

BUDGET MONITORING REPORT



April 26, 2010

For the Period of January to December 2009

Performance at a Glance	Year to Date	Reference
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Positive = Positive variance or negative variance < 1% compared to seasonal trends.

Warning = Negative variance of 1-4% compared to seasonal trends.

Negative = Negative variance of > 4% compared to seasonal trends.

Economic Indicators

Economic

Performance

Puget Sound Economy

According to national and regional economists, the recession ended in the 4th Quarter of 2009. Economic recovery is expected in 2010.

Annual Percent Change

	2009 Actual	2010 Forecast
Employment	-4.2%	1.9%
Personal Income	-1.3%	3.7%
Housing Permits	-50.4%	22.2%
Average Home Price	-11.7%	5.5%
Taxable Retail Sales	-12.3%	1.8%

Source: Puget Sound Economic Forecaster

Bellevue Economy

Bellevue Central Business District Office Vacancy Rates were 15.5% in the 4th Quarter of 2009. Vacancy rates increased by 2.3% compared to the 3rd Quarter. Source: CB Ellis

Taxable retail sales showed some signs of recovery in the final months of 2009. Retail sales, including automobiles, restaurants and stores were up by 9% in the 4th Quarter compared to 2008. This improvement is due, in part, to the opening of the Bravern shopping center.

The recession hit the Puget Sound region much more severely than local economists initially projected. However, there are some indications that the economy has begun to stabilize including improvements in the housing market, a deceleration in job losses and some improvement in consumer spending. Local economists are predicting that the recovery will begin in the 1st Quarter of 2010 (see economic indicators in the left panel).

Regional job losses total 96,700 since the beginning of the recession. The sectors hit the hardest are construction, manufacturing and professional and business services. Employment is projected to begin growing again in the 1st quarter of 2010, but is not expected to return to pre-recessionary levels until the end of 2012.

Local economists continue to assert that economic improvement is dependent on housing market stabilization. While Puget Sound sales and prices were somewhat volatile over the summer, the number of houses sold increased substantially in the fourth quarter of 2009 and housing prices stabilized. Housing activity is projected to continue to improve through 2010.

Bellevue's office market lease rates remain stronger than neighboring communities but vacancy rates throughout the region have increased.

Overall, the recession drove collections of sales, business and occupation, and real estate excise taxes down substantially during 2009. Tax collections of these economically sensitive revenues are expected to improve during 2010.

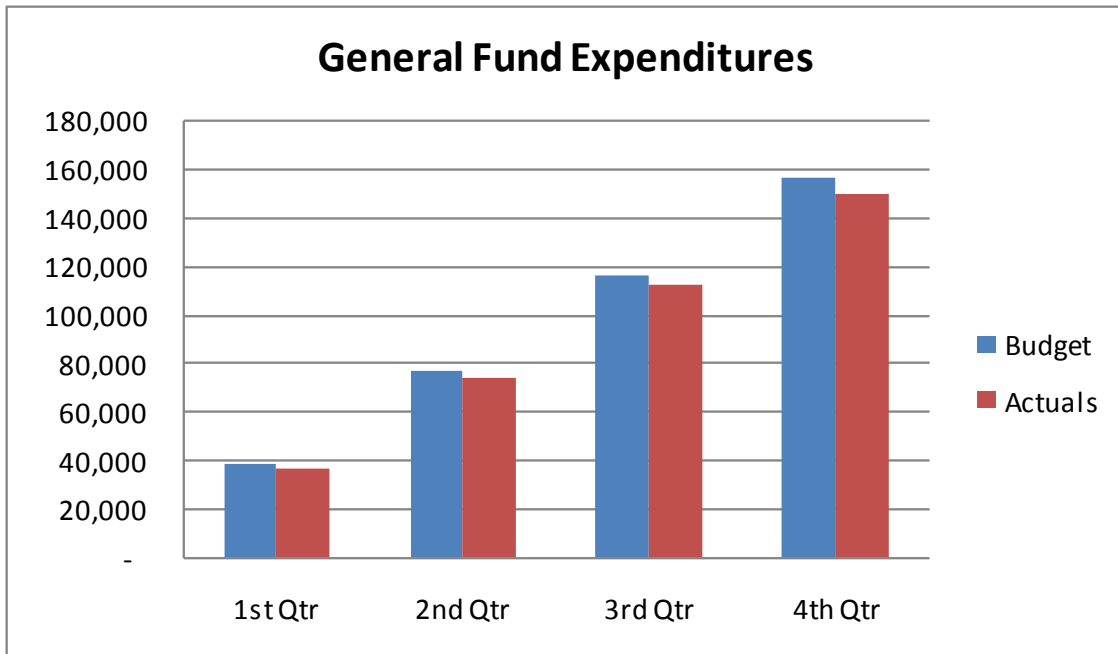
Cost Containment

Bellevue took early aggressive action to keep costs in line with available resources. Measures included holding vacant positions open, reducing discretionary travel and training, and deferring or reducing maintenance.

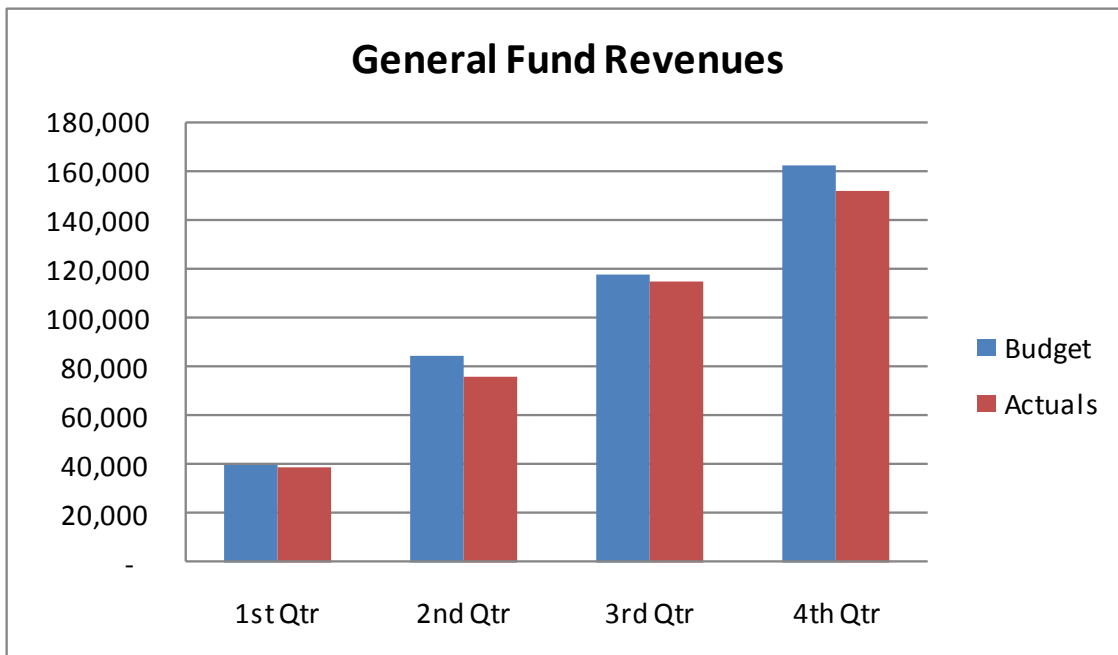
As a result, General Fund expenses were \$6.2 million less than budget.

General Fund Performance

Year-to-Date Expenditures and Revenues: Budget to Actual



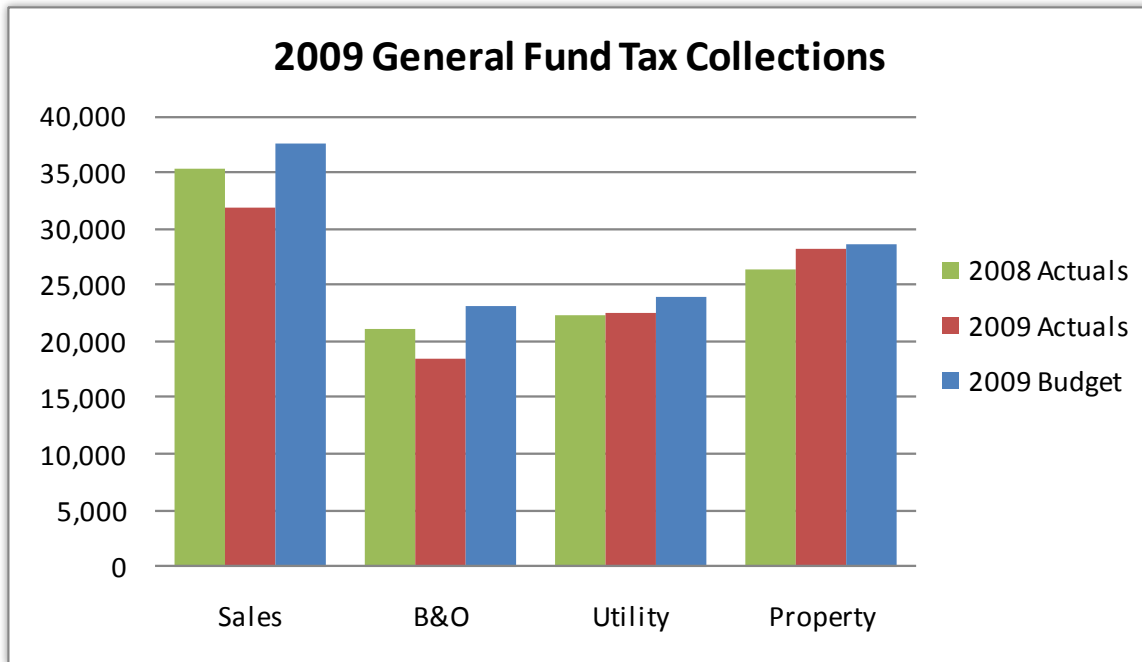
General Fund expenditures were \$6.2 million below budget due to cost containment efforts (see page 2). The above graph illustrates that expenses were less than budget for all four quarters of 2009.



The General Fund ended the year with a \$15.7 million (10%) ending fund balance. Revenue collections (excluding fund balance) were \$10.7 million below budget due largely to lower than anticipated tax performance (see page 4). Lower than anticipated tax performance was partly offset by reimbursements from other funds and higher than anticipated collections of several program revenues.

General Fund Performance

Year-to-Date Tax Performance Compared to Budget



Performance was down across most tax revenues.

Sales Tax. Puget Sound taxable retail sales have declined more than 15% since the beginning of the recession. The lower level of consumer spending is due to several factors, including tight credit, high unemployment, and losses in wealth. Retail sales activity is projected to pick up over the next year, but is expected to be slow.

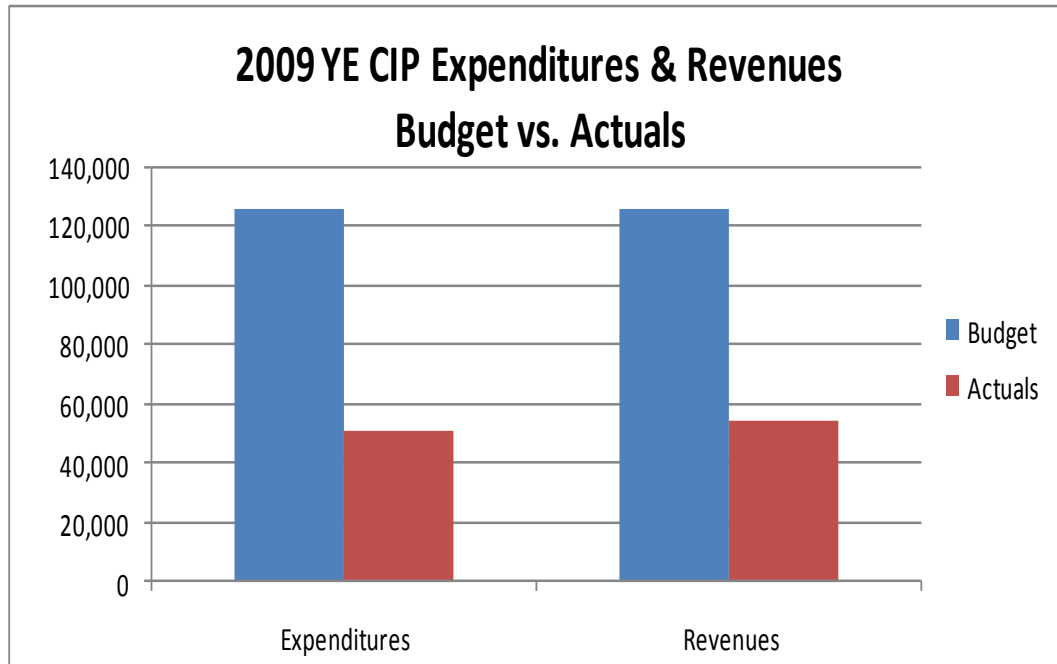
Business and Occupation Tax (B&O). Performance was less than expected due to the recessionary economy. Performance was down across all sectors and audit recoveries were less than anticipated.

Utility Taxes. Utility taxes were below budget across most categories. Electric and cellular utility taxes were significantly below budget. Electric utility tax collections were below expectations due to a large rate increase mid-year. Cellular utility tax was down due to lower business activity.

Property Tax. Property tax collections were in line with budget estimates.

General CIP Performance

Year-to-Date Expenditures and Resources: Budget to Actual



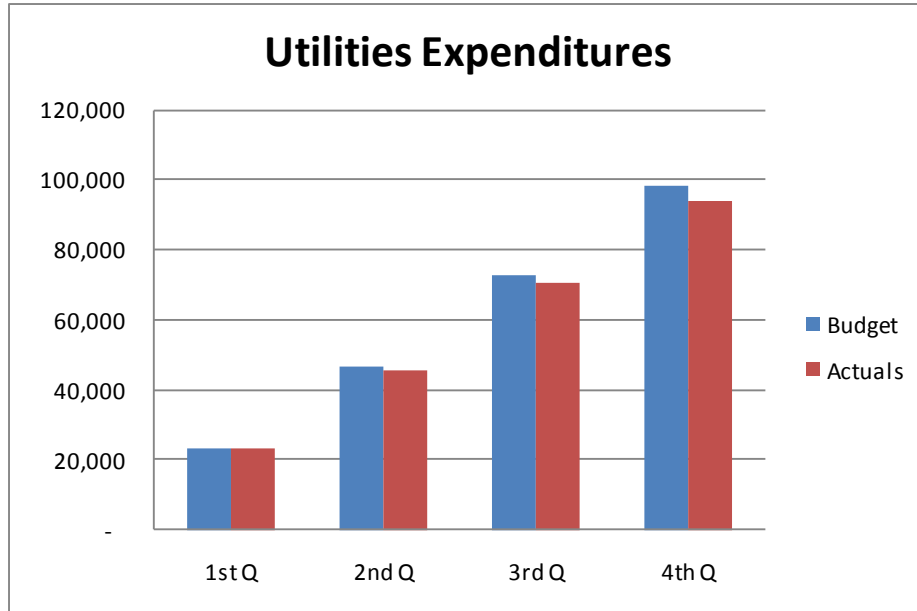
Comments: The General CIP was significantly impacted by the recent recession. Collections of sales, business and occupation, and real estate excise taxes were below budget. Cost containment measures were put into place during 2009 to keep expenditures in line with resources.

Project Highlights:

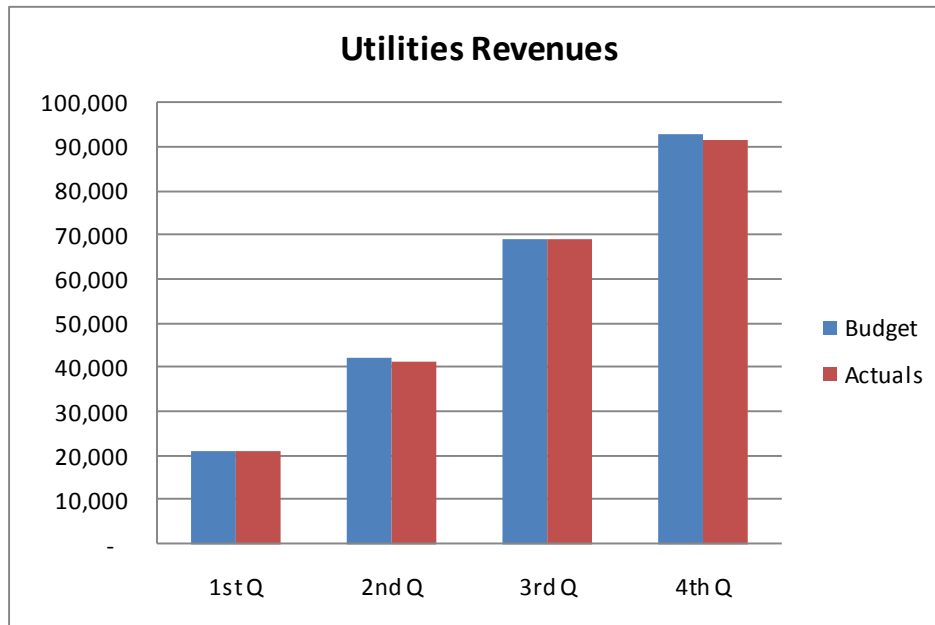
- Completion of NE 8th Street Widening (PW-R-152), completed in part with a \$2 million federal grant award.
- Completion of NE 10th Street Extension (PW-R-149).
- Implemented the first pervious sidewalk with the Northrup Way Sidewalk – 165th Ave. NE to 168th Ave. NE complete.
- Construction began on 2008 levy project to convert the existing all-weather soccer field at Wilburton Hill Park to synthetic turf. Grand opening ceremony scheduled for May 1.
- Purchased the McIntosh property using 2007 King County Special Property Tax Levy proceeds. This parcel is 3.07 acres and adjacent to Coal Creek Natural Area to provide 1) public access to a part of Coal Creek Park that currently lacks it, and 2) an area for Utilities to establish a sedimentation pond to improve the creek's water quality.
- Entered into agreement with Master Builders Association of King and Snohomish Counties to construct Wetlab 2 at the Mercer Slough Environmental Education Center and donate the project to the City. Project completion is expected in summer of 2010.
- The NEP process was completed in the Crossroads, Wilburton, and West Bellevue areas with the selection by residents of eight small neighborhood capital projects totaling \$963,700. Projects included walkway projects, sidewalk projects, one with landscaping, an ivy removal/re-landscaping project, other landscaping projects, several park improvement projects, two street lighting projects including one along SE 7th from Lake Hills Connector east, and a neighborhood entry project for the Enatai neighborhood.

Utilities Performance

Year-to-Date Expenditures and Revenues: Budget to Actual



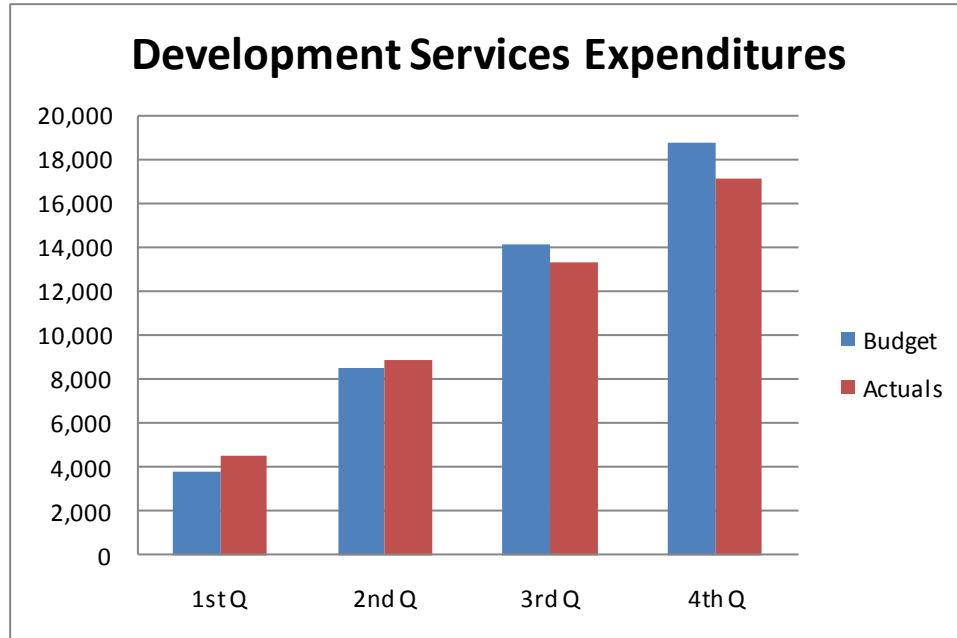
Comments: Wholesale sewer costs were \$0.5 million below budget due to low water sales in 2008 and 2009. RCFC payments were \$0.7 million below budget due to lower-than-expected development activity. Significant savings were realized through position vacancies (\$0.6 million) and ongoing cost containment strategies that will continue into 2010 (\$2.4 million).



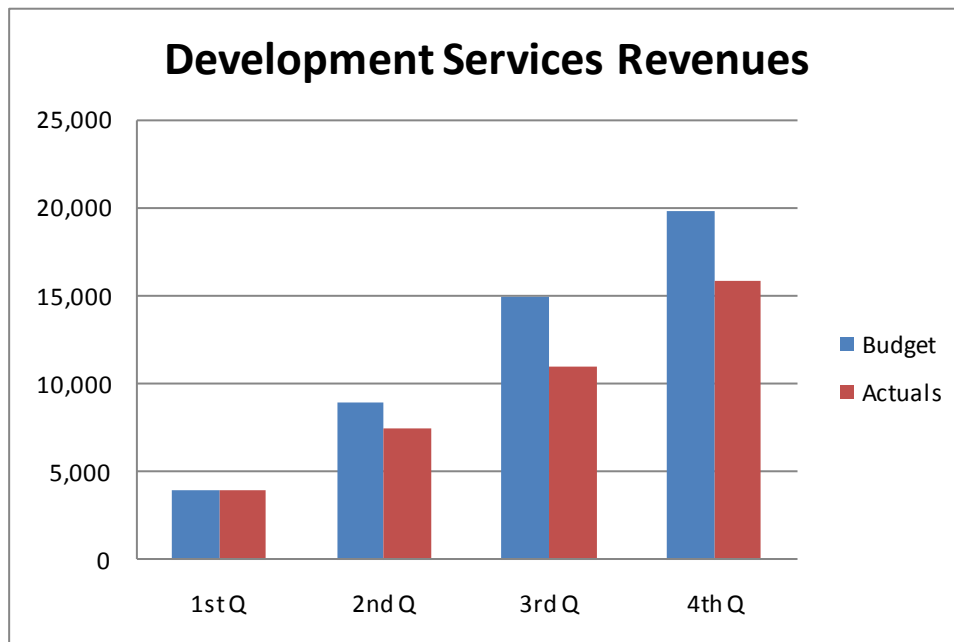
Comments: The impacts of conservation efforts and a general decline in per-customer water usage became evident in the past few years and carried into 2009. As a result, Utility service revenues were \$0.8 million (about 1%) below budget. Revenue projections will be adjusted as part of the 2011-12 budget process. Developer revenues were \$1.1 million below budget due to the recession and its impacts on development activity.

Development Services Performance

Year-to-Date Expenditures and Resources: Budget to Actual



Comments: Development Services expenditures were \$1.7 million (9%) below budgeted levels reflecting expenditure control measures implemented in 2009. Significant savings were realized through position vacancies (\$0.9 million) and reduction in contracted services (\$0.4 million). Additional savings were derived through ongoing cost containment strategies that will continue into 2010.



Comments: The impacts of the recession and its effect on development activity became evident in late 2008 and carried into 2009. Development Services revenues collected were \$4.0 million (20%) below budgeted levels in 2009. In light of the sharp economic downturn, 2009 revenue projections were updated in January. Actual year-end collections were within 2% of the revised projections.