CITY OF BELLEVUE

CITY COUNCIL

Summary Minutes of Extended Study Session

October 10, 2011 Council Conference Room 1E-113

6:00 p.m. Bellevue, Washington

PRESENT: Mayor Davidson, Deputy Mayor Lee, and Councilmembers Balducci, Chelminiak, Degginger, Robertson, and Wallace

ABSENT: None.

1. Executive Session

Deputy Mayor Lee called the meeting to order at 6:02 p.m., and declared recess to Executive Session for approximately one hour to discuss one item of potential litigation.

The meeting resumed at 7:21 p.m., with Mayor Davidson presiding. He announced that the Council would return to Executive Session upon completion of the agenda.

2. Communications: Written and Oral

(a) Inta Gotelli, representing the Bellevue Sister Cities Association, reported on her visit to Sister City Liepaja, Latvia, where she met with local officials and toured a school and playground project. She announced that the BSCA is hosting the Washington State Sister Cities Conference on October 22. Of the 51 Washington cities with Sister Cities, 36 have relationships with cities in Japan. Ms. Gotelli invited the Council to attend the dinner event at the beginning of the conference.

(b) Terry Foulon spoke regarding the Newcastle Beach Park report to be presented later. The report found that the Washington State Department of Transportation project was not in compliance with its manual. However, there is no way to quantify the amount of water being directed into the park because the appropriate downstream analysis was not conducted. Ms. Foulon said she is frustrated that the report concludes that there is no cause for a public health concern in the park, given the test results in the park. She described findings related to the level of diesel in the swale and the presence of arsenic, copper, zinc, diesel, and heavy oil on the beach. She believes that the source of the toxins is highway runoff.

3. Study Session

(a) Council Business and New Initiatives

Councilmember Balducci spoke regarding Initiative 1125 and suggested that the Council take a formal position on this ballot measure. She expressed concern about the impact of the initiative on funding for transportation projects. She noted that the Bellevue Chamber of Commerce, Bellevue Downtown Association, and others have taken formal positions opposing the initiative. Ms. Balducci recalled that the Council has taken a formal position on specific initiatives in the past that had a potentially significant impact to the City.

→ Councilmember Balducci moved that the Council consider taking a formal position on Initiative 1125. Councilmember Degginger seconded the motion.

City Clerk Myrna Basich explained that the consideration of taking a formal position requires posting the topic on an upcoming Council agenda, notifying the newspaper of record, and making the notice and related information available on the City’s web site. A public comment period and Council discussion would be scheduled to address the item.

Responding to Councilmember Chelminiak, Ms. Basich confirmed that equal time must be allotted for citizens to speak on either side of the issue during the public comment period. The Council has typically allotted 15 minutes each for those in favor of and opposed to an initiative.

Councilmember Robertson noted that both the Council and staff are diligently working on the Sound Transit East Link memorandum of understanding (MOU), as well as other issues. She expressed concern about whether there is adequate staff time available to consider the initiative. She is not in favor of considering taking a formal Council position.

Councilmember Wallace said that if the Council choses to consider taking a position, those for and against the initiative should be represented. He will need more information before taking action on a Council position.

Councilmember Chelminiak opined that Initiative 1125 is a significant measure that directly affects the City. He acknowledged the Council’s and staff’s heavy workload, but said he is willing to consider taking a position. He suggested that the matter be taken up during the October 17 meeting or not at all. He noted that the October 24 meeting will be focused on the Sound Transit MOU discussion.

Responding to Councilmember Robertson, Mr. Sarkozy said staff will provide written materials regarding the initiative.

Councilmember Degginger stated that the outcome of the initiative directly affects funding for regional transportation projects important for Bellevue. He supports the consideration of taking a formal position.

Councilmember Robertson suggested that, if the Council is to consider taking a position on I-1125, the Council also take a position on Initiative 1183 because it is expected to increase the City’s share of liquor revenues. She believes, however, that that is not a good use of staff and Council time. Taking a position is simply an advisory vote with no legal binding authority.

Mayor Davidson requested a vote on the motion, noting the suggestion to hold the public comment period on October 17.

→ The motion to consider taking a position on I-1125 and to schedule a public comment period carried by a vote of 5-2, with Councilmembers Lee and Robertson opposed.

→ Councilmember Robertson moved to consider taking a formal Council position on I-1183, and Councilmember Wallace seconded the motion.

Councilmember Degginger recalled that the Council did not take a formal position on the previous liquor-related initiative presented to the voters, because it was not considered to be close enough to the City’s interests at that time.

→ The motion failed by a vote of 3-4, with Mayor Davidson, Councilmember Robertson and Councilmember Wallace in favor.

(b) Newcastle Beach Park Update

City Manager Steve Sarkozy introduced staff’s presentation regarding surface water quality and quantity, as well as contaminants, at Newcastle Beach Park. This issue was brought forward by citizens concerned about toxins, in general, and runoff from I-405.

Nav Otal, Interim Utilities Director, recalled that, on April 4, the Council directed staff to work with Terry Foulon and an independent consultant to investigate concerns about possible contaminants at Newcastle Beach Park. Ms. Otal introduced Washington State Department of Ecology staff Kevin Fitzgerald, Water Quality Manager, and Anne Dettelbach, National Pollutant Discharge Elimination System (NPDES) Permit Coordinator, who were present in the audience.

Ms. Otal said that staff shared with Ms. Foulon the criteria for selecting the consultant, which included a screening to ensure objectivity and no appearance of conflict of interest. Ms. Otal said the selected consultant had not worked on the Washington State Department of Transportation (WSDOT) I-405 project under review and had not performed any water quality monitoring in Newcastle Beach Park or for WSDOT.

OTAK Incorporated was selected based on its extensive experience with water resources including stormwater monitoring and NPDES permitting. Greg Laird, Professional Engineer with a master’s degree in water resources, conducted the testing and analysis. He has more than 30 years of experience working with stormwater issues including flooding, drainage, and water quality.

Ms. Otal said that OTAK, the Washington State Department of Ecology, and WSDOT engineers have determined that there is no net increase in water runoff to the park due to the I-405 improvements project. The consultant further concluded that the park is safe in terms of concerns about public health.

Mr. Laird explained that his first task was to review the Final Hydraulic Report that was prepared for the highway improvements. This report evaluated the potential impact of the I-405 project to the existing conditions of the streams and wetlands. Adverse impacts are mitigated with a primary focus on flow control and runoff treatment. Mr. Laird said that WSDOT demonstrated that the I-405 project had no adverse impact to the park due to a decrease in total impervious area and a decrease in the pollutant load to the park. The DOE agreed with WSDOT’s analysis, and OTAK and City staff concurred that the project is in compliance with the Highway Runoff Manual.

Mr. Laird reported that five different parties collected water samples at the park including City of Bellevue staff, OTAK (for Bellevue), The Watershed Company (for Bellevue), Mr. Foulon, and the Washington State DOE. The objective was to evaluate whether improvements to I-405 had an adverse impact on the streams and wetlands within Newcastle Beach Park.

Mr. Laird noted that highway construction typically does not deal with groundwater, and OTAK would not have recommended that a groundwater sample be analyzed with the original project. There are no groundwater wells in the park or area. OTAK installed slotted PVC pipe in the beach to collect sub-surface water, which was the closest they could get to groundwater.

Mr. Laird said that OTAK’s primary focus was highway runoff. He noted the list of chemical compounds that were analyzed and described the water sampling locations. With regard to arsenic and the closest thing OTAK had to sampling groundwater, arsenic exceeds the groundwater standard. Mr. Laird explained that the water sampled was shallow, within four feet of the ground surface, and is not used for groundwater. He noted that the standard might not be directly applicable to the water collected at the beach park.

Responding to Councilmember Degginger, Mr. Laird confirmed that the term groundwater refers to water ultimately used for drinking water, and that the water at the park is not used for drinking water.

Responding to Councilmember Wallace, Mr. Laird compared a microgram of contaminant to a drop of water in an Olympic-sized swimming pool.

Continuing, Mr. Laird said it is important to look at total arsenic as opposed to dissolved arsenic. The difference is that some arsenic adheres to soil particles. However, the groundwater standard analysis looks at total arsenic. With regard to surface water samples, the standard looks at how chemicals affect aquatic organisms. This standard looks at dissolved chemicals which are in solution, which has a different standard than the one used for groundwater. All of the surface water samples collected at the park are below this standard.

Responding to Councilmember Robertson, Mr. Laird explained that the level of arsenic in one of the surface water samples would be considered high when compared to the groundwater standard. However, this method of measuring arsenic is not appropriate to the surface water standard, which measures arsenic in total, both in solution and on solid particles.

In further response to Ms. Robertson, Mr. Laird said that certain levels of arsenic would not be a danger for aquatic animals because the chemical would likely adhere to the soil or other particle.

Councilmember Robertson questioned whether a mammal eating soil contaminated with arsenic would be adversely affected, and Mr. Laird said it would not. He reiterated that the surface water standard is measured differently than the standard for dissolved arsenic.

Mr. Laird explained that the Model Toxics Control Act (MTCA) cautions against the misuse of its table, which is developed for specific purposes. It is intended to provide conservative cleanup levels for sites undergoing routine cleanup actions. The table should not automatically be used to define cleanup levels. Mr. Laird noted that one soil sample contains arsenic (32 mg/kg) above the MTCA standard (20 mg/kg). However, cleanup to the MTCA standard is not required. The State has a publication dealing with arsenic in soil in parks. The State’s practice is to require cleanup actions if any one value exceeds 40 mg/kg, or if the average of sample values is higher than 20 mg/kg.

Mr. Laird said the regulations address direct contact with contaminated soil, and the standard is based on the assumption that someone will be exposed to 20 mg/kg every day for six years.

Responding to Councilmember Robertson, Mr. Laird said he would not be concerned if his children played in the sand at the beach park. He would have them wash their hands afterwards as he would for any sort of mud play. He said that eating a small amount of sand would not present a health hazard for a toddler.

Responding to Councilmember Chelminiak, Mr. Laird said that arsenic is not considered to be related to highway runoff. It can be naturally occurring or come from other sources.

Responding to Councilmember Balducci, Mr. Laird confirmed that the MTCA cleanup levels require an ingestion over a long period of time before there might be an increase in risk to someone’s health.

Continuing, Mr. Laird reviewed soil sampling results for copper, zinc, and iron. The standard for copper depends on a complicated formula to determine the hardness of the solution. The standard applied to samples from Newcastle Beach Park is lower because the hardness is much lower.

Responding to Councilmember Robertson, Mr. Laird said copper does not present a health hazard at the park.

Mr. Laird said that zinc is a compound that could be related to highway runoff due to degrading tires, and it is also involved in the galvanizing of metal pipes. The two values measured at the beach park are related to metal pipes, and the levels are well below the drinking water standard. All samples for iron are below the standard as well and do not present a health hazard.

Responding to Councilmember Chelminiak, Mr. Laird said it is possible that some of the chemical levels near I-405, while considered safe, could be higher than chemical levels downstream. However, there could be similar runoff from other pavements and pipe, and therefore one could not say whether the chemicals are related to the I-405 improvements project or not.

Ms. Otal summarized the findings that the I-405 project did not increase flows into the park, sampling at the park found no violations of state water quality standards or MTCA cleanup thresholds, and there are no indications of public health issues. She noted that this is an unprecedented level of investigation for the City.

Patrick Foran, Parks and Community Services Director, said that Parks staff has been involved in the investigation and on site with the Foulons. All of the results confirm that there is no reason for a public health concern at the park, and there is no degradation at the park due to runoff or water quality issues.

Councilmember Robertson questioned how the quantity of water flow was measured. Rick Logwood, Project Manager, said the quantity volumes were taken from the WSDOT original hydraulic reports. All of the quantities and flows have been modeled. Ms. Robertson questioned whether the independent analysis measured actual water volumes. Mr. Logwood said no, but that all of the modeling meets the DOE requirements.

Responding to Ms. Robertson, Mr. Logwood said the installation of flow meters at appropriate locations could be very costly. Considerations include the ability to monitor the conditions to capture the variations in flows, intensities, and rain events, and to compare to past years. Mr. Logwood said that meters are not going to capture this variation in the summer, and the meters would need to be left in place for an extended period of time.

Ms. Otal noted that there would not be a reference point for comparing to water flows before the I-405 project, because those flows were based on modeling.

In further response to Councilmember Robertson, Mr. Logwood said suspended solids were not tested.

Responding to Councilmember Robertson, Ms. Otal said the Foulons were concerned about objectivity in hiring the independent consultant. The Watershed Company was eliminated from consideration due to its previous work at the park site. Ms. Otal said that considerable City staff time has been spent on the study, as well as approximately $45,000.

Deputy Mayor Lee said he is impressed with the amount of work done to address residents’ concerns. Responding to Mr. Lee, Ms. Otal said the investigation was conducted to address the Foulons’ concerns. She is not aware of any complaints by park users.

Mr. Foran said there have been no complaints in the 12 years he has been with the City. However, it was important to obtain scientific data to determine whether the beach park is safe.

Deputy Mayor Lee said he is satisfied with the thoroughness of the investigation.

Councilmember Chelminiak thanked City staff for their diligence in following up on this issue. The key issue for him is whether the park is safe, and he is hearing that there is no public health risk at the beach. He is concerned about the elevated levels of some chemicals along I-405 and that actual measures of water runoff are not available.

Noting current work on shoreline management practices, Mr. Chelminiak said that shoreline property owners have indicated that many issues begin upstream depending on the major roadways. He believes it is important to make sure that large projects are handled correctly, and that regulations actually improve environmental conditions. Mr. Chelminiak said that when he visited Newcastle Beach Park in the spring, there was a fair amount of water runoff. While the area had a wet spring, he is still concerned about impacts to parks and downstream properties. At the same time, he acknowledged that major highway projects are going to generate some water runoff.

Councilmember Degginger thanked staff and the consultant for their good work, and said it is always important to put concerns in the proper context. He noted the high quality of drinking water in Bellevue.

Mayor Davidson summarized that the Council takes these issues seriously and wants to ensure that City parks are safe.

Councilmember Balducci said her baseline concern is the health of people and lake. She is glad that the current water quality is safe, but is interested in discussing how water quality is monitored over the long term.

Mayor Davidson thanked staff and the consultant for their work.

(c) East Link MOU Update

Mr. Sarkozy opened discussion regarding the East Link light rail project Memorandum of Understanding (MOU).

Kate Berens, Deputy City Attorney, provided an update on the negotiations with Sound Transit and the status of the East Link light rail project MOU. The City and Sound Transit are making good progress in the negotiations but do not have a public review document available tonight. The City would like to have the MOU available for public review on October 17, if possible. Ms. Berens reviewed that the MOU addresses funding the Downtown Tunnel as well as revisions to the 112th Avenue portion of the project, the permitting process for light rail, cost reconciliation procedures, and a dispute resolution procedure.

Bernard Van de Kamp, Regional Projects Manager, reviewed the options for the 112th Avenue portion of the B2M alignment alternative. Option A is the Final Environmental Impact Statement (FEIS) design with an at-grade crossing at SE 6th Street, and an at-grade alignment north of Surrey Downs Park along 112th Avenue. Option C has an elevated crossing at SE 15th Street and a retained cut (trench) north of Surrey Downs Park. Option C has an at-grade crossing at SE 15th Street and an at-grade alignment north of Surrey Downs Park.

Mr. Van de Kamp said Sound Transit is expected to release the results of its analysis of the three options for review by the Sound Transit capital committee on November 13, and for review by the City Council on October 17.

Mike Kattermann, Senior Planner, reviewed the public involvement process related to the new 112th Avenue design options, impacts, and mitigation. The intent is to have a discussion about concerns without expecting a consensus of opinions.

Mr. Kattermann reported on the overall themes apparent from citizen input to date. Alternative B7 is preferred by many, although there was an understanding that Sound Transit’s preferred alternative is the B2M. People expressed concerns and expectations about the mitigation of light rail impacts and the proposed HOV lane on South Bellevue Way. Citizens have anxiety about the unknown in terms of the final alignment, construction, displacements, impacts, and mitigation. Residents want to know that the City will advocate for their individual interests with Sound Transit. Citizens want more details overall as the project design progresses.

With regard to the 112th Avenue design options, Mr. Kattermann said the feedback is mixed, with more favorable comments toward Options A and B, as well as with the trench design. Some respondents questioned the need and benefits of the East Main Station. Additional concerns relate to property acquisitions, the timing of mitigation projects, construction impacts, overall livability, and compensation for the loss of property value.

Feedback regarding the proposed HOV lane on South Bellevue Way was mixed, with more respondents being negative about the project. There were questions about the need for the project and the cost, and whether the money could be better spent on East Link mitigation measures. Concerns included property acquisitions, sound and visual impacts, and compensation for decreased property values.

Mr. Kattermann said there were relatively few comments regarding the MOU. However, the input received indicated that there should be local benefits from a local government contribution. Some questioned whether Downtown Tunnel funding would take funds away from other priorities.

Dan Stroh, Planning Director, provided an update on MOU affordability and the tradeoff between funding MOU items and other capital needs. He reviewed the principles discussed with the Council during the September 19 Study Session, which state that the City’s contributions should reduce overall project costs at the lowest cost to the City. The first contributions should be items of value to Sound Transit that require little or no cash expenditure by the City, followed by items with collateral benefits. The third category is contingent contributions.

Mr. Stroh noted that the anticipated up-front investment by the City is down from approximately $100 million to a range of $58 million to $66 million. This is to be funded in a number of ways including property acquisition substitutions and a potential credit to the City for the overlay of 112th Avenue SE. Staff proposes removing the Bellevue Way HOV lane project from the MOU affordability package, and negotiations about the City’s contingent contribution are ongoing.

Councilmember Robertson recalled that she previously requested the City Manager’s list of recommended capital budget reductions. She would like to be able to consider potential reductions within the context of funding MOU items.

City Manager Sarkozy commented that, as discussions get into the possible funding mechanisms for specific properties, there might be other ways of funding acquisitions separately from the capital budget.

Councilmember Chelminiak referred to staff’s earlier comment about taking the Bellevue Way HOV project out of the MOU affordability package. He does not want the concept of a Bellevue Way HOV lane to be completely ruled out of the MOU. Mr. Chelminiak said he would like to tie the East Link project to the HOV lane in the sense that dollars from Sound Transit would transfer to the City, in order for the City to complete the work on the portion of Bellevue Way that is south of the South Bellevue Park and Ride lot. Mr. Stroh concurred with this understanding, noting that the HOV lane project north of the Park and Ride will be handled separately from the MOU affordability package.

Continuing the presentation, Mr. Stroh summarized that the Category 1contributions, at no or low cost to the City, are anticipated to earn $40 million in MOU credit. Category 2 contributions are expected to total $60 million in MOU credit, and the Category 3 contingent contribution could be up to an additional $60 million.

Mr. Stroh recalled CIP project and revenue scenarios presented to the Council on September 19, which were designed to illustrate the tradeoffs of funding the East Link MOU versus other capital needs. Potential financing costs are not included in the scenarios, and the $60 million contingent contribution is not included in the September 19 analysis. In addition, the $25 million shortfall in the current Capital Investment Program (CIP) Plan is not addressed in the scenarios.

Responding to Councilmember Robertson, Mr. Stroh said the Council has the authority to decide whether to use the $25 million Council Contingency Fund in the budget to fill the $25 million gap in the CIP Plan.

Responding to Councilmember Wallace, Mr. Sarkozy clarified that the Council could choose to retain the $25 million Council Contingency and to reduce other capital budget items by $25 million.

Councilmember Balducci stated her preference that the $25 million Council Contingency be used toward the light rail Downtown Tunnel.

Councilmember Wallace observed that the $25 million Council Contingency is included in the 2018-2030 revenue and project scenarios, even though it is not likely to remain available through that time period.

Continuing, Mr. Stroh summarized that the purpose of the revenue and project scenarios is to demonstrate the tradeoffs involved in funding the East Link MOU and other citywide capital projects. The existing capital budget shortfall of $25 million must be considered as well. He noted that the scenarios include a placeholder for the Bellevue Way HOV lane project and finance costs. They do not include funding of the $60 million East Link MOU contingent contribution.

Responding to Councilmember Wallace about the NE 4th Street/120th Avenue NE project, Mr. Stroh said the latest cost estimates offset much of the funding loss that resulted from the failure of the formation of the Wilburton Local Improvement District (LID). In further response to Mr. Wallace, Mr. Stroh said all of the figures being discussed are in 2010 dollars.

Continuing with the presentation, Mr. Stroh reviewed the timing of East Link MOU contributions in three stages: 2014, potentially 2023, and 2025. It will be necessary to incorporate up-front MOU contributions into the CIP Plan in order for funds to be available in 2014. Mr. Stroh noted that cash flow and debt financing issues are significant as well.

Councilmember Wallace observed that it is important to acknowledge that the City might have to raise taxes to fund the East Link MOU.

Councilmember Robertson questioned whether issuing Councilmanic debt would put the City’s Aaa bond rating at risk. Finance Director Jan Hawn said the City is not on a watch list but was told by Moody’s that it would be subject to a review. Staff has not yet been contacted or received any further information about a potential review. The bond rating is based on a number of factors, and the amount of existing debt is just one of the factors. The City’s available debt capacity is approximately $129 million. When the City borrows funds, the principal amount of the loan is applied to its debt capacity, but financing costs are not.

Responding to Councilmember Chelminiak, Mr. Stroh said that the City’s first $58 million contribution toward the East Link MOU buys $100 million worth of credit, due to non-cash contributions by the City. Mr. Stroh confirmed that other options could enable the City to further lower its cash contribution.

Councilmember Degginger questioned whether any of the East Link acquisitions are in the City’s current CIP Plan. Mr. Stroh said no, but they are on the list of items that the City would like to fund.

Mr. Degginger observed that it is important to remember why the City is negotiating the MOU, which is based on the Council’s unanimous support of a light rail Downtown Tunnel. He noted the long-term benefits of the project and said it is important to match high priorities with funding. Councilmember Degginger recalled the debt financing of City Hall because it was identified as a high community priority.

Mayor Davidson commented on the complexity of the MOU negotiations, and the challenge of Sound Transit’s deadline of October 25 for concluding the negotiations. He noted that, so far, negotiations have focused primarily on the Downtown Tunnel and not on the other issues. Dr. Davidson suggested that the current negotiations provide some indication about potential future difficulties, depending on how the MOU is finalized.

Councilmember Robertson questioned what percentage of the current CIP budget goes toward repaying debt. Ms. Hawn said staff will provide that information.

Councilmember Robertson believes that the Downtown Tunnel is worth doing. However, she noted that issuing debt removes choices for future City Councils. She would like an understanding of how debt issued in the near term will affect future capital funding.

Councilmember Chelminiak commented that debt is typically appropriate for generational projects. He noted that Bellevue has traditionally been averse to debt, but he believes that a number of options can and should be considered.

Deputy Mayor Lee observed that there has been a great deal of discussion about how much money to spend. He suggested looking at the basic fundamental reason for spending the money, and making the right choices based on the community’s needs.

Councilmember Balducci said there is agreement that the key value of the light rail investment is creating new transportation capacity using a grade-separated system. She concurred with Mr. Chelminiak’s comment about the appropriateness of using debt for long-term, costly projects. Ms. Balducci observed that the long term Mobility and Infrastructure Initiative financing plan, which was developed over a couple of years, has been essentially dismantled during the past two years. She hopes that the Council can start talking about the optional revenue and project scenarios, and about what it would like to fund.

Ms. Balducci said the Council is in a position of having to talk about the desired funding mix for the East Link MOU almost in a vacuum, because the big picture long-term financing plan no longer exists. She believes that MOU funding will result in some combination of reprioritizing the current CIP Plan, issuing some level of debt, and identifying additional non-cash options for contributing to the East Link project.

Councilmember Degginger concurred with Ms. Robertson that the Council can bind future City Councils by the decisions made now. However, not taking action on certain proposals can bind future Councils as well. Mr. Degginger said this is the City’s opportunity to provide a light rail Downtown Tunnel. Otherwise, Sound Transit will build its at-grade alternative.

Mr. Degginger recalled community opposition to the expense of acquiring land for the Downtown Park. However, had the land been acquired in earlier years, the expense of building the park would have been significantly lower. He asked the Council to keep this in mind going forward.

→ Councilmember Robertson moved to extend the meeting until 11:00 p.m., and Councilmember Balducci seconded the motion.

→ The motion carried by a vote of 7-0.

Councilmember Balducci questioned how the discussion is to be structured going forward to vote on a course of action.

Mr. Sarkozy said that Council action was not anticipated this evening. Within the context of the MOU, the Council needs to decide how to finance the elements reflected in the agreement. He noted that, even with the finalization of a MOU, the costs do not become fixed. Staff will continue to pursue a number of opportunities to reduce project costs.

Mr. Sarkozy said that the most conservative approach to financing the elements of the MOU, and as a last resort, is the property tax. The initial $58 million contribution will be the most challenging. By the time of the contingent contribution in 2024, the debt on City Hall will begin to decline. One option is to replace some of that debt with debt to finance the East Link Downtown Tunnel contribution. Mr. Sarkozy said the City must find a way to finance important public works projects, and the primary option in the out years is the property tax. The City could increase the B&O tax by some small amount. However, the City has not traditionally done so.

Councilmember Wallace said it has been a frustrating two months since the initial deadline was set for finalizing the MOU with Sound Transit. He recalled that he has had a number of questions about the validity of the revenue stream, which budget items will be reprioritized, whether taxes will be increased, and whether the City will use bonding. He said there still is no proposal on the table for covering those costs.

Mr. Wallace said that realistic estimates of a property tax impact would be helpful in trying to understand how to finance elements of the MOU. Councilmember Wallace noted that there are many other capital needs supported by the community including Meydenbauer Park, the Bel-Red corridor plan, NE 4th Street/120th Avenue NE project, and the Downtown Fire Station. Mr. Wallace said it is difficult to resolve the MOU funding without a proposal for the Council and the public to consider.

Mr. Sarkozy said that staff can prepare a proposal. However, the actual costs associated with the MOU are still not known. He said it is difficult to discuss the matter in an open meeting due to ongoing negotiations about the MOU with Sound Transit.

Mr. Sarkozy said there are a number of other funding proposals that affect the overall CIP Plan, which should be discussed as well. For example, he would not recommend going forward with the NE 4th Street/120th Avenue NE project unless the Council can achieve some portion of that funding through a Local Improvement District (LID). While the previous LID proposal was rejected by property owners, it is possible to resize that LID for the NE 4th Street project.

Mr. Sarkozy said this discussion is similar to discussions about City Hall. The City went into that project knowing there would be a future obligation. Mr. Sarkozy said staff could present a proposal representing the maximum property tax contribution, but he believes more work must be done over the next two to three years before implementing a bond issue.

Councilmember Wallace said he does not disagree with the City Manager. However, he believes the Council needs to have a proposal on the table, which should include an agreement with Sound Transit about a cooperative light rail alignment and about related projects. He wants to understand the plan and to pay for the dollar amount on the table. If there is an opportunity to reduce costs and that can be put into the agreement, he supports that approach.

With regard to the properties potentially included in the MOU, Mr. Wallace said the City is using its own internal appraisals. However, actual property values are unknown at this time. Mr. Wallace said he does not understand how the Council can enter into a binding agreement that obligates the City to a massive expense without fully understanding the financial implications.

Mayor Davidson said that hopefully the MOU will resolve these issues, if properly negotiated to include commitments that are contingent on other actions.

Mayor Davidson suggested resuming the Executive Session.

4. Executive Session

At 10:08 p.m., Mayor Davidson declared recess to Executive Session to discuss one item of potential litigation. He noted that the meeting would adjourn immediately upon conclusion of the Executive Session.

→ At 11:00 p.m., Councilmember Robertson moved to extend the meeting until midnight, and Councilmember Balducci seconded the motion.

→ The motion carried by a vote of 7-0.

The Executive Session concluded at 11:45 p.m., and Mayor Davidson declared the meeting adjourned.

Myrna L. Basich, MMC

City Clerk

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