

CITY COUNCIL REGULAR SESSION

Ordinance adopting the City of Bellevue’s 2019-2020 Budget and 2019-2025 Capital Investment Program Plan; setting forth the estimated revenues and appropriations; establishing job classifications and pay ranges; and establishing an effective date.

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Finance

EXECUTIVE SUMMARY

This Ordinance adopts the City of Bellevue’s 2019-2020 Budget and 2019-2025 Capital Investment Program plan; sets forth the estimated revenues and appropriations; and establishes job classifications and pay ranges.

RECOMMENDATION

Move to adopt Ordinance No. 6445.
If approved, effective date: 12/13/2018

BACKGROUND/ANALYSIS

This is the final action to implement the 2019-2020 budget. The Ordinance adopts the total estimated revenues and appropriation by fund (Attachment A) establishes pay plans for 2019 (Attachment B), notifies Council of accepted grants of less than \$90,000 as received from November 1, 2017 to October 31, 2018 (Attachment C), and provides a list of donations received from November 1, 2017 to October 31, 2018 (Attachment D).

As displayed in Attachment A, the 2019-2020 biennial budget totals \$1.7 billion. This total includes \$1.1 billion in the operating budget (\$476 million in the General Fund, \$215 million in Internal Service and other operating funds, \$442 million in Enterprise Funds), \$72 million in special purpose expenditures (such as grants, donations and debt, among others) and \$534 million for the 2019-2020 portion of the 7-year General and Utilities CIPs. Summary of the 2019-2020 Budget is as follows:

2019-2020 General Fund	\$476,331,262
2019-2020 Other Operating Funds	215,351,465
2019-2020 Enterprise Funds	441,559,633
2019-2020 Special Purpose Funds	71,917,338
<u>2019-2020 Capital Investment Program</u>	<u>534,230,799</u>
Total 2019-2020 Budget	\$1,739,390,497

Total 2020 Full-Time Equivalent (FTE) Positions	1,382.89
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Earlier actions brought forward tonight to fully implement the 2019-2020 budget included the following items that have been incorporated into the umbrella Ordinance:

- Human Services 2019-2020 Funding Ordinance: Human Services Commission’s 2019-2020 Human Services Fund funding recommendations. The recommendations are funded by City tax revenues, interest earnings, and employee charitable contributions.
- Community Development Block Grant Funding Ordinance: Recommendations for the use of 2019 CDBG funds as transmitted by the Human Services Commission.
- Fire Inspection Fee Ordinance: Ordinance authorizes the creation of Fire Inspection fees. The fire inspection fee is budgeted to begin in 2020. The proposed fee is a fair price and in line with industry standards.
- Development Services Fee Ordinance: Updates to fees charged for development services applications requiring construction, land use, fire, survey, sign, transportation, utility and clearing & grading review and inspection services, effective January 1, 2019.
- Utility Services Fee Ordinances: Increases water consumption, water standby capacity charges and water, sewer and stormwater service fees effective January 1, 2019. These increases are necessary to support the Utilities’ 2019-2020 operating and 2019-2025 CIP plan funding needs. The table below displays service fee increases for each utility.

Utility	2019 Service Fee Increase	2020 Service Fee Increase
Water	3.7%	5.0%
Sewer	3.9%	2.3%
Stormwater	5.4%	5.4%

- Property Tax Ordinance and Resolution:
 1. Property Tax Increase – Regular and voted property tax including new construction and other increases allowed under RCW 84.55.010 and refund amounts, including the statutorily available 1 percent allowable increase for 2019
 2. Preserve Banked Capacity – Preserving the full levy amount available to the City to ensure sufficient capacity to fund operating costs of new facilities and maintain current levels of service.

Budget Overview

The 2019-2020 Preliminary Budget sets forth an operational and capital plan and includes resources needed to provide quality services to the residents and stakeholders of Bellevue, begins to respond to growing urbanization with critical investments, and advances Council’s three-year priorities and Council’s vision, “the City where you want to be.” The City’s General Fund, which pays for public safety, transportation, parks, administrative, and other functions, continues to face fiscal challenges. The

current forecasts show General Fund expenditures exceeding revenues by 2021, and if nothing changes, the General Fund reserves are forecasted to fall below the Council adopted 15 percent reserve policy by 2023. This budget takes the first step in fiscal sustainability by working with employees to implement strategies impacting out-year health care costs, proposing one percent Councilmanic property tax in 2019 and 2020, and a fire inspection fee.

Highlights of the budget include:

- Invests in public safety by increasing patrol officer time in the community and increasing fire inspectors to maintain current service levels.
- Advances Council Priorities with targeted investments for the Grand Connection, affordable housing, Bellevue College connector, smart cities, environmental stewardship and others.
- With the Law Enforcement Officers and Firefighter Plan 1 (LEOFF1) medical reserve fully depleted, this budget includes \$2,300,000 annually to address the ongoing cost.
- Proposes a fire inspection fee to cover the costs of providing fire inspections consistent with cost recovery objectives in similar code inspections.
- Proposes one percent property tax increase for years 2019 and 2020; a one percent increase in property taxes is \$9.50 annually for a median property owner of \$791,000 assessed value.
- Meets many of the City's infrastructure priorities, including all voted levy projects (Parks, Fire Facility, and Neighborhood congestion, Safety and Connectivity), other amenities and community priorities.
- Adjusts Development Services rates to account for growth and Utility rates to address aging infrastructure and wholesale costs.

Further information regarding the overall preliminary budget can be found in the Executive Summary and the full on-line version located at <https://www.bellevuewa.gov/budgets>.

Community engagement is an essential component in developing a budget that responds to the community's needs. Staff and the Council have received public input through a variety of ways. Council held public hearings on June 4, August 6 and November 19, budget and performance surveys were conducted over the course of the summer and staff held several neighborhood walks that provided feedback. Councilmembers and staff have also received emails, phone calls, and other communications on numerous issues. In addition, several community groups including the Bellevue Downtown Association, the Bellevue Chamber of Commerce, and the boards and commissions have provided staff or Council with recommendations.

Council Direction, Discussion, and Timeline

The budget process started early in the year with Council holding a budget workshop on March 26. At that time, Council received information on the budget process, the state of the City's general fund financial forecast, the Utilities forecast, budget and business survey highlights and the early look at the CIP plan.

On September 10, staff reviewed the upcoming budget calendar with the Council and reviewed the actions necessary for budget adoption.

On October 15, City Manager Miyake presented his 2019-2020 Preliminary Budget and 2019-2025 CIP plan to the City Council.

On October 22, the Development Services fees were presented to the City Council with direction to staff to return with legislation for adoption, as proposed.

On November 5, the Council received a Human Services and Community Development Block Grant (CDBG) recommendation from the Human Services Commission. Council provided direction for staff to return with legislation for adoption.

On November 13, staff presented the public safety initiatives included in the operating proposed budget. The Preliminary Budget:

- Invests in public safety by increasing patrol officer time in the community by adding resources to the Police Department including four public safety officers, three administrative positions which are currently being addressed with patrol officers, and one homelessness outreach coordinator.
- Invests in public safety by increasing fire inspector positions by two FTEs and proposes a 100 percent cost recovery of the direct fire inspection program consistent with cost recovery objectives in similar code inspections. The proposed fire inspection fee is budgeted to begin in 2020. Council provided direction for staff to return with legislation to update the fire inspection code to allow for fire inspection fees.

In addition, staff provided an overview of the CIP with specific focus on the Transportation and Parks and Community Services capital projects included in the 2019-2025 CIP.

On November 19, staff provided an overview of the CIP with specific focus on the Community Development capital projects included in the 2019-2025 CIP plan. In addition, staff presented the 2019-2020 Utilities proposed rates.

On November 26, Council provided additional direction to defer the following items for further discussion and/or direction pending additional information: Human Services investments, NE 2nd at the I-405 overpass, and the Ashwood Park master plan update. Council also gave direction to bring back Fire Inspection fees as an update on outreach and review of the nexus of the rates in the Mid-Biennium.

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 2019 City of Bellevue Pay Plans (Attachment B) which include the effect of a 2019 salary range adjustment of 3.24 percent (90 percent of June 2018 CPI-W) for non-represented employees. This increase is consistent with increases associated with most labor agreements. A change to the G01 pay range of the 2019 general pay plan and R01 and R02 pay ranges of the 2019 recreation assistants 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 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 \$1,800 or 6 percent (from \$29,700 to \$31,400). 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, 2017 to October 31, 2018 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, 2017 through October 31, 2018.

POLICY & FISCAL IMPACTS

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;
- Council adoption of the budget prior to the beginning of the ensuing fiscal biennium, i.e., January 1, 2019.

OPTIONS

1. Adopt the Ordinance adopting the City of Bellevue's 2019-2020 Budget and 2019-2025 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 adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. Total Appropriation by Fund
- B. 2019 City of Bellevue Pay Plans – Provides a listing of the City's Pay Plans.
- C. Summary of 2018 Grants Accepted – Provides a listing of grants of less than \$90,000 that were accepted for the period November 1, 2017 through October 31, 2018. In accordance with Ordinance No. 6187, staff is required to notify Council of any such contracts.
- D. Summary of 2018 Donations Accepted – Provides a listing of donations received by project for the period November 1, 2017 through October 31, 2018. 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.

Proposed Ordinance No. 6445

AVAILABLE IN COUNCIL LIBRARY

N/A