grant contracts for grants of up to \$90,000. The city manager shall notify the city council periodically of such grant contracts. A listing of grants received in the most recent annual period of November 1, 2015 to October 31, 2016 is included in Attachment C.

Ordinance 4177 delegates authority to accept donations to the City Manager. Attachment D summarizes donations received by project for the most recent annual period of November 1, 2015 through

October 31, 2016.

EFFECTIVE DATE

If approved, this Ordinance becomes effective on December 15, 2016. The 2017-2018 Budget and 2017-2023 Capital Investment Program will become effective January 1, 2017.

OPTIONS

1. Approve Ordinance adopting the 2017-2018 Budget and 2017-2023 Capital Investment Program Plan, setting forth the estimated revenues and appropriations; establishing job classifications and pay ranges; and establishing an effective date.
2. Do not approve the Ordinance and provide alternative direction to staff.

RECOMMENDATION

Option 1.

MOTION

Approve Ordinance No. 6333 adopting the 2017-2018 Budget and 2017-2023 Capital Investment Program Plan; setting forth the estimated revenues and appropriations; establishing job classifications and pay ranges; and establishing an effective date.

ATTACHMENTS

A. Preliminary to Final Budget Totals by Fund – Provides a listing of the changes made from the Preliminary Budget to the Final Budget by Fund.

B. City of Bellevue Pay Plans – Provides a listing of the City's Pay Plans.

C. Summary of 2016 Grants Accepted – Provides a listing of grants of less than \$90,000 that were accepted for the period November 1, 2015 through October 31, 2016. In accordance with Ordinance No. 6187, staff is required to notify Council of any such contracts.

D. Summary of 2016 Donations Accepted – Provides a listing of donations received by project for the period November 1, 2015 through October 31, 2016. Ordinance No. 4177 requires that any time an appropriation adjustment for the Operating Grants and Donations Fund is required it will be accompanied by a notification of donations received since the previous appropriation adjustment was made.

E. Preliminary to Final Budget Changes – Provides a listing of the changes made to resources, expenditures, and full time equivalent positions (FTEs) from the Preliminary Budget to the Final Budget.

F. 2017-2023 General Capital Investment Program Plan cash flow by project – Provides a detailed listing of General Capital Investment Program Plan projects and identifies changes from the preliminary budget.

Proposed Ordinance No. 6333

AVAILABLE IN COUNCIL ELECTRONIC DOCUMENT LIBRARY

N/A