

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

October 27, 2008
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Degginger and Councilmembers Bonincontri, Chelminiak, Davidson, Lee, and Noble

ABSENT: Deputy Mayor Balducci

1. Executive Session

The meeting was called to order at 6:05 p.m., with Mayor Degginger presiding. All Councilmembers except Deputy Mayor Balducci were present.

2. Oral Communications

- (a) Rachel Krefetz, speaking on behalf of the Housing Development Consortium (HDC), described the group's work in providing affordable housing, and expressed support for the Human Services Commission's funding recommendations. She noted that the proposed allocation to ARCH (A Regional Coalition for Housing) has remained constant since 1999. Ms. Krefetz requested an adjustment equal to inflation for the next funding allocation.

3. Study Session

- (a) Council Business and New Initiatives

[No new initiatives were introduced.]

- (b) 2009-2010 Preliminary Budget and 2009-2015 Preliminary Capital Investment Program (CIP) Budget

- (1) Overview

City Manager Steve Sarkozy opened discussion regarding the 2009-2010 Preliminary Budget and 2009-2015 Preliminary Capital Investment Program (CIP) Plan. He noted that the Budget

sustains the City's current operations and service levels, while reflecting new investments related to environmental stewardship, overall efficiency measures, and adopting certain pilot programs as permanent programs. Staff recommends continuing the 10-year pattern of not increasing tax rates.

Finance Director Jan Hawn provided a broad overview of the 2009-2010 Preliminary Budget. She reviewed the steps in the budget implementation process, which includes Council presentations and discussions throughout November. Council action will be requested on December 1 for the following items:

- 2009-2010 Budget
- 2009 Pay Plans
- 2009 Property Tax levy
- Utility fees, and
- Other fees.

Responding to Mayor Degginger, Councilmembers noted concurrence with the proposed schedule.

Ms. Hawn reported that the City's financial position remains strong. However, the budget reflects the uncertainty of the economy. Budget highlights include no proposed tax rate increases; continued investments, although limited, in priority areas identified by residents; 8.25 new staff positions; and limited General CIP investments with staffing to support the investments (including Utilities staffing to support increased maintenance, capital needs, and additional regulatory requirements).

Jonathan Swift, Budget Manager, provided the financial forecast for the General, Utilities, Parks Enterprise, and Development Services Funds. The economy is expected to slow, resulting in measured growth through the biennium budget period. Development activity will remain robust in the short term, and the residential and daytime population will increase. However, job growth will slow down.

In terms of the General Fund, a decrease in retail sales tax collections is anticipated in 2009. Additional watch areas include the housing market, inflation and energy costs, development and population changes, market volatility, credit availability and other economic indicators.

Mr. Swift briefly reviewed the Utilities forecast reflecting investments in infrastructure maintenance, pass-through wholesale cost increases for Sewer and Water Utilities resulting in customer rate increases, inflationary increases in salaries and maintenance and operating costs, and additional strategic capital needs.

Mr. Swift continued with the Parks & Development Services forecast. Revenues within Parks Enterprise are expected to keep pace with expenditures, and development activity will remain strong through the biennium. However, downtown development and revenue collections are anticipated to decrease through 2012.

Responding to Mayor Degginger, Mr. Swift said that retail sales tax collections have decreased. However sales tax collections related to services, wholesale, and construction activities are growing.

Responding to Councilmember Lee, Mr. Swift acknowledged direct impacts related to the current national financial crisis including the unavailability of credit and a decrease in real estate excise tax (REET) collections due to slowed housing activity.

In further response to Mr. Lee, Mr. Swift said all departments have been directed to curtail spending. Mr. Sarkozy noted that the City does not book revenue until it is received. However, the City has benefited from the tremendous growth experienced during the past several years.

Mr. Swift reviewed the format of the Executive Summary and Preliminary Budget, and responded to questions of clarification from the Council.

Councilmember Chelminiak indicated he would like specific discussion regarding the Wrap Around Services program, and its conversion from a pilot program to permanent, when the Parks and Community Services Department presents its budget.

Mr. Swift explained that major drivers to the General Fund are inflationary increases (e.g., personnel costs, maintenance and operations costs), state pension rate increases, utility and fuel costs, and public safety investments. Key new operational investments are the Mercer Slough Environmental Education Center, staffing to respond to federal mandates (e.g., NPDES), participation in NORCOM (Regional 911 communications center), and improving the housing stock. Continued investments include street light maintenance and support services (i.e., fleet warranty program, tax analyst public disclosure, and fire permit coordination). The General Fund consolidates the Rainy Day Reserve and General Fund Reserve, and the annual target for the combined reserves is 15 percent. Projections indicate reserves at 13-14 percent levels during the next six years, however.

Mr. Swift said that the major drivers of the Utilities budget are King County/Metro wastewater treatment costs, Cascade Water Alliance membership and activities, new sewer capacity projects, aging infrastructure, and response to federal NPDES (National Pollutant Discharge Elimination System) requirements.

Key items in the Parks and Development Services budget are Mercer Slough Environmental Education Center operating costs, the inflationary impact on overall operating costs, development activity, and the inflationary impact on personnel costs.

Councilmember Chelminiak asked staff to provide information about what is included in the 15-percent of General Fund Reserves.

Responding to Councilmember Lee, Mr. Swift said the home improvement program staff position is supported through federal funding. He will provide additional information for the Council next week.

Councilmember Chelminiak recalled the Council's interest in transferring at least a portion of maintenance and operations costs for new projects in the CIP Plan to the General Fund. He requested further information and discussion on this issue during an upcoming meeting.

Mayor Degginger asked staff to prioritize requested staffing positions.

Mr. Swift responded to additional questions from the Council.

Councilmember Lee requested information on new programs that will show the expected revenue offset of the programs.

Mayor Degginger requested more information regarding the significant anticipated increase in the Human Resources budget.

Councilmember Noble requested information regarding the projected decreases in expenditures for services between City departments.

Councilmember Bonincontri requested details on what expenses are included in some of the non-specific (i.e., identified as other) budget categories.

Mr. Swift provided a brief description of the Capital Budget detail. The 2009-2015 Capital Investment Program (CIP) Plan totals \$485.8 million. It continues major maintenance projects, completes projects from the previous plan, provides matching funds for the 2008 Parks levy, and completes the initial phase of the Supplemental CIP. CIP investments are focused on transportation safety and mobility, technology and operational infrastructure, environmental stewardship, and aging utilities infrastructure. A large portion (47 percent) of the CIP Budget funds ongoing programs. Other commitments for CIP resources are maintenance and operations (M&O) costs on completed projects, funding for City Hall debt, and cash flow borrowing interest costs.

Mr. Swift and Ms. Hawn responded to additional questions of clarification.

Responding to Councilmember Noble, Mr. Swift referred him to pages 25-4 and 25-15 of the Budget binder for information regarding allocations to ARCH (A Regional Coalition for Housing).

Mr. Sarkozy said staff will prepare answers to tonight's questions and provide them to the Council next week.

- (2) Human Services Commission recommendations on the 2009-2010 Human Services General Fund and 2009 Community Development Block Grant (CDBG) funding.

Parks and Community Services Director Patrick Foran opened discussion regarding the Human Services Commission's recommendations on the 2009-2010 Human Services General Fund and 2009 Community Development Block Grant (CDBG) funding. He introduced Michael Yantis, Human Services Commission Chair; Emily Leslie, Human Services Manager; and Joseph Adriano, Human Services Grants Coordinator. Mr. Foran spoke to the challenges of increasing needs within the community and decreased funding by King County.

Mr. Adriano noted that CDBG funding from the federal government has decreased steadily since 2003. Another CDBG revenue source comes from payments through the Home Repair Loan program. Human Services Fund requests total approximately \$3.3 million for the 2009-2010 budget cycle. The Commission uses the Council's funding formula reflecting the previous year's funding plus adjustments for both inflation and population increase in creating its recommendations. The human services needs update presented to the Council in January 2008 reflects increased demand for affordable housing, health care, food banks, and meal programs.

Ms. Leslie explained that the total funding recommended by the Human Services Commission is \$3.3 million, which includes \$2.3 million from the City's General Fund and the remaining funding from the CDBG grant program. Attachment A in the meeting packet summarizes the Commission's recommendations. Ms. Leslie described processing and funding efficiencies achieved through Bellevue's participation in the coordination of requests with nine North and East King County cities. A joint application form enables organizations to submit one request to multiple cities.

Chair Yantis reviewed the Human Services Commission's recommendations, which respond in part to the most recent needs update indicating increased demand for housing, early learning and school readiness, and culturally and linguistically appropriate health services. Mr. Yantis said the Commission received 21 requests for new funding, and of these 10 programs are recommended for funding.

Mayor Degginger thanked Mr. Yantis for the report.

Councilmember Davidson described a request from the Eastside Kidney Center for a generator to provide power during emergencies. Ms. Leslie said that due to the limited funding available, no new capital investments were considered this year.

Councilmember Lee thanked the Commission for its hard work. Responding to Mr. Lee, Ms. Leslie said King County's decreased human services funding will likely have impacts for Bellevue residents. In further response, Ms. Leslie said she will provide additional information on the needs and services for refugees and immigrants.

Councilmember Chelminiak stated for the record that he is a member of the volunteer board for Elder and Adult Day Services, which is one of the agencies recommended for funding. He thanked the Commission for its work.

Councilmember Noble thanked the Commission as well. He noted that human services funding benefits the entire community in terms of overall quality of life.

Mayor Degginger concurred and spoke to the importance of mental health services in particular, especially in the current economic climate.

Councilmember Bonincontri thanked the Commission for its work, and for providing a contingency plan for addressing potential fluctuations in funding sources. Responding to Ms. Bonincontri regarding areas the Commission would like to have been able to support better, Mr. Yantis noted comprehensive case management services that can address a family's overall needs. However, this type of service is very expensive.

At 8:00 p.m., Mayor Degginger declared a short break. The meeting resumed at 8:06 p.m.

(c) Regional Issues

Diane Carlson, Director of Intergovernmental Relations, provided a presentation updating the Council on the jail feasibility study, contract negotiations, and future options for jail services.

Bellevue's jail population is 46.4 beds per day based on a nine-year average. The average daily population (ADP) varies based on bookings, state law, sentencing practices, and alternatives such as electronic home detention (EHD). Bellevue experiences approximately 1,390 bookings annually. Ms. Carlson reviewed the services provided by the three jails utilized by the City. Issaquah is the primary booking facility. King County houses special population inmates and inmates booked on Bellevue warrants from other agencies. Both facilities are transfer points to Yakima County, which primarily holds sentenced inmates. Yakima County has limited capacity for high risk, psychological, and medical populations.

Ms. Carlson reviewed 2008 jail rates for King County, Yakima and Issaquah. The Ricci Greene Jail Study in 2005 assumed 1.25 percent growth per year starting from the 2006 base. Bellevue should plan for approximately 50 to 60 beds per day through the next 20 years. Following this formula, Bellevue will need 48 beds in 2012.

Ms. Carlson provided an overview of contract negotiations with Yakima, King County and Issaquah addressing bed need through 2014. She reviewed options for long-term jail needs beyond 2014 including continuing with the regional jail partnership with North East King County cities, the local option of a Bellevue jail (with or without partner cities), and long-term contracts with Yakima, Issaquah and potentially other providers. A regional partnership could be structured similar to NORCOM and the Cascade Water Alliance. Potential policy decision criteria include costs (construction, operation and daily bed rate), location (convenience, travel

distance, implications for police operations), acceptability (siting, size of jail, amenities), liability (City-only or shared risk), and certainty regarding the number of beds to be available.

Responding to Councilmember Davidson, Ms. Carlson reviewed the components and cost of preparing the environmental impact statement (EIS) for the NEC regional jail process. Staff recommends continuing to participate in the regional partnership while also studying the City jail options. Establishing longer term contracts with other agencies can be considered in the future within the context of securing special needs population beds.

Responding to Councilmember Bonincontri, Ms. Carlson said the primary benefit of continuing a partnership with King County would be the ability to share capital costs and/or facilities. However, King County's contract costs are higher.

Responding to Councilmember Noble, Ms. Carlson briefly estimated the cost of initiating a jail study and potential funding sources for the study. She explained that Kirkland currently has a 12-bed jail and is a potential partner for a Bellevue jail, as Kirkland is keeping all options open at this point.

Responding to Councilmember Lee, Ms. Carlson said the regional partnership requires unanimous approval of the potential jail sites to be studied.

Responding to Dr. Davidson, Ms. Carlson said Kirkland uses the King County jail for special needs beds.

Councilmember Davidson indicated his general preference for a regional partnership versus continuing to contract with King County over the long term.

Responding to Mr. Lee, Ms. Carlson estimated that a feasibility study could cost as much as \$60,000. Staff recommends conducting a study for a local option while continuing to participate in the regional planning effort, in order to keep the City's options open.

Mr. Sarkozy said the cost of \$400,000 for the EIS associated with a regional jail facility is in part due to the compressed timeframe needed for completing the work. The other factor is finding a solution for special needs beds. Mr. Sarkozy feels that the ideal solution would be to find a local facility for special needs inmates, while sending most of the inmates to the Yakima County (or other) facility.

Mayor Degginger commented on the considerable challenges associated with this planning effort in terms of the funding requirements and the need for some level of certainty in providing for adequate beds.

Responding to Mr. Degginger, Ms. Carlson said staff is requesting direction to return with the proposed regional EIS agreement for Council consideration.

Councilmember Bonincontri expressed support for staff's recommendation to proceed with both participation in the regional partnership and a study of local options.

Mayor Degginger noted Council support for Ms. Bonincontri's stated position.

Mr. Chelminiak questioned the cost evaluation model's basis of total population versus jail utilization in terms of allocating the cost of the regional EIS to the partner agencies.

Ms. Carlson said a number of models were tested and the results were fairly similar. Bellevue's cost allocation based on population was 14 percent, while the City's cost based on bed needs was 12 percent of the total cost.

Moving on, Joyce Nichols, Utilities Policy Advisor, provided background information on the Puget Sound Partnership and reviewed the draft interest statement prepared in response to previous Council direction. The Partnership was created to lead the regional effort in establishing a work plan to restore Puget Sound to health by 2020. The draft interest statement urges the Partnership to set priorities and establish a timeline to enable limited resources and investments to be directed to projects that will have a measurable impact.

Mr. Lee would like Bellevue to be recognized for past actions related to environmental stewardship.

Responding to Ms. Bonincontri, Ms. Nichols suggested that monitoring activities required by both state and federal mandates should be combined into one program to avoid duplication and the inefficient use of resources. The Partnership and the State Department of Ecology have created the Puget Sound Monitoring Consortium to establish such a program. The Consortium is seeking state funding for monitoring activities, and will work to secure federal funding as well.

Regarding the draft interest statement [Page 3-69 of the meeting packet], Mr. Chelminiak suggested highlighting the statement about requesting dedicated state funding assistance by moving it to the beginning of the Permits and Programs section of the statement.

Dr. Davidson noted his participation in regional groups addressing these issues. He suggested that the program's objectives be directly related to regional goals already established for salmon recovery. He expressed support for the draft interest statement.

Mr. Degginger spoke to the challenge of establishing meaningful and measurable outcomes that comply with requirements from multiple agencies, while also balancing funding with competing priorities. Responding to Mayor Degginger, Ms. Nichols said staff will revise the interest statement and present it for Council approval.

Ms. Carlson moved on to highlighting items in the draft 2009 State Legislative Agenda [Page 3-73 of meeting packet]. These include seeking funding assistance for infrastructure investments associated with the Bel-Red redevelopment plan. Ms. Carlson noted that the State will benefit

over the next 20 years from significant tax revenue associated with Bel-Red corridor redevelopment.

Ms. Carlson noted that Council's position on SR 520 tolling is reflected in the legislative agenda, along with funding requests for I-405 projects and a request that the state legislature consider new authority for municipalities to provide local transit services for specific needs.

County budget issues likely to be addressed by the state legislature and included in the proposed legislative agenda are public health funding, countywide taxing authority, REET (real estate excise tax) flexibility, and independent review of the County's governance and taxing authority.

Councilmember Noble stated support for limiting the County's taxing authority related to actions in incorporated cities. However, he does not support an approach in which taxes affecting unincorporated areas would be subject to the approval of cities.

Ms. Carlson responded to additional brief questions of clarification.

At 9:26 p.m., Mayor Degginger declared the meeting adjourned.

Myrna L. Basich
City Clerk

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