

Executive Summary

This chapter presents a high level summary of the key components of the 2007-2008 Budget. More detailed revenue and expenditure information can be found in subsequent chapters of this document.

The Executive Summary is organized into the following sections:

A. General Fund Financial Forecast Summary

This section provides a brief overview of the 2007-2008 General Fund Financial Forecast.

B. Utility Funds Financial Forecast Summary

This section provides a brief overview of the 2007-2008 Utility Funds Financial Forecast.

C. Parks Enterprise Fund Financial Forecast Summary

This section provides a brief overview of the 2007-2008 Parks Enterprise Fund Financial Forecast.

D. Development Services Fund Financial Forecast Summary

This section provides a brief overview of the 2007-2008 Development Services Fund Financial Forecast.

E. Budget Summary

This section presents summary resource and expenditure budget and trend information through the use of graphs and tables for the total City budget and its subcomponents (i.e., operating, special purpose, and capital investment program funds).

F. Debt Information

This section presents information about Bellevue's total general obligation debt capacity, current general obligation and revenue bond debt, and annual debt service requirements.

A. GENERAL FUND FINANCIAL FORECAST SUMMARY

Note: This forecast was prepared in October 2006 to assist the City Council with 2007-2008 Budget deliberations.

The General Fund Financial Forecast (the Forecast) illustrates that our revised revenue base will be able to maintain the City's existing quality and mix of services through 2008. The Forecast builds on the proposed 2007-2008 budget's mix and level of resources and anticipated service levels. It calculates future resource and expenditure estimates based on current budget performance, historical trend analysis, current economic information, input from other governments and industries, and feedback from local economists.

The following summarizes the results of the forecast analysis:

Summary

While the short-term financial outlook is positive, the long-term financial outlook includes projected shortfalls in 2009 through 2012. These shortfalls are largely due to high rates of expenditure growth, such as escalating State pension contributions and a loss of B&O taxing authority in 2008.

Economic Outlook

The Forecast reflects the current strength in the local economy and assumes continued growth. Bellevue is in the midst of a major development cycle, expecting to add 2.8 million square feet of office and retail space over the next several years. Employment growth in the region continues to outpace the national average, which in turn contributes to personal income growth and regional population increases. Bellevue expects the residential downtown population to add more than 5,000 people over the forecast period. The increased urbanization of Bellevue is expected to provide additional revenues to the City, as well as additional service demands.

While the biennial outlook is strong, the Forecast shows growth in the later years at a decelerated rate. Regional economists are predicting a slowing of employment growth and retail sales. Development is expected to peak during the biennium and then moderate. Our downtown residential population is estimated to double in the next six years. An increasing daytime workforce and growing residential population will require new amenities as well as additional core municipal services. Key factors such as employment, inflation, and personal income impact the growth rate of the City's revenues, and in-turn the ability to support service demands.

Budget Growth

Budget modifications incorporate increased service needs, including the addition of 17.19 FTEs, and estimates of revenue growth. Projected increases in revenues are sufficient to support service additions and brings the budget into balance for 2007 and 2008. However, as the Forecast illustrates, revenues are projected to fall short of expenditures by \$1.2 million in 2009, due in-part to the estimated impact of B&O apportionment. This deficit diminishes to \$0.3 million by 2012. On average, resource growth falls just short of expenditure growth throughout the forecast period. The average annual expenditure growth rate is 4.0% over the forecast period.

See Chapter 5 - Financial Forecasts for more information on the 2007-2012 General Fund Financial Forecast.

B. UTILITY FUNDS FINANCIAL FORECAST SUMMARY

Introduction

The following key financial policies approved by Council in 1995, and updated in subsequent budgets, are incorporated in these financial forecast results:

- Consolidated reserve funding policies which define target and minimum reserve levels for each Utility fund;
- Operating reserve management policies which stipulate the transfer of greater-than-anticipated year-end reserves (ending fund balances) to the CIP Renewal & Replacement (R&R) Account;
- Capital reinvestment policies for future replacement of Utility infrastructure systems which base transfers to the CIP R&R Account on long-term capital investment;
- System expansion and connection policies which stipulate all capital related Capital Recovery Charges (CRC) and Direct Facility Charges will be deposited directly to the CIP Renewal & Replacement (R&R) Account; and
- Rate-planning policies which set rates at a level sufficient to cover current and future expenses and maintain reserves consistent with Utility financial policies and the long-term financial plans, and to pass through wholesale cost increases directly to customers. Inflationary indices are used as a basis for evaluating rate increases but no longer limit the growth in local programs.

These forecasts assume no increases in Utility staffing levels or significant changes in current service programs for maintenance and operations, which is consistent with ongoing department cost containment efforts.

Significant Issues

Significant issues expected to impact the Utilities current and future financial performance are briefly discussed below.

King County/METRO Wastewater Treatment Costs

Sewage treatment charges from King County/METRO will increase by 9.2% (from \$25.60 to \$27.95) per residential equivalent unit in 2007. This increase is primarily driven by higher debt service resulting from increased capital costs (including the Brightwater treatment plant). Since this rate increase is expected to cover cost increases for both 2007-2008, there will be no rate increase for 2008. Per Council-adopted financial policies, wholesale cost increases are passed through to the customer. The increase in wastewater treatment costs will result in an increase to Bellevue ratepayers of approximately 7.0% in 2007.

Cascade Water Alliance

The Cascade Water Alliance (Cascade) has adopted its 2007 operating and capital budgets. Cascade's 2007 operating budget is \$20 million, or 5.9% higher than 2006. Cascade's 2007 wholesale charges to Bellevue will increase by \$1.1 million or 10.8%. This increase will be reduced by a one-time credit of \$0.5 million in 2007, resulting in a net increase to Bellevue of 5.8% or approximately \$0.6 million. This reflects additional information from Cascade, received after the preliminary budget was printed, that led to a one-time cost reduction of \$0.2 million in 2007. Additionally, Cascade's 2008 wholesale charges to Bellevue are projected to increase by \$1.7 million, or 15.5%, over 2007 levels. Consistent with Council adopted policies of gradual and uniform rate increases, the impact of these changes will be leveled

over the 2007-2008 biennium. This will result in rate increases of 5.0% per year in 2007 and 2008 for wholesale water purchases.

New Capital Projects

There are several capital projects highlighted as being high priority during, and just beyond, this forecast period. These include projects to meet sewer capacity needs in the central business district and water infrastructure renewal projects.

Sensitivity and Risks

Each item discussed above could potentially affect annual Utility costs and rate requirements over the forecast period. Changes in inflation rates for various services can also affect annual cost levels. Each projection made in this forecast is based on the best information currently available, but actual costs and revenues in future years may be higher or lower than forecasted amounts, as changes in prevailing economic conditions or other circumstances influence actual Utility financial outcomes.

See Chapter 5 – Financial Forecasts for more information on the 2007-2012 Utility Financial Forecast.

C. PARKS ENTERPRISE FUND FINANCIAL FORECAST SUMMARY

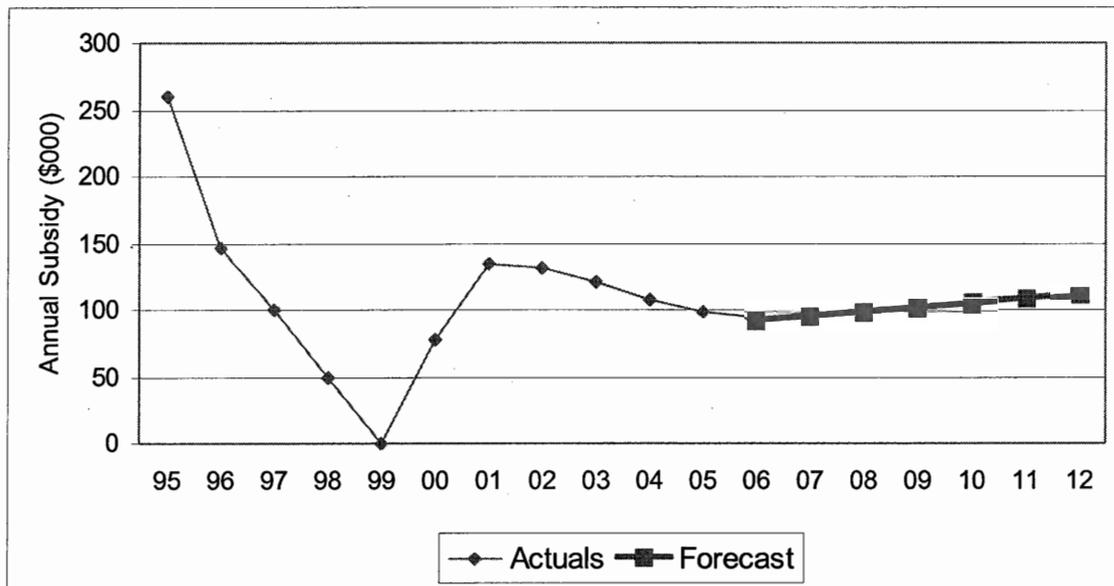
Note: This forecast was prepared in October 2006 to assist the City Council with 2007-2008 Budget deliberations.

Introduction

The Parks Enterprise Fund accounts for the services provided by the Enterprise Program within the Parks & Community Services Department. These services include golf, tennis, aquatics, adult sports, and facility rentals. Enterprise Programs are primarily supported through user fees but attempt to serve all residents regardless of ability to pay through the use of scholarships, sponsorships and fee waivers. The Parks Enterprise Fund receives a subsidy payment from the General Fund to ensure that programs are accessible to all Bellevue residents.

General Fund Subsidy

- The forecast shows that the Parks Enterprise Fund continues to keep the General Fund Subsidy at about \$100,000 per year.
- The graph below shows the actual and forecasted subsidy payment from the General Fund:



Note: Between 1997 and 1999, the Parks Enterprise Fund received an annual payment of \$140,000 from King County to offset a portion of the operating costs associated with the Bellevue Aquatic Center. Starting in 2001, the subsidy includes an adjustment for the impact of the benefited employee rule changes.

- The Aquatic Center continues to be the driver behind the need for a General Fund Subsidy throughout the forecast period. Due to the nature of Aquatic Center programs, the majority of services provided at this facility are not "Full Cost Recovery" services. Most of these services recover only the direct program costs in an effort to provide affordable and accessible programs to youth and physically challenged participants. In addition to the General Fund subsidy, approximately \$300,000 of other Parks Enterprise Fund revenues are needed to support the Aquatic Center operation each year. Overall, this level of subsidy is consistent with the financial performance that was anticipated in 1995 when the City took over the pool.

Parks Enterprise Fund Reserves

Parks Enterprise Fund reserves will be managed within the targeted reserve level of 2-months operating expenses, or approximately \$500,000 to \$780,000 over the forecast period.

Enterprise Capital Improvements

The Parks Enterprise program funds the Enterprise Facility Improvements Project (CIP project P-R-2), including capital projects at the Bellevue Golf Course. In 1999, the City acquired the 2.79-acre Miller Property to create an open space buffer between the golf course maintenance facility and neighboring residential properties. At time of purchase, the City committed to using the Enterprise CIP fund and golf course greens fees to acquire the property for \$800,000, with a cash down-payment of \$100,000 paid by Parks at closing. A balloon payment of \$721,000 (including accrued interest) was deferred until 2005.

In 2005, the General CIP Fund loaned the Parks Enterprise CIP \$721,000 to make the balloon payment, with the expectation that Parks Enterprise Fund would repay the General CIP principal over a 10-year period, plus simple interest equal to the City's CIP line of credit borrowing rate (at the time, 4.12%). However, since the Miller property serves the broader parks and open space needs of the entire community rather than a specific golf purpose, the remaining payments on the interfund loan are waived, and the outstanding loan balance is converted to an interfund transfer. This action is reflected in the 2007-2008 budget document.

Budget Assumptions and Issues

Below are some of the major assumptions used in developing the early outlook 2007-2012 forecast:

- Parks Enterprise Fund revenues are assumed to increase at the same rate as expenditures from 2007-2012, or roughly 3.5% per year.
- City Council will be discussing pricing and resident/non-resident access policies as part of the Recreation Program Plan Update. While these policy decisions could impact the pricing strategy and customer base for Enterprise Programs, no fundamental policy changes have been incorporated into this forecast update.
- Golf course revenues and expenses were increased to reflect the new contract with Premier Golf Centers approved by Council in October 2006. Staff will prepare an annual management report to Council reviewing the financial, operational, and customer service performance of the course under this new management agreement.
- No new programs or capital investments were included in this forecast or the Parks Enterprise Fund budget.

See Chapter 5 - Financial Forecasts for more information on the 2007-2012 Parks Enterprise Fund Financial Forecast.

D. DEVELOPMENT SERVICES FUND FINANCIAL FORECAST

Note: This forecast was prepared in October 2006 to assist the City Council with 2007-2008 Budget deliberations.

Executive Summary

The Development Services Fund is responsible for administering the development review and inspection process, land use and comprehensive planning, and code enforcement.

The Development Services Fund forecast reflects continued growth in development activity through 2007 as a result of the addition of several major projects in 2005-2006. Additional staffing and contracted services were added in response to this rapid increase in activity.

Beginning in 2010, development activity levels stabilize and reflect moderate growth throughout the forecast period.

Background

Bellevue continues to experience unprecedented growth with the completion of several major projects (e.g. Lincoln Square Residential Tower, City Hall, Ashwood Commons Phase I) and the initiation of new projects (e.g. Washington Square, Bravern/Schnitzer NW, Ashwood Commons Phase II) in 2005 and 2006. In response to this rapid increase in activity, 32 Full-Time Employees (FTEs) have been added in 2005 and 2006 to respond to the high demand for project review and inspection. The construction valuation for issued permits, considered a key barometer of development activity, exceeded estimates in 2005 and 2006. This trend is expected to continue through 2007.

2007-2012 Outlook

Office vacancy rates in the central business district are a key indicator of the interest in development activity. Rates have fallen to 8.3% in the last year, which indicates that development activity will remain strong through the early years of the forecast (2007-2008). However, the number of design review applications (an early indicator of development activity) received through the first quarter of 2006 indicates that the demand for major projects in the central business districts will decline towards the latter part of 2008. In addition, as interest rates continue to rise, the demand for single family additions and remodel projects is expected to decline as well. As a result, the forecast reflects a decline in revenue (overall resources less the General Fund subsidy) from 2007 to 2009 by 32% or \$4.6 million, followed by moderate growth in revenue of 2.6% beginning in 2010. The forecast does not assume the continuation of the level of development activity experienced in 2006 and projected in 2007.

**Development Services Fund
2007-2012 Financial Forecast
(in \$000)**

	2007	2008	2009	2010	2011	2012
Beginning Reserve	\$8,450	\$10,165	\$8,187	\$6,261	\$5,309	\$4,331
Resources:						
Building Fees	\$9,400	\$6,100	\$5,500	\$5,643	\$5,789	\$5,940
Land Use Fees	1,146	849	872	895	918	942
Fire, Transp. & Utilities Fees	3,339	3,429	2,888	2,963	3,040	3,119
Gen Fund Subsidy	6,307	6,546	6,716	6,891	7,070	7,254
Other Revenue/Interest	566	575	590	605	621	637
Total Resources	\$20,758	\$17,499	\$16,566	\$16,997	\$17,438	\$17,892
Expenditures:						
Building	\$8,001	\$8,219	\$7,767	\$7,032	\$7,215	\$7,402
Land Use	3,037	3,154	3,104	3,097	3,177	3,260
Fire, Transp. & Utilities Development Services	3,339	3,429	2,939	3,015	3,094	3,174
Comprehensive Planning/Neighborhood Outreach/Code Compliance	4,459	4,458	4,477	4,593	4,713	4,835
Other	207	217	206	212	217	223
Total Expenditures	\$19,043	\$19,477	\$18,493	\$17,949	\$18,416	\$18,895
Ending Reserves	\$10,165	\$8,187	\$6,261	\$5,309	\$4,331	\$3,328

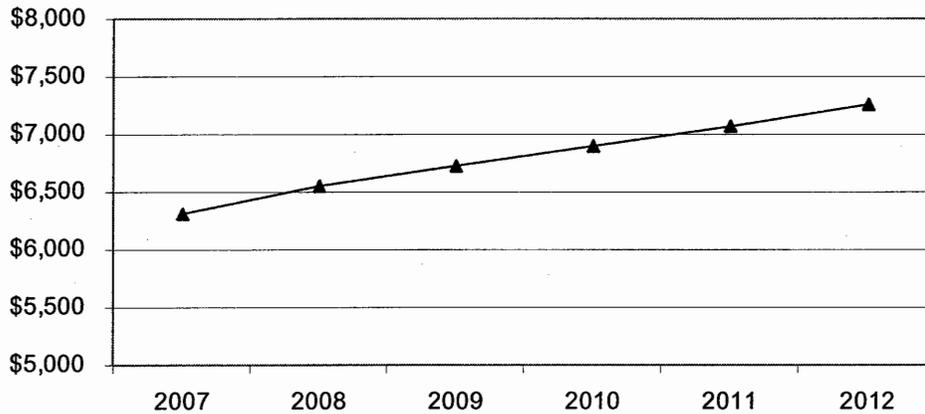
Forecast Drivers and Assumptions

- 1) The following major projects are assumed to be substantially completed in the early years of the forecast:
 - Lincoln Square Office Tower
 - Ashwood Commons Phase II
 - Belletini
 - Washington Square
 - Overlake Hospital
 - Avalon Meydenbauer
 - 1020 Tower
 - Bellevue Towers
 - 1200 Bellevue Way
 - City Center II
- 2) A significant spike in new major projects is not assumed beyond 2007. This results in a reduction of fee revenue of approximately \$4.6 million through 2009. Expenditures are expected to increase by inflation in 2008 and then decrease by approximately \$980,000 or 5%, in 2009 reflecting the completion of major projects.
- 3) The forecast reflects the addition of 32 FTEs to address the increase in workload associated with the major projects. Adjustments to resource levels are anticipated to begin towards the latter part of 2008.
- 4) This forecast assumes development fees grow at the rate of inflation (4.6% in 2007 and 2.6% from 2008 through 2012). A comprehensive Cost of Service Study was conducted in 2006 for Land Use, Fire, Transportation, and Utilities rates. In addition, recommendations to shift to the ICBO Valuation Table for Building fees will be proposed. Development fees may be adjusted to assure they are set accordingly to meet cost recovery objectives endorsed by Council.

General Fund Subsidy

The General Fund contribution to the Development Services Fund accounts for approximately 5% of the General Fund budget. This contribution (subsidy) supports personnel, M&O and capital costs for programs that have been designated as general funded activities. These programs include Comprehensive Planning, Neighborhood Outreach, Code Compliance, and Housing. Land Use activities supported by the General Fund include public information, policy development, and 50% of discretionary review.

General Fund Subsidy Forecast 2007-2012
(\$ in Thousands)

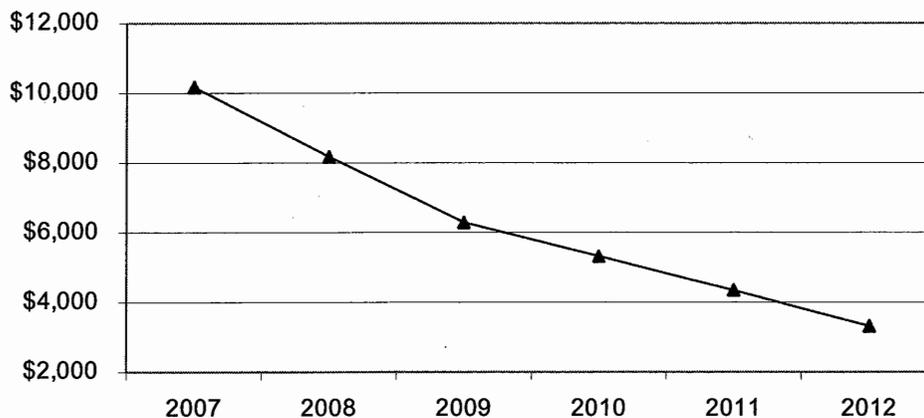


In 2006, the Economic Development program became its own department, and is no longer reflected in the General Fund subsidy. The General Fund contribution to the Development Services Fund is anticipated to grow at the rate of 3.8% from 2007 to 2008 and then by 2.6% over the forecast period.

Development Services Fund Reserves

The Development Services Fund maintains reserves to assure that core staffing levels are balanced with cyclical needs, thus mitigating the effects of downturns, and to account for prepaid building fees and development services deposits. The prepaid workload liability can extend for three years or more throughout the life of a project.

Development Services Reserves Forecast 2007-2012
(\$ in Thousands)



As displayed in the graph on the previous page, Development Services Fund reserves are anticipated to decline from \$10.2 million in 2007 to \$8.2 million in 2008. This reflects the completion of work on large projects that began in 2006 and 2007. Reserve levels are assumed to continue to decline by approximately \$4.9 million from 2008 through 2012, reflecting the completion of the major projects constructed during this development cycle. However, resource levels will continue to be evaluated over the forecast period to ensure alignment between resources, cost, and performance of the Development Services management model.

E. BUDGET SUMMARY

The remaining part of the Executive Summary presents 2007-2008 Budget information primarily through the use of tables and graphics.

Total City Budget

The gross total City budget figures are presented in this section.

Figure 3-1 on the following page summarizes the budget from both a total City budget perspective and from the operating budget, special purpose budget, and capital investment program budget perspectives. Further breakdown within each fund category is provided. Figures at the bottom of the table are presented "net of double budgeting" to give a more accurate representation of the size of the total City budget. Double budgeting is the result of transactions between funds that inflate the budget because expenditure and revenue dollars are budgeted twice, once in each fund's budget.

Looking at the total City budget shows that the 2007-2008 Budget totals \$965.7 million. The decline between the 2007-2008 and the 2005-2006 Budgets is \$69.5 million, or 6.7%.

Figure 3-2 shows the 2007-2008 total City budget resources by source and expenditures by department with comparisons to the 2005-2006 Budget.

Figure 3-3 shows the City's total expenditure budget by category and compares the 2005-2006 and the 2007-2008 biennial budgets, including dollar and percentage change.

Additional comments on the components of the total City budget are provided within the separate operating budget, special purpose funds budget, and capital project budget sections of this chapter.

Figure 3-1

Budget Summary

	<u>2005-2006 Budget</u>	<u>2007-2008 Budget</u>	<u>Variance</u>	<u>% Change</u>
Operating Funds				
General	252,373,644	286,126,531	33,752,887	13.4 %
Utilities	166,865,700	190,290,206	23,424,506	14.0 %
Development Services	36,558,082	49,675,345	13,117,263	35.9 %
Parks Enterprise	8,397,000	10,669,000	2,272,000	27.1 %
Internal Services	72,566,257	80,437,521	7,871,264	10.8 %
Reserve/Other	104,574,649	110,619,797	6,045,148	5.8 %
Total Operating Funds	<u>641,335,332</u>	<u>727,818,400</u>	<u>86,483,068</u>	<u>13.5 %</u>
Special Purpose Funds				
Grants	18,800,453	4,168,626	(14,631,827)	(77.8)%
Debt Service	34,645,269	33,558,203	(1,087,066)	(3.1)%
Trust/Other	10,791,458	12,952,408	2,160,950	20.0 %
Total Special Purpose Funds	<u>64,237,180</u>	<u>50,679,237</u>	<u>(13,557,943)</u>	<u>(21.1)%</u>
Capital Project Funds				
2004 City Hall Bond Proceeds	75,028,949	-	(75,028,949)	-
General Capital Investment Program	206,597,486	112,972,546	(93,624,940)	(45.3)%
Utility Capital Investment Program	48,070,514	74,255,828	26,185,314	54.5 %
Total Capital Project Funds	<u>329,696,949</u>	<u>187,228,374</u>	<u>(142,468,575)</u>	<u>(43.2)%</u>
Total City Budget	<u><u>1,035,269,461</u></u>	<u><u>965,726,011</u></u>	<u><u>(69,543,450)</u></u>	<u><u>(6.7)%</u></u>

2007-2008 Net City Budget

For analytical and comparison purposes, the budget is adjusted to remove internal transactions between City departments or City funds including transfers between funds and charges for services provided by one department to another department within the City. These adjustments are detailed below:

- | | |
|---|---------------------------|
| 1. Adjusted for internal transfers (e.g., General CIP contribution from the General Fund) between City funds, the net City budget is: | <u><u>893,257,556</u></u> |
| 2. Adjusted for charges for services provided by one department to another (e.g., information technology services), the net City budget is: | <u><u>805,353,860</u></u> |

Figure 3-2

Resources by Source and Expenditures by Department

Operating Funds

	2005-2006 Budget	2007-2008 Budget	Variance	% Change
Beginning Fund Balance	102,199,186	108,939,457	6,740,271	6.6%
Revenue Sources				
Property Tax	51,721,282	55,953,374	4,232,092	8.2 %
Sales Tax	62,304,000	70,505,454	8,201,454	13.2 %
Business & Occupation Tax	32,578,000	35,119,240	2,541,240	7.8 %
Utility Tax	40,909,077	44,471,000	3,561,923	8.7 %
Other Tax	16,900,000	21,116,000	4,216,000	24.9 %
Grants	31,000	-	(31,000)	- %
Intergovernmental Services	29,908,794	37,043,277	7,134,483	23.9 %
Charges for Services	77,541,582	94,963,625	17,422,043	22.5 %
Utility Service Fees	149,889,239	166,753,277	16,864,038	11.3 %
Miscellaneous Revenues	61,279,607	73,555,685	12,276,078	20.0 %
Operating Transfers	16,073,565	19,398,011	3,324,446	20.7 %
Total Revenues	539,136,146	618,878,943	79,742,797	14.8 %
Total Resources	641,335,332	727,818,400	86,483,068	13.5%
Departmental Expenditures				
City Attorney	13,041,663	14,785,802	1,744,139	13.4 %
City Clerk	3,119,882	3,428,673	308,791	9.9 %
City Council	711,005	839,633	128,628	18.1 %
City Manager's Office	2,931,010	3,442,634	511,624	17.5 %
Civic Services	14,228,636	19,068,344	4,839,708	34.0 %
Community Council	65,459	61,876	(3,583)	(5.5)%
Office of Economic Development	259,766	929,934	670,168	258.0 %
Finance	12,686,503	14,921,097	2,234,594	17.6 %
Fire	55,548,214	63,054,958	7,506,744	13.5 %
Human Resources	32,214,856	37,237,185	5,022,329	15.6 %
Information Technology	23,648,452	28,149,234	4,500,782	19.0 %
Parks & Community Services	57,618,560	68,823,483	11,204,923	19.4 %
Planning & Community Development	42,606,991	51,799,961	9,192,970	21.6 %
Police	68,125,277	76,375,298	8,250,021	12.1 %
Transportation	40,440,260	42,423,345	1,983,085	4.9 %
Utilities	164,144,021	185,361,521	21,217,500	12.9 %
Miscellaneous Non-Departmental	5,724,706	7,950,783	2,226,077	38.9 %
Hotel/Motel Taxes	10,148,752	13,136,000	2,987,248	29.4 %
Total Departmental Expenditures	547,264,013	631,789,761	84,525,748	15.4 %
Ending Fund Balance	94,071,319	96,028,639	1,957,320	2.1%
Total Expenditures	641,335,332	727,818,400	86,483,068	13.5%

The Budgeted Ending Fund Balance is not in agreement with the next biennium Budgeted Beginning Fund Balance because the budget estimates were developed at different times and actual over/under revenue collections and/or actual over/under expenditures will cause them to be different.

Figure 3-2 cont.

Resources by Source and Expenditures by Department

Special Purpose Funds

	2005-2006 Budget	2007-2008 Budget	Variance	% Change
Beginning Fund Balance	25,802,453	15,568,257	(10,234,196)	(39.7)%
Revenue Sources				
Property Tax	2,958,926	1,380,680	(1,578,246)	(53.3)%
Sales Tax	1,810,000	1,094,611	(715,389)	(39.5)%
Grants	4,374,139	2,950,651	(1,423,488)	(32.5)%
Intergovernmental Services	518,708	1,041,277	522,569	100.7 %
Charges for Services	34,000	20,000	(14,000)	(41.2)%
Miscellaneous Revenues	4,501,890	4,028,026	(473,864)	(10.5)%
Operating Transfers	24,237,064	24,595,735	358,671	1.5 %
Total Revenues	38,434,727	35,110,980	(3,323,747)	(8.6)%
Total Resources	64,237,180	50,679,237	(13,557,943)	(21.1)%
Departmental Expenditures				
Finance	10,628,412	12,008,023	1,379,611	13.0 %
Fire	1,806,302	1,133,742	(672,560)	(37.2)%
Parks & Community Services	6,781,196	4,961,476	(1,819,720)	(26.8)%
Planning & Community Development	3,908,055	4,720,148	812,093	20.8 %
Police	830,131	404,587	(425,544)	(51.3)%
Transportation	3,291,980	3,244,601	(47,379)	(1.4)%
Utilities	4,038,269	3,048,354	(989,915)	(24.5)%
Miscellaneous Non-Departmental	17,017,457	6,839,052	(10,178,405)	(59.8)%
Hotel/Motel Taxes	1,233,581	1,436,423	202,842	16.4 %
Total Departmental Expenditures	49,535,383	37,796,406	(11,738,977)	(23.7)%
Ending Fund Balance	14,701,797	12,882,831	(1,818,966)	(12.4)%
Total Expenditures	64,237,180	50,679,237	(13,557,943)	(21.1)%

The Budgeted Ending Fund Balance is not in agreement with the next biennium Budgeted Beginning Fund Balance because the budget estimates were developed at different times and actual over/under revenue collections and/or actual over/under expenditures will cause them to be different.

Figure 3-2 cont.

Resources by Source and Expenditures by Department

Capital Project Funds

	2005-2006 Budget	2007-2008 Budget	Variance	% Change
Beginning Fund Balance	79,995,666	35,838,247	(44,157,419)	(55.2)%
Revenue Sources				
Sales Tax	23,649,000	29,387,936	5,738,936	24.3 %
Business & Occupation Tax	11,319,000	12,634,000	1,315,000	11.6 %
Other Tax	17,078,000	23,226,000	6,148,000	36.0 %
Grants	13,395,499	18,153,400	4,757,901	35.5 %
Intergovernmental Services	12,747,100	3,468,000	(9,279,100)	(72.8)%
Charges for Services	1,461,000	949,000	(512,000)	(35.0)%
Utility Service Fees	2,631,111	2,239,295	(391,816)	(14.9)%
Miscellaneous Revenues	55,274,046	32,704,599	(22,569,447)	(40.8)%
Operating Transfers	112,146,527	28,627,897	(83,518,630)	(74.5)%
Total Revenues	249,701,283	151,390,127	(98,311,156)	(39.4)%
Total Resources	329,696,949	187,228,374	(142,468,575)	(43.2)%
Departmental Expenditures				
City Clerk	364,000	93,500	(270,500)	(74.3)%
Civic Services	1,868,000	1,480,000	(388,000)	(20.8)%
Finance	181,075,953	441,000	(180,634,953)	(99.8)%
Fire	3,162,100	3,786,000	623,900	19.7 %
Information Technology	8,483,359	5,825,000	(2,658,359)	(31.3)%
Parks & Community Services	23,889,010	33,496,000	9,606,990	40.2 %
Planning & Community Development	4,637,304	11,938,800	7,301,496	157.5 %
Police	9,000	1,293,000	1,284,000	14,266.7 %
Transportation	55,445,326	43,707,000	(11,738,326)	(21.2)%
Utilities	18,623,240	19,635,000	1,011,760	5.4 %
Miscellaneous Non-Departmental	1,331,000	10,912,246	9,581,246	719.9 %
Total Departmental Expenditures	298,888,292	132,607,546	(166,280,746)	(55.6)%
Ending Fund Balance	30,808,657	54,620,828	23,812,171	77.3%
Total Expenditures	329,696,949	187,228,374	(142,468,575)	(43.2)%

The Budgeted Ending Fund Balance is not in agreement with the next biennium Budgeted Beginning Fund Balance because the budget estimates were developed at different times and actual over/under revenue collections and/or actual over/under expenditures will cause them to be different.

Figure 3-2 cont.

Resources by Source and Expenditures by Department

Total City Budget

	2005-2006 Budget	2007-2008 Budget	Variance	% Change
Beginning Fund Balance	207,997,305	160,345,961	(47,651,344)	(22.9)%
Revenue Sources				
Property Tax	54,680,208	57,334,054	2,653,846	4.9 %
Sales Tax	87,763,000	100,988,001	13,225,001	15.1 %
Business & Occupation Tax	43,897,000	47,753,240	3,856,240	8.8 %
Utility Tax	40,909,077	44,471,000	3,561,923	8.7 %
Other Tax	33,978,000	44,342,000	10,364,000	30.5 %
Grants	17,800,638	21,104,051	3,303,413	18.6 %
Intergovernmental Services	43,174,602	41,552,554	(1,622,048)	(3.8)%
Charges for Services	79,036,582	95,932,625	16,896,043	21.4 %
Utility Service Fees	152,520,350	168,992,572	16,472,222	10.8 %
Miscellaneous Revenues	121,055,543	110,288,310	(10,767,233)	(8.9)%
Operating Transfers	152,457,156	72,621,643	(79,835,513)	(52.4)%
Total Revenues	827,272,156	805,380,050	(21,892,106)	(2.6)%
Total Resources	1,035,269,461	965,726,011	(69,543,450)	(6.7)%
Departmental Expenditures				
City Attorney	13,041,663	14,785,802	1,744,139	13.4 %
City Clerk	3,483,882	3,522,173	38,291	1.1 %
City Council	711,005	839,633	128,628	18.1 %
City Manager's Office	2,931,010	3,442,634	511,624	17.5 %
Civic Services	16,096,636	20,548,344	4,451,708	27.7 %
Community Council	65,459	61,876	(3,583)	(5.5)%
Office of Economic Development	259,766	929,934	670,168	258.0 %
Finance	204,390,868	27,370,120	(177,020,748)	(86.6)%
Fire	60,516,616	67,974,700	7,458,084	12.3 %
Human Resources	32,214,856	37,237,185	5,022,329	15.6 %
Information Technology	32,131,811	33,974,234	1,842,423	5.7 %
Parks & Community Services	88,288,766	107,280,959	18,992,193	21.5 %
Planning & Community Development	51,152,350	68,458,909	17,306,559	33.8 %
Police	68,964,408	78,072,885	9,108,477	13.2 %
Transportation	99,177,566	89,374,946	(9,802,620)	(9.9)%
Utilities	186,805,530	208,044,875	21,239,345	11.4 %
Miscellaneous Non-Departmental	24,073,163	25,702,081	1,628,918	6.8 %
Hotel/Motel Taxes	11,382,333	14,572,423	3,190,090	28.0 %
Total Departmental Expenditures	895,687,688	802,193,713	(93,493,975)	(10.4)%
Ending Fund Balance	139,581,772	163,532,298	23,950,526	17.2%
Total Expenditures	1,035,269,461	965,726,011	(69,543,450)	(6.7)%

The Budgeted Ending Fund Balance is not in agreement with the next biennium Budgeted Beginning Fund Balance because the budget estimates were developed at different times and actual over/under revenue collections and/or actual over/under expenditures will cause them to be different.

Figure 3-3

Total City Budget Expenditures by Category

	<u>2005-2006 Budget</u>	<u>2007-2008 Budget</u>	<u>Variance</u>	<u>% Change</u>
Personnel				
Salaries	168,433,018	183,859,251	15,426,233	9.2 %
Medical	47,662,293	50,059,715	2,397,422	5.0 %
Pension	15,473,534	23,400,764	7,927,230	51.2 %
Temporary Help	6,360,225	7,508,182	1,147,957	18.0 %
Other (Medicare, Worker Comp, etc.)	8,547,434	12,508,229	3,960,795	46.3 %
Overtime	6,908,048	7,045,608	137,560	2.0 %
Total Personnel	<u>253,384,552</u>	<u>284,381,749</u>	<u>30,997,197</u>	<u>12.2 %</u>
M&O				
Outside Services	70,016,692	77,557,296	7,540,604	10.8 %
Interfund Service Payments	59,065,093	87,903,696	28,838,603	48.8 %
Operating Transfers to Other Funds	142,063,077	72,468,455	(69,594,622)	(49.0)%
Supplies	34,791,531	39,697,253	4,905,722	14.1 %
Other Services & Charges	31,944,623	26,400,186	(5,544,437)	(17.4)%
Debt Service	29,528,109	29,800,372	272,263	0.9 %
Repairs & Maintenance	15,345,053	17,632,800	2,287,747	14.9 %
Utilities	11,090,710	12,428,064	1,337,354	12.1 %
Other Intergovernmental Services & Taxes	12,176,378	23,792,456	11,616,078	95.4 %
Jail Costs	2,978,800	2,842,000	(136,800)	(4.6)%
Communication Services	2,095,353	2,279,734	184,381	8.8 %
Travel/Training	1,691,501	2,048,621	357,120	21.1 %
Total M&O	<u>412,786,920</u>	<u>394,850,933</u>	<u>(17,935,987)</u>	<u>(4.3)%</u>
Capital Outlay	229,516,216	122,961,031	(106,555,185)	(46.4)%
Reserves	139,581,773	163,532,298	23,950,525	17.2 %
Total City Budget	<u><u>1,035,269,461</u></u>	<u><u>965,726,011</u></u>	<u><u>(69,543,450)</u></u>	<u><u>(6.7)%</u></u>

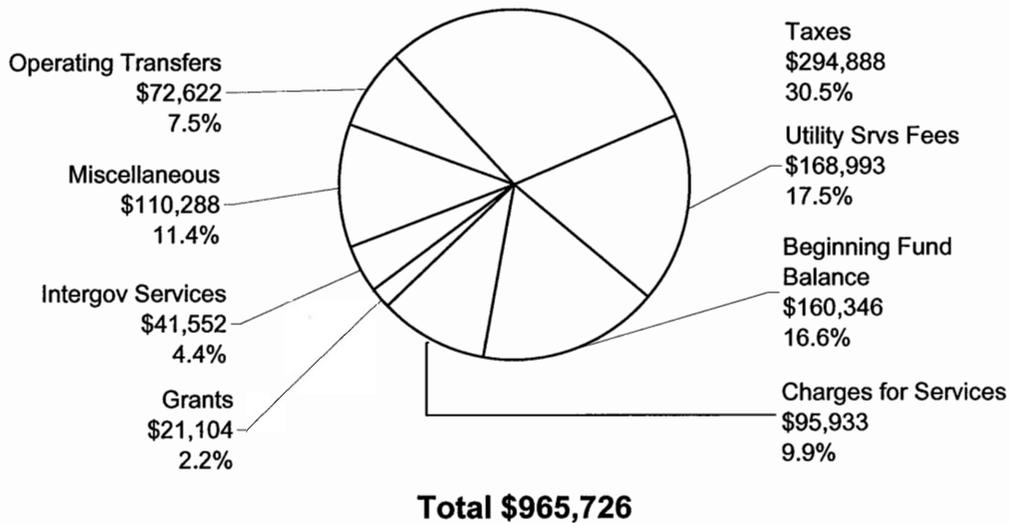
Figure 3-4

**2007-2008 Total City Budget
Resources by Source and Expenditures by Category
\$000**

Figure 3-4 presents the 2007-2008 total city budget resources by source and expenditures by category. As the resources chart indicates, at \$294.9 million or 30.5%, taxes make up the largest piece of the "pie", followed by utility services fees at \$169.0 million, or 17.5%.

On the expenditure chart, at \$394.9 million, M&O accounts for 40.9% of the expenditure budget, followed by personnel at \$284.4 million or 29.5%.

Resources



Expenditures

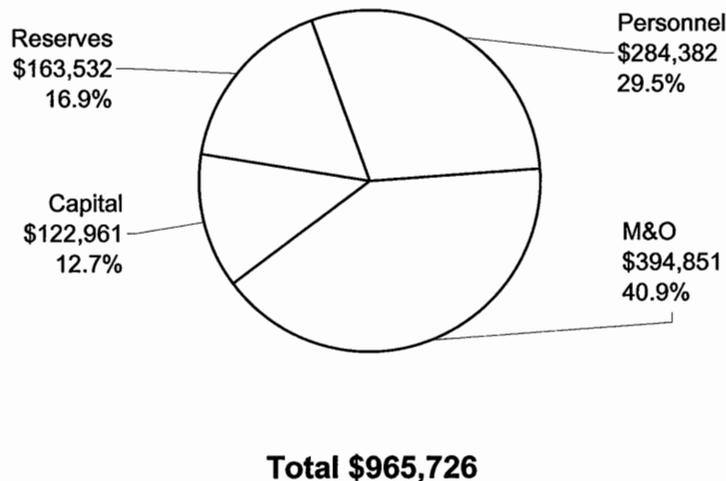
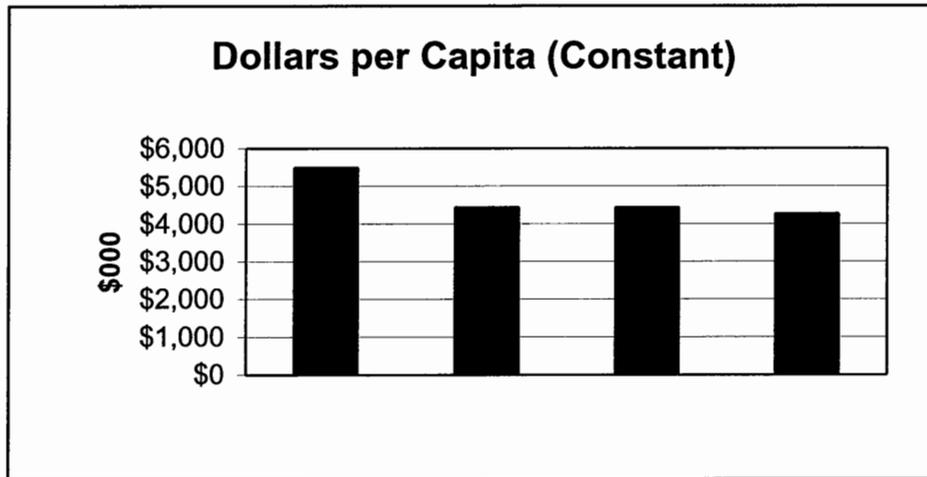


Figure 3-5

**Total Budget Comparison
Constant Dollar Total Budget Per Capita**

This figure displays a 2005 to 2008 comparison of the total city budget per capita on a constant dollar basis and shows the total city budget per capita fluctuating between \$5,489 in 2005 and \$4,267 in 2008.

The larger budget 2005 is due primarily to capital costs associated with the New City Hall.



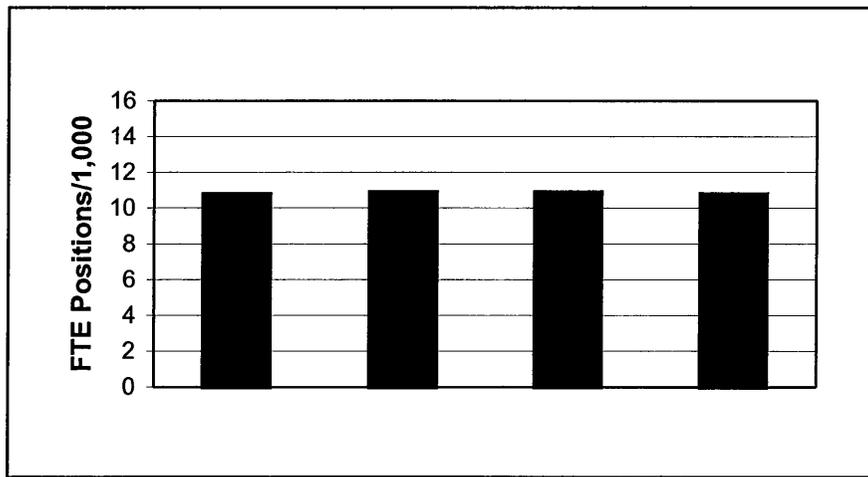
	2005	2006	2007	2008
Total City Budget (\$000)	\$646,034	\$541,532	\$560,929	\$559,720
Budget in Constant (\$000)	\$633,989	\$519,487	\$523,947	\$509,569
Population	115,500	117,000	118,205	119,423
Total Budget per Capita	\$5,489	\$4,440	\$4,433	\$4,267

Figure 3-6

**Total Budget Position Trends
Full-Time Equivalent Positions / 1,000 Population by Year**

Figure 3-6 presents the ratio of total City positions per 1,000 population for the period of 2005 through 2008.

In 2006, position growth outpaced population growth; in 2007 FTEs and population are projected to grow at the same rate; and in 2008, there is no position growth while population increases by 1%. As a result, the annual positions/1,000 ratios remains at 10.9 in 2006 and 2007 and drops to 10.8 in 2008. For more specific personnel information, please refer to Chapter 3 of the 2007-2008 Budget Detail volume.



	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Positions	1,242.1	1,271.8	1,284.5	1,284.5
Population	115,500	117,000	118,205	119,423
Positions/1,000	10.8	10.9	10.9	10.8

Operating Budget Highlights

Bellevue's fiscal position is positive due, in part, to a major development cycle spurred by a thriving economy. Our central business district is again alive with construction cranes. New homes are being built in our neighborhoods and permits to renovate existing structures continue to rise. In downtown alone, the residential population is estimated to double in the next six years from five thousand to ten thousand residents. Regional economists are predicting a modest pace of growth into the near future.

The recommended operating budget is a "current services" budget and will provide Bellevue residents and other stakeholders with service levels consistent with the 2005-2006 biennium. It will be adequate for the next two years and will essentially support what we are doing now factored by inflation and pipeline activities approved by the Council. It will include a minimal level of service adds to meet service deficiencies, to manage short-term growth, to reflect "best practices" or to provide needed administrative support related to prior Council budget decisions. The Full Time Equivalent positions (FTEs) added to the budget are revenue supported or necessary to convert Limited Term Employee (LTEs) positions where service levels continue to be needed.

The minimal growth in the operating budget comes after several years of difficult times that included falling sales tax receipts and rising pension and health benefits costs. While good economic times help to relieve some of the fiscal pressure by bringing our financial position back into balance, the current and future operating budgets face fiscal pressures for several reasons:

- The recent recession eroded our resource base. When the impact of inflation is removed from the budget, Bellevue's sales tax revenues do not return to 2000 levels until 2006.
- Decisions by the Washington state legislature to remove in 2008 \$2.4 million of Bellevue's annual Business & Occupancy taxing authority through apportionment means that we will have less future revenues from this important revenue source.
- Pension and health benefit costs continue to rise at rates well above inflation.
- State and Federal legislation ranging from telecommunications policy to community development block grants, may either reduce City revenues or increase City costs.

The Operating Budget includes the addition of 17.19 new positions. Highlights of the proposed service additions include:

- Public Safety. The budget proposal allocates \$1.5 million for the addition of eight firefighters in response to an increasing service demand for medic calls; provides two positions for Advanced Life Support staffing including a Medical Services Officer and a ALS Data Analyst; funds contract administration for monitoring the recent ambulance transport contract and for quality control; and provides resources for an additional fire training academy to replace personnel who are expected to retire. Of this proposal \$1.2 million is offset by additional revenues to the City.
- Land Use and Development Regulation. This proposal includes \$0.3 million for the back log in land use code amendments and consulting services funding to address high priority projects including the Meydenbauer Bay connection and Downtown Plan implementation.
- City Streets and Right of Way. The budget includes \$0.2 million for maintaining trees and streetscapes in the right of way; improves our pothole repair program so that repairs last longer; and provides maintenance and operating funding for signal lights that have been installed. A companion proposal, that improves landscaping in the City's right of way, is included in the Capital Improvement Program.

- Parks and Open Space. The budget includes the addition of two positions to enhance the quality of parks maintenance and contract oversight. These positions use existing dollars.
- Human Services. The budget allocates an additional \$0.5 million for human services grant requests to offset a loss of Federal money and to address community needs identified in the Human Services Needs Update. With these additional resources, total City funding of human services is \$4.6 million for the 2007-2008 biennium.
- Economic Development. The budget includes \$200,000 for the development and implementation of an international trade and economic development marketing program.
- Support Services. This budget includes \$0.5 million for a fleet mechanic to maintain heavy equipment such as fire apparatus and for the staffing (1.44 positions) and support of the electronic content management system to provide more efficient access and distribution of the City's records.

The budget includes an additional \$0.5 million to ensure tax compliance with existing code. The successful Business and Occupation tax audit program will be expanded and costs will be fully offset by additional tax collections.

The budget also includes the conversion of two limited term employees into two full-time equivalent employees. One of these positions is an attorney to manage the ongoing body of work the department has experienced. The second position is a records clerk to support development services operations. Existing revenues fully support these positions.

- Regional Services. The budget proposes the addition of one position to support the award winning e-Gov Alliance.

Ongoing Operating and Maintenance Costs for New Capital Projects

The City places a high priority on maintaining its facilities. The 2007-2008 operating budget includes an additional \$917,000 for new operating and maintenance costs for capital projects expected to come on line during the 2007-2008 biennium primarily for Parks and Transportation projects.

Utility Operations

This Budget includes the following proposed utility rate increases for 2007 and 2008:

	<u>2007</u>	<u>2008</u>
Water	5.0%	6.4%
Wastewater	9.5%	2.5%
Storm and Surface Water	5.5%	5.0%

Rate increases are needed to fund 1) pass-through increases in wholesale Metro/King County Sewer and Cascade Water Alliance water costs to customers; 2) increasing State pension, technology, insurance and fuel costs; 3) inflationary increases in salaries, maintenance and operations costs; and 4) additional capital needs.

Average monthly Utility bills (including water, wastewater, and storm and surface water) for single family residential customers are projected as follows:

	<u>Monthly Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
2006 Utility Bill	\$89.37		
2007 Cascade	\$1.74		
2007 METRO	\$2.96		
2007 Local	\$1.20		
2007 Capacity Projects	\$0.58		
2007 Utility Bill	\$95.85	\$6.48	7.3%
2008 Cascade	\$1.86		
2008 Local	\$1.90		
2008 Capacity Projects	\$0.41		
2008 Utility Bill	\$100.02	\$4.17	4.4%

As depicted in Figure 3-7, the 2007-2008 operating budget totals \$727.8 million. The operating budget in total grew \$86.5 million or 13.5%.

The City's General Fund is the largest fund, accounting for most of the City's day-to-day operations. The budget growth in the General Fund from the prior biennium is \$33.8 million or 13.4%.

The Utility Funds show a budget increase of \$23.4 million or 14.0% as compared to the 2005-2006 budget. This increase is primarily attributable to pass-through rate increases in Metro sewer costs and Cascade Water Alliance costs, and local program cost increases.

The Development Services Fund budget shows an increase from the prior biennium of \$13.1 million, or 35.9%. This increase is attributable to the recent rapid increase in development activity.

The Parks Enterprise Fund Budget shows an increase from the prior biennium of \$2.3 million, or 27.1%. The increase is primarily attributable to the recognition of golf course revenues and expenses, increased to reflect a new contract approved by Council.

The Internal Services Funds category grew by \$7.9 million or 10.8%, primarily due to additional costs associated with the New City Hall, the timing of capital replacements in the Equipment Rental Fund and the impact of inflation on City budgets.

The Reserve/Other Fund category increased by \$6.0 million or 5.8%, primarily due to lower than anticipated expenditures in 2005-2006.

Figure 3-7

Operating Budget Expenditures by Fund

	2005-2006 Budget	2007-2008 Budget	Variance	% Change
General Fund	252,373,644	286,126,531	33,752,887	13.4 %
Utilities				
Sewer Utility Fund	67,561,963	75,325,577	7,763,614	11.5 %
Solid Waste Fund	3,097,959	3,340,666	242,707	7.8 %
Storm & Surface Water Utility Fund	27,283,277	31,620,276	4,336,999	15.9 %
Water Utility Fund	68,922,501	80,003,687	11,081,186	16.1 %
Total Utilities	166,865,700	190,290,206	23,424,506	14.0 %
Development Services Fund	36,558,082	49,675,345	13,117,263	35.9 %
Parks Enterprise Fund	8,397,000	10,669,000	2,272,000	27.1 %
Internal Services				
Equipment Rental Fund	35,671,245	38,427,112	2,755,867	7.7 %
Facilities Services Fund	11,810,256	13,234,420	1,424,164	12.1 %
Information Technology Fund	25,084,756	28,775,989	3,691,233	14.7 %
Total Internal Services	72,566,257	80,437,521	7,871,264	10.8 %
Reserve/Other				
Franchise Fund	2,784,213	2,988,036	203,823	7.3 %
General Self-Insurance Fund	10,381,000	10,531,000	150,000	1.4 %
Health Benefits Fund	31,659,888	36,568,176	4,908,288	15.5 %
Hotel/Motel Tax Fund	17,264,487	17,002,738	(261,749)	(1.5)%
Human Services Fund	4,810,280	6,904,671	2,094,391	43.5 %
Land Purchase Revolving Fund	5,652,130	4,456,039	(1,196,091)	(21.2)%
LEOFF I Medical Reserve Fund	19,614,369	18,684,222	(930,147)	(4.7)%
Marina Fund	1,426,030	1,624,663	198,633	13.9 %
Park M&O Reserve Fund	2,838,583	2,870,583	32,000	1.1 %
Rainy Day Reserve Fund	4,371,669	4,371,669	-	- %
Unemployment Compensation Fund	547,000	644,000	97,000	17.7 %
Workers' Compensation Fund	3,225,000	3,974,000	749,000	23.2 %
Total Reserve/Other	104,574,649	110,619,797	6,045,148	5.8 %
Total Operating Budget	641,335,332	727,818,400	86,483,068	13.5 %



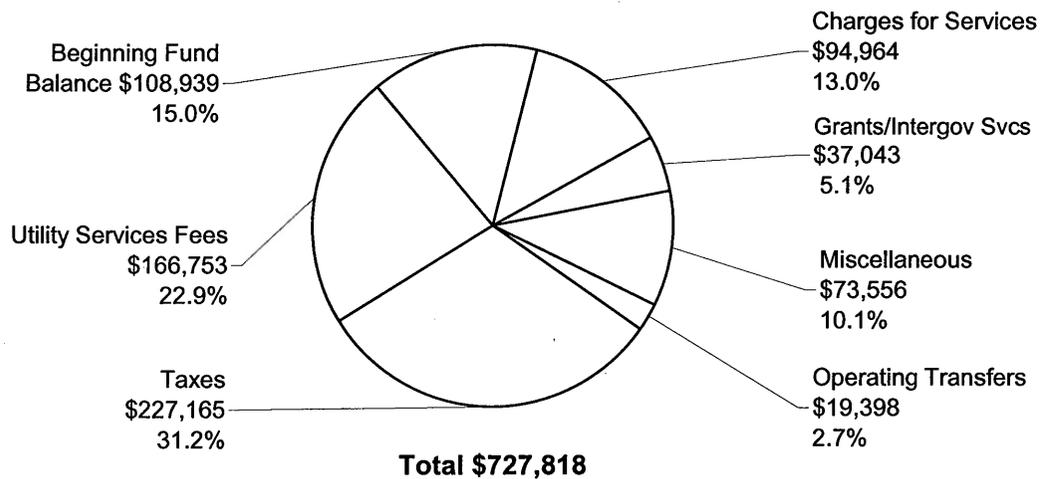
Figure 3-8

**2007-2008 Operating Budget
Resources by Source and Expenditures by Group
\$000**

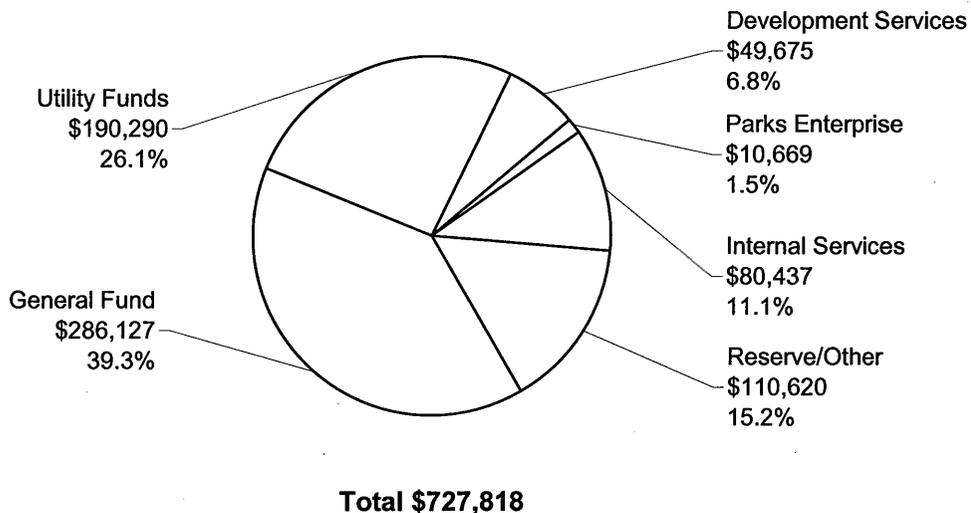
This figure presents the 2007-2008 total operating budget resources by source and expenditures by group. At 31.2% of the "pie", taxes represents the largest resource category followed by utility services fees and beginning fund balance. Together, these three sources represent 69.1% of operating budget resources.

The General Fund is the largest operating budget fund at \$286.1 million, representing 39.3% of expenditures.

Resources



Expenditures



Special Purpose Budget Highlights

Special purpose funds highlights for 2007-2008 include:

- **Lower transfer of Council Reserve from the Operating Grants and Donations Fund**

The 2007-2008 Operating Grants and Donations Fund budget has decreased by \$14.6 million compared to the 2005-2006 biennium. The decrease is mainly due to the use of \$10.6 million Council reserves to support New City Hall (NCH) debt service for the 2005-2006 biennium. In 2007, the remaining Council reserve balance budgeted in the Operating Grants and Donations Fund is only \$88,000.

For the 2007-2008 biennium, the majority of the debt service payments on the NCH bonds will be supported from excess reserves from a number of City funds.

- **Lower Debt Service Requirement**

The 2007-2008 Budget for the City's Debt Service Funds has decreased by \$1.0 million compared to the previous biennium. The primary reason for the decrease is due to the anticipated retirement of the 2003 Unlimited Tax General Obligation (UTGO) refunding bonds in 2008.

The decrease in debt payments as a result of the retirement of the 2003 Unlimited Tax General Obligation (UTGO) refunding bonds is partially offset by an increase in debt payments for the 1995 and 2002 Limited Tax General Obligation (LTGO) bonds. These bonds are associated with the Meydenbauer Center.

- **Increase of Housing Fund Reserves**

Reserves accumulate in the Housing Fund until projects are selected and funded by A Regional Coalition for Housing Fund (ARCH). Reserves increased in the 2007 due to lower than anticipated program expenditures in 2005 and an unanticipated loan repayment in 2006. In 2005, the Housing Program did not meet the target for low-income housing production. Several potential projects are in the works for funding in the upcoming biennium. Contribution to the Housing Fund from the General Fund remains constant at \$312,000 through 2008.

Figure 3-9

Special Purpose Budget Expenditures by Fund

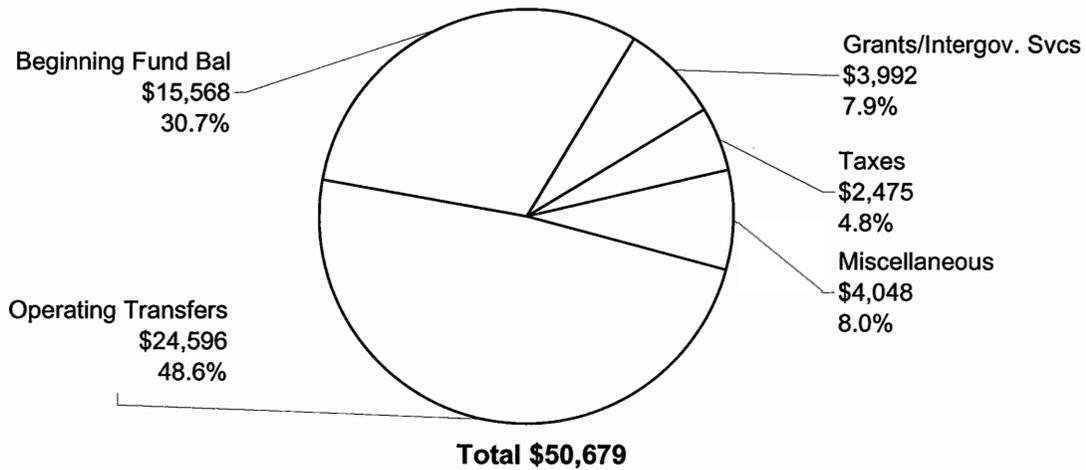
	2005-2006 Budget	2007-2008 Budget	Variance	% Change
Grants				
Operating Grants/Donations Fund	18,800,453	4,168,626	(14,631,827)	(77.8)%
Total Grants	18,800,453	4,168,626	(14,631,827)	(77.8)%
Debt Service				
Interest & Debt Redemption-Regular Fund	20,338,602	22,635,798	2,297,196	11.3 %
Interest & Debt Redemption-Special Fund	5,355,271	2,873,400	(2,481,871)	(46.3)%
LID Control Fund	2,049,467	2,347,405	297,938	14.5 %
LID Guaranty Fund	2,755,260	1,983,150	(772,110)	(28.0)%
Util Revenue Bond Redm SSWU	3,170,250	2,779,557	(390,693)	(12.3)%
Util Revenue Bond Redm Water	976,419	938,893	(37,526)	(3.8)%
Total Debt Service	34,645,269	33,558,203	(1,087,066)	(3.1)%
Trust/Other				
Firemen's Pension Fund	6,780,917	7,317,361	536,444	7.9 %
Housing Fund	4,010,541	5,635,047	1,624,506	40.5 %
Total Trust/Other	10,791,458	12,952,408	2,160,950	20.0 %
Total Special Purpose Budget	64,237,180	50,679,237	(13,557,943)	(21.1)%

Figure 3-10

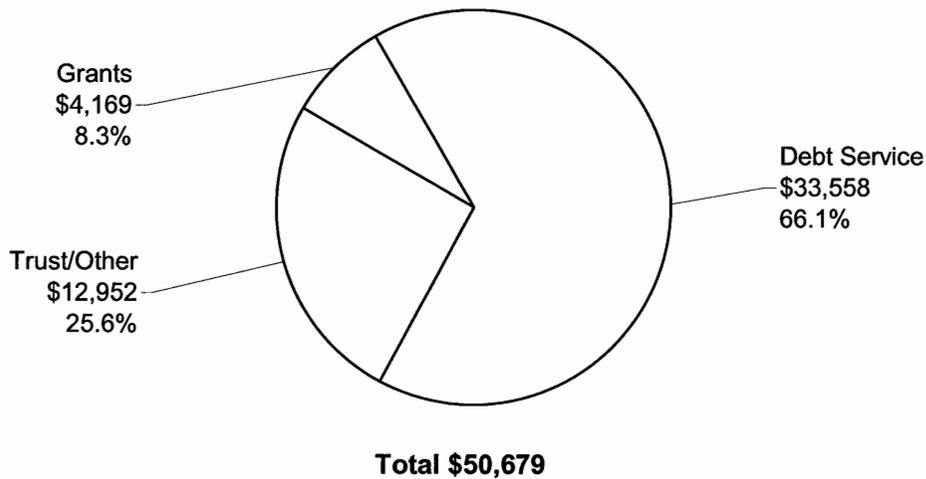
**2007-2008 Special Purpose Budget
Resources by Source and Expenditures by Group
\$000**

This figure depicts the resource and expenditure budget for the City's eight special purpose funds (not including the three capital funds). For the purposes of this display, resources have been categorized into five main components with the "pie slices" revealing the comparative size of each component of the budget. As the graph shows, excluding transfers between funds, the largest resource category is the beginning fund balance. This is primarily due to large reserves being held in some of these funds (e.g., Firemen's Pension Fund).

Resources



Expenditures



Capital Project Budget Highlights

Bellevue's Capital Investment Program (CIP) Plan presents a schedule of major public facility improvements for implementation within a seven-year period.

The CIP continues to make great strides toward addressing mobility and transportation demands, as well as making investments into the downtown and to our parks and open space system. As with most budgets, this budget does not meet all of Bellevue's capital needs. However, the projects included in the CIP are consistent with Council direction and feedback from the community to continue Bellevue's high quality services.

The City Council approved a 2% property tax increase for 2007, which increases funding available to the CIP by \$525,000 per year or \$3.7 million for the 2007-2013 CIP timeframe. These funds are placed in a reserve pending further Council direction. The Council identified several priority areas to focus funding:

- Downtown Implementation
- Transportation Capacity and Congestion
- Neighborhood Investments
- Public Safety

In addition, the Plan includes a \$9.9 million allocation from the Council Contingency to enhance funding for the Transit Now/Downtown Circulator, the Bellevue Challenge Grant, a potential Downtown Fire Station, Cultural Arts, and a Municipal Court.

The Plan also continues the practice of moving more projects forward in the early years of the seven-year period. We have often referred to this as "frontloading" the CIP Plan. Transportation and Parks projects are a priority, and to the greatest extent possible, they have been programmed in the early years of the CIP. The Plan assumes that borrowing, via a line of credit (LOC), will be needed in the early years of the CIP to support cash flow needs related to frontloading. As such, the 2007-2008 budget sets aside \$2.0 million to the interest on borrowing. The recommended CIP Plan will assure our ability to retire the LOC by the end of 2013.

In total, the adopted 2007-2013 CIP Plan is \$355.4 million, of which \$276.7 million is allocated for the General Capital Investment Program and \$78.7 million for the Utility Capital Investment Program. The Plan includes forty-six new or enhanced projects, two project deferrals, and four project deletions. More detailed information is available in the 2007-2013 CIP Plan accompanying the 2007-2008 Budget.

- **Key Projects for 2007-2008**

A number of projects are scheduled to be undertaken in the next biennium. While the following list is not inclusive of all the projects the City will be funding in 2007-2008, it includes some of the more high profile projects.

Detailed project descriptions for these and other CIP projects can be found within the 2007-2013 Capital Investment Program Plan.

Transportation

150th Avenue SE – Newport Way to SE 36th Street (PW-R-105)
NE 10th Street Extension (PW-R-149)
NE 8th Street/106th Avenue NE to 108th Avenue NE (PW-R-152)
Early Implementation of the Bel-Red Corridor Plan (PW-R-153)
Transit Now/Downtown Circulator (PW-R-157)
NE 10th Street/176th Avenue NE/NE 13th Street/183rd Avenue – Northup Way (PW-M-14)
148th Avenue SE/Lake Hills Boulevard (PW-I-90)
NE 24th Street – Northup Way to 130th Avenue NE (PW-W/B-69)

Parks

Robinswood Synthetic Fields (P-AD-36)
Highland Skate Park (P-AD-57)
Resource Management Division Facility (P-AD-59)
Kelsey Creek Park Stream Restoration (P-AD-65)
Bellevue Challenge Grant (P-AD-69)
Mercer Slough Environmental Education Center (P-AD-75)
Ashwood Plaza Development (P-AD-76)
Eastgate Properties Access Road (ex-Boeing/BSD properties) (P-AD-77)

General Government

Fleet & Communications Maintenance Shops Co-location (G-41)
Enterprise Content Management (ECM) System (G-57)
Finance and Human Resources System Replacement Project (G-59)
Municipal Wireless Network (G-65)
Municipal Court (G-66)

Public Safety

Mobile Data Computers/Automated Vehicle Location (PS-36)
Deccan Live Move-Up Module (PS-60)
Downtown Fire Station (PS-61)

Community and Economic Development

Gateways and Neighborhood Identity (CD-17)
Eastgate Subarea Plan Update (CD-21)
Urban Boulevards/Great Streets (CD-22)
Shoreline Update- Inventory Phase (CD-25)
Critical Areas Handbook and Geo-Mapping (CD-26)
Cultural Arts (CD-28)
Urban Corridor Design/High Capacity Transit (ED-5)

Utilities

Rosemont Asbestos Cement Water Main Replacement (W-87)
Reservoir Water Quality Upgrades (W-92)
Bel-Red Inlet Capacity Improvement (W-100)

Coal Creek Stabilization (D-69)
Lower Newport Stream Channel Modification (D-74)
Meydenbauer Creek Erosion Control (D-80)
Retrofit Regional Detention Facilities for Improved Water Quality (D-92)

Figure 3-11

**2007-2008 Capital Project Budget
Expenditures by Program Area and Fund
\$000**

Figure 3-11 compares the 2007-2008 biennium to the 2005-2006 biennium for the City's two Capital Investment Program (CIP) funds and the 2004 City Hall Bond Fund. Overall, the 2007-2008 budget is substantially less than the the 2005-2006 budget due to the completion of the construction of the new City Hall project in 2006.

Excluding the New City Hall project, budgeted capital expenditures in the General CIP Fund are higher in 2007-2008 to reflect allocation of the Council Contingency to enhance funding to the highest priority capital needs within the City. Budgeted expenditures in the Utility CIP Fund increased to reflect funding for several projects to meet sewer capacity in the central business district and water infrastructure and renewal capital needs.

<u>Capital Project Budget</u>	<u>2005-2006 Budget</u>	<u>2007-2008 Budget</u>	<u>\$ Change</u>	<u>% Change</u>
2004 City Hall Bond Fund				
New City Hall	\$81,012	\$0	(\$81,012)	(100.0%)
Subtotal 2004 City Hall Bond Fund	\$81,012	\$0	(\$81,012)	(100.0%)
General Capital Investment Program Fund				
Transportation	\$51,275	\$43,207	(\$8,068)	(15.7%)
Parks	20,502	29,759	9,257	45.2%
General Government	11,153	19,061	7,908	70.9%
Public Safety	4,474	5,079	605	13.5%
New City Hall	101,015	0	(101,015)	(100.0%)
Community and Economic Development	3,751	11,579	7,828	208.7%
Neighborhood Enhancement Program	2,700	2,814	114	4.2%
Neighborhood Investment Strategy	5,745	1,473	(4,272)	(74.4%)
Subtotal General Capital Investment Program Fund	\$200,615	\$112,972	(\$87,643)	(43.7%)
Utility Capital Investment Program Fund				
Water	\$16,767	\$26,151	\$9,384	56.0%
Sewer	17,295	30,880	13,585	78.5%
Storm Drainage	14,008	17,225	3,217	23.0%
Subtotal Utility Capital Investment Program Fund	\$48,070	\$74,256	\$26,186	54.5%
Total Capital Project Budget	<u>\$329,697</u>	<u>\$187,228</u>	<u>(\$142,469)</u>	<u>43.2%</u>

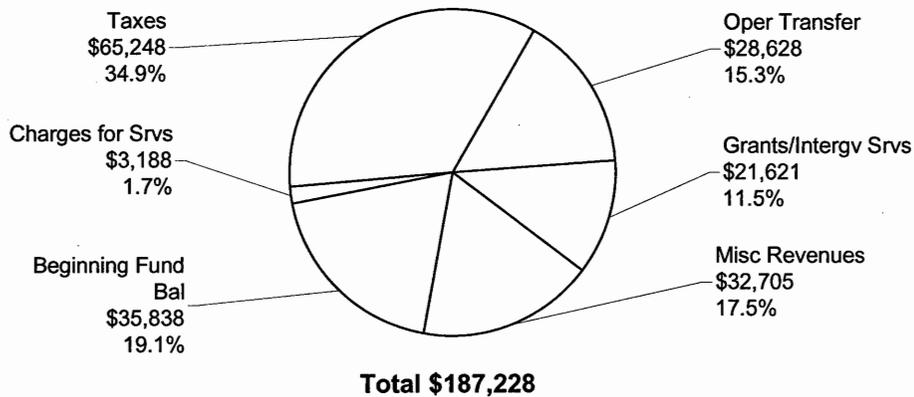
Figure 3-12

**2007-2008 Capital Investment Program Budget
Resources by Source and Expenditures by Program Area
\$000**

This figure depicts the resource and expenditure budget for the City's two CIP funds (General CIP & Utility CIP). For the purposes of this display, resources have been categorized into six main categories with the "pie slices" revealing the comparative size of each component of the budget. The largest resource categories are taxes, which is comprised of sales, real estate excise, and business and occupation taxes. Beginning fund balance represents the utilities reserve and replacement funds for future funding of capital improvements.

The expenditure pie has been divided into the CIP program areas and reveals the comparative size of each. Transportation, Parks, and Utilities combine to make up 76.1% of the expenditure budget reflecting the overall capital funding priorities in the City.

Resources



Expenditures

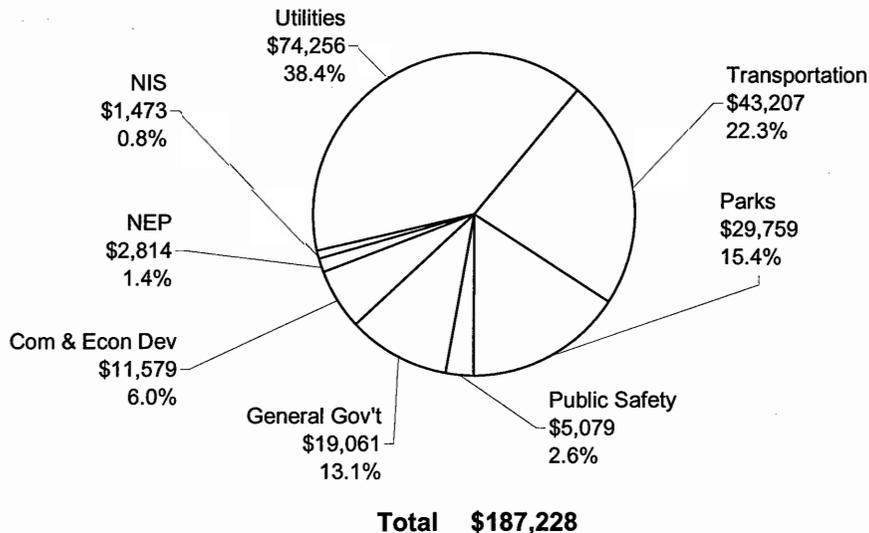


Figure 3-13

**Operating Costs Funded by the Capital Investment Program (CIP)
\$000**

This figure presents the 2007 and 2008 operating budget maintenance & operations (M&O) expenditures funded by the Capital Investment Program (CIP).

Refer to the 2007-2013 Capital Investment Program (CIP) Plan to obtain more detailed information on M&O expenditures. The budgets reflect the project completion schedules in the 2007-2013 CIP Plan. Actual transfers to the General Fund may vary depending on the timing of actual project completions.

	<u>2007 Budget</u>	<u>2008 Budget</u>
Base M&O Funding	\$7,528	\$7,724
New M&O Funding Approved (by Major Program Area)		
Transportation	\$47	\$112
Parks	150	326
General Government	0	0
Public Safety	0	0
Community & Economic Development	14	14
Neighborhood Enhancement	108	113
Neighborhood Investment	10	24
Total M&O Funding	<u>\$7,857</u>	<u>\$8,313</u>

F. DEBT INFORMATION

State Law enables the City to issue debt for three general categories of use: General Government, Park and Open Space, and Utility System uses. The debt issued in each category is limited to 2.5% of the City's assessed valuation (for a total limit of 7.5%). In addition, the State Constitution also allows for non-voted, or councilmanic debt limited to 1.5% of the City's assessed valuation, to be included within the General Government 2.5% limit. Such councilmanic debt can be funded by property taxes, but does not result in an increase to regular levy property taxes. Publicly-voted bonds (which exclude councilmanic debt) require a 60% majority approval for passage of a bond election and a total voter turnout of at least 40% of the total votes cast in the last general election. Publicly-voted bonds are funded by voted levy property taxes and the approval of these bonds will result in an increase to voted levy property taxes.

Figure 3-14 exhibits by category the City's total general obligation debt capacity, the amount of debt issued, and the allocation of remaining debt capacity between voted and councilmanic limits. As of January 1, 2007, the City's remaining general government debt capacity was approximately \$479 million, approximately \$266 million in voted capacity and \$213 million in councilmanic capacity. The approximate remaining debt capacity for park and open space use is \$664 million and for utility system use is \$665 million.

Figure 3-14
Total Debt Capacity and Debt Issued
as of January 1, 2007
(\$ Millions)

Maximum Legal Capacity = \$26,612 x 0.025 = \$665

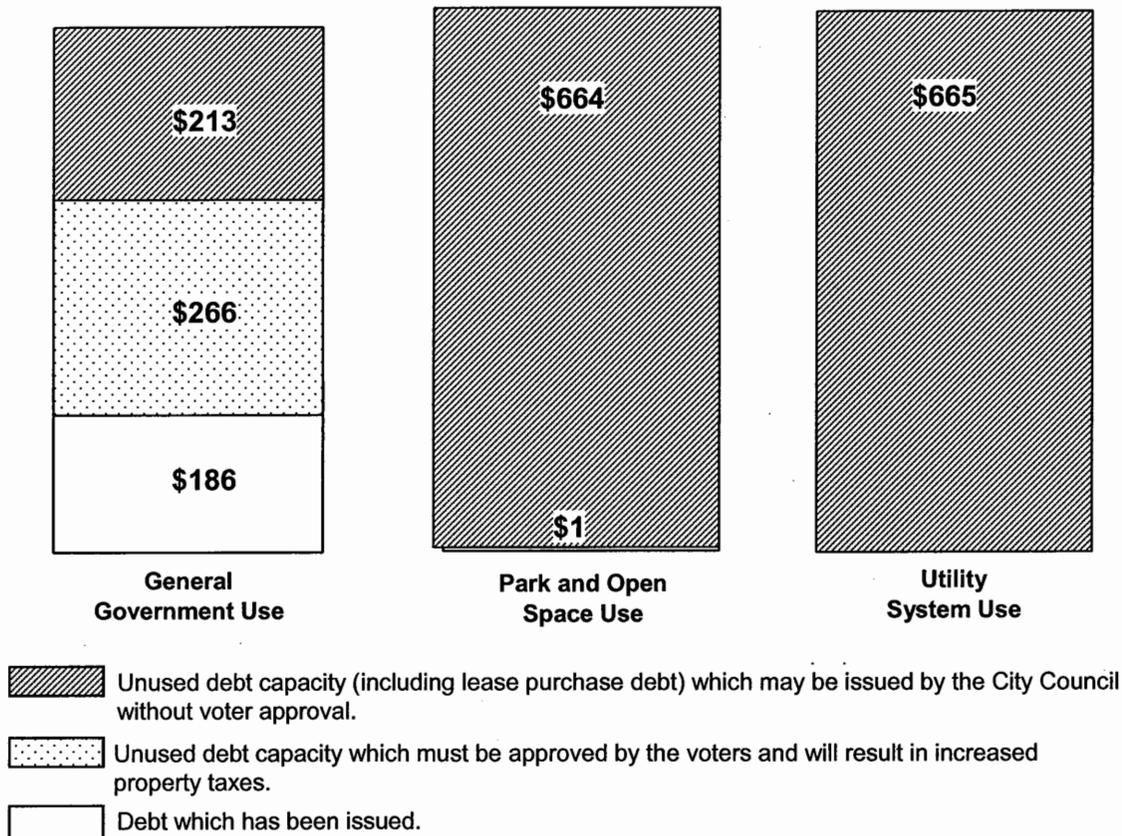


Figure 3-15 on the following page presents detailed information on the City's General Obligation and Revenue Bond debt. For each debt issue, this figure lists the amount issued, the issue and maturity dates, interest rate, source of debt payment funding, and the debt service requirements included in the 2007-2008 Budget.

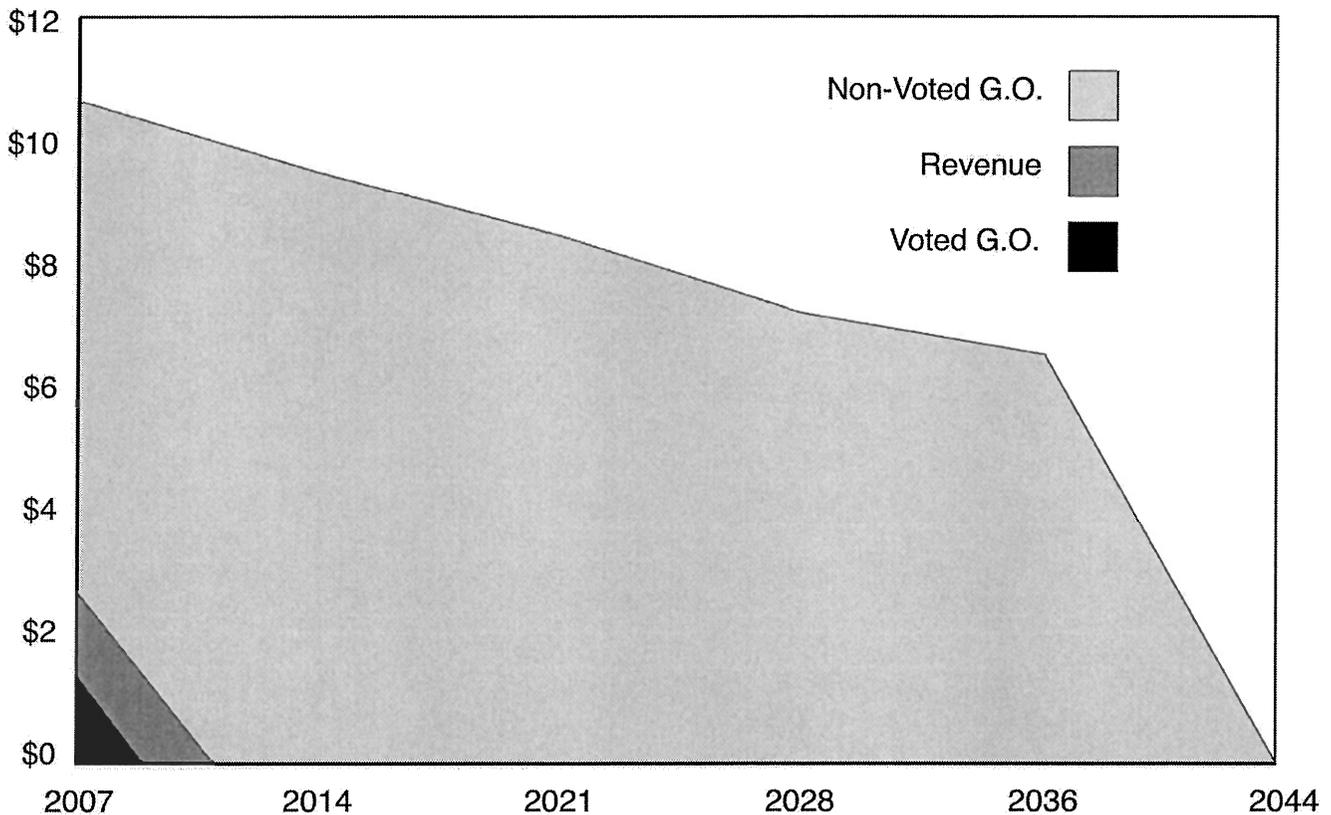
Figure 3-15
GENERAL OBLIGATION AND REVENUE BOND DEBT INFORMATION
\$000

	Original Amount Issued	Issue Date	Final Maturity Date	Interest Rate	Source of Debt Service Funding	2007-2008 Debt Service Requirement	
						Principal	Interest
Non-Voted General Obligation (G.O.) Bonds:							
1995 Limited G.O.	\$5,140	1995	2025	5.15 - 5.80%	Hotel/Motel Taxes	\$796	\$729
1998 Limited G.O.	4,310	1998	2018	4.00 - 4.78%	Grants/CIP/Moorage Fees	350	346
2002 Limited G.O.	10,450	2002	2032	3.50 - 5.50%	Hotel/Motel Taxes	425	1,012
2003 Limited G.O. Refunding, Series B	4,635	2003	2014	2.00 - 4.50%	CIP	785	244
2004 Limited GO (City Building)	102,710	2004	2043	5.00 - 5.50%	CIP/Reserves	---	10,614
2006 Limited GO (City Building II)	6,060	2006	2026	3.80 - 4.25%	CIP/Reserves	390	505
Subtotal Non-Voted G.O. Bonds	\$133,305					\$2,746	\$13,450
Voted General Obligation Bonds:							
2003 Limited G.O. Refunding, Series A	\$8,550	2003	2008	3.00 - 5.00%	Voted Levy Property Tax	\$2,755	\$118
Subtotal Voted G.O. Bonds	\$8,550					\$2,755	\$118
Revenue Bonds:							
1991 Bellevue Convention Center Authority, Series B (1)	\$21,120	1991	2019	5.90 - 7.20%	BCCA	\$1,237	\$2,738
1994 Bellevue Convention Center Authority Refunding (1)	13,749	1994	2025	6.25 - 7.50%	BCCA	472	658
2004 Waterworks Refunding	6,825	2004	2010	2.00 - 3.625%	Utility Services Fees	2,110	248
Subtotal Revenue Bonds	\$41,694					\$3,819	\$3,644
TOTAL GENERAL OBLIGATION AND REVENUE BONDS	\$183,549					\$9,320	\$17,212

(1) The Bellevue Convention Center Authority (BCCA) is a component unit of the City for financial reporting purposes. The Authority's revenue bonds are secured by Lease Purchase Rental payments from the City paid for with Hotel/Motel Tax revenues and other revenues of the City available without a vote of the City's electors.

Figure 3-16 presents the annual debt service requirements for the City's voted, councilmanic (non-voted), and revenue debt through 2044. The 2007 debt service requirements are \$1.4 million for voted debt, \$1.3 million for revenue bond debt, and \$8.0 million on councilmanic debt. If no further debt is issued, the final debt payment for the voted debt will be made in the year 2008, for revenue debt in 2010, and for councilmanic debt in 2043. This graph shows the City's annual debt service requirements decreasing over time.

Figure 3-16
ANNUAL DEBT SERVICE REQUIREMENTS
FOR EXISTING GENERAL OBLIGATION AND REVENUE BONDS
 (\$ Millions)



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CITY BOND RATINGS

On January 1, 2007 the City held the following bond ratings:

<u>Bond Type</u>	<u>Standard and Poor's</u>	<u>Moody's</u>
Unlimited Tax General Obligation	AAA	Aaa
Limited Tax General Obligation	AAA	Aa1
Revenue	N/A	Aa2

