

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Forecast Update, 2013-2014 Mid-Biennium Budget, and 3rd Quarter Monitoring Report. Tonight's study session will provide an overview of each of the actions proposed as part of the Council's overall Mid-Biennium budget adjustment:

- General adjustments to the 2013-14 budget;
- An adjustment to the Development Services fee ordinance to reflect inflation;
- The annual property tax levy ordinance and banked capacity resolution, consistent with the final Mid-Biennium budget adjustments approved by Council;
- Authorize routine transfer of funds from LID Guaranty; and
- Recommended adjustments to existing financial policies related to system plan update timing.

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POLICY ISSUES

General Adjustments to the Mid-Biennium Budget

The proposed Mid-Biennium budget adjustment contains limited changes at the fund level to the 2013-2014 Budget adopted on December 3, 2012. Major changes include:

- Downward adjustment to salary costs based on a lower than projected CPI-W for June 2013.
- Appropriation authority for 24 Development Service FTE positions, 18 of which are reflected in the Development Services Fund, four in the General Fund, and two in Utilities Funds. These positions will be filled as needed to address increased workload caused by development activity and were authorized by Council on August 5. (Attachment B)
- Budget appropriation adjustments to the General, Facilities, Information Technology, Parks Enterprise, Local Improvement District (LID) Guaranty, Water, Sewer, and Storm and Surface Water Utility Funds. In addition, the Mid-Biennium proposes that 2.75 FTE positions supported by revenue be added in the General Fund and Information Technology Funds (1.0 and 1.75 FTEs respectively). (Attachment B and D)
- Adjustments to the Capital Investment Program (CIP) to reflect direction provided by the Council on October 7. (Attachment E)

Staff recommends that the budgets of other funds remain unchanged.

Proposed Development Services Department (DSD) Fees

Staff will present proposed adjustments to Development Services fees charged for permit review and inspection services based on inflation increases, in alignment with historical practice and financial policies. This increase was anticipated in the Adopted 2013-2014 Budget and a fee ordinance is required on an annual basis. Attachment C provides additional details.

Property Tax Ordinance

Council, by law (RCWs 35A.34.230 and 84.55.092), is required to adopt property tax levies annually, even though the City adopts biennial budgets. A property tax banked capacity Resolution is also recommended in order to continue to reserve the current approximately \$9 million in banked capacity. The Mid-Biennium Update proposes no property tax increases.

LID Guaranty Ordinance

Transfer of excess funds from the LID Guaranty Fund to the General Fund is a normal and routine process allowed under RCW 35.54.095. The excess funds in the LID Guaranty Fund are attributed to a one-time transfer of remaining funds in the LID No. 280 project after the associated debt obligations were paid off in late 2012. Council authorized the last transfer in December 2010 via Ordinance No. 5976.

RCWs 35.34.130, 35A.34.230 and 84.55.092

State law requires that a mid-biennium budget review be completed between August 31 and the end of the first year of the biennium and that a public hearing be held on the mid-biennium review. Council action on the City’s 2014 property tax levy is also required by State law in conjunction with the Budget update. In addition, in accordance with labor agreements, COLA is updated to reflect the final COLA amounts.

Financial Policies

The City’s financial policies which are being proposed for update are provided with each Mid-Biennium budget for Council review. The Utilities Department has updated its financial policies related to the timing of updates to Utility System Plans. Staff is seeking direction to adjust the Utility financial policies as noted in Attachment F which displays the proposed changes in red-line format.

DIRECTION NEEDED FROM COUNCIL

- Action
- Discussion
- Information

Staff seeks direction on the proposed general approach to the Mid-Biennium budget adjustments, Utilities financial policy changes, and direction from Council regarding DSD fees in 2014.

BACKGROUND/ANALYSIS

Mid-Biennium calendar and recap of recent Council discussions

The proposed timetable for the Mid-Biennium Budget update is as follows:

| Description | Date |
|--|--------------------|
| 1) 2013-2014 Mid-Biennium Budget Overview | November 4 |
| 2) Additional Study Session discussions if needed | November 12 and 25 |
| 3) Mid-Biennium Budget public hearing | November 18 |
| 4) Council Actions: | December 2 |
| a. 2014 Property Tax Levy Ordinance | |
| b. 2014 Property Tax Banked Capacity Resolution | |
| c. Development Services Fee Ordinance | |
| d. 2013 LID Guaranty Fund Transfer Ordinance | |
| e. 2013-2014 Budget Mid-Biennium Budget Ordinance (which includes appropriation approval by Fund as well as the 2014 pay plans). | |

Recap of Recent Council Budget Discussions and Future Scheduled Discussions

In August, staff provided Council with the second quarter update on the status of the General, Development Services, Water, Sewer, Storm and Surface Water, General Capital Investment Program, and Utility Capital Funds. During this briefing, Council authorized up to 24 positions based on forecasted permitting demand.

In September and October, staff provided updates on the CIP, at which time Council authorized the Finance Director to issue an interfund loan not to exceed \$30 million on an as-needed basis (Ordinance No. 6129). The Mid-Biennium proposal before Council reflects those Council decisions.

Separate from the Mid-Biennium Budget Review, staff will return in 2014 for further direction regarding issues raised by Council previously, including:

- Discussion of impact fees – As discussed in July, the impact fee discussion will be scheduled in spring 2014, well in advance of the next biennial budget and the next fee increase scheduled to be implemented on January 1, 2016, as adopted in Ordinance No. 5872.
- Health Care Reform – Staff is closely monitoring developments relating to implementation of Health Care Reform and will brief Council on requirements and proposed implementation of the legislation.
- Long-term financing strategy – Will be brought back for further discussion starting in early 2014.

Slow recovery in Bellevue’s tax base and slow growth in CPI-W

Bellevue’s tax collection continues to grow at a slow and steady pace on the road to recovery, and it is expected to remain that way. Economically sensitive revenues, including Sales and Business and Occupation Taxes, account for approximately 38% of the City’s General Fund and are currently performing within a reasonable variance of budget. The out-year forecast continues to reflect slow growth for the foreseeable future. The current forecast is consistent with prominent local and national economic services such as IHS Global Insight as well as the Puget Sound Economic Forecaster. This forecast trend is also shared by neighboring jurisdictions such as King County and the City of Seattle. Additional Forecast detail is available in Attachment A.

The June to June CPI-W for Seattle-Tacoma-Bremerton, which provides the basis for cost of living increases (COLA), came in under budget at 1.2%. The 2013-2014 Budget, adopted in December 2012, had assumed a cost of living factor of 2.2% for 2014. The budgets of all funds reflecting employee costs show a decrease in costs due to the less-than-budgeted COLA.

Mid-Biennium Update by Fund

OPERATING FUNDS

General Fund

Proposed total changes to General Fund appropriation authority are \$1.2 million, which is 0.3% increase over the Adopted Budget. The Mid-Biennium update incorporates:

- changes to 2014 salaries based on June 2013 CPI-W;
- staffing increases to address Council's prior decision on August 5 regarding Development Services staffing (Of the 24 positions approved to be filled on an as-needed basis, four inspector positions are located in the General Fund in the Transportation and Fire Departments and are funded based on actual work supported by permit fees);
- Technical correction to include 1.0 FTE in the Transportation budget to be funded by previously budgeted CIP revenue;
- adjustments to contracts; and
- other technical adjustments. See Attachment B for details.

Development Services Fund

Increase of appropriation authority to reflect increase in FTEs

Development Services total change to appropriation authority is \$3.0 million which is a 7.9% increase from the Adopted Budget.

As reported to Council on August 5, development activity in Bellevue is rebounding from the economic downturn with new projects, including office, apartments, hotels, and institutional uses, under construction or on the drawing boards. Based on previous Council direction, Development Services will add up to 24FTEs, staffed in several funds, to maintain an appropriate alignment between workload and permit revenues to achieve the goal of delivering fast, predictable, and coordinated "One-City" permit review and inspection services. Of the 24 Council-authorized positions, the Development Services Fund was authorized 18 FTEs. The remaining 6 positions are allocated to the General Fund (Transportation and Fire—4 FTEs) and Utilities (2 FTEs). See Attachment B for details on the Development Services, General, and the Utilities Funds.

East Link-related permitting will continue to place pressure on Development Services permit review and inspection performance. If additional workload results from the Sound Transit agreement to be finalized in 2014, creating a need for additional permitting or inspection FTEs, staff will return in 2014 to discuss response strategies and resource needs with Council.

Increase of Development Services fees to reflect cost of inflation

Routine inflationary changes are proposed to the 2013 consolidated fee ordinance for all Development Services functions including building, land use, fire, transportation, and utilities plan review and inspection as anticipated in the 2013-2014 Adopted Budget. Hourly rates charged for Land Use, Transportation, Utilities, and Fire review and inspection services are

proposed to increase at inflation in alignment with cost of living increase. Building permit fees supporting building review and inspection services are based on the estimated project value. Development Services revenues will increase by approximately \$285,000. See Attachment C for detailed information.

Information Technology Fund

Information Technology proposes 1.75 FTE positions to provide ongoing support to the eCityGov Alliance. These positions are fully supported by eCityGov Alliance revenue. See Attachment B for details.

Facilities Fund

The Civic Services Department has proposed increasing the appropriation to the Facilities Fund by an additional \$146,763 to fund Bellevue District Court operating, maintenance and utility costs anticipated due to the proposed court relocation in 2014. These costs are fully supported by interfund revenues.

Parks Enterprise Fund

The Parks Department proposes a transfer of \$830,000 in accumulated fund balance from the Enterprise Fund to the General CIP to offset the capital costs of redeveloping the driving range. Similar to transfers from the LID Guarantee Fund discussed earlier, transfers of excess fund balance from the Enterprise Fund to the General CIP is a normal and routine process. This project has been budgeted in the Enterprise Facility Improvements CIP (project P-R-2) for 2014 and was reflected in the October 7 CIP modeling. Transferring these funds does not reduce the Parks Enterprise Fund below target fund balance. Forecast information is available in Attachment D.

Water, Sewer, and Storm and Surface Water Utility Funds

The Mid-Biennium update proposes no changes to the 2014 Water, Sewer, and Storm and Surface Water Utility service rates adopted as part of the 2013-2014 Budget.

The Utilities Operating Funds’ proposed appropriation adjustments over the 2013-2014 Adopted Budget are broken down as follows:

| Fund | 2013-2014 Adopted Budget | 2013-2014 Proposed Mid- Biennium | Increase/ (Decrease) \$ | Increase/ (Decrease) % |
|-------------------------|-----------------------------|--|----------------------------|---------------------------|
| Water Fund | \$103,901,308 | \$103,944,683 | \$43,375 | 0.04% |
| Sewer Fund | \$114,937,640 | \$115,134,799 | \$197,159 | 0.17% |
| Storm and Surface Water | \$47,352,964 | \$47,308,968 | \$(43,996) | (0.09%) |

The drivers for changes in appropriation for the above funds are detailed in Attachment B and do not impact service rates.

The Utilities Department proposes to add two FTE Reviewer positions (one in the Water Fund and one in the Sewer Fund) for the additional workload anticipated in the Development Services permit activity forecast. These positions are funded by hourly fees from the Development Services Fund and were included in the 24 requested positions authorized on August 5.

East Link-related permitting will continue to place pressure on permit review and inspection performance relating to Utilities functions, as well. Once Utilities' inspection staffing needs are finalized in 2014, based on the Sound Transit agreement, staff will return in 2014, if needed, for Council discussion and decision.

CAPITAL FUNDS

Capital Investment Program Fund

On October 7, Council reviewed the anticipated near-term spending of the General CIP and authorized, by Ordinance No. 6129, the Finance Director to issue an interfund loan from the Utilities CIP fund to provide interim financing for the General CIP. At that time, staff committed that the Mid-Biennium budget would reflect that discussion and the budget ordinance appropriation authority would be addressed with the Mid-Biennium budget process. As a result, the Mid-Biennium budget will increase the 2013-2014 appropriation by \$30 million, amend the 7-year plan, and will create two new projects, one for City Hall Parking and one for the Repayment of the Interfund Loan in accordance with the previous Council direction.

Since October 7, there have been two large sales of properties in Bellevue which has increased the Real Estate Excise Tax estimate for 2013 by \$1.9 million. On October 7, staff agreed that if revenues exceeded estimates at that time; the interfund loan would be reduced. As such, if the revised year end REET estimate is accurate, the interfund loan could be reduced to \$28.4 million. Additional Forecast detail is available in Attachment E.

Utility Capital Investment Program Fund

The Utility CIP Fund, consistent with Utility Financial Policies, proposes to loan the General CIP Fund \$30 million to address emergent needs. As discussed on October 7, the Fund currently contains \$109 million in reserves available to lend. The interfund loan will be repaid over a three-year period and complies with rules imposed by the State Auditor's Office pertaining to time limitations and repayment with interest. The Utilities Department anticipates no program needs for the remaining Utility reserves. The Mid-Biennium budget will technically adjust the account codes to show an interfund loan, yet no additional appropriation authority is needed at this time. A new project for repayment of the Interfund Loan will be created.

OTHER FUNDS

LID Guaranty Fund

The transfer of excess funds from the LID Guaranty Fund to the General Fund is authorized by RCW 35.54.095. The excess funds in the LID Guaranty Fund are attributed to a one-time transfer of remaining funds in the LID No. 280 project after the associated debt obligations were paid off in late 2012. Staff proposes to transfer \$586,000 to the City's General Fund to offset one-time costs associated with the 2013 City Manager transition, including severance and backfill, and primary election costs. The total appropriation adjustment needed to the LID Guaranty Fund is \$358,000. The General Fund does not require any additional appropriation authority.

No additional changes are proposed to other funds.

Property Tax

Regular Property Tax Levy

The proposed 2014 levy includes increases for new construction and a levy for prior year refunds based on preliminary information provided by the King County Assessor’s Office. Minor revisions may be made when the final numbers are available from King County.

King County has preliminarily established that Bellevue’s total assessed value has increased to \$35.8 billion from \$32.7, an increase of 9%. (This compares to the 2009 peak AV in Bellevue of \$37.6.) The increase is primarily due to growth in assessed values. Under Washington State law, cities adopt a total levy amount rather than a levy rate. **The Mid-Biennium update proposes no property tax rate increase.**

Voted Property Tax Levy

In November 2008, voters approved a levy lid lift for parks and natural areas programs. The levy lid lift provides \$3,389,000 annually to fund the parks capital program over 20 years and \$660,000 annually for ongoing maintenance and operations funding, for a total of \$4,049,000. The following table compares the estimated property tax levy amount and the rate for 2014 to the adopted amounts for 2013.

| | <u>2013</u> | <u>2014(Est.)</u> |
|--|---------------|-------------------|
| Assessed Valuation (\$ in Billions) | \$32.7 | \$35.8 |
| Regular Levy Amount | \$34,357,126 | \$34,634,887 |
| Regular Property Tax Rate (Per \$1,000 AV) | 1.05 | 0.97 |
| Voted Levy Amount | \$4,049,000 | \$4,049,000 |
| Voted Property Tax Levy Rate(Per \$1,000 AV) | <u>\$0.12</u> | <u>\$0.11</u> |
| Total Property Tax Levy Rates (Per \$1,000 AV) | \$1.18 | \$1.08 |

Utilities Financial Policy Updates

Additionally, the Utilities Department has updated their financial policies addressing the timing of updates to Utility System Plans for Council consideration. There is no budget impact to the 2013-2014 Mid-Biennium Budget. See Attachment F for proposed policy changes identified in red-line.

Quarterly Monitoring Report

Staff prepares periodic performance monitoring updates to Council for the major Funds contained in the City’s budget to aid policy decision making. The 3rd Quarter report, in Attachment G, projects year-end 2013 to be in-line with budget.

ATTACHMENTS

- A. General Fund Forecast
- B. 2013-2014 Mid-Biennium Budget Update
- C. Development Services Proposed Fee Increase and Fund Forecast
- D. Parks Enterprise Forecast
- E. General CIP Forecast
- F. Utilities Financial Policy Updates
- G. 3rd Quarter Monitoring Report

Attachment A – Mid-Bienium
2013-2014 Mid-Biennium Budget Update
Economic Update and General Fund Forecast

Executive Summary:

- ***The Puget Sound Region continues to outperform the nation.***
- ***The 2014-2019 forecast shows a solid recovery, with growth back to the 15% fund balance level by 2019 at current -program/staffing levels.***
- ***2013 revenues continue to meet overall budget.***
- ***No property tax increase is assumed in the forecast.***
- ***Sales and B&O tax growth is expected to continue at a slow and steady rate, with a return to pre-recessionary levels in real dollars by 2015.***

Economic Update

The Great Recession ended, as measured by Gross Domestic Product (GDP), 4 years ago. For the majority of that time most economic indicators remained bottomed out, showing little sign of recovery. The economy gained traction last year and started to show promising signs of a meaningful recovery.

Indicators Holding Recovery Back

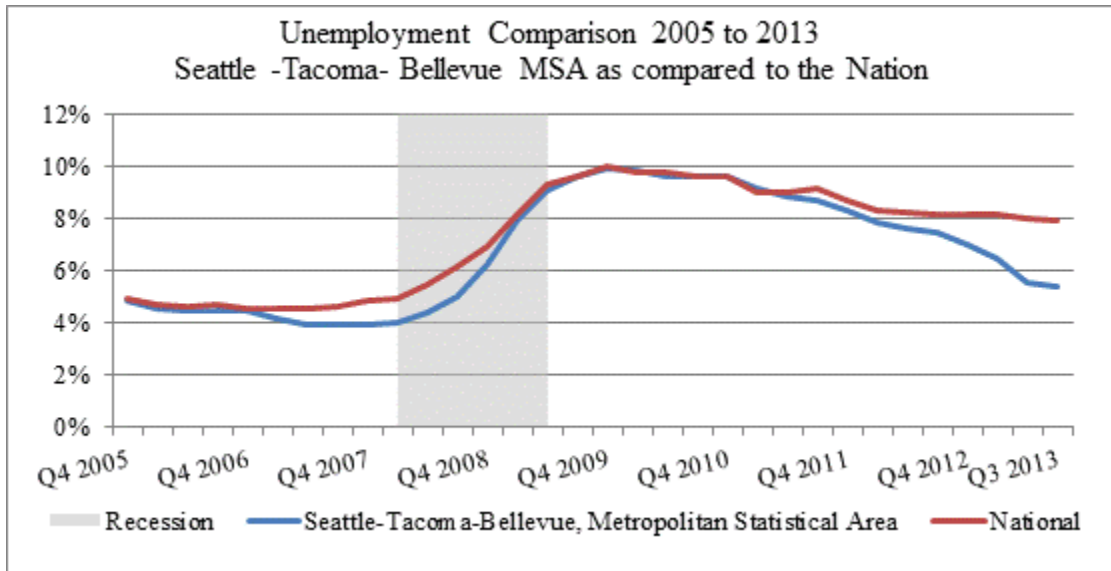
Events that have held the economy back include the uncertainty at the Federal level and the enduring European sovereign debt issues.

- As of this printing, the Federal Government has agreed to fund governmental spending through January 15.
- The United States is not the only country experiencing economic problems, however. The sovereign debt issue in Europe has still not been fully resolved and could kick back up again at any time unless it is fixed in a real way. China has been a driving force in the world economy since the global recession but their growth is starting to slow as demand wanes.

Indicators Showing Signs of Promise

On the positive side, and counterbalancing the national and global issues, the Puget Sound Region continues to outpace national unemployment rates and Gross Domestic (Metropolitan) Product. As Chart 1 indicates, the Seattle-Tacoma-Bellevue MSA (Metropolitan Statistical Area) lagged the country in the upward trend in unemployment during the recession and has recovered more quickly than the nation.

Chart 1

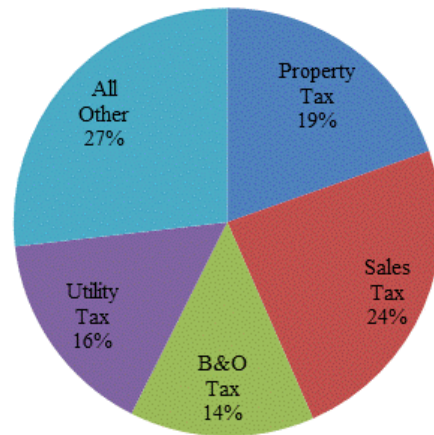
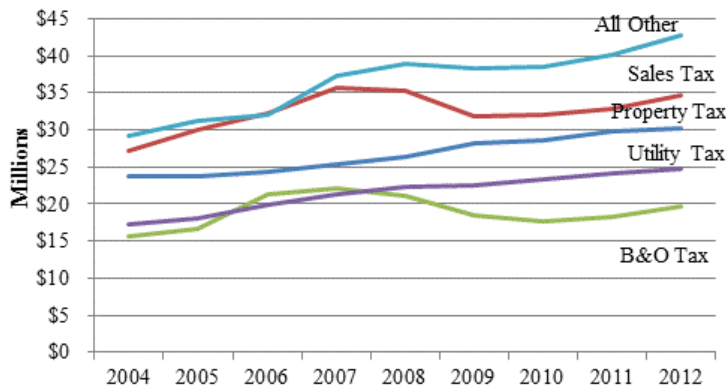


General Fund Revenue Discussion

During the recession, General Fund revenue declined 9% peak-to-trough excluding interfund transfers. The greatest impact to the City’s revenue during the recession was to sales tax and, to a slightly lesser degree, Business & Occupation tax (B&O tax). These taxes are largely dependent on economic conditions and thus very volatile, particularly during times of economic uncertainty. Sales tax and B&O tax are highly correlated; however B&O tax is slightly less volatile than sales tax. Chart 2 illustrates the volatility and proportion of General Fund revenue reflected by these two revenue sources. Together sales tax and B&O tax make up 38% of the City’s General Fund revenue.

Chart 2

City of Bellevue Revenue Streams from 2004 through 2012



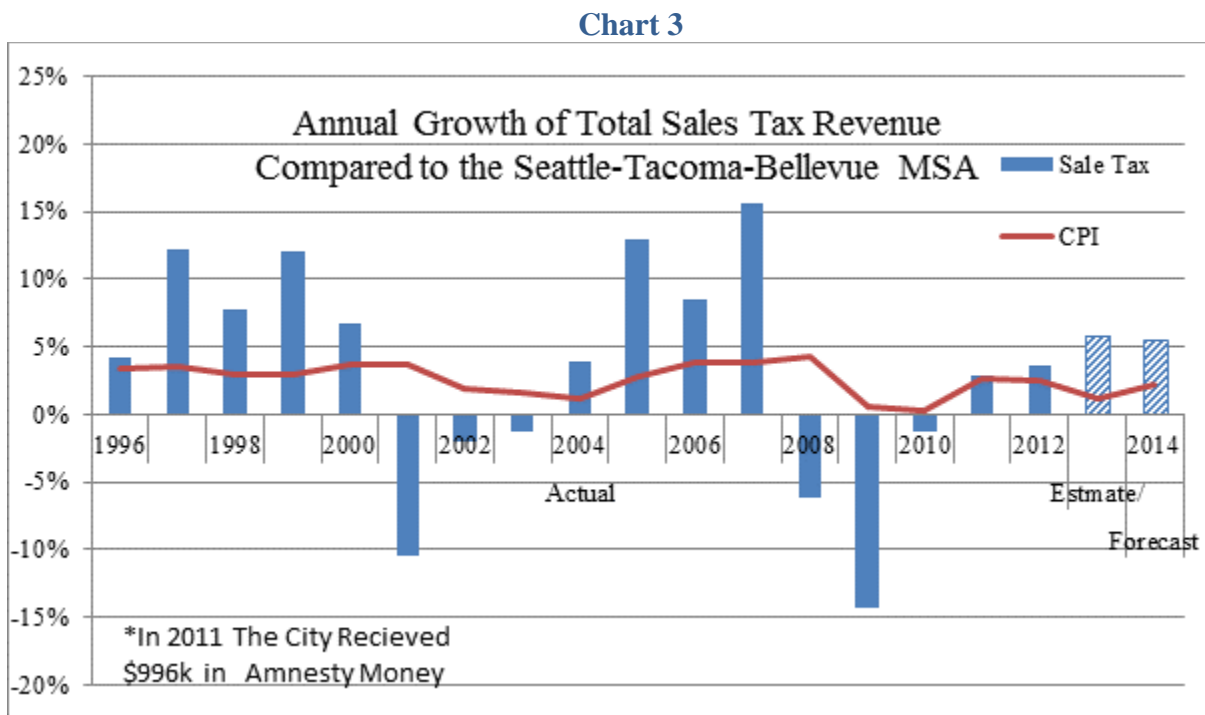
General Property Tax

General property tax is levied as a dollar amount on the value of real and personal property. The tax rate is calculated by dividing the levy amount by the assessed value. This method for determining the property tax means the rate may fluctuate dependent on the assessed value.

In 2013, only 12% of a property owner's tax bill is received by the City of Bellevue, and the remaining 88% is remitted to King County, the State, schools, plus others. The City is allowed to increase the levy annually by the lesser of 1% or the implicit price deflator (IPD), or may bank the allowable increase if not taken (known as banked capacity) for later use. The Council has not raised property tax in the last ten years, but has approved the use of banked capacity to support CIP projects on three occasions (2% each year in 2007 and 2008 and 3% in 2009). Property tax is fairly consistent and does not fluctuate in significant amounts unless the levy is adjusted by the City Council. The forecast below assumes no increase in property taxes for the forecast period, except for new construction.

Retail Sales/Use Tax

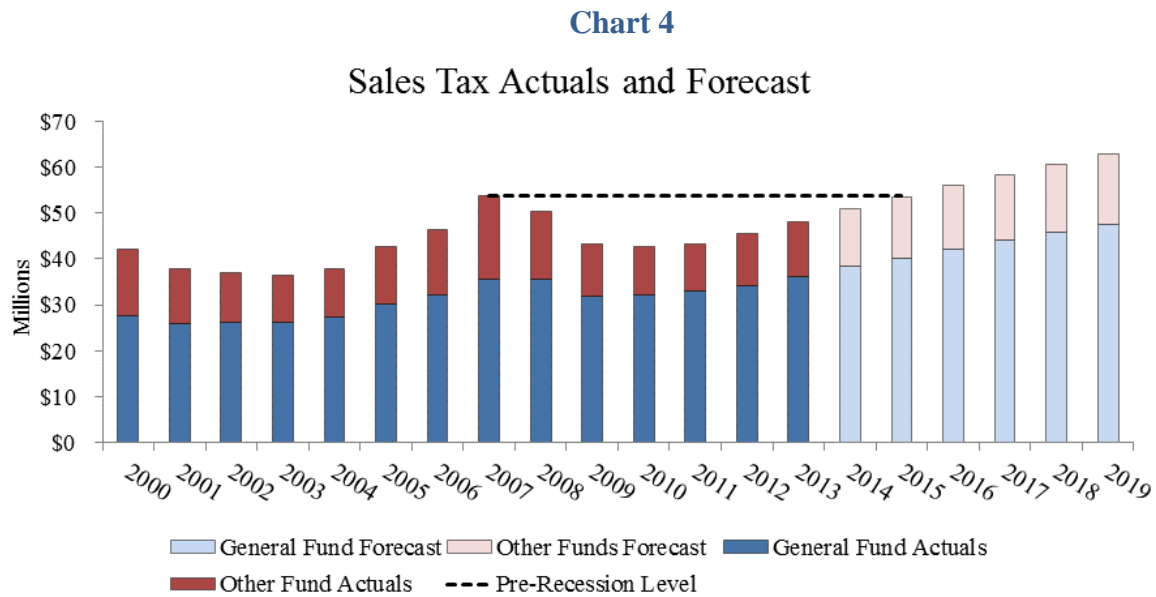
The City collects an 0.85% tax on retail goods and services. Sales tax revenue is the most volatile revenue the City collects. During the recession, sales tax collections fell 21% from their peak in 2007 to the trough of the recession in 2010. Chart 3 shows the sales tax growth since 1996, and is shown compared to the Consumer Price index to demonstrate the magnitude of growth and volatility.



Sales tax is reported to the City by sectors. The major sectors for Bellevue are retail sales, construction, and auto sales, which together comprise nearly 75% of sales tax revenue; all other retail sales tax sectors make up the balance.

- Construction was a driving force in the City’s revenue growth leading up to the recession of 2007. Before the recession, construction accounted for 22% of sales tax revenue, but only 12% in 2010. Having such a large portion of the City’s revenue subject to this volatility presents challenges due to the economic sensitivity of the construction industry.
- Retail Sales is a broad category that is comprised of both durable and non-durable goods. Bellevue is a regional hub for retail stores spanning the downtown core and other areas of the city, as well as many big box retailers. Auto sales are a sub-set of retail sales, but due to the relative size of auto purchases, are tracked and forecasted separately.

Chart 4 shows historical sales tax collections and the forecast for sales tax out to 2019. As depicted in the table, the City is forecasting that we will return to pre-recessionary levels by 2015 in real dollars. King County, and the neighboring cities of Kirkland and Redmond, are forecasting similar trends.

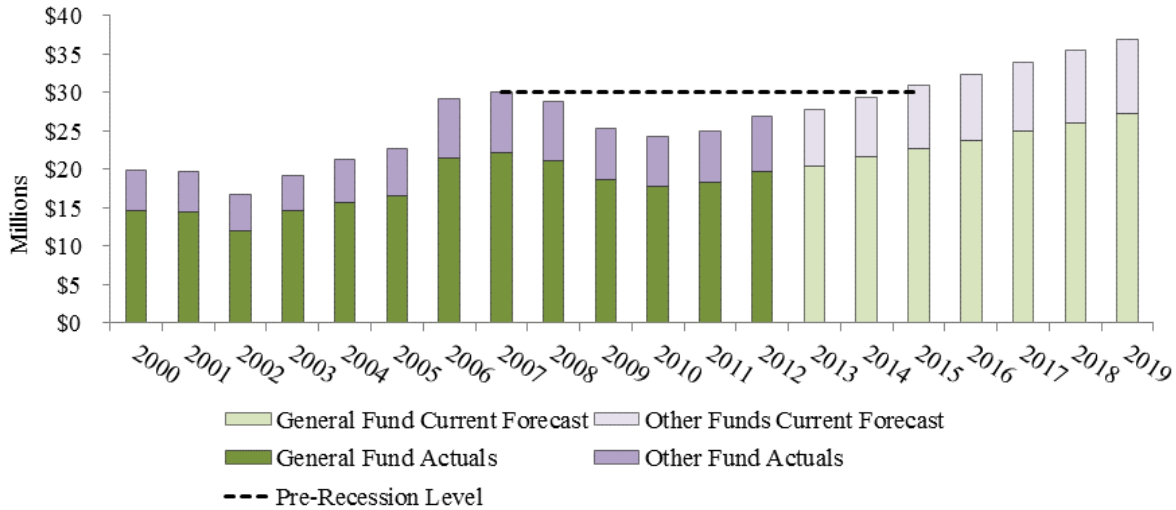


Business & Occupation Tax

Business and Occupation (B&O) tax is made up of two parts, gross receipts and square footage taxes. This revenue, like sales tax, is subject to volatility brought on by economic risk. During the recession, B&O collections fell 20% from the peak. Over the last 10 years B&O tax accounts for 14% of the City’s General Fund revenue. As with Sales Tax, B&O is projected to return to pre-recessionary levels by 2015 as reflected in Chart 5.

Chart 5

B&O Tax Actuals and Forecast



Utility Tax

Utility tax is collected from eight types of utility services: electric, natural gas, garbage, telephone, cellular phone, water, sewer and storm water. Aside from telephone and cellular phone taxes, utility taxes are fairly constant, rarely declining from year to year. A few areas of note:

- In the last few years Electric and Natural Gas Utility tax collections have flattened out due to conservation efforts resulting in current projections for 2014 coming in at \$1 million dollars less than adopted budget. The Electric and Natural Gas categories were modified downward in the current forecast to reflect the flatter collections. Telephone and cellular phones also are affected by the new practice of bundling services, where service providers combine several services thus lowering customers’ overall bills. In the 2013 State Legislative session HB 1971 was passed clarifying taxation of telephone service and, in the process, eliminated the home phone tax exemption. Initial estimates from an analysis done by the state indicated that the City will receive approximately \$150,000 per year in additional telephone utility tax, and the forecast has been adjusted to reflect this increase.

Other Revenue

This category consists of dozens of revenues collected from various sources, including Excise Taxes, Sales Tax Annexation Credit, Penalty/Interest Delinquent Tax, Licenses and Permits, Intergovernmental – State and Other Cities, Charges for Goods and Services, Fines/Forfeits, and Other Miscellaneous Taxes and Revenues.

Intergovernmental revenues consist of revenue collected from cities for services provided by Bellevue (e.g. Fire EMS services, etc.) State funding, sometimes referred to as State Shared Funds, consists of distributions from State taxes such as liquor excise tax and Liquor Board profits. In the 2011 State Legislative session, state shared revenue was reduced to help fill the

budget gap at the state level. Liquor excise tax distributions to cities were eliminated entirely for the biennium. This elimination of liquor excise tax was scheduled to be reinstated after the end of the budget cycle, however during the 2013 legislative session the revenue was reinstated at only half of what it was before. The forecast reflects these changes.

General Fund Forecast

As of the 3rd Quarter Report, total revenues are in line with total expenditures for the General Fund. The Mid-Biennium 2014 budget shows a slight increase in fund balance, and the forecast for 2015 to 2019 shows revenues being received in excess of expenditures and growing to a 15% fund balance by 2019 in line with the City's financial policies. The forecast is a status quo forecast and assumes that one-time or short-term expenditures do not reoccur in the future.

Rebuilding fund balance is important as it illustrates the City's ability to protect essential service programs during economic downturns and natural catastrophies or other unforeseen major events. Maintaining fund balance directly contributes to the City's AAA bond rating, which will keep the City's cost of borrowing as low as possible and provides a tangible public indicator of the City's strong financial condition. Since fund balance is calculated as a percentage of revenue, in order to grow the fund balance percentage back to 15%, the actual fund balance must increase. As displayed in Table 1, the City's fund balance level is at 14%, the City would have needed to add \$2 million to fund balance to bring it to the target level of 15% in 2013. To simply maintain fund balance target percentage, the City must add \$800,000 annually in subsequent years.

As with all forecasts, this is a best estimate of the future. It represents the collection of all fiscal information known as of November 2013. The forecast is updated three times a year, in March (early look for the next year), in July (post final CPI-W announcement), and in September/October (as either the Adopted Budget or Mid-Biennium Update is before Council).

Table 1
Attachment A
Mid-Biennium General Fund Forecast

| | Q3 Estimate | Mid-Biennium | | Forecast | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Beginning Fund Balance | \$23,476 | \$23,524 | \$23,827 | \$24,103 | \$25,331 | \$26,591 | \$27,611 |
| Revenue | | | | | | | |
| Property Tax | 31,667 | 31,901 | 32,141 | 32,385 | 32,634 | 32,887 | 33,142 |
| Sales Tax | 36,319 | 38,316 | 40,228 | 42,200 | 44,057 | 45,818 | 47,603 |
| Business & Occupation Tax | 20,767 | 21,390 | 23,020 | 24,164 | 25,300 | 26,435 | 27,589 |
| Utility Tax | 26,182 | 26,596 | 28,342 | 29,445 | 30,506 | 31,473 | 32,582 |
| Miscellaneous Revenue | 48,173 | 50,630 | 50,387 | 51,686 | 50,620 | 51,235 | 51,909 |
| Total Revenue | 163,108 | 168,834 | 174,119 | 179,879 | 183,117 | 187,847 | 192,826 |
| %Δ Total Revenue | | 3.5% | 3.1% | 3.3% | 1.8% | 2.6% | 2.7% |
| Expenditures | | | | | | | |
| Personnel | 101,885 | 106,012 | 109,851 | 113,228 | 115,047 | 118,640 | 120,955 |
| Maintenance & Operations | 61,174 | 62,518 | 63,992 | 65,423 | 66,810 | 68,187 | 70,052 |
| Total Expenses | 163,060 | 168,531 | 173,842 | 178,652 | 181,857 | 186,827 | 191,008 |
| %Δ Total Expenses | | 3.4% | 3.2% | 2.8% | 1.8% | 2.7% | 2.2% |
| Ending Fund Balance | 23,524 | 23,827 | 24,103 | 25,331 | 26,591 | 27,611 | 29,429 |
| EFB as a % of Revenue | 14.4% | 14.1% | 13.8% | 14.1% | 14.5% | 14.7% | 15.3% |

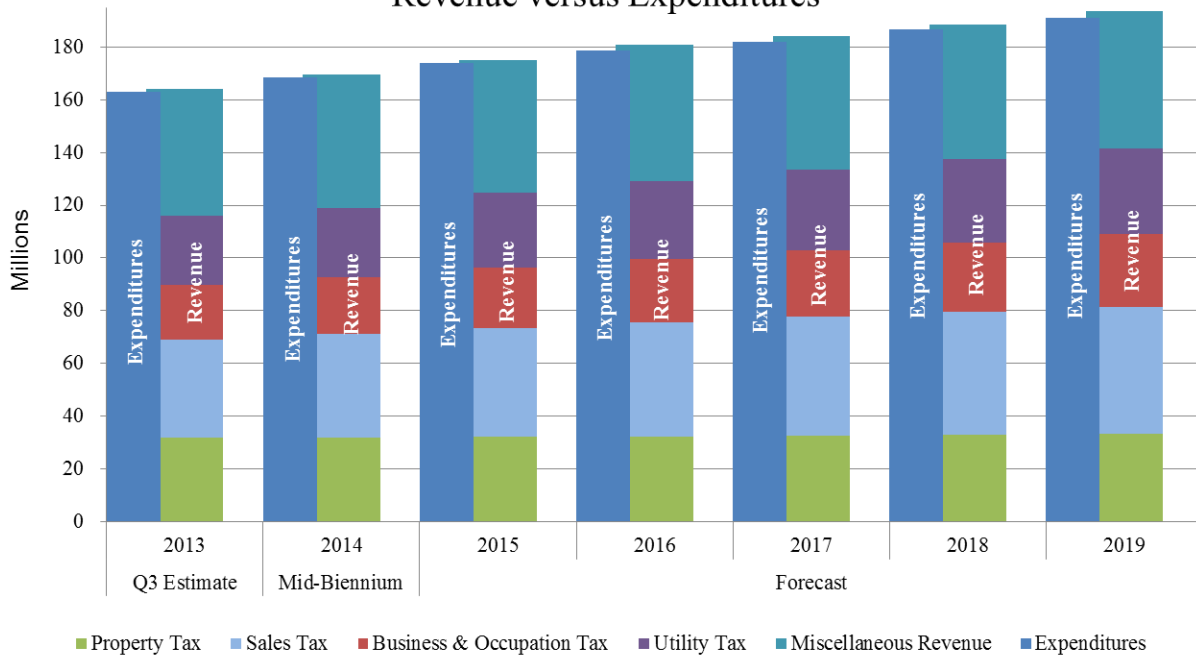
Notes:

- The Forecast reflects the 3rd quarter General Fund estimate, the 2014 Proposed Mid-Biennium, and 2015 to 2019 Forecasts.
- 2013 Fund Balance reflects actual 2012 ending fund balance.
- No increase to the Property Tax Levy, except for new construction, is assumed for 2014 and beyond.
- 2015 Miscellaneous Revenues reflect the reduction of operating transfers to account for the excess fund balances transferred in 2014 original budget adoption.
- 2017 expenditures reflect the reduction of LTEs with a corresponding reduction in Labor Distribution Revenue.
- Includes Forecast adjustments as noted in the write up in this paper.

Table 2
Attachment A
Mid-Biennium General Fund Forecast

| | Mid-Biennium | | Forecast | | | |
|---------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenue | | | | | | |
| Property Tax | 0.7% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% |
| Sales Tax | 5.5% | 5.0% | 4.9% | 4.4% | 4.0% | 3.9% |
| Business & Occupation Tax | 3.0% | 7.6% | 5.0% | 4.7% | 4.5% | 4.4% |
| Utility Tax | 1.6% | 6.6% | 3.9% | 3.6% | 3.2% | 3.5% |
| Miscellaneous Revenue | 5.1% | -0.5% | 2.6% | -2.1% | 1.2% | 1.3% |
| %Δ Total Revenue | 3.5% | 3.1% | 3.3% | 1.8% | 2.6% | 2.7% |
| Expenditures | | | | | | |
| Personnel | 4.1% | 3.6% | 3.1% | 1.6% | 3.1% | 2.0% |
| Maintenance & Operations | 2.2% | 2.4% | 2.2% | 2.1% | 2.1% | 2.7% |
| Total Expenses | 3.4% | 3.2% | 2.8% | 1.8% | 2.7% | 2.2% |

Chart 6
General Fund
Revenue versus Expenditures



**ATTACHMENT B
ALL FUNDS MID-BIENNIUM UPDATE**

| | 2013-2014 Adopted Budget | 2013 Council Budget Amendments | 2013-2014 Amended Budget | 2013-2014 Mid-Biennium Proposed Changes | 2013-2014 Proposed Mid-Biennium Budget |
|--|-----------------------------|--------------------------------------|-----------------------------|---|---|
| City Budget | | | | | |
| Operating Budget | | | | | |
| General Fund | \$ 351,034,035 | \$ 417,786 ¹ | \$ 351,451,821 | \$ 1,186,807 ⁷ | \$ 352,638,628 |
| Development Services Fund | 37,219,293 | - | 37,219,293 | 2,957,751 ⁷ | 40,177,044 |
| Equipment Rental Fund | 30,684,112 | - | 30,684,112 | - | 30,684,112 |
| Facilities Services Fund | 14,447,160 | - | 14,447,160 | 146,736 ⁷ | 14,593,896 |
| Franchise Fund | 3,798,033 | - | 3,798,033 | - | 3,798,033 |
| General Self-Insurance Fund | 9,607,770 | - | 9,607,770 | - | 9,607,770 |
| Health Benefits Fund | 50,352,262 | - | 50,352,262 | - | 50,352,262 |
| Hotel/Motel Tax Fund | 21,031,413 | - | 21,031,413 | - | 21,031,413 |
| Human Services Fund | 8,458,259 | 105,000 ² | 8,563,259 | - | 8,563,259 |
| Information Technology Fund | 31,587,202 | - | 31,587,202 | 58,413 ⁷ | 31,645,615 |
| Land Purchase Revolving Fund | 3,472,570 | - | 3,472,570 | - | 3,472,570 |
| LEOFF I Medical Reserve Fund | 12,957,709 | - | 12,957,709 | - | 12,957,709 |
| Marina Fund | 1,596,589 | - | 1,596,589 | - | 1,596,589 |
| Park M&O Reserve Fund | 6,813,137 | - | 6,813,137 | - | 6,813,137 |
| Parks Enterprise Fund | 13,236,717 | - | 13,236,717 | 830,000 ⁷ | 14,066,717 |
| Sewer Utility Fund | 114,937,640 | - | 114,937,640 | 197,159 ⁷ | 115,134,799 |
| Solid Waste Fund | 2,598,600 | 1,677 ³ | 2,600,277 | - | 2,600,277 |
| Storm & Surface Water Utility Fund | 47,352,964 | - | 47,352,964 | (43,996) ⁷ | 47,308,968 |
| Unemployment Compensation Fund | 871,000 | - | 871,000 | - | 871,000 |
| Water Utility Fund | 103,901,308 | - | 103,901,308 | 43,375 ⁷ | 103,944,683 |
| Worker's Compensation Fund | 5,036,000 | - | 5,036,000 | - | 5,036,000 |
| Total Operating Budget | \$ 870,993,773 | \$ 524,463 | \$ 871,518,236 | \$ 5,376,245 | \$ 876,894,481 |
| Special Purpose Budget | | | | | |
| Firemen's Pension | \$ 7,406,234 | \$ - | \$ 7,406,234 | \$ - | \$ 7,406,234 |
| Housing Fund | 5,330,563 | - | 5,330,563 | - | 5,330,563 |
| Interest & Debt Redemption - Regular Fund | 38,011,005 | 8,672,171 ⁴ | 46,683,176 | - | 46,683,176 |
| LID Control Fund | 1,296,721 | - | 1,296,721 | - | 1,296,721 |
| LID Guaranty Fund | 240,232 | - | 240,232 | 358,000 ⁷ | 598,232 |
| Operating Grants, Donations, and Special Reserves Fund | 7,742,184 | 491,118 ⁵ | 8,233,302 | - | 8,233,302 |
| Total Special Purpose Budget | \$ 60,026,939 | \$ 9,163,289 | \$ 69,190,228 | \$ 358,000 | \$ 69,548,228 |
| Capital Investment Program Budget | | | | | |
| General Capital Investment Program Fund | \$ 201,712,600 | \$ 571,213 ⁶ | \$ 202,283,813 | \$ 30,937,000 ⁸ | \$ 233,220,813 |
| Utility Capital Investment Program Fund | 161,016,451 | - | 161,016,451 | - | 161,016,451 |
| Total Capital Investment Program Budget | \$ 362,729,051 | \$ 571,213 | \$ 363,300,264 | \$ 30,937,000 | \$ 394,237,264 |
| Total City Budget | \$ 1,293,749,763 | \$ 10,258,965 | \$ 1,304,008,728 | \$ 36,671,245 | \$ 1,340,679,973 |

Amendment Footnotes:

- 1 General Fund \$417,786: Ord. 6123 9/3/13 and Ord. 6126 9/16/13
- 2 Human Services Fund \$105,000: Ord. 6112 6/3/13
- 3 Solid Waste Fund \$1,677: Ord. 6105 4/1/13
- 4 Interest & Debt Redemption - Regular Fund \$8,672,171: Ord. 6107 4/1/13
- 5 Operating Grants, Donations, and Special Reserves Fund \$491,118: Ord. 6120 8/5/13, Ord. 6121 8/5/13, and Ord. 6124 9/16/13
- 6 General Capital Investment Program Fund \$571,213: Ord. 6097 1/7/13 and Ord. 6103 4/29/13
- 7 See the additional attached pages to this cover sheet for details of each fund. Located in alphabetical order.
- 8 See Attachment E for details.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund

2013-2014 Mid-Biennium Proposed General Fund Budget

| | Revenues | Expenses |
|--|-----------------|-----------------|
| 2013-2014 Amended Biennial Budget | \$351,451,821 | \$351,451,821 |
| Revenue Updates: | | |
| ¹ Utility and General Tax Updates | (244,503) | |
| ² Basic Life Support Transport Fees | 200,000 | |
| ³ Fire Contract True-up | (131,839) | |
| Miscellaneous Revenue Updates | (7,848) | |
| Revenue Backed Additions: | | |
| ⁴ Interfund Permit Fee Revenue - Devlpmnt Svcs Positions | 408,174 | 349,237 |
| Technical Updates/Errors & Omissions: | | |
| ⁵ Interfund Revenue - CIP Supported Interfund | 962,823 | 962,823 |
| ⁶ COLA Adjustments | | (821,851) |
| ⁷ Interfund Budget Correction | | (149,051) |
| ⁸ Miscellaneous | | 94,119 |
| Utilities/Transportation Street Re-organization" | | |
| ⁹ Restructured Streets Management to Transportation | | (62,048) |
| Contract Changes/Other Impacts: | | |
| ¹⁰ Backfill for CAO (LTEs) | | 218,917 |
| ¹¹ Development Services General Fund subsidy increase for Land Use public policy work | | 174,999 |
| ¹² Court Operating Costs (Maint & Utilities) | | 146,736 |
| ¹³ NORCOM Contract Savings | | (210,514) |
| ¹⁴ Solid Waste Costs (1/2 Year) | | 110,150 |
| Subtotal | \$1,186,807 | \$813,517 |
| Ending Fund Balance Adjustment | | \$373,290 |
| 2013-2014 Mid-Biennium Proposed Budget | \$352,638,628 | \$352,638,628 |

NOTE: The table above will not agree with the Forecast Table 1 in Attachment A due to the display of the expected beginning fund balance and that Attachment A includes 2013 Estimated Year End totals.

¹ Utility and General Tax updates includes reductions in Electric and Natural Gas collections (\$1.9M) and Property tax (\$138K); offset by increases in Sales tax (\$687K), Business taxes, including B&O (\$461K), and Annexation tax credit (\$363K) and other State Shared Revenues (\$366K). Forecast information is presented in Attachment A.

² Basic Life Support Transport Fee collection projections increased based on current trends.

³ Fire contract revenues have been adjusted to reflect Fire service costs/revenue collections.

⁴ Fire and the Transportation request two FTE positions, each to support DS activity; costs offset by permit fee revenue. (Authorized on 8/5)

⁵ Adjust interfunds to implement the Adopted CIP; fully supported with CIP interfund revenues. No changes to the CIP are needed, the costs were anticipated in the adopted budget, yet the interfund transactions were not correctly reflected. Transportation 1 FTE, this position is fully supported by CIP project revenue.

⁶ The June 2013 CPI-W came in at 1.2% compared to 2.2% budgeted, resulting in \$821,851 savings.

⁷ Budget correction due to a duplication of entries in the Adopted Budget.

⁸ Miscellaneous includes adjustments to the Hearing Examiner, a correction to calculated benefits, and other minor adjustments.

⁹ General Fund savings of \$62,048 from moving Street Management from Utilities to Transportation.

¹⁰ Costs associated with the backfill of the CAO (LTEs).

¹¹ Development Services Subsidy increase associated with increased land use public policy work/projections.

¹² Court operating costs supporting building maintenance and utility costs due to court relocation needs in 2014 transfer to Facilities Fund.

¹³ NORCOM's 2014 anticipated costs are less than budget by \$210,514.

¹⁴ The General Fund will be responsible for the cost of solid waste service for City-owned facilities under the City's new solid waste contract effective June 29, 2014.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund

2013-2014 Mid-Biennium Proposed Development Services Fund Budget

| | Revenues | Expenses |
|---|---------------------|---------------------|
| 2013-2014 Amended Biennial Budget | \$37,219,293 | \$37,219,293 |
| Revenue Updates: | | |
| ¹ Permit Fee Revenue | 2,782,752 | |
| ¹ General Fund Subsidy Revenue | 174,999 | |
| Revenue Backed Additions: | | |
| ¹ Development Services Positions | | 1,795,275 |
| ¹ Development Services Other Funds Positions | | 636,409 |
| Technical Updates/Errors & Omissions: | | |
| COLA Adjustments | | (72,969) |
| Miscellaneous | | 12,664 |
| Subtotal | <u>\$2,957,751</u> | <u>\$2,371,379</u> |
| Ending Fund Balance Adjustment | | \$586,372 |
| 2013-2014 Mid-Biennium Proposed Budget | <u>\$40,177,044</u> | <u>\$40,177,044</u> |

¹ On August 5, Development Services presented Council with an updated forecast for permit activity which showed that Bellevue is rebounding from the economic downturn with strong interest in new projects. To keep pace with the demand for permit review and inspection services and respond quickly to growth in development activity, Council authorized the addition of up to 24 FTE positions in the 2013-2014 biennium. Eighteen of the 24 positions are authorized in the Development Services Fund, the remaining 6 positions are authorized in the General Fund and Utilities Funds. See those funds for details.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund
2013-2014 Mid-Biennium Proposed Facilities Fund Budget

| | Revenues | Expenses |
|--|-----------------|-----------------|
| 2013-2014 Amended Biennial Budget | \$14,447,160 | \$14,447,160 |
| Technical Updates/Errors & Omissions: | | |
| COLA Adjustments | | (15,514) |
| Miscellaneous | | 10,887 |
| Contract Changes/Other Impacts: | | |
| ¹ Interfund Revenue - Court Relocations Costs (Maint & Utilities) | 146,736 | 146,736 |
| ² Solid Waste Contract (1/2 year) | | 18,945 |
| Subtotal | \$146,736 | \$161,054 |
| Ending Fund Balance Adjustment | | (\$14,318) |
| 2013-2014 Mid-Biennium Proposed Budget | \$14,593,896 | \$14,593,896 |

¹ Court operating expenditures are anticipated to start mid-2014. These costs include maintenance and utilities expenditures during the tenant improvement stage.

² The Facilities Fund will be responsible for the cost of solid waste service for City-owned facilities under the City's new solid waste contract effective June 29, 2014.

**ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund**

2013-2014 Mid-Biennium Proposed Information Technology Fund Budget

| | Revenues | Expenses |
|--|----------------------------|----------------------------|
| 2013-2014 Amended Biennial Budget | \$31,587,202 | \$31,587,202 |
| Revenue/Savings Backed Additions: | | |
| ¹ eGov Revenue - eGov Supported Positions | 58,413 | 58,413 |
| Technical Updates/Errors & Omissions: | | |
| COLA Adjustments | | (56,113) |
| Miscellaneous | | 8,588 |
| Subtotal | <u>\$58,413</u> | <u>\$10,888</u> |
| Ending Fund Balance Adjustment | | \$47,525 |
| 2013-2014 Mid-Biennium Proposed Budget | <u><u>\$31,645,615</u></u> | <u><u>\$31,645,615</u></u> |

¹ Information Technology proposes 1.75 FTE positions to provide ongoing support to the eCityGov Alliance. These positions are fully supported by eCityGov Alliance revenue. Total appropriation needed is \$58k.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund
2013-2014 Mid-Biennium Proposed Parks Enterprise Fund Budget

| | Revenues | Expenses |
|--|-----------------|-----------------|
| 2013-2014 Amended Biennial Budget | \$13,236,717 | \$13,236,717 |
| Technical Updates/Errors & Omissions: | | |
| COLA Adjustments | | (13,007) |
| ¹ Beginning Fund Balance Update - Transfer to CIP P-R-2 | 830,000 | 830,000 |
| Contract Changes/Other Impacts: | | |
| ² Solid Waste Costs (1/2 Year) | | 31,350 |
| Subtotal | \$830,000 | \$848,343 |
| Ending Fund Balance Adjustment | | (\$18,343) |
| 2013-2014 Mid-Biennium Proposed Budget | \$14,066,717 | \$14,066,717 |

¹ Parks is requesting an additional transfer of \$830,000 to bring the total transfer to \$1,180,000 accumulated Enterprise Fund balance to offset the capital costs of the proposed driving range redevelopment; this project has been budgeted in the Enterprise Facility Improvements CIP project (P-R-2). Forecast information is available in Attachment D.

² The Parks Enterprise Fund will be responsible for the cost of solid waste service for City-owned facilities under the City's new solid waste contract effective June 29, 2014.

ATTACHMENT B

2013-2014 Proposed Mid-Biennium Changes by Fund

2013-2014 Mid-Biennium Proposed Storm and Surface Water Utility Fund Budget

| | Revenues | Expenses |
|---|----------------------------|----------------------------|
| 2013-2014 Amended Biennial Budget | \$47,352,964 | \$47,352,964 |
| Revenue Updates: | | |
| ¹ Interfund Streets Management Revenue | (43,996) | |
| Technical Updates/Errors & Omissions: | | |
| COLA Adjustments | | (40,930) |
| Miscellaneous | | 4,796 |
| Subtotal | <u>(\$43,996)</u> | <u>(\$36,134)</u> |
| Ending Fund Balance Adjustment | | (\$7,862) |
| 2013-2014 Mid-Biennium Proposed Budget | <u><u>\$47,308,968</u></u> | <u><u>\$47,308,968</u></u> |

¹ Reduction of interfund revenue for Streets Maintenance management services resulting from the reorganizations of Streets services.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund
2013-2014 Mid-Biennium Proposed Water Utility Fund Budget

| | Revenues | Expenses |
|---|-----------------|-----------------|
| 2013-2014 Amended Biennial Budget | \$103,901,308 | \$103,901,308 |
| Revenue Updates: | | |
| ¹ Interfund Streets Management Revenue | (108,819) | |
| Revenue Backed Additions: | | |
| ² Interfund Permit Fee Revenue - Development Services Position | 152,194 | 125,428 |
| Technical Updates/Errors & Omissions: | | |
| COLA Adjustments | | (50,098) |
| Miscellaneous | | 16,018 |
| Subtotal | \$43,375 | \$91,348 |
| Ending Fund Balance Adjustment | | (\$47,973) |
| 2013-2014 Mid-Biennium Proposed Budget | \$103,944,683 | \$103,944,683 |

¹ Reduction of interfund revenue for Streets Maintenance management services resulting from the reorganizations of Streets services.

² The Water Fund is projecting an increase in Development Services permit fee revenue based on current activity projections and requesting one FTE (authorized by Council on August 5).

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund
2013-2014 Mid-Biennium Proposed Sewer Utility Fund Budget

| | Revenues | Expenses |
|---|----------------------|----------------------|
| 2013-2014 Amended Biennial Budget | \$114,937,640 | \$114,937,640 |
| Revenue Updates: | | |
| ¹ Interfund Streets Management Revenue | (40,798) | |
| Revenue Backed Additions: | | |
| ² Interfund Labor Revenue - CIP Supported | 161,915 | 161,915 |
| ³ Interfund Permit Fee Revenue - Development Services Position | 76,042 | 51,176 |
| Technical Updates/Errors & Omissions: | | |
| COLA Adjustments | | (37,794) |
| Miscellaneous | | 2,565 |
| Subtotal | <u>\$197,159</u> | <u>\$177,862</u> |
| Ending Fund Balance Adjustment | | \$19,297 |
| 2013-2014 Mid-Biennium Proposed Budget | <u>\$115,134,799</u> | <u>\$115,134,799</u> |

¹ Reduction of interfund revenue for Streets Maintenance management services resulting from the reorganizations of Streets services.

² Sewer proposes two LTEs to support CIP projects; both positions are fully supported by interfund CIP revenue, which was budgeted in the Utilities CIP.

³ The Sewer Fund is projecting an increase in Development Services permit fee revenue based on current activity projections and requesting one FTE (authorized by Council on August 5) beginning July 2014.

ATTACHMENT B
2013-2014 Proposed Mid-Biennium Changes by Fund

2013-2014 Mid-Biennium Proposed Local Improvement District Guaranty Fund Budget

| | Revenues | Expenses |
|--|-----------------|-----------------|
| 2013-2014 Amended Biennial Budget | \$240,232 | \$240,232 |
| Technical Updates/Errors & Omissions: | | |
| ¹ Transfer of Excess Funds | 358,000 | 358,000 |
| Subtotal | \$358,000 | \$358,000 |
| Ending Fund Balance Adjustment | | \$0 |
| 2013-2014 Mid-Biennium Proposed Budget | \$598,232 | \$598,232 |

¹ Transfer of excess funds from the LID Guaranty Fund to the General Fund is a normal and routine process allowed by State Law (RCW 35.54.095). The excess funds in the LID Guaranty Fund are attributed to the remaining funds in the LID No. 280 project after the debt obligations were paid off in 2012.

Development Services Inflationary Increase to Fees

Attachment C

INTRODUCTION

Changes are proposed to the 2013 consolidated fee ordinance for development services functions including building, land use, fire, transportation, and utilities plan review and inspection. The fee changes reflect the results of the annual Cost of Service Study.

The Cost of Service Study is conducted to analyze costs associated with delivering development review and inspection services, and maintaining alignment with fees charged for those services and established cost recovery policies. Hourly rates are charged for Land Use, Transportation, Utilities, and Fire review and inspection services. Building permit fees supporting building review and inspection services are based on the estimated project value. The proposed adjustments to hourly and building permit fees are provided below. The proposed changes would increase Development Services revenues by approximately \$285,000.

PROPOSED HOURLY RATE ADJUSTMENT

| Function | Current Hourly Rate | Proposed Hourly Rate | Estimated Revenue Increase | % Change in Rate |
|------------------------------------|---------------------------|----------------------------|----------------------------------|---------------------|
| Land Use review | \$153 | \$155 | \$21,000 | 1.3% |
| Transportation review & inspection | 159 | 161 | 26,000 | 1.3% |
| Fire review & inspection | 139 | 141 | 13,000 | 1.4% |
| Utilities review and inspection | 132 | 134 | 19,000 | 1.5% |
| Revenue Increase | | | \$79,000 | |

The following adjustments are proposed to **building permit fees** that are based on the value of construction:

- Update the building valuation data (BVD) table published by the International Code Council (ICC) to reflect the change in construction valuation from August 2012 to August 2013. *Values derived from the BVD tables are used to determine building permit fees for new buildings.*
- Apply the Washington State modifier of 1.13, which remained constant from July 2012 to July 2013 as published by Marshall & Swift.
- Adjust building review and inspection fees by CPI-W (1.2%).

These proposed changes to building review and inspection fees are anticipated to increase revenue by approximately \$206,000 in 2014.

POLICY CONSIDERATION

Should the Council adjust Development Services fees to maintain alignment with established cost recovery principles? State law allows cities to charge fees for development services provided by the City. The City Council has set cost recovery principles for development services. The proposed changes to the City's fee ordinance reflect the existing cost recovery and financial management policy direction.

Section 2 of the consolidated fee ordinance (Ordinance No. 6084) establishes that fees may be adjusted to reflect the current published annual change in the Seattle Consumer Price Index for Wage Earners and Clerical Workers as needed in order to maintain the cost recovery objectives established by the City Council.

BACKGROUND

Financial Management through Development Cycles

The ongoing success of the Development Services line of business is based in the ability to respond quickly to shifts in performance, workload, or permit fee revenues as Bellevue travels through development cycles. When business activity is increasing, it is critical to respond quickly by adding staff and consultants to maintain timelines that ensure developers are not hindered in their ability to secure financing and move forward with projects. When business activity is decreasing, it is important to make measured reductions in costs and staffing to protect the financial health of the function. At all times it is vital to retain a basic level of skills, qualifications, and expertise to support all aspects of development services.

The Development Services Fund maintains reserves to assure that core staffing levels are balanced with cyclical needs which mitigate the effects of downturns or rapid increases in development activity. The reserve was established to provide the revenue and policy basis for making changes in staffing and resource levels (both up and down) and to insulate the General Fund from dramatic resource demand swings associated with development cycles. The reserve also allows all functions to respond in advance of forecast work-load increases to continue to meet performance targets and not act as a drag on the development community.

Tools have been developed allowing more comprehensive oversight of service levels and financial performance, and more accurate forecasting of changes in development cycles. These tools are also essential to sustaining service levels and maintaining revenues that are adequate to support the operation and keep fees competitive in our region. When significant changes in workload and permit fee revenues are forecast, changes in staffing and other resources are made to ensure the appropriate alignment between performance, revenue, and expenditures is maintained.

Permit fees collected to support development services follow two primary approaches; hourly rates based on the staff time needed to complete permit review and inspections, and fees based on the calculated value of the permitted work. The hourly rate adjustments for Land Use, Fire, Transportation, and Utilities plan review and inspection reflect the total cost impacts for variable costs and fixed costs such as City-wide overhead, facilities, technology services and administrative services.

The examples below illustrate the results of the Cost of Service Study on two permits subject to hourly rates and reflect the change in overall cost associated with the proposed adjustment for inflation.

Temporary Use Permit - Land Use Review

| | <u>Hourly Rate</u> | <u>Review Hours</u> | <u>Flat Fee</u> |
|---------------|-------------------------------|-------------------------|---------------------|
| 2013 | \$153 | 0.8 | \$122 |
| 2014 Proposed | \$155 | 0.8 | \$124 |
| | Proposed Change in Fee | | \$2 |

Single Family Addition - Utilities Review

| | <u>Hourly Rate</u> | <u>Review Hours</u> | <u>Flat Fee</u> |
|---------------|------------------------|-------------------------|--|
| 2013 | \$132 | 0.5 | \$66 |
| 2014 Proposed | \$134 | 0.5 | <u>\$67</u> |
| | | | Proposed Change in Fee \$1 |

Building Review and Inspection Fees

Valuation-based fees for building review and inspection services are based on two variables: (1) the estimated value of the proposed building, and (2) the fee applied to that value from the permit fee table. Using construction value to set building permit fees has been the industry standard of practice for many years and has generated revenue adequate to support plan review and inspection services for these permits. For Bellevue the method to establish the building project value is established in Ordinance No. 6084 (section 6.2) -- building value will be calculated using building valuation data published by a nationally recognized code organization or other valuation criteria approved by the appropriate Director.

The Building Valuation Data Table (BVD) published and updated by the International Code Council (ICC) and modified by the Marshall & Swift construction value modifier for Washington, are used to establish the building value used to calculate building permit fees. The ICC BVD table and the Washington State modifier are updated on an annual basis to ensure project values remain in alignment with the general cost of construction.

The following adjustments are proposed for building review and inspection fees:

- Adopt the updated building valuation data (BVD) table published by the International Code Council (ICC) to reflect the change in valuation from August, 2012 to August, 2013. *Values derived from the BVD tables are used to determine building permit fees for new buildings.*
- Apply the Washington State modifier of 1.13, which remained constant from July 2012 to July 2013 as published by Marshall & Swift.
- Adjust building review and inspection fees, including permits for electrical, mechanical, and plumbing systems, by CPI-W (1.2%).

The examples below illustrate the change in valuation-based construction fees as a result of the inflation adjustment on two permit types, single family addition and tenant improvement, and show the change in fees for review and inspection services.

**Single Family Addition
\$75,000 valuation, 600 sq ft addition**

| | |
|-------------------------------|----------------|
| 2013 | \$2,122 |
| 2014 Proposed | <u>\$2,190</u> |
| Proposed Change in Fee | \$68 |

**Tenant Improvement
\$75,000 valuation**

| | |
|-------------------------------|-------------|
| | \$2,58 |
| 2013 | 0 |
| | \$2,61 |
| 2014 Proposed | <u>2</u> |
| Proposed Change in Fee | \$32 |

Historical Cost Recovery Adjustments

Through 2009, Development Services review and inspection fees were adjusted to reflect the annual change in the Seattle Consumer Price Index for Wage Earners and Clerical Workers (CPI-W). This provision ensured that review and inspection fees reflected the cost of providing these services.

In 2010 and 2011, exceptions to the Development Services Cost Recovery objectives were made during the economic downturn and no fee adjustments were implemented to minimize costs to the development community through the recession. During this time, Development Services also made cost reductions of \$2.8 million, eliminated 26.25 staff positions, and cut professional services and overtime costs. This strategy mitigated the additional impact to reserves and allowed Development Services to deliver consistent, high-quality services.

Early in 2012, Development Services implemented a partial cost recovery rate adjustment to regain closer alignment between the cost of services and fees charged and to minimize the impact of a three-year rate increase to the development community. Additional cost savings were made, with the reduction of 17 additional FTE positions and M&O costs. However, this required a continued draw on reserves to maintain service levels.

In 2013 the hourly rate and building permit fees were adjusted for full cost recovery to maintain the appropriate alignment between performance, revenue, and expenditures. Development activity in Bellevue was also rebounding from the economic downturn, with strong interest in new projects representing a variety of uses including office, apartments, hotels, and institutional uses. On Aug 5, 2013, Council authorized restoring up to 24 FTE positions in Development Services in anticipation of the development upswing and to meet the growing workload for permit review and inspection services. The additional costs are offset by additional permit fees as a result of increased permit activity. The adjustment of staff and resource levels maintains an appropriate alignment between workload, permit revenues, staffing costs, and service levels. The ongoing success of the development services line of business is based on the ability to respond quickly to shifts in performance, workload, and permit fee revenues as Bellevue travels through development cycles.

Development Services Financial Policies

In 2003, Council endorsed a set of fiscal principles and a new rate management model for development services hourly fees for Land Use, Transportation, Utilities and Fire. Under this model, the cost recovery targets were set based on the type of service being provided, not based on the department providing the service. Overall these policy changes significantly simplified the City's development services rate model, made it easier to administer, and made it more predictable for the client. This has enabled the City to provide consistent, high quality services that the development community has requested and has been willing to pay for.

Financial Management Guiding Principles

The financial management guiding principles continue to serve as the cornerstone of how the Development Services financial structure is managed. The guiding principles are:

- Fees should be regionally competitive and provide for fast, predictable, high-quality services.
- Permit applicants should pay for the direct services that they receive, adjusted to account for broader community benefits.
- Fiscal management should be development-services wide, not department by department.
- The funding structure should support the management of development services as a line of business, through economic cycles and fluctuations in work-load.
- Fees should be predictable and understandable to the customer.
- The fee system should be efficient and cost-effective to manage.

Cost Recovery Objectives

Setting cost recovery objectives based on the type of service being delivered provides a more understandable and consistent approach for setting fees, with common objectives across departments and functions. This is consistent with the “One-City” philosophy of the Development Services Improvement effort. It also resulted in a model that it is simpler and easier to maintain and update. The cost recovery targets established by the Council are as follows:

| Type of Service | Cost Recovery Target | |
|---|----------------------|--|
| Policy Development & Public Information | 0% | (100% General Fund/Utilities Fund supported) |
| Land Use Discretionary Review | 50% | (50% General Fund supported/50% fee supported) |
| Engineering Review & Inspection | 100% | (100% fee supported) |
| Technical/Administrative Support | 100% | (100% fee supported) |

Development Services 2013-2018 Financial Forecast

Office vacancy rates in the central business district are a key indicator of the interest in development activity. After reaching a peak vacancy rate of 16.5% in 2010, vacancy rates have declined to 9.4% in Q2 2013. As such, growth in major project activity is anticipated in the early years of the forecast. Design review applications (an early indicator of development activity) received since 2012 indicate strong interest and demand for major projects. The projected economic growth in the region and the development of Sound Transit light rail in Bellevue, will help drive future commercial and residential development in the city.

Single family development has increased significantly in recent years, and the current level of single family applications is at levels not seen since before the economic downturn. Single family applications are on track for continued growth. Tenant improvements remain a strong category of permit activity, not only in the number of applications but in the valuation of such applications. The level of activity has steadily increased since 2010 and is expected to continue.

As a result of the aforementioned variables, this forecast reflects growth in revenue collections beginning in 2013 and a steady increase in development of major projects throughout the forecast period.

Development Services Fund
Mid-Biennium Development Services Fund Forecast
(in \$000)

| | 2013 est | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Beginning Reserve | \$7,184 | \$8,536 | \$9,044 | \$9,784 | \$10,439 | \$10,941 | \$11,162 |
| Resources: | | | | | | | |
| Building Fees | \$9,725 | \$9,355 | \$9,730 | \$9,973 | \$10,172 | \$10,325 | \$10,480 |
| Land Use Fees | \$1,436 | \$1,659 | \$1,725 | \$1,768 | \$1,804 | \$1,831 | \$1,858 |
| Fire, Transp. & Utilities Fees | \$3,536 | \$4,261 | \$4,431 | \$4,542 | \$4,633 | \$4,702 | \$4,773 |
| sub: Development Services Fees | \$14,697 | \$15,275 | \$15,886 | \$16,283 | \$16,609 | \$16,858 | \$17,111 |
| Gen Fund Subsidy | \$3,330 | \$3,597 | \$3,684 | \$3,772 | \$3,863 | \$3,955 | \$4,050 |
| Other Revenue/Interest | \$437 | \$464 | \$471 | \$478 | \$485 | \$494 | \$504 |
| Total Resources | \$18,465 | \$19,337 | \$20,041 | \$20,534 | \$20,957 | \$21,309 | \$21,666 |
| Expenditures: | | | | | | | |
| Building | \$6,740 | \$7,463 | \$7,702 | \$7,933 | \$8,163 | \$8,416 | \$8,685 |
| Land Use | \$2,815 | \$3,170 | \$3,272 | \$3,370 | \$3,468 | \$3,575 | \$3,689 |
| Fire, Transp. & Utilities Development Services | \$2,941 | \$3,371 | \$3,479 | \$3,583 | \$3,687 | \$3,802 | \$3,923 |
| Code Compliance | \$920 | \$960 | \$990 | \$1,020 | \$1,050 | \$1,082 | \$1,117 |
| Administrative/Shared Costs | \$3,326 | \$3,639 | \$3,756 | \$3,868 | \$3,981 | \$4,104 | \$4,235 |
| Technology Initiatives | \$370 | \$226 | \$103 | \$105 | \$107 | \$109 | \$111 |
| Total Expenditures | \$17,113 | \$18,829 | \$19,301 | \$19,879 | \$20,455 | \$21,088 | \$21,761 |
| Ending Reserves | \$8,536 | \$9,044 | \$9,784 | \$10,439 | \$10,941 | \$11,162 | \$11,068 |

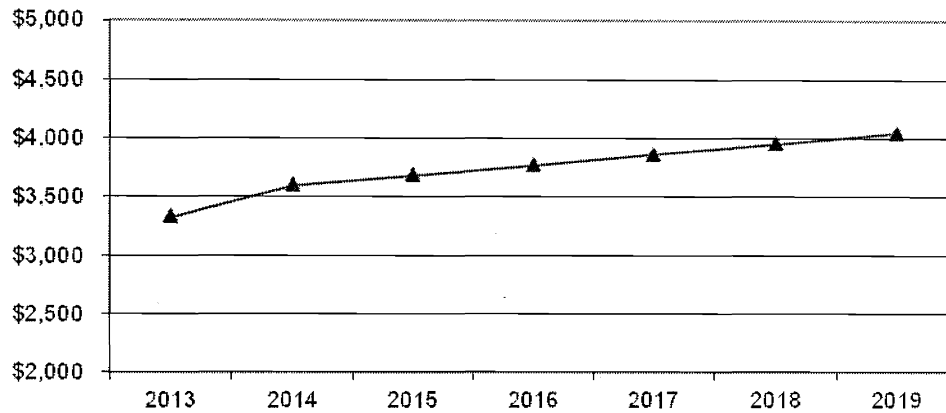
Forecast Drivers and Assumptions

1. Several major mixed use development projects (Lincoln Square II Expansion, Spring District, Bellevue at Main, Soma Tower 2, Bellevue Park II Apartments) are assumed to be in construction in the early years of the forecast. Additional major projects are Hampton Inn, Lake Hills Shopping Center Phase III, Bellevue Office Tower, Bellevue College, Bellevue School district Maintenance Facility and Factoria Transfer Station.
2. The demand for major project activity increased in 2013 as several new projects are in the review process and are assumed to continue through the early forecast years. Interest in new single family homes and existing remodels also continues to grow.
3. The forecast reflects an increase of up to 24 positions (including 6 FTEs in Fire, Transportation and Utilities Departments) beginning in 2013 and continuing in 2014. Consistent with the long-range financial planning effort, changes in resource levels are continually assessed and modified to accommodate the workload and maintain service levels.
4. Development rates are reviewed annually and may be adjusted to assure they are set accordingly to meet cost recovery objectives endorsed by Council. This forecast assumes that rates will grow at an average rate of inflation.

General Fund Subsidy

The General Fund contribution to the Development Services Fund accounts for approximately 2% of the General Fund budget. This contribution (subsidy) supports personnel and M&O costs for programs that have been designated as general funded activities. These programs include Code Compliance and a portion of Land Use. Development Services activities supported by the General Fund include public information, policy development, and approximately 50% of Land Use discretionary review.

General Fund Subsidy Forecast 2013-2019
(\$ in Thousands)



The General Fund contribution to the Development Services Fund is anticipated to grow at an average rate of approximately 2.4% over the forecast period, consistent with inflation projections and growth in personnel costs (e.g. salaries, health benefits, pensions).

Development Services Fund Reserves

The Development Services Fund maintains reserves to assure that core staffing levels are balanced with cyclical needs, thus mitigating the effects of downturns or rapid increases in development activity. Reserves also ensure the Development Services Center, capital equipment, and technology systems are adequately funded when they need replacement or renovation.

Development Services Fund reserves are anticipated to be approximately \$9 million through 2014. This reflects rapid revenue growth in the near future as Bellevue rebounds with strong permit activity. Reserve levels are then assumed to increase from 2015 through 2018 reflecting continued growth in development activity within the forecast period.

Development activity and reserve levels will be closely monitored over the next biennium. Corrective measures will be taken during the forecast period if market conditions warrant doing so.



2013-2018 Financial Forecast Parks Enterprise Fund

Executive Summary:

- The Parks Enterprise Fund forecast assumes that user fee revenue can continue to recover program expenditures over the forecast period.
- The Parks Enterprise Fund continues to meet reserve requirements and fund capital improvements at the golf course, including the proposed redevelopment of the driving range in 2014.
- No new programs or service enhancements have been included in the 2013-2014 Adopted Budget.

Background

The Parks Enterprise Fund accounts for the services provided by the Enterprise Program within the Parks & Community Services Department. These services include golf, tennis, aquatics, adult sports, and facility rentals. Enterprise Programs are fully supported through user fees but attempt to serve all residents regardless of ability to pay through the use of scholarships, sponsorships and fee waivers. The General Fund subsidy was eliminated in the 2011-2012 Adopted Budget, and was historically used to subsidize the Bellevue Aquatic Center.

Parks Enterprise Fund Reserves

Parks Enterprise Fund reserves will be managed within the targeted level of 2-months operating expenses, or approximately \$1.3 to \$1.4M over the forecast period. This reserve helps ensure the fund meets cash flow needs during the winter months when golf course revenues are low.

Enterprise Capital Improvements

The Parks Enterprise program funds the Enterprise Facility Improvements Project (CIP project P-R-2), including capital projects at the Bellevue Golf Course. In addition to regular maintenance projects, the City will continue to improve the golf course driving range to enhance player services and the financial performance of the course. In 2014, the forecast transfers \$1.18M to the CIP to redevelop the driving range funded by user fee revenue generated from the Bellevue Golf Course.



**2013-2018 Financial Forecast
Parks Enterprise Fund**

| Parks Enterprise Fund 2013-2018 Financial Forecast (In \$000) | | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2013 Estimate | 2014 Forecast | 2015 Forecast | 2016 Forecast | 2017 Forecast | 2018 Forecast |
| Resources: | | | | | | |
| Beginning Fund Balance | \$1,731 | \$1,994 | \$1,338 | \$1,432 | \$1,433 | \$1,397 |
| Program Revenue | 6,093 | 6,160 | 6,221 | 6,283 | 6,409 | 6,537 |
| General Fund Subsidy | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Resources | \$7,824 | \$8,154 | \$7,559 | \$7,715 | \$7,842 | \$7,934 |
| | | | | | | |
| | 2013 Estimate | 2014 Forecast | 2015 Forecast | 2016 Forecast | 2017 Forecast | 2018 Forecast |
| Expenditures: | | | | | | |
| Personnel | \$1,705 | \$1,766 | \$1,830 | \$1,894 | \$1,960 | \$2,029 |
| M&O | 2,600 | 2,655 | 2,708 | 2,770 | 2,837 | 2,908 |
| Interfund Transfer | 1,174 | 1,215 | 1,239 | 1,268 | 1,298 | 1,330 |
| Capital Transfer | 350 | 1,180 | 350 | 350 | 350 | 350 |
| Total Expenditures | \$5,829 | \$6,816 | \$6,127 | \$6,282 | \$6,445 | \$6,617 |
| | | | | | | |
| Reserves: | | | | | | |
| Ending Fund Balance | \$1,994 | \$1,338 | \$1,432 | \$1,433 | \$1,397 | \$1,316 |

Note: Columns may not foot due to rounding.

Attachment E - General Capital Investment Program Fund

On October 7, Council reviewed the updated 7-year CIP forecast and authorized the Finance Director to borrow up to \$30 million in short-term interfund financing for cash flow needs that arise as a product of “frontloading” the capital plan. These funds will only be drawn as needed and repaid within the 2013-19 CIP in accordance with state law.

As committed to Council, this Mid-Biennium update reflects the work of Council on October 7. No project expenditures have been adjusted or revised since October 7. As such, the Mid-Biennium ordinance will adjust the 2013-2014 appropriation and amend the 7-year plan to reflect the October 7 deliberations:

| 2013-14 Adopted Appropriation (\$000)* | 2013 Appropriation Adjustments to Date (\$000)** | 2013-2014 Forecasted Expenditures (\$000)*** | Appropriation Adjustment Requested at Mid-Bi (\$000) |
|---|---|---|---|
| \$ 201,712 | \$ 571 | \$ 233,220 | \$ 30,937 |

*Ordinance No. 6089 adopted on December 3, 2012

**Includes appropriation adjustments for PW-M-2, PW-M-7

***Based on the updated forecast in Attachment E

Pages 2 to 4 contain the detailed 7-year forecast.

Technical changes since October 7, which are now reflected in this attachment, include:

- Through the third quarter of 2013, REET receipts were trending under forecast due to fewer-than-expected high-value real estate transactions. This forecast increases REET revenue in 2013 by \$1.9 to reflect the recent sales that are anticipated to close by year-end (i.e., Bellevue Galleria, Bravern Towers).
- The REET budget was based on historical averages and transaction counts of property sales. Through September 30, the City has collected approximately \$8.0 million of the budgeted \$10.8 million. With the recent sale of the Galleria and Bravern, the REET year-end estimate is now increased to \$12.8 million or \$2.0 million above budget. Ultimately, this forecasted revenue increase reduced the modeled interfund loan potential need to \$28.4 million.
- The New City Hall Parking Garage Redevelopment project (CIP Plan # G-86) has been added as its own project. In the October 7 materials, the project costs were reflected in the East Link MOU project (PW-R-181).
- The repayment of the interfund loan has also been given a project number, G-90 with interest and principal repayment reflected.
- No other changes were made since October 7.

Attachment E: 2013-2019 Capital Investment Program
Mid-biennium Forecast

| Funding Source | 2013 Budget | 2013 Forecast | 2014 Budget | 2014 Forecast | 2015 Budget | 2015 Forecast ² | 2016 Budget | 2016 Forecast | 2017 Budget | 2017 Forecast | 2018 Budget | 2018 Forecast | 2019 Budget | 2019 Forecast | Total Budget Available | Total Forecast 2013- 2019 |
|--|-------------------|-------------------|-------------------|-------------------|------------------|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------------------|---------------------------------|
| Beginning Fund Balance | - | 9,136 | 5,139 | 43,037 | - | 0 | - | 0 | - | 0 | - | 0 | - | 11,345 | 9,136 | 9,136 |
| Long-Term | 41,400 | 73,502 | - | - | - | - | - | - | - | - | - | - | - | - | 41,400 | 73,502 |
| Short-Term | - | - | 39,831 | 28,415 | 8,700 | 4,640 | - | - | - | - | - | - | - | - | 48,531 | 33,055 |
| LRF (COB Long-Term Debt) | - | 8,770 | 7,000 | - | - | - | - | - | - | - | - | - | - | - | 7,000 | 8,770 |
| Debt Financing | \$ 41,400 | \$ 82,272 | \$ 46,831 | \$ 28,415 | \$ 8,700 | \$ 4,640 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 96,931 | \$ 115,327 |
| Sales Tax | 11,659 | 11,864 | 12,248 | 12,546 | 12,791 | 13,151 | 13,975 | 13,790 | 14,679 | 14,396 | 15,371 | 14,951 | 16,598 | 15,511 | 97,321 | 96,209 |
| B&O Tax | 7,156 | 7,357 | 7,421 | 7,700 | 7,748 | 8,154 | 8,068 | 8,559 | 8,394 | 8,961 | 8,671 | 9,363 | 8,969 | 9,772 | 56,427 | 59,867 |
| REET ¹ | 10,852 | 12,789 | 12,535 | 12,535 | 13,786 | 13,786 | 14,011 | 14,011 | 14,060 | 14,060 | 13,556 | 13,556 | 13,892 | 13,892 | 92,692 | 94,629 |
| Parks Levy | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 3,389 | 23,723 | 23,723 |
| Major Taxes | \$ 33,056 | \$ 35,399 | \$ 35,593 | \$ 36,170 | \$ 37,714 | \$ 38,481 | \$ 39,443 | \$ 39,749 | \$ 40,522 | \$ 40,807 | \$ 40,987 | \$ 41,259 | \$ 42,848 | \$ 42,564 | \$ 270,163 | \$ 274,428 |
| MVFT | 1,424 | 1,344 | 1,419 | 1,352 | 1,415 | 1,360 | 1,411 | 1,368 | 1,406 | 1,377 | 1,402 | 1,385 | 1,394 | 1,393 | 9,871 | 9,579 |
| ST Contribution - Parking Garage Redevelopment | - | - | - | - | - | 6,500 | - | - | - | - | - | - | - | - | - | 6,500 |
| King County Contribution | 480 | 1,380 | 900 | - | - | - | - | - | - | - | - | - | - | - | 1,380 | 1,380 |
| Redmond Contributions | - | 302 | - | - | - | - | - | - | - | - | - | - | - | - | 300 | 302 |
| WSDOT Contributions | 4,247 | 784 | 2,491 | 6,439 | - | - | - | - | - | - | - | - | - | - | 7,223 | 7,223 |
| Grants | 7,728 | 4,924 | 7,034 | 9,461 | 3,101 | 2,601 | - | - | - | - | - | - | 4,000 | 4,000 | 21,175 | 20,986 |
| Point Communities | 130 | 130 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 904 | 904 |
| Intergovernmental | \$ 14,009 | \$ 8,864 | \$ 11,973 | \$ 17,381 | \$ 4,645 | \$ 10,590 | \$ 1,540 | \$ 1,497 | \$ 1,535 | \$ 1,506 | \$ 1,531 | \$ 1,514 | \$ 5,523 | \$ 5,522 | \$ 40,853 | \$ 46,874 |
| Private Contributions | - | 31 | - | - | - | - | - | - | - | - | - | - | - | - | - | 31 |
| Special Benefit Offset/LID | 5,200 | - | 846 | - | 1,656 | - | - | - | - | - | - | - | - | - | 7,702 | - |
| Impact Fees | 3,300 | 4,377 | 3,690 | 3,690 | 4,140 | 4,140 | 6,900 | 6,900 | 7,110 | 7,110 | 7,320 | 7,320 | 7,540 | 6,825 | 40,362 | 40,362 |
| Fundraising | 1,500 | 2,510 | 2,000 | 3,295 | - | 1,500 | - | - | - | - | - | - | - | - | 4,111 | 7,305 |
| Facility Leases | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 420 | 420 |
| PWTF Loan | 2,900 | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,900 | - |
| Enterprise Fund Contribution | 350 | 200 | 350 | 1,360 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 2,450 | 3,310 |
| Miscellaneous | \$ 13,310 | \$ 7,178 | \$ 6,946 | \$ 8,405 | \$ 6,206 | \$ 6,050 | \$ 7,310 | \$ 7,310 | \$ 7,520 | \$ 7,520 | \$ 7,730 | \$ 7,730 | \$ 7,950 | \$ 7,235 | \$ 57,945 | \$ 51,428 |
| Grand Total Revenues | \$ 101,775 | \$ 142,849 | \$ 106,482 | \$ 133,408 | \$ 57,265 | \$ 59,761 | \$ 48,293 | \$ 48,556 | \$ 49,577 | \$ 49,833 | \$ 50,248 | \$ 50,503 | \$ 56,321 | \$ 66,665 | \$ 475,027 | \$ 497,193 |
| <i>w/o BFB</i> | | 133,713 | 101,343 | 90,371 | 57,265 | 59,761 | 48,293 | 48,556 | 49,577 | 49,833 | 50,248 | 50,503 | 56,321 | 55,321 | | |
| Grand Total Expenditures including Debt | 96,635 | 99,812 | 105,648 | 133,408 | 57,233 | 59,761 | 48,305 | 48,556 | 49,566 | 49,833 | 50,262 | 39,159 | 56,375 | 51,072 | 474,996 | 481,600 |
| Revenue less Expenditure | \$ 5,139 | \$ 43,037 | \$ 0 | \$ 0 | \$ 32 | \$ 0 | \$ (12) | \$ 0 | \$ 11 | \$ 0 | \$ (14) | \$ 11,345 | \$ (54) | \$ 15,593 | \$ 32 | \$ 15,593 |

¹Staff has reviewed all CIP revenue sources to ensure the forecast considers current economic events. Recent real estate transactions (e.g., Bellevue Galleria, Bravern Towers) have been contemplated in the 2013 Real Estate Excise Tax estimate, increasing the forecast from the October 7, 2013 estimate by \$1.9 million. In increasing the 2013 REET estimate to reflect recent transactions, the interfund loan borrowing for 2014 models to \$28.4 million. Council authorized the Finance Director to borrow up to \$30 million as needed; if revenue receipts exceed forecast or expenditures are lower than forecast, the interfund borrowing will be adjusted accordingly.

²Forecast 2015 models a small cash flow borrowing of up to \$4M. This model assumes 100% expenditure assumption rate, which the City has not historically met.

Attachment E: 2013-2019 Capital Investment Program

Mid-biennium Forecast

| Project Number | Project Name | 2012 Carryforward | 2013 Budget | 2013 Forecast | 2014 Budget | 2014 Forecast | 2015 Budget | 2015 Forecast | 2016 Budget | 2016 Forecast | 2017 Budget | 2017 Forecast | 2018 Budget | 2018 Forecast | 2019 Budget | 2019 Forecast | Total 2013-2019 Budget Available | Total 2013-2019 Forecast | Total Projected Variance (Positive = Over Budget) |
|---|--|-------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------------------------|--------------------------|---|
| Innovative, Vibrant and Caring Community | | | | | | | | | | | | | | | | | | | |
| P-AD-82 | Parks & Open Space Acquisition - 2008 Parks Levy | (515) | 545 | 545 | 900 | 900 | 1,500 | 1,500 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 6,430 | 6,945 | 515 |
| P-AD-83 | Bellevue Airfield Park Development - 2008 Parks Levy | 160 | 800 | - | 500 | 500 | - | 800 | - | - | - | - | - | - | - | - | 1,460 | 1,300 | (160) |
| P-AD-86 | Surrey Downs Parks Development - 2008 Parks Levy | (1) | - | 200 | 300 | 5,000 | 2,700 | 800 | - | - | - | - | - | - | - | - | 2,999 | 6,000 | 3,001 |
| P-AD-87 | Downtown Park Development - 2008 Parks Levy | (101) | 500 | 200 | 2,000 | 800 | 2,500 | 2,500 | - | 1,500 | - | - | - | - | - | - | 4,899 | 5,000 | 101 |
| P-AD-85 | Bellevue Botanical Garden Dev - 2008 Parks Levy | 8 | 5,000 | 7,000 | 5,000 | 3,000 | - | - | - | - | - | - | - | - | - | - | 10,008 | 10,000 | (8) |
| P-AD-90 | New Youth Theatre - 2008 Parks Levy | (60) | 4,000 | 3,500 | 4,500 | 5,300 | - | - | - | - | - | - | - | - | - | - | 8,440 | 8,800 | 360 |
| P-AD-79 | King County Open Space & Trails Levy | (43) | 312 | 312 | - | - | - | - | - | - | - | - | - | - | - | - | 269 | 312 | 43 |
| P-AD-27 | Park Planning & Design | 55 | 300 | 300 | 300 | 300 | - | - | - | - | - | - | - | - | - | - | 655 | 600 | (55) |
| P-R-2 | Enterprise Facility Improvements | (48) | 380 | 200 | 380 | 1,360 | 380 | 380 | 380 | 380 | 380 | 380 | 380 | 380 | 380 | 380 | 2,612 | 3,460 | 848 |
| P-R-11 | Renov & Refurb of Park Facilities | 178 | 3,870 | 3,870 | 4,040 | 4,040 | 4,270 | 4,270 | 4,490 | 4,490 | 4,720 | 4,720 | 4,837 | 4,837 | 4,957 | 4,957 | 31,362 | 31,184 | (178) |
| P-AD-92 | Meydenbauer Bay Park Development | - | - | 100 | - | 1,000 | 200 | 2,100 | 500 | 500 | 500 | 500 | 4,000 | 4,000 | 3,800 | 3,800 | 9,000 | 12,000 | 3,000 |
| CD-22 | Enhanced ROW and Urban Blvds | (27) | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 3,473 | 3,500 | 27 |
| CD-11 | Public Art Program | 24 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 2,474 | 2,450 | (24) |
| PW-W/B-49 | Wheelchair Ramps | 63 | 100 | 163 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 763 | 763 | 0 |
| Total Innovative, Vibrant and Caring Community | | \$ (306) | \$ 16,657 | \$ 17,240 | \$ 18,870 | \$ 23,150 | \$ 12,500 | \$ 13,300 | \$ 7,320 | \$ 8,820 | \$ 7,550 | \$ 7,550 | \$ 11,167 | \$ 11,167 | \$ 11,087 | \$ 11,087 | \$ 84,845 | \$ 92,314 | \$ 7,469 |
| Quality Neighborhoods | | | | | | | | | | | | | | | | | | | |
| P-AD-88 | Neighborhood Park Development - 2008 Parks Levy | (5) | 300 | 600 | 1,800 | 1,200 | 100 | 100 | 1,800 | 1,800 | 300 | 300 | - | - | - | - | 4,295 | 4,000 | (295) |
| NIS-2 | Neighborhood Partnerships | 52 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 752 | 700 | (52) |
| Total Quality Neighborhoods | | \$ 47 | \$ 400 | \$ 700 | \$ 1,900 | \$ 1,300 | \$ 200 | \$ 200 | \$ 1,900 | \$ 1,900 | \$ 400 | \$ 400 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 5,047 | \$ 4,700 | \$ (347) |
| Safe Community | | | | | | | | | | | | | | | | | | | |
| PS-16 | Renovation of Public Safety Facilities | 1,470 | 798 | 2,268 | 713 | 713 | 742 | 742 | 772 | 772 | 803 | 803 | 819 | 819 | 835 | 835 | 6,952 | 6,952 | (0) |
| PS-16 | Fire Station Emergency Generators | - | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 700 | 700 | - |
| PS-61 | Downtown Fire Station | - | 200 | 200 | - | - | - | - | - | - | - | - | - | - | - | - | 200 | 200 | - |
| PW-M-19 | Major Maintenance Program | 123 | 900 | 1,387 | 922 | 593 | 943 | 908 | 964 | 964 | 989 | 989 | 1,013 | 1,013 | 1,039 | 1,039 | 6,892 | 6,893 | 0 |
| Total Safe Community | | \$ 1,593 | \$ 1,998 | \$ 3,955 | \$ 1,735 | \$ 1,406 | \$ 1,785 | \$ 1,750 | \$ 1,836 | \$ 1,836 | \$ 1,892 | \$ 1,892 | \$ 1,932 | \$ 1,932 | \$ 1,974 | \$ 1,974 | \$ 14,745 | \$ 14,745 | \$ (0) |
| Responsive Government | | | | | | | | | | | | | | | | | | | |
| G-57 | Enterprise Content Management | 82 | 138 | 220 | 137 | 137 | - | - | - | - | - | - | - | - | - | - | 357 | 357 | 0 |
| G-84 | Relocation of Courts from Surrey Downs | (17) | 1,310 | 210 | 3,070 | 4,170 | 75 | 75 | - | - | - | - | - | - | - | - | 4,438 | 4,455 | 17 |
| G-86 | City Hall Parking Garage Redevelopment ⁴ | - | - | - | - | 4,000 | - | 3,100 | - | - | - | - | - | - | - | - | - | 7,100 | 7,100 |
| G-59 | JDE System Upgrade and Enhancements | - | 274 | 274 | 64 | 98 | - | - | - | - | - | - | - | - | - | - | 338 | 372 | 34 |
| G-59 | Business Tax and License System Replacement | 34 | 66 | 100 | - | 28 | - | - | - | - | - | - | - | - | - | - | 100 | 128 | 28 |
| G-88 | Joint City License and Tax Portal | - | 143 | 143 | 141 | 141 | 139 | 139 | 137 | 137 | 135 | 135 | - | - | - | - | 695 | 695 | 1 |
| PW-M-15 | Wetland Monitoring | 5 | 10 | 15 | 10 | 10 | 15 | 15 | - | - | - | - | - | - | - | - | 40 | 40 | (0) |
| Total Responsive Government | | \$ 105 | \$ 1,941 | \$ 962 | \$ 3,422 | \$ 8,584 | \$ 229 | \$ 3,329 | \$ 137 | \$ 137 | \$ 135 | \$ 135 | \$ - | \$ - | \$ - | \$ - | \$ 5,969 | \$ 13,147 | \$ 7,179 |
| Grand Total Expenditures | | \$ 10,971 | \$ 96,635 | \$ 99,812 | \$ 105,648 | \$ 133,408 | \$ 57,233 | \$ 59,761 | \$ 48,305 | \$ 48,556 | \$ 49,566 | \$ 49,833 | \$ 50,262 | \$ 39,159 | \$ 56,375 | \$ 51,072 | \$ 474,996 | \$ 481,600 | \$ 6,605 |

⁴Expenditure forecast includes \$6.5 million for the redevelopment of City Hall East Garage and \$600 thousand for the development of a temporary parking. The adopted 2013-19 CIP had \$1 million budgeted for temporary parking needs during East Link MOU implementation, of which \$600 thousand has been transferred to this project.

ATTACHMENT F Utilities' Financial Policy Updates

INTRODUCTION

The Waterworks Utility is the financial consolidation of the Sewer, Storm & Surface Water and Water Utilities of the City of Bellevue for debt rating and coverage purposes as established in Ordinance No.'s 2169, 2845, 3158 and 4568. It pledges the strengths and revenues of the three separate Utilities for the common financial good while keeping each Utility financially separate for budgeting, rate-setting, revenues, expenditures, debt and accounting.

These "Financial Policies" apply uniformly to the Sewer, Storm & Surface Water and Water Utilities with few, unique exceptions which are identified separately. This update reflects changes consistent with current long-range financial planning, particularly with regard to renewal and replacement funding, the use of debt and rate policies. They supersede the Financial Policies, which were adopted under Resolution No. 5967 in 1995.

These policies do not stand-alone. They must be taken in context with the other major City and Utilities documents and processes. For instance, each Utility has its own System Comprehensive Plan, which documents its unique objectives, planning, operations and capital needs. These System Comprehensive Plans have historically had a 20-year planning horizon. Future System Comprehensive Plans will need to evaluate long term renewal and replacement of aging facilities, much of which were constructed in the 1950's and 1960's during periods of high growth rates and are approaching the end of their useful life. Life cycle costs should be considered in planning the future capital facilities and infrastructure needs.

The City has a seven-year City-wide Capital Investment Program (CIP) Plan which is updated with each biennial budget cycle. All major City capital projects are included. Generally, they are described as over \$25,000; involving new physical construction, reconstruction or replacement; and involving City funding. The CIP identifies the level and source of funding for each project. The CIP includes system specific sections for each Utility which identify near-term capital projects consistent with each current Utility System Comprehensive Plan and several projects of general scope including renewal and rehabilitation, capital upgrades, response to growth and other system needs.

I. GENERAL POLICIES

C. Comprehensive Planning Policies

The Water Utility System Plan shall be updated every six years as required by state statute; the Wastewater and Storm & Surface Water System Comprehensive Plans for the Water and Sewer Utilities shall be ~~completed or updated~~ as required by changed conditions or state statute, generally ~~between~~ every six ~~to ten~~ years. All Utility system plans shall use, using a 20-year planning horizon or greater, and shall considering life cycle costs to identify funding needs. Studies to analyze specific geographic areas or issues, such as Comprehensive Storm & Surface Water sub-basin plans, Wastewater capacity and flow studies, or Water pressure zone studies System Plans and individual Storm & Surface Water Basin Plans will be completed and updated as required using similar criteria for planning infrastructure needs.

Substantial portions of the City utility systems were constructed in the 1950's and 1960's. These systems are approaching the end of their useful life as illustrated on the following Exhibit 1 - Watermain Replacement Spending and Exhibit 2 - Sewermain Replacement Spending. The storm & surface water infrastructure is of similar age but has not been graphed. It most likely has a relatively shorter expected life span. The object is to determine and follow a survivor curve replacement schedule rather than the replacement schedule based on age alone. Assumptions for survivor curves and useful lives are revisited periodically. These were assessed in 2004 and updated for the most recent engineering and financial findings. Significant changes include the adjustment of replacement costs to current price levels, categorization of pipe assets based on expected useful lives, and replacement of major non-pipe Utility assets such as pump stations and reservoirs. The Exhibits illustrate an example survival replacement curve based on preliminary estimates only. As real needs are determined, they will replace the estimated curves.

Renewal and/or replacement will require substantial reinvestment in the future and have major rate impacts if large portions of the systems have to be replaced in relatively short periods of time. The actual useful life of underground utilities is difficult to determine and the best available data is needed to be able to plan for the orderly and timely renewal and/or replacement. For this purpose, the comprehensive plans need to have at least 20 year planning horizons and must address the aging of the Utility systems.

Long term ~~comprehensive system~~ planning for the Utility systems is required in order to assure that ~~the~~ future financial needs are anticipated and equitable funding plans can be developed. In order to keep funding plans current, ~~comprehensive utility system~~ plans need to be updated ~~approximately every between every six and ten years.~~ State law requires six years for water system plans. Wastewater system plans are not mandated to be updated on a six year cycle, however updating them between six and ten years is the common standard of practice. Stormwater system plans similarly have no state or federal mandate for updating, however with the implementation of the NPDES General Permit, it is reasonable to expect significant changes within two 5-year permit terms to warrant a system plan update. Depending on the significance of the changes, the Storm system plan may require updating sooner than after two 5-year permit cycles. (as required by State law for water and sewer comprehensive system plans 5-year municipal stormwater pterms the & surface). These Financial Policies will ~~then~~ be reviewed and updated as needed.



BUDGET MONITORING REPORT

For the period from January 1 through September 30, 2013

Summary Overview

This report presents revenues and expenditures for the General Fund, General Capital Investment Program Fund, Development Services Fund and the Utilities Operating and Utilities CIP Funds.

The purpose of the report is to compare actual expenditures and revenues and year-end projections to the 2013-2014 Adopted Budget, to discuss reasons for variance and to convey the local and national economic outlook.

As of the end of September, General Fund revenue and expenditure collections are tracking very closely to the overall budget with year-end expenditures projected to be slightly below year-end revenue.

The regional and local economy appears to be outpacing the slow growth of the national economy.

U.S. Economy

The partial shutdown of the Federal Government and the mandatory furloughs of “non-essential workers” which ended on Friday, October 18th, is credited with causing a decline in indexes of consumer confidence (Washington Economic Review and Forecast Council—October 2013). Indexes of consumer confidence measure the perceptions of consumers and are an important leading indicator for overall economic health.

One of the largest threats to the economy is the uncertainty around future Federal Government budgetary struggles and debt ceiling discussions. The recovery is prolonged by uncertainty and while the Federal Government has “re-opened”, the battle is likely to recommence in January.

The revised figure for Gross Domestic Product growth for the second quarter of 2013 remains at 2.5% annually (WA ERFC). Since

Performance at a Glance

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

Legend:

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

1970, the average real growth rate for GDP has been 2.8%. The average GDP real growth rate excluding recessions since 1970 is 3.6% (Puget Sound Economic Forecaster, March 2013). The national economy continues to grow, albeit slowly and faces some risks, primarily from the Federal Government.

The national unemployment rate was 7.2% in September, slightly above the Washington state unemployment rate of 7.0% (Bureau of Labor Statistics).

City of Bellevue Budget Monitoring Report

January 1 to September 30, 2013

Regional Economy

In October, the Puget Sound region is expected to return to the same level of payroll employment as the last peak attained in February 2008 (PSEF—September 2013). This is good news, however, Boeing, a major economic driver in the region and the number one employer has reached peak hiring. This is expected to slow the growth of the regional economy in coming years, although the local economy will likely still outpace national growth.

Retail sales, fueled primarily by construction, have picked up dramatically and growth is expected to be at the fastest rate since the late 1990s, however some of this projected growth is due to inflation (Puget Sound Economic Forecaster—September 2013). During the Great Recession, taxable construction spending, which is an important component of retail sales, declined by 43%, but has since rebounded 31%. This is a good sign, but also indicates that we are not yet fully recovered.

The Puget Sound region unemployment rate is expected to be down to 5.7% by the end of 2013.

Bellevue Economy

In addition to major construction projects such as the Bellevue Square expansion and the Bellevue Center Office building, the recent sale of several downtown parcels indicates more construction is likely to begin. The Bellevue Galleria sold for \$88 million and a parcel at Washington Square sold for \$24 million in the past couple months. In addition, there are two major projects currently under construction: Soma Tower Phase 1 and the Marriot Hotel. While this growth is good for the local economy, there is a lag between construction and the receipt of sales tax for the City of Bellevue.

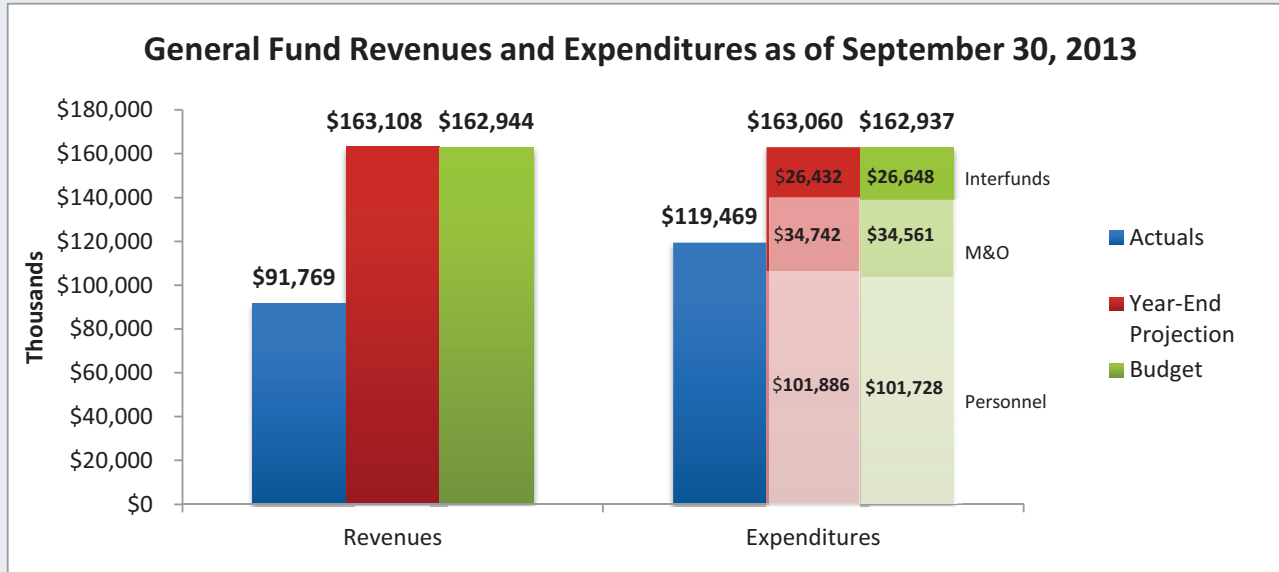
The downtown Bellevue office vacancy rate was down to 11.3% and lease rates continue to rise (Cushman and Wakefield—Q2 2013 Office Snapshot). The drop in vacancy rates and the rise in rents is likely the driving factor behind the construction of new office space downtown and the sale of large parcels.

| Puget Sound Annual Percent Change | | | |
|---|-------------------------------|-------------------------------|----------------------------------|
| | <u>2011</u> Actual | <u>2012</u> Actual | <u>2013</u> Projected |
| % Change in Employment | 1.7% | 2.3% | 2.8% |
| % Change in Personal Income | 5.3% | 4.2% | 4.2% |
| % Change in Housing Permits | 10.5% | 52.2% | 31.4% |
| % Change in Average Home Price | (9.6)% | 3.5% | 11.1% |
| % Change in Taxable Retail Sales | 2.5% | 6.1% | 8.7% |
| <i>* Source: Puget Sound Economic Forecaster—September 2013</i> | | | |

City of Bellevue Budget Monitoring Report

January 1 to September 30, 2013

GENERAL FUND PERFORMANCE



NOTE: The above graph illustrates the difference between year-to-date revenue collections and expenditures through September, current year-end estimates, and adopted budget. Due to the time lag between earning and receiving some major taxes, year-to-date revenue is less than actual third quarter activities. Expenditures are based on actual activities performed during the third quarter. Also, an accounting categorization change has resulted in the shift of some dollars from M&O to personnel since second quarter, however the total budget has not changed.

Revenue

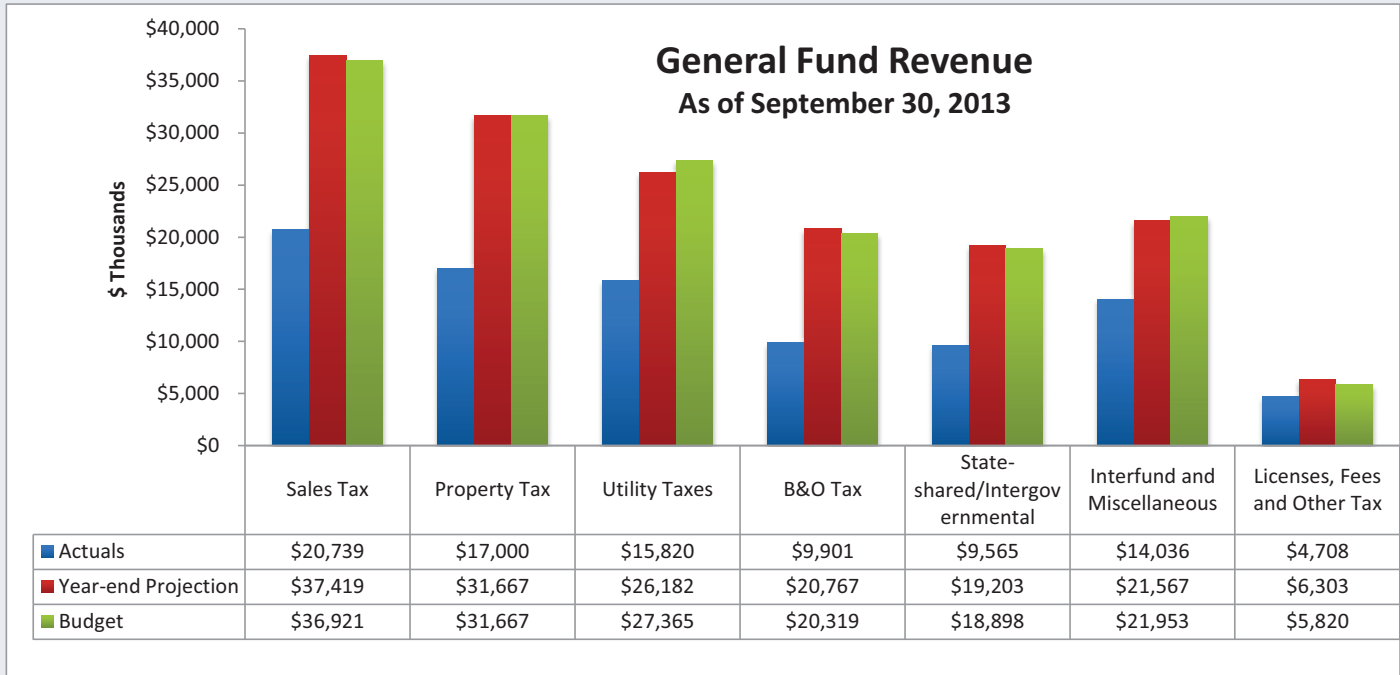
Expenditures are tracking very closely with overall revenue. Year-end expenditure projections are forecasted to come within 0.03% below estimated revenue at year-end.

Revenues are tracking slightly above budget primarily due to strong sales tax and Business & Occupation tax. However, offsetting the higher than budgeted collection of sales and B&O tax is lower than expected collection of electric utility taxes. See page four for a detailed analysis of major revenue streams.

Expenditures

Expenditure projections are tracking closely to budget. The slight overages projected in personnel are due to one time retirement and transition costs. The interfund savings projected are due primarily to the reorganization of the streets function into the General Fund. Since reserves (not shown above) are appropriated, there is sufficient authority to cover the slightly over-expenditure projected.

GENERAL FUND PERFORMANCE



NOTE: The above graph shows actual collections through September, year-end estimates, and adopted budget. Due to the time lag between earning and receiving some major tax collections, year-to-date actuals are less than actual third quarter activities and year-end projections are based on the limited information available to date.

Tax Revenues

Sales Tax and B&O Tax:

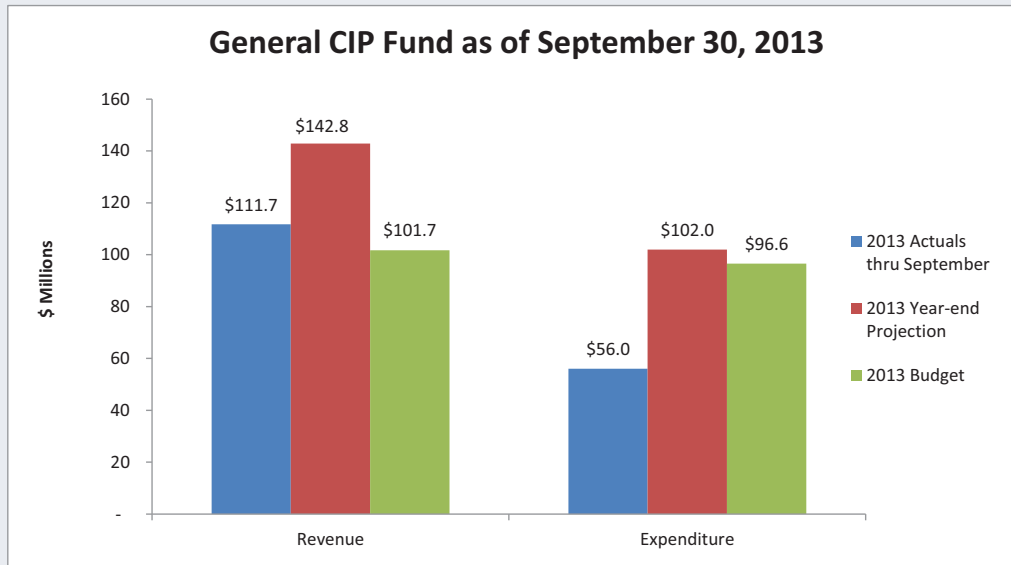
Year to date sales tax is within 1% of forecast and the year-end projection is about 1% over the 2013 budget. However, month to month collections have been highly volatile: the first three months were stronger than expected and the last two months were weaker than expected. The volatility in the sales tax trend has continued with higher than forecast sales tax collections in August. Sectors that have been leading the year have been construction, which is up 24% to date, professional services which is up 24% and auto sales and parts which is up 8% year to date.

Business and Occupation tax is highly correlated to sales tax and is also expected to be slightly above-budget.

Utility Taxes:

Utility taxes have been trending down since the beginning of 2012. While City of Bellevue Water, Sewer and Storm Water utility taxes are on budget, the non-City utility taxes performing under-budget. Non-City Utility tax collection decreases are due to conservation efforts, including energy efficient appliances and heating systems and weather patterns which have all reduced overall demand. Telephone and cell phone utility taxes are trending down due to fewer land lines and wireless carriers changing their fee structure to more data plans, which are not taxed, and fewer voice plans, which are taxed.

GENERAL CIP PERFORMANCE



NOTE: The above graph illustrates the difference between year-to-date resource collections and expenditures through September, current year-end estimates, and adopted budget. Due to the time lag between earning and receiving some major tax collections, year-to-date actuals are less than actual third quarter activities. Expenditures are based on actual activities performed during the third quarter.

Resources

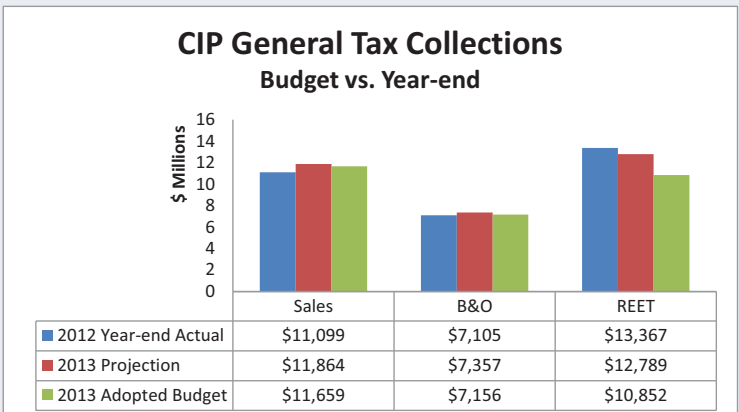
Bonds: Total revenues are projected to be \$45.5 million (45%) over budget for 2013, due to the receipt of LTGO bond proceeds in advance of budget.

General Taxes: Sales tax and B&O tax collections are projected to slightly above budget. Real Estate Excise Tax is projected to be 18% greater than budget due to the increasing pace of high-value real estate transactions towards year-end

Other Revenues: Intergovernmental revenues (i.e., grants and contributions from other jurisdictions) are projected to be under budget by roughly \$6 million (43%), which includes the loss of the Public Works Trust Fund revenue from the State of Washington.

Cash Flow Borrowing

Current projections indicate that resources will be sufficient to support projected expenditures in 2013; however, as authorized by Council on October 7, the preliminary 2014 outlook requires up to \$30 million in short-term interfund cash flow borrowing. This borrowing will occur only on an “as needed” basis and will be repaid within three years.



Expenditures

CIP expenditures are projected to be approximately \$102 million at year-end, or 106% of budget. This estimate is higher than the long run historical average, due primarily to the start of many large scale construction projects (e.g., Bellevue Botanical Gardens, Bellevue Youth Theatre, West Lake Sammamish Pkwy Phase 1) and the acceleration of other project expenditures.

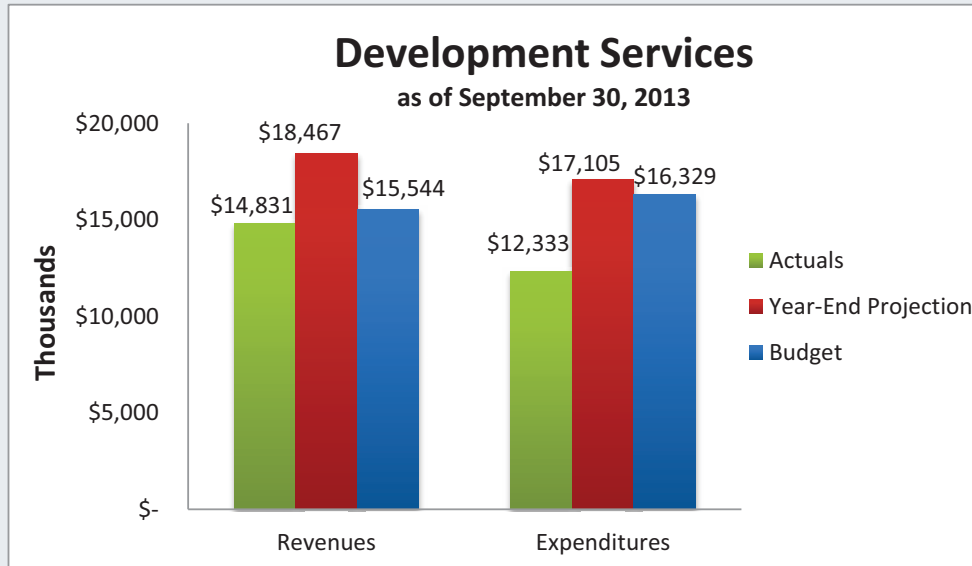
DEVELOPMENT SERVICES PERFORMANCE



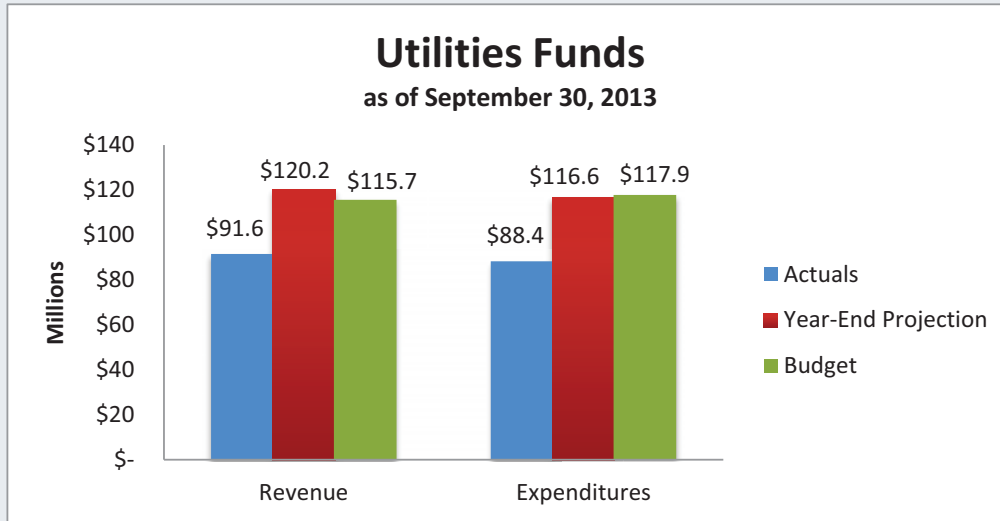
Design for the Soma Towers at 200 106th Avenue NE

Development Services revenue collections are above anticipated levels in Q3, largely due to applications for major projects. Economic growth continues to improve as permit applications are increasing in valuation size and scope. Permit applications are 13% higher than this time last year and the trend is anticipated to continue

through year-end. Development Services expenditure projections reflect cost increases for additional staff necessary to meet the workload demand. Additional revenues are anticipated to cover expenditures and sufficient budget authority exists to for 2013 since fund balance is part of the appropriation.



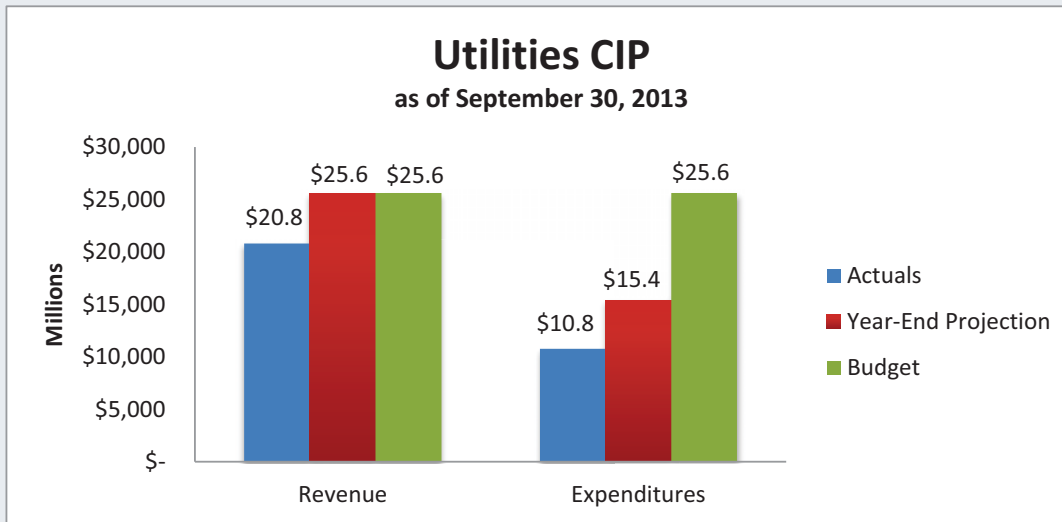
UTILITIES PERFORMANCE



Utility revenues are projected to be above budget by about \$4.5 million due primarily to water and wastewater service revenues exceeding expectations. Expenditures are expected to be under

budget by about \$1.2 million due primarily to staff vacancies and delayed capital equipment purchases which will need to be made in 2014.

UTILITIES CIP



Utility revenues are projected to be at budget by year-end (the budget above is presented net of reserves and carry-forwards). Expenditures are expected to be under budget by about \$10.2 million due primarily to delays to accommodate coordination with other projects and consolidation of projects to attract more favorable bid pricing,

but partially offset by the acceleration of other projects. The majority of the variance between projected revenue and expenditures will need to be carried forward to cover projects which have been delayed into 2014.