

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

November 17, 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 6:12 p.m., with Mayor Degginger presiding. There was no Executive Session.

2. Study Session

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

(1) Utilities Rates and Operating/Capital Discussion

City Manager Steve Sarkozy noted that the Environmental Services Commission has reviewed the Utilities Department's budget.

Utilities Director Denny Vidmar introduced Steve Szablya, Chair of the Environmental Services Commission, and Utilities staff.

Mr. Vidmar explained that the Utilities Department has a planning horizon of 75 years or more for infrastructure repair and replacement. Infrastructure is aging and the system is experiencing more failures. While growth and ongoing maintenance are to be expected, unavoidable external factors and mandates place additional pressure on the Utilities Funds. Mr. Vidmar said that Council's financial policies have placed the City's utilities systems in solid financial position.

Mr. Szablya reviewed the Environmental Services Commission's rate and budget review process, which began in late 2007. The Commission held a public hearing on November 6, 2008, at which one citizen provided comments. Mr. Szablya referenced the Commission's

recommendations provided in the meeting packet beginning on page SS 2-9. The Commission recommends approval of the proposed capital program, staffing requests, and utilities rates.

Nav Otal, Utilities Deputy Director, reviewed the Utilities Department's role in public health and safety, environmental and fiscal stewardship, service reliability, and exceptional customer service.

Ms. Otal described staffing and cost containment efforts including the re-engineering of processes, investing in technology and equipment, evaluating CIP projects, outsourcing of some services, and the use of volunteers, limited term employees (LTEs), temporary employees, and interns. Total full-time equivalent (FTE) staffing growth has been 9 percent over 12 years, and positions have been added only based on service area expansions. No positions have been added for capital projects since 1993.

Ms. Otal explained that static labor resources and growing workload pressures due to aging infrastructure and regulatory requirements will ultimately lead to declining service delivery for customers. She noted that the key issues affecting the 2009-2010 budget are: 1) Wholesale costs, 2) Construction Inflation, 3) Mandates, 4) NPDES requirements, 5) Growth, and 6) Aging infrastructure. Ms. Otal explained the impact of wholesale costs and construction inflation.

Mr. Vidmar reviewed overall budget and capital needs, including requested staffing additions, based on the effects of known mandates through 2020, NPDES requirements, growth, and aging infrastructure. He recalled that in 1995, the Council approved a dedicated Renewal and Replacement (R&R) Fund. Ms. Otal said there is currently \$50 million in this account. However, the estimated cost of replacing the current system is \$3 billion in 2008 dollars. A key revenue source for the R&R plan is interest earnings on the reserve balances.

Mr. Vidmar summarized that the proposed budget allows the Utilities Department to meet minimum legal requirements and to restore and maintain essential services. Adding FTE staff is considered a last resort. However, each proposed position provides the lowest cost, highest customer service, and optimum responsiveness needed to address ongoing demands.

Anne Weigle, Utilities Assistant Director, reviewed the proposed rate increases, which are based on wholesale water purchase costs and wastewater treatment cost increases. She described the effect of the proposed rate increases on the typical residential bill, and compared residential billings to those in neighboring cities.

Ms. Weigle explained that Bellevue operates its own storm and surface water utility, and provides all storm drainage services to its customers. The storm water utility has the smallest rate base, and therefore a one percent increase in the storm water utility rate generates less than half of what a similar rate increase would generate in the water and wastewater utilities.

Ms. Weigle explained that the addition of 15 FTE positions results in a 2009 rate increase of 2.4 percent, or an increase of \$2.37 per month.

Mr. Vidmar summarized the key issues influencing the Utilities Department's budget, staffing, and rates requests.

Responding to Councilmember Bonincontri, Mr. Vidmar explained that the requested staffing positions that were to be placed on hold were in the area of development review associated with NPDES work. For growth, staff proposes one construction inspector in the capital budget starting in 2010. If by the mid-biennium budget process the economy slows to the point that growth projects can be delayed, the construction inspector position will be delayed as well.

Councilmember Davidson thanked staff for this and previous presentations, and stated he is convinced that the requested staff positions are needed.

Councilmember Lee said he appreciates the work of the Environmental Services Commission and Utilities Department staff. He would be interested in more input from the public regarding utilities rates. He supports the budget proposals in general.

Responding to Mr. Lee, Mr. Vidmar said it is difficult to predict long-term staffing needs due to unknown future regulatory requirements and the inability to estimate exactly when infrastructure repair and replacement issues will occur. In further response, Mr. Vidmar said that in the past reserve funds were allocated based on the age of pipe or equipment. The current practice utilizes field assessments to track the condition of infrastructure and the rate of degradation.

Responding to Councilmember Chelminiak, Wes Jorgenson, Utilities Assistant Director, confirmed that the Somerset Reservoir #1 project is included in the current CIP Plan. A draft pre-design report addressing five alternatives for abandoning the reservoir has been completed, and the report has been shared with the swim club.

Responding to Mr. Chelminiak, Mr. Vidmar said there is one position that staff proposes accelerating from mid-term to short-term funding, which is the water maintenance worker position for fire hydrant repair and water meter replacement.

In further response to Mr. Chelminiak, Ms. Otal confirmed that the estimated rate increase for all three utilities is approximately \$4.76 per month in 2009, and an additional \$4.94 monthly increase for 2010.

Mr. Chelminiak expressed concern regarding the proposed rate increases, particularly when considered within the context of the Council's ongoing efforts to resist increasing property tax rates for Bellevue residents.

Responding to Mayor Degginger, Mr. Vidmar said the Utilities Department was last accredited last year. Mr. Vidmar clarified that the accreditation process focuses on policies and procedures, but it does not evaluate capital programs or the results of these programs.

Councilmember Noble said he shares Mr. Chelminiak's concerns regarding the utility rate increases. Mr. Noble does not doubt the need for increased staffing, but he would have preferred to have additional discussions up to this point regarding the budget proposals. Responding to Mr. Noble, staff explained the benefits of replacing pipe at a faster rate than the City is currently doing.

Responding to Mayor Degginger, Mr. Vidmar explained that the backflow technicians remind property owners of the need to hire someone to check their backflow prevention device. They must physically re-inspect 400 high hazard sites including hospitals, clinics, car washes, and funeral homes. The City currently does not have compliance records for approximately five percent of the devices, and the last five percent is the most difficult to get. The proposed staff will ensure that the City receives compliance records, work with property owners and contractors, and physically inspect the 400 high hazard sites that have not been inspected for a few years.

Councilmember Davidson suggested that lowering utility taxes would be an alternate way to maintain lower utilities bills for customers.

Responding to Mayor Degginger, Ms. Otal said staff will provide additional information on estimated construction inflation rates to the Council this week.

There was a consensus to handle Agenda Item 3 before continuing with the budget discussion.

3. Discussion

- (a) Consideration of the application of Children's Hospital to rezone three parcels at 1500 – 116th Avenue NE from Office (O) and Light Industrial (LI) to Medical Institution District Development Area 3 (MIDA 3) without conditions. Applicant's intention is to construct an ambulatory health care center on two of the parcels. File No. 08-128428 LQ.

[Council action on this quasi-judicial matter is scheduled for December 1, 2008. This is a Process III application, in which the Hearing Examiner provides a written recommendation to Council, which is the decision-making body. Should Council deny the application, that decision would be appealable to Superior Court. The Hearing Examiner recommends Council approval with no conditions.]

City Manager Steve Sarkozy requested Council consideration of the application of Children's Hospital to rezone three parcels at 1500 116th Avenue NE from Office (O) and Light Industrial (LI) to Medical Institution District Development Area 3 (MIDA 3). The Hearing Examiner recommends approval of the application without conditions.

Land Use Director Carol Helland noted that this action is needed to allow the rezone on this property to occur, and to maintain consistency between the Comprehensive Plan amendment (CPA) approved by the Council in August and the zoning map.

Carol Saari, Land Use Planner, provided a brief update on the Children's Hospital CPA and subsequent rezone application. A hearing was held before the Hearing Examiner on October 16, 2008, at which time David Plummer, a resident, expressed some concerns regarding the certificate of need and whether another location could be considered. The Hearing Examiner recommends approval of the application without conditions.

Ms. Saari referred to page SS 3-1 of the meeting packet for alternative actions provided to the Council for consideration.

[Agenda Resumed]

- (a) 2009-2010 Preliminary Budget and 2009-2015 Preliminary Capital Investment Program (CIP) Plan
- (2) Staff Response to Questions Previously Raised by the Council

Finance Director Jan Hawn explained that responses to questions and requests for information raised during the last Council discussion have been provided to the Council in the meeting desk packet.

Regarding the Downtown Transit Implementation Strategy proposal from the Transportation Department, Councilmember Bonincontri said she would rather not spend more money on studies. She would prefer an ongoing focused effort to negotiate with transit agencies regarding Bellevue's interests.

Responding to Ms. Bonincontri regarding the signal system upgrade proposal, Transportation Director Goran Sparrman explained that a large component of the project is replacing the copper wire communication system with fiber optic cable. The FTE position is requested to install the system, which will take several years, and to provide ongoing maintenance while also maintaining other components of the overall traffic control system. Mr. Sparrman responded to additional questions of clarification.

At 7:48 p.m., Mayor Degginger declared recess to the Regular Session. He announced that the Council would return to the Study Session agenda at the conclusion of the Regular Session.

Mayor Degginger reconvened the Study Session at 9:14 p.m.

Councilmember Chelminiak referred to the petition submitted to the Council opposing the creation of a local investment district (LID) in the Bel-Red corridor. He noted that none of the

property owners or businesses reflected on the petition are located within the area that is proposed for the LID assessment. He suggested that staff notify the petitioners to this effect.

Mayor Degginger noted materials provided to the Council regarding the prioritization of staffing requests by the City Manager's Office and responses to previous questions from the Council.

Referring to the prioritized list of staffing positions proposed in the Operating Budget, Councilmember Bonincontri suggested Council consider removing the three positions designated as lower priority: 1) Public Disclosure Analyst, 2) Fire Prevention Senior Office Assistant, and 3) Assistant Mechanical Services Technician. All three positions are proposed conversions from limited-term employee (LTE) to FTE status.

Responding to Councilmember Noble, Mr. Sarkozy confirmed that the positions are currently staffed and funded as LTEs. If the Assistant Mechanical Services Technician position is not filled, the City will continue to use temporary help to complete the work. Mr. Sarkozy noted that such an approach will not produce the same productivity, however.

Mr. Noble expressed concern related to the consequences of not filling the Public Disclosure Analyst position. He would prefer to retain that position relative to some of the others that have been discussed.

Councilmember Lee stated that regardless of the ultimate decisions on staffing requests, he suggests monitoring the impacts of not funding specific positions.

City Clerk Myrna Basich provided clarification regarding the need for the Public Disclosure Analyst. She said the work could not be distributed to other employees because there is no other staff person qualified and trained to perform this specific type of work. If funding is not available, it would be necessary to lay off a different position within the Records Division in order to fund the Public Disclosure Analyst position. However, this would have implications for other components of the work program.

Responding to Councilmember Bonincontri, Ms. Basich said a paralegal with a specialized body of education and experience is performing the work. State law dictates how public requests for records are to be handled, which includes the timeliness of responses.

Responding to Councilmember Chelminiak, Ms. Basich said the proposed change from the .75 LTE position to a full-time permanent position is based on the difficulty of keeping up with the growing volume of public disclosure requests. Ms. Basich recalled that upon completion of the recent audit regarding public disclosure functions, the State Auditor encouraged extensive training of the organization about how to appropriately respond to these requests. However, the .75 LTE position does not allow time for this type of training.

Councilmember Chelminiak concurred with Councilmember Noble that there is a genuine advantage in maintaining the Public Disclosure Analyst as a FTE position. He recalled the

City's exceptional performance in the recent state audit of public disclosure functions. In addition, he is not ready to eliminate the Fire Prevention Senior Office Assistant because it allows the inspectors to perform their duties more efficiently and to provide better service.

Councilmember Lee supports retaining the Public Disclosure Analyst position and the Fire Prevention position. He is not opposed to eliminating the Assistant Mechanical Services Technician.

Councilmember Davidson cautioned that not funding certain positions does not equate to a cost savings. He feels that the full financial and programmatic implications of not funding specific positions are largely unknown.

Councilmember Bonincontri questioned the effect of capping annual General Fund budget growth at four percent. Mr. Swift said that would result in a savings of approximately \$6-7 million, and it would require an assessment of programmatic impacts in order to make the funding decisions.

Mayor Degginger noted that the financial impact of the staff positions under discussion is relatively small. He asked Councilmembers to move toward providing direction to staff. Does the Council wish to have greater reserves given the slowing economy? Are there programs or proposals that are not sufficiently justified? He encouraged the Council to address all of their concerns, while he also emphasized the need to start making decisions.

Councilmember Noble expressed support for all of the requested Operating Budget staff positions except for the Assistant Mechanical Services Technician.

Mayor Degginger noted a consensus in support of eliminating the Technician position. He suggested moving to a discussion of the staff positions included in the Capital Budget proposals.

Councilmember Bonincontri expressed support for the funding requested in the Transportation Demand Management program.

Councilmember Davidson questioned expenditures for consultants associated with the Bel-Red study, Eastgate study, and TDM program.

Responding to Dr. Davidson, Mr. Sparrman said work on the Bel-Red Corridor study was performed by existing staff and absorbed into their workload. Much of the planning and early design work was completed by consultants, however. Mr. Sparrman said consultants and existing staff will be utilized to conduct the Eastgate study next year and for expanded TDM activities as needed.

Responding to Councilmember Lee, Mr. Sparrman said the funds requested for the TDM program are to offset a funding reduction by the State.

Moving to the proposal regarding the Downtown Plan Transit Mobility Initiative, Ms. Bonincontri reiterated her suggestion to defer funding and to continue ongoing discussions with Sound Transit and Metro. Councilmember Noble concurred.

Mayor Degginger suggested reducing the funding from \$700,000 to \$400,000, which would allow for an update of the Downtown Implementation Plan (DIP) to the 2030 planning horizon. The Council concurred. Mr. Sparrman said staff will reduce the scope of work for that item accordingly.

Moving to the traffic computer/signal system upgrade, Ms. Bonincontri noted Mr. Sparrman's response to her concerns. She is prepared to support the budget request.

Councilmember Chelminiak suggested extending the meeting.

Mayor Degginger stated his sense that Councilmembers have been receiving a fair amount of new information and are not yet ready to make decisions.

Dr. Davidson said he would prefer to end the meeting now and resume discussion next week. He noted his interest in reducing the Operating Budget if possible, and instead using more dollars for capital projects.

Following brief discussion, Mr. Degginger suggested discussion next week about whether additional meeting time will be needed to review the budget.

Mayor Degginger declared the meeting adjourned at 10:04 p.m.

Myrna L. Basich
City Clerk

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