

CITY COUNCIL STUDY SESSION

Budget Update - Discussion and information regarding the Human Services Commission's recommendations for 2021-2022 Human Services funding, 2021 Community Development Block Grant funds, and follow up on Council questions.

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DIRECTION NEEDED FROM COUNCIL

DIRECTION

This is the third presentation regarding the 2021/2022 Preliminary Budget. Tonight, staff seek direction on preparing ordinances approving the Human Services Commission's recommendations for 2021-2022 Human Services funding and 2021 Community Development Block Grant funds. Final adoption will take place as part of the adoption of the City's budget in December. In addition, tonight staff will also provide information regarding the sales tax allocation split in response to council questions from October 19, and other areas as directed by Council.

RECOMMENDATION

Move to direct staff to prepare ordinances approving the Human Services Commission's recommendations for 2021-2022 Human Services funding and 2021 Community Development Block Grant funds for adoption as part of the budget adoption package, tentatively scheduled for December 7.

BACKGROUND & ANALYSIS

Background

The City Manager transmitted his Preliminary 2021-2022 Operating Budget and the 2021-2027 Capital Investment Program (CIP) Plan on October 19. This is the third in a series of several discussions to review the budget prior to tentative budget adoption on December 7. A tracking of Council requests and responses can be found in Attachment I.

The 2021-2022 preliminary operating budget and 2021-2027 capital investment program (CIP) plan include resources needed to provide quality operating services to Bellevue residents and set forth a strategy for the ongoing progress of the City's long-term infrastructure needs.

The 2021-2022 biennial budget totals \$1.7 billion. This total includes \$1.1 billion in operating budget (\$474 million in General Fund, \$212 million in internal service and other operating funds, \$457 million in

Enterprise Funds), \$74 million in special purpose expenditures (such as grants, donations and debt, among others), and \$523 million for the 2021-2022 portion of the General and Utilities CIP.

Further information regarding the overall preliminary budget can be found in the Executive Summary located at https://bellevuewa.gov/sites/default/files/media/pdf_document/2020/21-22%20Prelim%20Budget%20Book.pdf.

Tonight, Council will have two presentations. The first will be an update on the Human Services Commission's funding recommendations in which staff seek direction to bring forward legislation at budget adoption. Second, in response to Council questions on October 19, staff will provide a Capital Investment Program (CIP) update to address the policy question of the sales tax allocation between CIP and the general fund. Included in this update, staff will also review the "memory bank" and bring forward any other overlapping areas for presentation.

There could be other areas that Council wishes to explore.

Human Services Fund

Background

The Human Services Commission reviewed 102 Human Services Fund applications and six Community Development Block Grant (CDBG) applications over 10 virtual meetings to draft its funding recommendations for 2021-2022.

The Human Services budget is calculated according to a formula (base amount + inflation adjustment + population growth). The budget for the 2021-2022 biennium includes \$500,000 from Amazon's \$1 million donation to the human services fund, resulting in a budget of \$4,154,368 in 2021 and \$4,297,452 in 2022.

The funding requests that were received totaled over \$7 million, which is almost \$2.9 million more than the available Human Services budget of \$4.1 million. Of the 102 applications reviewed, 30 were for programs not currently funded. Ten of these new programs are recommended for funding in 2021-2022. A more detailed description of the Commission's review process and funding recommendations is included in the attached Transmittal Letter from the Human Services Commission Chair (Attachment A). The 2021-2022 funding recommendations are in Attachment B.

Human Services funds are granted to local nonprofits operating programs that address the continuum of human service needs. This continuum is divided into five community goal areas as identified in the Human Services Element of the Comprehensive Plan:

1. Food to eat and a roof overhead.
2. Supportive relationships within families, neighborhoods and communities.
3. A safe haven from all forms of violence and abuse.
4. Health care to be as physically and mentally fit as possible.
5. Education and job skills to lead an independent life.

The Commission applied an equity lens to all of the applications. This is reflected by the fact that of the ten new programs recommended for funding, five focus on Black, Indigenous and People of Color, and people with disabilities. The Commission also took into consideration the impact of the COVID-19

pandemic on all service areas when making its recommendations.

Community Development Block Grant (CDBG)

The annual amount of CDBG funding received by the City is based on a formula calculated by the federal Department of Housing & Urban Development. Bellevue's exact CDBG entitlement amount for 2021 will not be known until after the 2021 federal budget has been adopted. The City's annual CDBG budget also includes loan paybacks, known as program income, from the Major Home Repair program. The estimated CDBG budget for 2021 is as follows:

2021 Estimated CDBG Entitlement:	\$ 833,000
2021 Estimated Program Income:	\$ 200,000
Total Estimated 2021 Funds:	\$1,033,000

The Commission's 2021 CDBG funding recommendations are found in Attachment C. The CDBG Contingency Plan (Attachment D) outlines how the funding will be allocated if the actual CDBG budget is higher or lower than the estimated amount. The additional coronavirus related CDBG grant of \$897,287 will be received and allocated in 2021. This CDBG-CV grant is included in the 2021 preliminary budget and allocation recommendations will be presented to Council at a future meeting.

CDBG funds may be awarded to local nonprofits engaging in activities that are eligible under national objectives defined in federal regulations. For the City of Bellevue, funded activities must meet the national objective to benefit low- and moderate-income persons. Such activities have included:

- Acquisition of real property.
- Rehabilitation/repair of single-family homes.
- Microenterprise business assistance.
- Public services programs.
- Planning and administration of the CDBG program.

The Commission is recommending one new program for 2021 funding: Seattle Business Education (SBE) HUB Business Technical Assistance. SBEHUB is located in Bellevue and provides financial literacy and business basics courses to low- and moderate-income owners of microenterprise businesses. The majority of SBEHUB's clients are women, minorities, and limited English-speaking immigrants. SBEHUB's Executive Director was a founding board member for Eastside for All and has close ties with the Eastside community.

Human Services staff have been working with the City's Economic Development team to more closely align our goals. The draft Economic Development Plan includes a strategy to work with partner organizations to expand access to technical training for entrepreneurs and small business owners with a focus on those of diverse backgrounds. SBEHUB's Business Technical Assistance program would address this strategy. SBEHUB also participated on the advisory committee for Startup425's Strategic Plan, and their services to immigrant and non-English speaking business owners fill the gaps in this area that Startup425 does not address.

Follow up on Council Questions from October 19

Included in tonight's packet is a "memory bank" of Council question and responses. See Attachment I.

One question raised was in regard to the temporary sales tax allocation, and if the preliminary budget should be adjusted further with additional funding to be allocated to the general fund. Tonight, staff will provide an overview of the CIP balancing for context and provide the rationale for the preliminary budget allocation. Council may wish to provide other direction regarding the sales tax split or other areas.

2021-2027 Capital Investment Program (CIP) Plan Approach and Balancing

The 2021-2027 Preliminary General CIP plan prepares and serves as a catalyst for future development within a constrained budget. The resources available for the 2021-2027 Capital Investment Program (CIP) plan are more constrained than prior CIP budgets primarily due to the COVID-19 related impacts on revenue projections. Included in the preliminary budget for years 2021-2022 only of the CIP is a temporary adjustment to the sales tax allocation between the CIP and the general fund. This idea was discussed at the June 22 Budget Workshop as a viable option to help bridge the gap and the uncertainties as the budget is developed. Council was supportive of the idea in concept.

Sales Tax Split Policy Background

In a review of the financial policies, the sales tax revenue policy adopted by the Council directs a specific revenue split between funds. Because this split is adopted at the local level, a change in this policy would allow more flexibility to use revenue where the need is greatest.

Sales Tax: Financial Policy XI: Non-Utility CIP Maintenance and Operating (M&O) Costs:

Proposals for CIP project funding shall include the estimated future M&O cost, to provide full cost disclosure. Such M&O costs anticipated to be incurred in the upcoming biennium should be included in operating budget proposals for funding consideration. As of 2011, funding for existing CIP M&O is provided by a distribution of the City's Sales Tax revenue, split between 75 percent General Fund and 25 percent CIP. The dollar amount for CIP M&O is adjusted upward each year by the anticipated Consumer Price Index for all Urban Consumers (CPI-U) after first making any necessary adjustments (e.g., partial vs full-year costs) and eliminating any one-time items. The distribution amounts should be reviewed periodically by the Council for reasonableness and potential adjustment.

In implementing this policy, in 2011 the general fund received 75 percent of the sales tax and the CIP received 25 percent. Each year since then, the general fund allotment has been increased by CPI. State law (RCW 82.14.030) does not restrict the use of sales tax, and therefore can be directed based on the local policies. In addition, Ordinance No. 6209 directed, by budget adoption, \$694,000 of sales tax to be directed to the CIP to cover a portion of the debt service for the 2015 bonds.

The preliminary budget adjusts this policy for a one-time, 2-year time horizon to allocate \$3 million less annually to the CIP and instead, allocate the \$3 million annually to the general fund to support core services. This temporary shift provides flexibility and is warranted and prudent in light of the unpredictability of the economic recovery. As noted earlier, the CIP is resource constrained with the impacts of COVID and adjusting the split for the two years was an amount that could be balanced across the seven-year plan without requiring removal of an existing project. Transferring a larger amount would require trade-offs of projects in the CIP. This shift is only for 2021 and 2022, returning to the existing policy split in 2023 and beyond. Council may wish to provide other direction or approach.

Further information on the full CIP balancing can be found in Attachment J.

Overall Council Process and Previous Meetings



Jun. 22	Budget Workshop
Jul. 27	Initial Public Hearing
Sep. 21	Second Public Hearing
Oct. 19	City Manager's Preliminary Budget
Oct. 26	Development Services, upcoming process
Tonight	Human Services; Follow up on Council Question re: Sales Tax Allocation
Nov. 9	Utility Rates, Council Interests
Nov. 16	Fire Inspection, Council Interests
Nov. 23	Public Hearing, Council Direction for Adoption
Dec. 7	Tentative Budget Adoption

Council held a budget workshop on June 22 where staff briefed Council on the process and milestones of developing the budget and provided scenarios regarding the impact of COVID-19-related events in the near term (2021-2022), over the general fund forecast six-year period (2021-2026), and seven-year (2021-2027) CIP. Council provided feedback in order to assist the City Manager in developing his preliminary budget. The packet information is available here:

<https://bellevue.legistar.com/LegislationDetail.aspx?ID=4576307&GUID=73EC1B4A-FA96-48A3-B417-399955664CEA>.

Council held public hearings on July 27 and September 21. Thus far, Council has received 58 public comments (oral and written submissions) on numerous issues. The preliminary budget document provides a summary listing of all public comments.

On October 19, the City Manager presented his \$1.7 billion 2021-2022 Preliminary Budget and 2021-2027 CIP plan to the City Council. The packet information is available here:

<https://bellevue.legistar.com/LegislationDetail.aspx?ID=4671513&GUID=129403E5-D01A-46BA-9167-6713969122E3>.

On October 26, staff provided a presentation on proposed amendments to development permit fees and rates and to the Issaquah and Renton School impact fee Schedule for Council consideration and adoption. Council directed staff to prepare Ordinances that amend 2021 permit fees and rates and school impact fees as presented for adoption on December 7 as part of the budget adoption package. The packet information is available here: <https://bellevue.legistar.com/LegislationDetail.aspx?ID=4675780&GUID=1C1DE5F3-4E72-4CD7-A094-2FC94CCB88C6>

The third and final public hearing is scheduled for November 23. Those wishing to provide testimony to the Council regarding the budget at the public hearing may sign up to speak during that evening's Regular Session, or submit comments in writing to the City's Budget Manager (ephillips@bellevuewa.gov) or City Clerk (cityclerk@bellevuewa.gov) by 3 p.m. on November 23.

Feedback is also welcome at other meetings during Oral Communications.

Preliminary Budget Council Required Actions

There are several items that will be required to adopt the 2021-2022 budget:

Ordinance Title	Brief Explanation
2021-2022 Human Services Funding Ordinance:	Adopt Human Services Commission's funding recommendations for allocations to human services agencies
2021-2022 Fire Inspection Fee Ordinance:	Adopt Fire Inspection Fee schedule
Basic Life Support Transport Fee Ordinance:	Adopt BLS transport Fee increase
2021 Community Development Block Grant (CDBG) Ordinance:	Adopt Human Services Commission's recommendations for use of 2021 CDBG funds
2021 Development Services Fee Ordinance:	Set Development Services' 2021 rates
2021-2022 Utilities Rates Ordinances:	Set the 2021-2022 Utility Rates
2021 Property Tax Banked Capacity Resolution:	Preserve the full levy amount available to the City
2021 Substantial Need Ordinance:	To allow property tax increase or to bank the capacity of the 1 percent maximum as allowed by statute (RCW 84.55.0101)
2021 Property Tax Levy Ordinance:	Adopt 2021 property tax levies (RCW 35A.34.230 and RCW 84.55.092)
2021-2022 Budget Ordinance:	Adopt "umbrella" budget ordinance which includes appropriation approval by Fund, 2021 pay plans, and summarizations of grants and donations accepted that are less than \$90,000

POLICY & FISCAL IMPACTS

Policy Impact

The Human Services Commission is governed by Chapter 3.61 of the Bellevue City Code, which states that it shall review all requests for funding of human services and make recommendations to the City Council.

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, 2021.

Fiscal Impact

The proposed 2021-2022 Human Services funding Ordinance will authorize the allocation of funding to local nonprofit programs as recommended by the Human Services Commission.

The proposed Ordinance for the 2021 Community Development Block Grant funds will authorize the City Manager or his designee to accept a grant from the Department of Housing & Urban Development and to implement the funding recommendations as submitted by the Human Services Commission.

OPTIONS

1. Direct staff to prepare Ordinances approving the Human Services Commission's recommendations for 2021-2022 Human Services funding and use of 2021 Community Development Block Grant funds to be included in the budget adoption package in December.
2. Provide alternate direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. Letter of Transmittal from the Human Services Commission
- B. 2021-2022 Human Services Fund Recommendations
- C. 2021 CDBG Recommendations
- D. 2021 CDBG Contingency Plan
- E. Application Review Criteria
- F. City Manager's Transmittal Letter
- G. 2021-2022 Preliminary Budget Executive Summary
- H. 2021-2022 Fund Appropriation List
- I. Council Questions and Responses (Memory Bank)
- J. Preliminary 2021-2027 Capital Investment Program (CIP) Plan (Reprint from Preliminary Budget Book Pg.303-411)

AVAILABLE IN COUNCIL LIBRARY

N/A