ATTACHMENT A
CAPITAL FUNDING SCENARIOS
Descriptions

The following attachment provides a brief description of the flat tax and maintenance and operating (M&O) replacement concepts as well as the amount of cash and bonds each may generate.

A. Descriptions

Flat Property Tax Concept. This approach holds the current property tax rate at the existing level for a certain period of time. Bellevue's property tax rate has declined for years primarily because Council has sought to keep property taxes low by not raising the levy and because the assessed value has continued to grow (the property tax rate equals the levy divided by Bellevue's assessed value). Assuming assessed values continue to rise, holding the property tax rate at the existing level will generate additional property tax revenue.

Council could opt to raise the property tax at or below a rate equivalent to the current rate for the next several years. This could be accomplished through multiple votes of the Council or through a voted levy. If Council chooses to raise the property tax through their own action, a property tax increase would need to occur over multiple years. If Council opts to place this item on the ballot for voters, legal counsel has advised us that each measures would require a separate vote. For example, if Council wished to fund transportation, parks, and public safety capital projects, three separate measures would be necessary. Under State law, ballot measures are subject to the single issue rule.

M&O Replacement Concept. This approach would replace funds currently transferred from the capital program to the operating budget to cover maintenance and operating (M&O) costs. By long standing financial management policy, once a capital project is complete, an amount necessary to maintain the project is transferred from the capital fund to the operating budget. This policy was put in place to ensure that Bellevue continues to take care of what is built before building more capital projects. Over time, the amount going into the operating budget has steadily increased. For 2007, this amount is estimated at $7.9 million and is expected to continue to increase into the future. While this is sound financial policy, it reduces the amount available to fund new capital projects.

Council could opt to raise the property tax at or below a levy equivalent to the current M&O transfer and use the additional property tax to fund M&O. This could be accomplished through a vote of the Council or through a voted levy. If Council chooses to raise the property tax levy through their own action, it would require a single vote. If Council opts to place this item on the ballot for voters, legal counsel has advised us that a single measure (e.g. to replace the parks M&O component) or multiple measures may be necessary (e.g. to replace the parks, transportation, and public safety M&O component). Under State law, ballot measures are subject to the single issue rule.

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B. Financial Impact

Note: The following table of scenarios provides funding approximations. Bond amounts and cash generated may be different than these estimates.

Scenario	Annual Revenue	Property Tax Rate (per $1,000 AV)	% Property Tax Increase	Annual Homeowner Impact	Bondable Amount (20 years)	Cash Amount (20 years)
1	100% Flat Levy	$0.05 multi	4.3% multi	$169.91	$122 million	$211 million
2	75% Flat Levy	$0.038 multi	3.2% multi	$127.43	$92 million	$158 million
3	50% Flat Levy	$0.025 multi	2.1% multi	$84.95	$61 million	$105 million
4	M&O Replacement $4.8M	$0.190	18.1%	$100.69	$60 million	$96 million
5	M&O Replacement $7.9M	$0.313	29.8%	$165.72	$98 million	$158 million

Assumptions:
-- Average Home value in Bellevue for 2007 estimated at $529,700.
-- Bellevue's estimated 2007 regular levy is $1.05 per $1,000
-- Average Homeowner will pay $557 per year in property tax to the City.

Scenario 1 – Assumes the continuation of 100% of the current property tax rate. Generates approximately $122 million in 20-year bonds or $211 million in cash over twenty years.

Scenario 2 – Assumes the continuation of 75% of the current property tax rate. Generates approximately $92 million in 20-year bonds or $158 million in cash over twenty years.

Scenario 3 – Assumes the continuation of 50% of the current property tax rate. Generates approximately $61 million in 20-year bonds or $105 million in cash over twenty years.

Scenario 4 – Assumes a replacement M&O levy for the Parks portion of the CIP M&O transfer to the operating budget. Generates approximately $60 million in 20 year bonds or $96 million in cash over twenty years.

Scenario 5 – Assumes a replacement M&O levy for the entire CIP M&O transfer to the operating budget. Generates approximately $98 million in 20 year bonds or $158 million in cash over twenty years.