

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Recap of 2013-2014 Mid-Biennium Budget Update and discussion of additional changes and/or information since the November 4 Council meeting.

FISCAL IMPACT

As discussed on November 4, the 2013-2014 Mid-Biennium Budget Update contains no general tax increase and no utility rate increases. However, it does contain a proposed inflationary adjustment to Development Services fees in alignment with historical practices and financial policies.

When presented for Council action on December 2, the property tax ordinance will contain no increases, yet via resolution will continue the City's historic practice of "banking" the statutorily available 1% increase. Companion ordinances will be included for Development Service Fees and the LID Guaranty Fund transfer.

Staff will also prepare a budget ordinance providing appropriation authority by fund, known as the "umbrella" ordinance. This ordinance will also adopt pay plans for 2014.

STAFF CONTACT

Jan Hawn, Director

452-6846

Toni Rezab, Assistant Director and City Budget Manager

452-7863

Finance Department

POLICY ISSUES

RCWs 35.34.130, 35A.34.230 and 84.55.092

State law requires that a mid-biennium budget review be completed between August 31 and the end of the first year of the biennium and that a public hearing be held on the mid-biennium review. Council action on the City's 2014 property tax levy is also required by State law in conjunction with the Budget update. In addition, in accordance with labor agreements, COLA is updated to reflect the final COLA amounts.

Proposed Development Services Department (DSD) Fees

Proposed adjustments to Development Services fees charged for permit review and inspection services are based on inflation increases, in alignment with historical practice and financial policies. This increase was anticipated in the Adopted 2013-2014 Budget and a fee ordinance is required on an annual basis.

Property Tax Ordinance

Council, by law (RCWs 35A.34.230 and 84.55.092), is required to adopt property tax levies annually, even though the City adopts biennial budgets. A property tax banked capacity resolution is also recommended in order to continue to reserve the current approximately \$9 million in banked capacity. The Mid-Biennium Update proposes no property tax increases.

LID Guaranty Fund Transfer Ordinance

Transfer of excess funds from the LID Guaranty Fund to the General Fund is a normal and routine process allowed under RCW 35.54.095. The excess funds in the LID Guaranty Fund are attributed to a one-time transfer of remaining funds in the LID No. 280 project after the associated debt obligations were paid off in late 2012. Council authorized the last such transfer in December 2010 via Ordinance No. 5976.

Financial Policies

The City's financial policies which are being proposed for update are provided with each Mid-Biennium budget for Council review. The Utilities Department has updated its financial policies related to the timing of updates to Utility System Plans. Staff is seeking direction to adjust the Utility financial policies as noted in the November 4 packet (Attachment A) which displays the proposed changes in red-line format.

DIRECTION NEEDED FROM COUNCIL

- Action
- Discussion
- Information

Staff seeks direction on the proposed Mid-Biennium budget adjustments and/or changes to the Mid-Biennium Update. Staff requests direction regarding the recent request by *Visit Bellevue Washington* which is not currently included in the Mid-Biennium Update for preparation of the budget ordinances which are scheduled for adoption on December 2, 2013.

Tonight's session will include a review of the summary of actions required on December 2:

- 2014 Property Tax Levy Ordinance
- 2014 Property Tax Banked Capacity Resolution
- Development Services Fee Ordinance
- 2013 LID Guaranty Fund Transfer Ordinance
- 2013-2014 Budget Mid-Biennium Budget Ordinance (which includes appropriation approval by Fund as well as the 2014 pay plans).

BACKGROUND/ANALYSIS

Recap of Recent Council Budget Discussions

In August, staff provided Council with the second quarter update on the status of the General, Development Services, Water, Sewer, Storm and Surface Water, General Capital Investment Program, and Utility Capital Funds. During this briefing, Council authorized up to 24 positions based on forecasted permitting demand.

In September and October, staff provided updates on the CIP, at which time Council authorized the Finance Director to issue an interfund loan not to exceed \$30 million on an as-needed basis (Ordinance No. 6129). The Mid-Biennium proposal before Council reflects those Council decisions.

On November 4, staff presented the overall Mid-Biennium update which contains limited changes at the fund level to the 2013-2014 Budget adopted on December 3, 2012. As presented, an overview of the major changes includes:

- Appropriation authority for 24 Development Service FTE positions, 18 of which are reflected in the Development Services Fund, four in the General Fund, and two in Utilities Funds. These positions will be filled as needed to address increased workload caused by development activity and were authorized by Council on August 5.
- Budget appropriation adjustments to the General, Facilities, Information Technology, Parks Enterprise, Local Improvement District (LID) Guaranty, Water, Sewer, and Storm and Surface Water Utility Funds. In addition to a downward adjustment to salary costs based on a lower than projected CPI-W for June 2013,
 - The General Fund reflects adjustments to contracts, and other technical adjustments, including a 1.0 FTE which is fully funded by revenue,
 - Information Technology Fund reflects appropriation adjustment to reflect a 1.75 increase in FTE which is fully funded by eCityGov Alliance,
 - Parks Enterprise Fund includes a transfer of accumulated fund balance from the Parks Enterprise fund to the CIP for Enterprise Facility Improvements,
 - The total appropriation for the LID Guaranty Fund is increased by \$358,000 to account for the remaining funds available after LID No. 280 was paid off in late 2012. The total amount of the onetime transfer from the LID Guaranty Fund to the General Fund is \$586,000 to cover onetime costs associated with the 2013 City Manager transition and primary election costs, and
 - Water, Sewer, and Storm and Surface Water Utility Funds reflect technical adjustments. There are no rate impacts to any of the adjustments.
- Adjustments to the Capital Investment Program (CIP) to reflect direction provided by the Council on October 7.

Staff recommends that the budgets of other funds remain unchanged. (See Attachment A for the November 4 packet for additional detailed information).

On November 18, the Council held a public hearing for the purpose of modifying the City's biennial budget according to RCW 35A.34.130. One comment was received from *Visit Bellevue Washington* who thanked the Council for their support in 2013 and requested \$51,000 in funding for 2014.

The Mid-Biennium budget amendment does not, at this time, include adjustments to the budget relating to the West Lake Sammamish Parkway project since, at the time of the printing, Council has not approved the proposed contract amendment. A separate budget adjustment will be included in legislation prepared for Council's consideration of the contract amendment.

Summary of Known Changes and/or Additional Requests since November 4

Summary of Known Changes since November 4:

The following Council-adopted ordinances were approved on the dates noted below and will be included in Attachment C as previous amendments to the budget:

- Approval of Ordinance No. 6134 on November 4 for acceptance of a Department of Homeland Security grant and the additional appropriation authority of \$344,300 in the Operating Grants, Donations and Special Reserves Fund.
- Approval of Ordinance No. 6136 on November 18 for acceptance of a Washington State Department of Ecology NPDES, Phase II grant and the additional appropriation authority of \$170,000 in the Operating Grants, Donations and Special Reserves Fund.

Additional Funding Request:

Visit Bellevue Washington has asked for the City's support with two projects in 2014. The formal request was received by staff on November 13, with a public request at the public hearing on November 18. *Visit Bellevue Washington* is requesting \$51,000 for expansion of the Bellevue Visitor Guide to key outer markets, and to conduct additional market research specific to the leisure traveler. The City supported *Visit Bellevue Washington* in 2013 and the funds were used to help extend website capabilities, provide expanded distribution of the Bellevue Visitors Guide to key markets, expanded marketing to international tourists, and employed the use of search engine marketing to reach out to international tourists with key messages, data on the accomplishments can be found in Attachment B. *Visit Bellevue's* request supports the ongoing citywide economic development efforts. See Attachment B for further information on both the 2014 request and the 2013 accomplishments.

Should Council wish to approve this request, Council direction will be needed to further adjust the Mid-Biennium budget to add this item. The requested \$51,000 can be funded within fund balance, as was done in 2013, with little impact to the overall General Fund if Council chooses to do so.

ATTACHMENTS

Attachment A: Reprint of the November 4, 2013 Council Study Session Item

Attachment B: *Visit Bellevue Washington* Budget Proposal Request

Attachment C: All Funds Mid-Biennium Update updated to reflect recent Council actions

Item No. SS 2(a)
November 4, 2013

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Forecast Update, 2013-2014 Mid-Biennium Budget, and 3rd Quarter Monitoring Report. Tonight's study session will provide an overview of each of the actions proposed as part of the Council's overall Mid-Biennium budget adjustment:

- General adjustments to the 2013-14 budget;
- An adjustment to the Development Services fee ordinance to reflect inflation;
- The annual property tax levy ordinance and banked capacity resolution, consistent with the final Mid-Biennium budget adjustments approved by Council;
- Authorize routine transfer of funds from LID Guaranty; and
- Recommended adjustments to existing financial policies related to system plan update timing.

STAFF CONTACT

Jan Hawn, Director	452-6846
Toni Rezab, Assistant Director and City Budget Manager <i>Finance Department</i>	452-7863

Mike Brennan, Director <i>Development Service Department</i>	452-4113
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Nav Otal, Director <i>Utilities Department</i>	452-2041
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POLICY ISSUES

General Adjustments to the Mid-Biennium Budget

The proposed Mid-Biennium budget adjustment contains limited changes at the fund level to the 2013-2014 Budget adopted on December 3, 2012. Major changes include:

- Downward adjustment to salary costs based on a lower than projected CPI-W for June 2013.
- Appropriation authority for 24 Development Service FTE positions, 18 of which are reflected in the Development Services Fund, four in the General Fund, and two in Utilities Funds. These positions will be filled as needed to address increased workload caused by development activity and were authorized by Council on August 5. (Attachment B)
- Budget appropriation adjustments to the General, Facilities, Information Technology, Parks Enterprise, Local Improvement District (LID) Guaranty, Water, Sewer, and Storm and Surface Water Utility Funds. In addition, the Mid-Biennium proposes that 2.75 FTE positions supported by revenue be added in the General Fund and Information Technology Funds (1.0 and 1.75 FTEs respectively). (Attachment B and D)
- Adjustments to the Capital Investment Program (CIP) to reflect direction provided by the Council on October 7. (Attachment E)

Staff recommends that the budgets of other funds remain unchanged.

Proposed Development Services Department (DSD) Fees

Staff will present proposed adjustments to Development Services fees charged for permit review and inspection services based on inflation increases, in alignment with historical practice and financial policies. This increase was anticipated in the Adopted 2013-2014 Budget and a fee ordinance is required on an annual basis. Attachment C provides additional details.

Property Tax Ordinance

Council, by law (RCWs 35A.34.230 and 84.55.092), is required to adopt property tax levies annually, even though the City adopts biennial budgets. A property tax banked capacity Resolution is also recommended in order to continue to reserve the current approximately \$9 million in banked capacity. The Mid-Biennium Update proposes no property tax increases.

LID Guaranty Ordinance

Transfer of excess funds from the LID Guaranty Fund to the General Fund is a normal and routine process allowed under RCW 35.54.095. The excess funds in the LID Guaranty Fund are attributed to a one-time transfer of remaining funds in the LID No. 280 project after the associated debt obligations were paid off in late 2012. Council authorized the last transfer in December 2010 via Ordinance No. 5976.

RCWs 35.34.130, 35A.34.230 and 84.55.092

State law requires that a mid-biennium budget review be completed between August 31 and the end of the first year of the biennium and that a public hearing be held on the mid-biennium review. Council action on the City’s 2014 property tax levy is also required by State law in conjunction with the Budget update. In addition, in accordance with labor agreements, COLA is updated to reflect the final COLA amounts.

Financial Policies

The City’s financial policies which are being proposed for update are provided with each Mid-Biennium budget for Council review. The Utilities Department has updated its financial policies related to the timing of updates to Utility System Plans. Staff is seeking direction to adjust the Utility financial policies as noted in Attachment F which displays the proposed changes in red-line format.

DIRECTION NEEDED FROM COUNCIL

- Action
- Discussion
- Information

Staff seeks direction on the proposed general approach to the Mid-Biennium budget adjustments, Utilities financial policy changes, and direction from Council regarding DSD fees in 2014.

BACKGROUND/ANALYSIS

Mid-Biennium calendar and recap of recent Council discussions

The proposed timetable for the Mid-Biennium Budget update is as follows:

Description	Date
1) 2013-2014 Mid-Biennium Budget Overview	November 4
2) Additional Study Session discussions if needed	November 12 and 25
3) Mid-Biennium Budget public hearing	November 18
4) Council Actions:	December 2
a. 2014 Property Tax Levy Ordinance	
b. 2014 Property Tax Banked Capacity Resolution	
c. Development Services Fee Ordinance	
d. 2013 LID Guaranty Fund Transfer Ordinance	
e. 2013-2014 Budget Mid-Biennium Budget Ordinance (which includes appropriation approval by Fund as well as the 2014 pay plans).	

Recap of Recent Council Budget Discussions and Future Scheduled Discussions

In August, staff provided Council with the second quarter update on the status of the General, Development Services, Water, Sewer, Storm and Surface Water, General Capital Investment Program, and Utility Capital Funds. During this briefing, Council authorized up to 24 positions based on forecasted permitting demand.

In September and October, staff provided updates on the CIP, at which time Council authorized the Finance Director to issue an interfund loan not to exceed \$30 million on an as-needed basis (Ordinance No. 6129). The Mid-Biennium proposal before Council reflects those Council decisions.

Separate from the Mid-Biennium Budget Review, staff will return in 2014 for further direction regarding issues raised by Council previously, including:

- Discussion of impact fees – As discussed in July, the impact fee discussion will be scheduled in spring 2014, well in advance of the next biennial budget and the next fee increase scheduled to be implemented on January 1, 2016, as adopted in Ordinance No. 5872.
- Health Care Reform – Staff is closely monitoring developments relating to implementation of Health Care Reform and will brief Council on requirements and proposed implementation of the legislation.
- Long-term financing strategy – Will be brought back for further discussion starting in early 2014.

Slow recovery in Bellevue’s tax base and slow growth in CPI-W

Bellevue’s tax collection continues to grow at a slow and steady pace on the road to recovery, and it is expected to remain that way. Economically sensitive revenues, including Sales and Business and Occupation Taxes, account for approximately 38% of the City’s General Fund and are currently performing within a reasonable variance of budget. The out-year forecast continues to reflect slow growth for the foreseeable future. The current forecast is consistent with prominent local and national economic services such as IHS Global Insight as well as the Puget Sound Economic Forecaster. This forecast trend is also shared by neighboring jurisdictions such as King County and the City of Seattle. Additional Forecast detail is available in Attachment A.

The June to June CPI-W for Seattle-Tacoma-Bremerton, which provides the basis for cost of living increases (COLA), came in under budget at 1.2%. The 2013-2014 Budget, adopted in December 2012, had assumed a cost of living factor of 2.2% for 2014. The budgets of all funds reflecting employee costs show a decrease in costs due to the less-than-budgeted COLA.

Mid-Biennium Update by Fund

OPERATING FUNDS

General Fund

Proposed total changes to General Fund appropriation authority are \$1.2 million, which is 0.3% increase over the Adopted Budget. The Mid-Biennium update incorporates:

- changes to 2014 salaries based on June 2013 CPI-W;
- staffing increases to address Council's prior decision on August 5 regarding Development Services staffing (Of the 24 positions approved to be filled on an as-needed basis, four inspector positions are located in the General Fund in the Transportation and Fire Departments and are funded based on actual work supported by permit fees);
- Technical correction to include 1.0 FTE in the Transportation budget to be funded by previously budgeted CIP revenue;
- adjustments to contracts; and
- other technical adjustments. See Attachment B for details.

Development Services Fund

Increase of appropriation authority to reflect increase in FTEs

Development Services total change to appropriation authority is \$3.0 million which is a 7.9% increase from the Adopted Budget.

As reported to Council on August 5, development activity in Bellevue is rebounding from the economic downturn with new projects, including office, apartments, hotels, and institutional uses, under construction or on the drawing boards. Based on previous Council direction, Development Services will add up to 24FTEs, staffed in several funds, to maintain an appropriate alignment between workload and permit revenues to achieve the goal of delivering fast, predictable, and coordinated "One-City" permit review and inspection services. Of the 24 Council-authorized positions, the Development Services Fund was authorized 18 FTEs. The remaining 6 positions are allocated to the General Fund (Transportation and Fire—4 FTEs) and Utilities (2 FTEs). See Attachment B for details on the Development Services, General, and the Utilities Funds.

East Link-related permitting will continue to place pressure on Development Services permit review and inspection performance. If additional workload results from the Sound Transit agreement to be finalized in 2014, creating a need for additional permitting or inspection FTEs, staff will return in 2014 to discuss response strategies and resource needs with Council.

Increase of Development Services fees to reflect cost of inflation

Routine inflationary changes are proposed to the 2013 consolidated fee ordinance for all Development Services functions including building, land use, fire, transportation, and utilities plan review and inspection as anticipated in the 2013-2014 Adopted Budget. Hourly rates charged for Land Use, Transportation, Utilities, and Fire review and inspection services are

proposed to increase at inflation in alignment with cost of living increase. Building permit fees supporting building review and inspection services are based on the estimated project value. Development Services revenues will increase by approximately \$285,000. See Attachment C for detailed information.

Information Technology Fund

Information Technology proposes 1.75 FTE positions to provide ongoing support to the eCityGov Alliance. These positions are fully supported by eCityGov Alliance revenue. See Attachment B for details.

Facilities Fund

The Civic Services Department has proposed increasing the appropriation to the Facilities Fund by an additional \$146,763 to fund Bellevue District Court operating, maintenance and utility costs anticipated due to the proposed court relocation in 2014. These costs are fully supported by interfund revenues.

Parks Enterprise Fund

The Parks Department proposes a transfer of \$830,000 in accumulated fund balance from the Enterprise Fund to the General CIP to offset the capital costs of redeveloping the driving range. Similar to transfers from the LID Guarantee Fund discussed earlier, transfers of excess fund balance from the Enterprise Fund to the General CIP is a normal and routine process. This project has been budgeted in the Enterprise Facility Improvements CIP (project P-R-2) for 2014 and was reflected in the October 7 CIP modeling. Transferring these funds does not reduce the Parks Enterprise Fund below target fund balance. Forecast information is available in Attachment D.

Water, Sewer, and Storm and Surface Water Utility Funds

The Mid-Biennium update proposes no changes to the 2014 Water, Sewer, and Storm and Surface Water Utility service rates adopted as part of the 2013-2014 Budget.

The Utilities Operating Funds’ proposed appropriation adjustments over the 2013-2014 Adopted Budget are broken down as follows:

Fund	2013-2014 Adopted Budget	2013-2014 Proposed Mid- Biennium	Increase/ (Decrease) \$	Increase/ (Decrease) %
Water Fund	\$103,901,308	\$103,944,683	\$43,375	0.04%
Sewer Fund	\$114,937,640	\$115,134,799	\$197,159	0.17%
Storm and Surface Water	\$47,352,964	\$47,308,968	\$(43,996)	(0.09%)

The drivers for changes in appropriation for the above funds are detailed in Attachment B and do not impact service rates.

The Utilities Department proposes to add two FTE Reviewer positions (one in the Water Fund and one in the Sewer Fund) for the additional workload anticipated in the Development Services permit activity forecast. These positions are funded by hourly fees from the Development Services Fund and were included in the 24 requested positions authorized on August 5.

East Link-related permitting will continue to place pressure on permit review and inspection performance relating to Utilities functions, as well. Once Utilities' inspection staffing needs are finalized in 2014, based on the Sound Transit agreement, staff will return in 2014, if needed, for Council discussion and decision.

CAPITAL FUNDS

Capital Investment Program Fund

On October 7, Council reviewed the anticipated near-term spending of the General CIP and authorized, by Ordinance No. 6129, the Finance Director to issue an interfund loan from the Utilities CIP fund to provide interim financing for the General CIP. At that time, staff committed that the Mid-Biennium budget would reflect that discussion and the budget ordinance appropriation authority would be addressed with the Mid-Biennium budget process. As a result, the Mid-Biennium budget will increase the 2013-2014 appropriation by \$30 million, amend the 7-year plan, and will create two new projects, one for City Hall Parking and one for the Repayment of the Interfund Loan in accordance with the previous Council direction.

Since October 7, there have been two large sales of properties in Bellevue which has increased the Real Estate Excise Tax estimate for 2013 by \$1.9 million. On October 7, staff agreed that if revenues exceeded estimates at that time; the interfund loan would be reduced. As such, if the revised year end REET estimate is accurate, the interfund loan could be reduced to \$28.4 million. Additional Forecast detail is available in Attachment E.

Utility Capital Investment Program Fund

The Utility CIP Fund, consistent with Utility Financial Policies, proposes to loan the General CIP Fund \$30 million to address emergent needs. As discussed on October 7, the Fund currently contains \$109 million in reserves available to lend. The interfund loan will be repaid over a three-year period and complies with rules imposed by the State Auditor's Office pertaining to time limitations and repayment with interest. The Utilities Department anticipates no program needs for the remaining Utility reserves. The Mid-Biennium budget will technically adjust the account codes to show an interfund loan, yet no additional appropriation authority is needed at this time. A new project for repayment of the Interfund Loan will be created.

OTHER FUNDS

LID Guaranty Fund

The transfer of excess funds from the LID Guaranty Fund to the General Fund is authorized by RCW 35.54.095. The excess funds in the LID Guaranty Fund are attributed to a one-time transfer of remaining funds in the LID No. 280 project after the associated debt obligations were paid off in late 2012. Staff proposes to transfer \$586,000 to the City's General Fund to offset one-time costs associated with the 2013 City Manager transition, including severance and backfill, and primary election costs. The total appropriation adjustment needed to the LID Guaranty Fund is \$358,000. The General Fund does not require any additional appropriation authority.

No additional changes are proposed to other funds.

Property Tax

Regular Property Tax Levy

The proposed 2014 levy includes increases for new construction and a levy for prior year refunds based on preliminary information provided by the King County Assessor’s Office. Minor revisions may be made when the final numbers are available from King County.

King County has preliminarily established that Bellevue’s total assessed value has increased to \$35.8 billion from \$32.7, an increase of 9%. (This compares to the 2009 peak AV in Bellevue of \$37.6.) The increase is primarily due to growth in assessed values. Under Washington State law, cities adopt a total levy amount rather than a levy rate. **The Mid-Biennium update proposes no property tax rate increase.**

Voted Property Tax Levy

In November 2008, voters approved a levy lid lift for parks and natural areas programs. The levy lid lift provides \$3,389,000 annually to fund the parks capital program over 20 years and \$660,000 annually for ongoing maintenance and operations funding, for a total of \$4,049,000. The following table compares the estimated property tax levy amount and the rate for 2014 to the adopted amounts for 2013.

	<u>2013</u>	<u>2014(Est.)</u>
Assessed Valuation (\$ in Billions)	\$32.7	\$35.8
Regular Levy Amount	\$34,357,126	\$34,634,887
Regular Property Tax Rate (Per \$1,000 AV)	1.05	0.97
Voted Levy Amount	\$4,049,000	\$4,049,000
Voted Property Tax Levy Rate(Per \$1,000 AV)	<u>\$0.12</u>	<u>\$0.11</u>
Total Property Tax Levy Rates (Per \$1,000 AV)	\$1.18	\$1.08

Utilities Financial Policy Updates

Additionally, the Utilities Department has updated their financial policies addressing the timing of updates to Utility System Plans for Council consideration. There is no budget impact to the 2013-2014 Mid-Biennium Budget. See Attachment F for proposed policy changes identified in red-line.

Quarterly Monitoring Report

Staff prepares periodic performance monitoring updates to Council for the major Funds contained in the City’s budget to aid policy decision making. The 3rd Quarter report, in Attachment G, projects year-end 2013 to be in-line with budget.

ATTACHMENTS

- A. General Fund Forecast
- B. 2013-2014 Mid-Biennium Budget Update
- C. Development Services Proposed Fee Increase and Fund Forecast
- D. Parks Enterprise Forecast
- E. General CIP Forecast
- F. Utilities Financial Policy Updates
- G. 3rd Quarter Monitoring Report

Attachment A – Mid-Bienium
2013-2014 Mid-Biennium Budget Update
Economic Update and General Fund Forecast

Executive Summary:

- *The Puget Sound Region continues to outperform the nation.*
- *The 2014-2019 forecast shows a solid recovery, with growth back to the 15% fund balance level by 2019 at current -program/staffing levels.*
- *2013 revenues continue to meet overall budget.*
- *No property tax increase is assumed in the forecast.*
- *Sales and B&O tax growth is expected to continue at a slow and steady rate, with a return to pre-recessionary levels in real dollars by 2015.*

Economic Update

The Great Recession ended, as measured by Gross Domestic Product (GDP), 4 years ago. For the majority of that time most economic indicators remained bottomed out, showing little sign of recovery. The economy gained traction last year and started to show promising signs of a meaningful recovery.

Indicators Holding Recovery Back

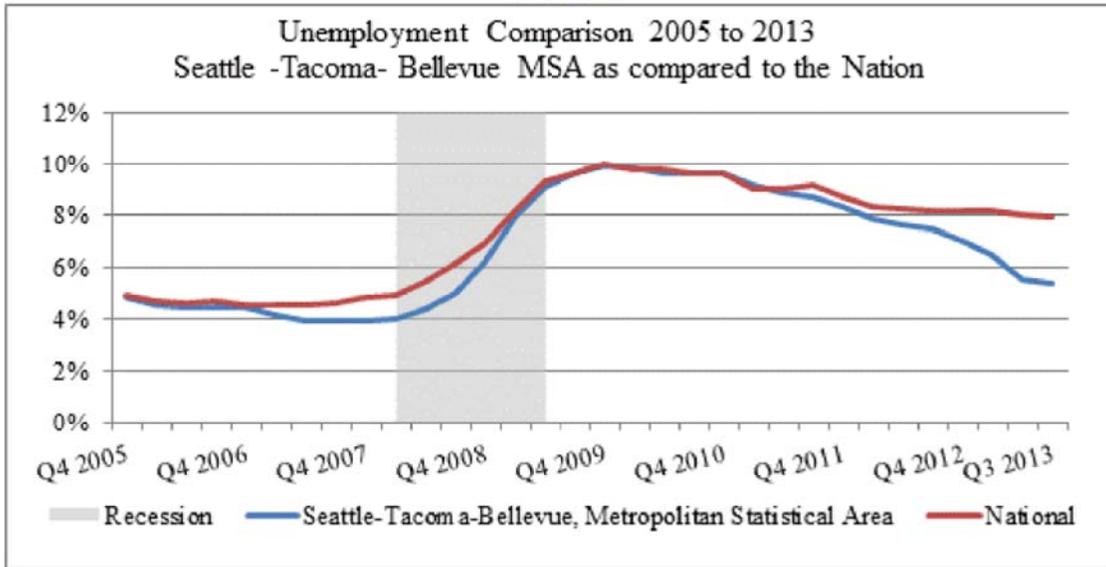
Events that have held the economy back include the uncertainty at the Federal level and the enduring European sovereign debt issues.

- As of this printing, the Federal Government has agreed to fund governmental spending through January 15.
- The United States is not the only country experiencing economic problems, however. The sovereign debt issue in Europe has still not been fully resolved and could kick back up again at any time unless it is fixed in a real way. China has been a driving force in the world economy since the global recession but their growth is starting to slow as demand wanes.

Indicators Showing Signs of Promise

On the positive side, and counterbalancing the national and global issues, the Puget Sound Region continues to outpace national unemployment rates and Gross Domestic (Metropolitan) Product. As Chart 1 indicates, the Seattle-Tacoma-Bellevue MSA (Metropolitan Statistical Area) lagged the country in the upward trend in unemployment during the recession and has recovered more quickly than the nation.

Chart 1

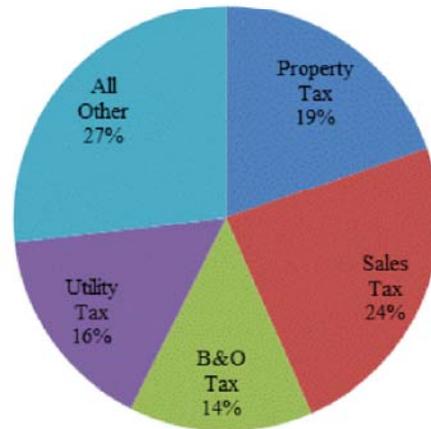
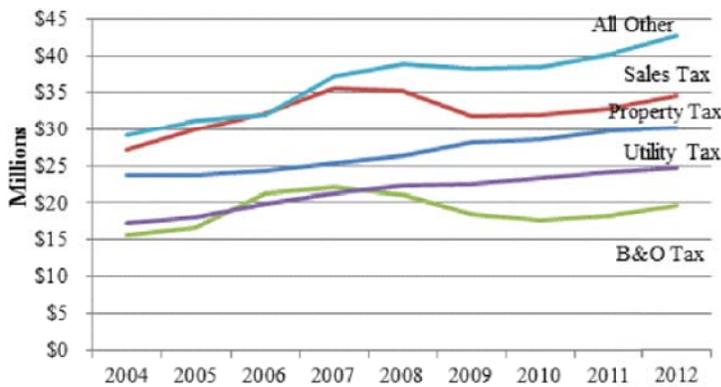


General Fund Revenue Discussion

During the recession, General Fund revenue declined 9% peak-to-trough excluding interfund transfers. The greatest impact to the City’s revenue during the recession was to sales tax and, to a slightly lesser degree, Business & Occupation tax (B&O tax). These taxes are largely dependent on economic conditions and thus very volatile, particularly during times of economic uncertainty. Sales tax and B&O tax are highly correlated; however B&O tax is slightly less volatile than sales tax. Chart 2 illustrates the volatility and proportion of General Fund revenue reflected by these two revenue sources. Together sales tax and B&O tax make up 38% of the City’s General Fund revenue.

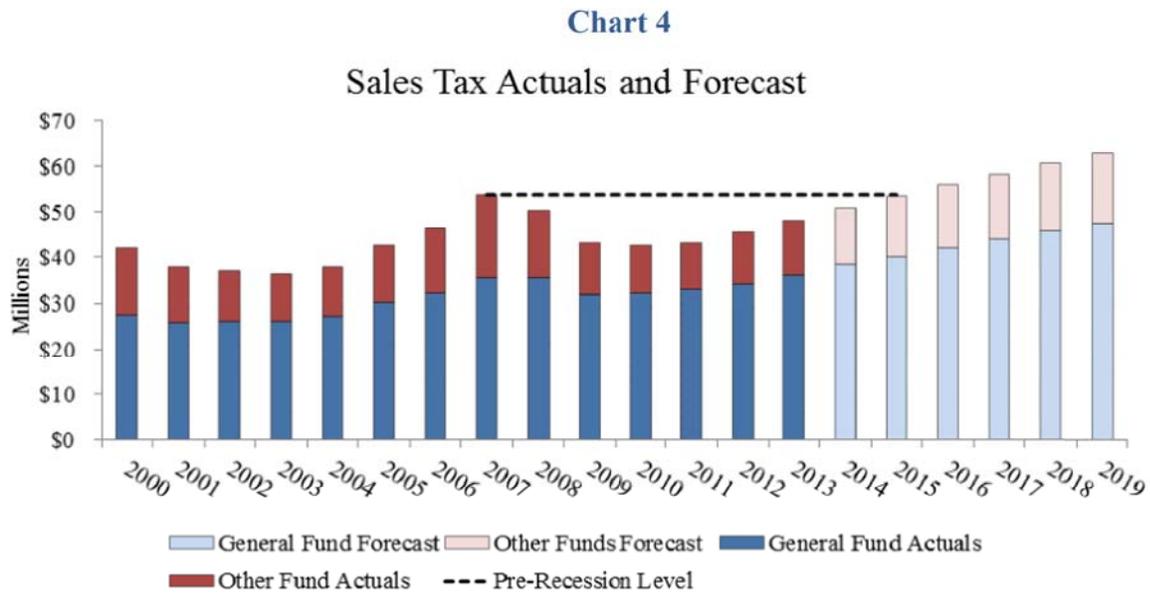
Chart 2

City of Bellevue Revenue Streams from 2004 through 2012



- Construction was a driving force in the City’s revenue growth leading up to the recession of 2007. Before the recession, construction accounted for 22% of sales tax revenue, but only 12% in 2010. Having such a large portion of the City’s revenue subject to this volatility presents challenges due to the economic sensitivity of the construction industry.
- Retail Sales is a broad category that is comprised of both durable and non-durable goods. Bellevue is a regional hub for retail stores spanning the downtown core and other areas of the city, as well as many big box retailers. Auto sales are a sub-set of retail sales, but due to the relative size of auto purchases, are tracked and forecasted separately.

Chart 4 shows historical sales tax collections and the forecast for sales tax out to 2019. As depicted in the table, the City is forecasting that we will return to pre-recessionary levels by 2015 in real dollars. King County, and the neighboring cities of Kirkland and Redmond, are forecasting similar trends.

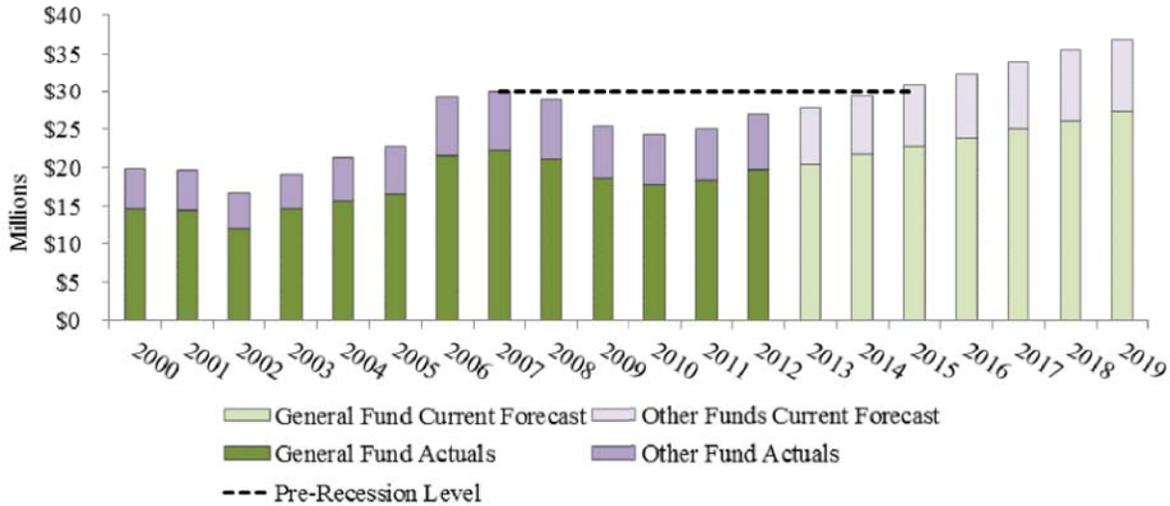


Business & Occupation Tax

Business and Occupation (B&O) tax is made up of two parts, gross receipts and square footage taxes. This revenue, like sales tax, is subject to volatility brought on by economic risk. During the recession, B&O collections fell 20% from the peak. Over the last 10 years B&O tax accounts for 14% of the City’s General Fund revenue. As with Sales Tax, B&O is projected to return to pre-recessionary levels by 2015 as reflected in Chart 5.

Chart 5

B&O Tax Actuals and Forecast



Utility Tax

Utility tax is collected from eight types of utility services: electric, natural gas, garbage, telephone, cellular phone, water, sewer and storm water. Aside from telephone and cellular phone taxes, utility taxes are fairly constant, rarely declining from year to year. A few areas of note:

- In the last few years Electric and Natural Gas Utility tax collections have flattened out due to conservation efforts resulting in current projections for 2014 coming in at \$1 million dollars less than adopted budget. The Electric and Natural Gas categories were modified downward in the current forecast to reflect the flatter collections. Telephone and cellular phones also are affected by the new practice of bundling services, where service providers combine several services thus lowering customers’ overall bills. In the 2013 State Legislative session HB 1971 was passed clarifying taxation of telephone service and, in the process, eliminated the home phone tax exemption. Initial estimates from an analysis done by the state indicated that the City will receive approximately \$150,000 per year in additional telephone utility tax, and the forecast has been adjusted to reflect this increase.

Other Revenue

This category consists of dozens of revenues collected from various sources, including Excise Taxes, Sales Tax Annexation Credit, Penalty/Interest Delinquent Tax, Licenses and Permits, Intergovernmental – State and Other Cities, Charges for Goods and Services, Fines/Forfeits, and Other Miscellaneous Taxes and Revenues.

Intergovernmental revenues consist of revenue collected from cities for services provided by Bellevue (e.g. Fire EMS services, etc.) State funding, sometimes referred to as State Shared Funds, consists of distributions from State taxes such as liquor excise tax and Liquor Board profits. In the 2011 State Legislative session, state shared revenue was reduced to help fill the

budget gap at the state level. Liquor excise tax distributions to cities were eliminated entirely for the biennium. This elimination of liquor excise tax was scheduled to be reinstated after the end of the budget cycle, however during the 2013 legislative session the revenue was reinstated at only half of what it was before. The forecast reflects these changes.

General Fund Forecast

As of the 3rd Quarter Report, total revenues are in line with total expenditures for the General Fund. The Mid-Biennium 2014 budget shows a slight increase in fund balance, and the forecast for 2015 to 2019 shows revenues being received in excess of expenditures and growing to a 15% fund balance by 2019 in line with the City's financial policies. The forecast is a status quo forecast and assumes that one-time or short-term expenditures do not reoccur in the future.

Rebuilding fund balance is important as it illustrates the City's ability to protect essential service programs during economic downturns and natural catastrophies or other unforeseen major events. Maintaining fund balance directly contributes to the City's AAA bond rating, which will keep the City's cost of borrowing as low as possible and provides a tangible public indicator of the City's strong financial condition. Since fund balance is calculated as a percentage of revenue, in order to grow the fund balance percentage back to 15%, the actual fund balance must increase. As displayed in Table 1, the City's fund balance level is at 14%, the City would have needed to add \$2 million to fund balance to bring it to the target level of 15% in 2013. To simply maintain fund balance target percentage, the City must add \$800,000 annually in subsequent years.

As with all forecasts, this is a best estimate of the future. It represents the collection of all fiscal information known as of November 2013. The forecast is updated three times a year, in March (early look for the next year), in July (post final CPI-W announcement), and in September/October (as either the Adopted Budget or Mid-Biennium Update is before Council).

Table 1
Attachment A
Mid-Biennium General Fund Forecast

	Q3 Estimate	Mid-Biennium		Forecast			
	2013	2014	2015	2016	2017	2018	2019
Beginning Fund Balance	\$23,476	\$23,524	\$23,827	\$24,103	\$25,331	\$26,591	\$27,611
Revenue							
Property Tax	31,667	31,901	32,141	32,385	32,634	32,887	33,142
Sales Tax	36,319	38,316	40,228	42,200	44,057	45,818	47,603
Business & Occupation Tax	20,767	21,390	23,020	24,164	25,300	26,435	27,589
Utility Tax	26,182	26,596	28,342	29,445	30,506	31,473	32,582
Miscellaneous Revenue	48,173	50,630	50,387	51,686	50,620	51,235	51,909
Total Revenue	163,108	168,834	174,119	179,879	183,117	187,847	192,826
%Δ Total Revenue		3.5%	3.1%	3.3%	1.8%	2.6%	2.7%
Expenditures							
Personnel	101,885	106,012	109,851	113,228	115,047	118,640	120,955
Maintenance & Operations	61,174	62,518	63,992	65,423	66,810	68,187	70,052
Total Expenses	163,060	168,531	173,842	178,652	181,857	186,827	191,008
%Δ Total Expenses		3.4%	3.2%	2.8%	1.8%	2.7%	2.2%
Ending Fund Balance	23,524	23,827	24,103	25,331	26,591	27,611	29,429
EFB as a % of Revenue	14.4%	14.1%	13.8%	14.1%	14.5%	14.7%	15.3%

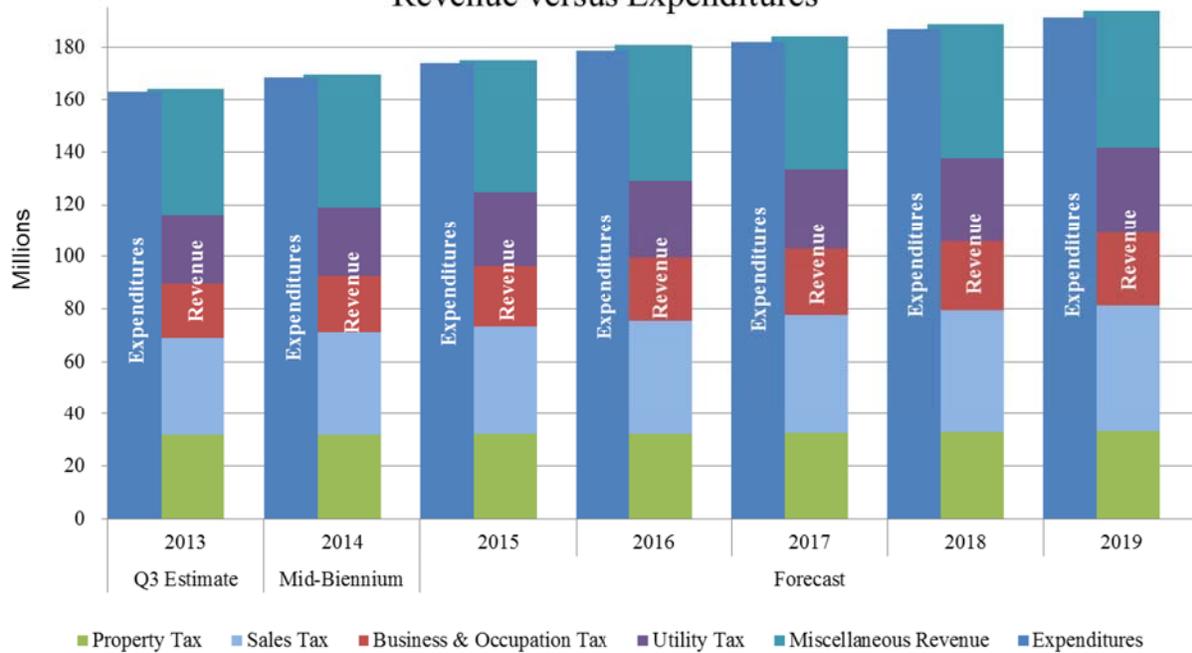
Notes:

- The Forecast reflects the 3rd quarter General Fund estimate, the 2014 Proposed Mid-Biennium, and 2015 to 2019 Forecasts.
- 2013 Fund Balance reflects actual 2012 ending fund balance.
- No increase to the Property Tax Levy, except for new construction, is assumed for 2014 and beyond.
- 2015 Miscellaneous Revenues reflect the reduction of operating transfers to account for the excess fund balances transferred in 2014 original budget adoption.
- 2017 expenditures reflect the reduction of LTEs with a corresponding reduction in Labor Distribution Revenue.
- Includes Forecast adjustments as noted in the write up in this paper.

Table 2
Attachment A
Mid-Biennium General Fund Forecast

	Mid-Biennium		Forecast			
	2014	2015	2016	2017	2018	2019
Revenue						
Property Tax	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%
Sales Tax	5.5%	5.0%	4.9%	4.4%	4.0%	3.9%
Business & Occupation Tax	3.0%	7.6%	5.0%	4.7%	4.5%	4.4%
Utility Tax	1.6%	6.6%	3.9%	3.6%	3.2%	3.5%
Miscellaneous Revenue	5.1%	-0.5%	2.6%	-2.1%	1.2%	1.3%
%Δ Total Revenue	3.5%	3.1%	3.3%	1.8%	2.6%	2.7%
Expenditures						
Personnel	4.1%	3.6%	3.1%	1.6%	3.1%	2.0%
Maintenance & Operations	2.2%	2.4%	2.2%	2.1%	2.1%	2.7%
Total Expenses	3.4%	3.2%	2.8%	1.8%	2.7%	2.2%

Chart 6
General Fund
Revenue versus Expenditures



**ATTACHMENT B
ALL FUNDS MID-BIENNIUM UPDATE**

	2013-2014 Adopted Budget	2013 Council Budget Amendments	2013-2014 Amended Budget	2013-2014 Mid-Biennium Proposed Changes	2013-2014 Proposed Mid-Biennium Budget
City Budget					
Operating Budget					
General Fund	\$ 351,034,035	\$ 417,786 ¹	\$ 351,451,821	\$ 1,186,807 ⁷	\$ 352,638,628
Development Services Fund	37,219,293	-	37,219,293	2,957,751 ⁷	40,177,044
Equipment Rental Fund	30,684,112	-	30,684,112	-	30,684,112
Facilities Services Fund	14,447,160	-	14,447,160	146,736 ⁷	14,593,896
Franchise Fund	3,798,033	-	3,798,033	-	3,798,033
General Self-Insurance Fund	9,607,770	-	9,607,770	-	9,607,770
Health Benefits Fund	50,352,262	-	50,352,262	-	50,352,262
Hotel/Motel Tax Fund	21,031,413	-	21,031,413	-	21,031,413
Human Services Fund	8,458,259	105,000 ²	8,563,259	-	8,563,259
Information Technology Fund	31,587,202	-	31,587,202	58,413 ⁷	31,645,615
Land Purchase Revolving Fund	3,472,570	-	3,472,570	-	3,472,570
LEOFF I Medical Reserve Fund	12,957,709	-	12,957,709	-	12,957,709
Marina Fund	1,596,589	-	1,596,589	-	1,596,589
Park M&O Reserve Fund	6,813,137	-	6,813,137	-	6,813,137
Parks Enterprise Fund	13,236,717	-	13,236,717	830,000 ⁷	14,066,717
Sewer Utility Fund	114,937,640	-	114,937,640	197,159 ⁷	115,134,799
Solid Waste Fund	2,598,600	1,677 ³	2,600,277	-	2,600,277
Storm & Surface Water Utility Fund	47,352,964	-	47,352,964	(43,996) ⁷	47,308,968
Unemployment Compensation Fund	871,000	-	871,000	-	871,000
Water Utility Fund	103,901,308	-	103,901,308	43,375 ⁷	103,944,683
Worker's Compensation Fund	5,036,000	-	5,036,000	-	5,036,000
Total Operating Budget	\$ 870,993,773	\$ 524,463	\$ 871,518,236	\$ 5,376,245	\$ 876,894,481
Special Purpose Budget					
Firemen's Pension	\$ 7,406,234	\$ -	\$ 7,406,234	\$ -	\$ 7,406,234
Housing Fund	5,330,563	-	5,330,563	-	5,330,563
Interest & Debt Redemption - Regular Fund	38,011,005	8,672,171 ⁴	46,683,176	-	46,683,176
LID Control Fund	1,296,721	-	1,296,721	-	1,296,721
LID Guaranty Fund	240,232	-	240,232	358,000 ⁷	598,232
Operating Grants, Donations, and Special Reserves Fund	7,742,184	491,118 ⁵	8,233,302	-	8,233,302
Total Special Purpose Budget	\$ 60,026,939	\$ 9,163,289	\$ 69,190,228	\$ 358,000	\$ 69,548,228
Capital Investment Program Budget					
General Capital Investment Program Fund	\$ 201,712,600	\$ 571,213 ⁶	\$ 202,283,813	\$ 30,937,000 ⁸	\$ 233,220,813
Utility Capital Investment Program Fund	161,016,451	-	161,016,451	-	161,016,451
Total Capital Investment Program Budget	\$ 362,729,051	\$ 571,213	\$ 363,300,264	\$ 30,937,000	\$ 394,237,264
Total City Budget	\$ 1,293,749,763	\$ 10,258,965	\$ 1,304,008,728	\$ 36,671,245	\$ 1,340,679,973

Amendment Footnotes:

1 General Fund \$417,786: Ord. 6123 9/3/13 and Ord. 6126 9/16/13

2 Human Services Fund \$105,000: Ord. 6112 6/3/13

3 Solid Waste Fund \$1,677: Ord. 6105 4/1/13

4 Interest & Debt Redemption - Regular Fund \$8,672,171: Ord. 6107 4/1/13

5 Operating Grants, Donations, and Special Reserves Fund \$491,118: Ord. 6120 8/5/13, Ord. 6121 8/5/13, and Ord. 6124 9/16/13

6 General Capital Investment Program Fund \$571,213: Ord. 6097 1/7/13 and Ord. 6103 4/29/13

7 See the additional attached pages to this cover sheet for details of each fund. Located in alphabetical order.

8 See Attachment E for details.

ATTACHMENT B

2013-2014 Proposed Mid-Biennium Changes by Fund

2013-2014 Mid-Biennium Proposed General Fund Budget

	Revenues	Expenses
2013-2014 Amended Biennial Budget	\$351,451,821	\$351,451,821
Revenue Updates:		
¹ Utility and General Tax Updates	(244,503)	
² Basic Life Support Transport Fees	200,000	
³ Fire Contract True-up	(131,839)	
Miscellaneous Revenue Updates	(7,848)	
Revenue Backed Additions:		
⁴ Interfund Permit Fee Revenue - Devlpmnt Svcs Positions	408,174	349,237
Technical Updates/Errors & Omissions:		
⁵ Interfund Revenue - CIP Supported Interfund	962,823	962,823
⁶ COLA Adjustments		(821,851)
⁷ Interfund Budget Correction		(149,051)
⁸ Miscellaneous		94,119
Utilities/Transportation Street Re-organization"		
⁹ Restructured Streets Management to Transportation		(62,048)
Contract Changes/Other Impacts:		
¹⁰ Backfill for CAO (LTEs)		218,917
¹¹ Development Services General Fund subsidy increase for Land Use public policy work		174,999
¹² Court Operating Costs (Maint & Utilities)		146,736
¹³ NORCOM Contract Savings		(210,514)
¹⁴ Solid Waste Costs (1/2 Year)		110,150
Subtotal	<u>\$1,186,807</u>	<u>\$813,517</u>
Ending Fund Balance Adjustment		\$373,290
2013-2014 Mid-Biennium Proposed Budget	<u>\$352,638,628</u>	<u>\$352,638,628</u>

NOTE: The table above will not agree with the Forecast Table 1 in Attachment A due to the display of the expected beginning fund balance and that Attachment A includes 2013 Estimated Year End totals.

- ¹ Utility and General Tax updates includes reductions in Electric and Natural Gas collections (\$1.9M) and Property tax (\$138K); offset by increases in Sales tax (\$687K), Business taxes, including B&O (\$461K), and Annexation tax credit (\$363K) and other State Shared Revenues (\$366K). Forecast information is presented in Attachment A.
- ² Basic Life Support Transport Fee collection projections increased based on current trends.
- ³ Fire contract revenues have been adjusted to reflect Fire service costs/revenue collections.
- ⁴ Fire and the Transportation request two FTE positions, each to support DS activity; costs offset by permit fee revenue. (Authorized on 8/5)
- ⁵ Adjust interfunds to implement the Adopted CIP; fully supported with CIP interfund revenues. No changes to the CIP are needed, the costs were anticipated in the adopted budget, yet the interfund transactions were not correctly reflected. Transportation 1 FTE, this position is fully supported by CIP project revenue.
- ⁶ The June 2013 CPI-W came in at 1.2% compared to 2.2% budgeted, resulting in \$821,851 savings.
- ⁷ Budget correction due to a duplication of entries in the Adopted Budget.
- ⁸ Miscellaneous includes adjustments to the Hearing Examiner, a correction to calculated benefits, and other minor adjustments.
- ⁹ General Fund savings of \$62,048 from moving Street Management from Utilities to Transportation.
- ¹⁰ Costs associated with the backfill of the CAO (LTEs).
- ¹¹ Development Services Subsidy increase associated with increased land use public policy work/projections.
- ¹² Court operating costs supporting building maintenance and utility costs due to court relocation needs in 2014 transfer to Facilities Fund.
- ¹³ NORCOM's 2014 anticipated costs are less than budget by \$210,514.
- ¹⁴ The General Fund will be responsible for the cost of solid waste service for City-owned facilities under the City's new solid waste contract effective June 29, 2014.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund
2013-2014 Mid-Biennium Proposed Development Services Fund Budget

	Revenues	Expenses
2013-2014 Amended Biennial Budget	\$37,219,293	\$37,219,293
Revenue Updates:		
¹ Permit Fee Revenue	2,782,752	
¹ General Fund Subsidy Revenue	174,999	
Revenue Backed Additions:		
¹ Development Services Positions		1,795,275
¹ Development Services Other Funds Positions		636,409
Technical Updates/Errors & Omissions:		
COLA Adjustments		(72,969)
Miscellaneous		12,664
Subtotal	\$2,957,751	\$2,371,379
Ending Fund Balance Adjustment		\$586,372
2013-2014 Mid-Biennium Proposed Budget	\$40,177,044	\$40,177,044

¹ On August 5, Development Services presented Council with an updated forecast for permit activity which showed that Bellevue is rebounding from the economic downturn with strong interest in new projects. To keep pace with the demand for permit review and inspection services and respond quickly to growth in development activity, Council authorized the addition of up to 24 FTE positions in the 2013-2014 biennium. Eighteen of the 24 positions are authorized in the Development Services Fund, the remaining 6 positions are authorized in the General Fund and Utilities Funds. See those funds for details.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund
2013-2014 Mid-Biennium Proposed Facilities Fund Budget

	Revenues	Expenses
2013-2014 Amended Biennial Budget	\$14,447,160	\$14,447,160
Technical Updates/Errors & Omissions:		
COLA Adjustments		(15,514)
Miscellaneous		10,887
Contract Changes/Other Impacts:		
¹ Interfund Revenue - Court Relocations Costs (Maint & Utilities)	146,736	146,736
² Solid Waste Contract (1/2 year)		18,945
Subtotal	\$146,736	\$161,054
Ending Fund Balance Adjustment		(\$14,318)
2013-2014 Mid-Biennium Proposed Budget	\$14,593,896	\$14,593,896

¹ Court operating expenditures are anticipated to start mid-2014. These costs include maintenance and utilities expenditures during the tenant improvement stage.

² The Facilities Fund will be responsible for the cost of solid waste service for City-owned facilities under the City's new solid waste contract effective June 29, 2014.

ATTACHMENT B

2013-2014 Proposed Mid-Biennium Changes by Fund

2013-2014 Mid-Biennium Proposed Information Technology Fund Budget

	Revenues	Expenses
2013-2014 Amended Biennial Budget	\$31,587,202	\$31,587,202
Revenue/Savings Backed Additions:		
¹ eGov Revenue - eGov Supported Positions	58,413	58,413
Technical Updates/Errors & Omissions:		
COLA Adjustments		(56,113)
Miscellaneous		8,588
Subtotal	<u>\$58,413</u>	<u>\$10,888</u>
Ending Fund Balance Adjustment		\$47,525
2013-2014 Mid-Biennium Proposed Budget	<u><u>\$31,645,615</u></u>	<u><u>\$31,645,615</u></u>

¹ Information Technology proposes 1.75 FTE positions to provide ongoing support to the eCityGov Alliance. These positions are fully supported by eCityGov Alliance revenue. Total appropriation needed is \$58k.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund
2013-2014 Mid-Biennium Proposed Parks Enterprise Fund Budget

	Revenues	Expenses
2013-2014 Amended Biennial Budget	\$13,236,717	\$13,236,717
Technical Updates/Errors & Omissions:		
COLA Adjustments		(13,007)
¹ Beginning Fund Balance Update - Transfer to CIP P-R-2	830,000	830,000
Contract Changes/Other Impacts:		
² Solid Waste Costs (1/2 Year)		31,350
Subtotal	\$830,000	\$848,343
Ending Fund Balance Adjustment		(\$18,343)
2013-2014 Mid-Biennium Proposed Budget	\$14,066,717	\$14,066,717

¹ Parks is requesting an additional transfer of \$830,000 to bring the total transfer to \$1,180,000 accumulated Enterprise Fund balance to offset the capital costs of the proposed driving range redevelopment; this project has been budgeted in the Enterprise Facility Improvements CIP project (P-R-2). Forecast information is available in Attachment D.

² The Parks Enterprise Fund will be responsible for the cost of solid waste service for City-owned facilities under the City's new solid waste contract effective June 29, 2014.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund

2013-2014 Mid-Biennium Proposed Storm and Surface Water Utility Fund Budget

	Revenues	Expenses
2013-2014 Amended Biennial Budget	\$47,352,964	\$47,352,964
Revenue Updates:		
¹ Interfund Streets Management Revenue	(43,996)	
Technical Updates/Errors & Omissions:		
COLA Adjustments		(40,930)
Miscellaneous		4,796
Subtotal	(\$43,996)	(\$36,134)
Ending Fund Balance Adjustment		(\$7,862)
2013-2014 Mid-Biennium Proposed Budget	\$47,308,968	\$47,308,968

¹ Reduction of interfund revenue for Streets Maintenance management services resulting from the reorganizations of Streets services.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund
2013-2014 Mid-Biennium Proposed Water Utility Fund Budget

	Revenues	Expenses
2013-2014 Amended Biennial Budget	\$103,901,308	\$103,901,308
Revenue Updates:		
¹ Interfund Streets Management Revenue	(108,819)	
Revenue Backed Additions:		
² Interfund Permit Fee Revenue - Development Services Position	152,194	125,428
Technical Updates/Errors & Omissions:		
COLA Adjustments		(50,098)
Miscellaneous		16,018
Subtotal	\$43,375	\$91,348
Ending Fund Balance Adjustment		(\$47,973)
2013-2014 Mid-Biennium Proposed Budget	\$103,944,683	\$103,944,683

¹ Reduction of interfund revenue for Streets Maintenance management services resulting from the reorganizations of Streets services.

² The Water Fund is projecting an increase in Development Services permit fee revenue based on current activity projections and requesting one FTE (authorized by Council on August 5).

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund
2013-2014 Mid-Biennium Proposed Sewer Utility Fund Budget

	Revenues	Expenses
2013-2014 Amended Biennial Budget	\$114,937,640	\$114,937,640
Revenue Updates:		
¹ Interfund Streets Management Revenue	(40,798)	
Revenue Backed Additions:		
² Interfund Labor Revenue - CIP Supported	161,915	161,915
³ Interfund Permit Fee Revenue - Development Services Position	76,042	51,176
Technical Updates/Errors & Omissions:		
COLA Adjustments		(37,794)
Miscellaneous		2,565
Subtotal	\$197,159	\$177,862
Ending Fund Balance Adjustment		\$19,297
2013-2014 Mid-Biennium Proposed Budget	\$115,134,799	\$115,134,799

¹ Reduction of interfund revenue for Streets Maintenance management services resulting from the reorganizations of Streets services.

² Sewer proposes two LTEs to support CIP projects; both positions are fully supported by interfund CIP revenue, which was budgeted in the Utilities CIP.

³ The Sewer Fund is projecting an increase in Development Services permit fee revenue based on current activity projections and requesting one FTE (authorized by Council on August 5) beginning July 2014.

ATTACHMENT B

2013-2014 Proposed Mid-Biennium Changes by Fund

2013-2014 Mid-Biennium Proposed Local Improvement District Guaranty Fund Budget

	Revenues	Expenses
2013-2014 Amended Biennial Budget	\$240,232	\$240,232
Technical Updates/Errors & Omissions:		
¹ Transfer of Excess Funds	358,000	358,000
Subtotal	<u>\$358,000</u>	<u>\$358,000</u>
Ending Fund Balance Adjustment		\$0
2013-2014 Mid-Biennium Proposed Budget	<u><u>\$598,232</u></u>	<u><u>\$598,232</u></u>

¹ Transfer of excess funds from the LID Guaranty Fund to the General Fund is a normal and routine process allowed by State Law (RCW 35.54.095). The excess funds in the LID Guaranty Fund are attributed to the remaining funds in the LID No. 280 project after the debt obligations were paid off in 2012.

Development Services Inflationary Increase to Fees

Attachment C

INTRODUCTION

Changes are proposed to the 2013 consolidated fee ordinance for development services functions including building, land use, fire, transportation, and utilities plan review and inspection. The fee changes reflect the results of the annual Cost of Service Study.

The Cost of Service Study is conducted to analyze costs associated with delivering development review and inspection services, and maintaining alignment with fees charged for those services and established cost recovery policies. Hourly rates are charged for Land Use, Transportation, Utilities, and Fire review and inspection services. Building permit fees supporting building review and inspection services are based on the estimated project value. The proposed adjustments to hourly and building permit fees are provided below. The proposed changes would increase Development Services revenues by approximately \$285,000.

PROPOSED HOURLY RATE ADJUSTMENT

Function	Current Hourly Rate	Proposed Hourly Rate	Estimated Revenue Increase	% Change in Rate
Land Use review	\$153	\$155	\$21,000	1.3%
Transportation review & inspection	159	161	26,000	1.3%
Fire review & inspection	139	141	13,000	1.4%
Utilities review and inspection	132	134	19,000	1.5%
Revenue Increase			\$79,000	

The following adjustments are proposed to **building permit fees** that are based on the value of construction:

- Update the building valuation data (BVD) table published by the International Code Council (ICC) to reflect the change in construction valuation from August 2012 to August 2013. *Values derived from the BVD tables are used to determine building permit fees for new buildings.*
- Apply the Washington State modifier of 1.13, which remained constant from July 2012 to July 2013 as published by Marshall & Swift.
- Adjust building review and inspection fees by CPI-W (1.2%).

These proposed changes to building review and inspection fees are anticipated to increase revenue by approximately \$206,000 in 2014.

POLICY CONSIDERATION

Should the Council adjust Development Services fees to maintain alignment with established cost recovery principles? State law allows cities to charge fees for development services provided by the City. The City Council has set cost recovery principles for development services. The proposed changes to the City's fee ordinance reflect the existing cost recovery and financial management policy direction.

Section 2 of the consolidated fee ordinance (Ordinance No. 6084) establishes that fees may be adjusted to reflect the current published annual change in the Seattle Consumer Price Index for Wage Earners and Clerical Workers as needed in order to maintain the cost recovery objectives established by the City Council.

BACKGROUND

Financial Management through Development Cycles

The ongoing success of the Development Services line of business is based in the ability to respond quickly to shifts in performance, workload, or permit fee revenues as Bellevue travels through development cycles. When business activity is increasing, it is critical to respond quickly by adding staff and consultants to maintain timelines that ensure developers are not hindered in their ability to secure financing and move forward with projects. When business activity is decreasing, it is important to make measured reductions in costs and staffing to protect the financial health of the function. At all times it is vital to retain a basic level of skills, qualifications, and expertise to support all aspects of development services.

The Development Services Fund maintains reserves to assure that core staffing levels are balanced with cyclical needs which mitigate the effects of downturns or rapid increases in development activity. The reserve was established to provide the revenue and policy basis for making changes in staffing and resource levels (both up and down) and to insulate the General Fund from dramatic resource demand swings associated with development cycles. The reserve also allows all functions to respond in advance of forecast work-load increases to continue to meet performance targets and not act as a drag on the development community.

Tools have been developed allowing more comprehensive oversight of service levels and financial performance, and more accurate forecasting of changes in development cycles. These tools are also essential to sustaining service levels and maintaining revenues that are adequate to support the operation and keep fees competitive in our region. When significant changes in workload and permit fee revenues are forecast, changes in staffing and other resources are made to ensure the appropriate alignment between performance, revenue, and expenditures is maintained.

Permit fees collected to support development services follow two primary approaches; hourly rates based on the staff time needed to compete permit review and inspections, and fees based on the calculated value of the permitted work. The hourly rate adjustments for Land Use, Fire, Transportation, and Utilities plan review and inspection reflect the total cost impacts for variable costs and fixed costs such as City-wide overhead, facilities, technology services and administrative services.

The examples below illustrate the results of the Cost of Service Study on two permits subject to hourly rates and reflect the change in overall cost associated with the proposed adjustment for inflation.

Temporary Use Permit - Land Use Review

	<u>Hourly Rate</u>	<u>Review Hours</u>	<u>Flat Fee</u>
2013	\$153	0.8	\$122
2014 Proposed	\$155	0.8	\$124
	Proposed Change in Fee		\$2

Single Family Addition - Utilities Review

	<u>Hourly Rate</u>	<u>Review Hours</u>	<u>Flat Fee</u>
2013	\$132	0.5	\$66
2014 Proposed	\$134	0.5	<u>\$67</u>
		Proposed Change in Fee	\$1

Building Review and Inspection Fees

Valuation-based fees for building review and inspection services are based on two variables: (1) the estimated value of the proposed building, and (2) the fee applied to that value from the permit fee table. Using construction value to set building permit fees has been the industry standard of practice for many years and has generated revenue adequate to support plan review and inspection services for these permits. For Bellevue the method to establish the building project value is established in Ordinance No. 6084 (section 6.2) -- building value will be calculated using building valuation data published by a nationally recognized code organization or other valuation criteria approved by the appropriate Director.

The Building Valuation Data Table (BVD) published and updated by the International Code Council (ICC) and modified by the Marshall & Swift construction value modifier for Washington, are used to establish the building value used to calculate building permit fees. The ICC BVD table and the Washington State modifier are updated on an annual basis to ensure project values remain in alignment with the general cost of construction.

The following adjustments are proposed for building review and inspection fees:

- Adopt the updated building valuation data (BVD) table published by the International Code Council (ICC) to reflect the change in valuation from August, 2012 to August, 2013. *Values derived from the BVD tables are used to determine building permit fees for new buildings.*
- Apply the Washington State modifier of 1.13, which remained constant from July 2012 to July 2013 as published by Marshall & Swift.
- Adjust building review and inspection fees, including permits for electrical, mechanical, and plumbing systems, by CPI-W (1.2%).

The examples below illustrate the change in valuation-based construction fees as a result of the inflation adjustment on two permit types, single family addition and tenant improvement, and show the change in fees for review and inspection services.

**Single Family Addition
\$75,000 valuation, 600 sq ft addition**

2013	\$2,122
2014 Proposed	<u>\$2,190</u>
Proposed Change in Fee	\$68

**Tenant Improvement
\$75,000 valuation**

	\$2,58
2013	0
	\$2,61
2014 Proposed	<u>2</u>
Proposed Change in Fee	\$32

Historical Cost Recovery Adjustments

Through 2009, Development Services review and inspection fees were adjusted to reflect the annual change in the Seattle Consumer Price Index for Wage Earners and Clerical Workers (CPI-W). This provision ensured that review and inspection fees reflected the cost of providing these services.

In 2010 and 2011, exceptions to the Development Services Cost Recovery objectives were made during the economic downturn and no fee adjustments were implemented to minimize costs to the development community through the recession. During this time, Development Services also made cost reductions of \$2.8 million, eliminated 26.25 staff positions, and cut professional services and overtime costs. This strategy mitigated the additional impact to reserves and allowed Development Services to deliver consistent, high-quality services.

Early in 2012, Development Services implemented a partial cost recovery rate adjustment to regain closer alignment between the cost of services and fees charged and to minimize the impact of a three-year rate increase to the development community. Additional cost savings were made, with the reduction of 17 additional FTE positions and M&O costs. However, this required a continued draw on reserves to maintain service levels.

In 2013 the hourly rate and building permit fees were adjusted for full cost recovery to maintain the appropriate alignment between performance, revenue, and expenditures. Development activity in Bellevue was also rebounding from the economic downturn, with strong interest in new projects representing a variety of uses including office, apartments, hotels, and institutional uses. On Aug 5, 2013, Council authorized restoring up to 24 FTE positions in Development Services in anticipation of the development upswing and to meet the growing workload for permit review and inspection services. The additional costs are offset by additional permit fees as a result of increased permit activity. The adjustment of staff and resource levels maintains an appropriate alignment between workload, permit revenues, staffing costs, and service levels. The ongoing success of the development services line of business is based on the ability to respond quickly to shifts in performance, workload, and permit fee revenues as Bellevue travels through development cycles.

Development Services Financial Policies

In 2003, Council endorsed a set of fiscal principles and a new rate management model for development services hourly fees for Land Use, Transportation, Utilities and Fire. Under this model, the cost recovery targets were set based on the type of service being provided, not based on the department providing the service. Overall these policy changes significantly simplified the City’s development services rate model, made it easier to administer, and made it more predictable for the client. This has enabled the City to provide consistent, high quality services that the development community has requested and has been willing to pay for.

Financial Management Guiding Principles

The financial management guiding principles continue to serve as the cornerstone of how the Development Services financial structure is managed. The guiding principles are:

- Fees should be regionally competitive and provide for fast, predictable, high-quality services.
- Permit applicants should pay for the direct services that they receive, adjusted to account for broader community benefits.
- Fiscal management should be development-services wide, not department by department.
- The funding structure should support the management of development services as a line of business, through economic cycles and fluctuations in work-load.
- Fees should be predictable and understandable to the customer.
- The fee system should be efficient and cost-effective to manage.

Cost Recovery Objectives

Setting cost recovery objectives based on the type of service being delivered provides a more understandable and consistent approach for setting fees, with common objectives across departments and functions. This is consistent with the “One-City” philosophy of the Development Services Improvement effort. It also resulted in a model that it is simpler and easier to maintain and update. The cost recovery targets established by the Council are as follows:

Type of Service	Cost	
	Recovery Target	
Policy Development & Public Information	0%	(100% General Fund/Utilities Fund supported)
Land Use Discretionary Review	50%	(50% General Fund supported/50% fee supported)
Engineering Review & Inspection	100%	(100% fee supported)
Technical/Administrative Support	100%	(100% fee supported)

Development Services 2013-2018 Financial Forecast

Office vacancy rates in the central business district are a key indicator of the interest in development activity. After reaching a peak vacancy rate of 16.5% in 2010, vacancy rates have declined to 9.4% in Q2 2013. As such, growth in major project activity is anticipated in the early years of the forecast. Design review applications (an early indicator of development activity) received since 2012 indicate strong interest and demand for major projects. The projected economic growth in the region and the development of Sound Transit light rail in Bellevue, will help drive future commercial and residential development in the city.

Single family development has increased significantly in recent years, and the current level of single family applications is at levels not seen since before the economic downturn. Single family applications are on track for continued growth. Tenant improvements remain a strong category of permit activity, not only in the number of applications but in the valuation of such applications. The level of activity has steadily increased since 2010 and is expected to continue.

As a result of the aforementioned variables, this forecast reflects growth in revenue collections beginning in 2013 and a steady increase in development of major projects throughout the forecast period.

Development Services Fund
Mid-Biennium Development Services Fund Forecast
(in \$000)

	2013 est	2014	2015	2016	2017	2018	2019
Beginning Reserve	\$7,184	\$8,536	\$9,044	\$9,784	\$10,439	\$10,941	\$11,162
Resources:							
Building Fees	\$9,725	\$9,355	\$9,730	\$9,973	\$10,172	\$10,325	\$10,480
Land Use Fees	\$1,436	\$1,659	\$1,725	\$1,768	\$1,804	\$1,831	\$1,858
Fire, Transp. & Utilities Fees	\$3,536	\$4,261	\$4,431	\$4,542	\$4,633	\$4,702	\$4,773
sub: Development Services Fees	\$14,697	\$15,275	\$15,886	\$16,283	\$16,609	\$16,858	\$17,111
Gen Fund Subsidy	\$3,330	\$3,597	\$3,684	\$3,772	\$3,863	\$3,955	\$4,050
Other Revenue/Interest	\$437	\$464	\$471	\$478	\$485	\$494	\$504
Total Resources	\$18,465	\$19,337	\$20,041	\$20,534	\$20,957	\$21,309	\$21,666
Expenditures:							
Building	\$6,740	\$7,463	\$7,702	\$7,933	\$8,163	\$8,416	\$8,685
Land Use	\$2,815	\$3,170	\$3,272	\$3,370	\$3,468	\$3,575	\$3,689
Fire, Transp. & Utilities Development Services	\$2,941	\$3,371	\$3,479	\$3,583	\$3,687	\$3,802	\$3,923
Code Compliance	\$920	\$960	\$990	\$1,020	\$1,050	\$1,082	\$1,117
Administrative/Shared Costs	\$3,326	\$3,639	\$3,756	\$3,868	\$3,981	\$4,104	\$4,235
Technology Initiatives	\$370	\$226	\$103	\$105	\$107	\$109	\$111
Total Expenditures	\$17,113	\$18,829	\$19,301	\$19,879	\$20,455	\$21,088	\$21,761
Ending Reserves	\$8,536	\$9,044	\$9,784	\$10,439	\$10,941	\$11,162	\$11,068

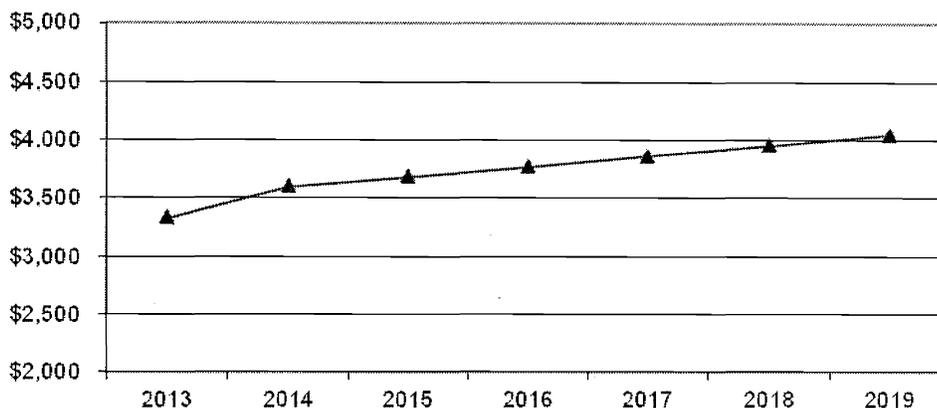
Forecast Drivers and Assumptions

1. Several major mixed use development projects (Lincoln Square II Expansion, Spring District, Bellevue at Main, Soma Tower 2, Bellevue Park II Apartments) are assumed to be in construction in the early years of the forecast. Additional major projects are Hampton Inn, Lake Hills Shopping Center Phase III, Bellevue Office Tower, Bellevue College, Bellevue School district Maintenance Facility and Factoria Transfer Station.
2. The demand for major project activity increased in 2013 as several new projects are in the review process and are assumed to continue through the early forecast years. Interest in new single family homes and existing remodels also continues to grow.
3. The forecast reflects an increase of up to 24 positions (including 6 FTEs in Fire, Transportation and Utilities Departments) beginning in 2013 and continuing in 2014. Consistent with the long-range financial planning effort, changes in resource levels are continually assessed and modified to accommodate the workload and maintain service levels.
4. Development rates are reviewed annually and may be adjusted to assure they are set accordingly to meet cost recovery objectives endorsed by Council. This forecast assumes that rates will grow at an average rate of inflation.

General Fund Subsidy

The General Fund contribution to the Development Services Fund accounts for approximately 2% of the General Fund budget. This contribution (subsidy) supports personnel and M&O costs for programs that have been designated as general funded activities. These programs include Code Compliance and a portion of Land Use. Development Services activities supported by the General Fund include public information, policy development, and approximately 50% of Land Use discretionary review.

General Fund Subsidy Forecast 2013-2019
(\$ in Thousands)



The General Fund contribution to the Development Services Fund is anticipated to grow at an average rate of approximately 2.4% over the forecast period, consistent with inflation projections and growth in personnel costs (e.g. salaries, health benefits, pensions).

Development Services Fund Reserves

The Development Services Fund maintains reserves to assure that core staffing levels are balanced with cyclical needs, thus mitigating the effects of downturns or rapid increases in development activity. Reserves also ensure the Development Services Center, capital equipment, and technology systems are adequately funded when they need replacement or renovation.

Development Services Fund reserves are anticipated to be approximately \$9 million through 2014. This reflects rapid revenue growth in the near future as Bellevue rebounds with strong permit activity. Reserve levels are then assumed to increase from 2015 through 2018 reflecting continued growth in development activity within the forecast period.

Development activity and reserve levels will be closely monitored over the next biennium. Corrective measures will be taken during the forecast period if market conditions warrant doing so.



2013-2018 Financial Forecast Parks Enterprise Fund

Executive Summary:

- The Parks Enterprise Fund forecast assumes that user fee revenue can continue to recover program expenditures over the forecast period.
- The Parks Enterprise Fund continues to meet reserve requirements and fund capital improvements at the golf course, including the proposed redevelopment of the driving range in 2014.
- No new programs or service enhancements have been included in the 2013-2014 Adopted Budget.

Background

The Parks Enterprise Fund accounts for the services provided by the Enterprise Program within the Parks & Community Services Department. These services include golf, tennis, aquatics, adult sports, and facility rentals. Enterprise Programs are fully supported through user fees but attempt to serve all residents regardless of ability to pay through the use of scholarships, sponsorships and fee waivers. The General Fund subsidy was eliminated in the 2011-2012 Adopted Budget, and was historically used to subsidize the Bellevue Aquatic Center.

Parks Enterprise Fund Reserves

Parks Enterprise Fund reserves will be managed within the targeted level of 2-months operating expenses, or approximately \$1.3 to \$1.4M over the forecast period. This reserve helps ensure the fund meets cash flow needs during the winter months when golf course revenues are low.

Enterprise Capital Improvements

The Parks Enterprise program funds the Enterprise Facility Improvements Project (CIP project P-R-2), including capital projects at the Bellevue Golf Course. In addition to regular maintenance projects, the City will continue to improve the golf course driving range to enhance player services and the financial performance of the course. In 2014, the forecast transfers \$1.18M to the CIP to redevelop the driving range funded by user fee revenue generated from the Bellevue Golf Course.



**2013-2018 Financial Forecast
Parks Enterprise Fund**

Parks Enterprise Fund 2013-2018 Financial Forecast (In \$000)						
	2013 Estimate	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast
Resources:						
Beginning Fund Balance	\$1,731	\$1,994	\$1,338	\$1,432	\$1,433	\$1,397
Program Revenue	6,093	6,160	6,221	6,283	6,409	6,537
General Fund Subsidy	0	0	0	0	0	0
Total Resources	\$7,824	\$8,154	\$7,559	\$7,715	\$7,842	\$7,934
	2013 Estimate	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast
Expenditures:						
Personnel	\$1,705	\$1,766	\$1,830	\$1,894	\$1,960	\$2,029
M&O	2,600	2,655	2,708	2,770	2,837	2,908
Interfund Transfer	1,174	1,215	1,239	1,268	1,298	1,330
Capital Transfer	350	1,180	350	350	350	350
Total Expenditures	\$5,829	\$6,816	\$6,127	\$6,282	\$6,445	\$6,617
Reserves:						
Ending Fund Balance	\$1,994	\$1,338	\$1,432	\$1,433	\$1,397	\$1,316

Note: Columns may not foot due to rounding.

Attachment E - General Capital Investment Program Fund

On October 7, Council reviewed the updated 7-year CIP forecast and authorized the Finance Director to borrow up to \$30 million in short-term interfund financing for cash flow needs that arise as a product of “frontloading” the capital plan. These funds will only be drawn as needed and repaid within the 2013-19 CIP in accordance with state law.

As committed to Council, this Mid-Biennium update reflects the work of Council on October 7. No project expenditures have been adjusted or revised since October 7. As such, the Mid-Biennium ordinance will adjust the 2013-2014 appropriation and amend the 7-year plan to reflect the October 7 deliberations:

2013-14 Adopted Appropriation (\$000)*	2013 Appropriation Adjustments to Date (\$000)**	2013-2014 Forecasted Expenditures (\$000)***	Appropriation Adjustment Requested at Mid-Bi (\$000)
\$ 201,712	\$ 571	\$ 233,220	\$ 30,937

*Ordinance No. 6089 adopted on December 3, 2012

**Includes appropriation adjustments for PW-M-2, PW-M-7

***Based on the updated forecast in Attachment E

Pages 2 to 4 contain the detailed 7-year forecast.

Technical changes since October 7, which are now reflected in this attachment, include:

- Through the third quarter of 2013, REET receipts were trending under forecast due to fewer-than-expected high-value real estate transactions. This forecast increases REET revenue in 2013 by \$1.9 to reflect the recent sales that are anticipated to close by year-end (i.e., Bellevue Galleria, Bravern Towers).
- The REET budget was based on historical averages and transaction counts of property sales. Through September 30, the City has collected approximately \$8.0 million of the budgeted \$10.8 million. With the recent sale of the Galleria and Bravern, the REET year-end estimate is now increased to \$12.8 million or \$2.0 million above budget. Ultimately, this forecasted revenue increase reduced the modeled interfund loan potential need to \$28.4 million.
- The New City Hall Parking Garage Redevelopment project (CIP Plan # G-86) has been added as its own project. In the October 7 materials, the project costs were reflected in the East Link MOU project (PW-R-181).
- The repayment of the interfund loan has also been given a project number, G-90 with interest and principal repayment reflected.
- No other changes were made since October 7.

2013-2019 General CIP Plan (Updated through October 18, 2013)
 CIP Revenue Forecast Summary
 Expressed in YOY (\$000)

Attachment E: 2013-2019 Capital Investment Program
Mid-biennium Forecast

Funding Source	2013 Budget	2013 Forecast	2014 Budget	2014 Forecast	2015 Budget	2015 Forecast ²	2016 Budget	2016 Forecast	2017 Budget	2017 Forecast	2018 Budget	2018 Forecast	2019 Budget	2019 Forecast	Total Budget Available	Total Forecast 2013-2019
Beginning Fund Balance	-	9,136	5,139	43,037	-	0	-	0	-	0	-	0	-	11,345	9,136	9,136
Long-Term	41,400	73,502	-	-	-	-	-	-	-	-	-	-	-	-	41,400	73,502
Short-Term	-	-	39,831	28,415	8,700	4,640	-	-	-	-	-	-	-	-	48,531	33,055
LRP (COB Long-Term Debt)	-	8,770	7,000	-	-	-	-	-	-	-	-	-	-	-	7,000	8,770
Debt Financing	\$ 41,400	\$ 82,272	\$ 46,831	\$ 28,415	\$ 8,700	\$ 4,640	\$ -	\$ 96,931	\$ 115,327							
Sales Tax	11,659	11,864	12,248	12,546	12,791	13,151	13,975	13,790	14,679	14,396	15,371	14,951	16,598	15,511	97,321	96,209
B&O Tax	7,156	7,357	7,421	7,700	7,748	8,154	8,068	8,559	8,394	8,961	8,671	9,363	8,969	9,772	56,427	59,867
REET ¹	10,852	12,789	12,535	12,535	13,786	13,786	14,011	14,011	14,060	14,060	13,556	13,556	13,892	13,892	92,692	94,629
Parks Levy	3,389	3,389	3,389	3,389	3,389	3,389	3,389	3,389	3,389	3,389	3,389	3,389	3,389	3,389	23,723	23,723
Major Taxes	\$ 33,056	\$ 35,399	\$ 35,593	\$ 36,170	\$ 37,714	\$ 38,481	\$ 39,443	\$ 39,749	\$ 40,522	\$ 40,807	\$ 40,987	\$ 41,259	\$ 42,848	\$ 42,564	\$ 270,163	\$ 274,428
MVFT	1,424	1,344	1,419	1,352	1,415	1,360	1,411	1,368	1,406	1,377	1,402	1,385	1,394	1,393	9,871	9,579
ST Contribution - Parking Garage Redevelopment	-	-	-	-	-	6,500	-	-	-	-	-	-	-	-	-	6,500
King County Contribution	480	1,380	900	-	-	-	-	-	-	-	-	-	-	-	1,380	1,380
Redmond Contributions	-	302	-	-	-	-	-	-	-	-	-	-	-	-	300	302
WSDOT Contributions	4,247	784	2,491	6,439	-	-	-	-	-	-	-	-	-	-	7,223	7,223
Grants	7,728	4,924	7,034	9,461	3,101	2,601	-	-	-	-	-	-	4,000	4,000	21,175	20,986
Point Communities	130	130	129	129	129	129	129	129	129	129	129	129	129	129	904	904
Intergovernmental	\$ 14,009	\$ 8,864	\$ 11,973	\$ 17,381	\$ 4,645	\$ 10,590	\$ 1,540	\$ 1,497	\$ 1,535	\$ 1,506	\$ 1,531	\$ 1,514	\$ 5,523	\$ 5,522	\$ 40,853	\$ 46,874
Private Contributions	-	31	-	-	-	-	-	-	-	-	-	-	-	-	-	31
Special Benefit Offset/LID	5,200	-	846	-	1,656	-	-	-	-	-	-	-	-	-	7,702	-
Impact Fees	3,300	4,377	3,690	3,690	4,140	4,140	6,900	6,900	7,110	7,110	7,320	7,320	7,540	6,825	40,362	40,362
Fundraising	1,500	2,510	2,000	3,295	-	1,500	-	-	-	-	-	-	-	-	4,111	7,305
Facility Leases	60	60	60	60	60	60	60	60	60	60	60	60	60	60	420	420
PWTF Loan	2,900	-	-	-	-	-	-	-	-	-	-	-	-	-	2,900	-
Enterprise Fund Contribution	350	200	350	1,360	350	350	350	350	350	350	350	350	350	350	2,450	3,310
Miscellaneous	\$ 13,310	\$ 7,178	\$ 6,946	\$ 8,405	\$ 6,206	\$ 6,050	\$ 7,310	\$ 7,310	\$ 7,520	\$ 7,520	\$ 7,730	\$ 7,730	\$ 7,950	\$ 7,235	\$ 57,945	\$ 51,428
Grand Total Revenues	\$ 101,775	\$ 142,849	\$ 106,482	\$ 133,408	\$ 57,265	\$ 59,761	\$ 48,293	\$ 48,556	\$ 49,577	\$ 49,833	\$ 50,248	\$ 50,503	\$ 56,321	\$ 66,665	\$ 475,027	\$ 497,193
w/o BFB	133,713	90,371	101,343	90,371	57,265	59,761	48,293	48,556	49,577	49,833	50,248	50,503	56,321	55,321	474,996	481,600
Grand Total Expenditures including Debt	96,635	99,812	105,648	133,408	57,233	59,761	48,305	48,556	49,566	49,833	50,262	39,159	50,375	51,072	474,996	481,600
Revenue less Expenditure	\$ 5,139	\$ 43,037	\$ 0	\$ 0	\$ 32	\$ 0	\$ (12)	\$ 0	\$ 11	\$ 0	\$ (14)	\$ 11,345	\$ (54)	\$ 15,593	\$ 32	\$ 15,593

¹Staff has reviewed all CIP revenue sources to ensure the forecast considers current economic events. Recent real estate transactions (e.g., Bellevue Galleria, Bravern Towers) have been contemplated in the 2013 Real Estate Excise Tax estimate, increasing the forecast from the October 7, 2013 estimate by \$1.9 million. In increasing the 2013 REET estimate to reflect recent transactions, the interfund loan borrowing for 2014 models to \$28.4 million. Council authorized the Finance Director to borrow up to \$30 million as needed, if revenue receipts exceed forecast or expenditures are lower than forecast, the interfund borrowing will be adjusted accordingly.

²Forecast 2015 models a small cash flow borrowing of up to \$4M. This model assumes 100% expenditure assumption rate, which the City has not historically met.

Attachment E: 2013-2019 Capital Investment Program
Mid-biennium Forecast

2013-2019 General CIP Plan (Updated through October 18, 2013)
 CIP Expenditure Forecast Summary
 Expressed in TOE (\$000)

Project Number	Project Name	2012 Carryforward	2013 Budget	2013 Forecast	2014 Budget	2014 Forecast	2015 Budget	2015 Forecast	2016 Budget	2016 Forecast	2017 Budget	2017 Forecast	2018 Budget	2018 Forecast	2019 Budget	2019 Forecast	Total 2013-2019 Budget Available	Total 2013-2019 Forecast	Total Projected Variance (Positive = Over Budget)
Innovative, Vibrant and Caring Community																			
P-AD-82	Parks & Open Space Acquisition - 2008 Parks Levy	(615)	545	545	900	900	1,500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	6,430	6,945	515
P-AD-83	Bellevue Airfield Park Development - 2008 Parks Levy	160	800	-	500	500	-	-	-	-	-	-	-	-	-	-	1,460	1,300	(160)
P-AD-86	Surrey Downs Parks Development - 2008 Parks Levy	(1)	-	200	300	5,000	2,700	800	-	-	-	-	-	-	-	-	2,989	6,000	3,001
P-AD-87	Downtown Park Development - 2008 Parks Levy	(101)	500	200	2,000	800	2,500	1,500	-	-	-	-	-	-	-	-	4,899	5,000	101
P-AD-85	Bellevue Botanical Garden Dev. - 2008 Parks Levy	8	5,000	7,000	5,000	3,000	-	-	-	-	-	-	-	-	-	-	10,008	10,000	(8)
P-AD-90	New Youth Theatre - 2008 Parks Levy	(60)	4,000	3,500	4,500	5,300	-	-	-	-	-	-	-	-	-	-	8,440	8,800	360
P-AD-79	King County Open Space & Trails Levy	(43)	312	312	-	-	-	-	-	-	-	-	-	-	-	-	269	312	43
P-AD-27	Park Planning & Design	55	300	300	300	300	-	-	-	-	-	-	-	-	-	-	655	600	(55)
P-R-2	Enterprise Facility Improvements	(48)	380	200	380	1,360	380	380	380	380	380	380	380	380	380	380	2,612	3,460	848
P-R-11	Renov & Refurb of Park Facilities	178	3,870	3,870	4,040	4,040	4,270	4,450	4,450	4,450	4,720	4,720	4,837	4,837	4,837	4,837	31,362	31,184	(178)
P-AD-82	Meydenbauer Bay Park Development	(27)	500	500	500	500	500	500	500	500	500	500	500	500	500	500	9,000	12,000	3,000
CD-11	Enhanced ROW and Urban Bldgs	24	350	350	350	350	350	350	350	350	350	350	350	350	350	350	3,473	3,500	27
PV-WB-48	Public Art Program	63	100	163	100	100	100	100	100	100	100	100	100	100	100	100	2,474	2,450	(24)
PV-WB-49	Wheelchair Ramps																763	763	0
	Total Innovative, Vibrant and Caring Community	(\$306)	\$ 16,657	\$ 17,240	\$ 18,870	\$ 23,150	\$ 12,500	\$ 8,820	\$ 7,320	\$ 8,820	\$ 7,550	\$ 7,550	\$ 11,167	\$ 11,167	\$ 11,087	\$ 11,087	\$ 84,845	\$ 92,314	\$ 7,469
Quality Neighborhoods																			
P-AD-88	Neighborhood Park Development - 2008 Parks Levy	(5)	300	600	1,800	1,200	100	1,800	1,800	1,800	300	300	-	-	-	-	4,285	4,000	(285)
MIS-2	Neighborhood Partnerships	52	100	100	100	100	100	100	100	100	100	100	100	100	100	100	752	700	(52)
	Total Quality Neighborhoods	\$ 47	\$ 400	\$ 700	\$ 1,900	\$ 1,300	\$ 200	\$ 1,900	\$ 1,900	\$ 1,900	\$ 400	\$ 400	\$ 100	\$ 100	\$ 100	\$ 100	\$ 5,047	\$ 4,700	(\$347)
Safe Community																			
PS-16	Renovation of Public Safety Facilities	1,470	798	2,268	713	713	742	742	772	772	803	803	819	819	835	835	6,952	6,952	(0)
PS-16	Fire Station Emergency Generators	-	100	100	100	100	100	100	100	100	100	100	100	100	100	100	700	700	-
PS-61	Downtown Fire Station	-	200	200	-	-	-	-	-	-	-	-	-	-	-	-	200	200	-
PV-M-19	Major Maintenance Program	123	900	1,387	922	593	843	908	864	964	989	989	1,013	1,013	1,039	1,039	6,892	6,893	0
	Total Safe Community	\$ 1,593	\$ 1,998	\$ 3,955	\$ 1,735	\$ 1,406	\$ 1,785	\$ 1,750	\$ 1,836	\$ 1,836	\$ 1,892	\$ 1,892	\$ 1,932	\$ 1,932	\$ 1,974	\$ 1,974	\$ 14,745	\$ 14,745	(\$0)
Responsive Government																			
G-57	Enterprise Content Management	82	138	220	137	137	-	-	-	-	-	-	-	-	-	-	357	357	0
G-84	Relocation of Courts from Surrey Downs	(17)	1,310	210	3,070	4,170	75	75	-	-	-	-	-	-	-	-	4,438	4,455	17
G-86	City Hall Parking Garage Redevelopment	-	-	-	4,000	4,000	-	3,100	-	-	-	-	-	-	-	-	7,100	7,100	-
G-59	JDE System Upgrade and Enhancements	-	274	274	64	88	-	-	-	-	-	-	-	-	-	-	338	372	34
G-58	Business Tax and License System Replacement	34	66	100	-	28	-	-	-	-	-	-	-	-	-	-	100	128	28
G-88	Joint City License and Tax Portal	-	143	143	141	141	139	137	137	137	135	135	-	-	-	-	685	695	10
PV-M-15	Wetland Monitoring	5	10	15	10	10	15	15	-	-	-	-	-	-	-	-	40	40	0
	Total Responsive Government	\$ 105	\$ 1,941	\$ 962	\$ 3,422	\$ 6,584	\$ 229	\$ 3,329	\$ 137	\$ 137	\$ 135	\$ 135	\$ -	\$ -	\$ -	\$ -	\$ 5,969	\$ 13,147	\$ 7,178
	Grand Total Expenditures	\$ 10,971	\$ 96,635	\$ 99,212	\$ 105,648	\$ 133,408	\$ 57,233	\$ 53,781	\$ 48,305	\$ 48,556	\$ 49,566	\$ 49,833	\$ 50,262	\$ 39,159	\$ 56,375	\$ 51,072	\$ 474,996	\$ 481,600	\$ 6,605

*Expenditure forecast includes \$6.5 million for the redevelopment of City Hall East Garage and \$800 thousand for the development of a temporary parking. The adopted 2013-19 CIP had \$1 million budgeted for temporary parking needs during East Link MOU implementation, of which \$800 thousand has been transferred to this project.

ATTACHMENT F Utilities' Financial Policy Updates

INTRODUCTION

The Waterworks Utility is the financial consolidation of the Sewer, Storm & Surface Water and Water Utilities of the City of Bellevue for debt rating and coverage purposes as established in Ordinance No.'s 2169, 2845, 3158 and 4568. It pledges the strengths and revenues of the three separate Utilities for the common financial good while keeping each Utility financially separate for budgeting, rate-setting, revenues, expenditures, debt and accounting.

These "Financial Policies" apply uniformly to the Sewer, Storm & Surface Water and Water Utilities with few, unique exceptions which are identified separately. This update reflects changes consistent with current long-range financial planning, particularly with regard to renewal and replacement funding, the use of debt and rate policies. They supersede the Financial Policies, which were adopted under Resolution No. 5967 in 1995.

These policies do not stand-alone. They must be taken in context with the other major City and Utilities documents and processes. For instance, each Utility has its own System Comprehensive Plan, which documents its unique objectives, planning, operations and capital needs. These System Comprehensive Plans have historically had a 20-year planning horizon. Future System Comprehensive Plans will need to evaluate long term renewal and replacement of aging facilities, much of which were constructed in the 1950's and 1960's during periods of high growth rates and are approaching the end of their useful life. Life cycle costs should be considered in planning the future capital facilities and infrastructure needs.

The City has a seven-year City-wide Capital Investment Program (CIP) Plan which is updated with each biennial budget cycle. All major City capital projects are included. Generally, they are described as over \$25,000; involving new physical construction, reconstruction or replacement; and involving City funding. The CIP identifies the level and source of funding for each project. The CIP includes specific sections for each Utility which identify near-term capital projects consistent with each current Utility System Comprehensive Plan and several projects of general scope including renewal and rehabilitation, capital upgrades, response to growth and other system needs.

I. GENERAL POLICIES

C. Comprehensive Planning Policies

The Water Utility System Plan shall be updated every six years as required by state statute; the Wastewater and Storm & Surface Water System Comprehensive Plans for the Water and Sewer Utilities shall be ~~completed or updated~~ as required by changed conditions or state statute, generally ~~between~~ every six to ten years. All Utility system plans shall use, ~~using~~ a 20-year planning horizon or greater, and shall ~~considering~~ life cycle costs to identify funding needs. Studies to analyze specific geographic areas or issues, such as ~~Comprehensive Storm & Surface Water sub-basin plans, Wastewater capacity and flow studies, or Water pressure zone studies~~ System Plans and individual Storm & Surface Water Basin Plans will be completed ~~and updated~~ as required using similar criteria for planning infrastructure needs.

Substantial portions of the City utility systems were constructed in the 1950's and 1960's. These systems are approaching the end of their useful life as illustrated on the following Exhibit 1 - Watermain Replacement Spending and Exhibit 2 - Sewermain Replacement Spending. The storm & surface water infrastructure is of similar age but has not been graphed. It most likely has a relatively shorter expected life span. The object is to determine and follow a survivor curve replacement schedule rather than the replacement schedule based on age alone. Assumptions for survivor curves and useful lives are revisited periodically. These were assessed in 2004 and updated for the most recent engineering and financial findings. Significant changes include the adjustment of replacement costs to current price levels, categorization of pipe assets based on expected useful lives, and replacement of major non-pipe Utility assets such as pump stations and reservoirs. The Exhibits illustrate an example survival replacement curve based on preliminary estimates only. As real needs are determined, they will replace the estimated curves.

Renewal and/or replacement will require substantial reinvestment in the future and have major rate impacts if large portions of the systems have to be replaced in relatively short periods of time. The actual useful life of underground utilities is difficult to determine and the best available data is needed to be able to plan for the orderly and timely renewal and/or replacement. For this purpose, the comprehensive plans need to have at least 20 year planning horizons and must address the aging of the Utility systems.

Long term ~~comprehensive-system~~ planning for the Utility systems is required in order to assure that ~~the~~ future financial needs are anticipated and equitable funding plans can be developed. In order to keep funding plans current, ~~comprehensive-utility system~~ plans need to be updated ~~approximately every between every six and ten years.~~ State law requires six years for water system plans. Wastewater system plans are not mandated to be updated on a six year cycle, however updating them between six and ten years is the common standard of practice. Stormwater system plans similarly have no state or federal mandate for updating, however with the implementation of the NPDES General Permit, it is reasonable to expect significant changes within two 5-year permit terms to warrant a system plan update. Depending on the significance of the changes, the Storm system plan may require updating sooner than after two 5-year permit cycles. (as required by State law for water and sewer comprehensive system plans 5-year municipal stormwater pterms the & surface). These Financial Policies will ~~then~~ be reviewed and updated as needed.



BUDGET MONITORING REPORT

For the period from January 1 through September 30, 2013

Summary Overview

This report presents revenues and expenditures for the General Fund, General Capital Investment Program Fund, Development Services Fund and the Utilities Operating and Utilities CIP Funds.

The purpose of the report is to compare actual expenditures and revenues and year-end projections to the 2013-2014 Adopted Budget, to discuss reasons for variance and to convey the local and national economic outlook.

As of the end of September, General Fund revenue and expenditure collections are tracking very closely to the overall budget with year-end expenditures projected to be slightly below year-end revenue.

The regional and local economy appears to be outpacing the slow growth of the national economy.

U.S. Economy

The partial shutdown of the Federal Government and the mandatory furloughs of “non-essential workers” which ended on Friday, October 18th, is credited with causing a decline in indexes of consumer confidence (Washington Economic Review and Forecast Council—October 2013). Indexes of consumer confidence measure the perceptions of consumers and are an important leading indicator for overall economic health.

One of the largest threats to the economy is the uncertainty around future Federal Government budgetary struggles and debt ceiling discussions. The recovery is prolonged by uncertainty and while the Federal Government has “re-opened”, the battle is likely to recommence in January.

The revised figure for Gross Domestic Product growth for the second quarter of 2013 remains at 2.5% annually (WA ERFC). Since

Performance at a Glance

Pg. 3	General Fund Revenue Projection vs Expenditure Projection	+
Pg. 4	General Fund Revenue Performance as Compared to Budget	+
Pg. 5	General CIP Revenue Projection vs. Expenditure Projection	+
Pg. 6	Development Services Revenue Projection vs Expenditure Projection	+
Pg. 7	Utilities Operating Funds Revenue Projection vs Expenditure Projection	+
Pg. 7	Utilities CIP Revenue Projection vs Expenditure Projection	+

Legend:

+	Positive variance or negative variance < 1%
o	Negative variance of 1-4%
-	Negative variance of > 4%

1970, the average real growth rate for GDP has been 2.8%. The average GDP real growth rate excluding recessions since 1970 is 3.6% (Puget Sound Economic Forecaster, March 2013). The national economy continues to grow, albeit slowly and faces some risks, primarily from the Federal Government.

The national unemployment rate was 7.2% in September, slightly above the Washington state unemployment rate of 7.0% (Bureau of Labor Statistics).

City of Bellevue Budget Monitoring Report

January 1 to September 30, 2013

Regional Economy

In October, the Puget Sound region is expected to return to the same level of payroll employment as the last peak attained in February 2008 (PSEF—September 2013). This is good news, however, Boeing, a major economic driver in the region and the number one employer has reached peak hiring. This is expected to slow the growth of the regional economy in coming years, although the local economy will likely still outpace national growth.

Retail sales, fueled primarily by construction, have picked up dramatically and growth is expected to be at the fastest rate since the late 1990s, however some of this projected growth is due to inflation (Puget Sound Economic Forecaster—September 2013). During the Great Recession, taxable construction spending, which is an important component of retail sales, declined by 43%, but has since rebounded 31%. This is a good sign, but also indicates that we are not yet fully recovered.

The Puget Sound region unemployment rate is expected to be down to 5.7% by the end of 2013.

Bellevue Economy

In addition to major construction projects such as the Bellevue Square expansion and the Bellevue Center Office building, the recent sale of several downtown parcels indicates more construction is likely to begin. The Bellevue Galleria sold for \$88 million and a parcel at Washington Square sold for \$24 million in the past couple months. In addition, there are two major projects currently under construction: Soma Tower Phase 1 and the Marriot Hotel. While this growth is good for the local economy, there is a lag between construction and the receipt of sales tax for the City of Bellevue.

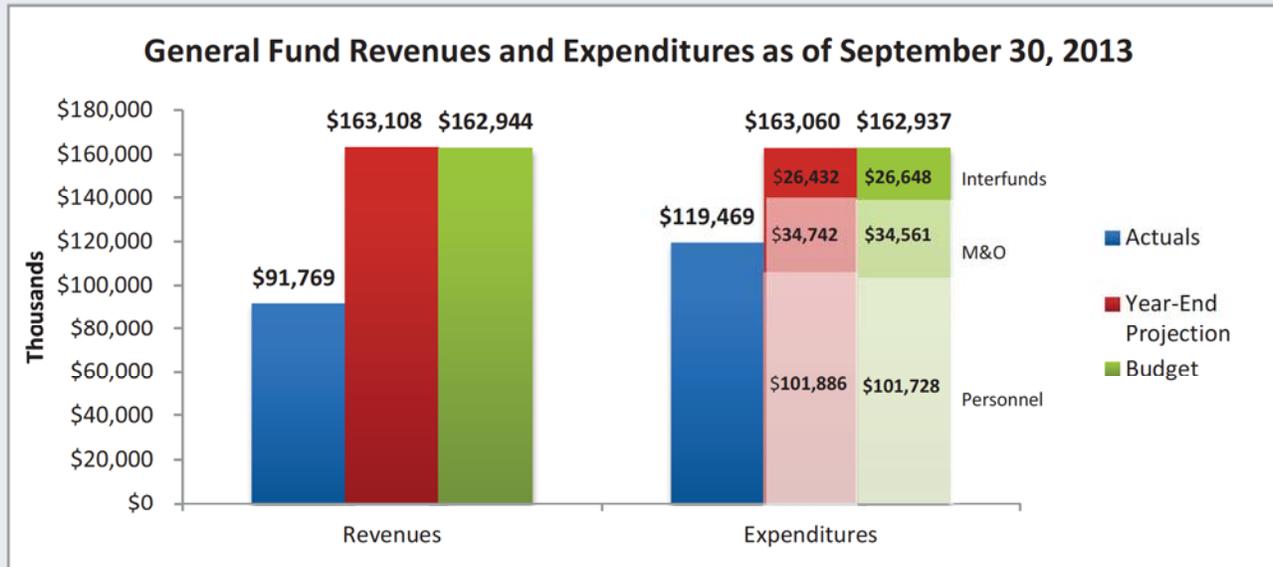
The downtown Bellevue office vacancy rate was down to 11.3% and lease rates continue to rise (Cushman and Wakefield—Q2 2013 Office Snapshot). The drop in vacancy rates and the rise in rents is likely the driving factor behind the construction of new office space downtown and the sale of large parcels.

Puget Sound Annual Percent Change			
	<u>2011</u> Actual	<u>2012</u> Actual	<u>2013</u> Projected
% Change in Employment	1.7%	2.3%	2.8%
% Change in Personal Income	5.3%	4.2%	4.2%
% Change in Housing Permits	10.5%	52.2%	31.4%
% Change in Average Home Price	(9.6)%	3.5%	11.1%
% Change in Taxable Retail Sales	2.5%	6.1%	8.7%
<i>* Source: Puget Sound Economic Forecaster—September 2013</i>			

City of Bellevue Budget Monitoring Report

January 1 to September 30, 2013

GENERAL FUND PERFORMANCE



NOTE: The above graph illustrates the difference between year-to-date revenue collections and expenditures through September, current year-end estimates, and adopted budget. Due to the time lag between earning and receiving some major taxes, year-to-date revenue is less than actual third quarter activities. Expenditures are based on actual activities performed during the third quarter. Also, an accounting categorization change has resulted in the shift of some dollars from M&O to personnel since second quarter, however the total budget has not changed.

Revenue

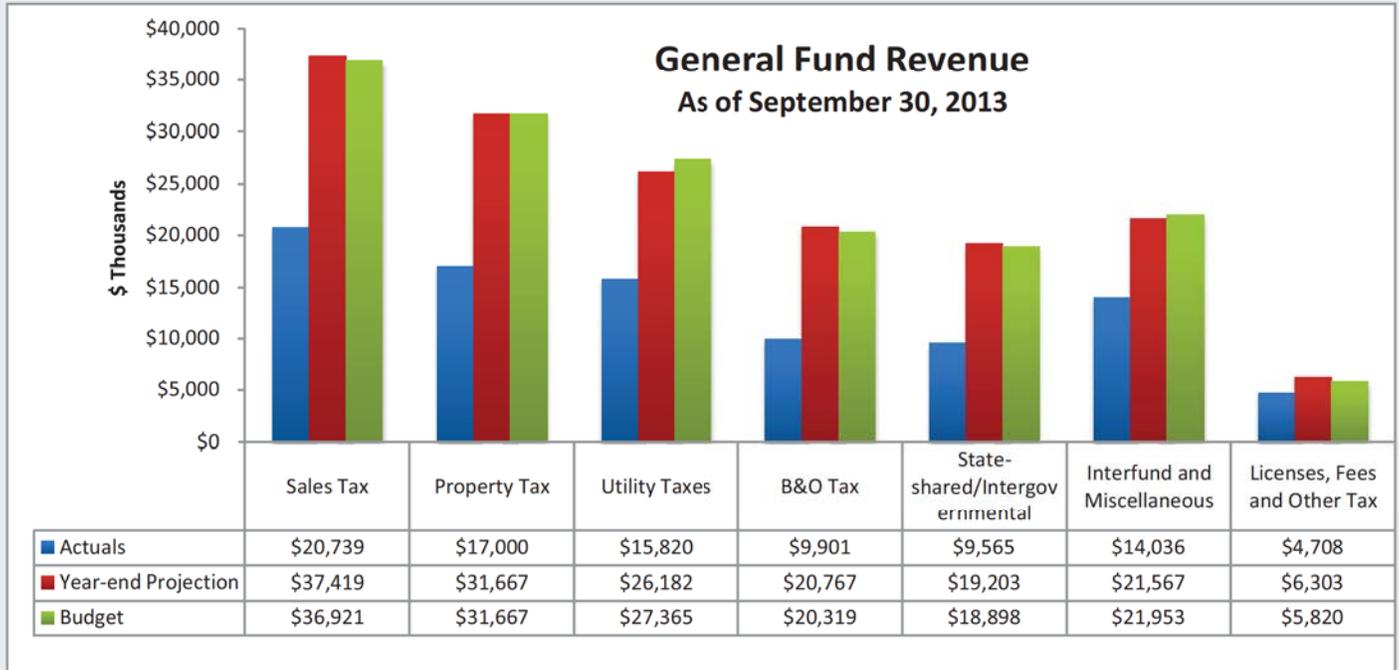
Expenditures are tracking very closely with overall revenue. Year-end expenditure projections are forecasted to come within 0.03% below estimated revenue at year-end.

Revenues are tracking slightly above budget primarily due to strong sales tax and Business & Occupation tax. However, offsetting the higher than budgeted collection of sales and B&O tax is lower than expected collection of electric utility taxes. See page four for a detailed analysis of major revenue streams.

Expenditures

Expenditure projections are tracking closely to budget. The slight overages projected in personnel are due to one time retirement and transition costs. The interfund savings projected are due primarily to the reorganization of the streets function into the General Fund. Since reserves (not shown above) are appropriated, there is sufficient authority to cover the slightly over-expenditure projected.

GENERAL FUND PERFORMANCE



NOTE: The above graph shows actual collections through September, year-end estimates, and adopted budget. Due to the time lag between earning and receiving some major tax collections, year-to-date actuals are less than actual third quarter activities and year-end projections are based on the limited information available to date.

Tax Revenues

Sales Tax and B&O Tax:

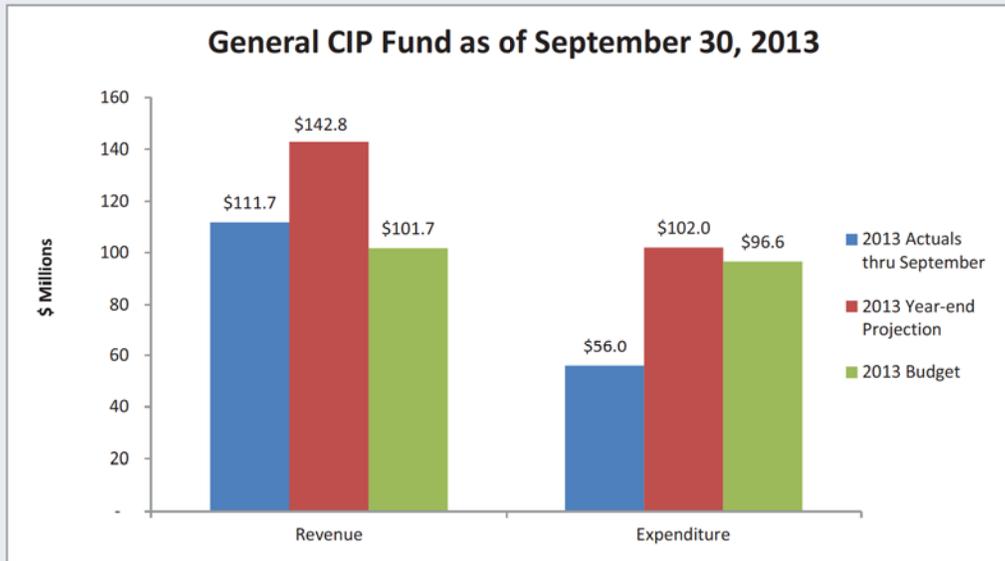
Year to date sales tax is within 1% of forecast and the year-end projection is about 1% over the 2013 budget. However, month to month collections have been highly volatile: the first three months were stronger than expected and the last two months were weaker than expected. The volatility in the sales tax trend has continued with higher than forecast sales tax collections in August. Sectors that have been leading the year have been construction, which is up 24% to date, professional services which is up 24% and auto sales and parts which is up 8% year to date.

Business and Occupation tax is highly correlated to sales tax and is also expected to be slightly above-budget.

Utility Taxes:

Utility taxes have been trending down since the beginning of 2012. While City of Bellevue Water, Sewer and Storm Water utility taxes are on budget, the non-City utility taxes performing under-budget. Non-City Utility tax collection decreases are due to conservation efforts, including energy efficient appliances and heating systems and weather patterns which have all reduced overall demand. Telephone and cell phone utility taxes are trending down due to fewer land lines and wireless carriers changing their fee structure to more data plans, which are not taxed, and fewer voice plans, which are taxed.

GENERAL CIP PERFORMANCE



NOTE: The above graph illustrates the difference between year-to-date resource collections and expenditures through September, current year-end estimates, and adopted budget. Due to the time lag between earning and receiving some major tax collections, year-to-date actuals are less than actual third quarter activities. Expenditures are based on actual activities performed during the third quarter.

Resources

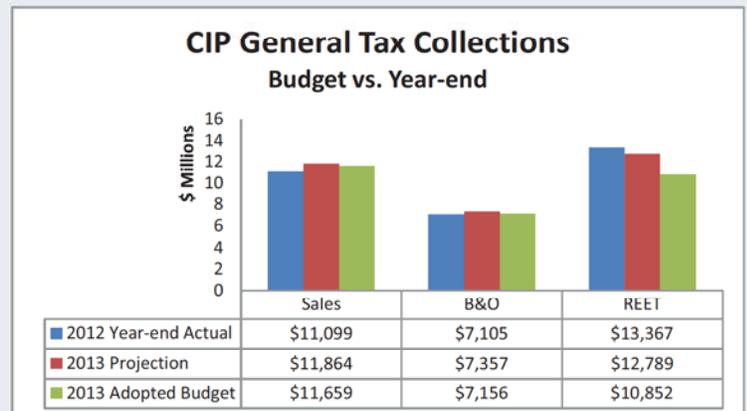
Bonds: Total revenues are projected to be \$45.5 million (45%) over budget for 2013, due to the receipt of LTGO bond proceeds in advance of budget.

General Taxes: Sales tax and B&O tax collections are projected to slightly above budget. Real Estate Excise Tax is projected to be 18% greater than budget due to the increasing pace of high-value real estate transactions towards year-end

Other Revenues: Intergovernmental revenues (i.e., grants and contributions from other jurisdictions) are projected to be under budget by roughly \$6 million (43%), which includes the loss of the Public Works Trust Fund revenue from the State of Washington.

Cash Flow Borrowing

Current projections indicate that resources will be sufficient to support projected expenditures in 2013; however, as authorized by Council on October 7, the preliminary 2014 outlook requires up to \$30 million in short-term interfund cash flow borrowing. This borrowing will occur only on an "as needed" basis and will be repaid within three years.



Expenditures

CIP expenditures are projected to be approximately \$102 million at year-end, or 106% of budget. This estimate is higher than the long run historical average, due primarily to the start of many large scale construction projects (e.g., Bellevue Botanical Gardens, Bellevue Youth Theatre, West Lake Sammamish Pkwy Phase 1) and the acceleration of other project expenditures.

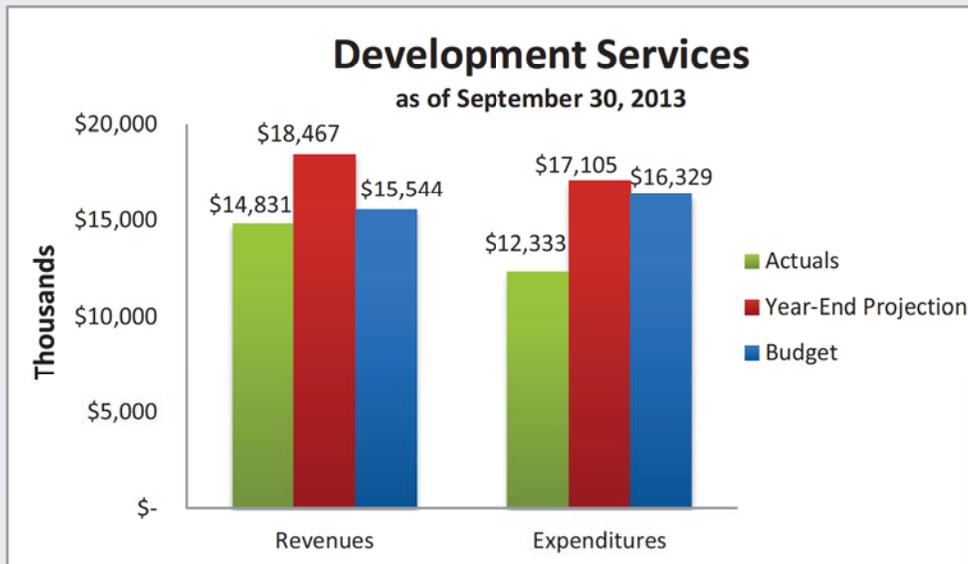
DEVELOPMENT SERVICES PERFORMANCE



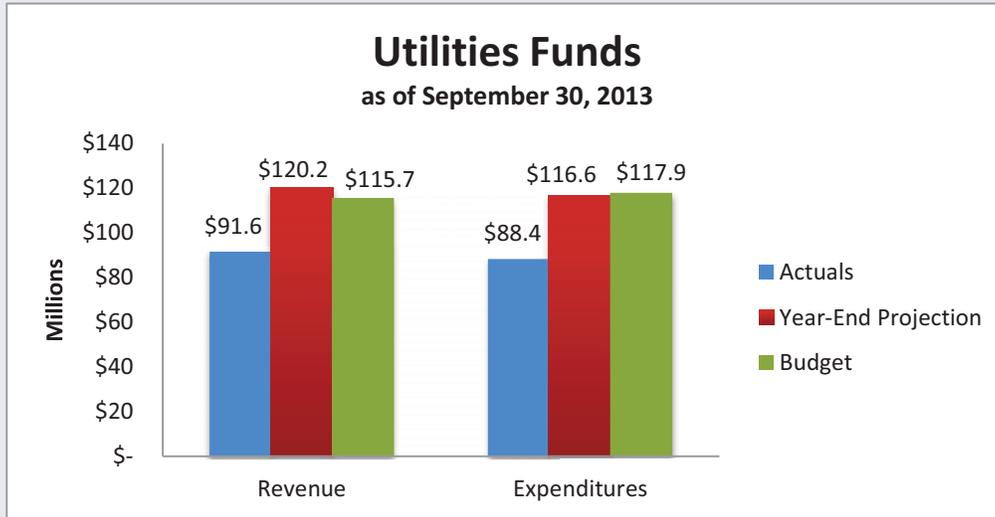
Design for the Soma Towers at 200 106th Avenue NE

Development Services revenue collections are above anticipated levels in Q3, largely due to applications for major projects. Economic growth continues to improve as permit applications are increasing in valuation size and scope. Permit applications are 13% higher than this time last year and the trend is anticipated to continue

through year-end. Development Services expenditure projections reflect cost increases for additional staff necessary to meet the workload demand. Additional revenues are anticipated to cover expenditures and sufficient budget authority exists to for 2013 since fund balance is part of the appropriation.



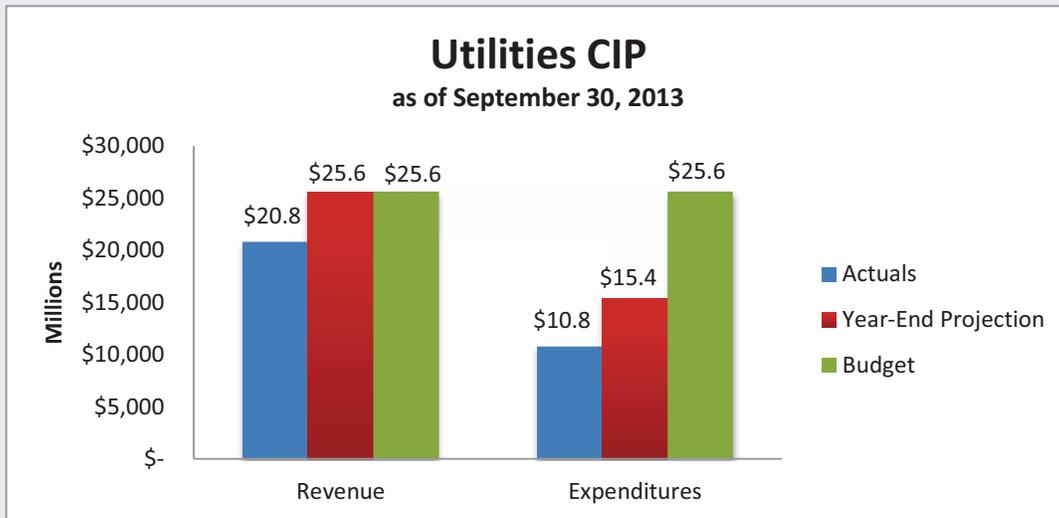
UTILITIES PERFORMANCE



Utility revenues are projected to be above budget by about \$4.5 million due primarily to water and wastewater service revenues exceeding expectations. Expenditures are expected to be under

budget by about \$1.2 million due primarily to staff vacancies and delayed capital equipment purchases which will need to be made in 2014.

UTILITIES CIP



Utility revenues are projected to be at budget by year-end (the budget above is presented net of reserves and carry-forwards). Expenditures are expected to be under budget by about \$10.2 million due primarily to delays to accommodate coordination with other projects and consolidation of projects to attract more favorable bid pricing,

but partially offset by the acceleration of other projects. The majority of the variance between projected revenue and expenditures will need to be carried forward to cover projects which have been delayed into 2014.



2014 Budget Proposal for the City of Bellevue

Background

The City's contribution of \$50,800 in 2013 generated significant ROI for Bellevue. As noted in the [2013 Program Results](#), tourism continues to generate significant economic impact to the City of Bellevue. As a part of our 2013 request to the City of Bellevue, we asked you to consider continuing as a funding partner in 2014 to help continue to grow a robust visitor program for Bellevue.

As noted in the recent *"Progress Report on the Economic Development Strategic Plan,"* presented to the City Council on October 14, 2013, the Tourism & Visitor sector is in the top five major industry employment sectors in Bellevue. Your investment in helping Visit Bellevue Washington expand our reach and attract new visitors and their spending to Bellevue will be a fundamental piece of Bellevue's economic development plan for the future. We are requesting funding of two specific efforts in 2014.

1. Continue expanded distribution of Bellevue Visitor Guide to key outer markets (\$24,000)

This investment will allow us to maintain the expanded distribution for one more year. As we plan for 2015, we will reexamine our contract with publishing partner SagaCity Media and identify strategies to cover the cost of expanded distribution in our advertising rate structure going forward.

2. Conduct additional market research specific to the leisure traveler (\$27,000)

In 2010, VBW hired Destination Analysts (a tourism industry research leader) to conduct market research to help define our target market, market position and messaging. The research findings have been fundamental to creating the VBW program. We believe 2014 (5 years after the initial research) is the time to conduct additional market research with visitors. The purpose is to better understand who is visiting, what they are doing while here and their perceptions of Bellevue as a place to visit. We envision this research being used by Visit Bellevue Washington to shape messaging and destination development. There are a variety of ways to approach this research project and Destination Analysts has offered a range of options to consider within our targeted budget. As we scope the project we will work with City staff to develop specific research that would complement work on any potential future Tourism Master Planning effort.

Request for 2014 Support

Continued investment in Visit Bellevue Washington via the requested program enhancements should be considered as part of a broader economic development program for the City. The programs listed above are areas where the City can continue to partner with other stakeholders to support VBW by investing in specific programs that extend VBW's ability to bring visitors to Bellevue. **The combined 2014 request totals \$51,000.**

Visit Bellevue Washington is supported using a combination of marketing funds in partnership with local stakeholders who have invested in the programs through affiliate fees, sponsorships and advertising generated to date. Of **VBW's overall 2014 marketing budget of \$726,000, \$266,474 is directed to the leisure market** with the balance targeting convention planners. This total budget for 2014 currently includes the funding requested from the City.



2013 Program Results

Visit Bellevue Washington (VBW) was granted funds in 2013 to complete a series of projects to enhance and expand our efforts to attract visitors to Bellevue and promote economic growth and vitality, while generating additional tax revenue for the City of Bellevue. This report outlines the program results for 2013.

Background

Visit Bellevue Washington, Bellevue’s official Destination Marketing Organization, was created to bridge the gap between those interested in visiting Bellevue for business, conventions or leisure reasons and access to information about the destination.

The strategic model for Visit Bellevue Washington focuses on four key areas to attract the visitor:

- Informing, educating and advising visitors to what Bellevue has to offer
- Disseminating travel planning information to key audiences
- Serving as a clearinghouse for questions and assistance
- Providing a platform and resource to assist community partners in developing their own complementary message/effort in attracting the visitor

Visitor Impact – Why Bellevue Invests in Attracting Visitors?

Bellevue’s *Visitor Impact Model* was developed by Visit Bellevue Washington using methodologies used throughout the destination marketing industry to estimate visitor volumes and spending. As the table below demonstrates, 2012 estimates of visitor impacts are up significantly over 2011 and we anticipate 2013 to show continued growth.

Members of Bellevue’s hotel community feel the increases are reflective of the growth in Bellevue’s weekend business driven by weekend group hotel business and the increased desirability of Bellevue’s destination amenities such as dining, shopping, activities, and attractions. Combined impacts of higher occupancy, higher rate, and more visitors in turn contributed to significant increase in visitor spending, employment impacts and tourism related tax revenues.

Bellevue Visitor Impacts	2011	2012	% change
Occupancy Rate – Eastside Hotels	68.4%	71.5%	4.5%
Annual Estimated Visitors	1,252,000	1,338,744	6%
Annual Estimated Visitor Spending	\$531,917,786	\$620,522,676	17%
Local and State Tax Generation	\$48,617,562	\$56,890,177	17%
Total Employment	7,634	9,759	29%
Wages Generated by Tourism Related Jobs	\$263,373,000	\$336,685,500	29%

Note: Estimates for Tourism Impacts in Bellevue are based on reported hotel occupancies and rates, length of stay and group size. Average spending per person per day values are based on the Dean Runyan Associates study for Seattle/King County.



In addition to key outcome measures of tourism impacts, Visit Bellevue Washington tracks key process measures related to the work of the organization.

Leisure Marketing Metrics	2011	2012 YTD / YE	2013 YTD Sept	% change
Media Mentions-Earned Media	\$299,525	\$212,196 / \$320,202	\$269,573	21% YTD
Website Visits	15,580	29,865 / 40,704	70,487	58% YTD
Website Visits Monthly Avg	1,298	3,392	7,832	62%
Facebook "Likes"	323	517	667	38%
Affiliates (includes 22 hotels)	46	66	78	30%

Local partners are key to the success of the program and help to generate these results.

Current VBW funding and partners who also participate in VBW include:

- Hotel/motel taxes collected by Bellevue hotels
- Cooperative partnerships (Co-op Advertising and Sponsorships)
- Affiliate fees—(retail, restaurant, area attractions, etc.)
- Commissions generated by online advertising
- Meydenbauer Center funding (operating revenues)

2013 Leisure Visitor Funding by the City of Bellevue - Program Progress Report

The City of Bellevue funded specific program enhancements in partnership with VBW in the amount of \$50,800. The programs were funded as part of a broader economic development program for the city to help foster economic growth by attracting more visitors.

In 2013, City funding helped to:

- Extend VBW website capabilities
 - Create an online community-wide calendar of events
 - Translate website content
- Provide expanded distribution of the Bellevue Visitor Guide to key markets
- Expand marketing to international tourists
- Employ the use of search engine marketing to reach out to international tourists with key messages

Each of the specific programs and the outcomes that resulted from this support are described in detail as follows:

Extend VBW Website Capabilities

On April 23, 2013, we launched a completely new website for Visit Bellevue Washington www.visitbellevuewashington.com. With its increased content, calendar of events, increased visibility to search engines, and many added features that improve the visitors' experiences, visits to the site have grown nearly three-fold.



- **Create an Online Community-Wide Calendar of Events**

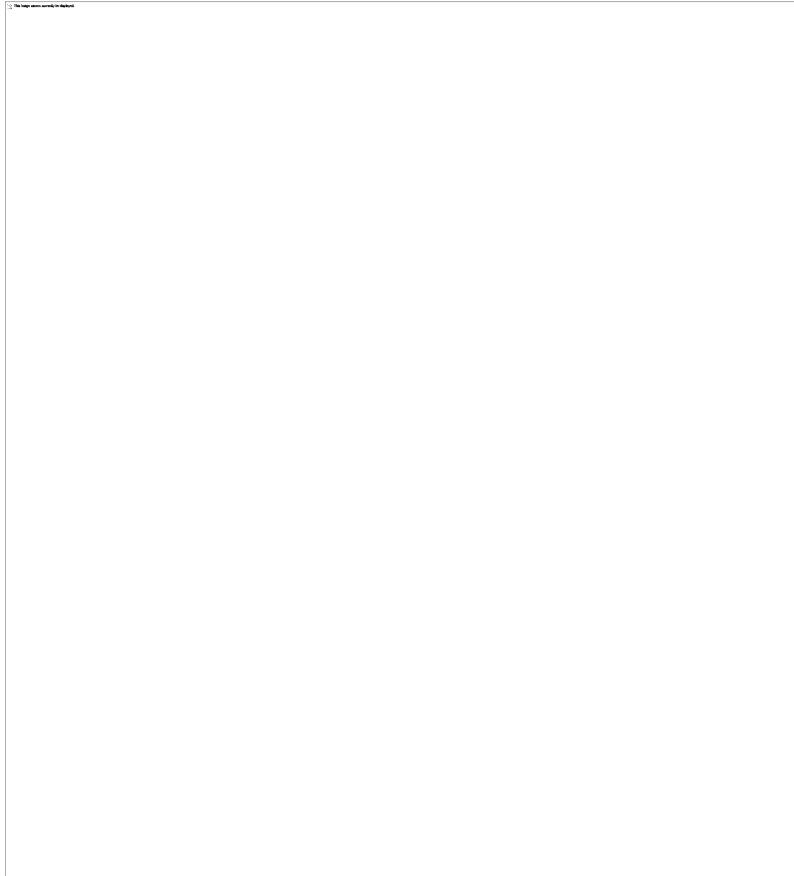
We know that travelers want to know what is happening in a city when they visit and Bellevue has long needed a comprehensive community calendar that fulfills that need. The launch of the new site allowed VBW to create a content management system that supports the website calendar and displays the same calendar or subsets of the calendar that are available to other industry partners who may want to share the same information. VBW purchased and now fully manages this calendar system as part of our overall website management. The City's investment helped to fund a share of the calendaring portion of the content management system and management of the calendar input request process. In order to allow others to access the calendar, an RSS feed which was created as part of the website launch and can be picked up by other interested parties.

The calendar has been a very successful portion of the new website. To date (through October), nearly 400 events have been submitted via the "Submit your Events" page. The top six most viewed pages on the website since launch are all pages with event calendar listings.

Calendar Pages	Unique Hits	Total Hits
Annual Events	1,261	139,934
Events	2,859	136,542
Concert Events	965	88,968
Holiday Events	913	66,058
Sporting Events	841	47,961
Bellevue Arts Fairs	1,044	46,894

- **Translate website content**

To help with outreach to international travelers (and other international citizens interested in Bellevue) we have translated a portion of the content of visitbellevuewashington.com into Chinese and are in the process of adding pages in additional languages. To date we have used a Chinese language translator to translate specific elements of the website including a landing page (see following page) and sweepstakes entry for the Vancouver BC promotion we are doing in New Home Living Magazine. Installation of the Google Translate application is underway and will help us continue to translate the website into additional languages.



Provide Expanded Distribution of the Bellevue Visitor Guide to Key Markets

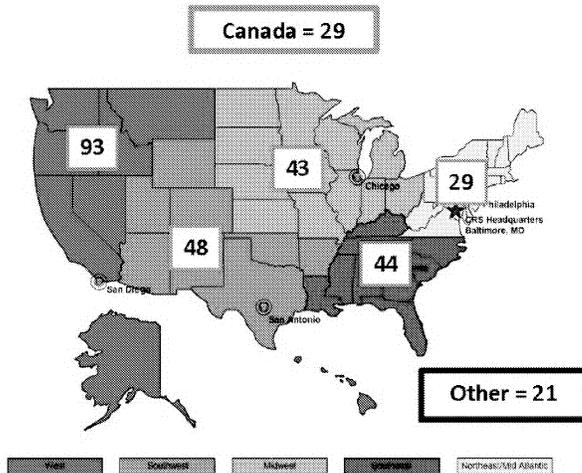
The 2013 Visitor Guide was delivered in February with all new editorial content and a new map of downtown and the region. Production was increased from 75,000 to 110,000 to allow for expanded distribution. Additional funding support from the City helped to fund the expanded distribution as noted below:

- Eastern Washington Distribution - Spokane, Tri Cities, Yakima, Walla Walla, Ellensburg, Moses Lake, Wenatchee, Leavenworth, Chelan
- Distribution along the Bellingham/North I-5 Corridor to reach Canadian residents who travel to/through Skagit & Whatcom County and South I-5 to Portland
- Western Canada Distribution - Distributed on BC Ferries - Vancouver-Victoria route



On-line Visitor Guide Requests

In addition we have had many requests for the guides online through the new VBW website including 307 requests for a hard copy of the guide and an additional 191 online views of the guide since website launch. The map below illustrates the distribution of mailed copies of the guide.



Expand Marketing to International Tourists

Test the effectiveness of advertising to the Chinese population in the Lower Mainland, British Columbia through targeted publications and online

The exchange rate continues to make visiting and shopping in the US a good value for our neighbors to the north and Chinese residents of British Columbia are interested in the Seattle/Bellevue area as a destination. New Home Living is a home, lifestyle and real estate magazine targeting new and established immigrants from China. We placed advertisements in Chinese language in both the October and November issues. The ads are accompanied by editorial and an online component. Print and online ads all include invitations to enter the sweepstakes to win a weekend stay with shopping, dining and entrance to other activities included.



Employ the use of Search Engine Marketing to reach out to international tourists with key messages and the translated site

The purpose of this work is to ensure that potential visitors searching the Seattle/Bellevue area for tourism information are exposed to Bellevue as an option. Over the course of the year we have placed online ads in several international markets. During 2nd quarter we tested search marketing in Taiwan and shifted to testing Shanghai and Hong Kong in the 3rd quarter. We know that our efforts to reach visitors in other countries have driven website visits as illustrated by the tables below.

Online Campaign	Impressions	Clicks	Click-thru-rate (CTR)
Shanghai	1,031,683	3,534	0.34%
Hong Kong	1,001,054	1,587	0.16%
Vancouver, BC	20,395	499	2.45%
Taiwan	620,114	1,496	.24%

Country/Territory	2nd Quarter Visits	3rd Quarter Visits
US	79%	80%
Canada	10	10
China	0	3
Hong Kong	1	3
Taiwan	5	1

Current ads running in these markets include:

Vancouver

{KeyWord:Discover Bellevue WA}
 VisitBellevueWashington.com
 The Northwest's Premier Resort Dining & Shopping Destination.
www.visitbellevuewashington.com/

{关键词:发现华盛顿州贝尔优市}
 VisitBellevueWashington.com
 美国西北地区最尖的餐和物目的地
www.visitbellevuewashington.com/

Shanghai and Hong Kong

Visiting Seattle? - Stay in Bellevue, Washington.
 VisitBellevueWashington.com
 Get Your Visitors Guide Now.
www.visitbellevuewashington.com/hotels/

来西雅 旅游? 一住在贝尔优吧!
 VisitBellevueWashington.com
 在登 网站 取免 旅行指南!
www.visitbellevuewashington.com/hotels/

**ATTACHMENT C
ALL FUNDS MID-BIENNIUM UPDATE**

'2013 Council Budget Amendments' updated to reflect recent Council action
No changes made to '2013-2014 Mid-Biennium Proposed Changes' since presented to Council on November 4

<u>City Budget</u>	<u>2013-2014 Adopted Budget</u>	<u>2013 Council Budget Amendments</u>	<u>2013-2014 Amended Budget</u>	<u>2013-2014 Mid-Biennium Proposed Changes</u>	<u>2013-2014 Proposed Mid-Biennium Budget</u>
<u>Operating Budget</u>					
General Fund	\$ 351,034,035	\$ 417,786 ¹	\$ 351,451,821	\$ 1,186,807 ⁷	\$ 352,638,628
Development Services Fund	37,219,293	-	37,219,293	2,957,751 ⁷	40,177,044
Equipment Rental Fund	30,684,112	-	30,684,112	-	30,684,112
Facilities Services Fund	14,447,160	-	14,447,160	146,736 ⁷	14,593,896
Franchise Fund	3,798,033	-	3,798,033	-	3,798,033
General Self-Insurance Fund	9,607,770	-	9,607,770	-	9,607,770
Health Benefits Fund	50,352,262	-	50,352,262	-	50,352,262
Hotel/Motel Tax Fund	21,031,413	-	21,031,413	-	21,031,413
Human Services Fund	8,458,259	- ²	8,458,259	-	8,458,259
Information Technology Fund	31,587,202	-	31,587,202	58,413 ⁷	31,645,615
Land Purchase Revolving Fund	3,472,570	-	3,472,570	-	3,472,570
LEOFF I Medical Reserve Fund	12,957,709	-	12,957,709	-	12,957,709
Marina Fund	1,596,589	-	1,596,589	-	1,596,589
Park M&O Reserve Fund	6,813,137	-	6,813,137	-	6,813,137
Parks Enterprise Fund	13,236,717	-	13,236,717	830,000 ⁷	14,066,717
Sewer Utility Fund	114,937,640	-	114,937,640	197,159 ⁷	115,134,799
Solid Waste Fund	2,598,600	1,677 ³	2,600,277	-	2,600,277
Storm & Surface Water Utility Fund	47,352,964	-	47,352,964	(43,996) ⁷	47,308,968
Unemployment Compensation Fund	871,000	-	871,000	-	871,000
Water Utility Fund	103,901,308	-	103,901,308	43,375 ⁷	103,944,683
Worker's Compensation Fund	5,036,000	-	5,036,000	-	5,036,000
Total Operating Budget	\$ 870,993,773	\$ 419,463	\$ 871,413,236	\$ 5,376,245	\$ 876,789,481
<u>Special Purpose Budget</u>					
Firemen's Pension	\$ 7,406,234	\$ -	\$ 7,406,234	\$ -	\$ 7,406,234
Housing Fund	5,330,563	-	5,330,563	-	5,330,563
Interest & Debt Redemption - Regular Fund	38,011,005	8,672,171 ⁴	46,683,176	-	46,683,176
LID Control Fund	1,296,721	-	1,296,721	-	1,296,721
LID Guaranty Fund	240,232	-	240,232	358,000 ⁷	598,232
Operating Grants, Donations, and Special Reserves Fund	7,742,184	1,005,418 ⁵	8,747,602	-	8,747,602
Total Special Purpose Budget	\$ 60,026,939	\$ 9,677,589	\$ 69,704,528	\$ 358,000	\$ 70,062,528
<u>Capital Investment Program Budget</u>					
General Capital Investment Program Fund	\$ 201,712,600	\$ 571,213 ⁶	\$ 202,283,813	\$ 30,937,000 ⁷	\$ 233,220,813
Utility Capital Investment Program Fund	161,016,451	-	161,016,451	-	161,016,451
Total Capital Investment Program Budget	\$ 362,729,051	\$ 571,213	\$ 363,300,264	\$ 30,937,000	\$ 394,237,264
Total City Budget	\$ 1,293,749,763	\$ 10,668,265	\$ 1,304,418,028	\$ 36,671,245	\$ 1,341,089,273

Amendment Footnotes:

1 General Fund \$417,786: Ord. 6123 9/3/13 and Ord. 6126 9/16/13

2 No appropriation adjustment was requested in Ord. 6112 6/3/13

3 Solid Waste Fund \$1,677: Ord. 6105 4/1/13

4 Interest & Debt Redemption - Regular Fund \$8,672,171: Ord. 6107 4/1/13

5 Operating Grants, Donations, and Special Reserves Fund \$1,005,418: Ord. 6120 8/5/13, Ord. 6121 8/5/13, Ord. 6124 9/16/13, Ord. 6134 11/4/13 and Ord. 6136 11/18/13

6 General Capital Investment Program Fund \$571,213: Ord. 6097 1/7/13 and Ord. 6103 4/29/13

7 See Attachment B, Reprint of the November 4 Council Packet, for details of each fund.