



2017-2018 Operating Budget and 2017-2023 Capital Investment Program Plan

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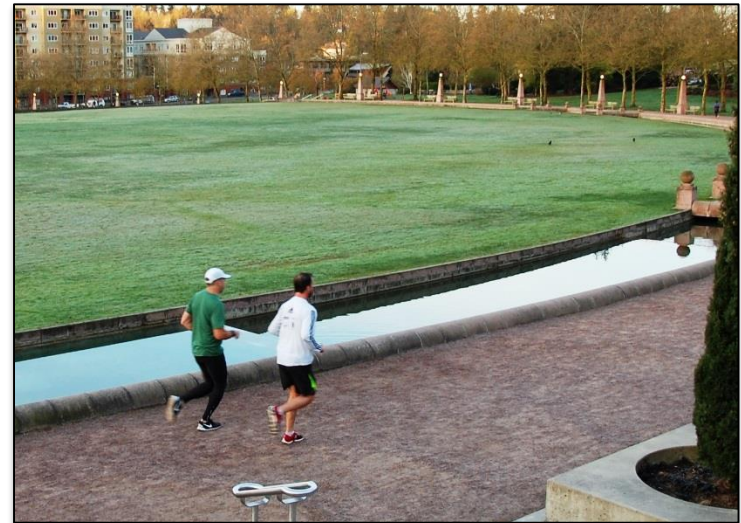
October 17, 2016

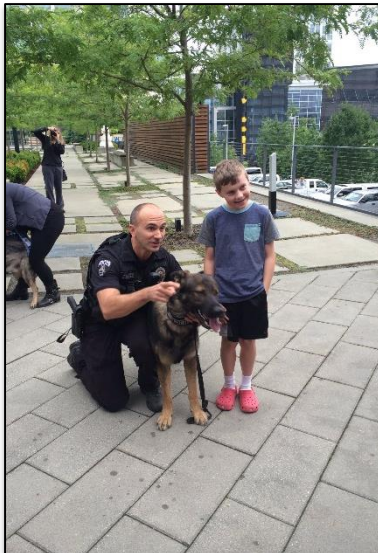


Council's Vision



- City is headed in the Right Direction:
 - 79% of Residents
 - 69% of Businesses
- Quality of Life exceeds expectations:
 - 95% of Residents
- Great Place to Operate a Business:
 - 74% of Businesses







Tonight's Agenda

- Overview of the 2017-2018 Preliminary Budget and 2017-2023 CIP
 - Calendar and Actions for Budget Deliberation
 - Budget One Guiding Principles
 - Economic/Forecasts Updates
 - Overview of the Total Budget
 - 2017-2018 Operating Budget
 - 2017-2023 General CIP
 - Next Steps



Calendar

Date	Agenda	Status
October 17	Study Session: Preliminary budget presentation	Tonight
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Council Actions to Adopt

Action	Brief Explanation
2017 Property Tax Levy	Required annually by RCW
2017 Property Tax Banked Capacity Resolution	Staff recommends banking unused capacity
2017 Substantial Need Ordinance	IPD for 2017 is 0.953%, less than the allowable 1%. Staff recommends adopting a substantial need ordinance to bank the 1% capacity
Utility Rate Ordinance	Utility rates for 2017 and 2018
Development Services Fee Ordinance	Development Services Fee schedule for 2017
2017-2018 Budget Ordinance	This is the “umbrella” ordinance, which includes appropriation approval by fund, 2017 pay plans, and summarizations of grants and donations accepted that are less than \$90,000



Budget One

Guiding Principles

Foremost is the Council's long-term policy **that quality service programs will be offered** by the City of Bellevue. Other guiding principles included:

- **a focus on services** that deliver outcomes important to the community and that are **responsive and accessible to all**;
- position Bellevue to **realize opportunities** and enhance the City's image;
- an **examination of the entire budget**, not just incremental changes from the last budget;
- a **commitment to innovation, efficiency, and sound business practice**;
- a **focus on Citywide**, not department, priorities;
- a **long-range strategic approach** to an affordable and sustainable budget; and
- if expenditure reductions are necessary, service elimination is preferable to poor or marginal quality programs.



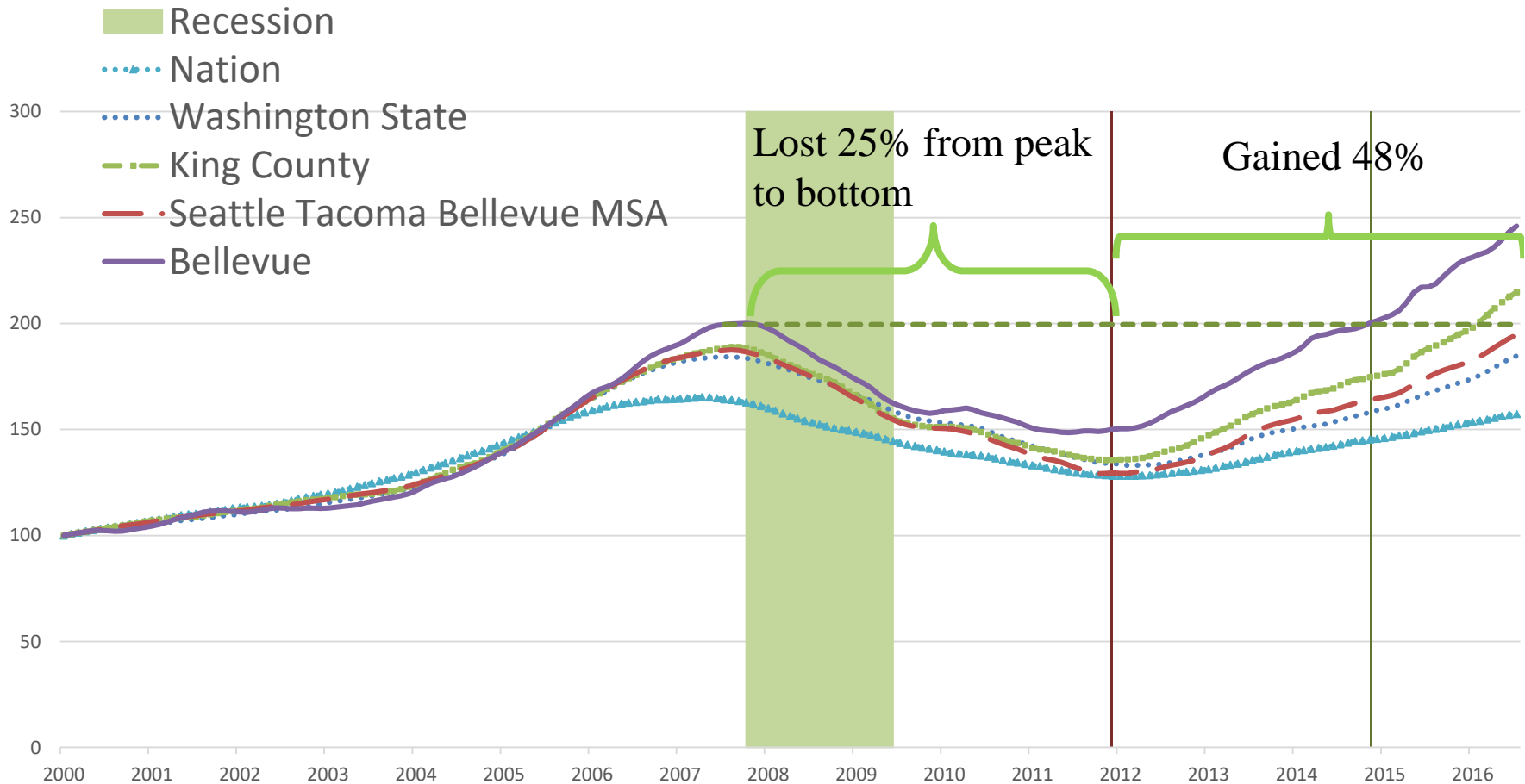
ECONOMIC OUTLOOK and FINANCIAL FORECASTS



Puget Sound Out Performs the Nation

- Personal Income Growth (2Q 2016)
 - Washington State 2.1%; Nation 1.1%
(Bureau of Economic Analysis (June 2016))
- Unemployment
 - Bellevue 4.1%; Nation 4.9% as of July 2016
(US Bureau of Labor)
- Home Values
 - Median Home Value (Zillow)
 - Bellevue \$717k; Nation \$187k as of June 2016
 - Home value increase last 4 years (Zillow) Bellevue 48%; Nation 22%
- Bellevue – new business growth
 - 4,156 new business licenses issued in 2015, 7.3% higher than 2014

Median Home Price Annual Growth



Risks Worth Watching

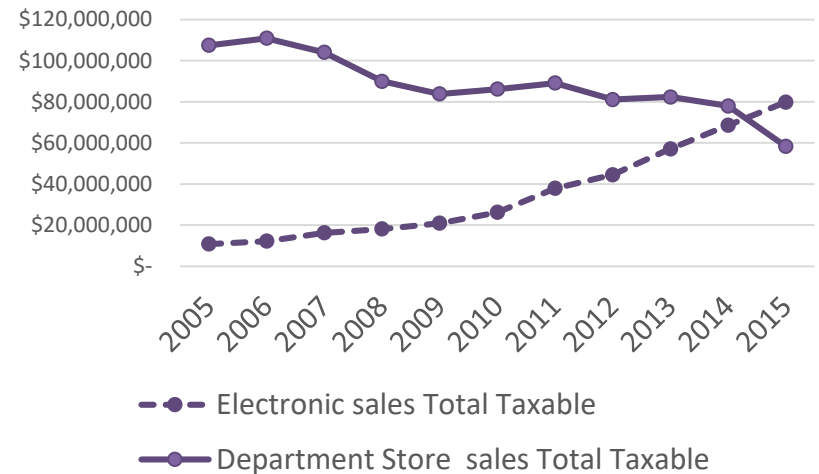
- Great Recession ended 7 years ago; time between recessions has not been longer than 10 years (National Bureau of Economic Research)
- Bellevue connects to the Global Economy
 - China, Brexit, etc....
- Major Projects Construction
- Housing Affordability
- Consumer Spending
 - Online vs Brick and Mortar, and Auto sales

Supporting Data Being Watched

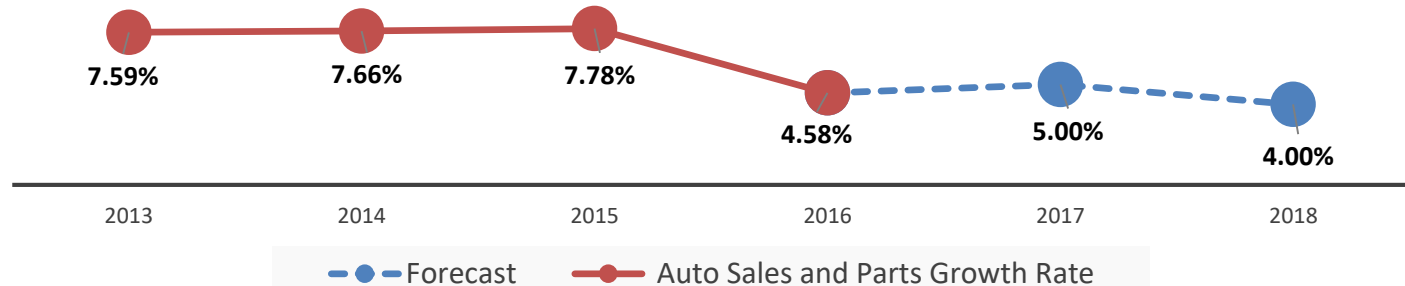
Bellevue All Retail Total Taxable Sales



Bellevue Department Store Sales Vs. Electronic Sales



Auto Sales and Parts Growth Rate



Sales Tax Forecast

- Forecasted growth:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bellevue	6.2%	4.4%	4.6%	3.9%	4.1%	4.7%
Seattle*	2.7%	2.1%	N/A	N/A	N/A	N/A
King **	5.1%	3.1%	3.4%	2.8%	3.9%	4.5%
Washington State***	3.2%	4.4%	4.5%	4.1%	3.9%	N/A

* Seattle sales tax growth rate based from Seattle's 2017-2018 proposed budget

**King County sales tax growth rate based from King County's August 2016 forecast

***Washington State Final September 2016 forecast published by Washington State Economic and Revenue Forecast Council

General Fund Other Revenues

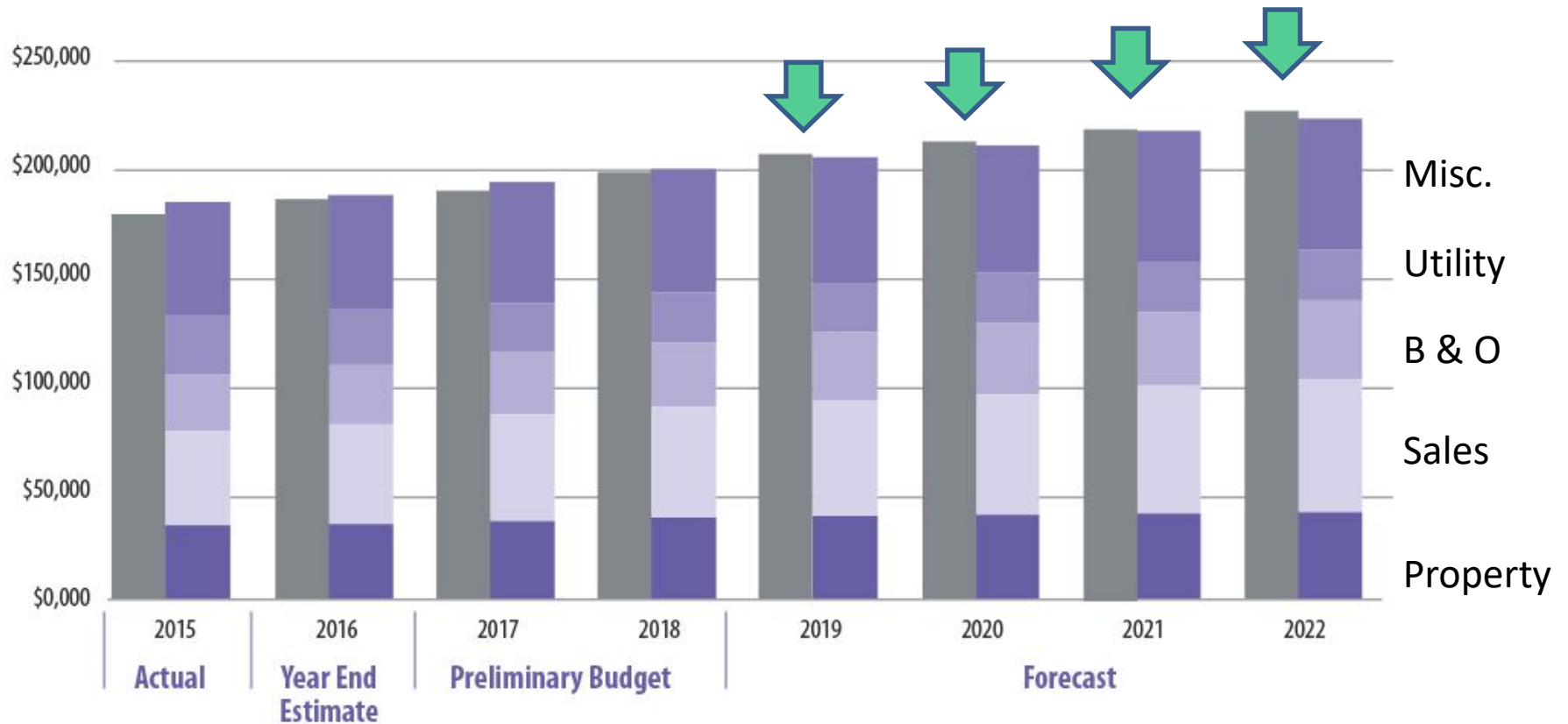
- B&O –
 - 5.3% in 2017; 6.2% in 2018
 - 4.3% average annual growth for the out years
- Utility tax –
 - cellular and telephone taxes continue to decline
 - other utility taxes are increasing
- Other revenue
 - annexation sales tax credit loss in 2022



General Fund Expenditure Forecast

- Robust Land Use, Population, and Employment Growth
- LEOFF I Medical Reserve expires
- Affordable Care Act
- Legislative and Regulatory
- Economic Recession?
- Cost of Maintaining New Infrastructure

General Fund Revenues vs. Expenditures



General Fund Conclusions

- Building reserves in 2017 and 2018
- To assist in addressing for near term

(in Millions)	Prelim 2017	Prelim 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
Estimated Ending Fund Balance	\$37	\$39	\$38	\$35	\$32	\$28
E EFB as a % of Revenue	19.3%	19.5%	18.4%	16.8%	14.9%	12.5%

DS and Utilities

- Development Services
 - Major Projects
 - Fee increases in line with inflation and cost recovery
- Utilities
 - Overall Increase in rates of 4%
 - Wholesale costs
 - Aging Infrastructure
 - New Initiative: AMI



2017-2018 TOTAL CITY BUDGET OVERVIEW



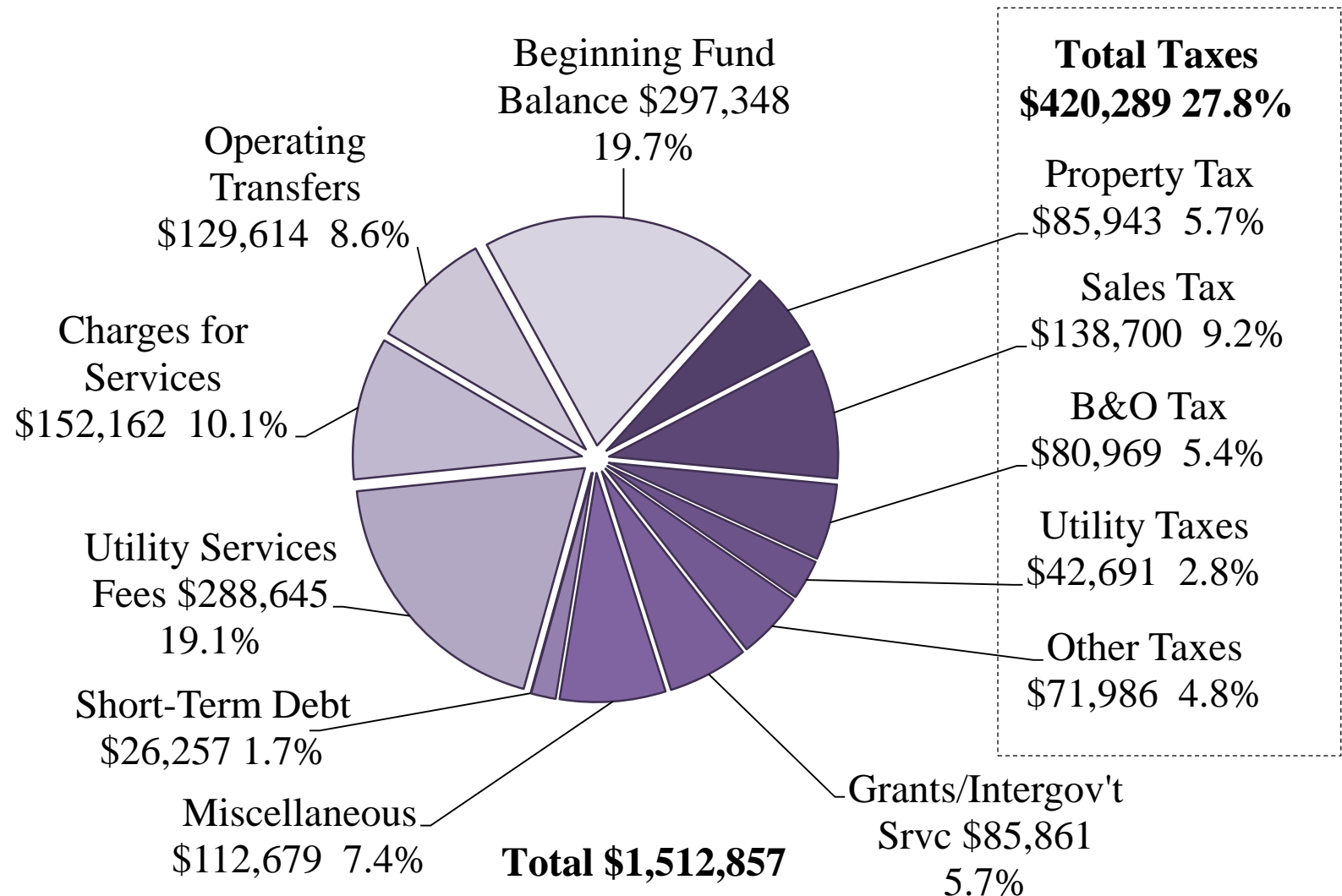
2017-2018 Preliminary Budget

2-year budget: \$1.513 Billion

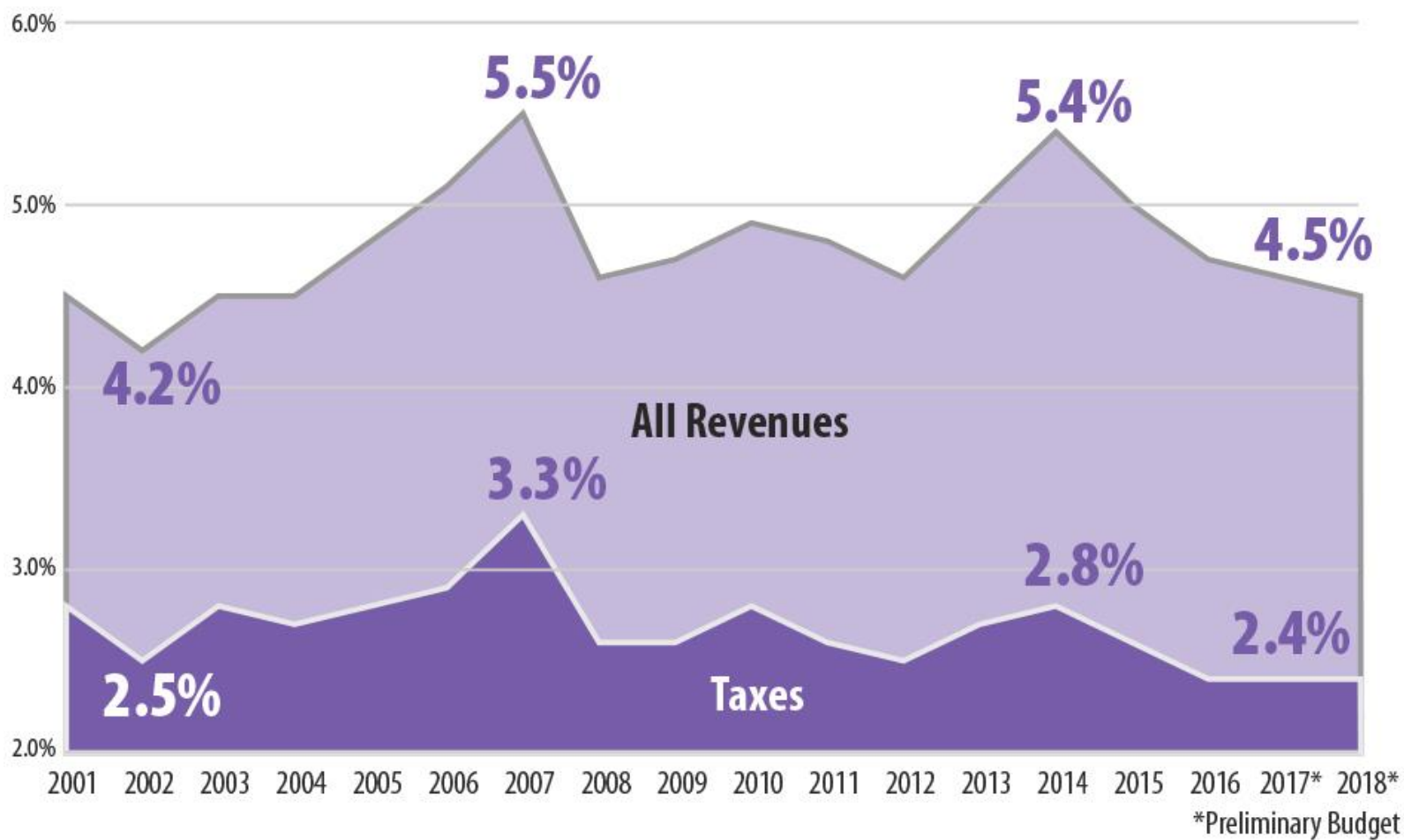
Fund Type	2017-2018 Budget (B)	Specific Funds
Operational Funds	\$1.035	General Fund, Utilities Funds, Development Svcs, Parks Enterprise, Internal Svc. Funds
Special Purpose Funds	\$0.065	Restricted money dedicated for special purposes, such as Grants, Donations, Debt Service, Firemen's Pension, and Housing
Capital Investment Funds	\$0.413 (2-year)	General and Utilities CIP

2017-2018

Total Budget \$1.5 Billion



Price of Government City of Bellevue 2001-2018





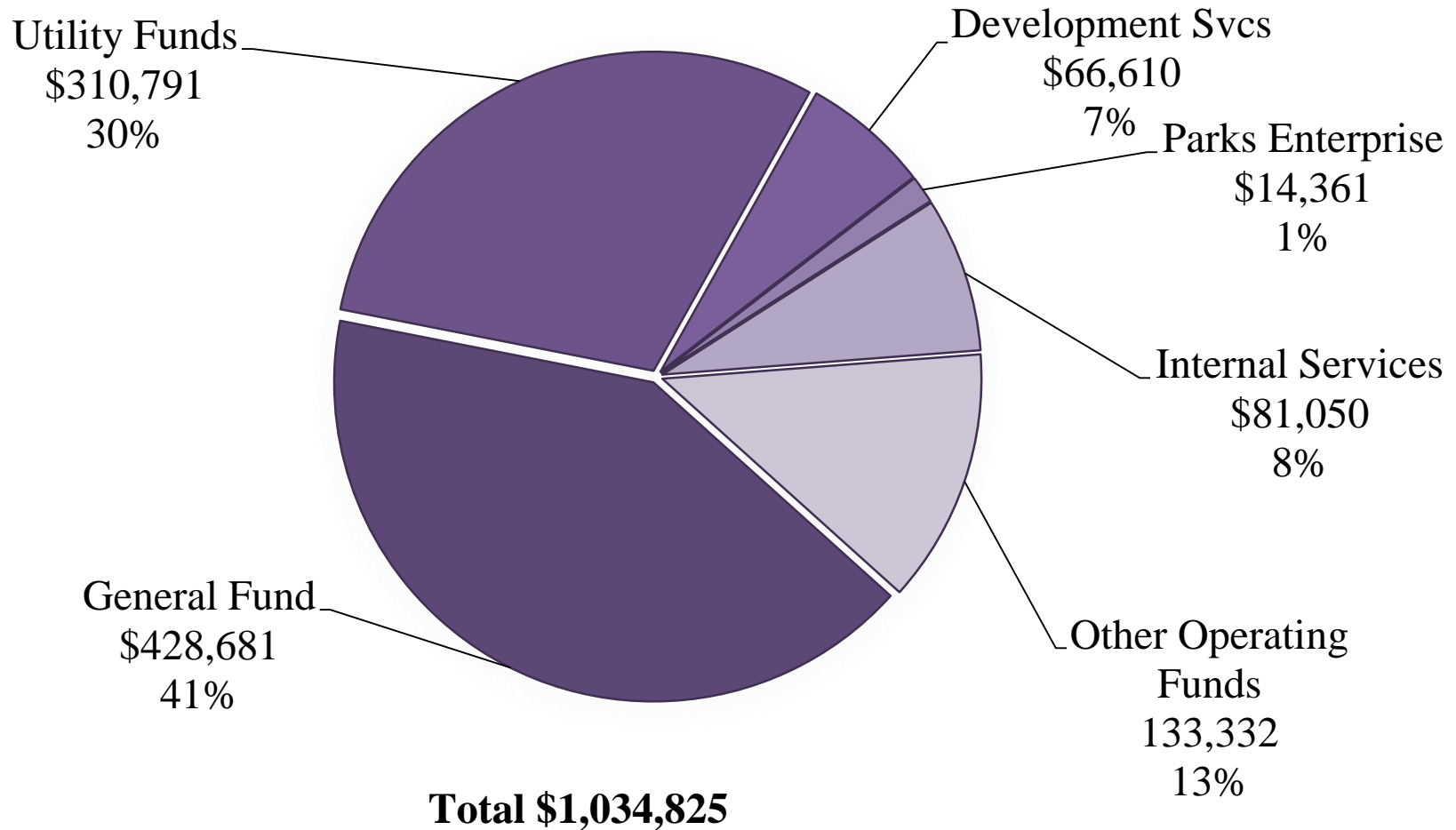
2017-2018 OPERATING BUDGET OVERVIEW



What is the Operating Budget

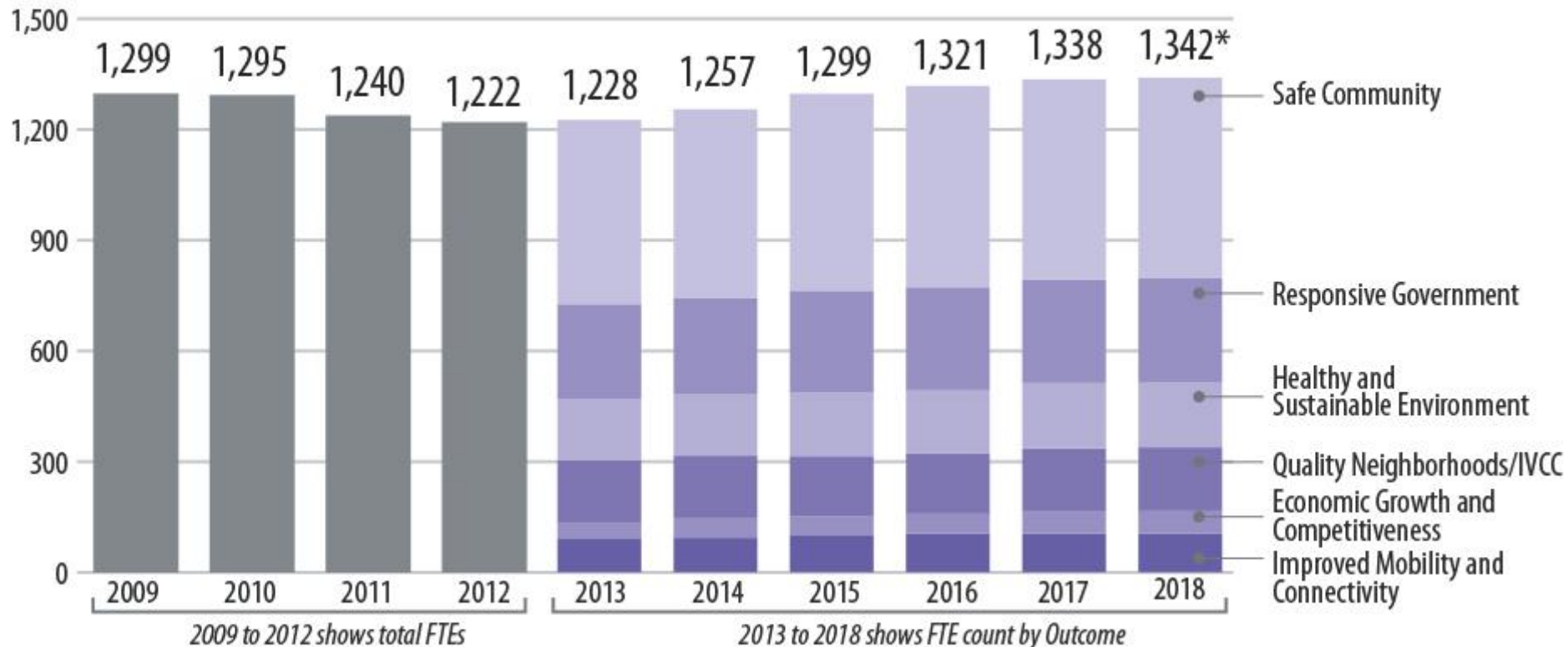
- Total of \$1.035 Billion – 2017-2018
- Operating functions such Police, Fire, Parks, Community Development, Transportation, Development Services, Water, Storm, and Wastewater.
- Administrative functions such as City Council, City Manager, Technology, City Clerk, City Attorney, Finance, Service First, Fleet and Facilities.

Operating Funds



Figures may not foot due to rounding

2009–2018 Total Existing and Proposed FTEs



*2016 to 2018 Change is 20.94 FTE. 8.1 in the General Fund and 12.84 in other funds



2017-2023 GENERAL CAPITAL INVESTMENT PLAN

2017-2023 General CIP

- Total \$485 million over 7 years
- Advances Council Priorities
- Debt obligations
- Ongoing maintenance
- Transportation/mobility
- Parks Levy commitment and other quality of life amenities
- Neighborhood investments
- General government responsibilities

Short Term Cash Flow Borrowing

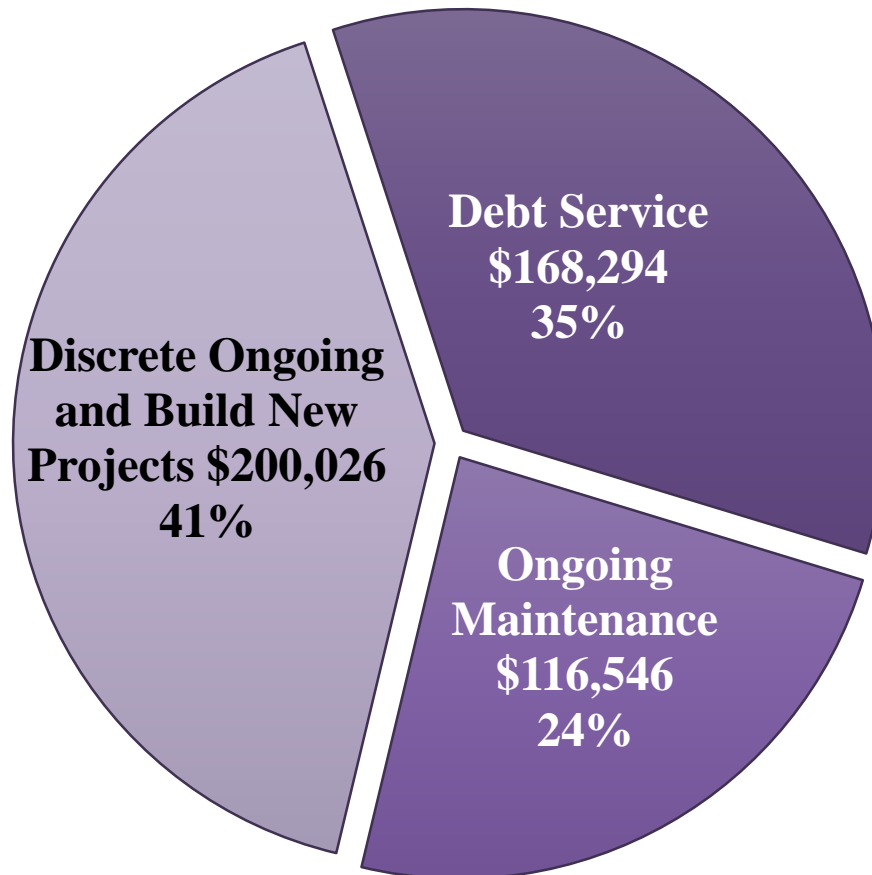
- Short-term cash flow borrowing is modeled to address near term cash flow
- It is modeled as fully paid back within 7 years per policy
- Will not be issuing any borrowing
- This is used for modeling purposes only



Council Priorities- Examples

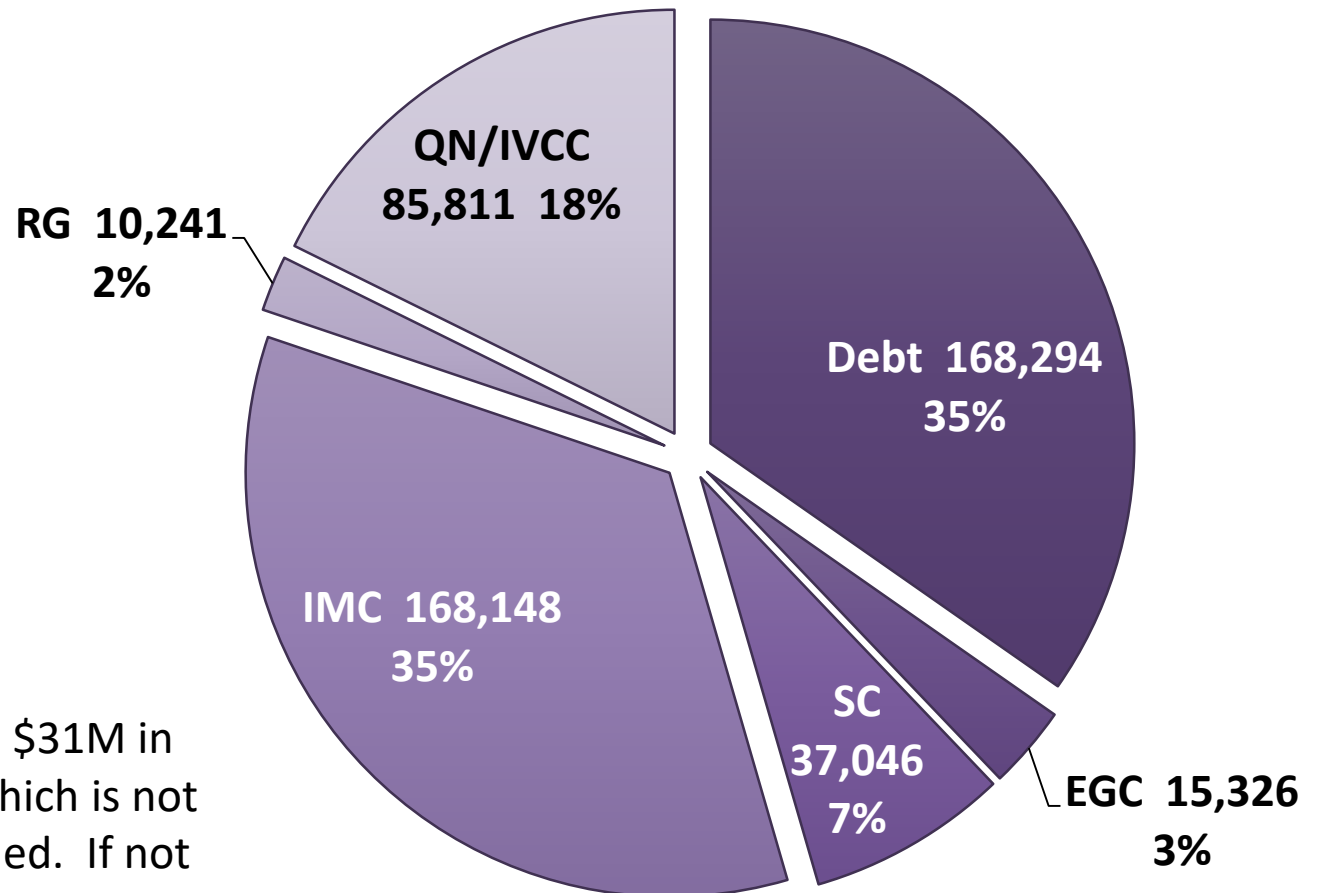
- Meydenbauer Bay Phase 1 Park Development
- Gateway/Entry to Downtown Park
- Expanded Community Connectivity
- Downtown Community/Livability
- Grand Connection-Early Implementation
- Eastside Rail Corridor
- Hearing Accessibility for Public Spaces
- 124th Avenue NE at SR 520
- Supplemental Housing Trust Fund Investment

Prelim 2017-2023CIP Expenditure (\$485M)



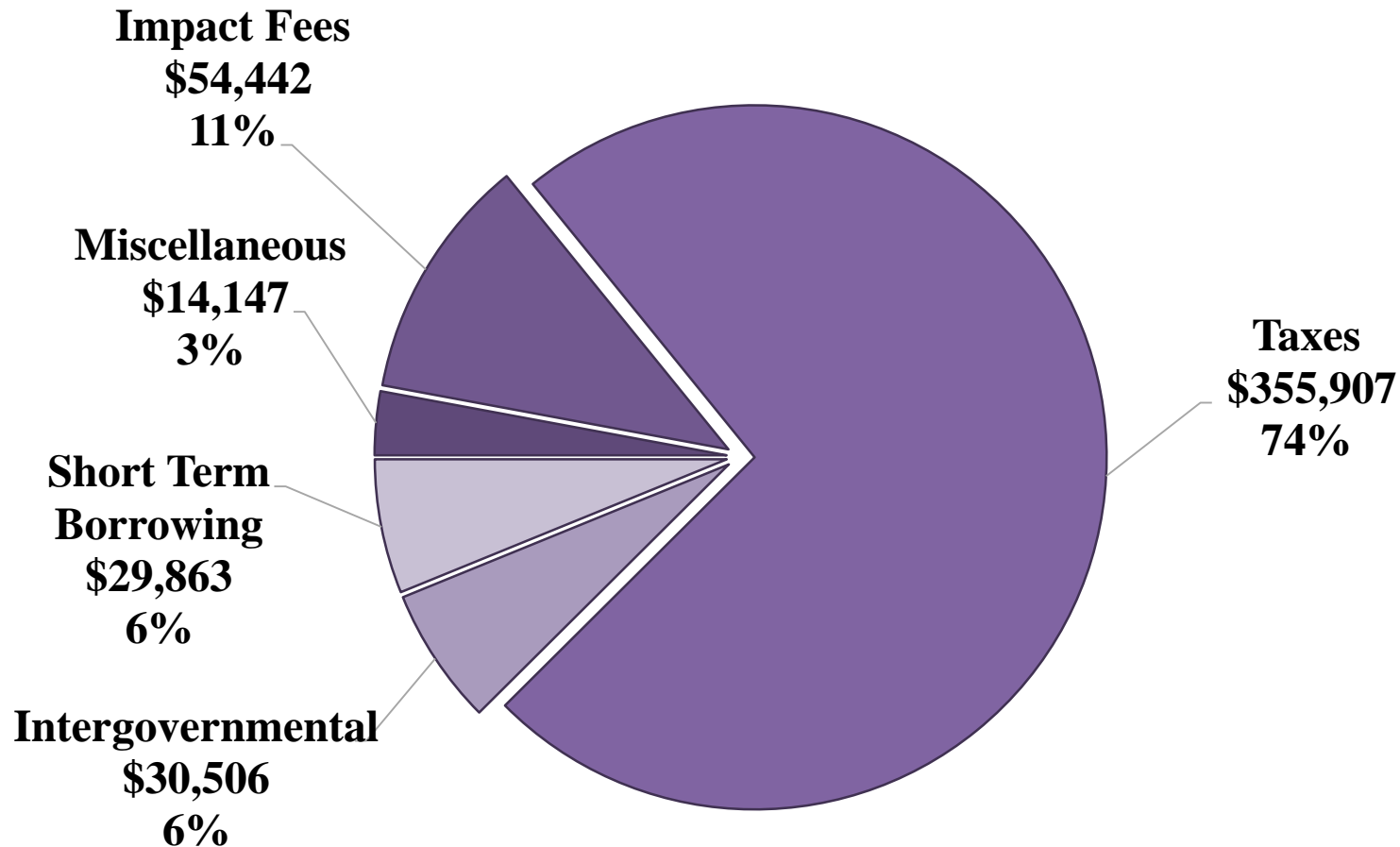
Debt service includes \$31M in cash flow payback, which is not anticipated to be issued. If not included, then debt service is 30%.

Prelim 2017-2023 CIP By Outcome (\$485M)



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Prelim CIP Resources (\$485M)



New Projects total \$14.6M

CD-30	Station Area Planning Implementation	\$5.5M
CD-37	Downtown Community/Livability	4.2M
CD-41	Civic Center Plan	550K
CD-44	Grand Connection Implementation	2.0M
G-108	Supplemental Housing Trust Fund Investment	80K
NCS01	Long-Range Property & Facilities Plan	280K
NCS03	Citywide Security Improvements	350K
PW-R-192	124 th Ave NE at SR 520	250K
PW-R-193	BelRed Corridor Local Street Network	432K
PW-R-194	West Lake Sammamish Parkway Phase 3	1.0M



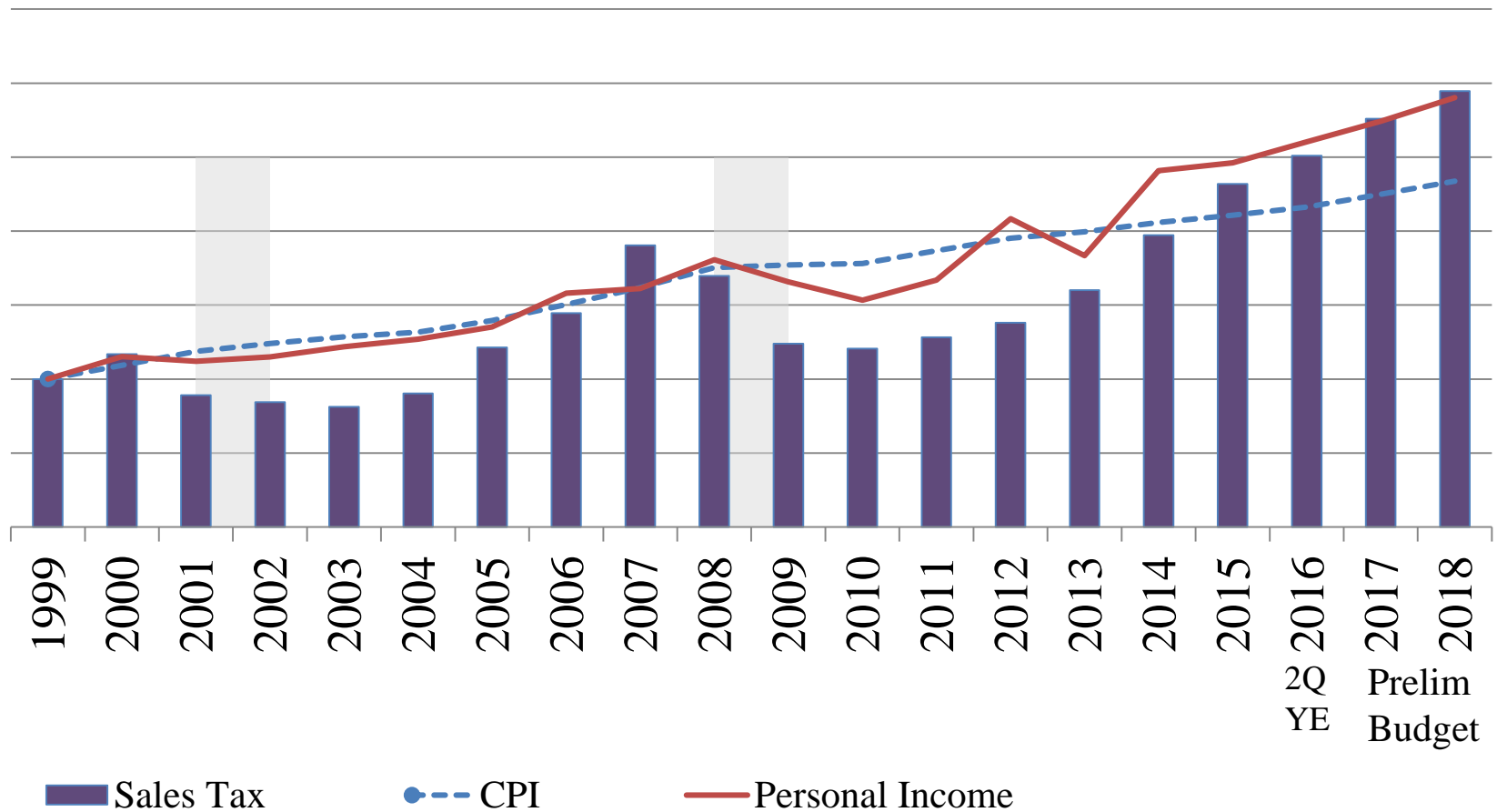
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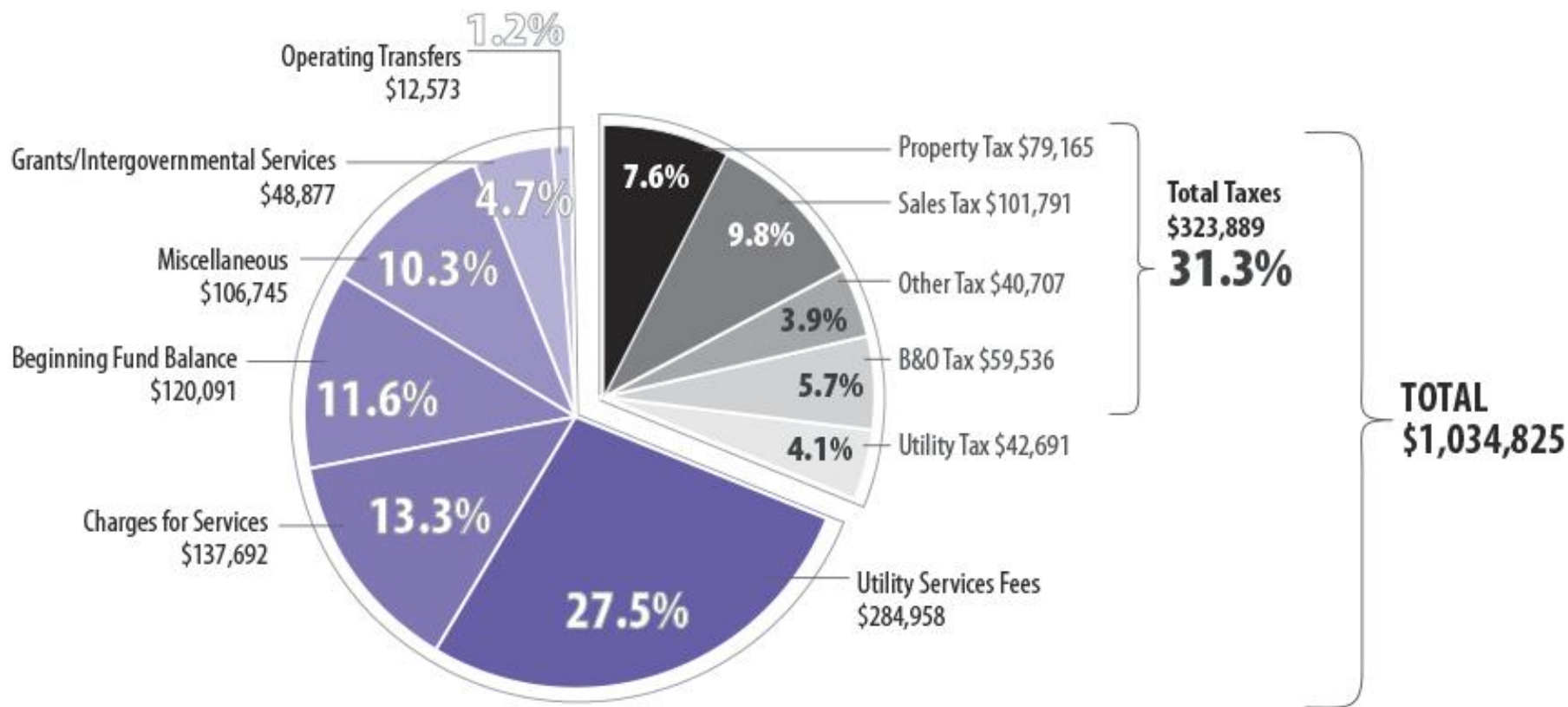


Sales Tax Forecast

Sales Tax Vs. Personal Income (in 2013\$s) vs. CPI



2017–2018 Total Operating Resources (\$000)





What's new in the 2017-2018 Preliminary Budget....

- Increase of 20.94 FTEs across all funds; 8.1 in the general fund; 12.84 in others funds
- Investments include:
 - Meets Council priorities
 - Economic Development
 - Workforce Development
 - Public Engagement in PCD
 - Maintain Operations
 - Automated Meter Reading Initiative