



City of Bellevue Budget Monitoring Report

For the period October 1 through December 31, 2024

Economic Performance

This report discusses revenues and expenditures for the General Fund, General Capital Investment Program (CIP) Fund, and the Utilities Operating and CIP Funds. The purpose of this report is to compare actual expenditures and revenues to the Mid-Bi Budget, to explain any variances, and to convey an economic outlook from a national to a local scope. This monitoring report reflects the impacts to the city as of December 2024.

In the fourth quarter of 2024, the U.S. economy exhibited moderate growth, with real Gross Domestic Product (GDP) increasing at an annual rate of 2.4%, following a 3.1% rise in the third quarter. This deceleration was primarily due to a downturn in business investment and exports, despite continued strength in consumer spending and government expenditures (BEA).

Consumer spending remained a key driver of economic activity, supported by a robust labor market and rising wages. Business investment contracted, notably with an 8.7% decline in equipment investment, reflecting caution amid trade uncertainties and geopolitical tensions.

Inflationary pressures persisted, with the Consumer Price Index (CPI) rising 2.9% over the 12 months ending in December 2024. Shelter, food, and medical care were primary contributors to the increase (BLS). The Federal Reserve maintained its interest rate stance while signaling caution as inflation remained above its 2% target.

The labor market remained strong. The unemployment rate stood at 4.1% in December, and average hourly earnings rose 0.3% to \$35.69, reflecting a 3.9% annual wage increase (BLS).

Geopolitical tensions and new tariffs introduced additional economic uncertainty. Rising import duties, especially on select goods from Asia and Europe, prompted renewed concerns about trade relations and the long-term resilience of supply chains. Businesses began reassessing sourcing strategies and logistics operations in response to shifting trade dynamics.

Meanwhile, the housing market reflected regional disparities. Some metropolitan areas witnessed price stabilization or modest corrections, while others—particularly in high-demand suburban corridors—saw renewed upward pressure due to limited inventory and demographic shifts. Consumer sentiment was somewhat mixed throughout the fourth quarter, influenced by financial market volatility and global political developments. Nevertheless, retail sales remained steady through the holiday season, suggesting a continued willingness by consumers to spend despite broader uncertainties.

Performance at a Glance

Pg. 3	General Fund Revenue Projection vs. Expenditure Projection	●
Pg. 4	General Fund Revenue Performance Compared to Budget	●
Pg. 5	General CIP Revenue Actual vs. Expenditure Actual	+
Pg. 6	Development Services Revenue Actual vs. Expenditure Actual	+
Pg. 7	Utilities Operating Funds Revenue Actual vs. Expenditure Actual	+
Pg. 8	Utilities CIP Revenue Actual vs. Expenditure Actual	+

Legend:

- + Positive variance or negative variance <1%
- Negative variance of 1-4%
- ✗ Negative variance of >4%



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Regional Economy

In the Seattle-Tacoma-Bellevue area, inflationary pressures continued to ease toward the end of 2024. According to the U.S. Bureau of Labor Statistics, the Consumer Price Index for All Urban Consumers (CPI-U) declined by 0.5% over the two-month period ending December 2024. Despite this short-term dip, the region experienced a 2.7% overall increase in consumer prices over the prior 12 months (BLS).

During the two-month period, food prices rose by 0.2%, while energy prices declined by 1.8%, driven by a 2.3% decrease in gasoline and a 4.3% drop in natural gas service costs. Core inflation, excluding food and energy, also declined by 0.5%, with notable decreases in medical care (-2.5%) and recreation (-1.6%) prices. This mixed pricing environment contributed to more stable inflation readings compared to the previous year.

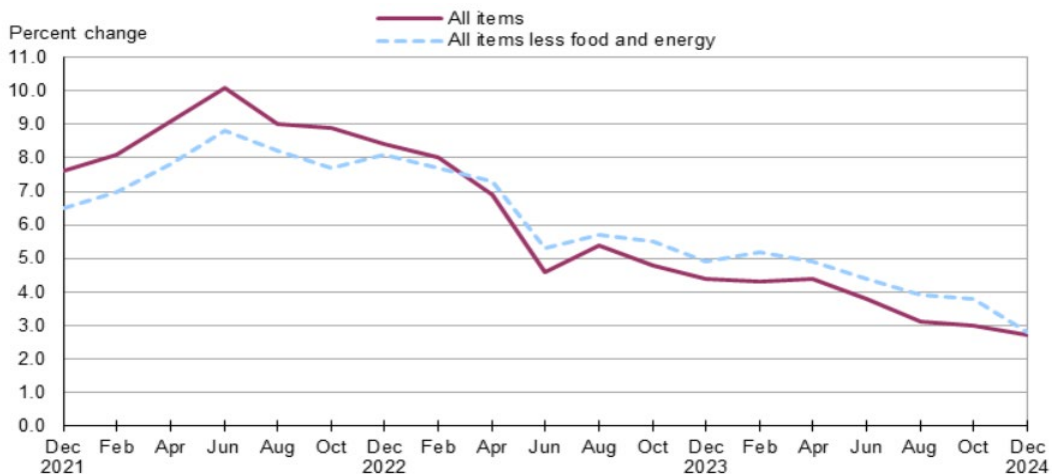
The unemployment rate steadily declined in Q4, ending the year at 3.6%—down from 4.0% in November and 4.1% in October (FRED). The labor market showed broad-based resilience, with employment gains in construction, education, and hospitality. The Puget Sound office market continued to face headwinds, with the vacancy rate rising to 21.2% in Q4 2024. Asking rents fell to \$43.61/sq ft, a 3.1% year over year decline (Newmark). Residential real estate remained hot.

Economic activity in downtown Seattle showed recovery, with average daily workers exceeding 88,000 for eight consecutive months. Hotel bookings and retail foot traffic neared pre-pandemic levels.

Bellevue Economy

The office vacancy rate in Bellevue’s Central Business District (CBD) rose to approximately 16% in the fourth quarter of 2024, which is significantly lower than Seattle’s 30% rate during the same period (Bellevue Downtown). Across the broader Eastside, vacancies rose to 21.2%, up 150 basis points from the previous quarter. Despite fluctuations in vacancy, Bellevue’s office sector remained resilient, supported by steady demand for premium workspace and continued interest from large tech firms.

Bellevue tourism rebounded significantly, attracting 2.2 million overnight visitors and generating \$1.9 billion in economic impact. Initiatives like lake cruises, food tours, and shuttle services enhanced visitor experiences (Visit Bellevue).



Source: [BLS](#)

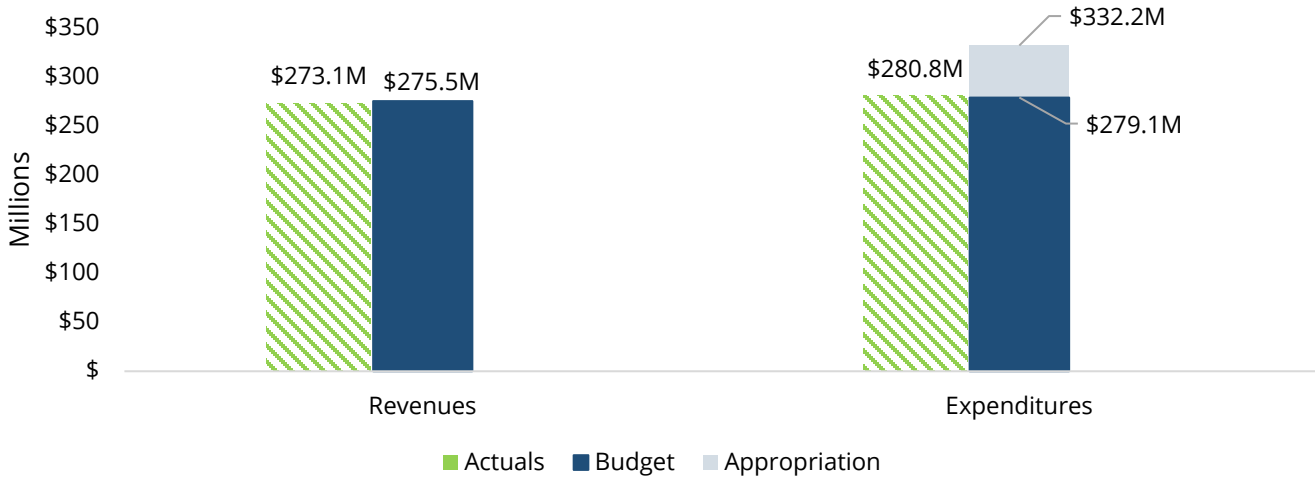


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For the period October 1 through December 31, 2024

General Fund Performance

General Fund Revenues and Expenditures as of December 31, 2024



NOTE 1: Graph illustrates year-to-date revenue and expenditure actuals, year-end projections, amended budget, and budget appropriations (includes fund balance) through December 31, 2024,

NOTE 2: Appropriation is greater than budgeted expenditures because of the inclusion of reserves in appropriation and not in budgeted expenditures.

Revenue

General Fund revenue collections were 0.9 percent or \$2.4 million below budget in 2024. This is primarily driven by a decrease in total sales tax, particularly from lower construction sales tax, auto sales and IT services. The Utility taxes offset this due to rate increases in electric and gas utilities and usage. The ALS and BLS revenues were higher than the budget numbers.

Economic uncertainty will be continuously monitored for its impact on the local environment.

Expenditures

General Fund Expenditures were 0.6 percent or \$1.7M over budget in 2024. The increase is attributed to higher-than-normal overtime costs and impacts due to new bargaining agreements. However, this is partially offset by personnel savings.

The City is continually monitoring all factors and taking appropriate action as needed to ensure the fiscal sustainability of the City.

Change in Fund Balance

The General Fund reserve as a percentage of General Fund revenues is 23.2 percent at the end of 2024. The City maintained reserves above the Council reserve policy in 2024.

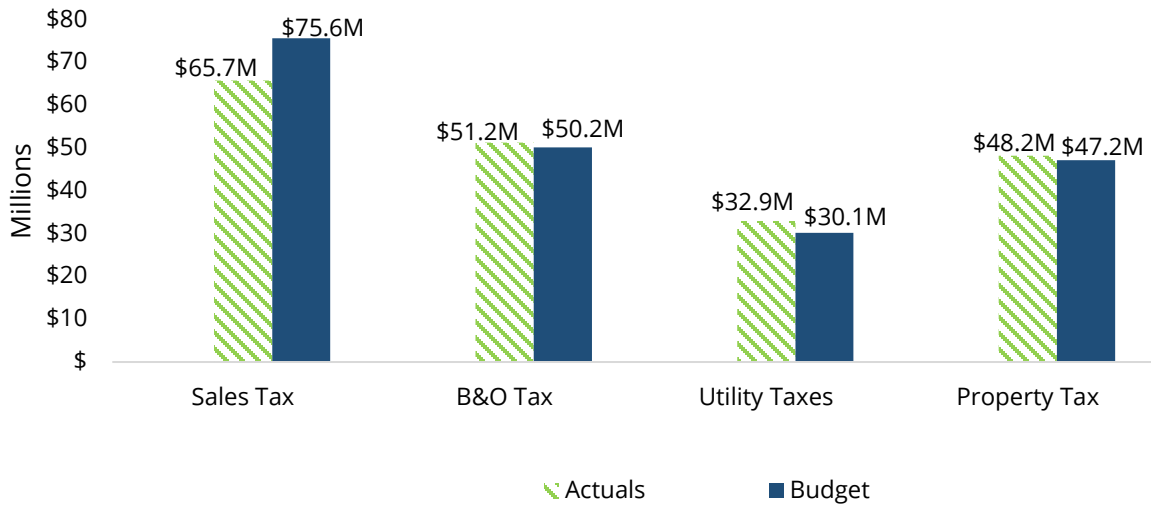


City of Bellevue Budget Monitoring Report

For the period October 1 through December 31, 2024

General Fund Performance

General Fund Tax Collections as of December 31, 2024



NOTE: The above graph illustrates the difference between year-to-date collections through December 31, 2024, and the 2024 Amended Budget.

Tax Revenues

Tax revenue collections were slightly under budget primarily driven by a decrease in total sales tax, particularly from slowdown in the construction sector. Auto sales and IT services were also lower than expected. This is slightly offset by higher utility taxes. The Budget Office will continue to monitor ongoing impacts to revenue collection.

Sales Tax

The sales tax collection were 13.1 percent below budget, primarily due to slowdown in the construction sector. Lower than expected collections in auto sales and IT services are due to longer than expected high interest environment.

Business and Occupation (B&O) Tax

B&O tax collections were 1.9 percent over the budget.

Utility Tax

Utility tax collections were 9.3 percent over budget for 2024. This is due to higher collections in the gas and electricity utility tax. Both water and sewer utility taxes contribute to higher utility tax collections in 2024.

Property Tax

Property tax revenue collections were 2.1 percent over budget in 2024 due to late payment from prior years.

Property tax is determined based on the assessed value (AV) of properties and the tax rate levied within Bellevue. Bellevue's 2024 total rate is \$0.98 per \$1,000 AV which includes: \$0.04 per \$1,000 of AV for the 2008 voter-authorized Parks and Open Space Levy Lid Lift; \$0.08 per \$1,000 AV Levy for Fire Facilities upgrades; \$0.10 per \$1,000 AV Levy for Neighborhood Safety, Connectivity Improvement projects; and \$0.22 per \$1,000 AV Levy for the new 2022 voted Parks and Open Space Levy Lid Lift.

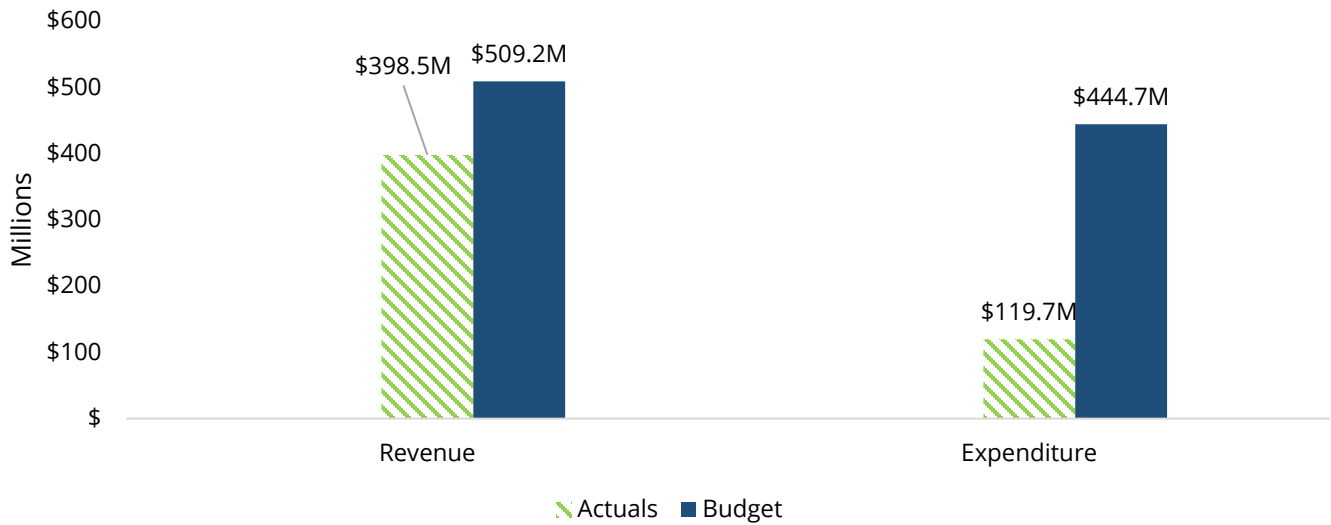


City of Bellevue Budget Monitoring Report

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General CIP Performance

General CIP Fund Revenues & Expenditures as of December 31, 2024



NOTE 1: Under-collection of revenue is driven by lower levels of spending and savings in projects that receive grant funding.

*NOTE 2: Revenue Includes historical carry forward and current period adjustments.

Revenue

Major CIP resources are comprised of taxes, grants, debt, and contributions, including sales tax, B&O tax, Real Estate Excise Tax (REET), the Fire Facilities and Neighborhood Safety, Connectivity, and Improvement levies approved by voters in 2016, and the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan that was originally executed in 2017, and refinanced in 2021.

The 2024 CIP includes \$299.9 million in the beginning fund balance dedicated to existing projects in the CIP.

The City Real Estate Excise Tax (REET) collections were over budget in 2024 by 4 percent. The City is anticipating a 14 percent year-over-year increase in REET collection as the housing market adjusts to current rates. B&O tax collections were 3 percent over budget in 2024. Sales tax collections were 13 percent under budget.

Transportation Infrastructure Finance & Innovation Act (TIFIA)

The City of Bellevue received one TIFIA loan distribution in the fourth quarter of 2024 and has drawn \$76.1 million over the life of the loan. The City continues to monitor sites regularly for appropriate safety measures, engage with contractors, local jurisdictions, and other agencies to identify workforce labor and potential supply chain issues throughout the region. The City of Bellevue secured a refinance for the TIFIA loan from the original 2.86 percent down to 1.86 percent as of December 2021. This saved the City over \$20 million over the life of the loan.

Expenditures

The City expects staff capacity and supply chain challenges to continue but still anticipates planned and unexpected spending to continue in 2024. General CIP expenditures were \$119.7 million or 26.9 percent of the available CIP expenditure budget.



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Development Services Performance



305 108th Avenue NE

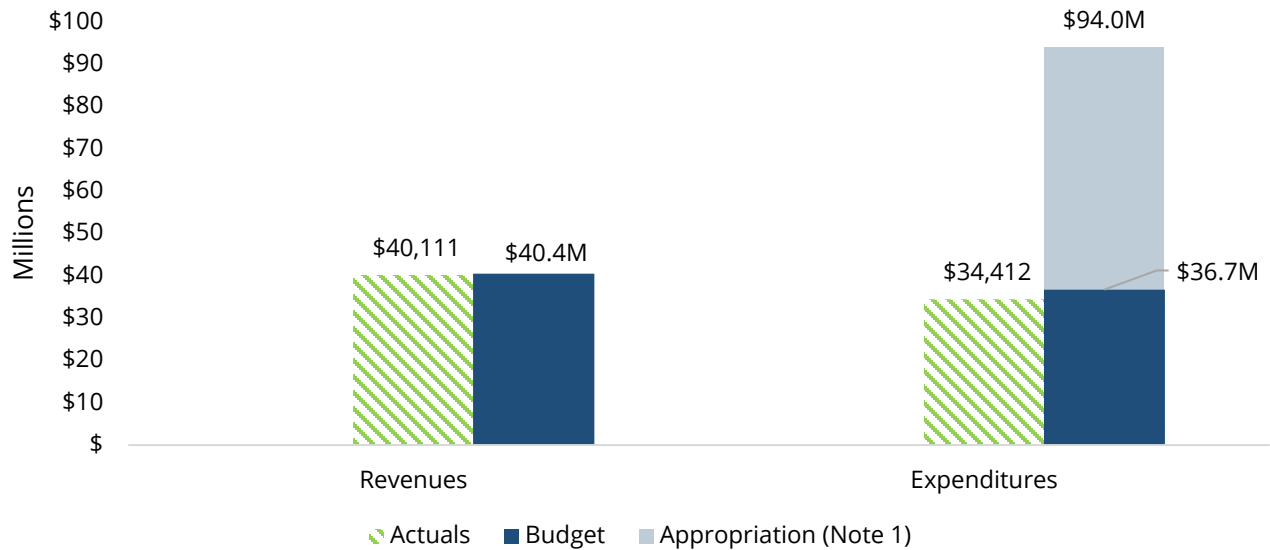


600 108th Avenue NE



10855 NE 8th Street

Development Services Revenues & Expenditures as of December 31, 2024



NOTE 1: The City's legal appropriation is greater than expenditures. Expenditure budget includes budgeted expenditures, whereas appropriation includes budgeted expenditures and fund balance (reserves).

Development activity continues to generate workload for Development Services as current projects move through the review and inspection process. The development pipeline for major projects was significantly curbed due to uncertain economic conditions, however, overall permit work remains strong. The slowdown for high valuation projects is reflected by lower than anticipated revenue.

Expenditure savings are for vacant positions, miscellaneous M&O and the delay for the DS remodel project.

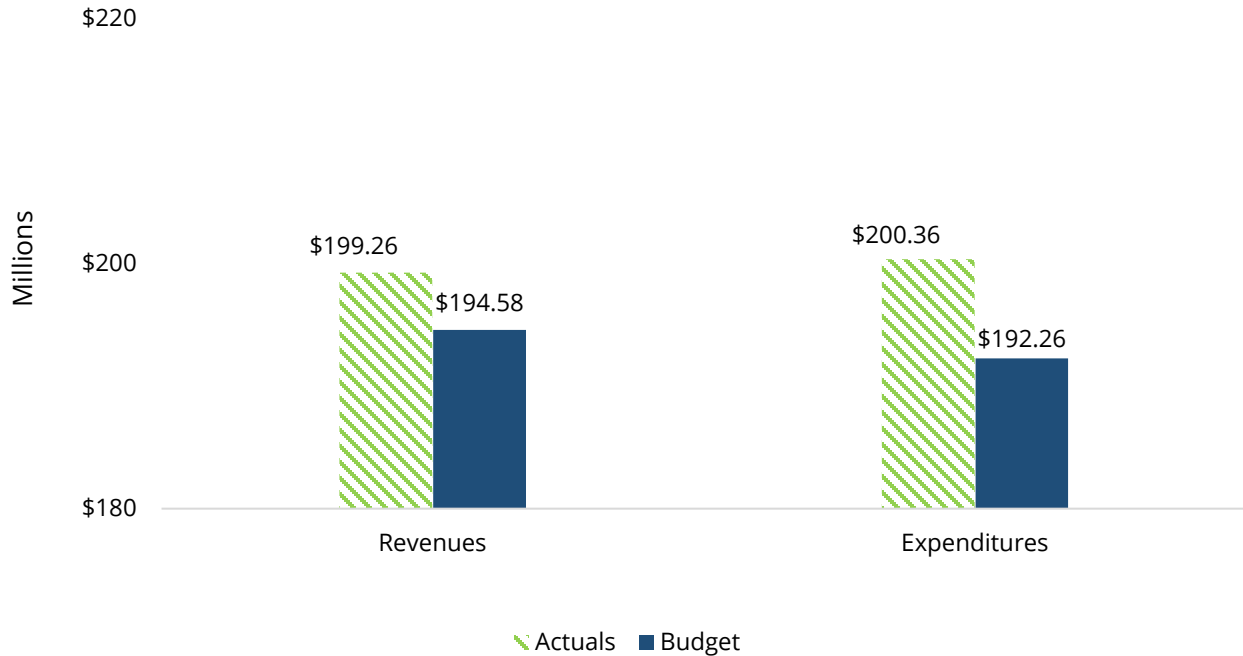


City of Bellevue Budget Monitoring Report

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Utilities Operating Funds

Utilities Operating Funds Revenues & Expenditures as of December 31, 2024



NOTE 1: The legal appropriation includes budgeted expenditures and fund balance (reserves)

Operating revenues exceeded budget by \$4.7 million, primarily due to higher than anticipated water and sewer service revenues. This was primarily driven by higher commercial water usage from better than forecasted economic activity.

Operating expenditures were below budget by \$1.4 million, primarily due to a change in the accrual process for wastewater treatment expenditures, which led to 13 months of expenditure being incurred in 2023 and 11 months of expenditures being incurred in 2024; the effect of this is a \$3.5M under expenditure in wastewater treatment costs for 2024. This was partially offset by higher-than-anticipated consulting cost to support the implementation of a new billing system, repair & maintenance activity, taxes resulting from higher revenues, and the acquisition of capital assets that were delayed from the previous year.

Consistent with Utilities financial policies, operating reserves above fund target levels are transferred to the utility capital renewal and replacement (R&R) account for future infrastructure needs. As a result of the positive net financial performance, Utilities were able to transfer \$9.5 million to the R&R accounts in 2024.

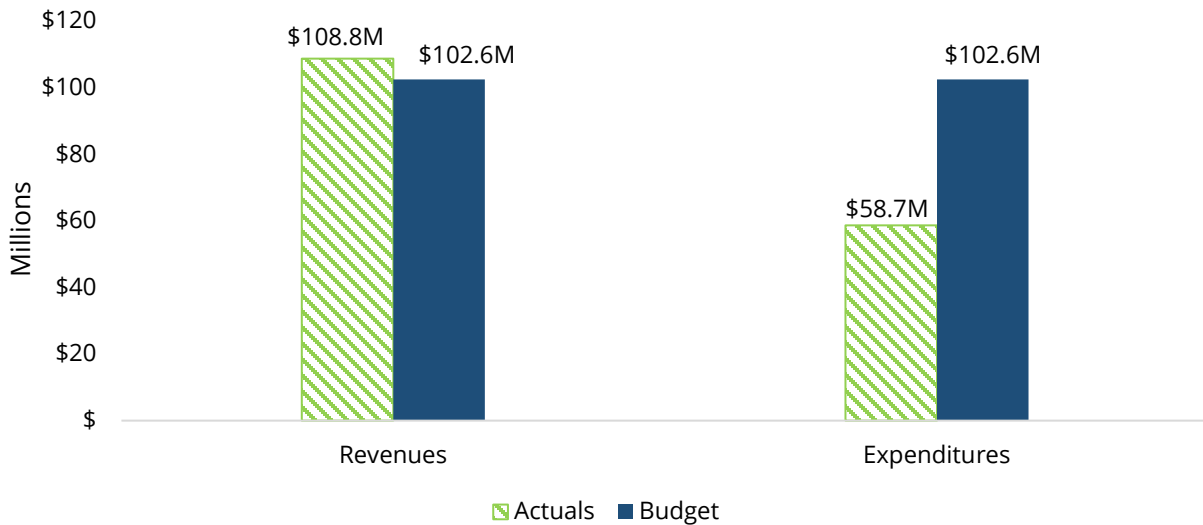


City of Bellevue Budget Monitoring Report

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Utilities CIP

Utilities CIP Revenues & Expenditures as of December 31, 2024



NOTE 1: Total available budget excludes bank capacity projects - \$8.8 million for East Link and \$22.7 million for future Bel-Red stream restoration (Mobility & Infrastructure Initiative).

CIP Revenues ended 2024 \$6.2M above budget due to the timing of reimbursement grants from King County. Actual revenues reflect funding for projects budgeted in previous years.

CIP Expenditures ended the year at 57% of budget. CIP expenditures reflect delays for several major projects due to one or more of the following factors - ongoing supply chain/materials availability issues, environmental permitting delays, property acquisition issues, and staff turnover.

Examples of projects impacted by these factors include:

- Sewer Pump Station 12 and South Ridge Pump Station
- Horizon View 2 Reservoir and Pump Station
- Bogline Sewer Line Replacement
- Watermain Replacement projects
- Operations & Maintenance Yard Project

The majority of the unspent 2024 budgeted funds will be needed for project delivery within the current CIP period.