

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

November 10, 2014
6:00 p.m.

Conference Room 1E-108
Bellevue, Washington

PRESENT: Mayor Balducci, Deputy Mayor Wallace, and Councilmembers Chelminiak, Lee, Robertson, Robinson, and Stokes

ABSENT: None.

1. Executive Session

Deputy Mayor Wallace called the meeting to order at 6:01 p.m., and declared recess to Executive Session for approximately 35 minutes to discuss one item of potential litigation and one item of labor negotiations.

The meeting resumed at 6:53 p.m., with Mayor Balducci presiding.

2. Oral Communications

- (a) Jeff Dubois, a resident of Greenwich Crest, said residents question the need for the Puget Sound Energy (PSE) Energize Eastside project. He said they are worried that PSE's installation of the proposed tall towers could result in a disaster. Mr. Dubois expressed concern about the steep hillside along his neighborhood and the potential impacts of PSE's plans to remove major trees. He is worried this could put the neighborhood at risk for a landslide.
- (b) Dave Bricklin introduced himself as an attorney with experience in dealing with Environmental Impact Statements (EIS), land use decisions, utility right-of-way projects, and writing the State Environmental Policy Act (SEPA) rules. He was involved in the case related to the explosion of the Olympic Pipeline in Bellingham, at the same time that the company was in the midst of hearings to gain approval to extend the pipeline to the Tri-Cities. The hearings included an expert who assured that the company's safety measures were fail-safe. Mr. Bricklin said a company can find an expert to say anything to support its position and project. He said City staff are currently negotiating with PSE regarding how many route alternatives to include in the EIS review. None of the PSE

Community Advisory Group's proposed routes include the stretch through Coal Creek. Mr. Bricklin suggested that the City not agree to including alternatives along Coal Creek.

- (c) Alex Zimmerman, StandUP-America, said he is running for the Seattle City Council. He said Sound Transit recently held public hearings with no cameras present. He said representatives of StandUP-America have been coming to Bellevue City Council meetings nearly every week for the past few years. He reiterated his ongoing request that the City Manager hold a monthly question-and-answer session with citizens. He expressed anger with the City Manager and called him an idiot.
- (d) Janet Jolliffe, representing the Northtowne Neighborhood Association, expressed concern about the redevelopment of residences into very large homes. Areas of concern include the loss of neighborhood character, loss of trees, and the excessive height and mass of homes. She submitted her comments in writing.

3. Study Session

(a) Council Business and New Initiatives

Mayor Balducci said the Council has been hearing concerns from residents about redevelopment in older neighborhoods resulting in much larger homes. She recalled that Paul Brallier from the Northtowne Neighborhood Association recently requested that the Council consider allowing development on smaller lots in the form of cottage housing or accessory dwelling units, resulting in smaller infill development in exchange for limiting the size of houses. Ms. Balducci said she looks forward to reviewing the City's subarea plans in the future.

Ms. Balducci requested Council support for staff to dedicate time to further exploring this issue. She noted, for the public, that Council approval is needed to request staff work anticipated to exceed eight hours.

Councilmember Robertson concurred with providing direction to staff. She recalled that, in 2003-2004, the Council allowed a similar type of requirement (i.e., more homes on a smaller lot) in the Enatai neighborhood. She is not sure, however, whether the redevelopment actually occurred. She said the former Comprehensive Plan included language about experimental and innovative housing. She is in favor of studying that potential for areas citywide and is very much in favor of reviewing subarea plans.

Councilmember Chelminiak said he and Mayor Balducci attended a neighborhood meeting in the spring about a proposed nine-unit subdivision which was built at Bellevue Way and SE 10th Street.

Mr. Chelminiak recalled going through the Neighborhood Revitalization Program process years ago to address tree retention and other issues related to redevelopment and mega-houses. He supports exploring the concerns and ideas of the Northtowne Neighborhood.

Councilmember Lee said he is in favor of being responsive to citizens' concerns. However, he would prefer a broader citywide housing strategy rather than addressing certain neighborhoods on an individual basis. He suggested building on measures the City has taken in the past.

Councilmember Robinson recalled that, in 2009, the Bellevue Network on Aging discussed detached accessory dwelling units and toured examples in other cities, including Kirkland. She suggested reviewing that information and seeing what other cities are doing and what has and has not worked.

Councilmember Stokes said that housing is becoming a growing challenge across the country. He noted issues raised this year regarding room rentals in single-family homes. He expressed support for addressing overall housing issues.

Mayor Balducci said she is hearing support for exploring residents' concerns and ideas and for building on the City's past work and existing regulations. She said there are certain tools or regulations that the City would want to adopt citywide and not for one particular area. However, she observed that certain neighborhoods have unique characteristics that potentially warrant a more tailored approach. She noted past action in Bridle Trails to adopt stricter tree retention requirements. Residents of that neighborhood are not interested in allowing residential structures on smaller lots.

Moving on, Mayor Balducci requested motions for Board and Commission appointments.

- Councilmember Robinson moved to appoint Chris Dunham and Joann Warren to serve open positions on the Special Events Committee. Councilmember Chelminiak seconded the motion.
- The motion carried by a vote of 7-0.

Mayor Balducci noted her recommendation in the Council's desk packet to appoint Vikram Madan to the Arts Commission. Also, staff is requesting an amendment to the appointment of Becky Lewis to clarify the correct term ending of May 31, 2016. Both Mr. Madan and Ms. Lewis will be eligible to serve two additional four-year terms.

- Deputy Mayor Wallace moved to appoint Vikram Madan to serve the remainder of the four-year term of Position 3 on the Arts Commission, and to amend the appointment of Becky Lewis, made on July 14, 2014, to reflect her service in the remainder of the four-year term of Position 7. Councilmember Stokes seconded the motion.
- The motion carried by a vote of 7-0.

Councilmember Robertson thanked the Council for excusing her absence from the past three meetings. She reported that she attended the ribbon-cutting in early October for the Velocity housing development at the South Kirkland Park and Ride. She presented a plaque she received on behalf of the City related to that Imagine Housing project.

(b) Issaquah and Renton School District Impact Fees

City Manager Brad Miyake introduced the discussion of impact fees for the Issaquah and Renton School Districts.

Mike Bergstrom introduced Steve Crawford, Director of Capital Projects for the Issaquah School District, and Stewart Shusterman, Facilities Project Manager for the Renton School District.

Mr. Bergstrom said Bellevue falls within four school districts and has supported impact fees for the Issaquah School District for a number of years since an interlocal agreement was established in 1995 [Bellevue City Code Chapter 22.18]. The Bellevue School District and Lake Washington School District do not levy impact fees. If additional districts want to have a similar arrangement with Bellevue, an interlocal agreement will be necessary. Impact fees are renewed annually. Mr. Bergstrom said this is the first year that the Renton School District is requesting impact fees from Bellevue.

Mr. Bergstrom described the proposed 2015 impact fees for the two school districts. The Issaquah School District proposes a new fee schedule reflecting \$4,560 for new single-family units (a \$1,170 decrease from 2014) and \$1,458 for new multifamily units (\$361 increase from 2014). The Renton School District requests \$5,541 for new single-family units and \$1,360 for new multifamily units. Fees are charged only on new development on lots located in both Bellevue and one of the school district boundaries.

If the Council chooses to approve both requests, BCC Chapter 22.18 would need to be amended to update the Issaquah School District school impact fee schedule, authorize the collection of school impact fees for the Renton School District, and authorize the execution of an Interlocal Agreement between the City and Renton School District.

Mr. Bergstrom displayed a map depicting the school district boundaries within Bellevue. There are currently 1,699 Bellevue students in five Issaquah schools and 171 Bellevue students in three Renton schools. The Renton School District is building a new middle school at Newcastle Way and 116th Avenue SE which is scheduled to open in 2016. Staff anticipates Council action on the impact fees on November 17.

Responding to Councilmember Lee, Mr. Bergstrom confirmed that the impact fees are used district-wide. Mr. Lee said impact fees are not an ideal method for funding school needs. However, the capital improvements benefit Bellevue residents and he will support the collection of fees.

Councilmember Robertson observed that the Renton School District overlaps other cities and questioned whether they collect impact fees. Mr. Shusterman said the portions of Kent and Tukwila in the District do not have residential development and/or zoning. He said the City of Newcastle does collect impact fees for the Renton School District.

Councilmember Robertson said she supports the proposed impact fees. She noted that Bellevue's percentage of students in the Renton School District is very small.

Responding to Mayor Balducci, Mr. Bergstrom said there could be 100-140 housing units in Bellevue's portion of the Renton School District in the future.

Mayor Balducci thanked the School District representatives for coming and providing information in advance.

(c) Proposed Amendments to the Bellevue Fair Housing Practices Code
[Chapter 9.20 of the Bellevue City Code]

Mr. Miyake opened discussion regarding proposed amendments to the Bellevue Fair Housing Practices Code (BCC 9.20).

Mr. Bergstrom said the code has been in existence since 1961 and it was last amended in 1990. The City receives federal Community Development Block Grant (CDBG) funds. In 2011, the City contracted with the Fair Housing Center of Washington to complete an Analysis of Impediments to Fair Housing Choice in Bellevue. The analysis indicated that two broad amendments are needed.

Mr. Bergstrom said additional programmatic, training, and education improvements were also recommended. The City incorporated those measures in 2012.

Mr. Bergstrom said the code amendments are needed to: 1) clarify what classes of people are protected from unlawful discrimination in housing, which includes those with a Section 8 voucher, and 2) ensure a mechanism for requesting reasonable accommodations. Amendments including changing "handicap" to "disability" and defining disability. The reasonable accommodation provision already exists in Part 20.30T of the Land Use Code. However, the amendment to BCC 9.20 will now cross-reference that code.

Responding to Councilmember Robinson, Mr. Bergstrom said the City is essentially required to use the federal language in the code. Mayor Balducci confirmed that the definition of disability under federal law includes a person regarded as having an impairment, whether they actually do or not.

Councilmember Robertson referenced the language that disability does not include current illegal use of a controlled substance. She said that, even though marijuana is legal under state law, it is illegal under federal law and should be considered a controlled substance for the purposes of this definition.

Deputy Mayor Wallace thanked Mr. Bergstrom for his work.

(d) Proposed Minor Amendments to the Bellevue Clearing and Grading Code
[Chapter 23.76 of the Bellevue City Code]

Mr. Bergstrom presented minor amendments to the Bellevue Clearing and Grading Code (BCC Chapter 23.76) to improve clarity and usability, improve internal code consistency, correct

outdated or inaccurate citations, simplify single-family construction communication and compliance, and align Clearing and Grading Code thresholds with SEPA (State Environmental Policy Act) thresholds.

Mr. Bergstrom described the three proposed amendments. One is to substitute the reference to a "checklist," which is no longer used, to "short form." The second is to exempt smaller projects involving minimal amounts of clearing (1,000 square feet or less) and grading (50 cubic yards or less), and with low risk of erosion, from the requirement to create a construction stormwater pollution prevention plan (CSWPPP). This generally applies to hazardous tree removal or other minor vegetation management work.

Mr. Bergstrom said the third amendment raises the threshold for projects that might require a CSWPPP short form from 100 cubic yards to 500 cubic yards of grading. This generally applies to single-family residential projects and is consistent with the SEPA threshold for environmental review requirements.

Mr. Bergstrom compared the City's short form (7 pages, largely a checklist format) and the State Department of Ecology's long form (25 pages). He said staff is seeking Council direction about whether to return with an ordinance for action on the proposed amendments.

Deputy Mayor Wallace opined that the CSWPPP is an effort at creating a minor benefit to the environment while at the same time creating a major impact on affordable housing and growth. He observed that the proposed amendments are consistent with the Stormwater Manual required by the DOE, which he believes runs unchecked by the state legislature. He supports the amendments.

Councilmember Stokes supports the amendments to streamline the process and to reduce the costs of minimal clearing and grading.

Councilmember Robertson said she supports the amendments and general efforts to reduce the cost of development for housing. She is glad to see staff addressing needed cleanup/streamlining amendments to the City Code.

Mayor Balducci noted timely concerns about mudslides and landslides related to development and questioned why this type of amendment does not raise concerns for safety hazards. Mr. Bergstrom said the amendments apply to small, low impact projects, and the best management practices are sufficient to address safety concerns. He said the projects are subject to inspections. Mr. Bergstrom said the long form has likely created more trouble for smaller projects than it has helped because it could be disregarded as being too burdensome or overwhelming.

Responding to Mayor Balducci, Mr. Bergstrom said the code requires the use of best management practices. He confirmed the conclusion that the longer form requires more effort and paperwork that is not necessarily increasing safety or adding value to the outcome.

Mayor Balducci expressed support for the proposed amendments. She noted this will come back on November 17 for Council action.

(e) Planning Commission Transmittal of Recommendation on Land Use Code Clean-up Amendments

Mr. Bergstrom described overall Land Use Code clean-up amendments. He said the Land Use Code has not been reviewed and cleaned up in a few years. The proposed amendments include clarifications, corrected or updated citations and cross-references, improved usability, revisions for internal consistency and/or consistency with other laws, and added information where appropriate. The amendments were studied by the Planning Commission, which also held a public hearing.

Mr. Bergstrom said a copy of the draft ordinance is provided in the meeting packet. The two more discussed and substantive amendments are the definition of kitchen and the definition of residential FAR (floor-area ratio). The definition of kitchen is consistent with what is currently used in the City's single-family use agreements. The single-family FAR (0.5) grew out of past neighborhood character and livability initiatives to address mega-houses. Mr. Bergstrom said amendments also address streetscape plant materials.

Councilmember Robertson said one issue with regard to kitchens is that some housing structures have multiple wet bars which are later converted, after permit approval and inspection, to kitchens/kitchenettes. She expressed concern about the potential for single-family zoned areas to be used for unintended multifamily dwellings.

Mr. Bergstrom observed that the revised definition goes partway in helping to avoid that situation. However, there is always the potential for later modifications unknown to the City.

Councilmember Robertson said she is concerned that a builder could wire and plumb a space but not put the appliances in before the City's inspection, and it would therefore not be considered a kitchen. She questioned whether the Planning Commission discussed that potential. Mr. Bergstrom said the Commission did discuss that issue but did not reach any definitive conclusions.

Councilmember Robertson moved to the section on building heights in transition areas. Mr. Bergstrom confirmed that this provides a solution for past concerns related to the small business properties adjacent to Newport High School.

Deputy Mayor Wallace questioned language about single-family FAR which indicates that high-volume spaces (18 feet or higher) are counted twice.

Mr. Bergstrom said the intent, consistent with concerns about neighborhood character, was to place some limit on the outer mass of the structure. He said there can be tall spaces which, if the floor area is only counted once, can result in a structure that looks more like two stories than one. The Planning Commission had extensive discussion on this issue. The limit had traditionally been 16 feet. However, the Planning Commission recommended the change to 18 feet as roughly equivalent to two stories with nine-foot ceilings.

Responding to Mayor Balducci, Mr. Bergstrom confirmed that the overall cleanup amendments are codifying what are generally already the City's practices. She expressed support for the proposed amendments. Mayor Balducci said it would be helpful, in preparing for this type of discussion, if either the agenda memo or the transmittal memo from the Planning Commission captured the key issues and briefly what was discussed and considered. This would help to understand the reasoning behind the Commission's recommendations.

Mayor Balducci thanked Mr. Bergstrom for efficiently presenting all of the proposed code amendments.

(f) Planning Commission Recommendation on Recreational Marijuana Land Use Code Amendment

Catherine Drews, Legal Planner, recalled that the Council previously approved interim zoning controls for recreational marijuana uses. She said the Planning Commission is ready to finalize its recommendations with two enhancements to the interim regulations: 1) requiring the Administrative Conditional Use process, and 2) adding parks to the list of uses to be separated from recreational marijuana uses.

Ms. Drews said the meeting packet includes a map of possible locations for recreational marijuana uses based on the Commission's recommendations.

The Administrative Conditional Use process requires notice to property owners within a 500-foot radius, allows for public comment, allows the City to impose conditions for unanticipated impacts, and provides the opportunity for administrative appeal. The second provision requires a 1,000-foot separation of recreational marijuana uses from all parks mapped in the City's GIS system. These include public parks as well as parks maintained by specific single-family neighborhoods.

Ms. Drews said the Planning Commission considered a number of regulatory options including limiting the hours of operation, increasing the separation distance to one-quarter-mile, adding other facilities used by children, expanding the definition of parks, and prohibiting recreational marijuana uses in the Downtown perimeter design district. As requested by the Commission, staff analyzed the impact of buffering recreational marijuana uses from religious institutions, and it turned out that would reduce the number of potential locations to three or four sites.

Ms. Drews summarized the recommendation and proposed permanent regulations, which amend the land use charts (General and Bel-Red) to include recreational marijuana uses in appropriate land use zones. She recalled that producers and processors can be located in the light industrial district. New requirements for recreational marijuana uses are found in LUC section 20.20.710 and address purpose and applicability, Administrative Conditional Use review, specific definitions, separation requirements, performance standards for all uses (including odor control), and additional security provisions.

Ms. Drews said staff requests final Council action on December 1 or alternative direction. If approved, staff will present the adopted ordinance to the East Bellevue Community Council for final public hearing and action on January 6, 2015.

Councilmember Robertson said she would ultimately like a recommendation from staff about whether to repeal medical marijuana collective garden regulations. She recalled that the U.S. Department of Justice memo in August 2013 called the collective gardens into question. She would like an analysis of that issue in the future.

Responding to Ms. Robertson, Ms. Drews said that existing recreational marijuana businesses under interim zoning controls are compliant with the recommended enhancements in the permanent regulations.

Ms. Robertson expressed support for the Administrative Conditional Use process. She suggested that the final ordinance contain fairly robust “Whereas” statements summarizing the process of the Council and the Planning Commission in developing the permanent regulations. She said the City has gone through a deliberate and thorough process of establishing regulations that are Bellevue-specific but that also respect the voters’ will with regard to legalization.

Councilmember Stokes expressed support for the recommended Administrative Conditional Use process. He thanked Ms. Drews for her thorough, good work on this issue.

Councilmember Chelminiak observed that alcohol and tobacco sales typically have requirements about health warnings. Ms. Drews said the State has requirements about signage and other information about the health effects of using marijuana. She said the products must be labeled with this warning. However, she was not sure if placards or signage are required in the store.

Councilmember Chelminiak said he would like to require informational placards. Ms. Drews said she will check on whether that is already required. Mr. Chelminiak said he was impressed with the literature produced by YES (Youth Eastside Services) about how to talk to your children about this issue.

Councilmember Robinson said she and Councilmember Stokes worked with YES to create the pamphlet. It has been distributed to all parks and recreation agencies within Bellevue, as well as the school district.

Mayor Balducci concurred with the suggestion for educational materials about marijuana use. However, she cautioned against requiring one specific pamphlet for businesses to use.

Deputy Mayor Wallace said he was supportive of a ban on recreational marijuana uses in Bellevue, and he feels the regulations do not go far enough. He praised staff and the Police Department, however, for their good work on this issue. He supports the recommended Administrative Conditional Use process. He does not believe the retail store on the border of the Downtown and the Surrey Downs neighborhood is appropriate. However, he will support the proposed regulations.

Mayor Balducci expressed support for the permanent regulations. She supports treating private and public parks the same with regard to the separation of uses. She said this has been a challenging process, especially given the lack of specific regulations by the State.

Councilmember Chelminiak acknowledged the considerable work by members of a regional forum of Police Departments and other cities' staff. He said it would be good to document and find a way to quantify the extensive staff work involved in meeting this legislative mandate. Ms. Drews said the group did produce a handout for business owners of recreational marijuana uses, which she will bring to the Council on December 1.

Councilmember Stokes acknowledged the work of City staff with shop owners and the efforts of Police Department personnel who visited Colorado to learn about their regulatory practices.

Ms. Drews said the City's planners and Development Services staff did extensive work on this issue as well.

At 8:34 p.m., Mayor Balducci declared a break. The meeting resumed at 8:44 p.m.

- (g) Budget: Proposed Utilities Department 2015-2016 Budget and Water, Sewer, and Storm & Surface Water Utility Rate Increases

Mr. Miyake said the next two agenda items are Budget-related. He noted that the Utilities Department's budget includes a proposed water/wastewater rate increase to pay for automated meter reading in the future.

Utilities Director Nav Otal introduced Brad Helland, Chair of the Environmental Services Commission, who will comment on the Commission's recommendations.

Ms. Otal thanked and introduced her staff: Lucy Liu, Assistant Director of Utilities/Chief Financial Officer; Andrew Lee, Utilities Deputy Director; Paul Bucich, Assistant Director for Engineering; Joe Harbour, Assistant Director for Field Operations; and Alison Bennett, Regional Policy Advisor.

Ms. Otal said utilities is a capital-intensive industry with fixed costs. Challenges include aging infrastructure, capacity for growth, regulatory requirements and mandates, and declining water demand/revenues. Rates are the primary source of revenue for the Utilities Department, which pays taxes to the General Fund like any other business operating within Bellevue.

Ms. Otal noted that Bellevue's Utilities Department earns high satisfaction ratings. She said the Utilities Budget is built on sound financial policies established by the City Council. Guiding principles provide a lean proposed budget with minimal new programs. No new staff positions are proposed for operations, and cost increases for local programs are below inflationary increases. The budget does include six new staff to support the Capital Investment Program (CIP). Ms. Otal noted the mobile workforce initiative to improve operational efficiency.

Mr. Helland highlighted the Environmental Services Commission's review of the Utilities budget and proposed rates beginning in February 2014. He said AMI (Advanced Metering Infrastructure) provides the potential to reduce labor costs in the long run as well as reduce claims related to water damage. Mr. Helland said the Commission voted 6-1 in favor of the proposed AMI investment, which is not reflected in the budget. The Commission unanimously supports the Utilities 2015-2016 operating and capital budgets.

Mayor Balducci questioned the dissenting vote on the AMI initiative. Mr. Helland said there were questions and concerns about how it would be implemented. He said two Commissioners had a number of questions, and he believes it would be worthwhile to explore them.

Councilmember Robertson said she serves as Council liaison to the Environmental Services Commission. Her perception was not that Commissioners opposed AMI, but some were hesitant to make a recommendation. AMI refers to "smart meters" that allow customers to monitor their utilities usage on an ongoing basis. Benefits include the reduced staffing needed to read water meters and the ability to identify excessive water usage or other indicators of potential problems. She said this greater awareness helps to maintain water conservation as well. Ms. Robertson suggested that, if approved, it will be best to implement AMI as quickly as possible to better realize the efficiencies of not needing staff to read meters.

Ms. Otal described how the Utilities Department measures system integrity for water, sewer, and storm water services. She said the Utilities Department had no drinking water violations in 2013 and complies with NPDES (National Pollutant Discharge Eliminations Systems) permit requirements.

Ms. Otal described the proposed Utilities 2015-2016 budget by category. She described the elements within Local Operations (Water, Sewer and Storm) including engineering, field operations, billing and customer service, technology systems, and reserves. Operating and equipment reserves make up 34 percent of the Local Operations budget.

Responding to Councilmember Lee, Ms. Otal said operating reserves are approximately \$16 million and equipment reserves are \$9 million. The Water Utility has the highest level of reserves. She said renewal and replacement (R&R) reserves are separate from these reserves.

Ms. Otal described the resources for capital project delivery: rate revenues to CIP Plan, planned transfers to capital renewal and replacement reserves, and capital project delivery (i.e., management, design, construction, inspection). She presented a breakdown of CIP dollars by proposal (e.g., aging infrastructure, environmental preservation) and by utility. Ms. Otal described an example of aging infrastructure (replacement of the Coal Creek Culvert) and of capacity improvement (Bellefield Sewer Pump Station).

Ms. Otal presented the proposed utility rate increases needed to support the 2015-2016 Operating Budget and the 2015-2021 CIP Plan. She said the rate increases are lower than originally projected in April. This was accomplished through continued cost containment efforts, anticipation of operational efficiencies through technology, refined wholesale cost projections, and adjustments to planned R&R transfers.

Ms. Otal compared Bellevue's utilities billings with neighboring jurisdictions. Ms. Otal said the objectives for setting water rates include rate equity across customer classes, revenue stability, recovery of fixed costs, and a simplified rate design where feasible.

Ms. Otal described the Water Cost of Service Study, which determined that single-family customers are paying more than their fair share, commercial customers are paying less, and multifamily customers are paying slightly less than their fair share. The proposed rates reflect a shift in a portion of costs from single-family customers to commercial and multifamily customers in order to maintain equity.

Ms. Otal said recommendations regarding the water rate structure are to increase the meter charge for all customers to better reflect the fixed nature of utility expenses, maintain the current seasonal (winter/summer) structure for commercial rates, and to simplify the structure for multifamily uses to mirror commercial rates.

Ms. Otal noted emerging issues not in the proposed budget. One is Advanced Metering Infrastructure (AMI) which has a number of benefits: access to real-time information on water usage, earlier detection of leaks, ability to proactively manage higher bills, faster response to issues and inquiries, improved meter accuracy, and enhanced water conservation through self-monitoring. She suggested positioning the City now for the implementation of AMI in 2017-2020. This would involve postponing current meter replacements where feasible and beginning to save for project costs with rate increases in 2016.

Ms. Otal said the customer rate impact to implement AMI over a 20-year period is 65 cents per month for the average household. Staff is seeking Council direction about whether to include AMI implementation in the Preliminary Budget.

Responding to Councilmember Lee, Ms. Otal said one Environmental Services Commissioner voted against recommending the implementation of AMI. She said that person had missed a meeting in which AMI was discussed in great detail. Therefore, he was not comfortable that he had adequate information to recommend it. Councilmember Lee said he appreciates the work of the ESC.

Councilmember Robinson expressed support for the implementation of AMI.

Deputy Mayor Wallace said the biggest issue he has is the fairly significant growth in the overall Utilities budget. Ms. Otal said a large percentage of the budget increase is not within the City's control. Mr. Wallace suggested it would be helpful to break out the elements the City does and does not control.

Deputy Mayor Wallace said it would be interesting to see the bill for a new home that connects in 2015, including the rate impact of connection charges from King County, the Cascade Water Alliance, and the City. Ms. Otal said staff can provide that information. Responding to Mr. Wallace, Ms. Otal said a general rule of thumb for utilities is annual rate increases of four percent.

Mayor Balducci noted the time and suggested moving to the next agenda item.

City Manager Miyake said staff has noted the questions and concerns and will come back with information responsive to those.

- (h) Budget: Preliminary 2015-2016 Operating Budget and the 2015-2021 Capital Investment Program (CIP), with the focus on the 2015-2016 Capital Investment Program

Mr. Miyake introduced staff's Capital Investment Program (CIP) presentation.

Finance Director Jan Hawn noted that additional time is scheduled for discussion of the CIP during the November 17 meeting, which will also host the third and final Budget Public Hearing. Council's adoption of the Budget is scheduled for December 1.

Dan Stroh, Planning Director, recalled that the 2015-2021 General CIP totals \$529 million over seven years. It uses long-term debt to finance appropriate projects and includes \$25 million in proposed new revenue and corresponding investments. Major drivers and challenges include the modest economic recovery, project timing and cash flow needs, projects related to light rail, new Council priorities, and the maintenance of existing facilities before building new.

Mr. Stroh referenced Attachment A which summarizes the "waterfall" approach for prioritizing and sorting budget items (i.e., pay debt service and the ongoing maintenance costs of existing facilities before considering new projects). He noted that a large portion of the City's revenues are dedicated to specific purposes.

Mr. Stroh highlighted the overall criteria that continue to provide the foundation for the prioritizing of projects (e.g., advancing Council priorities, East Link commitments, continued implementation of the Parks Levy, etc.). He noted \$36 million of debt residual that will be available in the later years of the CIP. Mr. Stroh recalled that the strategic use of long-term debt was discussed most recently on October 6.

Mr. Stroh said Council Priorities in the 2015-2021 Base CIP Plan include transportation and mobility investments as well as a new Neighborhood Enhancement Program (NEP) and early visioning for the Grand Connection from Meydenbauer Bay to the Wilburton area. Based on Council feedback during earlier discussions, the Newport Way sidewalk project and continued SCATS (adaptive traffic signal system) upgrades are highlighted as key priorities.

Mr. Stroh referred to Attachment E, which summarizes East Link-related projects. Consistent with the East Link Memorandum of Understanding (MOU) with Sound Transit, the budget reflects partial funding of the upfront \$100 million contribution and no funding for the contingent contribution of \$60 million. Additional expenditures are new projects not anticipated in the MOU and City projects that could experience cost savings if built at the same time as elements of the East Link project.

Priorities identified as part of the Council's visioning process include the completion of portions of the transportation capital plan, beginning implementation of the Downtown Transportation Plan, constructing Phase 1 of Meydenbauer Bay Park and completing the Downtown Park circle, and providing hearing accessibility within public meeting areas. The Grand Connection and NEP program mentioned earlier fall within this category as well.

Mr. Stroh said additional neighborhood priorities include Neighborhood Partnerships, Newport Way sidewalks, West Lake Sammamish Parkway Phase 2, Ped-Bike access improvements, neighborhood sidewalks and traffic safety, enhanced right-of-way and urban boulevards, and the public art program.

Mr. Stroh highlighted economic development investments including transportation projects, the Downtown Fire Station, park acquisitions and projects, and the Community Connectivity (broadband) project. Public safety and general government items include the renovation of public safety facilities, initial implementation of the Fire Facilities Plan, and the relocation of district court within Bellevue.

Moving to the Enhanced CIP Plan, Mr. Stroh said the proposal includes \$25 million in added revenues through a five-percent increase in the City property tax. This would generate \$1.7 million annually, or \$25 million if bonded over 25 years. This translates to a property tax increase of \$25 per year for a home assessed at \$500,000.

Key priorities for the Enhanced CIP Plan include the Community Connectivity project, critical neighborhood projects (e.g., West Lake Sammamish Parkway Phase 2 and the Newport Hills sidewalk project), Downtown Transportation Plan/NE 6th Street Station access improvements, and the Opportunity Fund (\$8.5 million). The latter could address unanticipated project costs and/or time-sensitive projects and needs.

Mayor Balducci said there will be additional future discussion on the CIP Plan.

At 9:59 p.m., Mayor Balducci declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

/kaw