

BUDGET MONITORING REPORT



April 26, 2010

For the Period of January to December 2009

Performance at a Glance

| | Year to Date | Reference |
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| General Fund Expenditures vs Budget | + | Page 3 |
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| Development Services Expenditures & Resources vs Budget | O | Page 7 |

Positive = Positive variance or negative variance < 1% compared to seasonal trends.

Warning = Negative variance of 1-4% compared to seasonal trends.

Negative = Negative variance of > 4% compared to seasonal trends.

Economic Indicators

Puget Sound Economy

According to national and regional economists, the recession ended in the 4th Quarter of 2009. Economic recovery is expected in 2010.

Annual Percent Change

| | 2009 Actual | 2010 Forecast |
|----------------------|----------------|------------------|
| Employment | -4.2% | 1.9% |
| Personal Income | -1.3% | 3.7% |
| Housing Permits | -50.4% | 22.2% |
| Average Home Price | -11.7% | 5.5% |
| Taxable Retail Sales | -12.3% | 1.8% |

Source: Puget Sound Economic Forecaster

Bellevue Economy

Bellevue Central Business District Office Vacancy Rates were 15.5% in the 4th Quarter of 2009. Vacancy rates increased by 2.3% compared to the 3rd Quarter. Source: CB Ellis

Taxable retail sales showed some signs of recovery in the final months of 2009. Retail sales, including automobiles, restaurants and stores were up by 9% in the 4th Quarter compared to 2008. This improvement is due, in part, to the opening of the Bravern shopping center.

Economic

Performance

The recession hit the Puget Sound region much more severely than local economists initially projected. However, there are some indications that the economy has begun to stabilize including improvements in the housing market, a deceleration in job losses and some improvement in consumer spending. Local economists are predicting that the recovery will begin in the 1st Quarter of 2010 (see economic indicators in the left panel).

Regional job losses total 96,700 since the beginning of the recession. The sectors hit the hardest are construction, manufacturing and professional and business services. Employment is projected to begin growing again in the 1st quarter of 2010, but is not expected to return to pre-recessionary levels until the end of 2012.

Local economists continue to assert that economic improvement is dependent on housing market stabilization. While Puget Sound sales and prices were somewhat volatile over the summer, the number of houses sold increased substantially in the fourth quarter of 2009 and housing prices stabilized. Housing activity is projected to continue to improve through 2010.

Bellevue's office market lease rates remain stronger than neighboring communities but vacancy rates throughout the region have increased.

Overall, the recession drove collections of sales, business and occupation, and real estate excise taxes down substantially during 2009. Tax collections of these economically sensitive revenues are expected to improve during 2010.

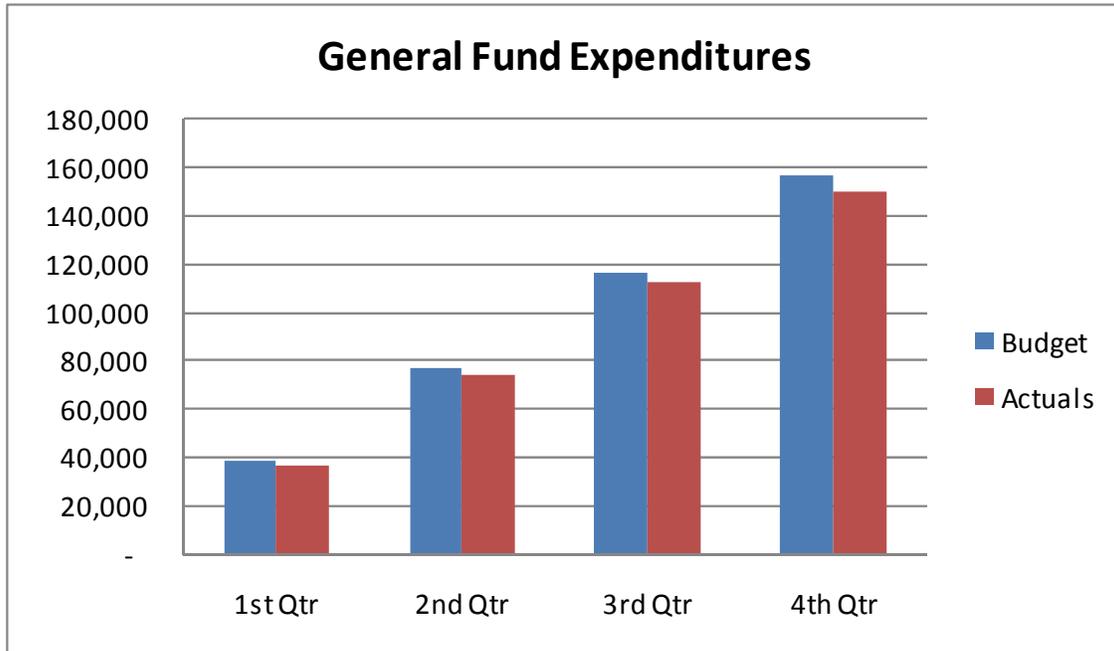
Cost Containment

Bellevue took early aggressive action to keep costs in line with available resources. Measures included holding vacant positions open, reducing discretionary travel and training, and deferring or reducing maintenance.

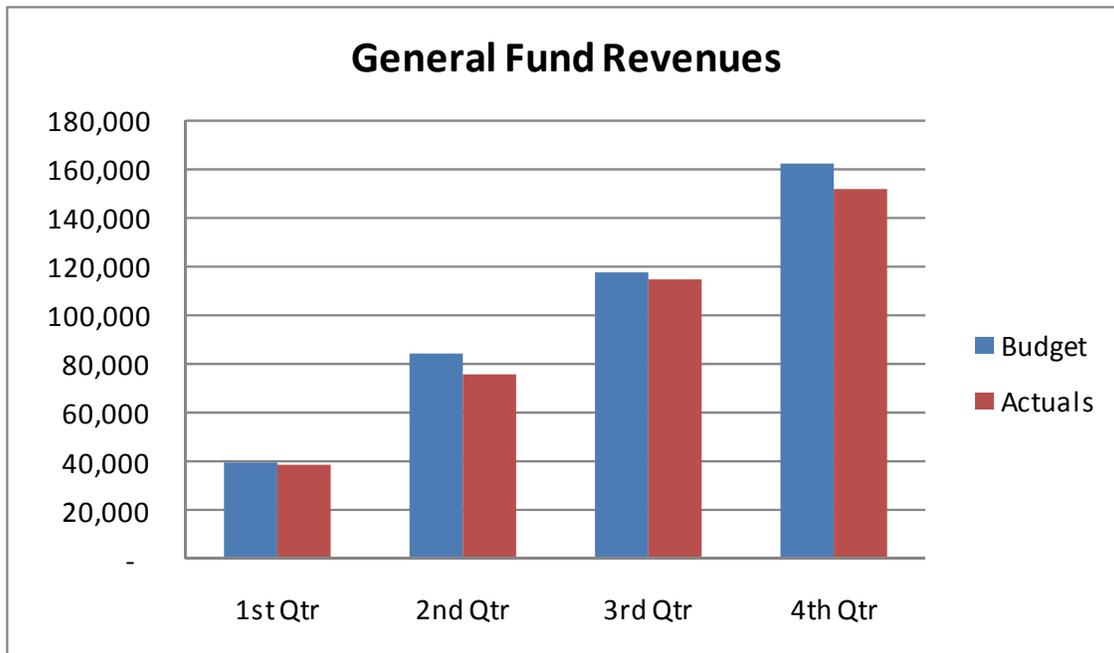
As a result, General Fund expenses were \$6.2 million less than budget.

General Fund Performance

Year-to-Date Expenditures and Revenues: Budget to Actual



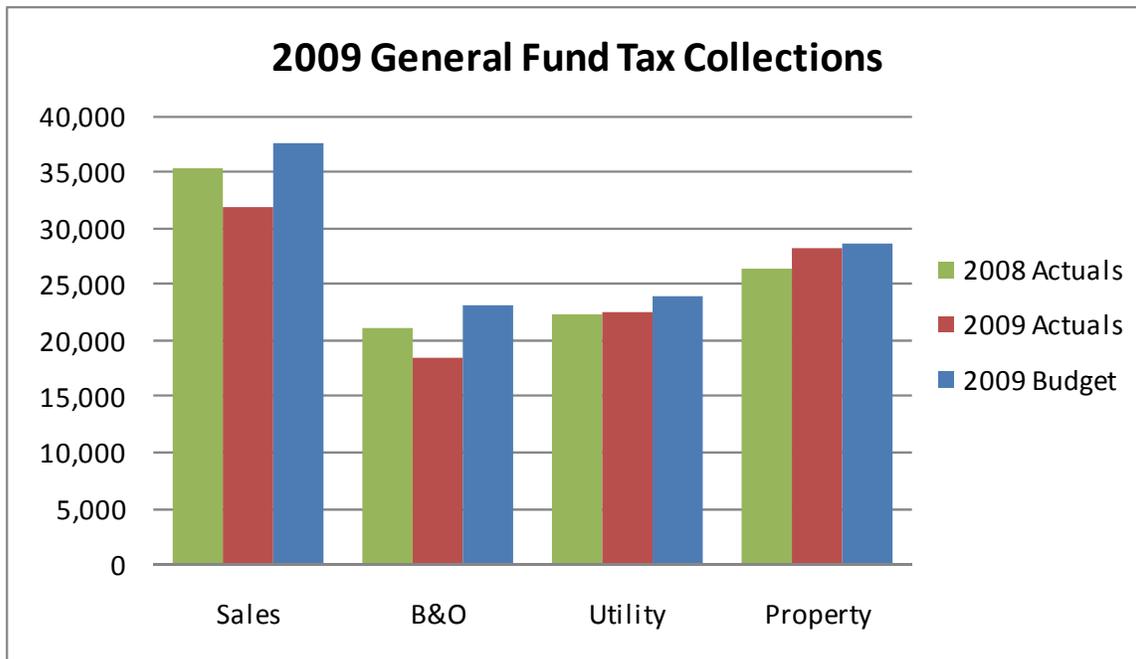
General Fund expenditures were \$6.2 million below budget due to cost containment efforts (see page 2). The above graph illustrates that expenses were less than budget for all four quarters of 2009.



The General Fund ended the year with a \$15.7 million (10%) ending fund balance. Revenue collections (excluding fund balance) were \$10.7 million below budget due largely to lower than anticipated tax performance (see page 4). Lower than anticipated tax performance was partly offset by reimbursements from other funds and higher than anticipated collections of several program revenues.

General Fund Performance

Year-to-Date Tax Performance Compared to Budget



Performance was down across most tax revenues.

Sales Tax. Puget Sound taxable retail sales have declined more than 15% since the beginning of the recession. The lower level of consumer spending is due to several factors, including tight credit, high unemployment, and losses in wealth. Retail sales activity is projected to pick up over the next year, but is expected to be slow.

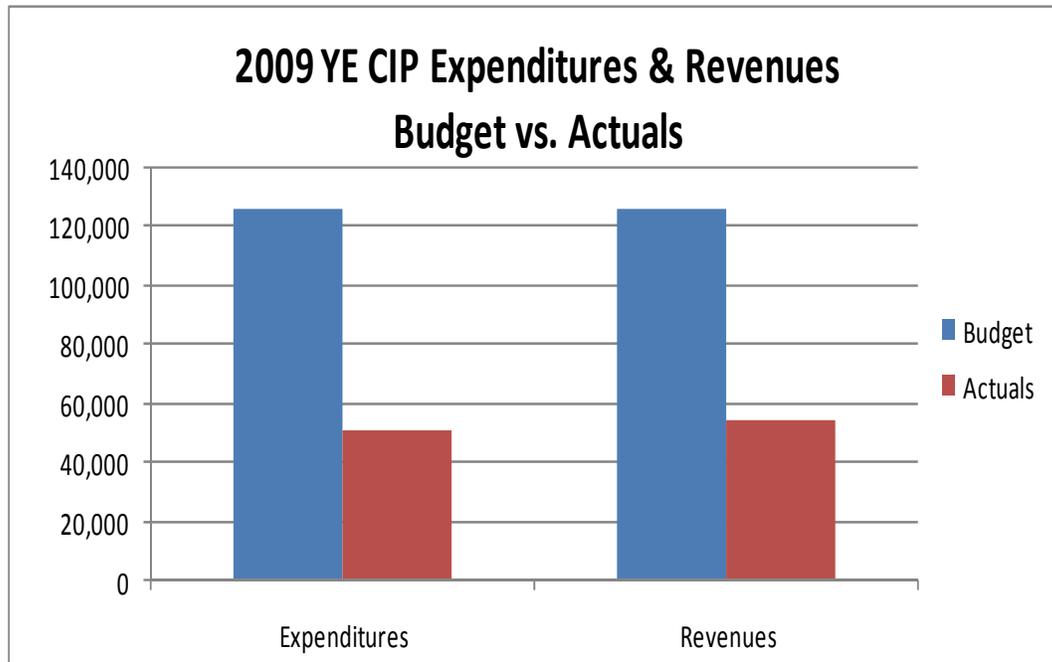
Business and Occupation Tax (B&O). Performance was less than expected due to the recessionary economy. Performance was down across all sectors and audit recoveries were less than anticipated.

Utility Taxes. Utility taxes were below budget across most categories. Electric and cellular utility taxes were significantly below budget. Electric utility tax collections were below expectations due to a large rate increase mid-year. Cellular utility tax was down due to lower business activity.

Property Tax. Property tax collections were in line with budget estimates.

General CIP Performance

Year-to-Date Expenditures and Resources: Budget to Actual



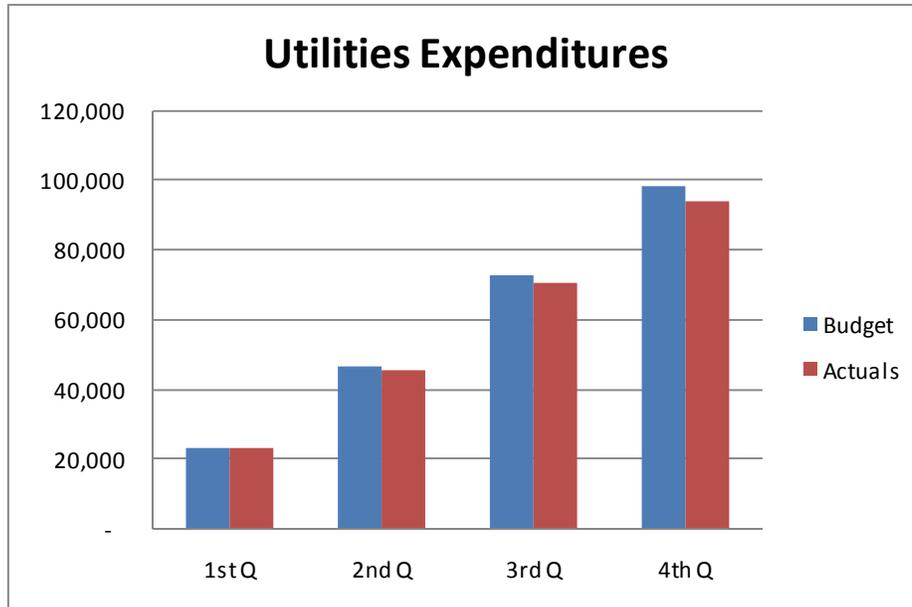
Comments: The General CIP was significantly impacted by the recent recession. Collections of sales, business and occupation, and real estate excise taxes were below budget. Cost containment measures were put into place during 2009 to keep expenditures in line with resources.

Project Highlights:

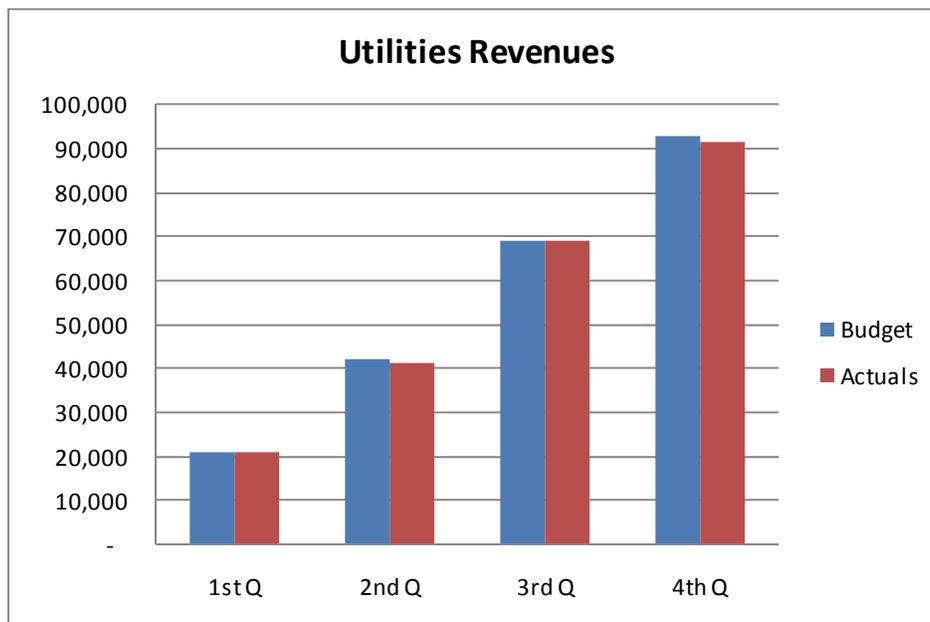
- Completion of NE 8th Street Widening (PW-R-152), completed in part with a \$2 million federal grant award.
- Completion of NE 10th Street Extension (PW-R-149).
- Implemented the first pervious sidewalk with the Northrup Way Sidewalk – 165th Ave. NE to 168th Ave. NE complete.
- Construction began on 2008 levy project to convert the existing all-weather soccer field at Wilburton Hill Park to synthetic turf. Grand opening ceremony scheduled for May 1.
- Purchased the McIntosh property using 2007 King County Special Property Tax Levy proceeds. This parcel is 3.07 acres and adjacent to Coal Creek Natural Area to provide 1) public access to a part of Coal Creek Park that currently lacks it, and 2) an area for Utilities to establish a sedimentation pond to improve the creek's water quality.
- Entered into agreement with Master Builders Association of King and Snohomish Counties to construct Wetlab 2 at the Mercer Slough Environmental Education Center and donate the project to the City. Project completion is expected in summer of 2010.
- The NEP process was completed in the Crossroads, Wilburton, and West Bellevue areas with the selection by residents of eight small neighborhood capital projects totaling \$963,700. Projects included walkway projects, sidewalk projects, one with landscaping, an ivy removal/re-landscaping project, other landscaping projects, several park improvement projects, two street lighting projects including one along SE 7th from Lake Hills Connector east, and a neighborhood entry project for the Enatai neighborhood.

Utilities Performance

Year-to-Date Expenditures and Revenues: Budget to Actual



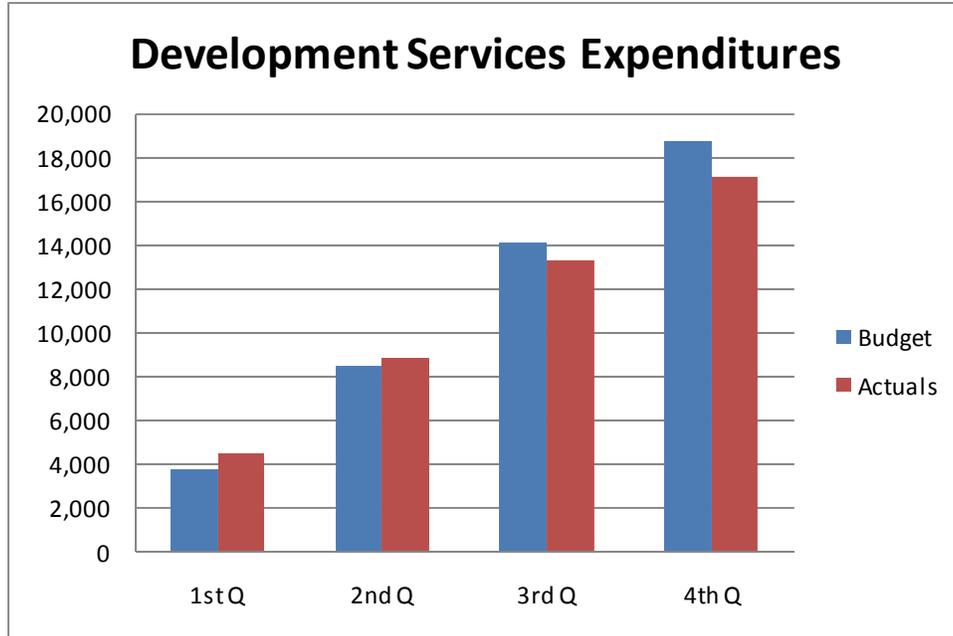
Comments: Wholesale sewer costs were \$0.5 million below budget due to low water sales in 2008 and 2009. RCFC payments were \$0.7 million below budget due to lower-than-expected development activity. Significant savings were realized through position vacancies (\$0.6 million) and ongoing cost containment strategies that will continue into 2010 (\$2.4 million).



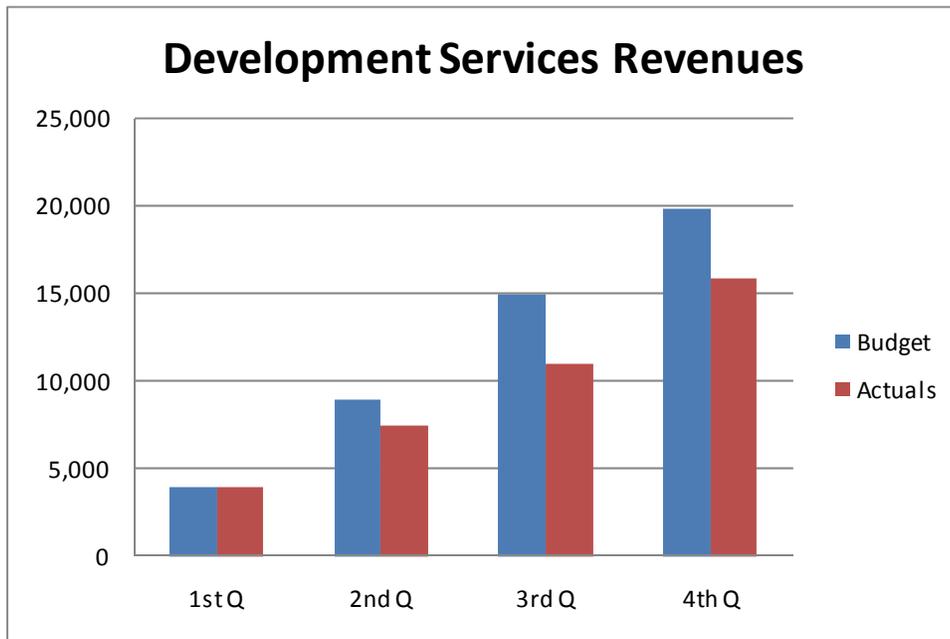
Comments: The impacts of conservation efforts and a general decline in per-customer water usage became evident in the past few years and carried into 2009. As a result, Utility service revenues were \$0.8 million (about 1%) below budget. Revenue projections will be adjusted as part of the 2011-12 budget process. Developer revenues were \$1.1 million below budget due to the recession and its impacts on development activity.

Development Services Performance

Year-to-Date Expenditures and Resources: Budget to Actual



Comments: Development Services expenditures were \$1.7 million (9%) below budgeted levels reflecting expenditure control measures implemented in 2009. Significant savings were realized through position vacancies (\$0.9 million) and reduction in contracted services (\$0.4 million). Additional savings were derived through ongoing cost containment strategies that will continue into 2010.



Comments: The impacts of the recession and its effect on development activity became evident in late 2008 and carried into 2009. Development Services revenues collected were \$4.0 million (20%) below budgeted levels in 2009. In light of the sharp economic downturn, 2009 revenue projections were updated in January. Actual year-end collections were within 2% of the revised projections.



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**General Fund Financial Forecast
2011-2016**

Basis of Forecast:

- Forecast builds upon 2010 revenue and expenditure projections.
- Calculates future resource and expenditure estimates based on recent and anticipated economic trends.
- Does not incorporate service/programs reductions and cost savings that may be included in budget proposals.

Executive Summary:

- *The 2011-2012 budget gap is estimated at \$20.1 million for the two years; this is an increase of \$3 million compared to the January 2010 estimate.*
- *The recession has eroded Bellevue’s tax base. Estimates for sales, business & occupation, and utility tax collections have been lowered to reflect the impact.*
- *The projected budget gap assumes a General Fund balance of 10% which continues to be below the policy target of 15%.*

Overview & Forecast Results:

The General Fund forecast reflects the recent recession and the significant decline in economic activity. While the economy has begun to recover, regional economists anticipate that recovery will be slow and take several years as housing values, employment, and personal income increase.

The Forecast provides insight into the long-term financial effects of the City’s current programs, priorities and policies in relationship to economic activity. It builds upon 2010 revenue and expenditure projections and calculates future resource and expenditure estimates based on recent and anticipated economic trends.

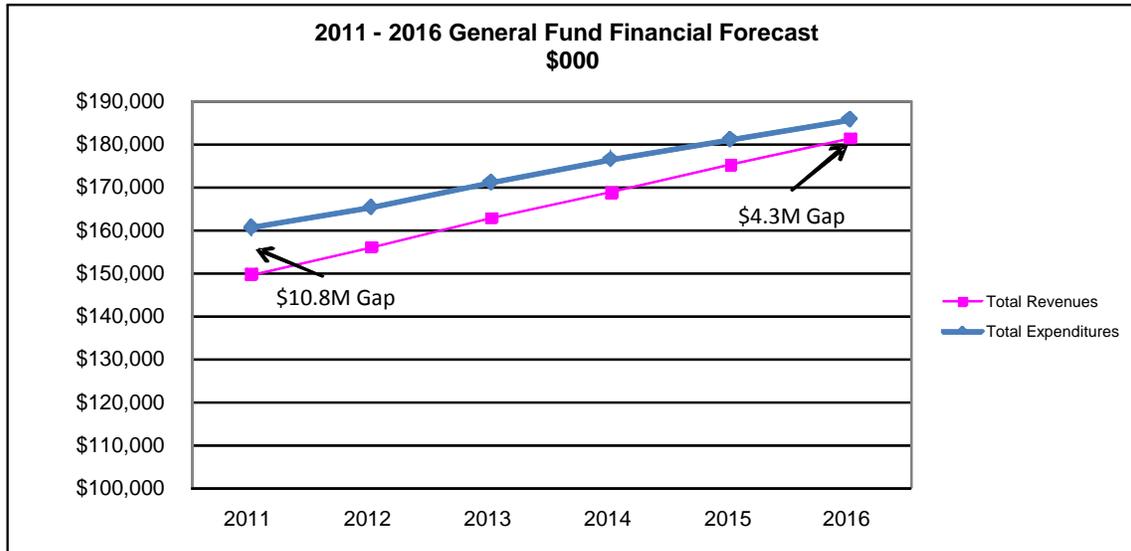
The following graph and table represent our current estimates of how General Fund resources and expenditures are expected to perform over the six-year forecast period. As illustrated below, revenues are projected to be less than expenditures through the forecast period. The overall gap between revenues and expenditures each year (excluding fund balance) is projected to be approximately \$10.8 million in 2011, and declining to a \$4.3 million gap by 2016 as tax revenues continue to grow.



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General Fund Financial Forecast 2011-2016





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**General Fund Financial Forecast
2011-2016**

**2011-2016 Financial Forecast
General Fund
(in \$000)**

| | 2011 Base Forecast | 2012 Base Forecast | 2013 Base Forecast | 2014 Base Forecast | 2015 Base Forecast | 2016 Base Forecast |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| RESOURCES | | | | | | |
| Taxes | 112,137 | 117,548 | 123,251 | 128,215 | 133,491 | 138,612 |
| Intergovernmental Revenues | 17,027 | 17,335 | 17,680 | 18,039 | 18,410 | 18,794 |
| Charges for Services | 15,414 | 15,809 | 16,372 | 16,806 | 17,416 | 17,888 |
| Licenses and Permits | 326 | 337 | 349 | 363 | 378 | 393 |
| Miscellaneous | 1,836 | 1,915 | 2,007 | 2,108 | 2,217 | 2,271 |
| Fines and Forfeits | 260 | 261 | 262 | 263 | 265 | 266 |
| Other Finance Sources | 1,239 | 1,243 | 1,270 | 1,300 | 1,334 | 1,369 |
| Anticipated Overcollections | 1,482 | 1,544 | 1,612 | 1,671 | 1,735 | 1,796 |
| Total Revenues | 149,720 | 155,992 | 162,804 | 168,765 | 175,246 | 181,390 |
| Change | | 4.2% | 4.4% | 3.7% | 3.8% | 3.5% |
| EXPENDITURES | | | | | | |
| Personnel | \$98,286 | \$102,213 | \$106,161 | \$110,408 | \$113,704 | \$117,350 |
| Maintenance & Operations | 62,619 | 63,455 | 64,793 | 65,927 | 67,208 | 68,189 |
| Contingency | 898 | 936 | 977 | 1,013 | 1,051 | 1,088 |
| Anticipated Under expenditure | (1,294) | (1,333) | (860) | (887) | (910) | (933) |
| Total Expenditures | \$160,509 | \$165,271 | \$171,072 | \$176,462 | \$181,054 | \$185,694 |
| Change | | 3.0% | 3.5% | 3.2% | 2.6% | 2.6% |
| (Gap)/Surplus | (10,789) | (9,279) | (8,268) | (7,696) | (5,808) | (4,304) |
| 2011-2012 Projected Gap | (20,068) | | | | | |

An updated forecast will be provided in September that reflects the City Manager's proposed budget. This forecast will include additional 2010 data and updated economic projections.



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General Fund Financial Forecast 2011-2016

Economic Outlook:

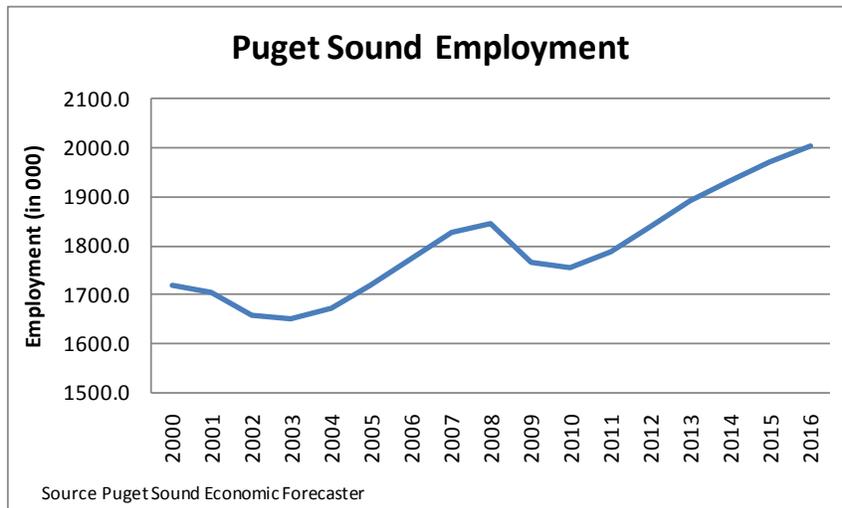
Highlights:

- *Slow recovery over several years*
- *Housing market is central to recovery*
- *Some signs that economic growth is occurring*

The Forecast assumes a slow recovery with moderate regional economic growth over the next several years. Employment and an improving housing market will play key roles in this recovery. There are several indications that the economy has begun to stabilize, including improvements in the housing market, a deceleration in job losses and some improvement in consumer spending.

Regional economists are expecting an upturn in regional employment in the first quarter of 2010.

Regional job losses during the recession totaled 96,700, essentially wiping out the employment gains of the past decade. During 2010, employment is expected to improve. The annual rate of employment growth is expected to climb to 1.9% in 2011, with modest growth through the forecast period. The following graph illustrates how employment in the Puget Sound region is expected to return to pre-recessionary levels by the end of 2012.



Local economists continue to assert that economic improvement is dependent on housing market stabilization. There are several indications that this is occurring, including moderate increases in housing prices and increasing numbers of houses sold. Housing is projected to continue to improve in 2010 and through the forecast period.

Development activity is expected to slow considerably during the first few years of the forecast and then grow at a higher rate in the later years of the forecast as office and multifamily vacancies are absorbed. Office vacancy rates in Bellevue's Central Business District (CBD)



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General Fund Financial Forecast 2011-2016

rose to 15.5% in the fourth quarter of 2009 (up from 10.9% at the end of 2008) and are expected to take several years to recover. Similarly, residential vacancy rates in the CBD also remain high, signaling that it will be some time before new major residential projects begin construction.

There are several factors that could hamper the projected growth, including increased inflation and a reversal in the housing market. Currently, inflation remains low, but the Federal Reserve has cut interest rates, potentially marking the beginning of increases in the cost of borrowing which may slow the recent gains in the housing market.

Resource Drivers:

Highlights:

- *Tax base will take several years to recover*
- *Modest revenue growth is expected*
- *Growth is based on positive employment and housing outlook*

The recent recession substantially reduced Bellevue's tax base. Tax collections across all major economically sensitive revenues, including sales, business & occupation, and some utility taxes declined during 2009. This reduction in the revenue base is expected to impact Bellevue's tax collections through the forecast period by lowering the starting point for growth; resources are not expected to catch up with total expenditures during the forecast period. This is despite the projection that average resource growth is expected to be higher than average expenditure growth.

Taxes, which are 75% of resources, are projected to grow through the forecast period. This projected level of growth is mainly due to anticipated improvements in consumer spending and a strengthening housing market. Revenue growth is projected to grow at about 3.7% annually through the remainder of the forecast period.

As more detailed information becomes available, revenue estimates will be updated and included in an updated Financial Forecast in the fall. Key resource drivers are discussed below.

Employment Growth. The creation of jobs, which leads to growth in personal income, increases spending for goods and services creating both sales tax and business & occupation (B&O) tax revenues. Regionally, employment growth is projected to accelerate, adding around 42,000 jobs (2.3%) a year over the next biennium. The Forecast assumes employment growth will average 2.1% per year for the forecast period.



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**General Fund Financial Forecast
2011-2016**

Recovering Housing Market & Increased Demand for Goods. The Forecast assumes a slowly recovering housing market. Housing prices and volume of transactions are expected to increase through the forecast period. A strengthening housing market stimulates consumption and taxable retail sales. Taxable retail sales are expected to rise an average of 7% per year for the 2011-2012 biennium and average 6.2% for the remainder of the forecast period.

Development Activity. Development activity is expected to be slow during the early years of the forecast, but return to a modest pace of growth by 2011 which is consistent with the Development Services Financial Forecast. Tax receipts associated with construction projects typically lag development activity by one year or more; the Forecast anticipates additional modest tax receipts in 2012. In subsequent years, development activity is anticipated to continue to grow but at a more moderate level than was experienced during the last upturn in development activity (2006 and 2007). Development activity is important for Bellevue because it drives growth in property, sales, business & occupation, and real estate excise taxes.

Reduced Audit Recovery. Business & occupation tax audit recovery projections have been substantially lowered for the forecast. Audit and delinquency recoveries peaked in 2006 at \$6 million per year; much of this activity was due to a small number of very large recoveries. Over the past few years, recovery amounts have become smaller. For example, in 2009, audit and detection recoveries totaled only \$2 million for the year. The forecast reflects this lower level of recoveries.

Expenditure Drivers:

Highlights:

- *Modest expenditure growth driven by personnel & health benefit costs*
- *Regional communication center partnership expected to reduce long-term costs*

This forecast assumes the current budget as a starting point and does not include cost savings anticipated to be included in Budget proposals. On average, expenditure growth (3.1%) is expected to be lower than resource growth (3.7%) through the forecast period. Expenditures are projected to increase by 3.8% in 2011 and 3.0% in 2012. The increase is largely driven by cost of living increases and rising State pension and health benefit costs.

As more detailed information becomes available, expenditure estimates will be updated and included in the fall Financial Forecast. Key expenditure drivers are discussed below.

Salaries. Salaries are projected to increase by the rate of inflation or current labor agreements. This increase averages 2.6% (\$2.1 million) per year through the forecast



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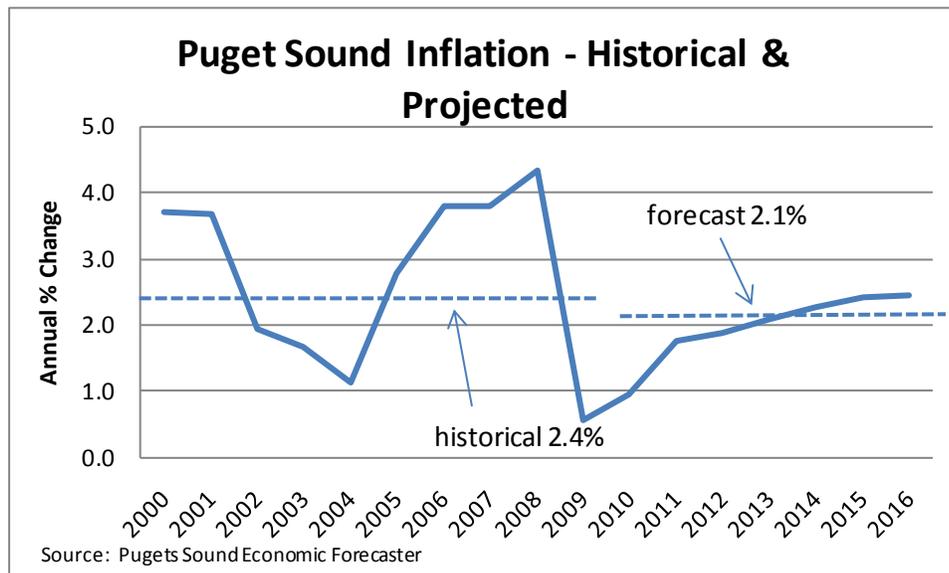
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General Fund Financial Forecast 2011-2016

period. Approximately 70% of increased salary expenses are driven by cost of living adjustments and labor settlements which are typically based on the rate of inflation. The remaining 30% (\$0.6 million) are estimated increases in merit pay. The forecast assumes current levels of staffing.

Health Benefits Contributions. General Fund health benefit contributions are expected to grow by an average of 11% or \$1.5 million per year through the forecast period. These estimates are based on experience and actuarial estimates. Costs stabilized in recent years but began to accelerate again in 2009.

Other Personnel. Other personnel costs, which include pensions, specialty pay, and other benefits, are expected to rise by the rate of inflation through the forecast period. The following graph illustrates recent and projected inflation through the forecast period and illustrates that inflation varies substantially over time, but anticipated inflation rates (average 2.1%) are in line with average historical inflation rates (average 2.4%)



Maintenance and Operating (M&O). M&O costs which include supplies, fleet, information technology, and utility costs, are anticipated to grow at the rate of inflation.

NORCOM. As directed by Council, Bellevue is a partner in the North East King County Regional Public Safety Communications (NORCOM) Agency. NORCOM created a partnership where agencies are owners who make decisions jointly to improve the delivery, cost, service, and interoperability effectiveness of public safety communications services on the Eastside. This partnership is expected to reduce Bellevue's costs by \$1.7 million per year by the end of the forecast.

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General Capital Investment Program (CIP)/Mobility and Infrastructure Initiative Financial Forecast 2011 – 2017

Basis of Forecast

- The forecast projects available revenues based on currently adopted tax rates, fees, and appropriations.
- Forecast expenditures were updated to reflect the current bid environment and inflation estimates for all programs and projects currently adopted in the CIP for the 2011-2017 period.
- Planned (but not adopted) projects are not included in the actual forecast, but are addressed in the discussion section of the forecast.

Executive Summary:

- *The purpose of this forecast is to provide Council with an update on available CIP revenues.*
- *The forecast represents a status quo budget; currently adopted projects and programs have been included, but will be reviewed in their entirety by Results Teams.*
- *In addition to currently adopted projects and programs, the 2011-2017 CIP Forecast includes a limited number of adopted Mobility and Infrastructure Initiative (MII) projects (\$10 million) .*
- *The recession has eroded Bellevue's tax base. Sales and business and occupation tax collections have been lowered to reflect this impact.*
- *Collections of real estate excise tax have been revised upward to reflect projections of a recovering housing market, offsetting the lower collections of other taxes.*
- *For the base CIP, expenditures are expected to exceed revenues by \$11 million. This is without the addition of any major new discrete projects or other high priority projects (such as high capacity transit improvements) and do not account for potential results of rankings by Results Teams.*
- *For the Mobility and Infrastructure Initiative, adopted and planned projects are \$47 million more than adopted and planned revenues.*



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**General Capital Investment Program (CIP)/Mobility and Infrastructure Initiative
Financial Forecast 2011 – 2017**

I. Overview and Forecast Results

Similar to the General Fund forecast, the General Capital Investment Program (CIP) forecast reflects the impact of the recent recession. Sales, business and occupation, and real estate excise taxes provide significant tax streams (65% of total funding) to support the General CIP. The base of these economically sensitive revenues was substantially eroded by the recession.

The General Capital Investment Program (CIP) forecast projects available revenues based on currently adopted tax rates, fees, and appropriations. The forecast includes all programs and projects currently adopted in the CIP, including the Parks Levy and the Mobility and Infrastructure Initiative (MII), for the 2011-2017 period. Only projects that are currently adopted are included in this estimate.

For the purposes of this discussion, the General CIP has been divided into two components, the base CIP and the Mobility and Infrastructure Initiative. Detailed discussions of revenue and expenditure drivers can be found in Sections II and III.

Base CIP

The following table illustrates the change in the base CIP forecast for 2009-2015 to the revised 2011-2017 CIP.

| | 2009-2015 CIP | 2011-2017 CIP | Difference |
|--------------------------|---------------|---------------|-------------|
| Revenues | \$251 | \$249 | (\$2) |
| Expenditures | 347 | 260 | 87 |
| Surplus/(Deficit) | (\$96) | (\$11) | \$85 |

While the overall gap between expenditures and revenues has decreased, a gap of \$11 million is projected between revenues and base program and project expenditures. This is despite revising tax projections upward (see Section II) and lowering expenditure projections due to lowering inflation and excluding projects that are anticipated to be complete in 2010 (see Section III). This projected gap does not include any new discrete projects (which in the last two CIP cycles has added an average of approximately \$50 million each cycle) or high capacity transit-related investments which are roughly estimated at \$100 million. If the high capacity transit-related investment alone was factored into the forecast, the projected deficit would grow to \$111 million which is illustrated in the following table.



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**General Capital Investment Program (CIP)/Mobility and Infrastructure Initiative
Financial Forecast 2011 – 2017**

| Base CIP 2011-2017 (in \$ millions) | | |
|---|---------------------|-----------------|
| Included | Revenue | \$249.0 |
| | Expenditures | <u>\$260.1</u> |
| | Surplus/(Deficit) | (\$11.1) |
| NOT Included | Expenditures: | |
| | Additional Projects | ? |
| | Sound Transit | 100 |

The following table illustrates the estimated timing and availability of currently adopted base CIP revenues. Short-term MII projects are included in a separate representation. As in past CIPs, expenditures are higher than revenues in earlier years with the reverse in later years. A detailed breakdown of projects and programs included in this table can be found in Attachment A.



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**General Capital Investment Program (CIP)/Mobility and Infrastructure Initiative
Financial Forecast 2011 – 2017**

**2011-2017 Base CIP Forecast
\$000**

| | 2011 Base Forecast | 2012 Base Forecast | 2013 Base Forecast | 2014 Base Forecast | 2015 Base Forecast | 2016 Base Forecast | 2017 Base Forecast | Total |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------|
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------|

Resources

| | | | | | | | | |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Taxes | \$18,968 | \$22,110 | \$26,057 | \$28,022 | \$30,727 | \$32,214 | \$34,000 | \$192,098 |
| Intergovernmental | 3,478 | 3,750 | 4,336 | 3,321 | 4,010 | 3,704 | 3,606 | 26,205 |
| Miscellaneous | 4,733 | 4,455 | 4,526 | 4,593 | 4,619 | 3,888 | 3,888 | 30,703 |
| Total | \$27,179 | \$30,316 | \$34,919 | \$35,936 | \$39,356 | \$39,806 | \$41,494 | \$249,006 |

Expenditures

| <u>Base</u> | | | | | | | | |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| General CIP | \$46,247 | \$31,058 | \$32,510 | \$24,052 | \$24,076 | \$23,726 | \$24,577 | \$206,246 |
| Parks Levy & Match | 6,951 | 6,951 | 6,951 | 6,951 | 6,951 | 6,951 | 6,951 | 48,657 |
| Interest | 940 | 1,077 | 1,160 | 1,095 | 761 | 213 | - | 5,246 |
| Total | \$54,138 | \$39,086 | \$40,621 | \$32,098 | \$31,787 | \$30,890 | \$31,528 | \$260,149 |



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**General Capital Investment Program (CIP)/Mobility and Infrastructure Initiative
Financial Forecast 2011 – 2017**

Mobility & Infrastructure Initiative (MII)

In January 2009, Council endorsed a \$299 million plan to provide infrastructure investments throughout the City (see Attachment B). Some downward revisions to revenues have occurred, bringing the Plan’s revenue total down to \$252 million. To date, a limited set of these projects have been adopted. Some revenues (such as impact fees) have been increased to support MII projects. The current forecast includes only adopted revenues and projects. Overall, the forecast projects that revenues will exceed expenditures through 2017 if no projects are added. However, if all endorsed projects are added to the forecast, expenses will exceed revenues by \$47 million as illustrated in the following table.

| Mobility & Infrastructure Initiative (in \$ millions) | | |
|---|--------------------|-----------------|
| Included | Revenues | \$57.6 |
| | Expenditures | <u>\$10.2</u> |
| | Surplus/(Deficit) | \$47.4 |
| NOT Included | Revenues | \$190.1 |
| | Balance of NE 4th | 50.2 |
| | Balance of 120th | 5.1 |
| | Other MII Projects | <u>229.5</u> |
| | Total Expenditures | <u>\$284.8</u> |
| | Surplus/(Deficit) | (\$94.7) |
| Total Surplus/(Deficit) | | (\$47.3) |

This \$47 million gap has not changed since the last update to Council in January 2010. The gap is primarily due to lower revenue expectations associated with Council actions such as adopting lower impact fee rates and not enacting a property tax increase.

The following table illustrates the estimated timing and availability of currently adopted revenues.



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**General Capital Investment Program (CIP)/Mobility and Infrastructure Initiative
Financial Forecast 2011 – 2017**

**Mobility & Infrastructure Initiative
\$000**

| | 2011 Base Forecast | 2012 Base Forecast | 2013 Base Forecast | 2014 Base Forecast | 2015 Base Forecast | 2016 Base Forecast | 2017 Base Forecast | Total |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------|
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------|

Resources

| | | | | | | | | |
|-------------------|----------------|-----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Taxes | \$867 | \$867 | \$867 | \$867 | \$867 | \$867 | \$867 | \$6,070 |
| Intergovernmental | 1,342 | 8,979 | 2,561 | 1,854 | 2,538 | 2,339 | 2,234 | 21,845 |
| Miscellaneous | 600 | 1,900 | 3,450 | 3,900 | 4,500 | 7,500 | 7,875 | 29,725 |
| Total | \$2,809 | \$11,746 | \$6,878 | \$6,621 | \$7,905 | \$10,706 | \$10,976 | \$57,640 |

Expenditures

| | | | | | | | | |
|---------------------------|----------------|----------------|------------|------------|------------|------------|------------|-----------------|
| Mobility & Infrastructure | 8,925 | 1,300 | - | - | - | - | - | 10,225 |
| Total | \$8,925 | \$1,300 | \$0 | \$0 | \$0 | \$0 | \$0 | \$10,225 |



April 26, 2010

**General Capital Investment Program (CIP)/Mobility and Infrastructure Initiative
Financial Forecast 2011 – 2017**

II. Revenue Drivers:

Highlights:

- Lower B&O and sales tax estimates are offset by revised real estate excise tax collections
- Increased impact fee and grant projections are included in these estimates

Taxes (\$198.2 million). Overall, CIP revenues are influenced by the economy and rise and fall based on regional economic performance. The General CIP tax revenue base, particularly business and occupation and sales tax, were significantly eroded by the recent recession. Real estate excise tax has also been impacted by the recession but has begun recovering quicker than estimates from 2009. Regional economists are predicting that the housing market will rebound in 2010 as prices stabilize and homes have become more affordable. Real estate taxes have been revised to reflect this more optimistic outlook on housing.

The following table illustrates the change in tax estimates for the forecast. Overall, the tax picture has not changed compared to the prior estimate despite upward revisions in real estate excise tax projections. This is partly due to the inclusion of the fund balance carried forward from 2008 in the 2009-2015 estimate compared to the 2011-17 forecast.

| | 09-15 Mid-bi Forecast | 11-17 Forecast (Current) | Difference |
|--------------|--------------------------|-----------------------------|----------------|
| Sales | \$85.6 | \$60.2 | (\$25.4) |
| B&O | 65.2 | 57.6 | (7.6) |
| REET | 53.0 | 80.4 | 27.4 |
| Total | \$203.8 | \$198.2 | (\$5.6) |

Impact fees (\$29.7 million). The forecast includes an estimated \$29.7 million of impact fees based on the revised rates adopted by Council in 2009. This is an increase of \$27.1 million compared to the 2009-2015 CIP. Projections are based on the Puget Sound Regional Council's growth forecast and modified downward to reflect a slow economic recovery. These revenues were identified as a primary funding mechanism for the Mobility and Infrastructure Initiative and are included in the MII revenue estimate. Impact fees are included in the miscellaneous revenue category in the table on page 6

Federal and State Grants (\$29.7 million). This forecast estimates \$29.7 million in federal and state transportation grants over the seven year period. Roughly half of these projected grants would be used to fund the base CIP projects and the remainder could fund MII projects.

Grant revenue has long been and is anticipated to continue on as a defined funding stream supporting capital projects. The grant revenue projection is based on recovery rates less than



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**General Capital Investment Program (CIP)/Mobility and Infrastructure Initiative
Financial Forecast 2011 – 2017**

our historical average (7-year). These grant revenues are included in the intergovernmental category in the summary tables.

Bel-Red projects align well with national funding trends toward integration of transportation, land use, and environmental stewardship elements in one project/application. These projections are sensitive to the availability of matching funding in the General CIP.

Local Revitalization Funding (\$7 million) Bellevue was awarded Local Revitalization Funding (LRF) in late 2009 under the state’s program to support the NE 4th Street project (part of the MII). This program authorizes cities and counties to create “revitalization areas” and allows certain increases in local sales and use tax revenues and local property tax revenues generated from within the revitalization area, additional funds from other local public sources, and a state contribution to be used for payment of bonds issued for financing local public improvements within the revitalization area. The state’s contribution is provided through a new local sales and use tax that is credited against the state sales and use tax. Local revitalization funding is included in the intergovernmental category of the MII program.

III. Expenditure Drivers:

Highlights:

- *Costs have been revised downward to reflect the favorable bidding environment*
- *Only currently adopted projects and programs are included in this forecast*

Expenditures for the General CIP over the 2011-2017 period are projected at \$270 million, which is \$77 million lower than the 2009-2015 CIP (originally estimated at \$347 million) primarily due to not including projects anticipated to be complete through 2010 and lowering inflation assumptions to reflect the positive bidding environment.

Projected costs for the CIP include all programs and projects currently adopted in the amended CIP, including the Parks Levy and a limited set of the adopted Mobility and Infrastructure Initiative projects

(\$10 million for NE 4th, 120th & NE 6th). This forecast does not include planned projects such as the majority of the Mobility and Infrastructure Initiative (\$285 million) or other planned, but not currently adopted, projects (such as High Capacity Transit improvements associated with Sound Transit).

Inflation. CIP project and program costs were estimated using updated inflation assumptions. Some estimated project and program costs are lower due to the favorable bid/inflation environment we’ve experienced over the past two years. Project cost estimates have been revised to reflect no inflation for 2009 and 2010. Prior estimates assumed 6% growth in both years. Several programs and project costs estimates were revised downward. For example,



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for the street overlay program, annual cost estimates were revised downward by \$0.5 million per year.

Borrowing Costs. Expenditure estimates include potential interest expenses of \$5.2 million over the forecast period. As in past capital programs, expenditures exceed revenues in the early years of the forecast, but are below revenues in later years of the forecast (also known as “frontloading”). The forecast *assumes peak borrowing of \$50 million* during 2011-17 which includes the current estimated balance of the existing line of credit.

Attachment 2011-2017 CIP Forecast
General CIP Fund Project Expenditure Detail
\$000

Base CIP (Includes Supplemental Debt. No Parks Levy or Mobility)

| Major Program Area | 2011 Estimate | 2012 Estimate | 2013 Estimate | 2014 Estimate | 2015 Estimate | 2016 Estimate | 2017 Estimate | 2011-2017 Total |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Transportation | 28,524 | 17,671 | 20,227 | 11,479 | 11,893 | 11,203 | 11,651 | 112,648 |
| Parks | 9,046 | 6,774 | 7,030 | 6,984 | 7,259 | 7,547 | 7,845 | 52,485 |
| General Government | 3,169 | 2,023 | 1,614 | 1,868 | 1,650 | 1,607 | 1,614 | 13,545 |
| Public Safety | 1,649 | 1,675 | 702 | 730 | 760 | 791 | 823 | 7,130 |
| Community & Economic Development | 1,961 | 1,114 | 1,119 | 1,167 | 650 | 650 | 650 | 7,311 |
| NEP | 1,489 | 1,499 | 1,509 | 1,549 | 1,589 | 1,653 | 1,719 | 11,006 |
| NIS | 409 | 302 | 309 | 275 | 275 | 275 | 275 | 2,120 |
| Interest Costs | 940 | 1,077 | 1,160 | 1,095 | 761 | 231 | - | 5,264 |
| TOTAL GENERAL CIP | 47,187 | 32,135 | 33,670 | 25,147 | 24,837 | 23,957 | 24,577 | 211,510 |

Parks Levy

| Major Program Area | 2011 Estimate | 2012 Estimate | 2013 Estimate | 2014 Estimate | 2015 Estimate | 2016 Estimate | 2017 Estimate | 2011-2017 Total |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Parks | 6,951 | 6,951 | 6,951 | 6,951 | 6,951 | 6,951 | 6,951 | 48,657 |

Mobility Infrastructure Initiative

| Major Program Area | 2011 Estimate | 2012 Estimate | 2013 Estimate | 2014 Estimate | 2015 Estimate | 2016 Estimate | 2017 Estimate | 2011-2017 Total |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Transportation | 8,925 | 1,300 | - | - | - | - | - | 10,225 |

**2011-2017 CIP Forecast
General CIP Fund Project Expenditures
\$000**

Major Program Area: Transportation

| CIP Plan No. | Project Name | 2011 Estimate | 2012 Estimate | 2013 Estimate | 2014 Estimate | 2015 Estimate | 2016 Estimate | 2017 Estimate | 2011-2017 Total |
|--|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| PW-R-141 | West Lake Sammamish Parkway Analysis | 3,055 | 2,460 | - | - | - | - | - | 5,515 |
| PW-R-150 | NE 2nd St Roadway Enhancement - Pre-Design | 2,970 | - | - | - | - | - | - | 2,970 |
| PW-R-151 | 145th Place SE/SE 16th to SE 24th and SE 22/145th Pl to 156th Pl SE | 4,290 | - | - | - | - | - | - | 4,290 |
| PW-R-155 | Traffic Computer System Upgrade | 480 | - | - | - | - | - | - | 480 |
| PW-R-157 | Transit Now/Downtown Circulator | 720 | 720 | 720 | 720 | 720 | - | - | 3,600 |
| PW-R-158 | Downtown Great Streets | 750 | 250 | - | - | - | - | - | 1,000 |
| PW-R-159 | East Link Analysis and Development | - | - | - | - | - | - | - | - |
| PW-I-76 | 148th Avenue NE/Bel-Red Road | 335 | 1,861 | 4,781 | - | - | - | - | 6,977 |
| PW-I-78 | 148th Avenue NE/NE 20th Street | 383 | 766 | 2,629 | - | - | - | - | 3,778 |
| PW-I-83 | Redmond BROTS Projects | 1,150 | - | - | - | - | - | - | 1,150 |
| PW-W/B-71 | 108th Avenue SE/Bellevue Way to I-90 | 4,153 | - | - | - | - | - | - | 4,153 |
| PW-W/B-74 | 152nd Ave SE and SE 45th St/SE 46th St to Newport Way | 538 | - | - | - | - | - | - | 538 |
| PW-W/B-75 | SE 34th St/162nd Pl SE to West Lake Sammamish Pkwy | 489 | 1,636 | 1,736 | - | - | - | - | 3,861 |
| PW-M-15 | Wetland Monitoring | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 84 |
| TOTAL DISCRETE PROJECTS | | 19,325 | 7,705 | 9,878 | 732 | 732 | 12 | 12 | 38,396 |
| PW-R-44 | Transportation Planning Studies | 112 | 116 | 121 | 126 | 131 | 136 | 142 | 883 |
| PW-R-46 | Major Safety Improvements | 107 | 111 | 116 | 120 | 125 | 130 | 135 | 845 |
| PW-R-87 | Transportation Demand Management | 106 | 110 | 114 | 119 | 124 | 129 | 134 | 835 |
| PW-R-136 | Traffic Safety Technologies | 71 | 73 | 76 | 79 | 83 | 86 | 89 | 558 |
| PW-R-156 | ITS Master Plan Implementation Program | - | 400 | 400 | 400 | 400 | - | - | 1,600 |
| PW-I-84 | Signal Warrant/Safety Program | 162 | 168 | 175 | 182 | 189 | 197 | 205 | 1,279 |
| PW-W/B-49 | Wheelchair Ramps | 55 | 57 | 59 | 62 | 64 | 67 | 70 | 434 |
| PW-W/B-53 | Trail Maintenance Program | 88 | 92 | 96 | 99 | 103 | 107 | 112 | 697 |
| PW-W/B-56 | Pedestrian Access Improvements | 435 | 452 | 470 | 489 | 508 | 529 | 550 | 3,433 |
| PW-M-1 | Street Overlays | 5,812 | 6,045 | 6,287 | 6,538 | 6,799 | 7,071 | 7,354 | 45,907 |
| PW-M-2 | Minor Capital - Traffic Operations | 319 | 332 | 345 | 359 | 373 | 388 | 403 | 2,528 |
| PW-M-3 | Curb, Gutter, and Sidewalk Rehabilitation | 372 | 386 | 402 | 418 | 435 | 452 | 470 | 2,935 |
| PW-M-7 | Neighborhood Traffic Calming Program | 849 | 883 | 918 | 955 | 993 | 1,033 | 1,074 | 6,765 |
| PW-M-8 | Minor Capital Programs - Streets | 63 | 65 | 68 | 71 | 73 | 76 | 79 | 496 |
| PW-M-12 | Citywide Rockeries Reconstruction | 209 | 217 | 226 | 235 | 244 | 254 | 264 | 1,651 |
| PW-M-19 | Major Maintenance Program | 441 | 458 | 476 | 496 | 515 | 536 | 557 | 3,479 |
| TOTAL ONGOING PROGRAMS | | 9,198 | 9,966 | 10,349 | 10,747 | 11,161 | 11,191 | 11,639 | 74,252 |
| TOTAL TRANSPORTATION | | 28,524 | 17,671 | 20,227 | 11,479 | 11,893 | 11,203 | 11,651 | 112,648 |
| Mobility & Infrastructure | | | | | | | | | |
| ROADWAYS | | | | | | | | | |
| PW-R-160 | NE 4th Extension | 800 | - | - | - | - | - | - | 800 |
| PW-R-161 | 120th NE Phase 1 | 7,600 | 1,300 | - | - | - | - | - | 8,900 |
| PW-R-162 | NE 6th | 525 | - | - | - | - | - | - | 525 |
| TOTAL ROADWAYS | | 8,925 | 1,300 | - | - | - | - | - | 10,225 |
| TOTAL TRANSPORTATION (EXISTING & NEW) | | 37,449 | 18,971 | 20,227 | 11,479 | 11,893 | 11,203 | 11,651 | 122,873 |

2 1-2017 CIP Forecast

General CIP Fund Project Expenditures

\$000

Major Program Area: Parks

| CIP Plan No. | Project Name | 2011 Estimate | 2012 Estimate | 2013 Estimate | 2014 Estimate | 2015 Estimate | 2016 Estimate | 2017 Estimate | 2011-2017 Total |
|--------------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| P-AD-49 | LID Assessments for Park Properties | 35 | 33 | 31 | 29 | 27 | 25 | 23 | 203 |
| P-AD-69 | Bellevue Challenge Grant | 2,517 | | | | | | | 2,517 |
| P-AD-79 | King County Special Property Tax Levy | 312 | 312 | 312 | | | | | 936 |
| P-AD-81 | Parks Levy Implementation Project | 6,951 | 6,951 | 6,951 | 6,951 | 6,951 | 6,951 | 6,951 | 48,657 |
| TOTAL DISCRETE PROJECTS | | 9,815 | 7,296 | 7,294 | 6,980 | 6,978 | 6,976 | 6,974 | 52,313 |
| P-AD-15 | Property Acquisition | 1,353 | 1,407 | 1,463 | 1,522 | 1,583 | 1,646 | 1,712 | 10,686 |
| P-AD-27 | Planning/Design for Existing/Future Parks | 132 | 137 | 143 | 149 | 154 | 161 | 167 | 1,043 |
| P-AD-34 | Trail Development | 184 | 191 | 199 | 207 | 215 | 224 | 233 | 1,453 |
| P-AD-52 | Mini Park Opportunities | 598 | 622 | 647 | 673 | 700 | 728 | 757 | 4,725 |
| P-AD-78 | Citywide Streetscapes Enhancement Program | 294 | 306 | 318 | 331 | 344 | 358 | 372 | 2,323 |
| P-R-02 | Enterprise Facility Improvements | 331 | 344 | 358 | 372 | 387 | 402 | 418 | 2,612 |
| P-R-11 | Renov & Refurb of Park Facilities | 3,290 | 3,422 | 3,559 | 3,701 | 3,849 | 4,003 | 4,163 | 25,987 |
| TOTAL ONGOING PROGRAMS | | 6,182 | 6,429 | 6,687 | 6,955 | 7,232 | 7,522 | 7,822 | 48,829 |
| TOTAL PARKS | | 15,997 | 13,725 | 13,981 | 13,935 | 14,210 | 14,498 | 14,796 | 101,142 |

2011-2017 CIP Forecast

General CIP Fund Project Expenditures

\$000

Major Program Area: General Government

| CIP Plan No. | Project Name | 2011 Estimate | 2012 Estimate | 2013 Estimate | 2014 Estimate | 2015 Estimate | 2016 Estimate | 2017 Estimate | 2011-2017 Total |
|---------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| GENERAL GOVERNMENT | | | | | | | | | |
| G-57 | Document/Content Management System | 74 | - | - | - | - | - | - | 74 |
| G-59 | Finance and Human Resources System Replacement | 785 | 231 | - | - | - | - | - | 1,016 |
| G-72 | Security - PCI Mandated Requirements | 182 | 167 | 159 | 159 | 159 | 159 | 159 | 1,142 |
| G-74 | DAS: City Hal Radio & Cell Coverage | - | - | - | 272 | 47 | 47 | 47 | 413 |
| G-75 | Network Resiliency | 81 | 22 | 22 | 22 | 22 | 22 | 22 | 213 |
| G-78 | Greenhouse Gas Community Action Plan | 399 | - | - | - | - | - | - | 399 |
| G-79 | Jail Facility | 250 | 200 | 25 | - | - | - | - | 475 |
| | TOTAL DISCRETE PROJECTS | 1,771 | 620 | 206 | 453 | 228 | 228 | 228 | 3,732 |
| G-05 | CIP Financial Mgmt/Tracking | 270 | 275 | 281 | 287 | 294 | 301 | 309 | 2,017 |
| G-77 | Right of Way Planting and Restoration Program (ESI) | 50 | 50 | 50 | 50 | 50 | - | - | 250 |
| | TOTAL ONGOING PROGRAMS | 320 | 325 | 331 | 337 | 344 | 301 | 309 | 2,267 |
| | TOTAL GENERAL GOVERNMENT | 2,091 | 945 | 536 | 790 | 572 | 529 | 536 | 5,999 |
| Supplemental CIP | | | | | | | | | |
| GENERAL GOVERNMENT | | | | | | | | | |
| G-69 | Supplemental CIP Debt Funding | 1,078 | 1,078 | 1,078 | 1,078 | 1,078 | 1,078 | 1,078 | 7,546 |
| | TOTAL GENERAL GOVERNMENT (SUPPLEMENTAL) | 1,078 | 7,546 |
| GENERAL GOVERNMENT | | | | | | | | | |
| G-80 | Interest Expense | 940 | 1,077 | 1,160 | 1,095 | 761 | 231 | - | 5,264 |
| | TOTAL GENERAL GOVERNMENT (NEW) | 940 | 1,077 | 1,160 | 1,095 | 761 | 231 | - | 5,264 |
| | TOTAL GENERAL GOVERNMENT (Base plus New/SUPPL) | 4,109 | 3,100 | 2,774 | 2,963 | 2,411 | 1,838 | 1,614 | 18,809 |

2011-2017 CIP Forecast
General CIP Fund Project Expenditures

\$000

Major Program Area: Public Safety

| CIP Plan No. | Project Name | 2011 Estimate | 2012 Estimate | 2013 Estimate | 2014 Estimate | 2015 Estimate | 2016 Estimate | 2017 Estimate | 2011-2017 Total |
|----------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| PUBLIC SAFETY | | | | | | | | | |
| PS-16A | Fire Station 5 Renovation | 500 | 500 | | | | | | 1,000 |
| PS-61 | Downtown Fire Station | 500 | 500 | | | | | | 1,000 |
| | TOTAL DISCRETE PROJECTS | 1,000 | 1,000 | - | - | - | - | - | 2,000 |
| PS-16 | Renovation of Public Safety Facilities | 635 | 660 | 686 | 713 | 742 | 772 | 803 | 5,011 |
| PS-19 | Public Safety Facility Studies | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 119 |
| | TOTAL ONGOING PROGRAMS | 649 | 675 | 702 | 730 | 760 | 791 | 823 | 5,130 |
| | TOTAL PUBLIC SAFETY | 1,649 | 1,675 | 702 | 730 | 760 | 791 | 823 | 7,130 |

**2011-2017 CIP Forecast
General CIP Fund Project Expenditures**

\$000

Major Program Area: Neighborhood Enhancement Program (NEP)

| CIP Plan No. | Project Name | 2011 Estimate | 2012 Estimate | 2013 Estimate | 2014 Estimate | 2015 Estimate | 2016 Estimate | 2017 Estimate | 2011-2017 Total |
|--------------|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| NEP-1 | Neighborhood Enhancement Program | 1,489 | 1,499 | 1,509 | 1,549 | 1,589 | 1,653 | 1,719 | 11,006 |
| | TOTAL ONGOING PROGRAMS | 1,489 | 1,499 | 1,509 | 1,549 | 1,589 | 1,653 | 1,719 | 11,006 |
| | TOTAL NEP | 1,489 | 1,499 | 1,509 | 1,549 | 1,589 | 1,653 | 1,719 | 11,006 |

**2011-2017 CIP Forecast
General CIP Fund Project Expenditures**

\$000

Major Program Area: Neighborhood Investment Strategy (NIS)

| CIP Plan No. | Project Name | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2011-2017 Total |
|-------------------------------|---------------------------------|------------|------------|------------|------------|------------|------------|------------|--------------------|
| | | Estimate | |
| NIS-2 | Phase II | 384 | 277 | 284 | 250 | 250 | 250 | 250 | - |
| NIS-3 | Neighborhood Community Building | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 1,945 |
| TOTAL ONGOING PROGRAMS | | 409 | 302 | 309 | 275 | 275 | 275 | 275 | 2,120 |
| TOTAL NIS | | 409 | 302 | 309 | 275 | 275 | 275 | 275 | 2,120 |

Attachment B
Council Endorsed
Mobility and Infrastructure Initiative Finance Plan
January 20, 2009

In January 2008, the City Council initiated work on development of a Mobility and Infrastructure Initiative financing strategy. The purpose of this effort was to fund high priority transportation and other capital investments to mitigate growing congestion problems in the City. A recent survey of Bellevue Residents identified investment in transportation facilities as the highest priority municipal investments to maintain or enhance quality of life in Bellevue. The Finance Plan would supplement the City's existing Capital Improvement Plan and special property tax (known as the "Supplemental CIP") levied by the Council to fund high priority capital needs in the community, and deliver new transportation and other capital projects within a 10 year timeframe.

This Plan provides general policy guidance for capital project and funding decisions. Future actions by the City Council will need to be taken to fully implement this Plan, and those actions may require periodic adjustments to this Plan.

The transportation investments identified in this Plan respond to travel demand caused by development in the Downtown, and provide initial capital investment in the Bel-Red area to support planned growth.

Growth in downtown. Downtown Bellevue experienced phenomenal growth in office space and in residential construction between 2005 and 2008. During that period, approximately 2.5 million square feet of new office space was developed. Most of that space is now leased, and 6,000-8,000 new employees are expected to be working in Downtown in 2009. During that same period, 3,700 new residential units were permitted. While leasing and sales of these units have not occurred as rapidly as the office space, the combined impact of this growth will add congestion to our downtown streets.

Growth Planned for Bel-Red. The City initiated work on the development of a long-term plan for the redevelopment of the Bel-Red area of the City in 2005 in order to establish a solid and dynamic economic future for the Bel-Red area, and also to be proactive on planning for the potential of high capacity transit through the corridor (connecting Downtown Bellevue with Overlake). In initiating the Bel-Red planning project, the City Council adopted principles that stress the importance of a long range vision, economic vitality, land use/transportation integration, protecting natural resources, and creating new community amenities.

Over a two year planning process, the Bel-Red Steering Committee developed a new vision for Bel-Red of denser, transit oriented new neighborhoods that will

require significant public investments in transportation, parks, and environmental improvements. The Committee concluded that new investment in infrastructure and amenities would be needed to transform the area, and that a significant share of the investment would need to come from the properties undergoing redevelopment. The Committee stressed the importance of use of incentives to provide this investment, capitalizing on the additional intensity and height provided by new zoning.

The Mobility and Infrastructure Initiative financing strategy contains specific capital projects and a financing strategy. Each are described below.

Capital Projects. The strategy contains a core group of transportation investments designed to address growth in travel demand from Downtown development and from growth anticipated in the Bel-Red area. These transportation investments have been selected because they have the greatest positive impact in reducing congestion.

NE 4th extension, from 116th to 120th Avenue NE (\$50M). This project will construct a 5 lane arterial street, connecting the NE 4th Street/I-405 interchange with 120th Avenue NE. The project includes realignment of the 120th/NE8th intersection with lane transition on 120th to NE10th Street. The project will include sidewalks and bike lanes, and provide a new arterial connection to and from the Downtown, allowing traffic to move from Downtown to the east and northeast parts of the City. This new street will reduce congestion on NE 8th Street, and provide congestion relief for north bound traffic on 116th Avenue NE, thereby relieving access constraints to the hospital district north of NE 8th Street, on 116th Avenue.

NE 6th Street Extension, from I-405 to 120th Avenue NE (\$6M). Like the NE 4th Street project, this street improvement will provide a new east/west connection to and from Downtown by connecting the existing NE 6th Street interchange at I-405 with 120th Avenue NE. The function of this street will be to serve transit, carpools, and van pools seeking to enter or leave the Downtown. Like the NE 4th Street project, this improvement will reduce congestion on NE 8th Street, and provide an important travel time benefit to high occupancy vehicles entering and leaving the Downtown. Funding in this Plan supports engineering and some right-of-way acquisition for this project. Construction funding is anticipated from State and other sources.

120th Avenue NE Street Widening (\$13M). This project will widen the existing 120th Avenue street to 5 lanes from NE 10th Street to Northup Road, and provide sidewalk, bike lanes, and street light improvements. The project will provide new street capacity serving travel demand from the Downtown to the east and northeast parts of the City. It reduces congestion on NE 8th Street, and on 116th Street. The northerly part of this project will support planned growth in the Bel-Red area.

NE 15th Street, from 116th Avenue NE to 124th Avenue NE (\$83M). NE 15th Street is the centerpiece of the transportation strategy for Bel-Red. It provides for auto access to new development, accommodates new trips moving through the area from Downtown and elsewhere, provides a light rail corridor, establishes a major east/west pedestrian and bicycle connection between Downtown and Overlake, and is designed as a 'green' street, functioning as a visual and usable amenity for people living and working in the area.

124th Avenue NE, from NE 15th Street to the SR 520 Interchange (\$3M). This project will widen the existing street to 5 lanes, and add sidewalks and street lights. This capacity improvement will support planned growth in Bel-Red, and connect the arterial improvement described above to SR 520; this project will also help support completing the interchange at 124th and SR 520 to allow access to and from the east. Funding in this Plan supports engineering and some right-of-way acquisition. Construction of this project will be accomplished through future City capital investment when funding becomes available.

The strategy contains other capital projects needed to support growth in the Downtown or in Bel-Red or to fund other high priority capital infrastructure needs. These projects include:

Other Downtown Projects (\$16M). This allocation provides supplemental funding for ongoing Downtown projects. Allocation of this earmark to specific projects will occur by a future Council action.

Intelligent Transportation Improvements (\$2M). This project will help to replace the City's Traffic Signal System, including a new fiber optic communication network, and new computer software and hardware. This investment will improve signal timing and operations for vehicles and pedestrians, provide for Transit Signal Priority technology, ensure better signal coordination and operation, and support the development of a multimodal transportation system in Downtown.

Downtown Circulator (\$3M). This project completes funding for a new fare free transit service downtown, linking key destinations via a circular transit route providing efficient service to people moving between locations downtown.

Pedestrian and Bike Improvements (\$15.5M). This project is intended to fund one key north/south or east/west bike corridor and potentially neighborhood sidewalk projects. The Transportation Commission is now prioritizing key pedestrian/bike investments, and their recommendations will assist the City Council in selecting which project(s) to implement.

Metro Site Acquisition (\$18M). Acquisition of this property, located adjacent to City Hall is identified as a key acquisition priority for Downtown, and will provide a home to a new Downtown Fire Station, and other City Facilities.

Bel-Red Land Acquisition (\$32M). The Bel-Red Plan contains new community parks, neighborhood parks clustered in the mixed use residential area, and a system of trails providing connections through the area. The park system is designed to capitalize on adjacent stream locations so that the benefits of the open space, stream restoration and trails work together as an integrated system of green spaces. The park and stream restoration strategy is a necessary component to the overall redevelopment, making the area more livable. These open spaces will also serve the broader community by providing destination recreational opportunities and by linking key recreation destinations through development of the trail system. This project funds property acquisition and stream restoration to support development in the Bel-Red area.

Public Safety Project (\$3M). The Council has ‘earmarked’ \$3 million to support public safety facility needs. Projects that have been discussed include possible investment in a new Downtown fire station, relocation of District Courts, or a possible investment in a short term detention facility. Direction on how this money is spent will be determined by future Council action.

The projects in total will cost about approximately \$299 million, and will be constructed within the next 10 years. These projects will be added to the City’s Capital Investment Program by future action of the City Council.

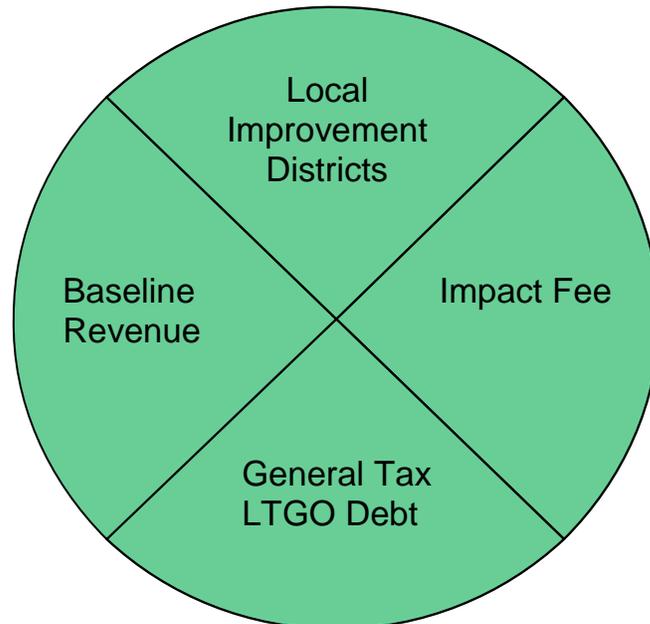
| Mobility and Infrastructure Initiative Finance Plan | |
|---|---------------|
| Projects | Project Costs |
| NE 4th | \$50M |
| NE 6th ext | \$6M |
| 120th | \$13M |
| NE 15th | \$83M |
| 124th | \$3M |
| Other Downtown Projects | \$16M |
| ITS capital improvements | \$2M |
| Downtown Circulator | \$3M |
| Ped/Bike/Neighborhood sidewalks | \$15M |
| Metro Site | \$18M |
| Bel-Red Land Acquisition | \$32M |
| Public Safety Project | \$3M |
| Finance Costs* | \$55m |
| Total | \$299M |

*estimated costs for 2009-2015 CIP planning period.

Financial Strategy. The Plan outlines general policy guidance for a financial strategy to generate the funding to pay for these investments. The financial strategy is generally expected to generate sufficient revenue necessary to pay for these improvements, and is based on the philosophy that those who benefit from the improvements should help pay for them. The financial strategy was informed by the following principles.

- The Finance Plan should take the long view, with the understanding that the basic infrastructure, livability investments, and amenities will occur as redevelopment takes place;
- The Finance Plan should maintain the City's long-term financial stability (thus preserving the City's Aaa bond rating);
- The cost for the public infrastructure should be shared based on the relative impacts and benefits of development;
- The Finance Plan should enable the Bel-Red vision to be realized;
- The Finance Plan should be complementary to the long-term economic development goals for Bellevue; and
- Public investments should be made strategically in order to leverage them for the greatest public good.

These principles are illustrated by the following graphic.



The Plan proposes a combination of traditional and new funding strategies to pay for the investments outlined above. These funding sources are described below:

Property Tax Annually. The City Council has chosen to raise property taxes by 1% over 10 years to help fund this package of improvements. This tax increase recognizes the general public benefit provided by these transportation and other investments, and will generate approximately \$35 million in bonds over the next 10 years. The City Council has also elected to extend the 2% annual increase

in property taxes by two years (to coincide with the 1% increases) and committed approximately \$70 million in bonds from the Supplemental CIP to support these improvement, for a total property tax supported investment of \$105 million.

Storm Drainage Utility Funds. The City has a long history of funding storm drainage and stream corridor improvements through the City Storm and Surface Water Utility. The Plan contains a storm water rate increase of about 1.5% per year, levied City-wide over 10 years, to pay for storm water improvements in the Bel-Red area. This rate increase will raise \$10 million for these improvements over the 10 year period.

Local Improvement District Funding. Local Improvement Districts (LIDs) are a capital funding method authorized by State statute, and recognize that transportation improvements provide improved access to private property, thereby increasing the value of that property. LIDs assign the cost of improvements to private property based on the benefit these properties receive. This Plan contemplates the creation of two LIDs - one for the NE 4th Street project, and a second for the NE 15th/120th project. The Plan assumes that the LID will be funded from private property owner assessments, and from the City through general revenue sources. The LIDs are expected to generate about \$56 million from private property participants in the LID.

Transportation Impact Fees. Transportation impact fees are currently levied by the City against new development to help pay for the cost of new transportation improvements serving that new development. This Plan anticipates new transportation impact fee revenue of about \$65 million over the next 10 years.

New Bel-Red Tax Revenue. New development in the Bel-Red area will generate net new general revenues to the City. This Plan dedicates 40% of the net new revenues from Bel-Red growth to pay for capital investment needed to support Bel-Red development. This share of new Bel-Red tax revenue is expected to generate about \$10 million over the next 10 years to support capital investment.

Grants. The City has historically relied on grants from State, Federal, and other sources to fund capital investment. This Plan anticipates that \$13 million will be obtained over the next 10 years to support these investments. Grants, unlike the other revenues sources identified in this Plan, are highly variable, and may be significantly influenced by changes in federal policy.

Right of Way Dedication. Property owners may dedicate property for rights-of-way (ROW) provided that it benefits their development and that they receive development credits for the land dedicated. The amount dedicated would vary depending on the timing of the transportation projects and private development.

The Plan assumes that 15% of the total ROW costs would be acquired through dedication. This would generate about \$19 million in cost savings for the investments identified in this Plan.

Incentive Zoning. The Bel-Red Plan contains an incentive zoning provision that links the density of private development to participation in the incentive zoning scheme, where additional density above a base level is allowable only if that development provides park land, stream corridor improvements, or affordable housing. This Plan anticipates about \$22 million will be generated through incentive zoning.

| Revenue sources | 10-Year Revenue Estimate |
|------------------------|---------------------------------|
| Baseline revenues | |
| • New Bel Red taxes | \$10M |
| • Grants | \$12M |
| • ROW dedication | \$19M |
| • Storm drainage funds | \$10M |
| • Incentive zoning | \$22M |
| LID funding | \$56M |
| Impact fees | \$65M |
| Property Tax | \$105M |
| Out-Year CIP Funding | \$0M |
| Total revenue | \$299M |
| Gap | \$0 |

The combination of these revenue sources is expected to provide sufficient funding to pay for the investments identified in the Plan. Because many of these revenues are sensitive to economic activity and to the pace of private development, the City will have to use financing techniques that involve the issuance of debt. The City anticipates that delivery of the projects contained in this Plan will be staged over the next decade or so, so that the cash flow issues associated with the variability in revenues can be managed.

Staff will return to the City Council in Spring 2009 with a more detailed implementation strategy describing how the transportation projects can be delivered over the next 7 years, a detailed financing plan for each project, and related actions that the Council will have to take to move the plan forward. This work will also identify other actions the City should take to coordinate capital construction, like linking planned water and sewer improvements to the road construction projects.

Adoption of the Plan and subsequent actions by the City to implement the Plan. The Plan outlines the projects and revenue sources that will be used to fund the Plan. This Plan will be implemented in steps, as outlined below:

Step 1. Action by the City Council to adopt the property tax increase and storm drainage rate increase outlined in this Plan.

Step 2. Review and endorsement of the Mobility and Infrastructure Initiative Finance Plan, anticipated on January 20, 2009.

Step 3. Action by the City Council to adopt the Bel-Red Subarea Plan, Zoning, and Land Use Code amendment, anticipated in February or March 2009.

Step 4. Action by the City Council to amend the City Capital Improvement Plan to include the projects contained in this Plan, March 2009, following adoption of the Bel-Red Plan.

Step 5. Action by the City Council to amend the City Transportation Facility Plan and Transportation Impact fee Ordinance, anticipated in March 2009.

Step 6. Action by the City Council to form the NE 4th LID and the Bel-Red LID.

City staff will initiate work to complete engineering, acquire necessary property and implement the projects following these City Council actions. Further refinement of this Plan will occur in the upcoming months based on the direction provided by Council.

Adoption of this Plan meets the requirements of the proposed Bel-Red Land Use Code for City Council approval of a financial plan, and allows the phasing limitation of a .5 FAR throughout the Bel-Red area to be eliminated.