



City of
Bellevue

Post Office Box 90012 • Bellevue, Washington • 98009 9012

September 23, 2010

The Honorable Mayor Don Davidson
Members of the City Council
Residents and Stakeholders of the City of Bellevue

Dear Mayor Davidson, City Councilmembers, Residents and Stakeholders of Bellevue:

As promised, we are pleased to present the City's recommended 2011-2012 Preliminary Operating Budget by outcomes and the 2011-2017 Capital Investment Program (CIP) Plan for your review. As in past years, the official Preliminary Budget will be transmitted in late October. Both documents will provide residents and other stakeholders review opportunities prior to the final public hearing scheduled for November 15 and prior to the Council's adoption of the Budget scheduled for December 6. These combined Budgets (the Budget) are recommended for your consideration.

State of the Economy

These are difficult times not only for residents and our business and corporate communities, but also for the City of Bellevue government and its employees. The recession's impacts across the United States continue. It defines the current state of our local economy and is the most severe and longest lasting recession faced by the City since its incorporation in 1953. Even as our economy recovers, we do not expect to return to pre-recession revenue levels for many years. After nearly three years of belt tightening and cost containment, we must further downsize and reset our budget to affordable and sustainable levels while maintaining a level of service quality that is acceptable to our residents and stakeholders.

Despite the faltering economy, Bellevue is better positioned to face the impact of the recession than many other cities in the region and the nation. Strong fiscal stewardship and economic development through the years, an engaged workforce stressing efficiency, quality and customer service, and targeting resources to core municipal services will continue to help the City get through these difficult times.

Revenue Caution

The 2011-2012 Budget and 2011-2017 Capital Investment Program (CIP) Plan that we submit for your review and approval is balanced as required by Washington state law. It calls for no new taxes. Nevertheless, the proposed Budget reflects a \$10.9 million reduction in 2011 General Fund operating revenues compared to 2010 amended budgeted revenues. Although the Budget is balanced, both the operating and capital budget estimates continue to be influenced by what appears to be a slowing of the economic recovery.

Estimating revenue in these volatile and unique economic times is extremely difficult. We are committed to living within our means, and as the new biennium begins, we will closely monitor our revenue estimates and take appropriate management action to reduce spending as necessary.

Guiding Principles

In developing this Budget, the organization followed a number of guiding principles. Foremost is the Council's long-term policy that "quality service programs will be offered by the City of Bellevue. If expenditure reductions are necessary, service elimination is preferable to poor or marginal quality programs."

Other guiding principles included:

- A focus on services that deliver Outcomes important to the Community;
- An examination of the entire budget, not just incremental changes from the last budget;
- A commitment to innovation and efficiency;
- The use of an evidence-based approach to determine how to achieve Outcomes;
- The use of Citywide, not Department priorities; and
- A long-range strategic approach to reset the budget to levels that are affordable and sustainable by our community.

This Budget is being proposed after numerous discussions with Council since the proposed Budget One process was first introduced in January 2010. Since then, the Council has also held two public hearings on the budget and plans a third in November. The Council engaged with staff during two budget workshops and devoted segments of six study sessions to discuss the budget process and community priorities for approximately 500 individual service level proposals.

The process has involved an unprecedented number of staff at all levels of the government. It has been a fully transparent process with opportunities for all employees to view proposals and their rankings over the City's intranet. Copies of the final proposals are contained on a CD included with the proposed Budget.

Outcomes for the Community/Proposed Budget

The Budget that we propose focuses on services that deliver outcomes that are important to our community, rather than on Department priorities. The Budget reflects the values of our community and important community-wide priorities recognized by the Council. It is the summation of months of work by numerous employees in cross-departmental teams. These teams looked at what we do from the eyes of citizens while reviewing and ranking operating and capital proposals. They looked at best practices, survey data, industry standards and performance metrics to arrive at recommendations. Rankings were vetted by our Leadership Team to form not only the basis of a new budget for Council consideration, but also to reset what we do and to assure that the budget targets the highest priorities of our citizens in line with the current economic reality.

The proposed Budget is an organizational capacity "reset" reflecting the times we face and will continue to face for the future. It is a downsized budget and sets a strategic direction that is sustainable and affordable in the long run. It calls for no new taxes and preserves front line programs and core services that matter most to the community such as police, fire, and parks and recreation programs. It includes targeted reductions to support departments such as Finance, Information Technology, and Civic Services that will result in a more streamlined and efficient government. Approximately 59 net positions will be eliminated in the 2011-2012 Budget compared to the 2009-2010 Budget.

The Budget maintains programs that will keep our community safe, supports economic development and competitiveness within the region and internationally, improves traffic flow, encourages other modes of transportation, and continues to keep our arterial and neighborhood streets clean. The Budget includes programs that protect and improve our

environment, and programs such as investments in the arts and youth programs that enhance our community.

We believe the proposed Budget is the right mix of services and programs and is affordable.

The 2011-2012 Operating Budget by Outcomes is \$671.2 million. The proposed funding and key operational changes by Outcomes are described more fully in the Outcome section of the proposed Budget, as well as by department in Tab 6-1 titled "Department Information." The allocations in this Budget are different from those presented to the Council on August 4. The adjustments stem from discussions among the Leadership Team, by the City Manager and with Councilmembers. These adjustments are seen in Tab 7b-1 titled "RT/LT/CMO Decisions."

Residents will feel the hard decisions required to balance the Budget:

- Community Center operating hours will be reduced. All four Community Centers (South Bellevue, North Bellevue, Highland Center, and Crossroads) will be closed on Sundays, except for revenue producing rentals. The North Bellevue and Highland Centers will close early on Friday nights as well as all day on Saturdays.
- The Transit Center Police Substation will be closed as sufficient resources are available to protect the public through the downtown police patrol, the bicycle patrol, and the City Hall station officer.
- 1,400 mid-block street lights will be turned off, affecting non-residential sectors only.

The following table summarizes the operating Budget by Outcomes and Departments.

Total Operating Budget by Outcome and Department

	Safe Community	Improved Mobility	Healthy & Sustainable Environment	Innovative, Vibrant & Caring Community	Quality Neighborhoods	Economic Growth & Competitiveness	Responsive Government	Total	%
City Attorney	2,052,579						13,111,479	15,164,058	2.26%
City Clerk	162,984						3,558,956	3,721,940	0.55%
City Council							681,643	681,643	0.10%
City Manager			257,313				3,644,811	3,902,124	0.58%
Civic Services		845,505	253,103				38,903,403	40,002,011	5.96%
Community Council							8,000	8,000	0.00%
Development Services	7,448,706	426,543			1,426,649	6,914,013	6,173,386	22,389,297	3.34%
Finance						10,100,000	38,072,035	48,172,035	7.18%
Fire	68,943,059			11,495		511,812	1,189,844	70,656,210	10.53%
Human Resources				175,000			46,990,181	47,165,181	7.03%
Information Technology	456,000						25,289,213	25,745,213	3.84%
Miscellaneous Non-Department	7,103,946		119,473				4,152,840	11,376,259	1.70%
Office of Economic Development						1,049,684		1,049,684	0.16%
Parks & Community Services	3,517,373		5,587,895	50,102,134	6,176,251		760,152	66,143,805	9.86%
Planning & Community Development		701,433		3,656,979	1,719,712		1,903,677	7,981,801	1.19%
Police	60,300,385			90,330				60,390,715	9.00%
Transportation	4,211,254	24,548,104	6,685,310	132,656	839,922	1,927,042	2,854,065	41,198,353	6.14%
Utilities	906,721	146,367	201,372,148	1,123,396		775,151	1,085,633	205,409,416	30.61%
Total	155,103,007	26,667,952	214,275,242	55,291,990	10,162,534	21,277,702	188,379,318	671,157,745	100.00%
	23.11%	3.97%	31.93%	8.24%	1.51%	3.17%	28.07%	100.00%	

CIP Program

The Capital Investment Program is also severely affected by the recession. Our long-term capital program cannot be sustained as previously planned with the decline in future revenues currently anticipated by our long-term financial forecast and by increasing infrastructure demands related to planned growth within the Bel-Red Corridor, our neighborhoods and downtown Bellevue. The 2011-2017 CIP is \$353.3 million with expenditures planned at \$145.2 million during the first two years of the plan.

Outcome	2011-2017 CIP (\$M)			
	Ongoing Programs	Discrete Projects	Debt and Contingency	Total
Economic Growth & Competitiveness*	\$0.0	\$0.3	\$0.0	\$0.3
Healthy & Sustainable Environment	3.9	2.9	-	6.8
Improved Mobility	45.9	103.4	-	149.3
Innovative, Vibrant & Caring Community	34.8	34.3	-	69.1
Quality Neighborhoods*	9.8	5.0	-	14.8
Responsive Government	0.1	6.0	-	6.1
Safe Community	9.3	2.7	-	12.0
Debt and Contingency	-	-	94.9	94.9
Total	\$103.7	\$154.6	\$94.9	\$353.3

*Note: CIP LT Panel noted that other Outcomes contribute to the Economic Growth & Competitiveness and Quality Neighborhoods Outcomes

Residents Give the City High Marks

Despite the challenging economic climate, Bellevue residents continue to support their local government. Over the last several years, respondents to our citizen surveys have given us consistently high ratings for quality service delivery and value for their tax dollar. Despite the recent recession and slower than expected economic recovery, residents continue to see Bellevue as an excellent City and their neighborhoods as wonderful places to live. The scores that we receive suggest that residents are not only satisfied with our services, but that they are confident about Bellevue's future and proud to live here.

Our last resident survey, conducted at the beginning of this year, continues this long history of quality and sustainability with high marks from our citizens once more:

1. 97% rated Bellevue as good to excellent place to live. Nearly nine in ten consider their neighborhood an excellent or good place to live.
2. 86% of respondents feel they are getting their money's worth for their tax dollars.
3. Bellevue residents feel safe in the City. After dark, 84% feel safe in their neighborhoods and 88% feel safe in downtown.

Concern for Employees

Right sizing an organization will produce profound effects on the climate and culture of that organization. We intend to manage the stress and anxiety that typically arise when work relationships are disrupted or colleagues leave an organization. In keeping with our Core Value of Employee Commitment, we will do all we can to make the transition for those leaving the work force as smooth as possible. The Human Resources Department has developed a

Transition Resources Center site containing information and connections to resources to help with the transition for these affected staff members. Human Resources staff will be available over the next several months to assist those separating from City service.

Below is a table of FTEs included in the proposed 2011 Budget by Department and by Outcome:

2011 FTEs By Department and By Outcome

By Department	2011 FTEs	By Outcome	2011 FTEs
City Attorney	23.60	Safe Community	512.36
City Clerk	14.75	Improved Mobility	96.09
City Council	7.00	Healthy & Sustainable Environment	176.49
City Manager	11.00	Innovative, Vibrant & Caring Community	133.95
Civic Services	65.83	Quality Neighborhoods	23.86
Development Services	91.72	Economic Growth & Competitiveness	43.85
Finance	49.30	Responsive Government	272.37
Fire	238.56		
Human Resources	14.80		
Information Technology	54.81		
Miscellaneous Non-Departmental	0.70		
Office of Economic Development	3.00		
Parks & Community Services	163.09		
Planning & Community Development	25.31		
Police	214.60		
Transportation	113.34		
Utilities	167.56		
Totals By Department	1,258.97	Totals by Outcome	1,258.97

Utilities

This Budget includes the following proposed utility rate increases for 2011 and 2012:

	<u>2011</u>	<u>2012</u>
<u>Water</u>		
<i>Cascade Water Alliance</i>	1.9	5.6
<i>Local Programs</i>	<u>1.4</u>	<u>2.3</u>
Total	3.3%	7.9%
<u>Wastewater</u>		
<i>Metro/King County</i>	7.9	0.0
<i>Local Programs</i>	<u>1.0</u>	<u>1.5</u>
Total	8.9%	1.5%
<u>Storm & Surface Water</u>		
<i>Local Programs</i>	3.2%	3.2%

Increases in wholesale Metro/King County Sewer and Cascade Water Alliance Water costs are the primary drivers of the proposed wastewater and water rate increases. Addressing aging infrastructure issues continues to be the primary driver for local programs. Utilities has assets with a replacement value of over \$3.5 billion and about half of this infrastructure is past mid-life.

Utilities cost containment efforts for the 2011-2012 Budget focused on controlling operating expenses, finding efficiencies, and otherwise reducing costs that impact local rate increases, resulting in an 11.4% reduction to local controllable costs.

As a temporary measure, in response to the current economic downturn, Utilities proposes to reduce the transfer from rates to capital reserves for the renewal and replacement of infrastructure in 2011 and 2012 – a reduction of \$3.1 million.

- This reduction will provide a short-term rate reduction during the 2011-2012 biennium, but will create the need for larger rate increases in the future to return to planned contribution levels for funding infrastructure replacements.
- Accumulating reserves to pay for the proactive replacement of aging systems before they fail allows customers to continue to enjoy reliable, unobtrusive delivery of the most basic and critical services.

Typical average monthly utility bill (including water, wastewater, and storm & surface water) for a single-family residential customer is projected as follows:

	2011	Total Increase	% change from 2010	2012	Total Increase	% change from 2011
Combined monthly bill	\$117.24 (2010)			\$ 124.18		
Wholesale increase	5.23			2.62		
Local increase	1.71			2.58		
<i>Total Increase</i>		\$6.94	5.9%*		\$5.20	4.2%**
Expected monthly bill	\$124.18			\$ 129.38		

* Of the total increase of 5.9% from 2010 to 2011, 4.5% is attributed to the increase for wholesale water purchase and sewage treatment, and 1.4% is attributed to the increase to support local programs. Projected CPI for 2011 is 1.4%.

** Of the total increase of 4.2% from 2011 to 2012, 2.1% is attributed to the increase for wholesale costs and 2.1% is attributed to local programs. Projected CPI for 2012 is 2.1%

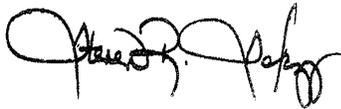
Risks and Watch Areas

As with any budget, there are risks and brewing issues to be watched. These issues are summarized in Forecast Tab 3 of this document. Two larger concerns are the possibility of a “double dip” recession and the potential adoption of one or both of the liquor store initiatives. Should either situation impact us, we will return to Council with amended plans for your consideration.

In closing, I want to say that this process has been difficult for the City organization. Scores of staff have participated at many different levels in developing this Budget while at the same time carried out their departmental assignments. Despite this difficult process, the end product is a plan that will produce better results for our community and adequately support those programs that are most important to our residents and other stakeholders.

I want to thank each member of the Results Teams, the staff of the Budget Office, all the employees in this City who wrote proposals or contributed to the success of this process, and to the employees who carried on their work to maintain Bellevue's reputation as a quality City in which to live, work, learn, and play.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Sarkozy". The signature is fluid and cursive, with a large initial "S" and "K".

Steve Sarkozy
City Manager



**Council Budget Study Session
Executive Summary
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This is a very high level summary of the 2011-2012 Proposed Budget and the 2011-2017 Capital Investment Program Plan.

OPERATING BUDGET

The following is a summary of the total operating budget for 2011-2012 by Outcome:

	<u>All Funds</u>	<u>% Total</u>
Safe Community	\$155.1M	23.1%
Improved Mobility	26.7M	4.0%
Healthy & Sustainable Environment	214.3M	31.9%
IVCC	55.3M	8.2%
Quality Neighborhoods	10.1M	1.5%
Economic Growth & Competitiveness	21.3M	3.2%
Responsive Government	<u>188.4M</u>	<u>28.1%</u>
Total Operating Budget	<u>\$ 671.2M</u>	<u>100.0%</u>

The following is a summary of the General Fund budget for 2011-2012 by Outcome:

	<u>General Fund</u>	<u>% Total</u>
Safe Community	\$139.3M	52.1%
Improved Mobility	25.4M	9.5%
Healthy & Sustainable Environment	12.3M	4.6%
IVCC	35.0M	13.1%
Quality Neighborhoods	8.7M	3.3%
Economic Growth & Competitiveness	3.5M	1.3%
Responsive Government	<u>43.1M</u>	<u>16.1%</u>
Total General Fund Budget	<u>\$ 267.5M</u>	<u>100.0%</u>

The table below is a summary of the total operating budget for 2011-2012 by Department:

	<u>All Funds</u>	<u>% Total</u>
City Attorney	\$ 15.2M	2.3%
City Clerk	3.7M	0.5%
City Council	0.7M	0.1%
City Manager	3.9M	0.6%
Civic Services	40.0M	6.0%
Community Council	0.08M	0.0%
Development Services	22.4M	3.3%
Finance	48.2M	7.2%
Fire	70.6M	10.5%
Human Services	47.2M	7.0%
Information Technology	25.7M	3.8%
Miscellaneous Non-Departmental	11.4M	1.7%
Office of Economic Development	1.0M	0.2%
Parks & Community Services	66.1M	9.9%
Planning & Community Development	8.0M	1.2%
Police	60.4M	9.0%
Transportation	41.2M	6.1%
Utilities	<u>205.4M</u>	<u>30.6%</u>
Total Operating Budget	<u>\$ 671.2M</u>	<u>100.0%</u>



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The following is a summary of the General Fund Budget for 2011-2012 by Department:

	<u>General Fund</u>	<u>% Total</u>
City Attorney	\$ 6.9M	2.6%
City Clerk	3.7M	1.4%
City Council	0.7M	0.2%
City Manager	3.7M	1.4%
Civic Services	6.2M	2.3%
Community Council	0.08M	0.0%
Finance	14.9M	5.6%
Fire	65.1M	24.3%
Human Services	3.6M	1.3%
Miscellaneous Non-Departmental	10.5M	3.9%
Office of Economic Development	1.0M	0.4%
Parks & Community Services	46.3M	17.3%
Planning & Community Development	6.2M	2.3%
Police	59.5M	22.2%
Transportation	39.1M	14.6%
Utilities	<u>.08M</u>	<u>0.3%</u>
Total General Fund Budget	\$267.5M	100.0%

The chart below illustrates the change in the City's General Fund budget from 2010 through 2012, **without interfunds** factored into the numbers.

	2010 Budget	2011 Proposed Budget	% Growth	2012 Proposed Budget	% Growth
City Attorney	\$ 3,043,352	\$ 3,403,397	11.8%	\$ 3,522,804	3.5%
City Clerk	1,982,955	1,819,155	-8.3%	1,902,785	4.6%
City Council	328,490	333,707	1.6%	347,936	4.3%
City Manager	1,723,881	1,784,564	3.5%	1,888,347	5.8%
Civic Services	3,117,557	3,044,904	-2.3%	3,187,654	4.7%
Community Council	32,617	4,000	-87.7%	4,000	0.0%
Finance	7,884,211	7,340,712	-6.9%	7,614,629	3.7%
Fire	33,489,329	32,036,134	-4.3%	33,020,612	3.1%
Human Resources	2,176,039	1,812,764	-16.7%	1,771,324	-2.3%
Office of Economic Development	2,945,779	5,117,875	73.7%	5,348,384	4.5%
Parks & Community Services	585,921	514,849	-12.1%	534,835	3.9%
Planning & Community Development	24,816,986	22,709,019	-8.5%	23,622,840	4.0%
Police	3,156,010	3,021,593	-4.3%	3,165,572	4.8%
Transportation	30,561,026	29,369,250	-3.9%	30,134,921	2.6%
Miscellaneous Non-Departmental	19,329,956	19,090,175	-1.2%	19,962,955	4.6%
Utilities	-	39,328	0.0%	41,403	5.3%
Total	\$ 135,174,110	\$ 131,441,426	-2.8%	\$ 136,071,002	3.5%

Key Highlights:

- The operating budget reflects significantly reduced resources, as compared to prior budget, as a result of the economic downturn.



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- The recommended operating budget funds those proposals most likely to achieve the Community Outcomes.
- Maintains critical levels of service for public safety and other City services.
- Holds human and social services harmless.
- Maintains critical partnerships.
- Seeks no new taxes
- Maintains the City's legacy of fiscal stewardship.

Additional detailed information about the budget by outcomes can be found in Tab 4 and by department in Tab 6.

CAPITAL BUDGET

As part of preparing a recommendation for the 2011-2017 General Capital Investment Program (CIP) Plan, the CIP LT Panel also carefully reviewed existing programs and projects in the base CIP and the Mobility & Infrastructure Initiative Plan. In an effort to identify the highest priority capital projects and programs, the Panel first reviewed and prioritized each department's ongoing programs and discrete project proposals and reduced where feasible align with funding constraints.

A summary of the total combined program of \$353.3 million for both the General CIP and the Mobility & Infrastructure Initiative Plan is shown below.

Project Type	# of Proposals	2011-2017 CIP (\$000)
Ongoing Programs	18	\$103,721
Discrete Projects	37	154,597
Debt and Contingency	9	94,942
Total	64	\$353,260

A summary of discrete projects and ongoing programs by Outcome is shown in the following table:

Outcome	2011-2017 CIP (\$000)		
	Ongoing Programs	Discrete Projects	Total (Excludes Debt)
Economic Growth & Competitiveness*	\$0	\$250	\$250
Healthy & Sustainable Environment	3,850	2,936	6,786
Improved Mobility	45,857	103,398	149,255
Innovative, Vibrant & Caring Community	34,800	34,275	69,075
Quality Neighborhoods*	9,798	5,000	14,798
Responsive Government	90	6,038	6,128
Safe Community	9,326	2,700	12,026
Total	\$103,721	\$154,597	\$258,318

*Note: CIP LT Panel noted that other Outcomes contribute to the Economic Growth & Competitiveness and Quality Neighborhoods Outcomes



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Key Highlights:

- The recommended proposed CIP funds high priority projects, but understates the magnitude of unmet capital needs.
- The recommended CIP combines the General CIP and Mobility & Infrastructure Initiative, as well as the 2008 Parks and Natural Areas Levy, to provide a more holistic picture.
- The CIP focuses on achieving City Mission/Community Outcomes, mandates, financial factors, timing/urgency, and scaling as criteria.
- The CIP incorporates the new proposed guidelines to better define operating versus capital expenditures.

Additional detailed information about the 2011-2017 CIP can be found in Tab 5.