

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Study Session

December 4, 2006  
6:00 p.m.

Council Conference Room  
Bellevue, Washington

PRESENT: Mayor Degginger, Deputy Mayor Chelminiak, and Councilmembers Balducci, Davidson, Lee, Marshall, and Noble

ABSENT: None.

1. Executive Session

Deputy Mayor Chelminiak called the meeting to order at 6:00 p.m. and announced recess to Executive Session for approximately 45 minutes to discuss two items of potential litigation and one item of property acquisition.

The Study Session resumed at 7:02 p.m. with Mayor Degginger presiding.

2. Study Session

(a) Continued Discussion of Preliminary 2007-2008 Budget and 2007-2013 CIP Plan

City Manager Steve Sarkozy recalled that the Council previously provided direction on the proposed 2007-2008 Operating Budget, including the Supplemental Human Services Funding package; the proposed 2007-2013 Capital Investment Program (CIP) Plan; and the use of funds from the \$12 million Council Contingency account. All items scheduled for Council action on December 11 are:

- 2007-2008 Budget and Supplemental Human Services funding
- 2007-2013 CIP Plan Ordinance (revised to include NE 6<sup>th</sup> Street Pedestrian Corridor project list)
- 2007 Pay Plans
- 2007 Property Tax Levy (Declines to \$1.02 per \$1,000 assessed valuation)
- Utility rates (includes increases for pass-through, capital, and inflation costs)

- Development Services Fees (Includes hourly fees and a change in building valuation tables).

Finance Director Jan Hawn reviewed the proposal to change the way that maintenance and operations (M&O) expenditures are funded. Money for M&O expenses would no longer be moved from the CIP Plan to the operating budget. Instead, property tax revenue would flow into the operating budget, and M&O expenditures would be paid from the operating budget. Sales tax from the CIP Plan that formerly went to the General Fund would remain in the CIP for allocation toward capital projects.

Budget Manager Jonathan Swift explained that the amount of CIP sales tax to be transferred to the General Fund to support operations will grow to more than \$13 million over the next 20 years. He described a graph illustrating revenue to be generated from different property tax rates.

Mr. Sarkozy commented that the financial policy of allocating M&O funds to capital projects as they are completed is a sound financial policy that contributes to the City's achievement of its triple-A bond ratings and ensures adequate funding is available to maintain roads, parks, and overall infrastructure. However, providing M&O funding in the CIP Plan restricts available funding for capital projects. Mr. Sarkozy suggested that alternative revenue sources (e.g., voted Parks levy, B&O tax, grants) to fund CIP investments can be discussed in the future.

Mr. Swift responded to questions of clarification.

Responding to Mr. Lee, Mr. Swift said even with the maximum 100 percent flat levy, it would be several years before it would no longer be necessary to transfer CIP funds to the operating budget to cover M&O costs. Mr. Sarkozy clarified that the concept is to provide a new source of revenue, through property taxes, to gradually offset the M&O transfer within the CIP.

Dr. Davidson supports holding a public hearing on December 11. Mr. Chelminiak concurred and suggested developing a plan for how Council proposes to spend the money.

Mr. Degginger noted previous Council discussions regarding infrastructure investments related to projected growth in the downtown.

Deputy Mayor Chelminiak reviewed potential investments discussed by Council up to this point including a downtown fire station, new district/municipal court facility, Downtown Implementation Plan projects, West Lake Sammamish Parkway project, pedestrian mobility and open space projects, transportation infrastructure, neighborhood investments, and M&O support for new capital projects.

Mr. Chelminiak expressed support for a property tax increase of 2-2.5 percent. Mrs. Marshall advocated a 2.5 percent increase.

Responding to Dr. Davidson, Mayor Degginger confirmed the Council's interest in a Parks levy, most likely in 2008.

Councilmember Balducci referred to the list of present and future needs and noted she is satisfied regarding the need to increase property tax revenue. She questioned how Council would then prioritize projects and investments.

Responding to Councilmember Marshall, Ms. Hawn said if the Council chooses a bond approach, staff proposes three bond issues over the next six years.

Councilmember Lee encouraged developing a financing plan for the next 20 years.

Responding to Councilmember Noble, Mayor Degginger confirmed that the proposed property tax increase would fund M&O expenses related to new capital projects. Mr. Noble feels there is a need for increased revenue to be allocated toward general ongoing M&O costs as well.

Referring to the list of supplemental CIP projects, Mr. Chelminiak said he prefers a 50 percent flat property tax rate. He would like further discussion after the first of the year regarding whether additional human services funding is sustainable over the long term.

Responding to Mayor Degginger, Mr. Swift clarified that a 50 percent flat levy utilizes 50 percent of the City's banked property tax capacity over time.

Councilmember Balducci is comfortable with either the 2 or 2.5 percent tax increase.

At 8:03 p.m., Mayor Degginger announced recess to the Regular Session.

The Study Session resumed at approximately 9:18 p.m.

Dr. Davidson stated his longstanding reluctance to increasing taxes but acknowledged the need for additional revenue.

☛ Dr. Davidson moved to implement an annual 2 percent tax increase over the next 10 years, and Mr. Chelminiak seconded the motion.

Deputy Mayor Chelminiak said state law requires that a tax increase be approved annually by the Council, so there will be the opportunity to adjust the tax rate each year.

Responding to Dr. Davidson, Mr. Degginger confirmed that the tax rate per \$1,000 assessed valuation will continue to decrease annually, but at a slower rate with the 2 percent levy than would occur if there were no tax rate adjustment.

Responding to Mr. Lee, Mr. Degginger said further Council discussion will be necessary to determine exact funding allocations.

- The motion to implement an annual 2 percent tax increase over the next 10 years carried by a vote of 6-1, with Councilmember Lee opposed.

Mayor Degginger requested discussion regarding specific investments, noting Councilmember Marshall's support of additional cultural arts funding.

Deputy Mayor Chelminiak said cultural arts funding in the preliminary budget is the largest in the history of the City. He agrees with the position previously expressed by Dr. Davidson that Council needs to reevaluate how it funds cultural arts. Funding options include the creation of a cultural arts taxing district, a levy for operational costs, or a bond for capital facilities. Mr. Chelminiak prefers to focus on transportation, Downtown Implementation Plan, public safety, and environmental stewardship needs.

Mrs. Marshall noted that PACE (Performing Arts Center Eastside), Bellevue Arts Museum, and the KidsQuest Museum all are referenced in the City's adopted Cultural Plan. She would agree to remove cultural arts funding from current consideration with the understanding that it will be addressed again in the future.

Councilmember Balducci is comfortable with identifying a general funding level at this point and waiting to go through a more extensive prioritization process. Mayor Degginger concurred.

Referring to the vote on the motion, Councilmember Lee explained that he did not want to support the 2 percent tax rate without a clear idea of how the money would be spent, the development of a long-range financing plan, and the ability for flexibility in future spending. Mr. Lee requested that his statement be documented in the record.

Mr. Sarkozy confirmed staff's intent to review long-term financing options.

Responding to Mr. Lee, Mayor Degginger consulted with the City Clerk, who confirmed that a Councilmember may not change his or her vote after it occurs.

- Councilmember Noble moved to reconsider the motion to implement an annual 2 percent tax increase over the next 10 years, and Deputy Mayor Chelminiak seconded the motion.
- The motion to reconsider the original motion to implement an annual 2 percent tax increase over the next 10 years carried by a vote of 7-0.
- Deputy Mayor Chelminiak moved to adopt an annual 2 percent tax increase over the next 10 years, recognizing the expectation outlined by Councilmember Lee for a formal process of financial planning for the future. Mrs. Marshall seconded the motion.
- The motion to adopt an annual 2 percent tax increase over the next 10 years and to conduct a formal financial planning process for the future carried by a vote of 7-0.

- (b) Response to Sound Transit East Link Initial Route and Station Location Evaluation

[See Regular Session minutes, Agenda Item 5(b).]

3. Discussion

- (a) Application of Bel-Red Office Rezone File No. 06-116036-LQ  
*[Council action on this quasi-judicial matter is scheduled for December 11, 2006.]*

[See Regular Session minutes, Agenda Item 5(a).]

At 9:39 p.m., Mayor Degginger declared the meeting adjourned.

Myrna L. Basich  
City Clerk

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