



September 21, 2020

Bellevue City Council
Bellevue City Hall
450 110th Ave NE
Bellevue, WA 98004

Re: 2021-2022 City Budget Priorities and Recommendations for Bridging the Gap

Dear Mayor Lynne Robinson and Councilmembers,

On behalf of the Bellevue Chamber of Commerce and Bellevue Downtown Association, we thank you for the opportunity to provide our recommendations regarding the challenges and opportunities confronting the City's Preliminary 2021-2022 Budget.

Keep Bellevue Strong

Together, we are facing an ongoing pandemic, economic recession, and continued uncertainty. The 2021-2022 budget must adapt to these realities in order to bolster resiliency and position our community to recover swiftly. Our goal is to ensure Bellevue remains financially stable while maintaining current levels of core services and continuing capital investments that will add capacity necessary to support projected growth.

Investment Priorities

Based on our analysis of the current economic climate, we recommend the following operation and capital investments to be prioritized in the 2021-2022 budget. Funding these services and projects will support our goal to keep Bellevue strong.

Operations Budget

- **Continue investments into COVID-19 response and recovery.** Supporting small and mid-size businesses so that they can remain open is critical for sustaining our economic vibrancy that has been built over decades.
 - Support efforts to maintain a safe environment in our community through programs that reduce the spread of the virus and reinforce our reputation as a safe City.
 - Maintain the current B&O tax rate to avoid harming business resiliency and recovery efforts from the pandemic.
- **Maintain 2020 funding for police and fire services.** Ensuring public safety is critical for providing stability and confidence during these uncertain times.
- **Support health and human services.** Seek creative ways to provide services to community members struggling to meet basic needs.

Capital Budget

- **Maintain transportation funding.** Advance mobility projects that increase capacity of the transportation system in Downtown, Bel-Red, Wilburton, and Eastgate/Factoria. The following projects are not funded by dedicated revenue sources and are critical for supporting growth:
 - Funding for the Citywide Transportation Plan
 - NE 6th Street Extension design and permitting
 - Bellevue Way HOV lane design and permitting
 - Southbound 405 on-ramp
 - SR 520 124th Half-Diamond Interchange
 - Grand connection I-405 crossing feasibility study
 - Investments in transportation technology
- **Fund planning, design, and right of way acquisition for shovel-ready projects.** Prepare the City to advocate for federal stimulus funding.

In addition to our capital investment recommendations, we urge the City to streamline regulatory processes so private sector development may thrive and businesses are attracted to open in Bellevue. This action coupled with our recommendation to preserve core capital programs will support the public/private development and small business vibrancy necessary to serve growth.

Bridging the Gap

We encourage the City to access existing funds and explore other revenue opportunities to make up the shortfall. However, any consideration of transferring capital budget funds to the operating budget should be carefully evaluated to demonstrate that an unfunded capital project does not disrupt Bellevue's ability to support growth. Maintaining the capital project schedule is vital for ensuring City infrastructure remains on pace with the booming development pipeline and growing workforce.

We recommend the City consider the following actions to bridge the revenue gap.

Cost saving considerations

- **Reduce the Ending Fund Balance (EFB) over the short term with a plan to restore in future biennia.** Consistent with existing Comprehensive Financial Management Policies, enact a short-term reduction below the 15% threshold to free up resources for "one-time extraordinary expenditures."
- **Consider delaying construction of fire station 10 to defer associated staffing costs.** Based on current budget figures, deferring these costs will reduce the operating budget by \$2,372k in 2021 and \$2,823k in 2022.
- **Explore feasibility of an interfund loan from the utility reserve fund.** Borrowing from this \$300M fund can provide some relief at a low interest rate.

Creative Revenue Tools

- **Be prepared to seek federal stimulus funding for shovel-ready projects.** Design and permitting are a small fraction of the overall project costs. By advancing projects to shovel-ready status, Bellevue will be advancing its growth plans while positioning itself for a likely stimulus package.
- **Seek TIFIA loan debt service forgiveness.** Track federal relief opportunities to advocate for debt relief.
- **Assume likely grant funding in adopted budget.** Apply reasonable assumptions of grant funds to increase capacity in the later year of the Capital Investment Program. Should the grants not materialize, projects would simply need to be deferred until funds from other sources become available.
- **Consider long-term debt financing for the capital budget.** The City still has considerable debt capacity (over \$700 million according to the current budget, page 163), interest rates are very low, and borrowing long term debt to pay for expensive road projects is equitable, because the road users of twenty years from now get to pay a share of the costs, as opposed to making the taxpayers of today foot the entire bill.
- **Seek federal loan assistance for operating budget.** Track opportunities at the federal level for loans with low interest rates that will help offset funding gaps in operations.
- **Advocate for adoption of CARES Act Phase 4.** Support another phase of the CARES act to provide relief to those who need assistance. This relief will preserve economic resiliency and support sales taxes.
- **Support 1% property tax increase for 2021-2022.** Adopting the 1% annual property tax increase provides a broad-based, stable source of revenue.
- **Evaluate use of banked property tax capacity.** Review the capacity earned from not adopting the 1% annual property tax in past years to access additional revenue as needed.

The City of Bellevue and the business community it serves face great uncertainty. The City is challenged to meet a rising demand for core services while revenues plummet. Businesses are struggling to keep doors open and maintain payroll. What is certain is that Bellevue must remain strong as a resilient City positioned for recovery. We are confident Bellevue has the strength to rebound and lead the way for economic growth on the Eastside.

Thank you for considering our recommendations. We appreciate your leadership during this especially difficult time. We will remain engaged through the current process and during the mid-biennium review.

Sincerely,



Joe Fain
President & CEO
Bellevue Chamber of Commerce



Patrick Bannon
President
Bellevue Downtown Association