City of Bellevue Budget Monitoring Report

For the period from April 1 through June 30, 2026

Summary of Monitoring

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 actuals to the amended 2025-2026 budget for each fund and, within the General Fund, each department. This report includes actuals through Quarter 2 of 2026.

The City's goal is for actual expenditures and revenues to be within 5% of overall appropriation or forecasted revenues, referred to as budget in this report. Through Q2 2026, expenditures by fund for the General Fund (2% below appropriation) are on track with budget, while overall expenditures (10% below appropriation) are slightly below budget. Both General Fund revenues (2% below forecast) and overall revenues (5% above forecast) are on track for the 2025-2026 biennium.

Bellevue Economy

Inflation remains the primary area to watch for both the national and local economy. Annual inflation in the Seattle-Tacoma-Bellevue area picked up over the quarter, with the area CPI-U rising to 4.5% in June from 3.9% in February. Two pressures drove the reacceleration: higher energy prices following the outbreak of conflict in the Middle East in late February, and the continued pass-through of tariffs into consumer goods. Both remain unsettled — oil moved back above $100 per barrel in late July after renewed hostilities, and the legal basis for federal tariffs continues to shift. In the labor market, national conditions remain stable, with unemployment at 4.2% in June, a twelve-month low. Locally, area unemployment rose to 5.2% from 4.4% a year earlier, with regional job growth close to flat over the year. Construction activity stayed constrained by elevated financing costs and general economic uncertainty, though Bellevue's office market saw declining vacancy and strong leasing activity in the second quarter.

Budget to Actuals Comparison – Q2 2026

The tables below compare biennial budgeted amounts to actuals through Q2 2026, along with a variance percentage.

- Table 1: Expenditures by fund
- Table 2: Revenues by fund
- Table 3: Expenditures by department within the General Fund

How to Read the Variance Percentage

The variance percentage column shows the difference between the budgeted amount and actual amount for a fund or department, expressed as a percentage of the budget:

- A negative variance indicates that the actual amount was under budget.
- A positive variance indicates that the actual amount was over budget.

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The City of Bellevue appropriates on a biennial (two-year) cycle rather than annual. The biennium-to-date budget figures in these tables are estimates from staff at the time of budget adoption about how the two-year appropriated budget would be spent across the first year of the biennium through quarter 2 of the second year. Therefore, a positive budget-to-actuals variance does not indicate that the fund is over its appropriated budget; only that it has exceeded the amount projected for the reporting period.

Where the variance is less than +/- 5%, the cell is blue. Where it is greater than +/- 5%, the cell is yellow. Notes are included below for high-variance funds and departments.

Table 1: 2026 Q2 Budget vs. Actuals by Fund (Expenditures)

	Q2 2026 Expenditures			
Fund	**2025-2026 Biennial Budget**	**Biennium to Date Budget**	**Biennium to Date Actuals**	**% Variance**
General Fund	**866,720,082**	**643,678,353**	**633,199,726**	**-2%**
Restricted Special Purpose Fund	62,621,641	41,687,334	28,543,802	-32%
Operating Grants & Donations Fund	28,675,047	24,141,088	23,246,492	-4%
Debt Service Fund	59,842,676	44,881,044	33,945,290	-24%
General CIP Fund	277,471,884	212,301,569	163,148,343	-23%
Storm & Surface Water Utility Fund	84,348,694	62,946,958	52,301,283	-17%
Water Utility Fund	195,587,021	142,615,766	128,815,641	-10%
Sewer Utility Fund	197,524,887	145,406,456	136,529,478	-6%
Solid Waste Fund	2,344,911	1,715,092	1,186,364	-31%
Equipment Rental Fund	46,359,871	29,994,538	20,999,083	-30%
Firefighters' Pension Fund	511,973	384,967	481,747	25%
LEOFF I Medical Reserve	110,628	82,778	1,537,272	1757%
Land Purchase Revolving Fund	1,441,726	1,112,143	1,083,371	-3%
Utility CIP Fund	105,166,483	78,313,777	66,079,392	-16%
Total	**1,928,727,524**	**1,429,261,864**	**1,291,097,285**	**-10%**

Table 2: 2026 Q2 Budget vs. Actuals by Fund (Revenues)

	Q2 2026 Revenues			
Fund	**2025-2026 Biennial Budget**	**Biennium to Date Budget**	**Biennium to Date Actuals**	**% Variance**
General Fund	**854,474,862**	**639,468,082**	**623,693,782**	**-2%**
Restricted Special Purpose Fund	52,041,324	36,202,288	38,409,166	6%
Operating Grants & Donations Fund	26,577,796	22,841,244	20,815,850	-9%
Debt Service Fund	42,230,657	31,359,715	29,939,395	-5%
General CIP Fund	159,048,867	114,904,338	176,127,321	53%
Storm & Surface Water Utility Fund	73,841,237	54,967,423	53,383,515	-3%
Water Utility Fund	173,317,113	128,101,406	122,148,512	-5%
Sewer Utility Fund	183,570,135	135,160,826	140,619,144	4%
Solid Waste Fund	1,950,439	1,456,698	2,134,500	47%
Equipment Rental Fund	22,296,836	16,402,224	15,886,111	-3%
Firefighters' Pension Fund	1,014,155	761,669	1,264,813	66%
LEOFF I Medical Reserve	-	-	1,550,871	
Land Purchase Revolving Fund	2,003,324	1,507,744	1,531,434	2%
Utility CIP Fund	157,375,779	120,414,210	141,081,000	17%
Total	**1,749,742,522**	**1,303,547,865**	**1,368,585,413**	**5%**

Table 3: 2026 Q2 Budget vs. Actuals by General Fund Department (Expenditures)

	Q2 2026 General Fund Expenditures			
Department	**2025-2026 Biennial Budget**	**Biennium to Date Budget**	**Biennium to Date Actuals**	**% Variance**
City Attorney	13,288,080	9,954,917	8,993,501	-10%
City Clerk	6,650,556	4,982,552	4,596,746	-8%
City Council	1,284,905	961,789	930,428	-3%
City Manager	23,371,777	17,417,994	14,695,192	-16%
Finance & Asset Management	100,717,501	78,255,412	71,557,621	-9%
Fire Department	147,556,690	110,128,575	113,649,793	3%
Human Resources	81,332,563	60,618,003	68,285,637	13%
Information Technology	40,618,291	31,414,558	28,933,479	-8%
Parks & Community Services	121,276,087	85,860,281	84,901,279	-1%
Development Services	61,712,280	46,230,772	49,657,135	7%
Community Development	42,343,235	30,815,637	25,893,760	-16%
Police Department	130,307,139	97,637,769	92,656,893	-5%
Transportation	89,460,356	64,521,886	61,235,020	-5%

Explanations of Variances

Expenditure Variances by Fund

- **Restricted Special Purpose Fund** (underspent by 32%): In FAM, the under expenditure is primarily due to the timing of reimbursement-based activities, which delays recognition of costs until after they are incurred and processed from the Tourism Promotional Area contractors. In CD, the underspend is due to timing of several Housing fund contracts and awards. Staff anticipate increased spending in Q3 and Q4 2026
- **Debt Service Fund** (underspent by 24%): Debt Service Fund expenditures are lower due to the timing of scheduled payments, which occur in June and December.
- **General CIP Fund** (underspent by 23%): Underspend is occurring across all portfolios. In Parks, work continues on active projects. Underspending varies by project, but generally results from delayed vendor invoicing, lengthy permitting timelines, additional community and stakeholder engagement, and work to develop internal readiness for alternative delivery. In FAM, projects are underspent due to several being in the planning phase with delivery not starting until late 2026 or early 2027. As part of the 2027-28 budget process, funding was carried forward into the 2027-2030 plan while staffing is being ramped up to deliver the CIP as planned for both FAM and Fire Programs. In Transportation, several new projects entered the construction phase in 2026; however, lagging Transportation CIP spend is largely due to the rejection of all bids for two Federal-Aid projects. Staff are working with the granting agency and the City Attorney's Office to address this for future Federal-Aid construction contract advertisements. Several projects with State and Local funds have been successfully awarded. Many of these projects are partnerships with other departments and agencies that include grants and other outside funds. These projects are early in the construction phase and have not yet had payments made to the contractors. Payments will occur in the last half of 2026.
- **Storm & Surface Water Utility** (underspent by 17%): Storm & Surface Water Utility Fund biennium budget to date includes $7.7M in contingencies. Expenditures net of contingencies are 5% below budget, driven primarily by timing of operational expenditures.
- **Water Utility Fund** (underspent by 10%): Water Utility Fund biennium budget to date includes $16.5M in contingencies. Expenditures net of contingencies are 2% above budget, driven primarily by timing of operational expenditures.
- **Sewer Utility Fund** (underspent by 6%): Sewer Utility Fund biennium budget to date includes $10.7M in contingencies. Expenditures net of contingencies are 1% above budget, driven primarily by timing of operational expenditures.
- **Solid Waste Fund** (underspent by 31%): Solid Waste Fund biennium budget to date includes $161K in contingencies. Expenditures net of contingencies are 24% below budget, driven primarily by delay of expenses in 2025 expected to materialize in 2026, with professional services costs offset by grant funding.

- **Equipment Rental Fund** (underspent by 30%): Under expenditure in the Equipment Rental Fund is primarily due to delays in asset purchasing, with several equipment and vehicle replacements originally planned for 2025 deferred to 2026.
- **Firefighters' Pension Fund** (overspent by 25%): Budget was based on the actuarial report, and claims have been higher than expected. If needed, a fund appropriation amendment to account for high claim activity will be brought to council later this year.
- **LEOFF I Medical Reserve** (overspent by 1,1757%): The over expenditure in LEOFF is due to a change in how Bellevue's LEOFF costs are recorded. Accounting recently began recording these costs in the LEOFF Fiduciary Fund (1210) per contract requirements. This change does not impact the City's total expenditures, as the entries are offset by reductions in related General Fund accounts. Staff will update the budget in future biennia to reflect this change. A fund appropriation amendment to account for these changes in 2025-2026 will be brought to council later this year.
- **Utility Capital Improvement Fund** (underspent by 16%): Expenditures are on track to utilize appropriated available budget for 2025-2026. Accelerated schedule for watermain projects and Culvert replacement at Kelsey Creek have compensated schedule delays for few projects in the Sewer fund

Expenditure Variances by Department (General Fund)

- **City Attorney's Office** (underspent by 10%): Through Q2, CAO variance continues to be driven by vacancy savings. During this quarter, CAO did hire one of the roles that was causing vacancy savings.
- **City Clerk's Office** (underspent by 8%): For 2025, vacancy savings drove underspend. 2026 underspend through Q2 has been driven by some professional service contracts.
- **City Manager's Office** (underspent by 16%): Vacancy savings, underspending in professional service funds - partially caused by contract timing, as well as underspend for the City Manager contingency funds are the primary causes of underspend through Q2 2026.
- **Finance & Asset Management** (underspent by 9%): Through Q2, FAM's under expenditure is mainly driven by less than anticipated insurance premiums and liability claims, vacancy savings and timing of planned expenditures.
- **Human Resources** (overspent by 13%): Continued higher than budgeted Medical / Admin claims are driving the overspend through Q2 2026.
- **Information Technology** (underspent by 8%): Through the biennium to date ITD is underspent due to timing of contracted spend and position vacancies. Larger contractual spend through Q3 and the remainder of the year will balance the underspend.
- **Development Services** (overspent by 7%): 2025 exceeded budget due to quarterly transfers from DSD to Fire and Transportation for review/inspection hours charged to permits. When DSD was moved to the General Fund for the 2025-2026 DSD budget, those transfers were not budgeted. For 2026, DSD will exceed budget for the same transfers.

- **Community Development** (underspent by 16%): Vacancy savings and underspend on professional service contracts across the department are the primary causes of the underspend across the biennium. CD is aggressively spending in 2026 to decrease the projected biennium underspend.