



March 5, 2009

The Honorable Mayor Grant Degginger  
Members of the City Council  
Residents and Stakeholders of the City of Bellevue

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

We are pleased to present the City's 2009-2010 Operating Budget and the 2009-2015 Capital Investment Program (CIP) Plan. These combined Budgets (the Budget) total \$1.1 billion for the 2009-2010 biennium.

The Operating Budget and CIP Plan maintain the City's core service levels, provide strategic investments in our infrastructure, and target transportation signal system enhancements to improve traffic flow in our growing downtown.

The Budget fulfills Council's vision to make significant investments in our park system and natural areas and improve transportation systems throughout the City.

This budget includes:

- Initial funding for the *Mobility and Infrastructure Initiative* that will address high priority mobility and infrastructure needs in downtown, the Bel-Red Corridor and other areas of our community.
- Park levy funding that will expand our existing parks system and received overwhelming support by our citizens.
- Significant advances in Utilities funding to maintain current service levels, address costs of new services, meet regulatory mandates and increase staff and resources for maintenance and repairs of an aging water and wastewater infrastructure.

### ***Managing through a Difficult Economy***

Council approved the Budget at a time when the economy was slowing dramatically and now, just a few months later, it has deteriorated further. Fiscal constraints faced by the City and difficult economic times felt by our region and the nation will challenge us to provide the level and quality of municipal services that residents and other stakeholders expect. We are fortunate that our years of fiscal restraint, lean and efficient workforce, and targeting only the most pressing needs has positioned the City well to face this challenge. We have faced difficult times in recessionary downturns such as in 2001 and the end of the "dot.com" years and have emerged as a stronger community.

We have management structure in place to take necessary actions to manage through this economic downturn. We will carefully monitor expenditures and revenues and we will take whatever actions are necessary to live within our means. While our practice is to budget for

the long-term and manage our resources carefully, we are fully ready to curb spending during these immediate, tough times.

### ***Meeting Resident Expectations***

Over the last several years, respondents to our citizen surveys have given us consistently high and sustaining scores for quality service delivery and value for tax dollar. Citizens 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 and proud to live here.

Our last resident survey conducted in 2008 continues this long history of quality and sustainability with high marks from our citizens once more:

- More than 90% described Bellevue as an excellent place to live. Nine in ten consider their neighborhood an excellent or good place to live.
- 87% of respondents feel they are getting their money's worth for their tax dollars.
- The vast majority of residents feel safe in their neighborhoods and in downtown during the day and after dark.

### ***Funding for Reserves***

The Budget includes a new General Fund reserve policy and target reserve levels to assure that we will always be in a position to weather economic tides or to respond to natural disasters. The new policy sets an annual target of 15% of General Fund revenues as a sustaining reserve level and consolidates the current "Rainy Day" fund into this reserve. The changes can be found in Section IX and X of the City's Financial Management Policies.

### ***Maintaining Bellevue's Quality Services***

The 2009-2010 Budget includes 7.25 new positions (excluding Utilities as discussed below) to maintain current services, meet federal and state mandates, reflect "best practices" or provide needed administrative support related to existing service levels. Most of the positions are revenue supported or necessary to convert limited term positions where service demands will continue.

Highlights include:

NORCOM Implementation. The Budget allocates \$1.0 million to the implementation of the new regional communication center that will be operated jointly with several other cities. Over the long-term, this regional facility is expected to reduce costs by increasing operational efficiencies for all jurisdictions.

Parks and Open Space Investments. The Budget includes the addition of one position to staff the new Mercer Slough Environmental Center and makes permanent the "Wrap Around Services" pilot program at Lake Hills Elementary.

The Budget includes the maintenance and operating funds associated with the passage of the 2008 Parks and Natural Areas Levy. Funding is provided by a \$0.7 million annual property tax levy.

Federal Mandate Requirements. This Budget includes \$0.1 million to meet the requirements of the Clean Water Act and our National Pollutant Discharge Elimination System permit. A companion proposal that includes additional staffing is included in the Utilities funds.

Streetlight Maintenance. The Budget makes permanent a position that addresses the increased number of street lights and traffic signals maintenance and outages.

Housing Stock Improvements. The Budget increases staffing to a full-time position from the current part-time position for the Community Development Block Grant funded program focused on the home repair program for low and moderate income residents.

Arts Commitment. Despite the economic uncertainty that we face, this Budget continues our strong commitment to arts and culture. The Budget includes \$80,000 over the biennium to support the Bellevue Jazz Festival.

Support Services Additions. This Budget makes permanent three positions including: 1) a Fleet Warranty Administrator; 2) a public disclosure analyst; and 3) a Fire Prevention administrative assistant.

The Budget includes a Tax Analyst position to assist with the growing volume of delinquent collections and desk audits. This position will pay for itself through revenue recovery.

### ***Investing in Utilities***

The 2009-2010 Budget maintains current service levels plus additional resources to provide new services required by contractual arrangements, regulatory mandates or a changing economic environment. This budget adds ten positions to meet the demands of aging infrastructure, growth in downtown and new regulatory requirements.

Highlights of the proposed service additions include:

Aging Infrastructure. The Budget includes the addition of three positions to maintain and repair aging water and wastewater infrastructure requiring more effort to remain operational while providing preventative and reactive maintenance.

Federal and State Mandates. A companion to the Operating Budget Investment, the Budget includes four positions to meet federal and state regulated programs including Clean Water Act and National Pollution Discharge and Elimination System (NPDES) programs.

This Budget includes the following proposed utility rate increases for 2009 and 2010:

|                         | <u>2009</u> | <u>2010</u> |
|-------------------------|-------------|-------------|
| Water                   | 6.1%        | 9.2%        |
| Wastewater              | 13.0%       | 3.5%        |
| Storm and Surface Water | 7.0%        | 8.5%        |

Increases in wholesale Metro/King County Sewer and Cascade Water Alliance Water costs, inflationary increases in salary and maintenance and operations costs, as well as additional capital needs are the primary drivers of the proposed rate increases.

### ***Investing in the City's Infrastructure and Future***

Bellevue has developed as a commerce and technology hub of the Puget Sound region. It has become a destination for people who want to live, work, and play in a central downtown

location. Yet it has preserved the best qualities of a suburban community with great neighborhoods, exceptional public schools, and an extensive park and open-space system. This distinctive “two-city” characteristic -- blending the best of suburbia with a growing urban core -- presents immense challenges to the City and to its leadership.

The 2009-2015 CIP Plan sustains current capital programs and launches a series of critical infrastructure and system investments. These investments not only target current traffic and system issues but also initiate a deliberate longer-term approach focused on Bellevue’s future.

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 supplement the City’s existing CIP and Supplemental CIP to fund transportation and other improvements that respond to the growth in travel demand caused by development in Downtown Bellevue and to provide initial capital investments in the Bel-Red area to support planned growth.

The City Council endorsed this far-reaching initiative whose blueprint calls for the construction or expansion of five major arterials to improve access to downtown and Bel-Red, as well as enhancements to the City’s computerized traffic light system, creation of a shuttle bus service for downtown and construction of new bicycle and pedestrian pathways. These investments have been selected because they have the greatest positive impact in reducing congestion.

The Initiative’s projects include:

- NE 4<sup>th</sup> Extension from 116<sup>th</sup> to 120<sup>th</sup> Ave and improvements to 120<sup>th</sup> Ave NE
- NE 6<sup>th</sup> Extension from I-405 to 120<sup>th</sup> Ave NE.
- 120<sup>th</sup> Ave street widening from NE 10<sup>th</sup> to Northup.
- NE 15<sup>th</sup> Street from 116<sup>th</sup> Ave to 124<sup>th</sup> Ave NE.
- 124<sup>th</sup> Ave NE from NE 15<sup>th</sup> Street to the SR-520 Interchange.
- Downtown projects to implement the Downtown Implementation Plan.
- Intelligent Transportation Improvements.
- Downtown Circulator.
- Pedestrian and Bike Improvements.
- Metro Site acquisition.
- Bel-Red land acquisition.

Initial funding of \$14.6 million for this initiative will be supported by two 3% property tax increases and two 1.5% Storm Drainage fee increases in 2009 and 2010. Full funding for this package is likely to include property taxes, impact fees, targeted Improvement District (LID) taxes, grants and other potential funding sources.

In total, the 7-year CIP Plan is \$512.7 million, of which \$347.4 million is allocated for the General Capital Investment Program, \$17.2 million for the Supplemental CIP, \$133.5 million for the Utility Capital Investment Program and a down payment of \$14.6 million for the *Mobility and Infrastructure Initiative*.

The following list includes highlights of some of the new projects included in the CIP. More detailed information on each project is available in the 2009-2015 CIP Plan.

#### Parks and Natural Areas Levy.

Voters overwhelmingly approved a new Parks and Natural Areas Levy in November 2008. The levy, which replaces one that expired in 2008, provides funding to provide additional investments in Bellevue’s nationally accredited park and natural areas system. Key projects the levy will fund include:

- Improvements to trails and natural areas in Coal Creek Park and Lewis Creek Park.
- Completion of the loop trail around the waterfall and reflecting pond at Bellevue Downtown Park.
- Upgrades to synthetic turf for Wilburton and Newport Hills soccer fields.
- Expansion of Crossroads Community Center.
- Improvements to the Bellevue Botanical Garden.
- Addition of neighborhood parks in Bridle Trails and along West Lake Sammamish Parkway.
- Redevelopment of Surrey Downs Parks.
- Development of a new 27-acre community park in the Eastgate area.

Transportation Safety and Mobility.

PW-R-147, Bellevue Mobility Initiative (\$0.4 million). Updates the Downtown Subarea Transportation Plan by extending the planning horizon to 2030 to meet the challenges of downtown growth in the long term.

PW-R-155, Traffic Computer/Communication System Upgrade (\$1.7 million). Funds specialized network engineering, monitoring, response and trouble shooting services in support of the upgrade to the City's traffic computer system from obsolete copper wiring to a new fiber optic system.

New and Enhanced Investments in the 2009-2015 CIP Plan.

G-76, Electric Service Reliability Study (\$0.4 million). This project provides funding to assess Puget Sound Energy's current and future plans or abilities to provide highly reliable electric service to the City of Bellevue.

NIS-3, Neighborhood Community Building – Events (\$0.2 million). This project provides funding for various activities, projects and celebrations designed to improve community involvement and pride, create new partnerships, and stimulate investment of time and resources in Bellevue neighborhoods.

Technology and Internal Infrastructure.

G-72, Security Payment Card Industry (PCI) Mandated Requirements (\$0.5 million). This project provides funding to acquire the necessary hardware and software to meet the PCI requirements.

Environmental Stewardship.

G-77, Right of Way and Restoration Program (\$0.4 million) and P-R-11, Renovation and Refurbishment of Park Facilities Program Enhancement - Enhanced Forest Management (\$0.4 million). Provides funding to increase the rate at which the City is able to restore and improve City-owned trees and forests, including those at parks, natural areas and open space properties. Provides funding for plantings and restoration of high-need areas and highly visible portions of city right-of-way.

Aging Utility Infrastructure.

W-16, Accelerate W-16 Small Diameter Water Main Replacement (\$16.7 million). Enhanced funding in water main replacement to achieve asset management goals of cost effective utility system renewal and replacement that maintains acceptable customer service levels.

S-58, Sewer Lakeline Replacement Program (\$3.0 million). Funding for the initial phase of construction to replace a section of the lakeline with on-shore pipe in coordination with the Meydenbauer Beach Park. Condition assessment will be ongoing through the CIP period to provide data for future replacement.

D-103, Replace Coal Creek Parkway Culvert at Coal Creek (\$6.5 million). Funding to replace the existing corroded corrugated metal culvert that conveys Coal Creek under Coal Creek Parkway with either a bridge that spans the creek channel or possibly a three-sided concrete box culvert.

In closing, I want to say that Bellevue staff are consistently customer focused and dedicated to producing a quality product for those who live and work in our city. They are the ones who give life to our budget and produce the accolades from our residents and other stakeholders each day. I want to thank the Budget Division staff as well as other City staff for their dedicated work on developing and producing this Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Sarkozy", written in a cursive style.

Steve Sarkozy  
City Manager