

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session
Special Meeting

June 30, 2003
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Degginger, and Councilmembers Creighton, Davidson, Lee, Mosher, and Noble

ABSENT: None.

1. Executive Session

Deputy Mayor Degginger opened the meeting at 6:01 p.m. and announced recess to Executive Session for approximately 30 minutes to discuss one item relating to negotiations about performance of publicly bid contracts.

The Study Session resumed at 6:30 p.m. with Mayor Marshall presiding.

2. Oral Communications

- (a) Will Knedlik, representing the Citizens Own Sound Transit (COST) Alliance, thanked Councilmember Mosher for his service on the Sound Transit Board and related committees. COST asks the City Council to ensure Bellevue taxpayers do not face financial liability for Sound Transit's financial reporting. Mr. Knedlik alleged that Sound Transit has never conducted an annual comprehensive performance audit through an independent audit service, as required by Resolution 75 (Section 5) approved by the Regional Transit Authority Board in 1996. He said Sound Transit has exceeded its long-term debt limit by approximately \$140 million. Mr. Knedlik urged Council to encourage Mr. Mosher to make sure Sound Transit honors its obligations. He left a copy of Resolution 75 for Council's review.
- (b) Beth Wojick, SEAFAIR President, reviewed upcoming events including the half-marathon and 5K run/walk scheduled for July 6 in Bellevue. She thanked Councilmember Creighton for his service on the SEAFAIR Board.

3. Study Session

(a) Council New Initiatives

No new initiatives were discussed.

- (b) Resolution No. 6868 authorizing the City Manager or his designee to execute, on behalf of the City, a signed Settlement Agreement between the City of Bellevue and Kendall and Janice Kunz for damages done by the Kunzes to City of Bellevue Open Space located in the Summit.

City Manager Steve Sarkozy noted that a settlement agreement has been reached between the City and Kendall and Janice Kunz for damage to trees on public property. Parks and Community Services Director Patrick Foran commented on the importance of preserving public forests and open spaces. Jerome Roaché, Assistant City Attorney, explained that the Kunzes admitted to a civil violation under Bellevue City Code Section 3.43.335, Unlawful Cutting of Trees on City Property. Mr. and Mrs. Kunz will pay a fine of \$150,000 to the City, complete 32 hours of community service, provide a public apology, and assist in investigations of similar incidents in their neighborhood.

Mayor Marshall said Council is pleased the matter will be resolved tonight. After the City conducted its investigations, the King County Prosecutor's Office conducted its own investigation and made the decision about filing charges. Mrs. Marshall hopes the case sends a clear message that public forests belong to everyone and citizens are not allowed to alter them for personal benefit.

- Deputy Mayor Degginger moved to approve Resolution No. 6868, and Mr. Mosher seconded the motion.
- The motion to approve Resolution No. 6868 carried by a vote of 7-0.

Deputy Mayor Degginger commended the City Attorney's Office for their work on this matter.

Noting that item 3(c) is publicly noticed for 7:00 p.m., Mayor Marshall asked staff to proceed with item 3(d).

(d) Finance/Human Resources System Replacement Project

Toni Cramer, Chief Information Officer, recalled the June 2 update to Council regarding the Finance/Human Resources System Replacement Project. Resolution No. 6867 authorizes the City Manager to execute a System Purchase Agreement with AMX International for the purchase of a new system including software, installation, implementation services, and a software maintenance agreement. Ordinance No. 5451 approves the project's staffing plan to add four Information Technology Department personnel, which is to be offset by the reduction of 18 FTEs (full-time equivalent employees) by the end of 2006.

- (1) Resolution No. 6867 authorizing the City Manager to execute a System Purchase Agreement with AMX International Inc. for the purchase of a Finance and Human Resources Information System (also known as ERP, Enterprise Resource Planning System) consisting of software, installation, implementation, licensing and maintenance services.

➤ Deputy Mayor Degginger moved to approve Resolution No. 6867, and Mr. Mosher seconded the motion.

➤ The motion to approve Resolution No. 6867 carried by a vote of 7-0.

- (2) Ordinance No. 5451 authorizing the expenditure of the remaining project budget in CIP Plan No. G-59, Financial/Human Resources Replacement Project (also known as ERP), established on December 9, 2002, in Ordinance No. 5426; and amending the 2003-2004 Biennial Budget for the Information Technology Fund by adjusting the authorized FTE levels to add four full-time equivalent employees (FTEs) by converting 4.5 existing budgeted Limited Term Employee (LTE) positions.

➤ Deputy Mayor Degginger moved to adopt Ordinance No. 5451, and Mr. Mosher seconded the motion.

➤ The motion to adopt Ordinance No. 5451 carried by a vote of 7-0.

At 6:51 p.m., Mayor Marshall declared a break until the public hearing. The meeting resumed at 7:00 p.m.

Mr. Sarkozy reminded the public that fireworks are illegal in Bellevue and encouraged citizens to call 911 to report violations. He invited everyone to attend the 4th of July Celebration in Downtown Park beginning at 6:00 p.m.

- (c) Public Hearing on City's new building- Project Scope, Finance Plan Concepts, and City Hall Disposition (*Public Hearing scheduled for 7:00 p.m. A second public hearing on the same issue is scheduled for July 14. Related Council action is scheduled for July 28.*)

Planning and Community Development Director Matt Terry said this is the first of two public hearings regarding redevelopment of the City's new downtown building and disposition of the current City Hall. The second public hearing is scheduled for July 14. Mr. Terry recalled the City's purchase of the former Qwest building late last year. Since that time, the City has been working to determine the appropriate level of redevelopment for the new building. Council appointed a Technical Advisory Committee comprised of eleven Bellevue residents with expertise in engineering, architecture, finance, and design to develop recommendations for Council's consideration.

Mr. Terry said the City has negotiated the potential sale of the current City Hall campus for \$24.69 million. The City will lease back the property for up to 27 months resulting in net proceeds of \$20 million if the City vacates the premises on March 31, 2006.

- Mr. Lee moved to open the public hearing, and Mr. Creighton seconded the motion.
- The motion to open the public hearing carried by a vote of 7-0.
- (1) Bob Gillespie noted he previously voiced support for acquisition of the Qwest building. He commended the City's public outreach activities to provide opportunities for citizens to comment on the project. He supports the redevelopment proposal formulated by the Technical Advisory Committee.
- (2) Laurie Tish, TAC member, said she is a licensed CPA with 21 years of experience serving government clients. She feels the City and taxpayers have benefited from good timing in its purchase and future redevelopment of the former Qwest building. She encouraged Council to take advantage of the favorable bond market by acting quickly.

Mayor Marshall thanked Ms. Tish and TAC members in the audience for serving on the committee.

- (3) Shiv Batra, TAC member, commended Council for its leadership in purchasing the Qwest building and encouraging community involvement in the planning process. He feels the consolidation of all City functions into the new building will enhance efficiency and customer service. He encouraged Council to consider the project a long-term investment in the community's future.
- Mr. Noble moved to close the public hearing, and Mr. Lee seconded the motion.
- The motion to close the public hearing carried by a vote of 7-0.

Mayor Marshall invited additional comments at the public hearing scheduled for July 14.

- (e) Critical Areas Update – Report and recommendations by the Critical Areas Citizen Advisory Committee on updates to the Environmental Element of the Comprehensive Plan

Kevin McDonald, Senior Planner, opened discussion regarding staff's work with the Critical Areas Citizens Advisory Committee (CAC) during the past 18 months to formulate recommendations for updating the City's critical areas policies and regulations. He introduced Nan Campbell, CAC Chair and former Bellevue mayor, and Steve Dennis, CAC Vice Chair. Mayor Marshall thanked CAC members for their work.

Ms. Campbell recalled her role on the Council in 1987 when the City passed its sensitive areas ordinance. She commended Mr. McDonald's staff support to the CAC and noted the diversity of experience and knowledge represented by CAC members.

Mr. Dennis described the challenge by state law to apply best available science to critical area regulations, particularly in an urban setting. He said most available studies have been conducted in rural settings under ideal conditions without people and urban development. The CAC's recommendations include regulations, incentives, and existing City programs. The issues addressed by the CAC were complex and further complicated by the divergence in scientific opinion on some issues. Mr. Dennis said the City already has strong regulations in place, and therefore many of the recommendations represent incremental improvement. He commended the consultants who assisted the CAC and echoed Ms. Campbell's praise of Mr. McDonald.

Ms. Campbell noted that all of the CAC's recommendations are based on a consensus of the group. She introduced CAC members in attendance: Jim O'Malley, Sarah Chandler, and Bill Aron. Mr. Aron thanked Ms. Campbell for her exceptional leadership of the CAC process. Ms. Campbell listed additional CAC members: Marcelle Lynde (Planning Commission), Don Sherrard (Environmental Services Commission), Greg Ashley, Shane DeWald, Eric Ferguson, Jon Nelson, Bill Rahr, Phil Bloch, Jean Buckner, and Steve Kealy. Mr. McDonald acknowledged the work of Diana Canzoneri and Michael Paine, Planning and Community Development staff members, throughout the process.

Mr. McDonald described the overall public process during the past 18 months. CAC members held 22 meetings and hosted two community meetings. Mailings and emails were sent to property owners potentially affected by critical areas regulations to inform them about the process and invite their input. Three articles have appeared in *It's Your City*, and a project web site was established.

Mr. McDonald reviewed the City's history with critical areas regulations, beginning with natural determinants policies adopted in 1974 and updated in 1985. Development regulations were adopted in 1987. The Environmental Element of the Comprehensive Plan was last amended in 1993 to comply with the state Growth Management Act (GMA).

Mr. McDonald recalled Council's appointment of the CAC in 2001 to update critical areas policies in response to a GMA mandate that cities and counties must include the best available science in developing policies and development regulations to protect the functions and values of critical areas. In addition, cities and counties shall give special consideration to conservation or protection measures necessary to preserve or enhance anadromous fisheries (salmon). Mr. McDonald said best available science is the foundation for the recommended policies and regulations to protect critical areas and fish habitat. The role of the CAC was to review the science recommendations and develop specific strategies for Bellevue. If a city or county departs from science-based recommendations, it must consider the risks to the functions and values of critical areas and identify approaches to minimize the risks.

Mr. McDonald explained that function refers to the ecological role of critical areas in the landscape as well as community roles such as open space and aesthetics. Value refers to the extent to which a critical area performs any given function whether biological, social, or economic. Consultants compiled and presented best available science, Bellevue's critical areas inventory, and recommendations for protecting function and value to the CAC to assist in the development of recommendations.

The underlying goal of the CAC's recommendations is to improve environmental conditions over time with a three-pronged strategy of regulations, incentives, and programs. Mr. McDonald reviewed the proposed update to the Environmental Element of the Comprehensive Plan beginning with the Environmental Stewardship chapter. This section discusses the three-pronged strategy and the City's multiple responsibilities under the Growth Management Act, one of which is protecting the environment. Best available science was used to develop policies and regulations. However, non-scientific factors such as existing land use patterns were considered as well. This section emphasizes the importance of public education and assistance as it relates to the regulations.

Mr. McDonald explained that one of the foundations of the regulations is the Critical Areas Overlay District. Recognizing that every site cannot be managed equally, the CAC recommends the City establish a set of prescriptive regulations to apply citywide. However, property owners will have the option to conduct a habitat evaluation specific to their site and to recommend a development proposal that meets or exceeds the environmental protection offered by the prescriptive regulations. Mr. McDonald described the inclusion of both regulatory and non-regulatory incentives in the recommendations. The policy recommends public investments, through City programs, to enhance the environment for the benefit of the community.

Mr. McDonald described the Critical Areas Overlay District, which expands the existing Sensitive Areas Overlay District and includes two parts: 1) Protection zone – Protects and enhances habitat and functions by prohibiting new development, restricting redevelopment, and encouraging habitat improvements, and 2) Conservation zone – Maintains and improves habitat while allowing for new development and redevelopment with incentives and standards to minimize habitat degradation. The recommended width of the protection zone, applicable to redevelopment, is defined as the existing City primary setback plus the structure setback. The conservation zone would be wider and based on what best available science dictates as an appropriate buffer.

Responding to Councilmember Mosher, Mr. McDonald said the City is waiting for the State to issue new shoreline guidelines in the next two to three years before it reviews and updates the City's shoreline regulations.

Continuing with a discussion of redevelopment regulations, Mr. McDonald said 90 percent of existing lots near critical areas are already developed, and many have structures that lie within the recommended buffers. The CAC expressed an interest in low-impact development, or site-sensitive development designed to reduce stormwater runoff and protect watershed hydrology. Examples include pavement that allows water to seep through, green roofs, and soil that is amended to better retain water. Low-impact development would be required for new development or redevelopment within the Critical Areas Overlay District and encouraged elsewhere in the city.

Mr. McDonald explained that the Water Resources chapter of the Environmental Element addresses urban hydrology and water quality. Policy recommendations are focused on minimizing impervious surfaces, reducing non-point-source pollution, improving stormwater

quality, and encouraging low-impact development. The Earth Resources and Geologic Hazards chapter addresses soils, slopes, and seismic hazards. The Fish and Wildlife Habitat Conservation Areas chapter provides policies for streams and riparian corridors, wetlands, wildlife species and habitats, and naturally occurring ponds.

Mr. McDonald said implementation of the policies and regulations will include an update to the Critical Areas portion of the Land Use Code. A development manual is proposed as a detailed companion to the Land Use Code to include requirements for habitat evaluation, mitigation standards, monitoring requirements, evaluation criteria for projects, landscape models or templates, low-impact development techniques, and submittal requirements.

Mr. McDonald presented the following schedule for review and adoption of the recommendations:

City Council discussion	June 30
Planning Commission review	Fall 2003
Review by other Boards and Commissions	2003/2004
City Council adoption	2004.

He asked Council to direct the Planning Commission to conduct a public review of the CAC's recommendations and to transmit a final recommendation to Council.

Mr. Mosher commended the CAC's recommendation for an emphasis on public information and education. He questioned how the City can know: 1) whether the best available science it has incorporated into its policies are the same as what the State considers best available science, and 2) whether best available science always makes the most sense. Mr. McDonald said the State's position remains to be tested. However, the State has dictated a process to be incorporated into a jurisdiction's policies and recommendations. Mr. McDonald acknowledged the difficulty of always finding consensus about best available science, but the CAC's recommendations reflect the best available science for the types of critical areas in Bellevue.

Deputy Mayor Degginger acknowledged the difficulty in implementing the Growth Management Act and thanked CAC members for their service to the community.

Dr. Davidson expressed support for the recommendations in general and the inclusion of incentives in particular. He noted his ongoing concern about individual property rights but feels the regulations are appropriate and reasonable.

Mr. Lee commended the CAC's process and recommendations.

- Mr. Lee moved to forward the CAC's recommendation for updating the Environmental Element of the Comprehensive Plan to the Planning Commission for public review, public hearing, and preparation of a final recommendation for City Council. Mr. Degginger seconded the motion.

Mr. Noble expressed support for the recommendations and praised the educational component.

- The motion to forward the CAC's recommendation for updating the Environmental Element of the Comprehensive Plan to the Planning Commission for public review, public hearing, and preparation of a final recommendation for City Council, carried by a vote of 7-0.

- (f) Development Services Improvement (DSI) Fiscal Policies – Rate Study Results and Reserve Strategy

Mr. Sarkozy noted the ongoing Development Services Improvement (DSI) initiative to streamline development services and improve customer education and service. The purpose of tonight's discussion is to review proposed financial policies related to development services.

Mike Brennan, Building Official, discussed the fiscal management component of the DSI initiative. The objectives of this effort are to: 1) review current methodology, 2) ensure the system supports the goal to streamline processes, 3) affirm or modify policy guidance last set by Council in 1995, and 4) bring fee adjustments up to date. Mr. Brennan reviewed a summary of cost recovery targets for specific department functions. No changes are suggested in building permit fee methodology, which is based on a 100-percent cost recovery objective. Reserves help cover long-term project costs and manage fluctuations in development cycles. Building permit fees currently cover much of the support costs for all development services including the AMANDA system, billing system, and permit center expenses.

Mr. Brennan reviewed issues identified in relation to the current methodology for citywide fees:

- It is difficult to respond consistently to fluctuations in work load and to manage overall fees in a comprehensive manner.
- Fees originate from different departments and sometimes different amounts are charged for the same service.
- Central support costs are included only for Building fees (full recovery) and Land Use fees (partial recovery).
- The blending of layers of costs is complex and costly to manage.
- The overall fee structure is not consistent with the goal to streamline processes.

Jocelyn Mathiasen, Assistant to the City Manager, reviewed staff's development of the fiscal model to be presented tonight, which is based on the following guiding principles:

- Fees should be regionally competitive while allowing for timely, high-quality services.
- Permit applicants should pay for the direct services they receive, with adjustments based on broader community benefits.
- Fiscal management should encompass development services citywide, rather than different fee structures in different departments.
- The funding structure should support the management of development services as a line of business, and able to weather economic cycles.
- Fees should be understandable to the customer.
- The fee system should be efficient and cost-effective to manage.

Ms. Mathiasen described the recommended changes to the fee model: 1) Simplify the model and rate recovery methodology, 2) Distribute central services costs (AMANDA, billing, permit center) to all development services functions, and 3) Establish a reserve policy for the entire development services function.

Ms. Mathiasen explained that the current model contains layers of costs based on differing cost recovery percentages, which is difficult to administer and understand. It requires extensive analysis and outside consultant support to update the fee model annually. The current fee model is not consistent with the goal to be fast, simple, and one city. The recommended model establishes recovery objectives based on the services the developer is receiving rather than based on the department delivering the service. It would be possible to modify the final rates for some permit types, for example those that provide a broader community benefit. The new model will require Council to review and adjust cost recovery rates.

Turning to the second recommendation regarding central support costs, Ms. Mathiasen explained that the costs for AMANDA, the permit center, and the billing system are provided through Building and Land Use permit fees. This has resulted in the inconsistent application and development of technology as well as the subsidy of some permits by the General Fund and Land Use and Building reserves.

Ms. Mathiasen presented the third recommendation regarding work load management and reserves. She noted that development services are cyclical in nature, resulting last year in the elimination of 7.8 full-time equivalent employees, 11 limited term employees, and \$1.6 million from the budget due to reduced work load requirements. Departments have different approaches for managing work load fluctuations, and only the Building and Land Use functions have reserves. Staff recommends the expansion of reserves to additional functions and central management of development services funds.

Ms. Mathiasen discussed the fiscal implications of the new model. She reviewed a table of current fee rates and proposed fee rates, as well as the fiscal impact of the changes. Ms. Mathiasen noted that Council could decide to set different cost recovery objectives than those recommended by staff. The model assumes no cost recovery for policy, public information, and pre-application functions; 50 percent cost recovery for discretionary review; and 100 percent cost recovery for engineering, inspection, and administrative services.

Ms. Mathiasen reviewed the benefits of the recommended model:

- Provides holistic management of development services resources.
- Promotes broad, system-wide deployment of technology and support services.
- Allows allocation of resources based on need.
- Better able to provide predictable, timely services through economic cycles.
- Allows City to meet goal of fast, predictable, and one-city service.

Ms. Mathiasen requested Council feedback and direction on the guiding principles. Councilmember Lee noted the complexity of this issue. He favors fees based on services and understands the need to be competitive with other jurisdictions.

Mr. Mosher expressed support for the guiding principles. He acknowledged the challenge of being both regionally competitive and providing high-quality services. In general, he favors charging customers for the services they receive.

Dr. Davidson noted complaints from residents about fees for single-family development and redevelopment. He is in favor of policies that will make it easier for homeowners to remodel.

Deputy Mayor Degginger cautioned against unintended outcomes related to the proposed fee model. As an example, he questioned the appropriateness of including cost recovery charges related to the AMANDA system for a resident who might apply for a right-of-way permit to place a dumpster by his home. Mr. Degginger wants to ensure the principles are carefully implemented in the model to avoid unfair or irrelevant charges to citizens.

Mayor Marshall asked staff to develop some realistic scenarios to determine how fees would be applied under the new model. This will help Council evaluate the appropriate cost recovery levels for different types of permits.

Ms. Mathiasen noted that all departments are now using AMANDA, for example to respond to a citizen inquiry about whether a permit was issued for a particular project.

Regarding the recommendation that development services central support costs be redistributed to all applicable departments, Ms. Mathiasen said this is based on the principle that customers should pay for the services received. All departments are using the central support function to some extent.

Deputy Mayor Degginger expressed support for the concepts of distributing central costs across all departments and allocating savings to reserves. Councilmembers would like staff to develop strategic options for expanding reserves for their consideration.

Mr. Sarkozy noted that the intent of tonight's discussion was to present overall concepts and recommendations. Staff will provide more details and alternatives in a future Council session.

Mayor Marshall wants to ensure the fee structure does not discourage homeowner renovations and remodeling or business investments in the community.

Deputy Mayor Degginger commended staff for their work on this issue. He feels the development services improvements will benefit the community for many years to come.

At 9:02 p.m., Mayor Marshall declared the meeting adjourned.

Myrna L. Basich
City Clerk

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