



Resource Summary

This chapter illustrates 2017-2018 budget resources primarily through the use of graphic presentations. Text describing the graphic presentations is included to highlight some of the key information presented.

This Resource Summary is organized into the following sections:

A. Total City Budget Resources

Figure 8a-1 presents the adopted 2017-2018 resource budget for all City funds and contains a comparison to amended 2015-2016 resources. All comparisons in this section compare the 2017-2018 adopted budget to the 2015-2016 amended budget.

Figure 8a-2 includes specific information on each of the taxes levied to support City services. Included for each tax are the maximum allowable rate, the current City rate, the 2017 and 2018 budgets, and supplemental information.

Figure 8a-3 compares Bellevue property tax to other local jurisdictions.

Figure 8a-4 displays historical property tax information for comparison purposes. Official property tax records are maintained by the King County Assessor's Office.

Figure 8a-5 displays a typical distribution of property tax dollars for Bellevue taxpayers, as well as an estimate of property tax bills for Bellevue home owners.

NOTE: This section compares the adopted 2017-2018 budget to the amended 2015-2016 budget. This section differs from the Forecast section (earlier in this chapter) in that the Forecast compares 2015 actuals and 2016 year-end.



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A. Total City Budget Resources

Figure 8a-1 presents the 2017-2018 resource Budget for all City funds and contains a comparison to amended 2015-2016 resources. All comparisons in this section compare the 2017-2018 adopted budget to the 2015-2016 amended budget.

The City has many revenue sources across all funds, from general government to enterprise funds. Generally revenue remains fairly consistent with the largest fluctuation happening in the most economically driven revenue streams of Sales and Use Tax and Business and Occupation tax.

Many of the resources received are dedicated to a specific purpose and cannot be spent on non-related services or programs. For example, rate revenues received from water service can only be used for that purpose and cannot be used to pay for general services or other types of utility services.

There are several revenue streams that are restricted including but not limited to Development Services permits revenue, Property tax revenue received from the voter-approved Parks Levy, and revenue generated by utility rates. As noted in figure 8a-1, taxes make up 27.8 percent of the total 2017-2018 adopted biennial budget. The remaining 72.2 percent is a collection of beginning fund balance, utility rates, and other sources.

Sales tax is the most volatile revenue stream for the City and comprises 9.2 percent of total resources. In prosperous economic times Sales tax growth is quite strong; in 2007 sales tax grew 16.6 percent with construction leading the way. In poor economic times sales tax may drop precipitously as illustrated by a 15.2 percent drop in 2009. Over the last 15 years sales tax has averaged 3.8 percent including both the booms and the busts. Sales tax has been on the rise the last few years but not at the growth seen in the years leading up to the Great Recession.

Property Tax makes up 5.7 percent of the City's total resources which can be seen in Figure 8a-1. This budget includes no councilmanic increase in Property Tax. The total property tax levy rate in 2016 was \$0.94 per \$1,000 Assessed Value (AV). The 2017 rate is \$1.14 per \$1,000 AV and includes two voter-approved levies from November 2016, one for Fire Facilities infrastructure, and one for Transportation Connectivity and Congestion. Levy rates for 2018 are expected to dip due to increases in AV related to new construction.

Business & Occupation Tax is 5.4 percent of the City's resources and performs similar to sales tax but the tax base is somewhat more expansive giving it slightly more stability than sales tax. Unlike sales tax, B&O tax is based on gross receipts for retail sales or calculated by square footage for those companies that don't necessarily have gross receipts but performs other activities such as management activities of a headquarters or a corporate campus.

Utility Taxes include electric, natural gas, water, sewer, storm drainage, garbage, and telephone utility activity. City-run utilities such as water, sewer and storm drainage, have grown consistently from year to year and were only minimally affected by the recession. Electric and Gas, have had little or no growth. The flat electric and natural gas tax collections could be due to



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more energy efficient appliances, as well as more energy efficient building design. Telephone and cell phone services have been going through systemic changes that have resulted in declining collections and are expected to decline further. More and more people are discontinuing landline telephones services and data plan on cell phones bills are exempt from tax, resulting in reduced utility tax collections.

Other taxes include hotel/motel, Real Estate Excise (REET), Criminal Justice Sales, Admissions, Gambling, and Leasehold Excise Taxes, as well as tax penalties. The City has an abundance of large buildings in the downtown area, as well as in Eastgate. When these buildings sell, they contribute significant REET dollars to the City.

Beginning Fund Balance (BFB) is the second largest category of resources at \$297 million or 19.7 percent of total City resources. The General Fund's Budgeted 2017 beginning fund balance is \$34.4 million¹ or 11.6 percent of total Beginning Fund Balance. Similar to other resources, fund balance often is restricted to fund only certain types of expense. As an example, the Sewer Utility fund balance can only be used to fund expenses that support the Sewer Utility. Conversely, the General Fund balance can be used for any purpose.

Utility Service Fees are the third largest category of resources making up 19.1 percent of total City resources. Utility Service Fees can only be used to support the specific utility for it was collected. As an example water service fees cannot be used to support sewer operations. This revenue category is made up of water, sewer, and storm and surface water service fees. These revenues are projected to grow by \$20.6 million over the 2017-2018 biennium, primarily attributable to water, sewer, and storm drainage rate increases.

Operating Transfers, 8.4 percent of total resources, are anticipated to increase \$9.5 million or 8.0 percent from 2015-2016 to 2017-2018. Operating Transfers are a transfer between funds. An example of an operating transfer would be a transfer from an operating fund to a capital fund to support future or present capital projects. Another example is a transfer from a capital fund to an operating fund when an operating fund FTE works on a capital project.

The Grants/Intergovernmental Services category includes revenues from Federal and State Grants, Interlocal contributions [from entities such as Sound Transit (\$3.8 million), King County (\$7.0 million), and the Point Communities (\$7.0 million)], and other revenues from governmental or granting organizations.

Debt financing is another revenue source for the city, Council has directed staff to continue to pursue a Transportation Infrastructure and Financing Innovation Act (TIFIA) loan from the federal government. If secured, the loan will assist with the creation of the Bed-Red Street Network – a total of 12 multimodal roadways planned to support the new Bel-Red neighborhood.

This budget does not include the impacts of a TIFIA loan, a future supplemental appropriation will be presented to council if the loan is secured.

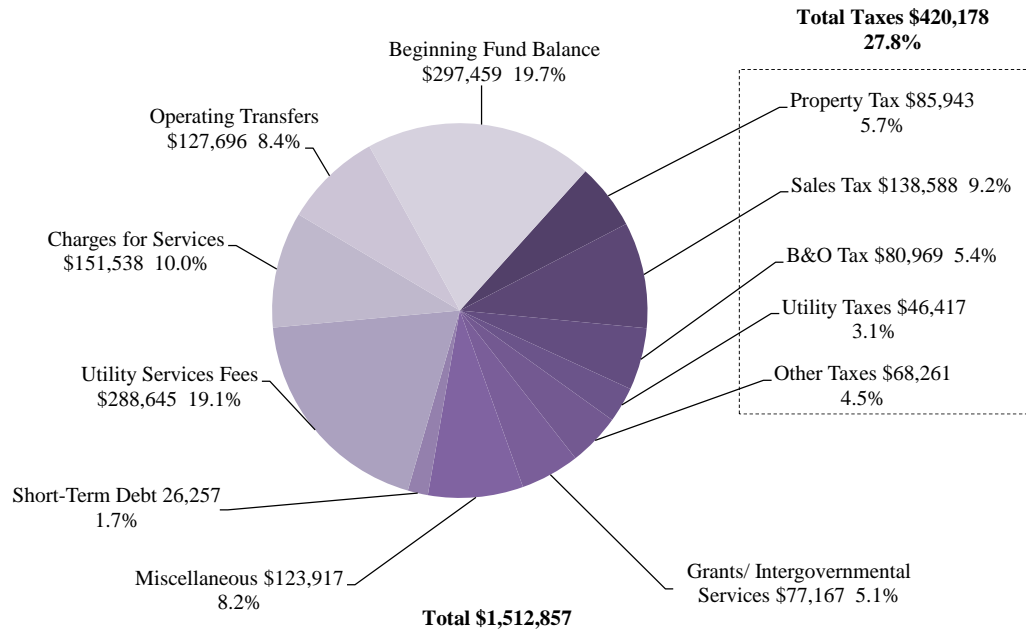
¹ Excluding Restricted General Fund



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Figure 8a-1

2017-2018 Total City Budget Resources
\$000



Comparison to 2015-2016 Budget

	2015-2016 Amended Budget	2017-2018 Adopted Budget	\$ Change	% Change
Taxes				
Sales Tax	\$118,660	\$138,588	\$19,928	16.8%
Property Tax	81,335	85,943	4,607	5.7%
Business & Occupation Tax	66,963	80,969	14,006	20.9%
Utility Taxes	55,946	46,417	(9,530)	(17.0%)
Other Taxes	64,553	68,261	3,707	5.7%
Total Taxes	\$387,457	\$420,178	\$32,720	8.4%
Beginning Fund Balance	\$248,060	\$297,459	\$49,400	19.9%
Utility Services Fees	268,046	288,645	20,599	7.7%
Miscellaneous	140,573	123,917	(16,656)	(11.8%)
Short-Term Debt	0	26,257	26,257	100.0%
Long-Term Debt	102,691	0	(102,691)	(100.0%)
Charges for Services	144,180	151,538	7,358	5.1%
Operating Transfers	118,217	127,696	9,479	8.0%
Grants/Intergovernmental Services	113,726	77,167	(36,559)	(32.1%)
Total Resources	\$1,522,949	\$1,512,857	(\$10,093)	(0.7%)

Figures may not foot due to rounding.



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Figure 8a-2
Summary of Locally Levied Taxes

Though revenues are forecasted to exceed expenditures in the near term (years 2017 and 2018), the out year forecast reflects the reverse. The revenue growth cannot be sustained and a dip in the economy looms in the future. This figure includes specific information on each of the taxes levied to support City services. Included for each tax are the maximum allowable rate, the current City rate, the 2017 and 2018 adopted budget, and supplemental information.

1. Sales Tax (RCW 82.14.030)

Sales tax is imposed on the sale of most goods and some services. This tax is remitted to the State by businesses and in turn, the State provides the City with a portion of this revenue on a monthly basis. The total sales tax rate is now 10.0 percent in Bellevue and the City receives 0.85 percent of this rate. A half percent sales tax increase effective April 1, 2017 was approved by voters in November 2016 for Sound Transit 3 expansion of the regional public transit system.

Growth in sales tax revenue is driven by growth in sales at retail outlets, direct expenditures by households and businesses, and development activity. Sales tax revenue support activities of the General Fund, General CIP Fund and Housing Fund. The current method for splitting the sales tax between the General Fund and the General CIP fund is for the General Fund to equal 75 percent plus incremental increases in operations and maintenance minus the bond payment for \$10 million CIP debt. The current policy for the General Fund and the CIP Fund is:

“Proposals for CIP project funding shall include the estimated future M&O cost, to provide full cost disclosure. Such M&O costs anticipated to be incurred in the upcoming biennium should be included in operating budget proposals for funding consideration. As of 2011, funding for existing CIP M&O is provided by a distribution of the City’s Sales Tax revenue, split between 75 percent General Fund and 25 percent CIP. The dollar amount for CIP M&O is adjusted upward each year by the anticipated Consumer Price Index for all Urban Consumers (CPI-U) after first making any necessary adjustments (e.g., partial vs full-year costs) and eliminating any one-time items. The distribution amounts should be reviewed periodically by Council for reasonableness and potential adjustment.” (Source: Financial Policy)

With the issuance of \$79.1 million in debt in 2015, of which \$10 million allows the city to redirect sales tax to address infrastructure and neighborhood needs, the current sales tax split is shown below:

General Fund Sales Tax Calculation	General CIP Sales Tax Calculation
Gross Sales Tax x 75%	Gross Sales Tax x 25%
Plus CPI on M&O	Less CPI on M&O
Less \$10 million Bond Debt Service	Plus \$10 million Bond Debt Service
Less Budgeted Sales Tax Associated with East Link Light Rail Construction ²	Plus Budgeted Sales Tax Associated with East Link Light Rail Construction ²
= General Fund Portion of Sales Tax	= General CIP Portion of Sales Tax

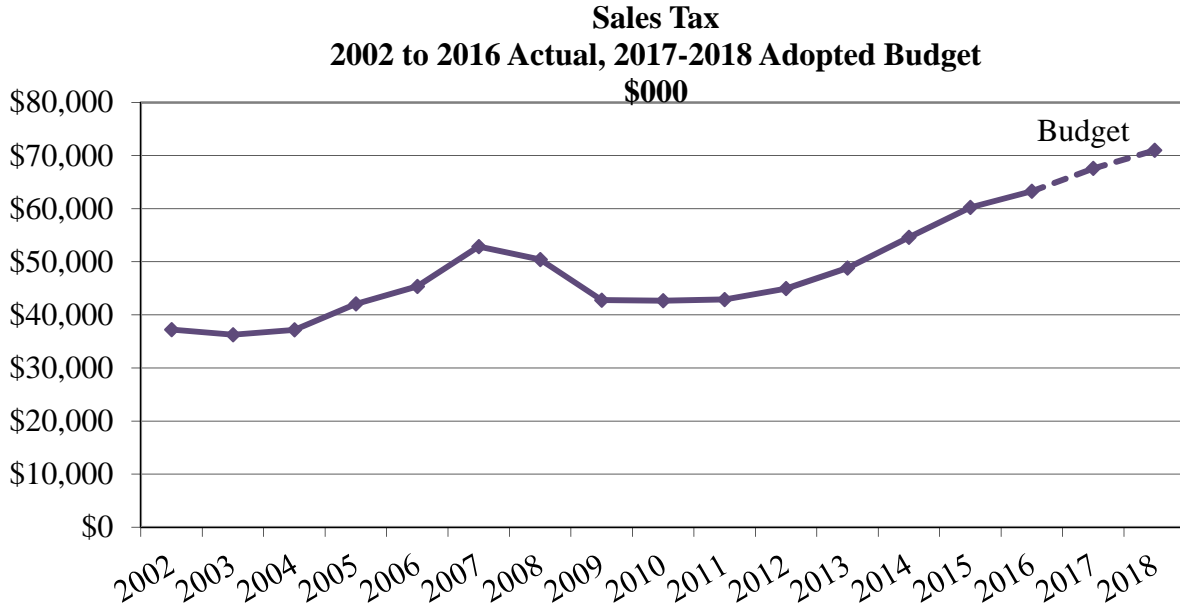
² In alignment with the Amended and Restated MOU, the seven year CIP from 2017-2023 includes \$4 million in construction sales tax from East Link construction activity in the city. This increase has been programmed into the 2017-2023 CIP.



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Historical Collections & Trends

Sales Tax collections grew significantly from 2003 to 2007, primarily due to increases in development activity and consumer spending (retail and services sectors growth). Sales tax collections for 2008 and 2009 reflect the decline in development and taxable retail activity experienced during the recession. Sales tax collections recovered well in the past two years. Projections for the 2017-2018 biennium reflect the continued growth in sales tax collections as the economy grows.



Maximum Rate:	1.0 percent ³
Current Rate:	1.0 percent ³
2017 Budget:	
General Fund	\$49,802,304
General CIP Fund ⁴	17,744,219
Housing Fund	<u>100,000</u>
Total 2017 Sales Tax	\$67,646,523
2018 Budget:	
General Fund	\$51,988,423
General CIP Fund ⁴	18,964,926
Housing Fund	<u>100,000</u>
Total 2018 Sales Tax	\$71,053,349

³ 15 percent of the sales tax revenue produced by the City's 1 percent sales tax rate is allocated to the County with the remaining 85 percent retained for City use.

⁴ 2017-2018 includes \$1.5 million in construction sales tax from East Link construction activity in the city in alignment with the Amended and Restated MOU.



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Comments/Watch Areas

Overall Sales Tax has been on a steady growth and the City is expecting this growth to continue. While most sales tax categories appear to have recovered from the recession, one area that will always need to be watched is development or construction. Development is highly influenced by economic conditions and comprises a historically large proportion of the City's Sales Tax collections—leaving the City's sales tax revenues at risk during economic downturns. As has happened in the past when a recession hits, construction will drop dramatically and has dropped as much as 33 percent from its peak during Great Recession. Another area to watch is auto sales which already shows signs of slower growth nationally and locally in 2018.

2. Business & Occupation (B&O) Tax (RCW 35.21.710, RCW 35.21.706, RCW 35.21.711⁵)

Business and Occupation (B&O) Tax is made up of two components: gross receipts tax and square footage tax. The gross receipts B&O Tax is primarily measured on gross proceeds of sales or gross income. The square footage B&O Tax applies to businesses whose in-city activities produce gross revenue indirectly, such as at a headquarter location. Businesses with taxable gross receipts for a business less than \$160,000 or offices with less than 250 taxable square feet are exempt from B&O tax. The City levies the same rate for all types of business activities. The gross receipt B&O Tax rate is 0.1496 percent of receipts/income and the quarterly square footage rate is \$0.2440875 per square foot. B&O revenues support General Fund and the Capital Investment Program (CIP) Fund activities.

Historical Collections & Trends

Following a similar pattern to Sales Tax, B&O Tax collections grew considerably from 2003-2007, reflecting a strong economy. The recession slowed collections in 2008 and 2009. B&O collections hit bottom in 2010 and since has grown at a slow and steady pace. The City anticipates this slow and steady pace to continue through 2018.

⁵ RCW 35.21.706: Referendum procedure. An ordinance that imposes the tax or increases the tax rate must include a provision for a referendum procedure.

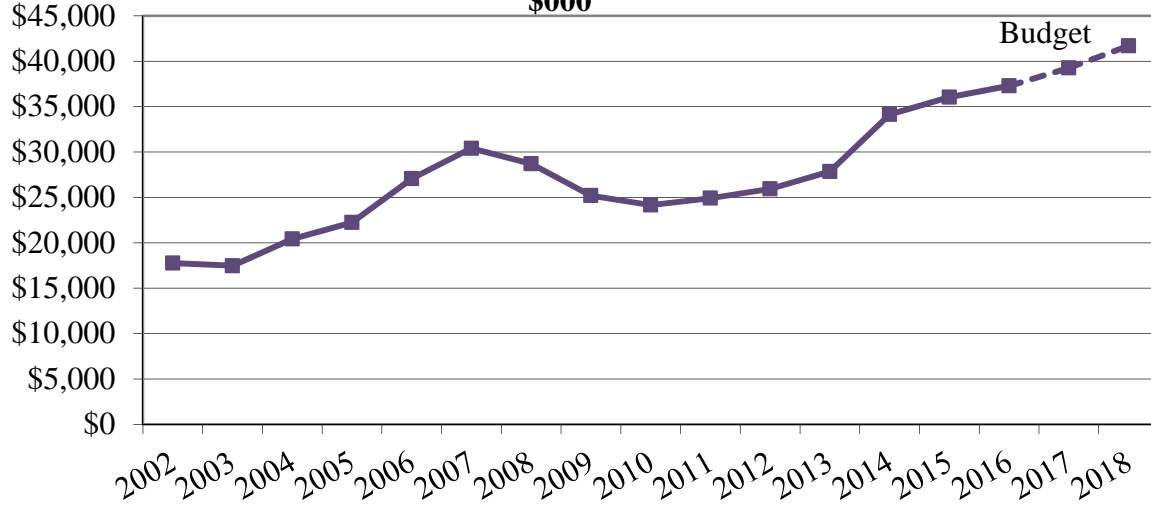
RCW 35.21.710: Maximum B&O tax rates established.

RCW 35.21.711: Voter approval for higher rates.



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B&O
2002 to 2016 Actual, 2017-2018 Adopted Budget
\$000



Maximum Rate: 0.2 percent

Current Rate: 0.1496 percent

2017 Budget:

General Fund (0.11 percent)	\$28,873,923
General CIP Fund	7,874,706
Mobility CIP Fund	<u>2,519,906</u>

Total 2017 Business & Occupation Tax \$39,268,535

2018 Budget:

General Fund (0.11 percent)	\$30,662,461
General CIP Fund	8,362,489
Mobility CIP Fund	<u>2,675,997</u>

Total 2018 Business & Occupation Tax \$41,700,947

A majority of voters may approve a rate in excess of 0.2 percent. Each 0.01 percent of the business and occupation tax rate is expected to generate \$2.0 million in 2017 and \$2.1 million in 2018 of B&O tax revenue. (RCW 35.21.711: Voter approval for higher rates.)

Note: The City Council reserved from its levied capacity a rate of 0.0001 for convention center purposes per Ordinance No. 4094.



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Comments/Watch Areas

As with Sales Tax, B&O Tax also is highly sensitive to economic conditions. B&O Tax, however, is slightly less volatile due a more diverse tax base including non-retail sectors and professional services that are not subject to sales tax. These services are not as sensitive to the day to day economic conditions but will suffer in an extended economic downturn.

3. Property Tax

(RCW 84.52.010, RCW 84.52.043, RCW 41.16.060, RCW 84.55.010, RCW 84.55.092)

Property tax is applied to the assessed value (AV) of all taxable real and personal property located within the City, with several exceptions such as public structures (government buildings, roads, etc.), property owned by several types of non-profit organizations, personal property (up to a specified dollar value), and others.

Real property includes land, buildings, and improvements to the land such as driveways. Personal property includes movable assets used in conducting a business such as machinery, supplies, and other non-inventory items. Washington State has a budget-based system of property taxation. There are three main components to the property tax: Levy, Assessed value (AV), Levy rate. As part of the budget process, the taxing jurisdiction establishes the amount of property tax revenue needed to fund the budget. That amount needed to fund the budget is called the levy. It is the total amount to be collected from the taxpayers by a taxing district. By November 30 of each year, the amount of taxes to be levied by taxing districts are certified to the county assessor who computes the levy rate necessary to raise that amount of revenue. The county assessor calculates the levy rate necessary by dividing the total levy amount by the assessed value of taxable property in the district. By law, this number is expressed in terms of a dollar rate per \$1,000 of valuation. For example, a rate of \$0.00025 is expressed as 25¢ per \$1,000 of assessed value. The formula for property tax collections is expressed as: $Levy = Levy\ Rate \times Assessed\ Value\ (AV)$. The property tax levy is constrained by the overall limits on the regular levy rate and the limit on annual levy increases (Source: MSRC: Property Tax in Washington State).

Property tax revenues support General Fund activities as well as the Human Services Fund, which accounts for human services activities, including agency contracts.

Historical Collections & Trends

Under Initiative 747, the regular levy can grow at a maximum of 1 percent annually or the rate of “inflation” (defined as the increase in the implicit price deflator (IPD), whichever is less, plus additions for new construction, changes in value of state-assessed utility property and newly annexed property (referred to as “add-ons”). For 10 of the past 15 years, Bellevue has opted to only levy the additional property tax associated with add-ons, but has preserved, or “banked,” its remaining allowable levy capacity (maximum allowable levy less actual levy). In 2016, Bellevue had \$8.6 million in banked capacity available.

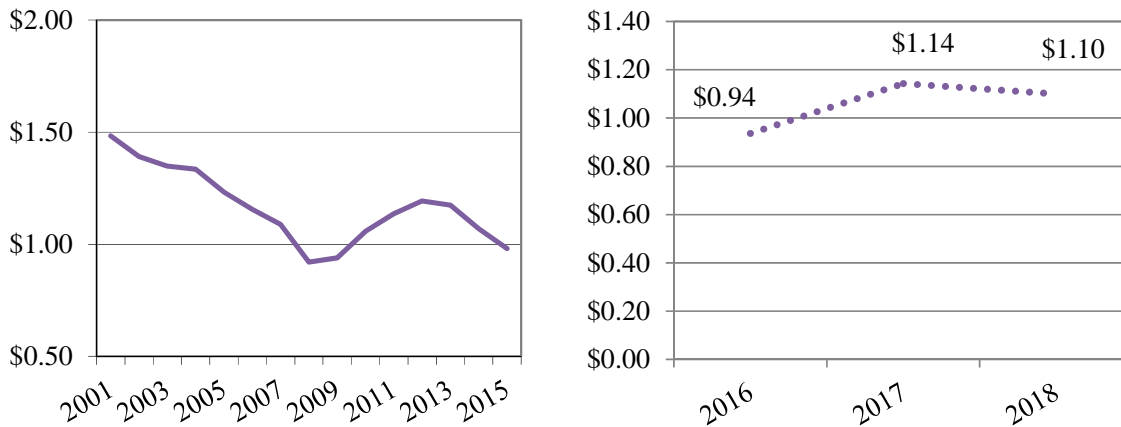
As displayed in the following chart, Bellevue’s property tax levy rate decreased from \$1.71 in 2000 and to \$1.14 in 2017 per \$1,000 AV. This reduction is a result of the City not increasing its



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property tax levy, coupled with an increase in the City’s AV which drives the overall rate down. Bellevue’s property tax levy rate has fluctuated based on changes in AV, the use of banked capacity and voted levies.

**Total Property Tax Levy Rate
2002 to 2016 Actual, 2017-2018 Adopted Budget**



Historical Levy Rate

Maximum Rate ⁶ :	\$3.42/\$1,000 AV
2017 Total Levy Rate:	\$1.14/\$1,000 AV
2017 Budgeted Levy ⁷ :	
General Fund	\$35,710,161
Human Services Fund	3,271,425
General CIP Fund	<u>3,388,997</u>
Total Budgeted 2017 Regular Property Tax Levy	\$42,370,583
2018 Estimated Total Levy Rate:	\$1.10/\$1,000 AV
2018 Budgeted Levy ⁷ :	
General Fund	\$36,804,103
Human Services Fund	3,379,055
General CIP Fund	<u>3,389,000</u>
Total 2018 Budgeted Regular Property Tax Levy	\$43,572,158

⁶ The statutory maximum base rate for cities with an annexed library district and firemen's pension fund is \$3.8250 less the library district's actual rate. The actual rate will vary year to year based on increases in assessed value.

⁷ Budgeted amount does not include the Fire and Transportation levy amounts. Appropriations were budgeted under separate council Ordinance No. 6346 in February 2017.



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Current law limits the Property Tax increase from the prior highest allowable Regular Levy to the lesser of 101 percent or 100 percent plus inflation, where inflation is measured by the percentage change in the Implicit Price Deflator (IPD) (whichever is less) (RCW 84.55.0101). It is often the case that the IPD is higher than the limit factor making the default allowable increase 101% of the prior years levy plus new construction. The inflation rate for 2017 is 0.953% (Source: Bureau of Economic Analysis), which means local governments with a population of 10,000 or more may not increase their property tax levies more than 0.953% in 2017 without adopting a resolution or ordinance of substantial need (Source: MRSC).

The 2017 Regular Levy AV is at \$49 billion which is an increase of \$5 billion (11 percent) from the 2016 AV. Based on the 2017 AV of \$49 billion and the estimated 2018 AV of \$52 billion, each additional \$0.01 per \$1,000 assessed value (AV) of the Regular Property Tax Levy rate generates \$490,000 in 2017 and \$520,000 in 2018 in Property Tax revenue. It should be noted that due to the high increase in AV, the Levy Rate is estimated to only increase from \$0.94 to between \$1.14 and \$1.10/\$1,000 during the biennium despite adding the Fire Facilities and Neighborhood Safety Connectivity, and Congestion Levies described below.

A parks and open space Levy Lid Lift was authorized by the voters in the November 2008 election to provide capital funding over the next 20 years (\$3,389,000 annually) and ongoing maintenance and operations funding (\$660,000 annually). This Levy Lid Lift increased the 2017 Property Tax levy rate by \$0.082 per \$1,000 of assessed value.

In November 2016, Bellevue voters approved levies to fund a long list of capital projects needed to better serve the community. The City Council voted in July to place the measures on the November 8th, 2016 ballot. The levy for Fire Facilities increased the property tax rate by \$0.125 per \$1,000 of assessed value, and will raise approximately \$120 million to upgrade Fire Facilities over 20 years. The levy for Neighborhood Safety, Connectivity, and Congestion increased the property tax rate by \$0.15 per \$1,000 of assessed value, and will raise approximately \$140 million to upgrade safety, connectivity, and congestion projects over 20 years.

4. Real Estate Excise Tax (REET) (RCW 82.46.010 RCW 82.46.035⁸)

The Real Estate Excise Tax (REET) is levied on all sales of real estate. The rate is 0.5 percent of the selling price of the property. The first 0.25 percent of local REET must be used to fund capital facilities expenditures that have been identified in the City's comprehensive plan. The second 0.25 percent of local REET revenues must also be used to fund capital facilities, with the added stipulation that they cannot be used for the acquisition of land for parks. REET revenues are cyclical in nature and is largely impacted by the number of big real estate transactions. The City Council has adopted an ordinance allocating the first 0.25 percent to Parks Capital Projects and the second 0.25 percent to Transportation Capital Projects.

⁸ RCW 82.46.010 authorizes all cities and counties to levy a 0.25% tax, described as "the first quarter percent of the real estate excise tax" or "REET 1" on all sales of real estate.

RCW 82.46.035 allows all cities and counties that are planning under the Growth Management Act (GMA) to have the authority to levy a second 0.25% tax (REET 2), on all sales of real estate.

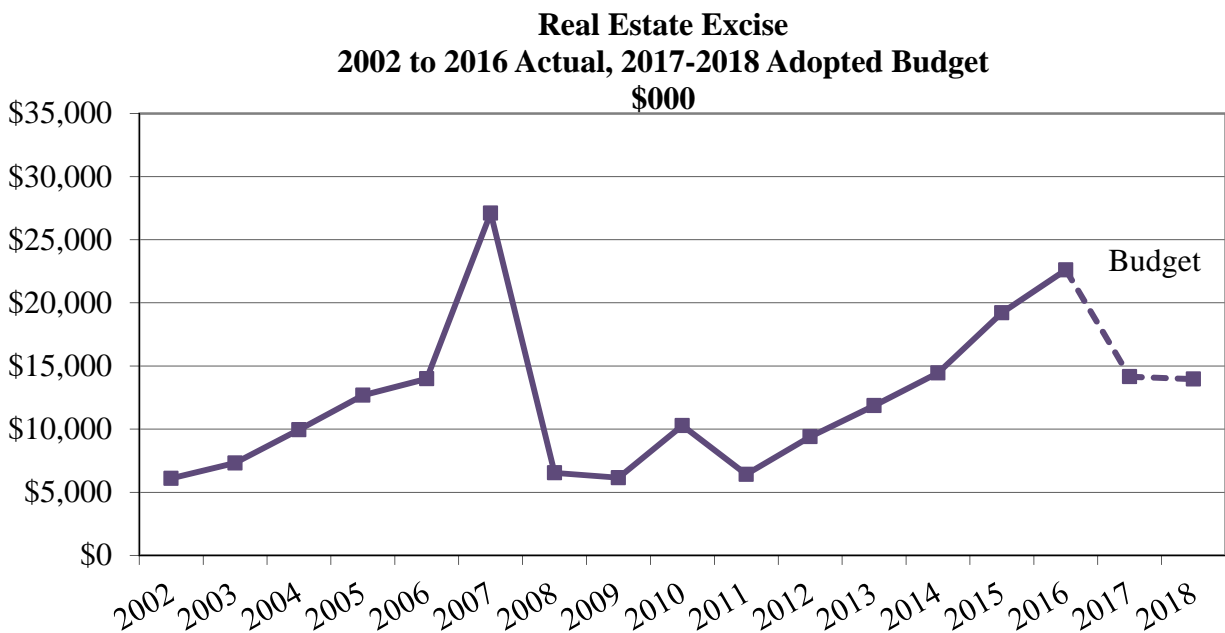


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Historical Collections & Trends

Real Estate Excise Tax collections increased an annual average of 22 percent per year between 2001 and 2006. Collections increased 94 percent in 2007, fueled by the sale of the portfolio of a major landholder in Bellevue.

The 2016 REET collections came in strong with several large real estate transactions taking place. These large transactions are anticipated to decrease in the coming years.



Maximum Rate:	0.5 percent
Current Rate:	0.5 percent
2017 Budget:	\$14,154,008
2018 Budget:	\$13,965,504

Revenue proceeds are receipted to the General Capital Investment Program Fund to support capital projects.

Watch Areas

REET has been strong for the last few years as real estate companies rebalance their portfolios taking advantage of low interest rates and a rebound in demand for housing. However, it is projected that REET transactions will slow down in future years, which is consistent with King County's March 2017 forecast.



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5. Utility Tax

Bellevue levies a tax on the gross income derived from sales of utility services provided in the City. Services include electricity, gas, water, sewer, storm drainage, garbage, telephone, and cellular phone. The revenues generated by these taxes support general city operations.

Electric Utility Tax (RCW 35.21.870⁹)

Maximum Rate:	6.0 percent
Current Rate:	5.0 percent
2017 Estimate:	\$7,513,489
2018 Estimate:	\$7,551,665

A majority of the voters may approve a rate in excess of 6 percent. Each 0.1 percent of the electric utility tax rate generates roughly \$150,000 in 2017 and \$151,000 in 2018 of Electric Utility Tax revenue.

Gas Utility Tax (RCW 35.21.870)

Maximum Rate:	6.0 percent
Current Rate:	5.0 percent
2017 Estimate:	\$2,459,542
2018 Estimate:	\$2,459,542

Each 0.1 percent of the Gas Utility Tax rate generates approximately \$52,000 in 2017 and \$51,000 in 2018 of Gas Utility Tax revenue.

⁹ RCW 35.21.870: Electricity, telephone, natural gas, or steam energy business—Tax limited to six percent. Cities may impose a higher rate with voter approval (majority vote).



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Water Utility Tax

Maximum Rate:	None
Current Rate:	10.4 percent*
2017 Budget:	\$4,974,465
2018 Budget:	\$5,248,804

Each 0.1 percent of the Water Utility tax rate generates approximately \$48,000 in 2017 and \$50,000 in 2018 of Water Utility tax revenue.

* The display changed from Preliminary budget book due to a reverse interfund accounting adjustment in how fire capacity charges were handled within the Utilities Funds and General Fund.

Sewer Utility Tax

Maximum Rate:	None
Current Rate:	5.0 percent
2017 Estimate:	\$2,621,515
2018 Estimate:	\$2,692,296

Each 0.1 percent of the Sewer Utility tax rate generates approximately \$52,000 in 2017 and \$54,000 in 2018 of Sewer Utility tax revenue.

Storm Drainage Utility Tax

Maximum Rate:	None
Current Rate:	5.0 percent
2017 Estimate:	\$1,074,538
2018 Estimate:	\$1,108,923

Each 0.1 percent of the Storm Drainage Utility Tax rate generates approximately \$21,000 in 2017 and \$21,000 in 2018 of Storm Drainage Utility Tax revenue.



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Garbage Tax

Maximum Rate:	None
Current Rate:	4.5 percent
2017 Estimate:	\$1,000,000
2018 Estimate:	\$1,000,000

Each 0.1 percent of the Garbage Tax rate generates approximately \$22,000 in 2017 and \$22,000 in 2018 of Garbage Tax revenue.

Telephone Utility Tax (RCW 35.21.870)

Maximum Rate:	6.0 percent
Current Rate:	6.0 percent
2017 Estimate:	
Telephone Utilities	\$2,002,372
Cellular Telephone Utilities	<u>2,473,729</u>
Total 2017 Telephone Utility Tax	\$4,476,101
2018 Estimate:	
Telephone Utilities	\$1,916,270
Cellular Telephone Utilities	<u>2,195,711</u>
Total 2018 Telephone Utility Tax	\$4,111,981

Each 0.1 percent of the telephone utility tax rate generates approximately \$75,000 in 2017 and \$69,000 in 2018 of telephone utility tax revenue.



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Television Cable Franchise Fee *(Cable Communications Policy Act of 1984)*

Maximum Rate:	5.0 percent
Current Rate:	4.8 percent
2017 Estimate:	\$1,862,871
2018 Estimate:	\$1,862,871

Television Cable Franchise Fees are levied on cable television companies operating in the City. Each 0.1 percent of the television cable fee generates approximately \$39,000 in 2017 and \$39,000 in 2018 of television cable franchise revenue. In previous budgets before 2015, the cable franchise fees were included in a Franchise Fund, but there is no longer a need to deposit those funds into a separate fund and are included in the General Fund for the last two Bienniums.

Utility Tax Watch Areas

Utility Tax revenue changes are range from decreasing 11 percent to increasing 5 percent in 2017 and 2018. The largest tax revenue generating utilities are Electric, Cell Phone, and Water. Electric tax collections have been virtually flat the last three years despite the improving economy and the slight annual increase in electric rates. Cell Phone Utility Tax has been declining between 9 percent to 15 percent from 2012 to 2015. This trend is expected to continue in 2017 and 2018 with a continued decline in the out years due to the changing billing structure that reduces the taxable voice component and increases the untaxable data component of bills. The Water Utility is increasing at 5.6 percent in 2017 and nearly 7.9 percent in 2018 due to increases in water service fees. With the exception of City owned utilities, tax collections from utility taxes has been particularly weak in the last few years. Prior to the Great Recession, electric and natural gas had been increasing at consistently above inflation. When all utilities are accounted for, the total utility tax revenue is expected to stay almost flat in 2017 and 2018.

Legislation: State and Federal legislation can have an effect on tax revenues as services/products may be determined taxable or not taxable¹⁰. Often the timing of new legislation does not coincide with budget development and impacts are difficult to estimate. The forecast attempts to incorporate the projected impact of new legislation when materiality warrants an adjustment.

Other Factors: Utility tax revenues can be affected by uncontrollable variables, such as the economy, weather, market saturation, or new technology. While the forecast incorporates market trends and historical experience into projections, impact of these variables is not always predictable.

¹⁰ RCW 35A.82.020 (code cities); RCW 35.22.195 (first class cities)



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6. Select Other Tax Information

Accommodations (Hotel/Motel) Tax (RCW 67.28.180 RCW 67.28.181¹¹)

Accommodations Taxes are committed to the Bellevue Convention Center Authority (BCCA), a public development authority created by the City Council on December 4, 1989.

Maximum Rate:	5.0 percent ¹²
Current Rate:	5.0 percent
2017 Estimate:	\$10,349,000
2018 Estimate:	\$10,815,500

Accommodations Tax proceeds are used first to pay Convention Center related debt. Collections in excess of debt requirements are transferred to the BCCA to support operations. The accommodations tax may be used only for tourism facilities and tourism promotion purposes. Each 0.1 percent of the tax generates approximately \$163,000 in 2017 and \$175,000 in 2018.

Motor Vehicle Fuel Tax (RCW 82.36.025, RCW 82.38.030)

2017 Estimate:	\$2,870,541
2018 Estimate:	\$2,924,752

Motor Vehicle Fuel Tax is levied on each gallon of motor vehicle fuel sold and distributed to cities and counties. City distribution is on a per-capita basis.

¹¹ Most cities may impose a “basic” two percent tax under RCW 67.28.180 on all charges for furnishing lodging at hotels, motels, and similar establishments (including bed and breakfasts and RV parks) for a continuous period of less than one month. In addition, most cities may levy an additional tax of up to two percent, for a total rate of four percent, under RCW 67.28.181(1). Cities that had authority to levy a “special” tax before July 27, 1997 that allowed a total rate higher than four percent, had that rate grandfathered in by the 1997 legislation.¹⁰⁹ All the cities in Grays Harbor and Pierce counties are in this category, plus Chelan, Leavenworth, Long Beach, Bellevue, Yakima, and Winthrop.

¹² Cities that had authority to levy a “special” tax before July 27, 1997 that allowed a total rate higher than four percent, had that rate grandfathered in by the 1997 legislation.¹⁰⁹ All the cities in Grays Harbor and Pierce counties are in this category, plus Chelan, Leavenworth, Long Beach, Bellevue, Yakima, and Winthrop.



Resource Summary

Admissions Tax (RCW 35.21.280)

Maximum Rate:	5.0 percent
Current Rate:	3.0 percent
2017 Estimate:	\$527,880
2018 Estimate:	\$539,819

Admissions Taxes are levied on persons who pay an admission charge for entrance to an event or establishment. It is collected for the City by the business charging the admission for entrance to theaters, amusement parks, and swimming pools, among others. Each 0.1 percent of the Admissions Tax rate generates approximately \$18,000 in 2017 and \$18,000 in 2018 of revenue.

Leasehold Excise Tax (RCW 82.29A.030, RCW 82.29A.040)

Maximum Rate:	4.0 percent
Current Rate:	4.0 percent
2017 Estimate:	\$168,462
2018 Estimate:	\$172,091

Most leases of publicly-owned real and personal property in the state are subject to a leasehold excise tax in lieu of a property tax. The 1976 legislature established a 12 percent tax to be levied either on the contract rent (when the lease is established by competitive bidding) or, in other instances, by the imputed economic rent as determined by the Department of Revenue. The 1982 legislature added a seven percent surcharge making the total rate 12.84 percent. Cities and counties may collectively levy up to six percent of this 12.84 percent. The maximum county rate is six percent and the maximum city rate is four percent. The county must give a credit for any city tax. Therefore, if a city is levying its maximum four percent, the county may collect only two percent in the city. These taxes are collected by the city and remitted to the Department of Revenue. After deducting an administrative fee, the department distributes the taxes to local governments on a bimonthly basis.



Resource Summary

Gambling Tax - Amusement & Games (RCW 9.46.110)

Maximum Rate:	2 percent - 5 percent ¹³
Current Rate:	2 percent - 5 percent
2017 Estimate:	\$9,863
2018 Estimate:	\$10,167

Gambling Tax on amusement games, bingo, and raffle activities. State law provides that the City must first use these proceeds to pay for enforcement activities.

Gambling Tax – Punchboards & Pull Tabs (RCW 9.46.110)

Maximum Rate:	5.0 percent
Current Rate:	5.0 percent
2017 Estimate:	\$97,375
2018 Estimate:	\$100,372

Gambling Tax on punch board and pull tab activities. These are reserved for the purpose of providing youth facilities to the extent that funds from this tax are not first required to enforce gambling laws as required by State law.

¹³ Currently, the maximum tax rates are as follows:

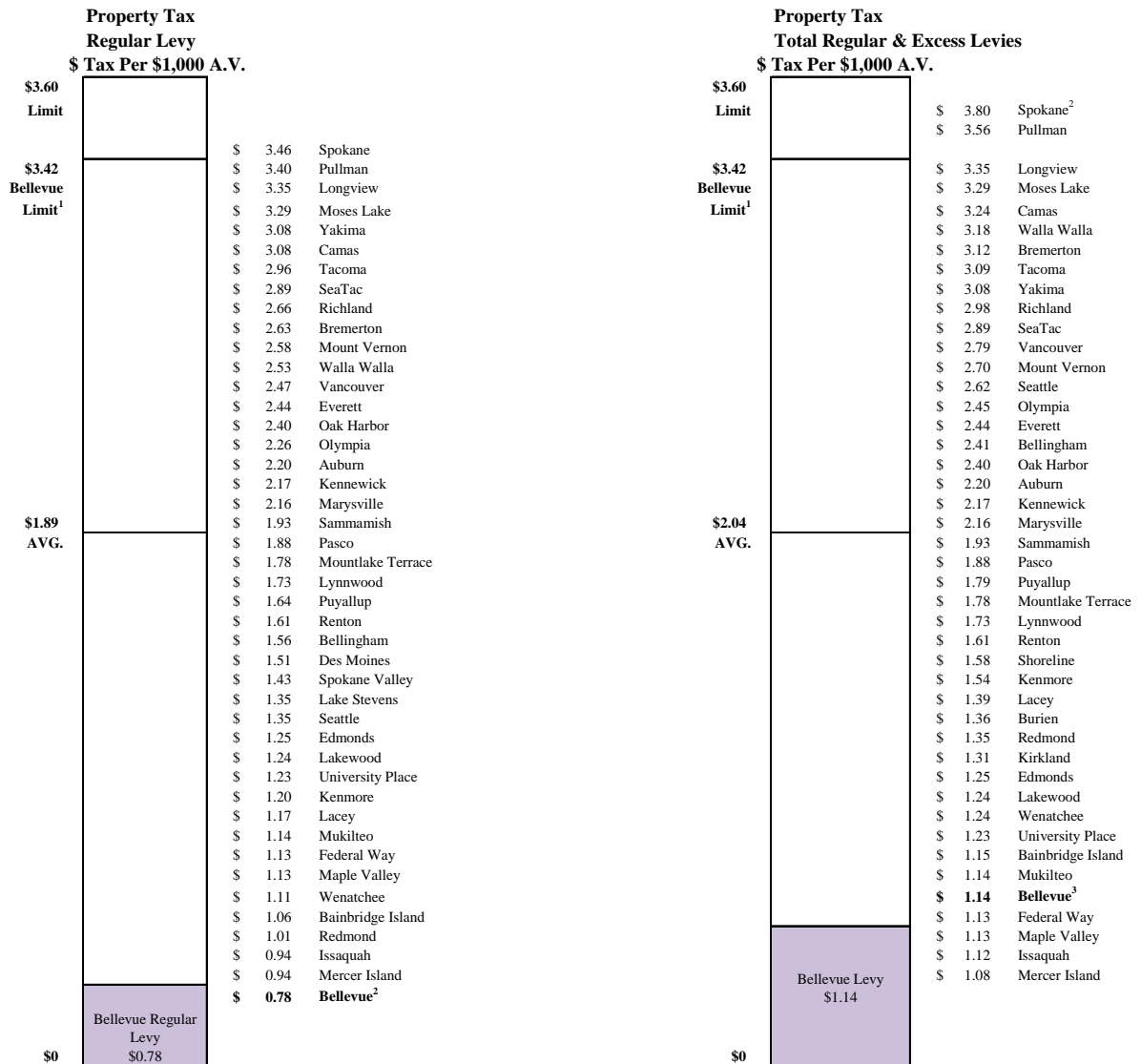
- Amusement games: 2 percent of gross receipts less prizes (net receipts);
- Amusement games by charitable or nonprofit organizations that have no paid operating or management personnel: no tax on first \$5,000 of net receipts (including that from any bingo games), then 2 percent of net receipts;
- Bingo and raffles: 5 percent of net receipts;
- Raffles by charitable or nonprofit organizations: no tax on first \$10,000 of net receipts, then 5 percent of net receipts;
- Bingo by charitable or nonprofit organizations that have no paid operating or management personnel: no tax on first \$5,000 of net receipts (including that from any amusement games), then 5 percent of net receipts;
- Punch boards and pull-tabs by charitable or nonprofit organizations, 10 percent of net receipts;
- Punch boards and pull-tabs by commercial stimulant operators, 5 percent of gross receipts or 10 percent of net receipts;
- Social card games: 20 percent of gross receipts.



Resource Summary

Figure 8a-3
Comparison of 2017 Urban Tax Rates
Rates in Effect for Property as of January 2017

This figure provides a comparison of City of Bellevue tax rates to the tax rates of the other Washington cities with over 20,000 population effective January 2017. Comparisons in the figure below show that Bellevue's property tax rate is well below the average for these Washington cities. In 2017, City of Bellevue's regular property tax levy rate decreased to \$0.78 as shown in Figure 8-a4.



¹ Statutory Maximum Base Rate for cities with an annexed library district and firemen's pension fund is \$3.8250 less the library district's actual rate. Actual rate will vary year to year based on increases in assessed value.

² Regular levy only, does not include the \$0.275 increase in Bellevue's total levy rate in 2017.

¹ Statutory Maximum Base Rate for cities with an annexed library district and firemen's pension fund is \$3.8250 less the library district's actual rate. Actual rate will vary year to year based on increases in assessed value.

² Spokane's voter approve excess levies have no statutory limits.

³ Two voter approved levies were passed in November 2016, and include a \$0.275 increase in Bellevue's total levy rate in 2017.

Source: County Assessor 2017 annual levy reports from the following Washington counties: Benton, Chelan, Clark, Cowlitz, Franklin, Grant, Island, King, Kitsap, Pierce, Skagit, Snohomish, Spokane, Thurston, Walla Walla, Whatcom, Whitman, and Yakima County.



Resource Summary

**Figure 8a-4
Property Valuation & Tax Levy Information
1990 through 2018**

This figure displays historical property tax information for comparison purposes. Official property tax records are maintained by the King County Assessor's Office. Property owners are taxed on 100 percent of the Assessed Value of their property.

Year	Regular Levy Assessed Valuation (\$ in millions)	percent Change from Prior Year	Regular Property Tax Levy (\$ in thousands)	percent Change from Prior Year	Tax Rate per \$1,000 Assessed Valuation		
					Voted Levy	Regular Levy	Total Property Tax Rate
1990	6,610	2.4%	14,556	8.6%	0.53	2.20	2.73
1991	9,065	37.1%	16,113	10.7%	0.31	1.76	2.07
1992	9,238	1.9%	17,143	6.4%	0.29	1.85	2.14
1993	9,958	7.8%	18,414	7.4%	0.26	1.85	2.11
1994	10,249	2.9%	20,422	10.9%	0.20	1.99	2.19
1995	10,701	4.4%	19,492	-4.6%	0.35	1.82	2.17
1996	10,876	1.6%	19,861	1.9%	0.35	1.83	2.18
1997	11,308	4.0%	21,026	5.9%	0.34	1.86	2.20
1998	12,115	7.1%	21,246	1.0%	0.32	1.75	2.07
1999	13,652	12.7%	21,685	2.1%	0.24	1.59	1.83
2000	14,981	9.7%	22,497	3.7%	0.21	1.50	1.71
2001	17,605	17.5%	23,489	4.4%	0.14	1.34	1.48
2002	19,705	11.9%	24,859	5.8%	0.13	1.26	1.39
2003	20,696	5.0%	25,214	1.4%	0.13	1.22	1.35
2004	21,212	2.5%	25,572	1.4%	0.13	1.21	1.34
2005	22,214	4.7%	25,814	0.9%	0.07	1.16	1.23
2006	23,957	7.8%	26,264	1.7%	0.06	1.10	1.16
2007	26,612	11.1%	27,638	5.2%	0.05	1.04	1.09
2008*	31,396	18.0%	28,904	4.6%	0.00	0.92	0.92
2009*	37,627	19.8%	31,201	7.9%	0.11	0.83	0.94
2010	34,103	-9.4%	32,011	2.6%	0.12	0.94	1.06
2011	32,079	-5.9%	32,583	1.8%	0.13	1.02	1.14
2012	30,977	-3.4%	32,952	1.1%	0.13	1.06	1.19
2013	32,673	5.5%	34,359	4.3%	0.12	1.05	1.18
2014	36,046	10.3%	34,679	0.9%	0.11	0.96	1.07
2015	41,326	14.6%	36,486	5.2%	0.10	0.88	0.98
2016	44,426	7.5%	37,517	2.8%	0.09	0.84	0.94
2017*	49,365	11.1%	38,795	3.4%	0.36	0.78	1.14
2018*	52,327	6.0%	39,744	2.4%	0.34	0.76	1.10

Notes: Prior year AV is used to calculate current year property tax rates. i.e. 2016 AV is used to calculate 2017 rates.
 2008 Regular Property Tax Levy reflects retirement of 2003 Unlimited Tax General Obligation bonds.
 2009 Regular Property Tax Levy includes the Parks & Natural Areas Voted Levy.
 *2017 includes the voter-approved Fire and Transportation Levies approved in November 2016.
 *2018 AV and levy data are estimated based on the King County's AV forecast released in March 2017.



Resource Summary

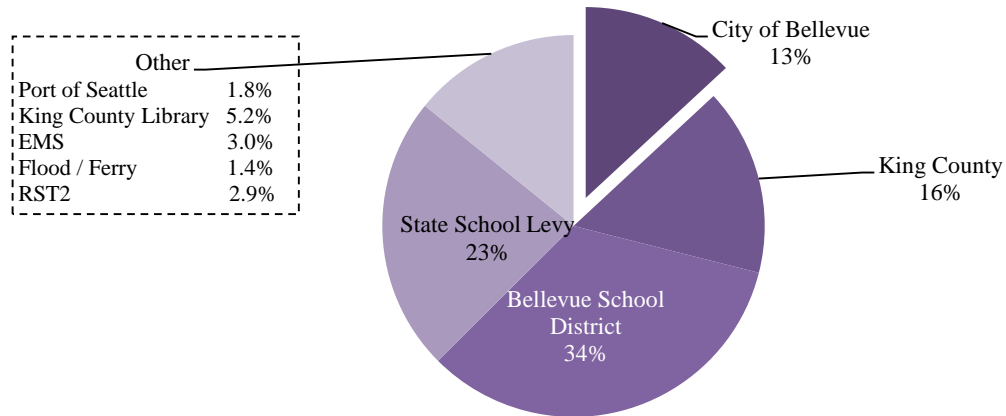
Figure 8a-5

Property Taxes

Typical Distribution of Property Tax Dollars

This figure illustrates the Property Tax distribution for a typical Bellevue taxpayer in 2017. As shown in the pie chart, Bellevue's Property Tax Levies make up only 13 percent of a property owner's tax bill. The largest components are the State School Levy and the Bellevue School District Levy which together comprise 57 percent of the typical taxpayer's property tax obligation.

Official property tax records are maintained by the King County Assessor's Office.



The following table displays the 2017 property tax bills for hypothetical low-, medium-, and high-assessed value (AV) homes.

	2017 Rate/\$1,000 of AV	Low AV = \$200,000	Medium AV = \$500,000	High AV = \$1,000,000
Emergency Medical Services	\$0.26	\$53	\$132	\$263
Port of Seattle	0.15	31	76	150
Flood / Ferry Levy	0.12	23	58	114
King County Library	0.45	90	224	448
City of Bellevue	1.14	228	572	1,143
King County	1.38	277	692	1,384
Bellevue School District	2.93	586	1,465	2,932
State School Levy	2.03	406	1,017	2,034
RST2	0.25	50	126	252
Total	\$8.72	\$1,744	\$4,361	\$8,721

Figures may not foot due to rounding.

Note: Columns/graph may not foot due to rounding



Expenditure Summary

This chapter presents a high level summary of the key components of the 2017-2018 Adopted Budget.

For the purpose of this chapter, the Adopted 2017-2018 Budget is compared to the Amended 2015-2016 Budget.

The Expenditure Summary is organized into the following sections:

A. Budget By Department

Figure 8b-1 displays the 2017-2018 operating and special purpose funds by Outcome and by Department. These values exclude double-budgeting and reserves.

Figure 8b-2 displays the 2017-2018 operating and special purpose funds with General Fund by Department and compares them with the 2015-2016 Amended Budget, showing dollar and percentage changes.

Figure 8b-3 displays the 2018 personnel positions (known as full time equivalents, or FTEs) by Outcome and by Department.

B. Total City Budget

Figure 8b-4 details the 2017-2018 Adopted **Budget net of interfund double-budgeting and reserves** for the operating, special purpose and capital investment program perspectives, and compares **net budget growth** from the 2015-2016 Amended Budget.

Figure 8b-5 lists the City's 2017-2018 total budgeted **resources by source** and **expenditures by Outcome** and compares them with the 2015-2016 Amended Budget, showing dollar and percentage changes.

Figure 8b-6 lists the City's 2017-2018 total budgeted **expenditures and reserves by category** and compares them with the 2015-2016 Amended Budget, showing dollar and percentage changes.

Figure 8b-7 provides a graphic display of the portion of the City's 2017-2018 total budgeted resources comprised by revenue source and the portion of expenditures comprised by category, including dollars and percentage of total.

Figure 8b-8 charts and graphs the total City **budget per capita** for 2015 to 2018.

Figure 8b-9 charts and graphs the total City **budgeted staff positions (FTE) per capita** for 2015 to 2018 (rounded to the full FTE).



Expenditure Summary

C. Total Operating Budget

Figure 8b-10 lists the 2017-2018 total City budgeted **operating expenditures and reserves by fund** and compares them with the 2015-2016 Amended budget, showing dollar and percentage changes.

Figure 8b-11 provides a graphic display of the portion of the City's budgeted operating resources comprised by source and the portion of expenditures comprised by group, including dollars and percentage of total.

D. Total Special Purpose Budget

Figure 8b-12 lists the 2017-2018 total City's budgeted **special purpose expenditures by fund** and compares them with the 2015-2016 Amended Budget, showing dollar and percentage changes.

Figure 8b-13 provides a graphic display of the portion of City's budgeted special purpose resources comprised by source and the portion of expenditures comprised by group, including dollars and percentage of total.

E. Total Capital Investment Budget

Figure 8b-14 lists the City's 2017-2018 total budgeted **capital investment program expenditures by Outcome** and compares them with the 2015-2016 Amended Budget, showing dollar and percentage changes.

Figure 8b-15 provides a graphic display of the portion of City's budgeted capital investment program resources comprised by source and expenditures comprised by Outcome, including dollars and percentage of total.

F. Total Debt Information – Based on Statutory Limits

Figure 8b-16 displays the City's total **policy and statutory debt limits** as of January 1, 2017.

Figure 8b-17 displays the City's total **statutory debt capacity and debt issued** as of January 1, 2017, comparing general government, parks and open space, and utility system use of debt capacity.

Figure 8b-18 lists the City's **general obligation and revenue bond issuance** amount and date, maturity date, interest rate, source of funding and debt service requirements for 2017-2018 by bond.

Figure 8b-19 displays the City's **annual debt service requirements** for existing non-voted general obligation bonds from 2017 through 2044 and lists the city's bond ratings.



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Expenditure Summary

A. Budget By Department

Figure 8b-1 displays the 2017-2018 operating and special purpose funds by Outcome and by Department. These values exclude double-budgeting and reserves.

The “Net Operating and Special Purpose Funds” total of \$788 Million in Figure 8b-1 ties to Figure 8b-2 2017-2018 Adopted “Total Operating and Special Purpose Funds Net of Double Budgeting and Reserves”.

See Figure 8b-4 for a breakdown of operating funds and special purpose funds by the Adopted budget, double-budgeting, reserves, and net of double budgeting and reserves.



Expenditure Summary

Figure 8b-1
2017-2018 Adopted Budget Operating and Special Purpose Funds
\$000

Operating & Special Purpose Funds	Economic Growth & Competitiveness	Healthy & Sustainable Environment	Improved Mobility and Connectivity	Quality Neighborhoods/ Innovative Vibrant and Caring Community	Responsive Government	Safe Community	Total	%
City Attorney	\$0	\$0	\$0	\$0	\$14,394	\$2,300	\$16,695	2.2%
City Clerk	0	0	0	0	4,850	0	\$4,850	0.6%
City Council	0	0	0	0	831	0	\$831	0.1%
City Manager	0	0	0	0	5,913	1,688	\$7,601	1.0%
Civic Services	76	0	0	193	28,757	113	\$29,138	3.8%
Community Council	0	0	0	0	9	0	\$9	0.0%
Finance	21,247	0	0	0	59,802	0	\$81,048	10.5%
Fire	1,035	0	0	174	750	82,335	\$84,294	11.0%
Human Resources	0	0	0	0	60,090	0	\$60,090	7.8%
Information Technology	45	0	0	0	22,970	88	\$23,102	3.0%
Parks & Community Services	0	5,828	0	76,793	0	2,906	\$85,527	11.1%
Development Services	11,285	0	0	1,828	8,290	12,178	\$33,581	4.4%
Planning & Community Development	1,635	777	0	7,370	944	0	\$10,727	1.4%
Police	0	0	0	0	85	74,998	\$75,083	9.8%
Transportation	3,036	930	43,590	0	1,142	5,675	\$54,374	7.1%
Utilities	1,185	190,918	0	1,343	1,302	1,408	\$196,157	25.5%
Miscellaneous Non-Departmental	0	0	0	0	4,122	2,132	\$6,254	0.8%
Total Operating & Special Purpose Fund Proposals	\$39,543	\$198,454	\$43,590	\$87,701	\$214,252	\$185,820	\$769,361	100.0%
Percent of Total	5.1%	25.8%	5.7%	11.4%	27.8%	24.2%	100.0%	

*Technical Adjustments	+	18,932
Net Operating and Special Purpose Funds	=	788,292
Total Operating & Special Purpose Fund Interfunds (Double-Budgeting)	+	181,929
2018 Reserves	+	129,824
Total Operating and Special Purpose Funds		1,100,046

Figures may not foot due to rounding.

*Technical adjustments are primarily due to planned use of reserves for operating expenditures, such as replacement of equipment, and miscellaneous adjustments, such as our General Fund underexpenditure assumption, all of which are not assigned to outcomes.



Expenditure Summary

Figure 8b-2 displays the 2017-2018 operating and special purpose funds with General Fund by Department and compares them with the 2015-2016 Amended Budget, showing dollar and percentage changes.

Total growth for operating and special purpose funds from 2015-2016 to 2017-2018 without double-budgeting is 6.0%. See figure b-4 for breakout of Operating and Special Purpose Funds net budgets.

General Fund

Key Changes from 2015-2016 to 2017-2018 in the General Fund include:

- Public defense program moving from City Attorney to City Manager
- Inclusion of CIP M&O for completed projects in alignment with council policy to maintain existing infrastructure before building new
- Interfund technical adjustments
- Increases in intergovernmental costs such as NORCOM
- 8.1 new FTEs to meet workload demand
- Targeted program investments including but not limited to equipment, economic development, workforce development, police cam study, winter shelter, and public engagement
- Increases in existing costs to maintain current operations including contracts, memberships, and medical payments
- Council directed changes including:
 - Community investments in Eastside Pathways and for a Multi-Cultural Feasibility Study
 - Economic Development investment in the TechHire program
 - Advanced Transportation Technology investment

Key Changes for other funds are discussed in Section C.



Expenditure Summary

Figure 8b-2
2017-2018 Adopted Budget Operating and Special Purpose Funds
\$000

	2015-2016 Amended Budget	2017-2018 Adopted Budget	\$ Change	% Change
General Fund*				
City Attorney	\$9,072	\$7,954	(\$1,118)	-12.3%
City Clerk	4,841	5,537	\$696	14.4%
City Council	1,045	1,064	\$20	1.9%
City Manager	5,703	8,163	\$2,460	43.1%
Civic Services	8,891	7,457	(\$1,435)	-16.1%
Community Council	8	9	\$0	4.8%
Development Services	7,884	8,431	\$547	6.9%
Finance	15,736	16,566	\$830	5.3%
Fire	89,974	91,684	\$1,710	1.9%
Human Resources	4,840	5,470	\$629	13.0%
Miscellaneous Non-Departmental	2,728	3,192	\$464	17.0%
Parks & Community Services	64,113	69,513	\$5,399	8.4%
Planning & Community Development	10,164	11,013	\$849	8.4%
Police	80,428	89,658	\$9,230	11.5%
Transportation	58,234	63,691	\$5,457	9.4%
Total General Fund Net of Reserves (including Double Budgeting)	\$363,663	\$389,402	\$25,740	7.1%
Other Operating and Special Purpose Funds				
Utilities	\$267,142	\$282,985	\$15,844	5.9%
Development Services	45,319	52,181	\$6,862	15.1%
Parks Enterprise	12,783	13,198	\$415	3.2%
Internal Services	68,357	70,503	\$2,146	3.1%
Other Operating	107,717	109,242	\$1,525	1.4%
Grants	9,466	5,567	(\$3,899)	-41.2%
Debt Service	52,216	44,004	(\$8,212)	-15.7%
Trust/Other	3,087	3,138	\$51	1.7%
Total Other Operating and Special Purpose Funds Net of Reserves (including Double-Budgeting)	\$566,086	\$580,819	\$14,733	2.6%
Total Interfunds (Double-Budgeting)**	(\$185,863)	(\$181,929)	\$3,934	-2.1%
Total Operating and Special Purpose Funds Net of Double Budgeting and Reserves***	\$743,886	\$788,292	\$44,407	6.0%

Figures may not foot due to rounding

*Includes Restricted General Fund

**The budget is adjusted to remove internal transactions between City funds including transfers between funds and charges for services provided by one fund to another within the City.

*** See figure b-4 for breakout of Operating and Special Purpose Funds net budgets



Expenditure Summary

Figure 8b-3 displays the 2018 personnel positions (known as full time equivalents, or FTEs) by Outcome and by Department.

Figure 8b-3
2018 FTE Comparison by Outcome and Department

	Economic Growth and Competitiveness	Healthy and Sustainable Environment	Improved Mobility and Connectivity	Quality Neighborhoods/ Innovative Vibrant and Caring Community	Responsive Government	Safe Community	Total	%
City Attorney	-	-	-	-	18.75	8.00	26.75	2.0%
City Clerk	-	-	-	-	15.75	-	15.75	1.2%
City Council	-	-	-	-	7.00	-	7.00	0.5%
City Manager	-	-	-	-	12.00	-	12.00	0.9%
Civic Services	0.25	-	-	-	66.50	-	66.75	5.0%
Finance	-	-	-	-	47.50	-	47.50	3.5%
Fire	3.00	-	-	0.75	1.00	240.00	244.75	18.2%
Human Resources	-	-	-	-	15.80	-	15.80	1.2%
Information Technology	-	-	-	-	60.00	-	60.00	4.5%
Parks & Community Services	-	15.00	-	141.03	-	12.00	168.03	12.5%
Development Services	42.00	-	-	7.00	23.00	44.00	116.00	8.6%
Planning & Community Development	3.00	1.00	-	22.11	3.00	-	29.11	2.2%
Police	-	-	-	-	-	225.00	225.00	16.8%
Transportation	9.25	3.00	105.45	-	3.75	11.00	132.45	9.9%
Utilities	4.60	158.15	-	0.70	5.03	5.27	173.75	13.0%
Miscellaneous Non- Departmental	-	-	-	-	1.00	-	1.00	0.1%
Total	62.10	177.15	105.45	171.59	280.08	545.27	1,341.64	100.0%
Percent of Total	4.6%	13.2%	7.9%	12.8%	20.9%	40.6%	100.0%	

Figures may not foot due to rounding



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Expenditure Summary

B. Total Budget

Figure 8b-4 details the 2017-2018 Adopted Budget net of interfund double-budgeting and reserves for the operating, special purpose and capital investment program perspectives, and compares net budget growth from the 2015-2016 Amended Budget.

Figure 8b-4 shows the total city budget whereas previous figures have shown only operating and special purpose budgets. The figures shown in the operating and special purpose funds in this figure tie to Figure 8b-1 and Figure 8b-2 when combined.

The total adopted city budget net of double-budgeting has decreased by 2.3 percent from 2015-2016 to 2017-2018 primarily due to:

- Debt Service—In 2015-2016, the city repaid an interfund loan, refunded bonds, and issued additional debt service causing a single biennium increase in overall expenditures. The budgets for special purpose funds and capital project funds were both affected by this.
- Grants—The amount of operating grants anticipated by the city in 2017-2018 adopted budget significantly decreased.

Figure 8b-5 and Figure 8b-6 show the total adopted city budget decreasing by 0.7 percent. This is due to the two factors listed above as well as an interfund accounting adjustment in how fire capacity charges were handled within the Utilities Funds and General Fund. These figures show a lower rate of decrease due to the inclusion of reserves and double-budgeting (see the “Adopted Budget” column in Figure 8b-4 to see the total expenditures in Figure 8b-5 and total city budget in Figure 8b-6).



Expenditure Summary

Figure 8b-4
Adopted Budget Summary
\$000

<u>TOTAL CITY BUDGET</u>	2015-2016	2015-2016	2016	2015-2016	2017-2018	2017-2018	2018	2017-2018	Net of Double Budgeting and Reserves	
	Amended Budget	Double- Budgeting*	Reserves	Budget Net of Double- Budgeting and Reserves	Adopted Budget	Double- Budgeting*	Reserves	Budget Net of Double- Budgeting and Reserves	\$ Change	% Change
Operating Funds										
General**	\$389,269	(\$58,431)	(\$25,606)	\$305,232	\$428,681	(\$57,741)	(\$39,278)	\$331,661	\$26,429	8.7%
Utilities	291,509	(79,207)	(24,368)	187,935	\$310,791	(86,828)	(27,806)	196,157	8,222	4.4%
Development Services	54,954	(15,289)	(9,635)	30,030	\$66,610	(18,600)	(14,429)	33,581	3,551	11.8%
Parks Enterprise	13,846	(3,236)	(1,063)	9,547	\$14,361	(3,075)	(1,163)	10,123	576	6.0%
Internal Services	79,216	(9,318)	(10,859)	59,039	\$81,050	(9,263)	(10,547)	61,240	2,201	3.7%
Other Operating	130,825	(16,029)	(23,109)	91,688	\$133,332	(5,965)	(24,090)	103,276	11,589	12.6%
Total Operating Fund Budget***	\$959,619	(\$181,509)	(\$94,639)	\$683,471	\$1,034,825	(\$181,474)	(\$117,314)	\$736,038	\$52,567	7.7%
Special Purpose Funds										
Grants	\$10,255	(\$3,006)	(\$789)	\$6,461	\$6,431	(\$431)	(\$864)	\$5,137	(\$1,324)	(20.5%)
Debt Service	52,943	(1,339)	(727)	50,877	45,121	(15)	(1,117)	43,989	(6,888)	(13.5%)
Trust/Other	12,500	(10)	(9,413)	3,077	13,668	(10)	(10,529)	3,128	51	1.7%
Total Special Purpose Fund Budget***	\$75,698	(\$4,354)	(\$10,928)	\$60,415	\$65,221	(\$455)	(\$12,510)	\$52,255	(\$8,160)	(13.5%)
Capital Project Funds										
General Capital										
Investment Program	\$258,951	(44,387)	(\$4,826)	\$209,738	\$170,904	(\$26,911)	\$0	\$143,993	(\$65,745)	(31.3%)
Utility Capital										
Investment Program	\$228,682	(8,453)	(146,941)	73,288	\$241,906	(7,359)	(163,989)	70,558	(2,730)	(3.7%)
Total Capital Project Fund Budget	\$487,633	(\$52,840)	(\$151,767)	\$283,026	\$412,811	(\$34,270)	(\$163,989)	\$214,552	(\$68,475)	(24.2%)
<u>TOTAL CITY BUDGET</u>	<u>\$1,522,949</u>	<u>(\$238,703)</u>	<u>(\$257,334)</u>	<u>\$1,026,912</u>	<u>\$1,512,857</u>	<u>(\$216,199)</u>	<u>(\$293,813)</u>	<u>\$1,002,844</u>	<u>(\$24,068)</u>	<u>(2.3%)</u>

Figures may not foot due to rounding

*The budget is adjusted to remove internal transactions between City funds including transfers between funds and charges for services provided by one fund to another within the City.

**Includes Restricted General Fund

***Total Operating and Special Purposed Funds Net of Double Budgeting and Reserves figures from Figure 7b-2 are shown here as two separate figures in the "Budget Net of Double Budgeting" Columns.



Expenditure Summary

Figure 8b-5 lists the City’s 2017-2018 total budgeted resources by source and expenditures by Outcome and compares them with the 2015-2016 Amended Budget, showing dollar and percentage changes.

This figure separates the operating and special purpose fund expenditures by outcome shown in Figure 8b-1. Reserves in Figure 8b-1 ties to ending fund balance in Figure 8b-5 while the “Interfunds and Other Expenditures” line in Figure 8b-5 combines the interfund and technical adjustments lines in Figure 8b-1.

Figure 8b-5 total expenditures also tie to the 2015-2016 Amended Budget and 2017-2018 Adopted Budget columns in Figure 8b-4. As mentioned previously, Figure 8b-5 and Figure 8b-6 display the total budget including double-budgeting and reserves whereas Figure 8b-4 displays the budget excluding double-budgeting and reserves, which accounts for the differences in growth rates.



Expenditure Summary

Figure 8b-5
2017-2018 Total Adopted City Budget
Resources by Source & Expenditures by Outcome
 \$000

	Operating Funds		Special Purpose Funds		Capital Funds		Total Budgets			
	2015-2016 Amended Budget	2017-2018 Adopted Budget	2015-2016 Amended Budget	2017-2018 Adopted Budget	2015-2016 Amended Budget	2017-2018 Adopted Budget	2015-2016 Amended Budget	2017-2018 Adopted Budget	\$	%
Beginning Fund Balance	\$99,120	\$120,091	\$14,110	\$12,612	\$134,829	\$164,756	\$248,060	\$297,459	\$49,400	19.9%
Revenues by Source										
Property Tax	\$74,557	\$79,165	\$0	\$0	\$6,778	\$6,778	\$81,335	\$85,943	\$4,607	5.7%
Sales Tax	87,058	101,791	200	200	31,402	36,598	118,660	138,588	19,928	16.8%
Business & Occupation Tax	48,473	59,536	0	0	18,490	21,433	66,963	80,969	14,006	20.9%
Utility Taxes	55,946	46,417	0	0	0	0	55,946	46,417	(9,530)	(17.0%)
Other Taxes	31,644	36,981	950	1,000	31,959	30,280	64,553	68,261	3,707	5.7%
Grants	627	662	6,436	4,527	37,132	14,891	44,195	20,081	(24,114)	(54.6%)
Intergovernmental Services	41,667	48,214	2,054	2,096	25,810	6,775	69,531	57,086	(12,445)	(17.9%)
Charges for Services	133,100	137,068	40	40	11,040	14,430	144,180	151,538	7,358	5.1%
Utility Services Fees	263,451	284,958	0	0	4,595	3,687	268,046	288,645	20,599	7.7%
Miscellaneous	102,986	107,370	14,640	1,064	22,947	15,484	140,573	123,917	(16,656)	(11.8%)
Short-Term Debt	0	0	0	0	0	26,257	0	26,257	26,257	100.0%
Long-Term Debt	8,500	0	0	0	94,191	0	102,691	0	(102,691)	(100.0%)
Operating Transfers	12,489	12,573	37,268	43,681	68,460	71,442	118,217	127,696	9,479	8.0%
Total Revenues by Source	\$860,499	\$914,734	\$61,588	\$52,609	\$352,803	\$248,055	\$1,274,890	\$1,215,397	(\$59,492)	(4.7%)
Total Resources	\$959,619	\$1,034,825	\$75,698	\$65,221	\$487,633	\$412,811	\$1,522,949	\$1,512,857	(\$10,093)	(0.7%)
Expenditures by Outcome*										
Economic Growth and Competitiveness	42,231	39,543	0	0	1,850	5,676	44,081	45,219	1,138	2.6%
Healthy and Sustainable Environment	189,989	198,003	451	451	80,479	77,917	270,918	276,371	5,453	2.0%
Improved Mobility and Connectivity	40,201	43,242	913	348	130,608	82,575	171,721	126,165	(45,556)	(26.5%)
Quality Neighborhoods/Innovative Vibrant and Caring Community	76,278	84,653	2,916	3,048	50,307	30,679	129,500	118,381	(11,120)	(8.6%)
Responsive Government	161,349	170,263	53,254	43,989	11,742	3,669	226,345	217,921	(8,424)	(3.7%)
Safe Community	\$173,846	\$183,645	\$3,028	\$2,175	\$11,968	\$9,258	\$188,842	\$195,079	6,236	3.3%
Total Expenditures By Outcome	\$683,893	\$719,349	\$60,561	\$50,012	\$286,953	\$209,774	\$1,031,408	\$979,135	(\$52,273)	(5.1%)
Interfunds and Other Expenditures	\$181,087	\$198,163	\$4,208	\$2,698	\$48,913	\$39,047	\$234,208	\$239,909	\$5,701	2.4%
Ending Fund Balance**	\$94,639	\$117,314	\$10,928	\$12,510	\$151,767	\$163,989	\$257,334	\$293,813	\$36,479	14.2%
Total Expenditures	\$959,619	\$1,034,825	\$75,698	\$65,221	\$487,633	\$412,811	\$1,522,949	\$1,512,857	(\$10,093)	(0.7%)

Figures may not foot due to rounding

*Outcomes reflect updated outcome names starting in 2017-2018. 2015-2016 Quality Neighborhoods and Innovative, Vibrant, and Caring Community combined into the new "Quality Neighborhoods/Innovative Vibrant and Caring Community" Outcome.

**2015-2016 Ending Fund Balances do not match 2017-2018 Beginning Fund Balances because the budgets were developed at different times and the 2017-2018 Beginning Fund Balance reflects updated 2016 Ending Fund Balance projections.



Expenditure Summary

Figure 8b-6
2017-2018 Total Adopted City Budget
Expenditures and Reserves by Category
\$000

Figure 8b-6 shows the City's total expenditure budget by category and compares the Amended 2015-2016 and the Adopted 2017-2018 biennial budgets, including dollar and percentage changes.

In comparison to the Amended 2015-2016 Budget, 2017-2018 personnel grew 8.8 percent (\$34 million) primarily as a result of salary increases (resulting from inflation), new FTEs, merit increases, and medical benefit and pension cost increases.

Overall, maintenance and operations (M&O) costs are 5.9 percent less, primarily as a result of decreasing interfund service payments for work done by one fund for another including an interfund accounting adjustment in how fire capacity charges were handled within the Utilities Funds and General Fund and repayment of an interfund loan, an anticipated decrease in the amount of grants the city collects from 2015-2016 to 2017-2018, as well as less in debt service and other intergovernmental services & taxes after one time transactions in 2015-2016 for issuing debt service and refunding bonds.

	<u>2015-2016</u> <u>Amended Budget</u>	<u>2017-2018</u> <u>Adopted Budget</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Personnel				
Salaries	\$230,664	\$246,397	\$15,732	6.8%
Medical	84,410	89,961	5,551	6.6%
Pensions	36,283	41,711	5,427	15.0%
Temporary Help	7,270	8,179	909	12.5%
Other (Medicare, Workers' Comp, etc.)	19,297	23,783	4,486	23.2%
Overtime	9,222	11,174	1,952	21.2%
Subtotal Personnel	<u>\$387,147</u>	<u>\$421,205</u>	<u>\$34,058</u>	<u>8.8%</u>
M&O				
Outside Services	110,590	117,270	6,680	6.0%
Interfund Service Payments	124,396	101,671	(22,725)	(18.3%)
Operating Transfer to Other Funds	114,308	114,529	221	0.2%
Supplies	57,609	57,309	(300)	(0.5%)
Other Services & Charges	27,888	30,734	2,845	10.2%
Debt Service	66,657	44,053	(22,604)	(33.9%)
Repairs and Maintenance	18,003	20,927	2,923	16.2%
Utilities	19,784	21,176	1,393	7.0%
Other Intergovernmental Services & Taxes	61,095	54,061	(7,034)	(11.5%)
Jail Costs	1,807	2,068	261	14.4%
Communication Services	2,575	2,620	44	1.7%
Travel/Training	2,232	2,596	364	16.3%
Subtotal M&O	<u>\$606,944</u>	<u>\$569,014</u>	<u>(\$37,930)</u>	<u>(6.2%)</u>
Capital Outlays	\$271,525	\$228,825	(\$42,700)	(15.7%)
Reserves	\$257,334	\$293,813	\$36,479	14.2%
Total City Budget	<u>\$1,522,949</u>	<u>\$1,512,857</u>	<u>(\$10,093)</u>	<u>(0.7%)*</u>

Figures may not foot due to rounding

*Does not adjust for double budgeting. Net total City budget growth is 1.0 percent without double budgeting, and (2.3) percent without double budgeting and reserves (see Figure 7b-4 for details).



Expenditure Summary

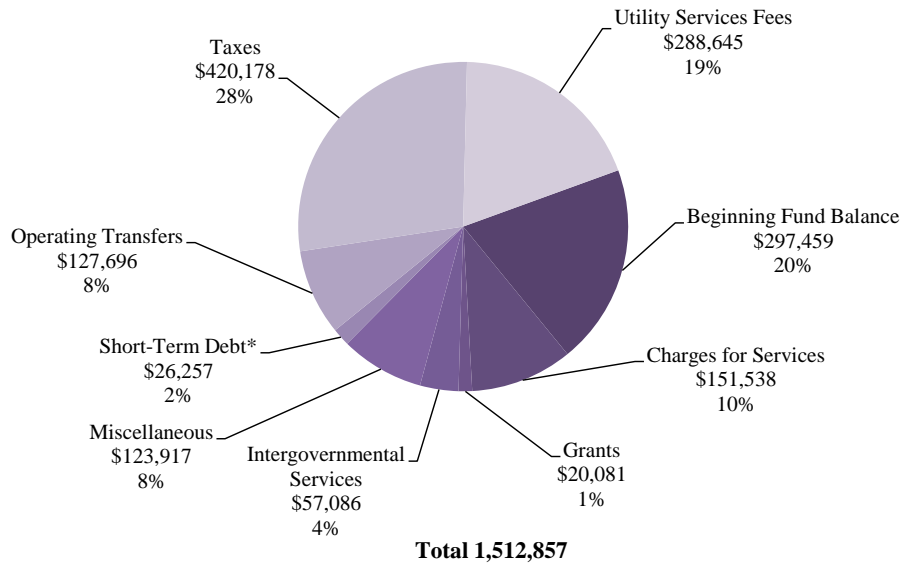
Figure 8b-7

2017-2018 Total Adopted City Budget Resources by Source and Expenditures by Category \$000

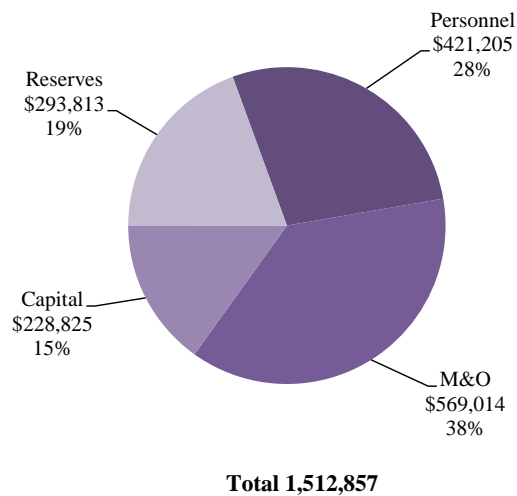
Figure 8b-7 presents the Adopted 2017-2018 total city budgeted resources (by source) and expenditures (by category). As the resources chart indicates, taxes make up the largest slice of the pie at 28 percent (\$420 million), followed by beginning fund balance at 20 percent (\$297 million) and utility services fees at 19 percent (\$289 million).

On the expenditure chart, maintenance and operations accounts for 38 percent (\$569 million) of the expenditure budget, followed by personnel at 28 percent (\$421 million).

Resources



Expenditures



Figures may not foot due to rounding.

*Short-term Cash Flow Borrowing is modeled to address near term cash flow. It is modeled as fully paid back within 7 years per Policy.

We will not be issuing any borrowing, this is used for modeling purposes only.



Expenditure Summary

Figure 8b-8

Total Budget Comparison Constant Dollar Total Budget Per Capita

Figure 8b-8 displays a 2015 to 2018 comparison of the total city budget (excluding reserves) per capita in 2015 dollars (adjusted for inflation).

Total Budget per Capita



	2015	2016	2017	2018
Total City Budget (\$000)*	\$653,621	\$611,995	\$609,949	\$609,095
Budget in 2015 \$ (\$000)	653,621	602,918	586,882	572,650
Population	135,000	139,400	140,926	142,469
Total Budget per Capita	\$4,842	\$4,325	\$4,164	\$4,019

Figures may not foot due to rounding.

*2015-2016 Amended and 2017-2018 Adopted budgets excluding reserves

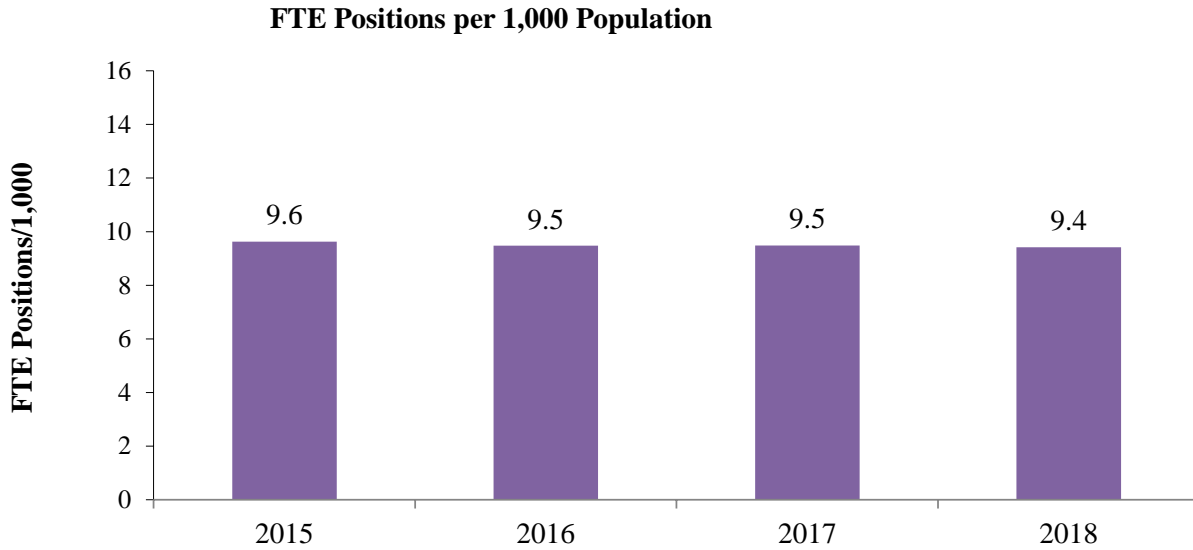


Expenditure Summary

Figure 8b-9

**Total Budget Position Trends
Full-Time Equivalent Positions per 1,000 Population**

Figure 8b-9 presents total city position data per 1,000 population.



	Adopted 2015	Mid-Bi 2016	Budget 2017	Budget 2018
Positions	1,299	1,321	1,338	1,342
Population	135,000	139,400	140,926	142,469
Positions/1,000	9.6	9.5	9.5	9.4

Figures may not foot due to rounding.

*2015-2016 Amended and 2017-2018 Adopted budgets



Expenditure Summary

C. Total Operating Budget

NOTE: This section compares the 2017-2018 Proposed Budget to the 2015-2016 Amended Budget. This section differs from the Forecast section (Chapter 7) in that the Forecast compares to 2016 year end.

As shown in [Figure 8b-10](#), the 2017-2018 operating budget totals \$1,035 million, an increase of 7.8 percent over the prior biennium. Inflation, rising wholesale costs, increased reserves, and technical adjustments account for most of the increase. The highlights are discussed below.

General Fund

The General Fund shows a two-year increase of \$39 million over 2015-2016. Personnel related expenditures including personnel inflation (COLA), the addition of 8.1 new FTEs, increasing costs in Health Benefits and Worker's Compensation, and general salary adjustments account for the bulk of the overall fund expenditure increase. General inflation accounts for two-thirds of all M&O increases with other cost increases including equipment and infrastructure repair, maintenance and replacement, utilities and outside services.

Utilities Funds

The utilities funds show an overall budget increase, primarily attributable to costs associated with purchased water from the Cascade water alliance, King County Metro wastewater treatment costs, and increases in the CIP program. Payments to Cascade and King County represents about 37% of the total Utilities Department budgets while CIP Program Costs represent approximately 27% of the total Utilities Department budgets. The Council also incorporated budget for a one time study to review solid waste service options.

Development Services Fund

The 2017-2018 Development Services budget reflects a continued high level of development activity. To meet demand, an increase in review, inspection, and land use staffing levels is included in the budget. Development Services Fund expenditures exceed revenues in 2017-2018 as reserves are used to complete prepaid work and to invest in technology and infrastructure.

Parks Enterprise Fund

The Parks Enterprise Fund Adopted Budget assumes user fee revenue will continue to fully offset program expenditures and balances will continue to meet Parks Enterprise Fund reserve targets of two months operating expenses.

Internal Services Funds

The increase in expenditures in the Facilities Fund reflects two programs shifting from General Fund to the Facilities Fund and an increase in expected major maintenance projects for the 2017-2018 biennium.



Expenditure Summary

Other Operating Funds

The Health Benefits Fund growth continues to slow, increasing 13.2 percent from 2015-2016 to 2017-2018 versus 15 percent from 2013-2014 to 2015-2016, while still reflecting actuarial guidance and ensuring the City is appropriately conservative in maintaining adequate funds for claims and other expenses.

The Hotel/Motel Taxes Fund decrease is due to the bond issuance in 2015-2016 partially countered by projected increases in Transient Occupancy Tax (TOT).

The Human Services Fund shows an increase due to fund increases for inflation, population growth, and increased programming.

The Land Purchase Revolving fund is decreasing due to the elimination of a one-time interfund payment.

The LEOFF 1 Medical Reserve Fund decrease reflects the expected use of fund balance over the next biennium. The City currently uses a pay-as-you-go approach to fund these benefits.

The Parks Maintenance & Operations Fund reflects an increase in expenditures as more parks levy projects come online and expenditures exceed annual proceeds for the 2008 Parks Levy. In years past, revenues have exceeded expenditures building a reserve in the Parks Maintenance & Operations Fund. This is an anticipated draw on those reserves.

The Risk Funds (General Self-Insurance, Unemployment Compensation and Workers' Compensation Funds) reflect an increase in expenditures and fund balance due to increasing claims payments for Workers' Compensation and General Self-Insurance funds, as well as the most current actuarial review of reserve requirements.



Expenditure Summary

Figure 8b-10

**2017-2018 Total Adopted Operating Budget
Expenditures and Reserves by Fund
\$000**

<u>Operating Budget</u>	<u>2015-2016 Amended Budget</u>	<u>2017-2018 Adopted Budget</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund*	\$389,269	\$428,681	\$39,412	10.1%
Utilities				
Water Utility Fund	\$115,017	\$122,976	\$7,959	6.9%
Sewer Utility Fund	124,030	129,982	5,952	4.8%
Storm & Surface Water Utility Fund	49,218	54,458	5,240	10.6%
Solid Waste Fund	3,244	3,374	130	4.0%
Subtotal Utilities	<u>\$291,509</u>	<u>\$310,791</u>	<u>\$19,282</u>	<u>6.6%</u>
Development Services Fund	\$54,954	\$66,610	\$11,656	21.2%
Parks Enterprise Fund	\$13,846	\$14,361	\$515	3.7%
Internal Services				
Equipment Rental Fund	\$29,661	\$29,150	(\$510)	(1.7%)
Facilities Services Fund	15,280	17,538	2,258	14.8%
Information Technology Fund	34,275	34,362	87	0.3%
Subtotal Internal Services	<u>\$79,216</u>	<u>\$81,050</u>	<u>\$1,834</u>	<u>2.3%</u>
Other Operating Funds				
General Self-Insurance Fund	\$8,920	\$10,147	\$1,227	13.8%
Health Benefits Fund	56,105	63,502	7,397	13.2%
Hotel/Motel Taxes Fund	29,937	25,260	(4,677)	(15.6%)
Human Services Fund	9,458	10,324	866	9.2%
Land Purchase Revolving Fund	3,937	3,485	(452)	(11.5%)
LEOFF I Medical Reserve Fund	7,640	4,404	(3,236)	(42.4%)
Marina Fund	1,662	1,698	36	2.2%
Park M&O Reserve Fund	6,774	6,810	36	0.5%
Unemployment Compensation Fund	899	1,033	134	14.9%
Workers' Compensation Fund	5,493	6,669	1,176	21.4%
Subtotal Other Operating Funds	<u>\$130,825</u>	<u>\$133,332</u>	<u>\$2,507</u>	<u>1.9%</u>
Total Operating Budget	<u>\$959,619</u>	<u>\$1,034,825</u>	<u>\$75,206</u>	<u>7.8%</u> **

Figures may not foot due to rounding

*Includes Restricted General Fund

**Does not adjust for double-budgeting.



Expenditure Summary

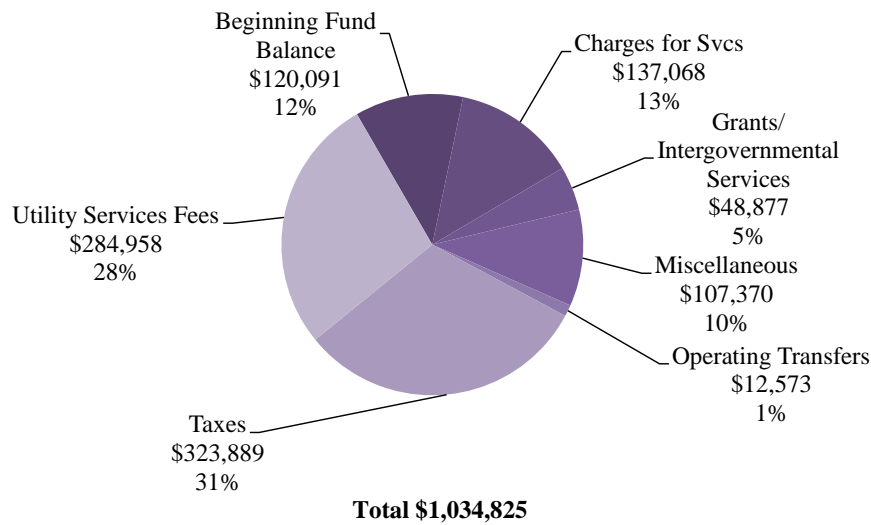
Figure 8b-11

**2017-2018 Adopted Operating Budget
Resources by Source and Expenditures by Group
\$000**

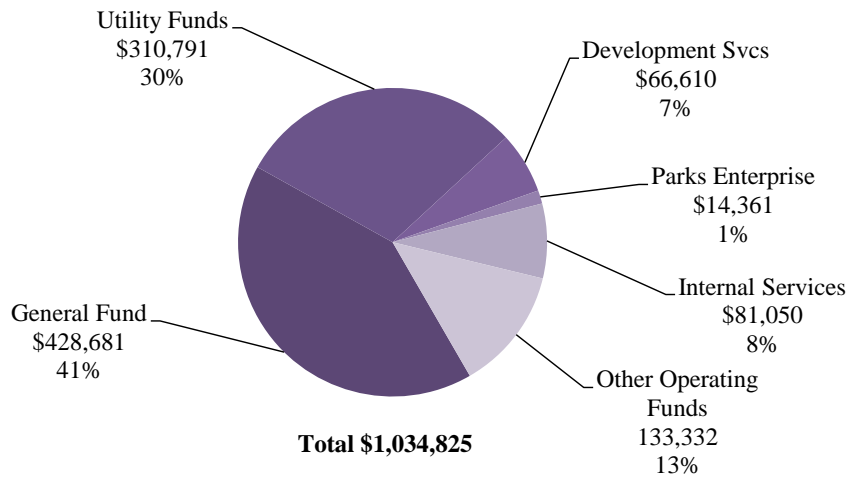
Figure 8b-11 presents the 2017-2018 total Adopted operating budget resources (by source) and expenditures (by group). At 31 percent of the pie, taxes represent the largest resource category followed by utility services fees and charges for services. Together, these three sources represent 72 percent of operating budget resources.

The General Fund is the largest operating budget fund at \$429 million; it represents 41 percent of expenditures.

Resources



Expenditures



Figures may not foot due to rounding



Expenditure Summary

D. Total Special Purpose Budget

The **Operating Grants and Donations Fund** decreases due to projections for fewer grants being received.

The **I&D Redemption - Regular Levy Fund** decreases due to the payoff of the existing line of credit in 2013. The 2017-2018 budget does not include any line of credit borrowing.

Figure 8b-12

**2017-2018 Adopted Special Purpose Budget
Expenditures and Reserves by Fund
\$000**

<u>Special Purpose Budget</u>	<u>2015-2016 Amended Budget</u>	<u>2017-2018 Adopted Budget</u>	<u>\$ Change</u>	<u>% Change</u>
Grants				
Operating Grants & Donations Fund	\$10,255	\$6,431	(\$3,824)	(37.3%)
Subtotal Grants	<u>\$10,255</u>	<u>\$6,431</u>	<u>(\$3,824)</u>	<u>(37.3%)</u>
Debt Service				
I&D Redemption-Regular Levy Fund	\$50,876	\$44,393	(\$6,482)	(12.7%)
LID Control Fund	1,012	75	(937)	(92.6%)
LID Guaranty Fund	1,055	653	(402)	(38.1%)
Subtotal Debt Service	<u>\$52,943</u>	<u>\$45,121</u>	<u>(\$7,821)</u>	<u>(14.8%)</u>
Trust/Other				
Firemen's Pension Fund	\$7,195	\$7,224	\$30	0.4%
Housing Fund	5,305	6,443	1,138	21.5%
Subtotal Trust/Other	<u>\$12,500</u>	<u>\$13,668</u>	<u>\$1,168</u>	<u>9.3%</u>
 Total Special Purpose Budget	 <u><u>\$75,698</u></u>	 <u><u>\$65,221</u></u>	 <u><u>(\$10,477)</u></u>	 <u><u>(13.8%)</u></u> *

Figures may not foot due to rounding.
*Does not adjust for double-budgeting.

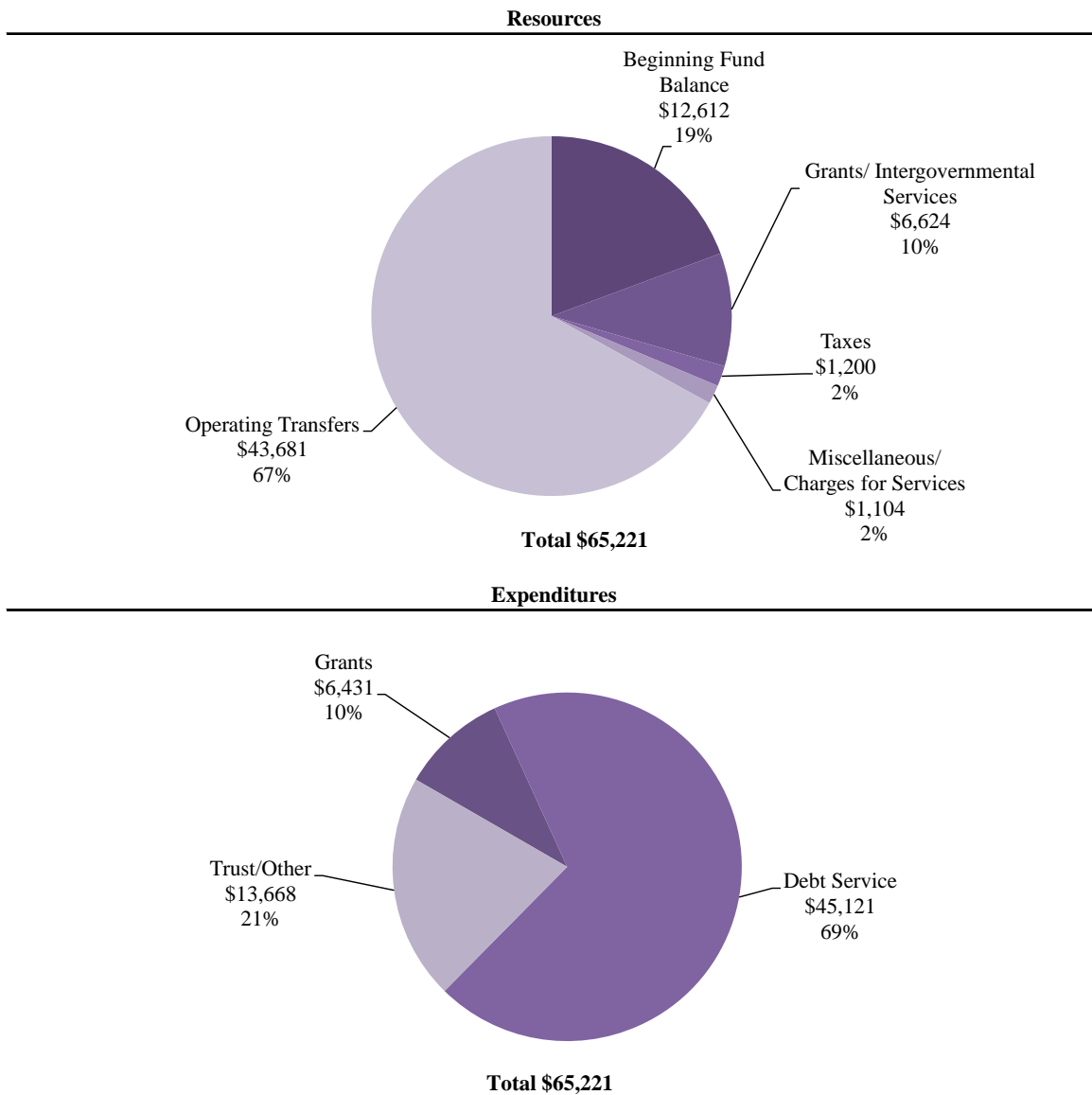


Expenditure Summary

Figure 8b-13

**2017-2018 Adopted Special Purpose Budget
Resources by Source and Expenditures by Group
\$000**

Figure 8b-13 depicts the resource and expenditure budget for the city's special purpose funds (not including the three capital funds). For the purposes of this display, resources have been categorized into five main components. Excluding transfers between funds, the largest resource category is the beginning fund balance at 19 percent (\$13 million). This is primarily due to large reserves being held in some of these funds (e.g., Firemen's Pension Fund) to cover anticipated future expenses. The largest expenditure category is debt service at 69 percent (\$45 million).



Figures may not foot due to rounding.

*Does not adjust for double-budgeting.



Expenditure Summary

E. Total Capital Investment Budget

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

Figure 8b-14 presents the CIP expenditure budget by Outcome and Fund.

The General CIP decreases from 2015-2016 to 2017-2018 due to a one time bond issuance in 2015-2016.

Figure 8b-14

**2017-2018 Adopted Capital Investment Program Budget
Expenditures and Reserves by Outcome
\$000**

	<u>2015-2016 Amended Budget</u>	<u>2017-2018 Adopted Budget</u>	<u>\$ Change</u>	<u>% Change</u>
General Capital Investment Program Fund				
Base CIP				
Economic Growth and Competitiveness	\$1,850	\$5,676	\$3,826	206.8%
Improved Mobility and Connectivity	130,608	82,575	(48,034)	(36.8%)
Quality Neighborhoods/Innovative Vibrant and Caring Community	50,307	30,679	(19,627)	(39.0%)
Responsive Government	11,742	3,669	(8,073)	(68.8%)
Safe Community	11,968	9,258	(2,710)	(22.6%)
Debt/Reserves	53,739	39,047	(14,691)	(27.3%)
Subtotal Base CIP	\$260,213	\$170,904	(\$89,309)	(34.3%)
Utility Capital Investment Program Fund				
Base CIP				
Healthy and Sustainable Environment	\$80,479	\$77,917	(\$2,561)	(3.2%)
Reserves	146,941	163,989	17,048	11.6%
Subtotal Utility Capital Investment Program Fund	\$227,420	\$241,906	\$14,487	6.4%
Total Capital Project Budget	\$487,633	\$412,811	(\$74,822)	(15.3%)

Figures may not foot due to rounding.



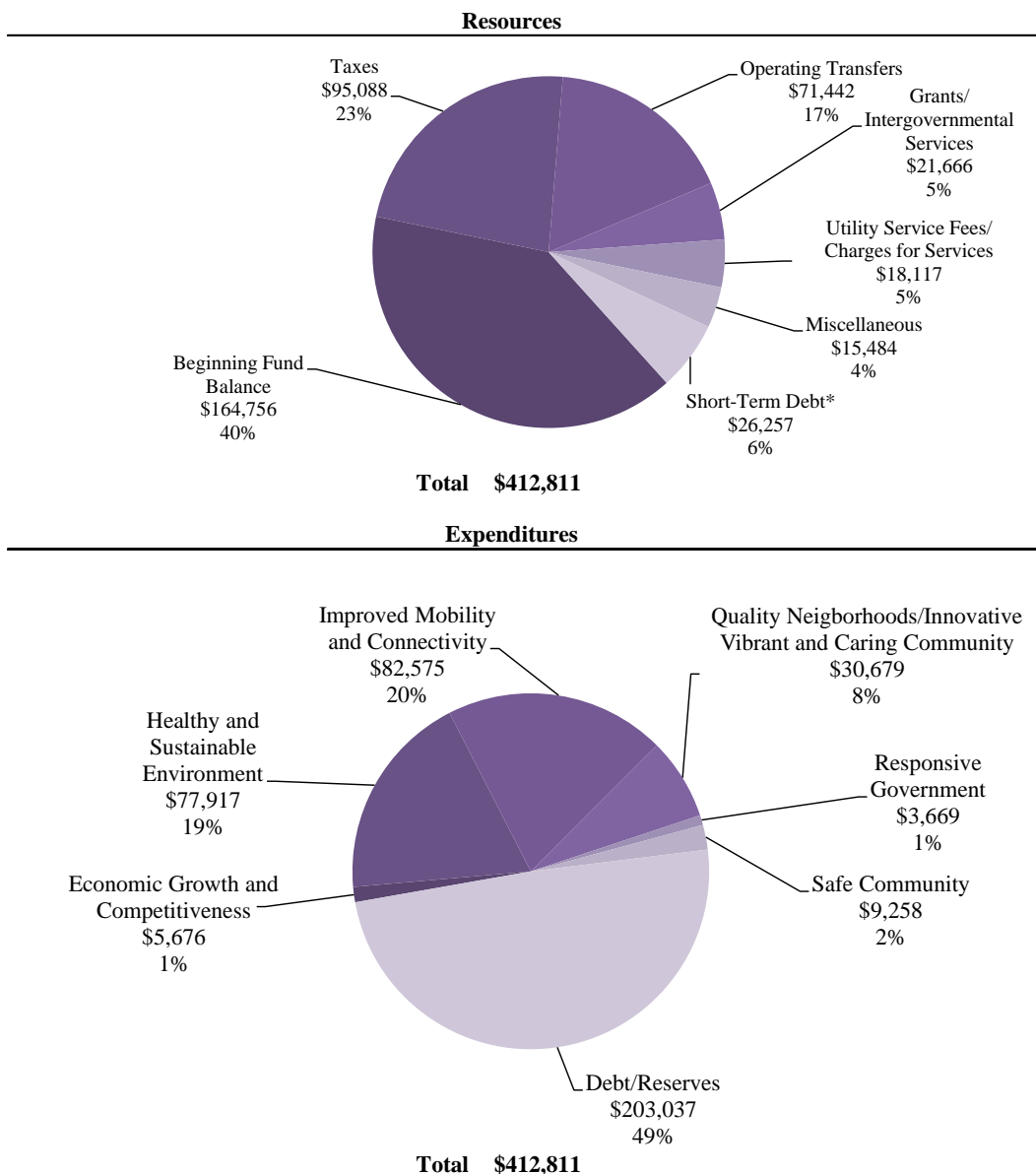
Expenditure Summary

Figure 8b-15

**2017-2018 Adopted Capital Investment Program Budget
Resources by Source and Expenditures by Outcome
\$000**

Figure 8b-15 depicts the resource and expenditure budget for the city's two capital investment program (CIP) funds. Resources have been divided into eight categories. The largest are: beginning fund balance (representing the utilities reserve and replacement funds for future capital improvements), taxes and operating transfers, which together use 80 percent of the CIP funds.

The expenditure pie has been divided into the seven Outcomes. Excluding Debt Service/Reserves, the largest use of CIP funds occur in the Improved Mobility & Connectivity and Healthy & Sustainable Environment Outcomes, which together use 39 percent of the CIP funds.



Figures may not foot due to rounding.

*Short-term Cash Flow Borrowing is modeled to address near term cash flow. It is modeled as fully paid back within 7 years per Policy.

The City will not be issuing any borrowing, this is used for modeling purposes only.



Expenditure Summary

F. Total Debt Information – Based on Statutory Limits

State Law enables the City to issue debt for three general categories of use: General Government, Park and Open Space, and the Utility System. The debt issued in each category is limited to 2.5 percent of the City's assessed valuation (for a total limit of 7.5 percent). In addition, the State Constitution also allows for non-voted (councilmanic) debt limited to 1.5 percent of the City's assessed valuation, to be included within the General Government 2.5 percent 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 percent majority approval for passage of a bond election and a total voter turnout of at least 40 percent 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 results in an increase to Voted Levy Property Taxes.

Figure 8b-16 displays the City's estimated total policy and statutory debt limits as of January 1, 2017.

Figure 8b-16
Estimated Total Policy and Statutory Debt Limits as of January 1, 2017

Type of Debt	% of Assessed Value (\$49.4B) as of January 1, 2017			Capacity Available (\$) as of January 1, 2017		
	Statutory Limitations	Policy Limitations	Policy Limit Available	Statutory Limitations	Policy Limitations	Policy Limit Available
General Purpose:	2.50%	1.75%	1.18%	1,234,116,956	863,881,869	579,982,997
Non-Voted (Councilmanic)	1.50%	1.00%	0.43%	740,470,174	493,646,782	209,747,910
Voted	1.00%	0.75%	0.75%	493,646,782	370,235,087	370,235,087
Parks and Open Space - Voted	2.50%	1.75%	1.75%	1,234,116,956	863,881,869	863,881,869
Utilities – Voted	2.50%	1.75%	1.75%	1,234,116,956	863,881,869	863,881,869
Revenue	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Local Improvement District	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit

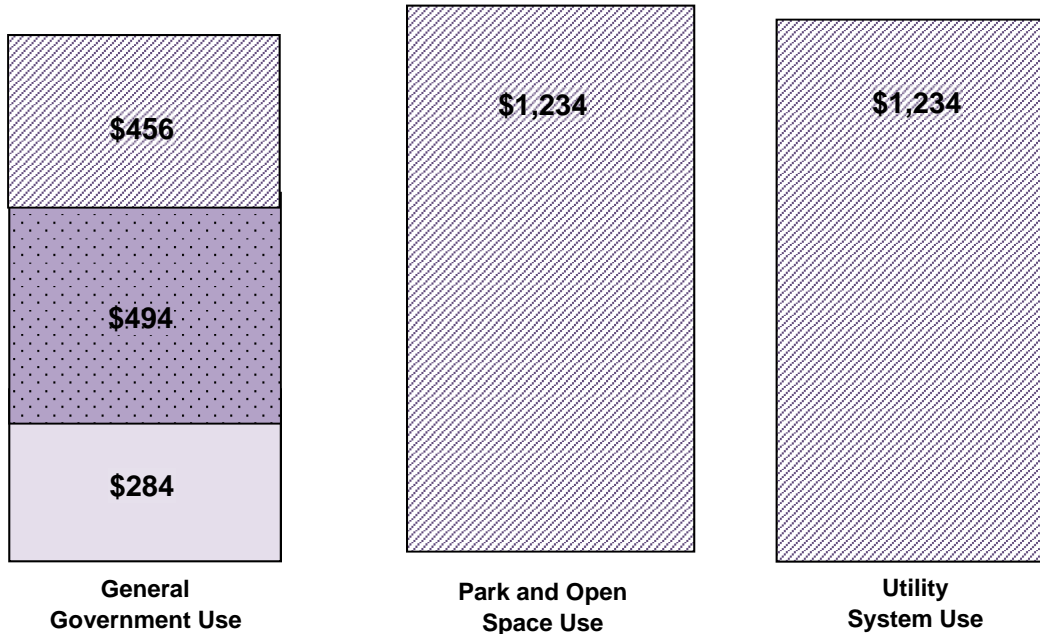


Expenditure Summary

Figure 8b-17 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, 2017, the City's remaining general government debt capacity is approximately \$950 million, approximately \$494 million in voted capacity and \$456 million in councilmanic capacity. The approximate remaining debt capacity for park and open space use is \$1.23 billion and for utility system use is \$1.23 billion.

Figure 8b-17
Estimated Total Debt Capacity and Debt Issued
as of January 1, 2017
(\$ Millions)

Maximum Legal Capacity = $\$49,365 \times 0.025 = \$1,234$



- Unused debt capacity (including lease purchase debt) which may be issued by the City Council without voter approval.
- Unused debt capacity which must be approved by the voters and will result in increased property taxes.
- Debt which has been issued.



Expenditure Summary

Figure 8b-18 presents detailed information on the City’s General Obligation and Special Obligation 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 2017-2018 Budget.

Figure 8b-18
NON-VOTED GENERAL OBLIGATION AND SPECIAL OBLIGATION REVENUE
BOND DEBT INFORMATION

	Original Amount Issued	Issue Date	Final Maturity Date	Interest Rate	Source of Debt Service Funding	2017-2018 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	\$422	\$1,098
2008 Limited GO (Supplemental CIP)	14,230	2008	2027	3.00 - 4.25%	Sales Tax	680	22
2010 Limited GO Refunding (Marina)	3,280	2010	2018	2.00 - 3.00%	Moorage Fees	930	42
2010 Limited GO Refunding (BCCA)	9,595	2010	2032	2.00 - 4.00%	Hotel/Motel Taxes	740	553
2010 Limited GO (Mobility Infrastructure Initiative)	11,825	2010	2030	2.00 - 5.00%	Sales Tax	1,010	720
2012 Limited GO Refunding (City Building)	55,875	2012	2039	2.00 - 5.00%	Sales Tax	3,480	4,904
2012B Limited GO Refunding (City Building)	43,185	2012	2043	2.00 - 5.00%	Sales Tax	120	3,778
2013 Limited G.O. (Sound Transit)	62,605	2013	2032	2.00 - 5.00%	Sales Tax	4,810	4,861
2013 Limited G.O. (Local Revitalization Financing)	7,800	2013	2037	2.00 - 5.00%	Sales Tax	410	582
2015 Limited G.O. Refunding (2006 City Building II)	3,295	2015	2026	3.00 - 5.00%	Sales Tax	535	300
2015 Limited G.O. Refunding (2008 Supplemental CIP)	7,855	2015	2027	3.00 - 5.00%	Sales Tax	630	711
2015 Limited G.O. (General CIP)	79,140	2015	2034	3.00 - 5.00%	Sales Tax	5,925	6,478
2015 Limited G.O. (BCCA Improvement)	<u>7,645</u>	2015	2034	3.00 - 5.00%	Hotel/Motel Taxes	<u>575</u>	<u>626</u>
Subtotal Non-Voted G.O. Bonds	\$311,470					\$20,267	\$24,675
Special Obligation Revenue Bonds:							
1991 Bellevue Convention Center Authority, Series B ⁽¹⁾	\$21,120	1991	2019	5.70 - 7.20%	Hotel/Motel Taxes	\$1,260	\$7,130
1994 Bellevue Convention Center Authority Refunding ⁽¹⁾	<u>13,749</u>	1994	2025	5.60 - 6.60%	Hotel/Motel Taxes	<u>1,172</u>	<u>5,008</u>
Subtotal Special Obligation Revenue Bonds	\$34,869					\$2,432	\$12,138
Total Non-Voted G.O. and Special Obligation Revenue Bonds	<u>\$346,339</u>					<u>\$22,699</u>	<u>\$36,813</u>

⁽¹⁾ The Bellevue Convention Center Authority (BCCA) is a component unit of the City for financial reporting purposes. The Authority's special obligation 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.



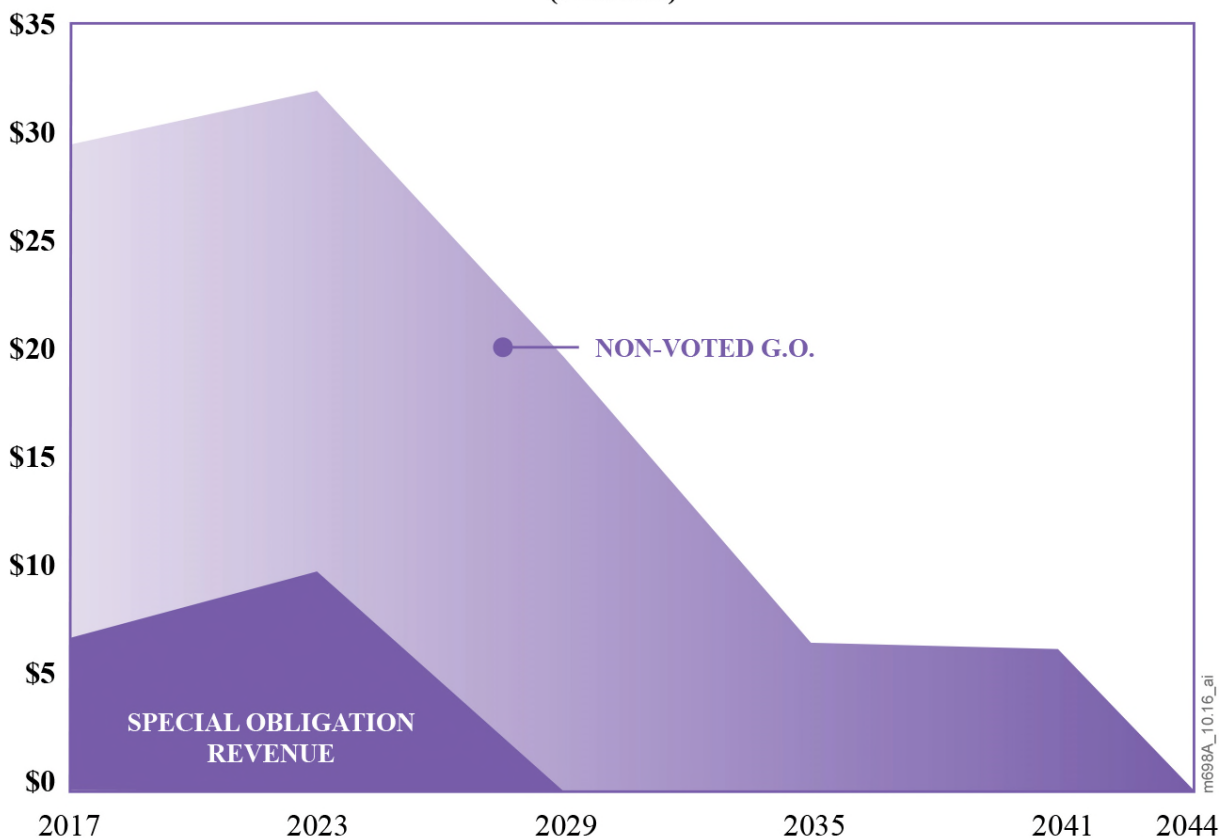
Expenditure Summary

Figure 8b-19 presents the annual debt service requirements for the City’s councilmanic (non-voted) and special obligation revenue debt through 2044. The 2017 debt service requirements are \$22.5 and \$7.05 million for councilmanic and special obligation revenue debt respectively. If no further debt is issued, the final debt payment for the councilmanic debt occurs in 2043. This graph shows the City’s annual debt service requirements decreasing over time.

Figure 8b-19

**ANNUAL DEBT SERVICE REQUIREMENTS
FOR EXISTING NON-VOTED GENERAL OBLIGATION and
SPECIAL OBLIGATION REVENUE BONDS**

(\$ Millions)



CITY BOND RATINGS

On January 1, 2017 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	Aaa ¹

¹ On February 15, 2017, Moody’s applied its updates in methodology for rating US Local Government General Obligation debt and upgraded all of the City of Bellevue’s Limited Tax General Obligation Bonds from “Aa1” to “Aaa”



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