

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session
Budget Workshop

October 6, 2014
6:00 p.m.

Public Safety Training Center
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

Mayor Balducci called the meeting to order at approximately 6:50 p.m. She noted that the Council was in Executive Session for approximately the past 45 minutes to discuss two items of property acquisition.

Ms. Balducci said this is the third Budget-focused special meeting, and there will be no oral communications.

2. Oral Communications: None.

3. Study Session

(a) Introduction

City Manager Brad Miyake said the purpose of tonight's meeting is to continue to provide information to the Council and to generate feedback to support the development of the Preliminary Budget for presentation on October 27. He referred the Council to the Council Priorities tab of the Budget Workshop document/binder, which will be discussed in greater detail during a future session.

(b) Calendar, Outcome Descriptions, and Guiding Principles

Finance Director Jan Hawn reviewed the budget process calendar and the milestones completed to date. The Council will hold its third and final public hearing on the budget in November, and Council adoption of the 2015-2016 Budget and 2015-2021 Capital Investment Program (CIP) Plan is scheduled for December 1.

(c) Council Priorities

[The City Manager indicated earlier that these will be discussed in detail during a future session.]

(d) Operating Budget Update

Mr. Miyake said there have been changes to the Operating Budget since the July 28 Results Teams' presentations to the Council and the subsequent feedback from the Council. The Budget maintains current service levels, with minor exceptions, and adds certain items and priorities raised during the Council retreat. There are no general tax increases in the Operating Budget.

Ms. Hawn said changes based on previous Council feedback and the Leadership Team's discussions include updating the Budget to reflect the final 2015 CPI of 2.2 percent, current forecast information, one-time funding for one-time costs, and trade-offs recommended by the Leadership Team. The City Manager is finalizing his Preliminary Budget for presentation to the Council on October 27.

Mr. Miyake asked that Councilmembers provide feedback this evening on whether the Budget is headed in the right direction and whether any key priorities are missing.

Toni Rezab, Assistant Director of Finance, referred the Council to the section of materials labeled "Changes by Ranking by Outcome" and described changes to the Budget since July 28. Under the Economic Growth and Competitiveness Outcome, changes ensure funding for maintaining the Department of Development Services code compliance and cost recovery policy, providing broadband infrastructure, and maintaining the current model for parking enforcement.

Under the Healthy and Sustainable Environment Outcome, changes since July 28 ensure funding for Natural Resource Management, the Well Kept program, and compliance with Phase II NPDES (National Pollutant Discharge Elimination System) Permit Development Service requirements. The Well Kept program is a teen summer program. In addition, street cleaning funding has been reduced to bring the budget in line with inflationary expectations.

Under the Improved Mobility Outcome, changes since July 28 ensure funding for mandated costs related to drainage billing and the maintenance of existing infrastructure before building new.

Changes to the Innovative, Vibrant and Caring Community Outcome ensure funding for the maintenance of existing infrastructure before building new; Department of Planning and Community Development professional services; maintaining partnerships at current levels with the Eastside Heritage Center, Boys and Girls Club of Bellevue, and the Bellevue Downtown Association; and diversity initiatives. Changes since July 28 reduce funding to the Arts program and delay the hiring of new staff to April 1, 2015.

No changes have been made to the Quality Neighborhoods Outcome budget proposals.

Under the Responsive Government Outcome, changes since July 28 ensure funding for City Manager contingency funds, an additional intergovernmental policy analyst, a limited-term Human Resources position for staff succession planning, One City funding for citywide staff training, and 2015 parking enforcement in the City Hall visitor lot.

Responding to Councilmember Robinson regarding an earlier Outcome, Ms. Rezab said the arts funding line item fully funds the department's budget proposal. Ms. Robinson noted that the dollar amount is less than the previous year. Ms. Rezab said she would provide more details. Councilmember Robinson said she does not want to see a reduction in arts funding.

Continuing, Ms. Rezab said that reductions within the Responsive Government Outcome reflect terminating certain software licensing in 2015, not funding requested staff positions in Fleet Services and Service First, and continuing the practice of not providing retirement contingency funding.

Ms. Rezab said changes to the Safe Community Outcome ensure funding mandated services (i.e., King County District Court and Fire Flow compliance).

Councilmember Robinson, noting reduced funding for street lighting maintenance, observed that replacing street lights with LED bulbs will reduce maintenance.

Responding to Mayor Balducci, Transportation Director Dave Berg said the capital budget proposes replacing more than half of the LED street lights in residential areas, which are leased through Puget Sound Energy. With that, the City is changing some of its street lights on arterials to LED. He acknowledged that the life cycle of LED lights is much longer than traditional lighting, which will ultimately reduce maintenance needs as more lights are replaced. Mr. Berg said it will be several years before the conversion is fully completed. PSE's street lights will continue to be replaced through 2016.

Councilmember Robinson suggested this could be a good use of a revolving energy fund, which is money that can be borrowed from the City to pay for an improvement that will pay back in reduced expenses. Mr. Berg said that is how the City is funding the initial phase with PSE, paying back the funds through the Operating Budget reduction in electricity costs. However, that does not go into effect until 2017 or later.

Ms. Robinson said the City has been hesitant to implement a revolving energy fund. However, she believes this is a good example of where it could be used. Once the costs are recouped, the City could apply the fund to another initiative.

Mayor Balducci questioned why LED replacements were identified as a potential threat to the City's financial stability. Mr. Berg said they have very expensive initial costs. However, the City can control how quickly they replace them.

Deputy Mayor Wallace asked staff to comment on the conclusion that there is revenue coming in under the capital budget [Page 203 of the workshop packet; Item PW-M-20E, Minor Capital-Signals and Lighting] as electricity savings. He questioned where that revenue is produced.

Ms. Rezab said the City has received a grant providing matching dollars to replace some of the LED lights over time. Mr. Wallace observed that this is not a reduction in future operating expenses but rather revenue from an outside source. Ms. Rezab said she believed that is the case but she will verify it for the Council.

Continuing, Ms. Rezab said changes to the Police Department include three new investigations detectives, addressing “frozen” patrol vacancies due to the department’s enhanced hiring process, software support, and funding for community stations at Crossroads and Factoria. The Fire Department base budget is maintained and power stretchers are provided.

Changes since July 28 remove street lighting maintenance to bring the budget in line with inflationary expectations and remove/defer filling vacancies in the Police Department.

Councilmember Robertson said she is pleased the City is adding the detective positions, which are long overdue. She recalled that Fire Department positions were previously reduced and she thought they would be restored in this budget.

Mr. Miyake said that, since those positions were removed, the metrics indicate that the outcomes (e.g., responding to cardiac arrests) have remained strong and have even improved in some cases. He said there have been shifts in staffing between stations to maintain response times and overall effectiveness. Ms. Robertson said she would like more information on those statistics.

Fire Deputy Chief Mike Remington said the Fire Department moved an apparatus between stations. He said the cardiac save rate and the indicator of keeping a fire to the room of origin have essentially not changed. He said the Department will need those positions in the future, but he believes the statistics reflect that current staffing is effective.

Responding to Councilmember Robertson, Deputy Chief Remington said there is currently one Battalion Chief. However, a second Battalion Chief will likely be added to the south end in the future. That is an element of the Fire Department’s long-term plan. With the future build-out of the Bel-Red area, more planning will be done which could indicate the need to relocate Station 6. With regard to Station 4 in the south end, the plan involves moving existing resources (i.e., ladder truck) to that location.

Councilmember Robertson recalled discussion during the last budget cycle that the Downtown was not growing as quickly as previously anticipated due to the recession. However, now that growth is rebounding, she questioned whether the Fire Department will be able to maintain its level of service with projected growth.

Deputy Chief Remington said a consultant hired by the Fire Department to analyze growth and needs determined that response times and service levels are strong. Performance measures are monitored on an ongoing basis. With this budget process, the Department is focused on having the funds available to purchase land for future needs.

Responding to Councilmember Robertson, Deputy Chief Remington confirmed that the Fire Department recommends there is not an immediate need to hire additional personnel to maintain service levels.

Councilmember Stokes expressed concern about maintaining good service in the Downtown where needs will change as growth and development continues there and in the Bel-Red corridor.

Councilmember Chelminiak observed there are approximately 47 firefighters on duty on a given day compared to an average of 49 a few years ago. He questioned the operational impacts of this reduced staffing.

Deputy Chief Remington said the two positions were at Station 7, which is in the middle of the city and has good response times. The positions were eliminated from the engine company. However, a ladder truck was moved to that station with four personnel. The engine remains at the station and the crew has the option of choosing which equipment to take for any given response. Response times continue to be good, with the ladder truck generally arriving first followed by engine companies to provide additional water and support.

In further response, Deputy Chief Remington said the City has two ladder trucks. The second one is located at Station 3 in the Crossroads area.

Councilmember Robinson said she wanted to discuss the Environmental Stewardship Initiative which is currently not funded. She said it is a relatively small amount of money with a huge impact to achieve the City's goals of reducing greenhouse gas emissions. She said the City made a regional commitment to this objective, which cannot be done without that program. She said the request is for \$100,000 for the preservation of the tree canopy. She said Bellevue's tree canopy has decreased below its goal and is getting worse every year. The amount would also fund community and residential energy efficiency programs, which is timely with regard to the Energize Eastside proposed project. She would like to see the Environmental Stewardship Initiative funded.

Mr. Miyake said he appreciated the feedback.

Councilmember Chelminiak said he read the Budget to indicate that the ESI program is funded, but program enhancements are not. Ms. Robinson concurred that base funding is provided.

Mayor Balducci requested information on the two parking enforcement alternatives for the Downtown before the next discussion. She observed that she had never heard of the Well Kept program before tonight, and she requested more information on it.

With regard to funding for the Diversity Initiative, Ms. Balducci said it would be helpful if the Preliminary Budget proposal clearly itemizes what is being funded versus items requested that are not recommended for funding.

Mayor Balducci expressed support for the additional intergovernmental relations analyst and requested more information on the salary and level of the position.

Ms. Balducci requested more information on the City Manager's contingency funding and how that has been used in the past.

With regard to parking enforcement, Mayor Balducci said she appreciated how quickly a change was made to manage City Hall's visitor parking to ensure the availability of parking for visitors versus individuals who were parking here to access neighboring offices and/or businesses. However, the solution appears to be fairly labor-intensive which is probably very expensive. She

understands that the City is waiting to determine how the East Link project will affect City Hall parking. However, she would like to see a technological solution that does not require staffing the garage for monitoring.

With regard to frozen vacant positions in the Police Department, Ms. Balducci said she would like to see a report on how that is going. She acknowledged the challenge of getting through the Police Academy and does not want to fund positions that will not realistically be filled. She would like more information on the recommended detective positions as well when those are discussed again in the future.

Moving on, Mr. Miyake said he asked staff to compile information on both opportunities and risks to the General Fund in the future.

Ms. Hawn said overall revenues are growing three to five percent, and the forecast is balanced with current expenditures and the handful of additional FTEs mentioned tonight. The City will build to restore the targeted fund balance by 2020.

One risk to the Budget is that the LEOFF I medical fund will convert to a pay-as-you-go system in 2018 at an estimated cost of \$2.3 million annually. The annexation sales tax credit expires in 2022, which will impact the budget by approximately \$1 million annually. The Affordable Care Act excise tax on high-cost coverage (aka Cadillac tax) goes into effect in 2018, which is anticipated to increase the City's costs by approximately \$643,000 to \$1.5 million. The forecast assumes that plan design changes would be implemented to avoid the tax.

Deputy Mayor Wallace observed that the Cadillac tax is the most significant threat to the Operating Budget. He suggested this could necessitate increasing the property tax.

Additional risks include: 1) staffing will likely continue to grow as the City grows, 2) regulatory requirements, 3) Washington State and King County legislative and fiscal issues, 4) Operating Budget impacts from the increased costs of maintaining infrastructure, 5) construction and operating costs for a Downtown Fire Station, and 6) the AT&T lawsuit.

Ms. Hawn said the City's extensive reductions over the past several years limit the City's ability and flexibility in dealing with these risks. Tax options include property, business and occupation (B&O), utility, and other taxes.

Councilmember Robinson questioned the potential for a tiered tax on household water consumption with higher-usage customers paying a higher tax rate. Deputy Mayor Wallace said that is essentially how the current system works. Ms. Robinson suggested that the baseline could perhaps be average usage instead of zero, and higher users would be taxed beyond that point.

Mayor Balducci observed that a utility tax increase is not proposed at this time. Ms. Robinson said she would like more information on the issue.

Councilmember Robertson observed that water conservation actually results in higher rates to generate sufficient revenues needed to cover the fixed costs of the infrastructure.

Councilmember Stokes said the current rates were thoroughly vetted by the Utilities Department and the Environmental Services Commission before approval by the City Council.

Referring to the Council Priorities section of the meeting packet, Councilmember Chelminiak said there is no funding under the Innovative, Vibrant and Caring Community Outcome for the Downtown Pedestrian Corridor or the Special Opportunity District. He suggested it might be time to consider a Special Opportunity District in the area around the NE 4th Street extension. He questioned whether the creation of a Civic Center plan is funded.

Ms. Rezab said there is no funding for the City Hall Plaza Extension. Funding is provided for the purchase of the Metro site but a Civic Center plan is not funded.

Councilmember Chelminiak said he would like to start studying and considering a Special Opportunity District as well as a pedestrian connection between Downtown and the BNSF trail.

Mayor Balducci concurred, noting that there are several items embedded in the Council priorities related to planning for the area around the NE 4th Street extension and a pathway/connection. She said the Pedestrian Corridor in the Downtown needs to be completed. She would like further work on what the City might envision for crossing over I-405 and connecting to the BNSF trail. More planning for the Wilburton area is needed as well. She acknowledged that this represents a great deal of work, but she thinks the City needs to start working on portions of it.

Responding to Mayor Balducci, Mr. Miyake said that work would be funded in the capital budget. Ms. Balducci said there is a time sensitivity to addressing the Wilburton area and a potential Special Opportunity District.

Mr. Miyake said the Grand Connection between Downtown and Wilburton is scheduled as a topic for the capital budget discussion.

Councilmember Stokes said it is positive to see how the budget process aligns with the Council's vision and priorities.

Responding to Deputy Mayor Wallace regarding the City Manager's Contingency Fund, Mr. Miyake said that, given the number of reductions in recent years and growing service demands, many departments have more frequently requested additional funding for maintaining specific service needs. In addition, emergencies such as snow storms can require funding from this line item.

Mr. Miyake said staff will provide information on the historical usage of the fund.

Deputy Mayor Wallace noted a line item related to East Link and impacts to the Fire Department. He questioned whether it needs to be added to the list of items that the City should ask Sound Transit to fund.

Deputy Fire Chief Remington said the Seattle Fire Department received funding for rescue team training to support the construction period for light rail.

Mr. Wallace said the City needs to understand all East Link-related projects for both construction and operations. This will allow the City to identify items that should be funded by Sound Transit for ongoing discussion.

Mr. Wallace questioned a line item for East Link Operations. Staff confirmed that this is a pass-through from the capital budget. Ms. Rezab said FTEs are not reflected in the capital budget; monies are transferred to the General Fund for staff work completed on the CIP.

At approximately 8:00 p.m., Mayor Balducci declared a break. The meeting resumed at 8:10 p.m.

(e) General Capital Investment Program (CIP) Plan

Mr. Miyake said tonight's focus with regard to the Base CIP Budget will be to highlight changes to the plan since the July 28 workshop and to request Council discussion on the recommended approach to balancing cash flow.

Dan Stroh, Planning Director, recalled the Leadership Panel's review of the CIP Plan. Challenges discussed on July 28 included the modest economic recovery, project timing needs, completing priority projects, ensuring the maintenance of existing facilities before building new, and addressing new Council priorities. The Leadership Panel's recommendations assure that debt obligations are met, provide for ongoing maintenance, fund Council priorities, provide for transportation and mobility needs, keep the Parks Levy commitments, provide for neighborhood needs, fulfill general government responsibilities, and address the City's contributions with regard to the East Link Memorandum of Understanding (MOU) and complementary City projects.

Mr. Miyake said the adjustments to the Base CIP Plan since July 28 are: Newport Way Neighborhood Sidewalk Design, \$1.1 million; Grand Connection Conceptual Design, \$1 million; and new Neighborhood Opportunity Fund, \$5 million. Each of these respond to the Council's identified priorities. Mr. Miyake said the City hopes to pursue grants for the Grand Connection project and to lay the groundwork for redevelopment of the Wilburton area.

Chris Salomone, Director of Planning and Community Development, said the Wilburton area provides a special opportunity, and there is the jeopardy of under-development due to the landowners' options at this point. He said there is strong redevelopment potential in the area. However, it is not without controversy and there would be significant staff demands. Mr. Salomone recommended a future Study Session discussion for a high-level overview of potential scenarios.

Mayor Balducci said the City has a vision for something interesting and special that might happen in the Wilburton area. However, nothing special will happen if the City allows it to develop on its own. She feels there is a certain amount of urgency for planning in this area. She said a study of the NE 8th Street/Wilburton area was completed several years ago. However, the Land Use Code was never addressed pursuant to the study.

Ms. Balducci observed that the Wilburton area has great potential, both positive and negative, and she would like to fund planning work in the current budget to avoid undesirable development.

Councilmember Stokes concurred. However, he would like to support funding for the Newport Way sidewalk project as well. He strongly supports urban design and cultural amenities. However, he questioned the ability to influence developers to build projects that are more expensive and time-consuming to meet the City's goals. He supports the Grand Connection concept. He also supports existing plans and objectives for the Eastgate area and the Bel-Red corridor.

Mr. Stokes spoke in favor of establishing a connection from the NE corner of Downtown Park into Old Bellevue and providing enhancements for Old Bellevue as a significant feature of the Downtown.

Councilmember Robinson concurred with the Mayor about the urgency of amending the Land Use Code for the Wilburton area.

Ms. Robinson said that spending two years to develop a plan for the Newport Way sidewalks project is not an acceptable response to the community. She said walkability is not just about having sidewalks but about having a good walking experience, preferably one that is better than driving. She looks forward to improved walkability in the Downtown and in neighborhoods. She encouraged accelerating the process for the Newport Way sidewalks to address safety concerns and the community's needs. Councilmember Robinson said this is a high priority for her.

Ms. Robinson would like the Parks Department to explore a parking solution that accelerates plans for the two underground parking garages in the Meydenbauer Bay Park Plan. She encouraged providing the parking before other elements of the park are developed, which would provide needed parking for Old Bellevue.

Mr. Miyake said staff are beginning discussions with the Bellevue Downtown Association (BDA) and Old Bellevue Merchants to explore ways to address parking and other issues.

Councilmember Robertson expressed concern that the focus is drifting from previous established plans to the latest and greatest new idea, such as the Grand Connection. She said it is a great idea, but she suggested following through on priorities that have been identified for some time. She would like to look at how the City is focusing its money. She said the major capital budget categories are transportation, light rail-related investments, neighborhood projects, and parks, and it is important to make investments in all of those areas.

Ms. Robertson observed that neighborhoods have often received less attention than what might be needed at this point. There are a number of neighborhood projects she would like to see funded, whether that is in the Base CIP Plan or in a supplemental package.

Councilmember Robertson concurred with Councilmember Robinson about the urgency to expedite completion of at least one side of the Newport Way sidewalk project. She said infrastructure in that area of the community has been neglected for many years before annexation

to Bellevue. Ms. Robertson said walking along Newport Way is not safe, and the road connects a number of public facilities including the community center, library, and schools. She would like to see project design and construction of at least one side of the street within this budget.

Ms. Robertson would like to see design and construction funding for Phase 2 and/or design of Phase 3 of the West Lake Sammamish Parkway project. She would like to spread investments throughout the community.

With regard to the recommended Neighborhood Opportunity Fund, Ms. Robertson observed that most smaller projects have been completed. She suggested it would be more effective to allocate that \$5 million to a major sidewalk project (i.e., Newport Way sidewalk project).

Ms. Robertson said she would like to see net revenue generated by the red light/speed zone enforcement cameras transferred from the Operating Budget to the CIP for pedestrian improvements and sidewalk projects.

Councilmember Lee said the City needs to be sure it does not miss any important opportunities. He said the Newport Way sidewalk project on at least one side of the street is important for safety. He supports neighborhood projects to balance investments in the Downtown and other areas.

With regard to the Grand Connection, Councilmember Lee opined that it is not necessary to use the word “grand.” That sounds too pretentious. The Council recognizes the importance of the Wilburton area and of acting on opportunities. The Bel-Red area has a plan that will be implemented over many years. Mr. Lee expressed support for the Diversity Initiative. He suggested that a cultural center would be a strong community asset.

Councilmember Chelminiak observed that all of the projects mentioned by Councilmembers are worthwhile and needed. However, there is a question of timing and of money. With regard to the Wilburton connection, he concurred with Mayor Balducci that, if the City does not guide future land uses, the result could be large retail stores and parking lots. He believes there is a better vision for that area. He said he is referring to extending the Special Opportunity District in a circle around NE 4th Street and targeting that area for the Grand Connection.

With regard to the overall CIP, Mr. Chelminiak said the City has obligations for a transportation system that benefits the overall community and continues to protect neighborhoods. He observed that the CIP Plan does not reflect a comprehensive look at what the neighborhood of the future looks like in Bellevue. He said there are issues of concern being raised by residents that need to be addressed.

Councilmember Robinson said her interpretation of the Grand Connection is as a gift to the community that connects the BNSF trail, Downtown’s Pedestrian Corridor, and ultimately Meydenbauer Bay. She believes it would facilitate and encourage public access to more areas and amenities around the Downtown.

Councilmember Stokes concurred with Councilmembers Chelminiak and Robinson. He agrees with Councilmember Lee about the benefits of a cultural center.

Mr. Stokes suggested that the City could rezone the area targeted around the Grand Connection by building on previous concepts that have been discussed. If the City invests in developing a land use plan, he hopes the property owners would develop their properties as envisioned.

Mr. Stokes said there are many choices to be made. He said it is equally important to provide neighborhood sidewalks and needs throughout the community.

Mayor Balducci said it is too early to determine what can or cannot be funded. She said there might be a path to fund the construction of half of the Newport Way sidewalk project. She is willing to consider a Transportation Benefit District to support critical infrastructure that does not fit into the current CIP Plan. She does not think these initiatives and more immediate needs exclude engaging in fundamental land use planning for the future of the Wilburton area.

Councilmember Robertson said she supports having a work plan for the Wilburton area. She recalled that the Bel-Red Plan includes triggers related to road projects connecting the two areas. However, Ms. Robertson does not want to neglect other items that have stacked up and that already have planning work that has been completed. Examples include the I-90/Eastgate Study and planning effort, Downtown Livability work, a review of the Bel-Red Plan, the major Comprehensive Plan Update currently underway, and the Newport Hills and other neighborhood shopping centers.

Councilmember Robertson suggested reviewing the current work plan to confirm or modify priorities and to determine whether there is the capacity to incorporate new projects.

Deputy Mayor Wallace said he would like staff to give some consideration to whether the \$1 million for the Grand Connection could include some discussion about Wilburton rezone work. Or should it be recast as the Wilburton rezone work with an analysis of the Grand Connection? He agrees with the need to address zoning in that area within the next two years. His recollection is that the Downtown Mobility Study was funded by \$340,000. Mr. Wallace suggested that \$1 million could effectively move this planning forward, and he is interested in a staff analysis of that suggestion.

Moving on, Mr. Miyake said the other component of the CIP Plan is financing.

Ms. Hawn recalled that the CIP Plan discussed on July 28 is balanced over the seven-year plan, with expenditures more heavily weighted early in the plan. Staff has identified peak cash flow borrowing of \$59-60 million and has modeled three financing scenarios, as previously requested by the Council. The options considered were 100 percent of cash flow funded with short-term borrowing (seven years), 100 percent funded by long-term limited tax general obligation (LTGO) debt (20 years), or a combination of those two. She said a combination of the two is not feasible because the analysis continued to show a shortfall in each of the years.

Ms. Hawn provided more details on the two scenarios. Short-term borrowing provides the greatest flexibility. However, she noted that the market is not currently offering seven-year or other short-term borrowing. Even if available, the scenario would not be possible without moving some of the expenditures (\$25 million in projects) later in the CIP Plan due to

insufficient resources to pay the interest within seven years. Ms. Hawn said an interfund loan is not possible because that would require repaying the interest within three years.

Scenario 2 is 100-percent long-term debt over 20 years, which provides the opportunity for intergenerational equity for these long-term investments. This debt would reduce the Council's flexibility somewhat, and the model indicates the potential for a shortfall of \$8 million in cash flow in 2018. Ms. Hawn said this scenario would free up approximately \$36 million in 2020-2021, however.

Ms. Hawn said long-term debt appears to be the only feasible option, and staff recommends \$60 million in debt issuance. This equates to \$4.4 million in annual debt service payments over 20 years, and it would fund only those projects involving long-term benefits and long-lived assets to achieve intergenerational equity. She reiterated that \$36 million in additional cash would be available in later years of the seven-year CIP Plan because the City would not be repaying the full amount in seven years. The \$36 million could be treated a number of ways including holding as a contingency, programming projects that could wait until 2020-2021 to be completed, and/or setting aside as a reserve to pre-pay the bonds in later years.

Councilmember Stokes expressed support for the recommended plan. He recalled that the Council had this discussion two years ago when short-term debt was not viable.

Responding to Councilmember Chelminiak, Ms. Hawn confirmed that the borrowing would help complete projects in the early years, while \$36 million would become available in 2020-2021 that could be allocated for projects in those years. Ms. Hawn said the debt would be repaid through the general CIP without using any new resources. Payments would continue to 2035.

Mr. Miyake said if new projects are not added to the 2015-2021 CIP Plan, the \$36 million could grow over time.

Deputy Mayor Wallace said if the conclusion is that we are making some very expensive, one-time expenditures (e.g., road projects), this is a reasonable thing to do because they are long-term projects. However, he does not want to be in the habit of front-loading the CIP budget and borrowing long-term debt simply because it frees up extra cash.

Councilmember Chelminiak observed that large transportation projects are needed beyond the current plan. He believes more revenue is necessary.

Mr. Wallace opined that long-term debt must be seriously considered. As a whole, there are opportunities in the budget to do less front-loading. Parks is one area that has a dedicated revenue stream due to levy funding. He suggested that the City try to live within its means in this area. Mr. Wallace said transportation needs are more appropriate for earlier CIP expenditures. He observed it would still be possible to complete all of the Parks projects within the seven years. He would like to see further analysis of that option.

Deputy Mayor Wallace said the two biggest funding challenges are transportation needs and fire facilities. He said the Council is talking about a number of needs. However, the City might not be able to meet any of those needs unless it comes to an agreement to ensure that Sound Transit

pays its share of the costs for its light rail projects, gives the City appropriate compensation for the property it is selling, and pays its share of the cost of related road projects.

Mr. Wallace said it is important to include East Link items in the budget to be considered with all transportation projects. He would like to see a discussion of light rail projects to then determine how to balance the rest of the budget. He said it is important to determine how the City will fund light rail in partnership with Sound Transit, with that agency paying its fair share and with the City determining how it will finance the remaining costs.

Councilmember Robertson concurred with the Deputy Mayor's comments and concerns about light rail-related expenditures. She said the Council needs to see an itemization of East Link-related costs. She agreed with spreading Parks investments more evenly over the seven-year CIP Plan as well.

Mayor Balducci said she understands the interest in talking about East Link-related investments separately from the rest of the budget. However, she does not believe the Council can afford to do so. She suggested the Council needs to have a Plan A and a Plan B. Plan A could be how to live with essentially the level of contributions identified in the Memorandum of Understanding (MOU). However, her hope and expectation is that the City will do better than that following additional negotiations. Plan B could identify investments that could be made if the East Link obligation is lower than originally anticipated.

Mayor Balducci said the timing of completing the City's budget process and resolving East Link costs is not likely to coincide. She said the Council might have to make adjustments or change decisions later.

Deputy Mayor Wallace said that is a fine framework. However, he said the City should look at how to fund the rest of the budget first, then look at the light rail projects. He said Plan A should include Sound Transit compensating the City for certain elements (e.g., 124th Avenue, 120th Avenue, Lincoln Center property, and majority of the Metro property). Even if the original MOU terms were followed, Sound Transit would still be making payments to the City and these are not reflected in the budget.

Mr. Miyake said some of the information requested is presented in Exhibit G (Informational Materials tab) of the meeting packet.

(f) Beyond the Status Quo-Capital Investment Package

Mr. Miyake said the discussion of capital investments beyond the Base CIP involves raising additional revenues beyond those currently available, potentially through Councilmanic debt and/or voted debt.

Mr. Stroh recalled that the Council previously indicated its desire for a long-term capital investment strategy. In the past, Council and staff reviewed a list of capital projects sorted by Council priorities and explored a series of strawman proposals. These included revenue scenarios involving Councilmanic action, voted measures, or both.

With regard to Councilmanic debt, Mr. Miyake said a five-percent property tax could fund a \$25 million package including Spring Boulevard (130th to 132nd westbound), \$3 million; Newport Way neighborhood sidewalk project (one side), \$7 million; Community Connectivity/Broadband projects, \$2.5 million; Downtown Transportation Plan and enhanced access to light rail, \$5 million; and an Opportunity Fund of \$7.5 million. All but the Opportunity Fund were identified as top priorities by at least five Councilmembers.

Mr. Miyake said the Spring Boulevard project coordinates with light rail construction to achieve savings. The Newport Way project is a safety investment. Community Connectivity relates to economic development. The Downtown Transportation Plan and access to light rail are related to the East Link project. The Opportunity Fund could be used to consider funding for community requests, which are listed in the Council's desk packet: Boys and Girls Clubs of Bellevue, Coalition of Eastside Neighborhoods for Sensible Energy (CENSE), KidsQuest Museum, Salvation Army, Pacific Science Center, BNSF (partial acquisition), and Performing Arts Center Eastside (PACE/Tateuchi Center).

Councilmember Robinson said the BNSF right-of-way could become an active railway again that could transport flammable oil through the community. She favors acquiring the portion of the ROW through Bellevue. She expressed support for the concept of an Opportunity Fund for responding to unexpected community requests.

Councilmember Stokes said he would like to see acquisition of the rail ROW to provide a trail. He suggested a discussion of the community requests to determine whether these are still Council priorities. Mr. Stokes said there are a number of other opportunities for large impact, long-term projects.

Mr. Miyake said it would be helpful to gain a sense of where the Council is leaning on these requests and on a property tax increase.

Mr. Stroh said a five-percent property tax increase would be \$25 per year for a home valued at \$500,000 and \$50 per year for a home valued at \$1 million. Bellevue collects only 11 cents for each dollar of a Bellevue home's overall property tax. A five-percent increase in the City property tax is less than a one-percent increase in the overall property tax, which contributes to the King County Library System, Bellevue School District, Washington state schools, King County, and other districts (e.g., EMS, Ferries, Port of Seattle).

Mr. Miyake asked staff to comment on what other jurisdictions are contemplating in terms of property taxes. Ms. Hawn said Bellevue has not increased its property tax for many years. The Cities of Issaquah, Kirkland, Redmond and Seattle are planning to take a one-percent increase.

Mayor Balducci expressed an interest in historical property tax information for other jurisdictions.

Councilmember Chelminiak said he would like to see West Lake Sammamish Parkway improvements continue to move forward. With regard to a property tax increase, he would be interested in considering a three-percent increase in both 2015 and 2017. He is also interested in

seeing what a CIP Plan with no new taxes would look like. However, he realizes that debt will be necessary.

Councilmember Robertson said she too would like to see continued progress on West Lake Sammamish Parkway. She observed that staff's suggested package for a five-percent property tax is a fair mix of projects. She said she tends to favor voted debt for substantial revenue enhancements. She would support a voted transportation package and would like to consider all of these revenue mechanisms together.

Ms. Robertson recalled that, years ago, every city for which she worked as an attorney raised its property tax by six percent annually, as allowed by law. However, Bellevue has not done so. She observed that it might now be appropriate to adjust this source of revenue to be more in balance with other revenue sources, whether that is a councilmanic or voted action, or a combination of both. She said the needs of the community will continue to grow while the purchasing power of the property tax will continue to diminish if left at the current rate.

Mayor Balducci said she is hearing from the Council that there is an understanding that debt will be a component of the next CIP Plan. She hears interest in and/or some level of comfort with revenue enhancements, which Councilmember Robertson described very well. Ms. Balducci suggested that staff develop potential revenue packages for Council consideration.

Councilmember Stokes concurred and noted he would like to see some options to consider.

Mayor Balducci noted that the City Manager needs more concrete information to prepare his Preliminary Budget.

Mr. Miyake suggested he come forward with a Base CIP Plan that includes debt, as discussed. Beyond that, he is interested in Council feedback regarding which revenue options are favored by the Council.

Councilmember Robinson said she would support a property tax increase for the projects in staff's recommended package.

Councilmember Chelminiak said he is interested in potential councilmanic actions beginning in 2015. He feels this would be appropriate given that the City has not increased its property tax for a number of years. He would like to see something fairly definitive in the Preliminary Budget in the form of a Base CIP Plan and an enhanced CIP Plan. He would like to treat them equally. He would be comfortable with a 5-6 percent property tax increase.

Councilmember Lee said he is glad the City has not taken annual property tax increases, and he understands that needs continue to grow. In order to consider a property tax increase, he would need to go through more of the budget decisions and prioritizing of projects. He said deliberate choices need to be made. He would like to support and pursue more public-private partnerships.

Mayor Balducci noted approximately 15 minutes remaining in the meeting, and the discussion has not yet addressed voter-approved debt or Parks funding.

Mr. Miyake said he is gaining a sense that the Council would like staff to bring back some additional options.

Mayor Balducci said she heard a majority of the Council, including herself, indicate an interest in staff coming back with a capital projects package as recommended and supported by a 5-6 percent property tax. She believes the Council could work with that in terms of continued deliberations.

Deputy Mayor Wallace spoke in favor of adding the Bellevue Way HOV lane project to the enhanced CIP package. He said this fits into other light rail-oriented projects.

Deputy Mayor Wallace reiterated his concern about the costs associated with the East Link project, which significantly impacts the City's ability to provide its own projects (e.g., neighborhood sidewalks). If the City receives a fair contribution from Sound Transit, the City could afford a number of its unfunded needs.

Mr. Wallace said he could support increasing the property tax, especially given that Bellevue has the lowest millage rate in the state. He expressed concern about the impacts of the McCleary decision on property taxes, which he believes is a potentially drastic situation for the state legislature.

Mr. Wallace said he would prefer to address neighborhood needs in the base budget. He suggested that the City's needs should be addressed first, and light rail-related projects and budget impacts should be considered separately.

Mr. Wallace noted that the Fire Facilities Plan exceeds the cost of light rail projects, and he questioned how the plan will be funded. He believes the facilities should be a high priority. Mr. Wallace observed that there are inaccuracies in the overall budget (e.g., the beginning fund balance).

Mayor Balducci suggested that the City Manager provide the rationale for recommending certain projects in the Base CIP Plan and others in the enhanced package.

Ms. Balducci asked what the Community Connectivity expenditure of \$2.5 million buys. Mr. Stroh said this is a project to facilitate connections provided by the private sector. The current CIP Plan includes \$650,000 in funding, which is helping to improve the existing fiber network. The proposed enhanced funding will fill in some of the existing fiber network and make modest enhancements to the City's fiber network and wireless system. The allocation also includes additional work on accessibility options (e.g., co-location with private equipment).

Mayor Balducci indicated that she would like additional details, including how the funding changes/improves the end user's experience. If the \$2.5 million is an interim expenditure in preparation for later phases of the project, she wants to know what the additional work will cost and what it will buy.

Councilmember Stokes observed that, if the Council does only those things that can be supported with the proposed debt and potentially a modest tax increase, the City will not keep pace with the community's needs.

Mayor Balducci observed that more discussion is needed to have a better understanding of which revenue mechanisms each Councilmember is willing to embrace.

→ At 9:55 p.m., Councilmember Chelminiak moved to extend the meeting until 10:30 p.m. Councilmember Robinson seconded the motion.

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

Continuing, Mr. Stroh opened discussion of a potential voter measure in 2015 or 2016 for different types of needs (e.g., arts and culture facilities, public safety facilities, transportation investments).

Ms. Hawn said there are no ballot measures impacting Bellevue for the November 2014 election. However, potential upcoming measures include a State package related to the McCleary decision/education funding and a number of King County packages.

Councilmember Robertson would like to be able to consider potential voter packages with dollar amounts and individual project lists (e.g., arts and culture, transportation, etc.). She said the City might want to present more than one package over the next few years. She could see sending a transportation package next year and perhaps a Fire facilities package a year or two later. However, the Council needs to know more about Sound Transit light rail costs before making these decisions.

Ms. Robertson said she would like to see community outreach on potential voter packages. She suggested looking at possible packages in a more holistic manner.

Mr. Stroh said staff has discussed that it would benefit the public to learn about conversations the Council has been having about capital needs and options.

Councilmember Robertson observed that at least four Councilmembers are willing to consider a voter measure. She asked if staff could develop a community engagement plan about how to initiate public involvement, potentially for a ballot measure in 2015.

Councilmember Chelminiak observed that, while financial policies have changed over time, they have always been based on principles. He suggested it might be time to look at some different principles about how to fund the City going forward. One example is that the City has traditionally used voted debt for Parks needs. He questioned how the Council could determine which things should be dependent on a vote and which should be considered as part of the base budget.

Mr. Chelminiak suggested that Fire facilities should be partly funded in the base budget and, given the growth and significant capital needs, partly through a voted measure. He expressed an interest in how other growing cities are approaching their base budgets versus voted measures.

Councilmember Robinson observed that, in her conversations with a number of people, there seem to be two regional goals: 1) competitive swimming pool, and 2) performing arts center. She would like to look at ways some type of regional levy for those two things, and then look at something Bellevue-specific.

Councilmember Stokes concurred with Mr. Chelminiak's interest in learning about what other cities do to meet growing needs. He agrees that the performing arts center is a regional facility and it will be appropriate to propose a voter measure in the future. He said the City of Kirkland is interested in the regional aquatic facility.

Mayor Balducci concurred with Mr. Chelminiak's suggestion about reviewing the key financial principles and underlying policies. She said a Transportation Benefit District (TBD) has been discussed, and she suggested that other innovative funding mechanisms might be available. She agreed with Councilmember Robertson that a voted measure will likely be needed to fully implement the Fire Facilities Plan. Ms. Balducci said she would like to see an arts and culture levy next year. She is also open to considering a TBD.

Councilmember Lee said that human services funding should continue to be part of the base budget.

Deputy Mayor Wallace concurred with Mr. Chelminiak's suggestion to review policies. Mr. Wallace said it would be helpful for the Council and staff to create a roadmap for how the budget is funded. He observed that Parks capital needs receive \$8 million to \$9 million in annual funding through the Parks levy, matching funds, and Parks REET (real estate excise tax) revenues. He said this is a healthy amount of spending on the Parks capital budget. He would like to see some exploration of that in terms of finance and budget guiding policies. Mr. Wallace said he believes it would be possible to fully fund the Parks projects over the seven-year CIP Plan instead of front-loading those expenditures. He would like to hear from staff and the Council on this issue.

Mr. Miyake thanked staff for all of their hard work on the budget.

Mayor Balducci asked staff to comment on the Parks Acquisition Fund.

Patrick Foran, Director of Parks and Community Services, said Parks acquisition priorities fill gaps in neighborhoods without sufficient parks and advance efforts in the Downtown regarding the development of Meydenbauer Bay Park. Previous planning studies indicate additional Downtown park needs. The Parks and Open Space Plan refers specifically to expanded lakefront access. There is also a priority to work on the Bel-Red corridor.

Mr. Foran said that, so far, the levy has enabled the purchase of property in Newport Hills, Eastgate (adjacent to South Bellevue Community Center), and in the Mercer Slough. The City will be reimbursed \$2.7 million from the County's Conservation Futures program for the three properties.

Responding to Councilmember Chelminiak, Deputy City Manager Kate Berens confirmed that the property acquisition in the Mercer Slough is related to the light rail project.

Mr. Foran said Parks funding has enabled the City to leverage other properties related to the Sound Transit light rail project. Other Parks acquisitions include properties along the NE entry to Downtown Park and parcels on NE 2nd Street. The Parks and Open Space Plan also identifies a park in the northwest area of the Downtown. The Bel-Red corridor has a linear park system as well as two large parks within the urban core, but none of that property has been acquired.

Mayor Balducci observed that park acquisition opportunities often come up with short notice, and there are times in which the opportunity is a perfect fit for major priorities. This is what occurred with the acquisition of properties for Meydenbauer Bay Park. However, she said there are other opportunities that do not seem to clearly fit into existing plans.

Mr. Foran indicated that a pending proposal will be discussed in the near future.

Deputy Mayor Wallace said he likes how the meeting packet/binder itemizes Parks levy funding. He would like to see additional details for each line item (i.e., how much has been spent to date, what was purchased, and how much is and is not in the current CIP Plan).

At 10:30 p.m., Mayor Balducci declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

/kaw