



City of Bellevue Budget Monitoring Report

For the period from July 1 through September 30, 2024

Economic Performance

This report discusses revenues and expenditures for the General Fund, General Capital Investment Program (CIP) Fund, Development Services 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 September 2024.

In the third quarter of 2024 the national real GDP grew by 2.8 percent year-over-year after 3.0 percent year-over-year growth in the second quarter of 2024 ([BEA](#)). This increase in GDP was driven by consumer spending increases in both goods and services.

Job openings in August 2024 are down 14.1 percent compared to August 2023 ([BLS](#)). The unemployment rate is elevated compared to last year, but is now trending downward to 4.1 percent in September 2024 compared to the 2024 peak of 4.3 percent in July 2024 when the Sahm rule was triggered ([BLS](#)). With the strong September employment report, this is no longer triggered.

The personal consumption expenditures (PCE) price index, the preferred inflation gauge of the Federal Reserve, has shown prices in September 2024 increasing only 2.1 percent over September 2023 ([BEA](#)). In light of slowing job gains and moderating, although still elevated, inflation, the Federal Open Market Committee (FOMC) decided to cut the target range for the federal funds rate by ½ percentage point on September 18 ([Federal Reserve](#)). The FOMC's goal is to achieve maximum employment and an inflation rate of 2 percent over the long run. The cut was made considering the balance of risks, and they remain committed to the 2 percent inflation objective.

Earlier in 2024, it was reported that interest rates being sustained at such a high level were creating a lock-in effect in existing homes, keeping supply tight ([NY FED](#)). There has not been an immediate drop in mortgage rates with September's rate cut, as even just the

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%

prospect of the rate cut helped move mortgage rates lower in 2024 prior to the FOMC decision. The 30-year rates in mid-September 2024 are at 6.2 percent, which are the lowest since February 2023 ([FreddieMac](#)). The sales of new single-family houses in August 2024 were 9.8 percent above August 2023 ([Census](#)).

There are many risks to the economy on the horizon that are being monitored. Cybersecurity remained in the headlines in Q3, with the two weeks of the Olympics bringing reports of 140 cyberattacks to French authorities ([World Economic Forum](#)). Middle East conflict is escalating, but oil prices remain relatively stable as falling demand is offsetting the escalating risk environment ([EIA](#)).



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Regional Economy

Washington’s August nonfarm jobs increased by 1.3 percent year over year, consistent with the growth seen in July 2024. However, the unemployment rate in August 2024 increased at 3.6 percent over the unemployment rate in August 2023 ([WA Employment Security Department](#)). Beginning on September 13, 2024, more than 33,000 machinists at Boeing went on strike. Most striking workers are at the company’s plants in King County, with some elsewhere in Washington, or in Oregon and California. This is the union’s first strike since 2008. The striking action lasted for eight weeks at a cost of \$2 billion to Boeing ([NPR](#)).

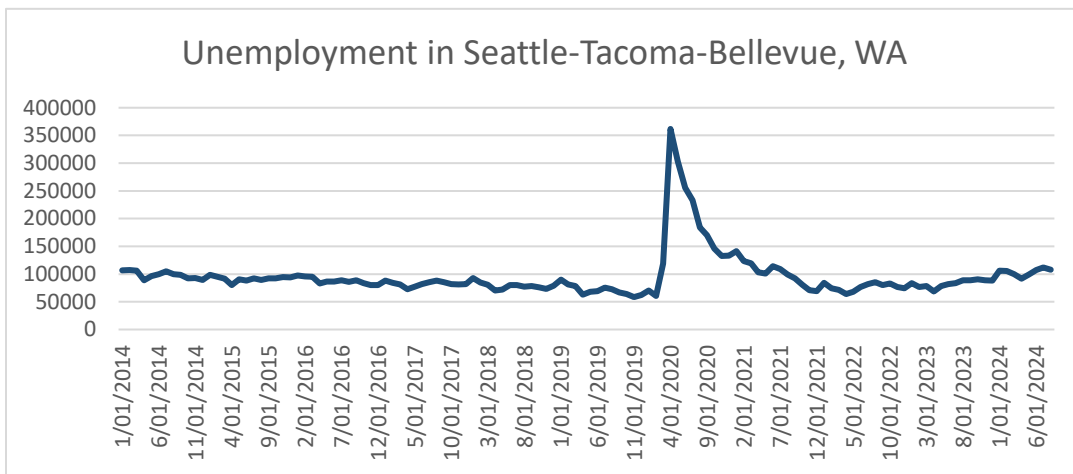
Housing permits slowed down in Washington again in August 2024, with a 13.1 percent drop from permits in August 2023. However, this comes after a 15.5 percent increase in permits year-over-year in July, bringing the third quarter average growth to 1.2 percent so far and demonstrating the volatility of permits ([FRED](#)). This decrease in permit activity in Washington was due to weakness in both single-family permits and multi-family

permits ([ERFC](#)). On a national, state, and local level there has been a cooling effect seen since March 2022 when the Fed began raising interest rates, and while they have cut rates it has not impacted permits yet.

Bellevue Economy

In September 2024, the City Council was presented with the Preliminary [2025-2026 Operating Budget](#) and the 2025-2030 Capital Improvement Program (CIP) Plan. Staff reiterated this budget cycle is expected to have flat revenue growth, meaning Bellevue is in a stable and positive financial position, while remaining cautious and prudent, as is consistent with our long-standing policies and practices.

Throughout the second quarter of 2024, the City of Bellevue sponsored economy stimulating festivals such as the first City sponsored international festival celebrating Bellevue’s diverse cultures and the National Night Out. Additionally, the City is extending its successful food truck pilot program which provides a rotation of 11 different food trucks at City Hall Plaza.



Source: [BLS](#)

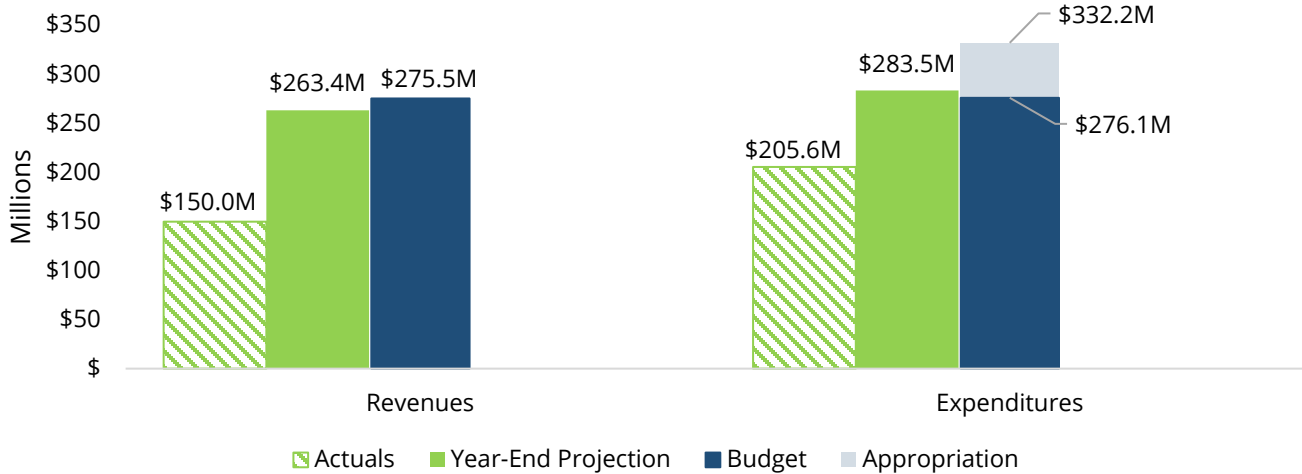


City of Bellevue Budget Monitoring Report

For the period July 1 through September 30, 2024

General Fund Performance

General Fund Revenues and Expenditures as of September 30, 2024



NOTE 1: Graph illustrates year-to-date revenue and expenditure actuals, year-end projections, amended budget, and budget appropriations (includes fund balance) through September 30, 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 are projected to be 4.4 percent below budget in 2024. This is primarily driven by a decrease in total sales tax, particularly from general consumer sales, auto sales and IT services. Utility taxes are expected to slightly offset this due to rate increases in electric and gas utilities and usage. The court revenues are \$1M higher than the budget. Investment interest earning is \$500K below the budget.

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

Expenditures

Expenditures are projected to be 2.9 percent or \$7.4M 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 a small amount of 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 projected to be 20.8 percent in 2024. The City is projecting to maintain reserves above the Council Reserve Policy figure of 15 percent, which helps ensure the financial stability of the City.

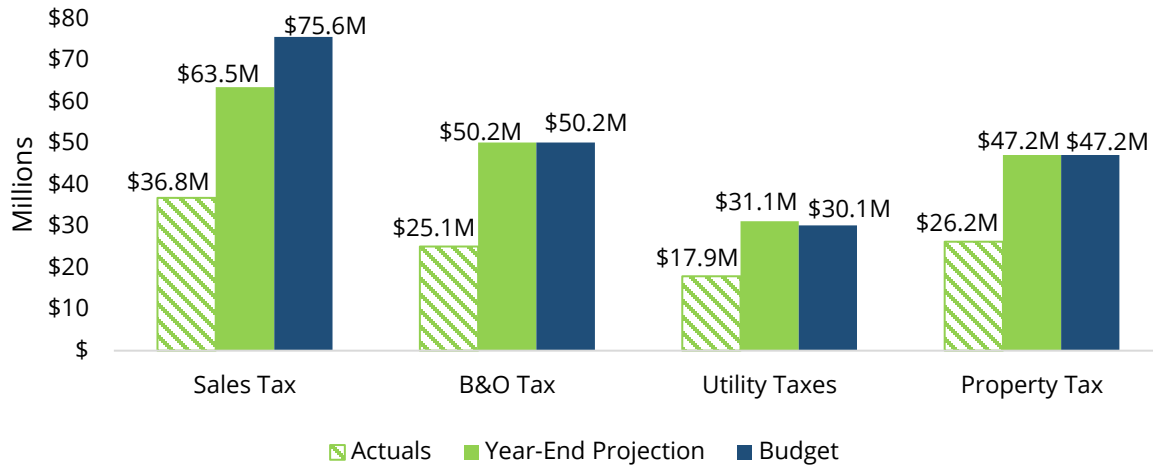


City of Bellevue Budget Monitoring Report

For the period July 1 through September 30, 2024

General Fund Performance

General Fund Tax Collections as of September 30, 2024



NOTE: The above graph illustrates the difference between year-to-date collections through September 30, 2024, and the 2024 Amended Budget.

Tax Revenues

Tax revenue collections are expected to come in under budget due to a slight correction in the sales tax forecast, primarily driven by lower consumer spending on auto sales and IT services. The Fed cut interest rates later than expected. There was also a large sales tax refund from DOR. This is slightly offset by higher utility taxes and higher court revenues. The Budget Office will continue to monitor ongoing impacts to revenue collection.

Sales Tax

The sales tax collection projection for the City of Bellevue is 16.0 percent below budget, primarily due to sales tax refunds and a reduction in consumer spending on auto sales and IT services.

Business and Occupation (B&O) Tax

B&O tax collection is projected to be at budget based on second quarter collections.

Utility Tax

Utility tax collections are projected to be 3.3 percent over budget for 2024. This is due in part to rate increases in the gas and electric lines in 2023 creating a higher base for the forecast. There are other factors like usage being impacted by the utility payment system being interrupted which have been resolved.

Property Tax

Property tax revenue collection is projected to be at budget in 2024.

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, and Improvement projects; and \$0.22 per \$1,000 AV Levy for the 2022 voted Parks and Open Space Levy Lid Lift.

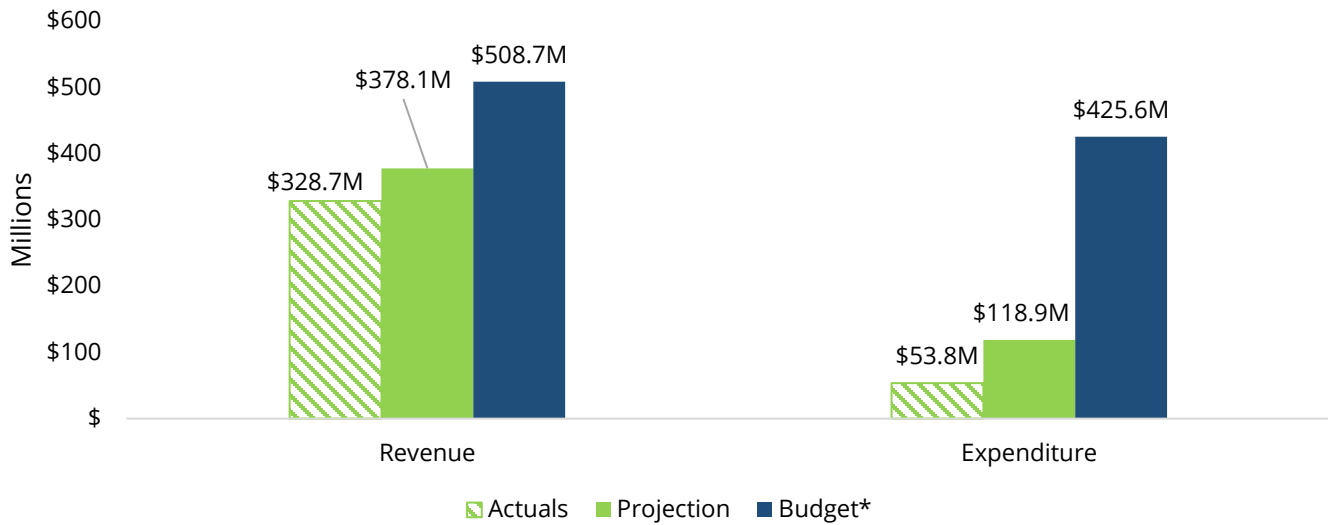


City of Bellevue Budget Monitoring Report

For the period July 1 through September 30, 2024

General CIP Performance

General CIP Fund Revenues & Expenditures as of September 30, 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 projects that REET collection will be below budget in 2024 by 14 percent or \$2.5 million. 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 are projected to be at budget in 2024. Sales tax collections are projected to be 12 percent under budget.

Transportation Infrastructure Finance & Innovation Act (TIFIA)

The City of Bellevue received one TIFIA loan distribution in the third quarter of 2024 and has drawn \$59.8 million over the life of the loan. The City continues to monitor sites regularly for appropriate safety measures, and 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 are projected to be \$124 million or 28.0 percent of the available CIP expenditure budget.



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Development Services Performance



10112 NE 10th Street

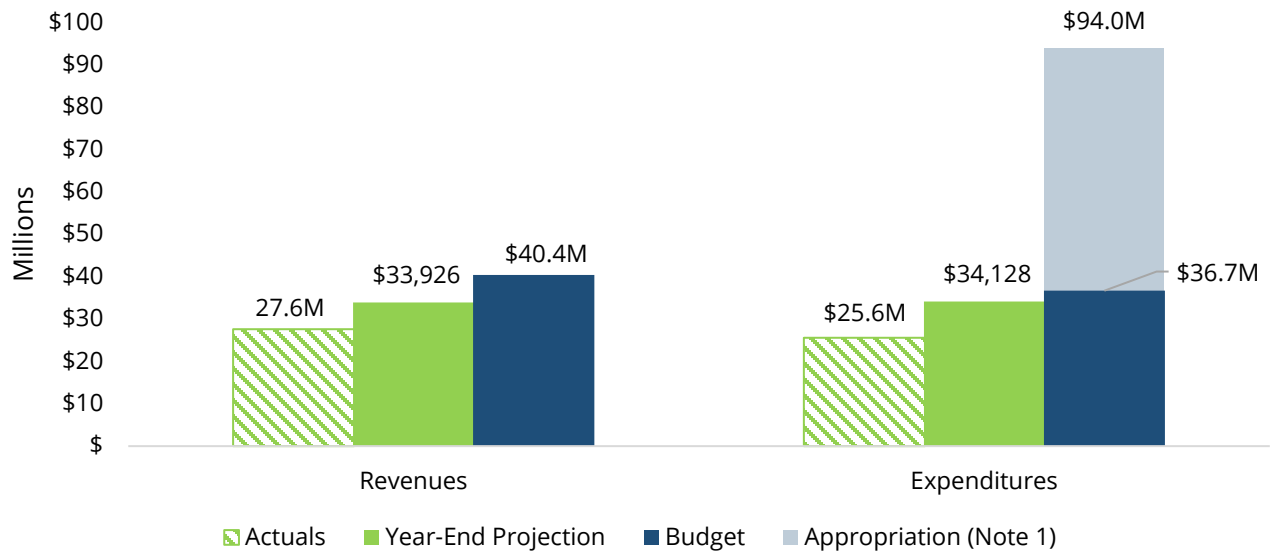


222 112th Avenue NE



228 108th Place NE

Development Services Revenues & Expenditures as of September 30, 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 (DS) as current projects move through the review and inspection process. The development pipeline for major projects is slowing 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 timeline delay for the DS remodel project.

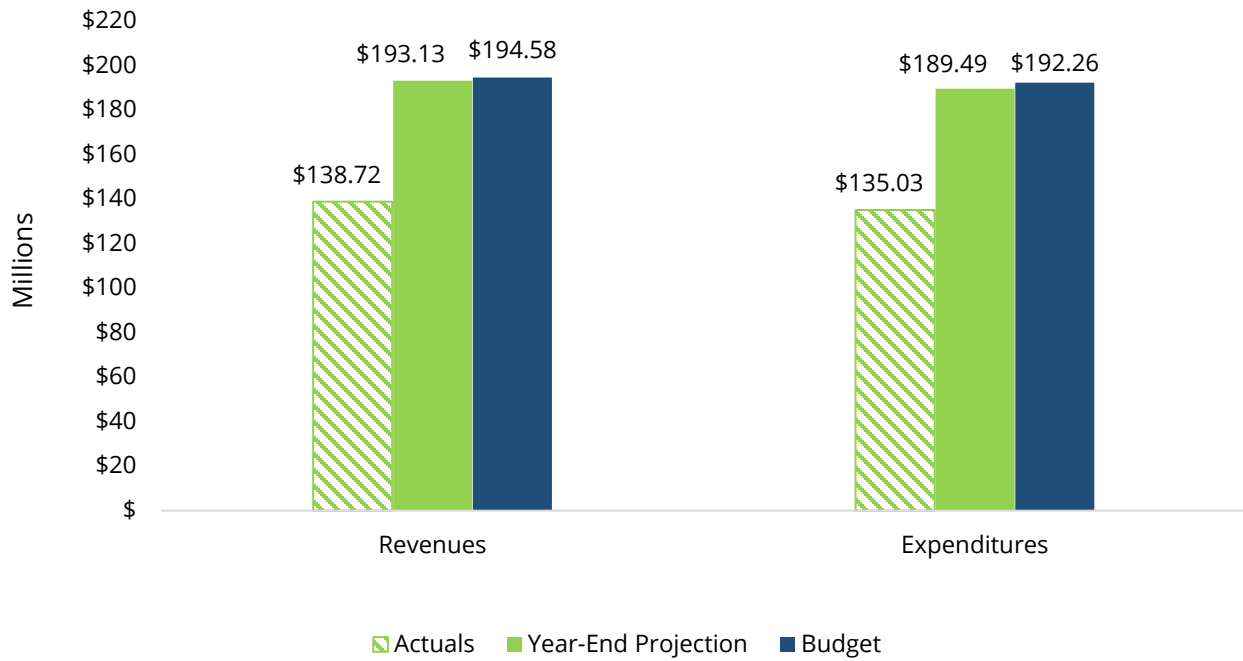


City of Bellevue Budget Monitoring Report

For the period July 1 through September 30, 2024

Utilities Operating Funds

Utilities Operating Funds Revenues & Expenditures as of September 30, 2024



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

Utility year-to-date revenues are trending behind expectations, primarily due to lower water service revenues driven by weather and economic conditions, which traditionally can impact discretionary usage of water like irrigation. Revenues are forecasted to be slightly below budget by year-end, due to these lower-than-expected water service revenues.

Utility year-to-date expenditures are within expectations. Year-end expenses are forecasted to be below budget at year-end, primarily due to vacancy savings.

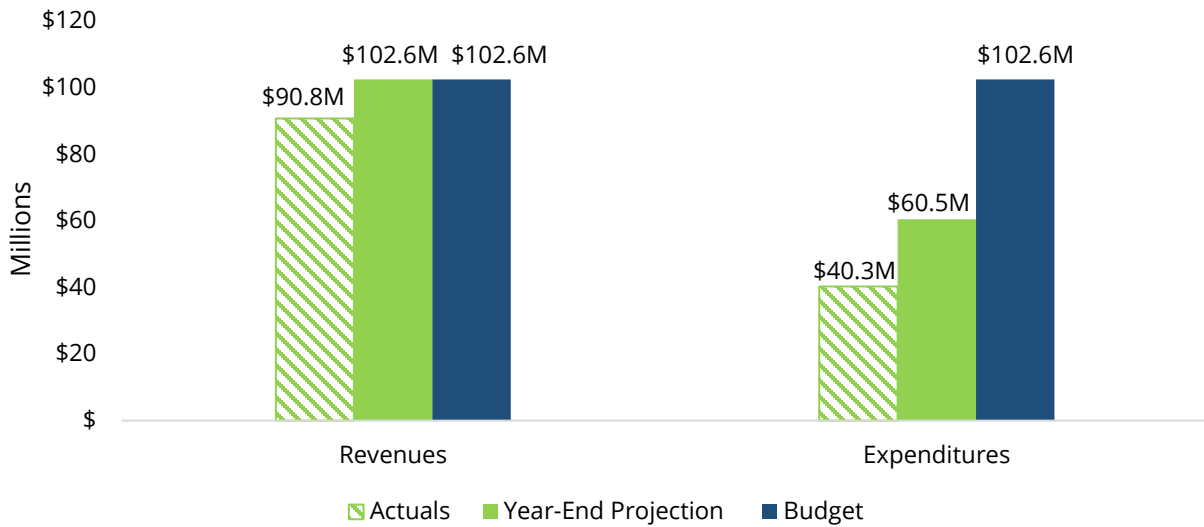


City of Bellevue Budget Monitoring Report

For the period July 1 through September 30, 2024

Utilities CIP

Utilities CIP Revenues & Expenditures as of September 30, 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 are expected to be at budgeted levels at year end. Actual revenues reflect funding for projects budgeted in previous years.

CIP expenditures are expected to be at approximately 59 percent of budgeted levels at year end. 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:

- Factoria Blvd Conveyance Improvements
- 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.