

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Special Meeting
Council Budget Workshop

August 4, 2010
1:00 p.m.-9:00 p.m.

South Bellevue Community Center
Bellevue, Washington

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

ABSENT: Mayor Davidson

1. Background/Overview

Deputy Mayor Lee opened the meeting at 1:13 p.m. He reported that Mayor Davidson's hip replacement surgery went well the day before.

Mr. Lee reviewed the day's agenda, which includes budget presentations from the Results Teams for the Operating Budget, as well as a presentation on the Capital Investment Program (CIP). He explained that this is an informational meeting, and the Council is not being asked to make any decisions or take any actions today. The City Manager is interested in Council feedback on general budget priorities at this point in the process.

City Manager Steve Sarkozy noted that this budget will be more difficult than in the past. Revenues across the state are lagging due to the slowed economy, and staff has scrutinized the budget to identify all opportunities for efficiencies. He described past measures focused on honing organizational effectiveness and efficiency including accreditations, the Baldrige performance excellence analysis, employee surveys, and the One City process. This year's Budget One process is essentially zero base budgeting in terms of analyzing every aspect of the budget. Mr. Sarkozy noted the importance of transparency and organizational leadership throughout the budget process.

Mr. Sarkozy clarified that today's presentations are not to be interpreted as the preliminary budget. The material presented today does not have the endorsement of either Mr. Sarkozy or the Leadership Team. Staff will work over the coming weeks to develop a balanced budget for presentation to the Council in September.

Mr. Sarkozy said it is important in today's discussion that the Council understand the depth of the proposed budget reductions. Council is asked to provide early feedback on their priorities and concerns.

2. Operating Budget

Mr. Sarkozy recalled that the financial forecast indicates an Operating Budget deficit of \$20 million over the 2011-2012 biennium, which he characterized as a structural, long-term challenge within the budget. On the capital side, the 2011-2017 CIP Plan reflects a decrease in revenues of nearly \$100 million, and a shortfall in funding for the Mobility and Infrastructure Initiative of \$47 million.

Mr. Sarkozy reviewed the seven outcome areas within the Operating Budget: 1) Responsive Government, 2) Safe Community, 3) Improved Mobility, 4) Healthy and Sustainable Environment, 5) Innovative, Vibrant and Caring Community, 6) Quality Neighborhoods, and 7) Economic Growth and Competitiveness. All outcome/service areas are essential in providing the operational capacity to function effectively.

Mr. Sarkozy reviewed the schedule of the Budget One process to date, leading to presentation of the Preliminary Budget in late September. Staff is interested in getting initial feedback from the Council today, and there will be considerable time to debate the issues in the fall.

Mr. Sarkozy explained that the Results Teams will cover four key elements:

- Policy implications,
- Community tolerance for reductions,
- Significant impacts to the Outcome, and
- Long-term implications to the organization and/or community.

Staff addressed a number of questions before moving forward with the presentations:

- Councilmember Balducci would like an update on what staff is doing to meet the 2010 budget shortfall. Mr. Sarkozy noted that departments implemented a number of short-term tactics over the past couple of years including restricting expenditures, using excess reserves, and leaving positions vacant.
- Councilmember Balducci said she understands that the information presented today is not the proposed budget. She questioned whether the proposals result in a balanced budget. Mr. Sarkozy said the Results Teams' proposals leave a shortfall of \$3.2 million. As a result, additional cuts or increased revenues will be needed.
- Councilmember Wallace asked what has been done with the construction cost savings on transportation projects, and he questioned the impact of recent large property sales on the collection of the real estate excise tax (REET). Mr. Sarkozy noted that the cost savings for transportation projects and REET collections both remain within the CIP Plan.
- Responding to Councilmember Chelminiak, Mr. Sarkozy said REET collections are not meeting 2010 expected revenues, even with the recent large transactions.

Deputy Mayor Lee referred to the handout entitled *Resources to Budget Shortfall Comparison*. He noted the projected shortfall in resources of \$20.1 million, plus new demands of \$4.8 million and external cost and policy requirements of \$4.4 million. On the expenditure side, department-level reductions as well as those suggested by the Leadership Team and Results Team leave \$3.2 million unfunded.

Results Teams Presentations

(a) Responsive Government

Carol Helland explained that the team faced unique challenges:

- Diverse proposals from 13 departments, including both internal and external service providers.
- Of 105 proposals, 89 were recommended for funding.
- Most proposals were for essential services and the capacity needed to support the other six outcome areas.

Ms. Helland described the proposal ranking approach:

- Focused on proposals recommended for funding by departments (not alternatives).
- Departments were in the best position to ensure that their proposals reflect purchasing strategies and desired service levels.
- Low ranking proposals needed to be streamlined and optimally efficient.

Ms. Helland reviewed the proposal ranking rationale. High ranking proposals predominantly aligned with the objectives of stewards of the public trust and community connections. Medium ranking proposals aligned primarily with strategic leadership and exceptional service to the community. Low-ranking proposals aligned primarily with the concepts of an engaged workforce and exceptional internal service.

Ms. Helland described the development of the purchasing plan for recommendations to the Leadership Team and the Council. Proposal writers were asked to prepare alternatives that drew revenue from alternate funding sources, including fees, to explore efficiencies (e.g., program consolidations), and to analyze the consequences of changes in service levels. The Responsive Government team received \$7.2 million in General Fund reductions in response to requests for alternative proposals. The Results Team included \$5.6 million in budget reductions in its base purchasing plan.

Ms. Helland explained that the base plan proposes changes in service levels for Service First, facilities maintenance and operations, Human Resources training and development, procurement, GIS services, and fleet and communications inventory and stores management. This includes eliminating one Service First position, adjusting maintenance schedules for City facilities, and focusing on more internal/organizational development training opportunities.

With regard to revenue enhancements, the Responsive Government team recommends an increase in the business tax and license fee and in survey service fees. Increasing the business tax and license fee from \$35 to \$75 would generate approximately \$300,000 over two years. Other jurisdictions charge in the range of \$100 annually, while Bellevue has a one-time fee. Survey service fees are not currently recouping the costs of providing the service. Ms. Helland noted that an increase in fees is consistent with the Development Services policy of recovering costs.

Five areas of enhancements were not recommended for funding: 1) Citywide grant development and administrative support, 2) Easement inventory and mapping, 3) Integrated CIP projects, 4) Fleet modifications, and 5) Performance management system maintenance and operations. Ms. Helland reviewed the team's recommendations of proposals to fund or to eliminate if actual funding increases or decreases.

Ms. Helland noted the following issues and cost containment opportunities for future Budget One consideration:

- Level of service analyses for administrative support, fiscal analysts, grant funding, and volunteer coordination.
- Functional consolidation of communications functions.
- Enhanced efficiencies in fleet operations (i.e., Lean Six Sigma).
- Performance measures.

Ms. Helland referred the Council to the blue sheets in the budget binders, which review the Results Teams' recommendations and highlight potential items of concern.

Questions and Answers:

- Responding to Deputy Mayor Lee, staff said the estimated cost of the Responsive Government component is \$114 million over two years. The total two-year Operating Budget is approximately \$300 million.
- Mr. Lee observed that there are opportunities for cost savings in the areas of planning, fleet, and facilities.
- Councilmember Robertson questioned whether there is a funding line for the Responsive Government Outcome. Ms. Helland said no, that the team eliminated a number of proposals and recommends full funding for the purchasing plan as presented.
- Ms. Robertson questioned whether recombining Planning and Development Services would result in potential cost savings. Ms. Helland said that this alternative was not analyzed by the team.
- In further response to Ms. Robertson, Ms. Helland said the team did look at bidding out services, such as legal services. The City currently uses both in-house and contracted legal services, and using in-house staff is the most cost-effective approach.
- Ms. Robertson questioned how much additional revenue could be generated with an annual, instead of one-time, business license fee. Ms. Helland said staff determined that the City would need to add two FTEs to support the annual collection of license fees. While the approach would result in some increased revenue, staff thought it would be

appropriate to have this policy discussion with the Council before going too far down that path.

- Councilmember Balducci questioned where to find the “what it really means” for the items in the purchasing plan. Ms. Helland referred to the high-level summaries provided in the meeting binder and briefly described how the Results Team evaluated the proposals. However, she said it was not possible to fully capture every impact or implication associated with every proposal.
- Ms. Balducci said that one of her principles for reductions is to not reduce or eliminate services that have an immediate and obvious impact on customers. Ms. Helland said this type of information is provided for individual proposals. She said the Results Team concluded that the recommended purchasing plan provides the optimal services needed to deliver the other six Outcome areas. Ms. Helland suggested that the Council look at all Outcomes before reducing any items in the Responsive Government Outcome, because it provides the foundation for the other Outcomes.
- Ms. Balducci observed that the budget materials are no longer arrayed by the Fund level. At some point the budget will need to balance, and it will be necessary to compare this budget to the last budget.
- Ms. Balducci questioned what is meant by “enhancements.” Ms. Helland said one example was a request for city-wide grant funding, which included the addition of staff.
- Councilmember Degginger questioned how much of the \$114 million is the procurement of goods and services as opposed to labor. [Staff will provide a response.]
- Responding to Mr. Degginger, Ms. Helland said the expectation for the purchasing proposals was to provide the best price available for the delivery of goods and services.
- Mr. Degginger questioned whether the Results Team said it would not accept proposals reflecting an increase above a specific percentage for the next biennium. How does the Results Team know whether costs are contained and reasonable? Ms. Helland said the Results Team relied on department staff as the most knowledgeable source for determining the appropriate service level for the community.
- Mr. Degginger observed that this approach would not ensure that the Results Team would know whether the proposals represent contained and reasonable costs. Mr. Sarkozy indicated that staff can pull out contract costs and provide them to the Council. He described staff’s use of performance metrics and the value-for-service paradigm.
- Deputy Mayor Lee commented that the determination of service quality is somewhat subjective, and quantity is another question. He feels the Council needs to know the 2009-2010 budget numbers, in order to compare them to the 2011-2012 budget and determine whether expenditures are lower. [Staff will pull that information for the Council.]
- Councilmember Degginger said it troubles him that costs are not itemized into labor versus goods and services. Given a \$20 million shortfall, he feels the City should be telling its vendors that it will not accept increased costs. Mr. Sarkozy said that the City will continue to bid in the open market and look for the best price available.
- Responding to Councilmember Chelminiak, Ms. Helland explained that cost savings in the area of facilities maintenance were derived by subtracting the cost for the services to be eliminated (i.e., reducing the frequency of certain services such as window washing).

- Councilmember Wallace returned to the outsourcing issue and observed that there are areas where it might be applicable. Noting the increase in medical insurance costs every year, he questioned the City's efforts to reduce these costs.
- Mr. Wallace suggested hiring a consultant to provide feedback on ways to achieve efficiencies, including potentially outsourcing certain services. He questioned how to reduce the costs within a specific proposal. Ms. Helland said that any proposals above \$1 million were required to identify a 10-percent reduction. The Results Team did look at outsourcing. The team interviewed some Department Directors, including the Human Resources Director, about alternatives for lowering costs. Ms. Helland noted that the documentation supporting the proposals contain specific analysis of outsourcing and other approaches, as appropriate.
- Responding to Councilmember Wallace, Ms. Helland said that many proposals overlapped Outcome areas. The Results Team leads met and moved some proposals between Outcomes. If a proposal supported more than one Outcome, it was generally ranked more favorably. In further response, Ms. Helland explained that some dollars have been moved between Outcomes, and this is likely to continue as the Leadership Team discusses the budget.
- Councilmember Chelminiak asked staff to identify health insurance premiums as an area of interest for a brief presentation during the budget process.
- Mr. Sarkozy encouraged the Council to send questions to his office as they arise. Responding to Ms. Balducci, Mr. Sarkozy suggested that Councilmembers direct questions about specific proposals to Jan Hawn or Nav Otal, or directly to the Department.
- Deputy Mayor Lee encouraged every form of communication, and suggested that all information exchanged be made available to all Councilmembers. Mr. Sarkozy said staff will post the information online. Responding to the Council, he noted that staff does not want to jeopardize the high rankings of services by the community.

(b) Safe Community

Kyle Stannert presented the purchasing plan and recommendations for the Safe Community Outcome. Most of the proposals touched on aspects of prevention and response, although many crossed all four factors including planning/preparation and community engagement. The goal was to fund proposals related to core services and critical support services. The Results Team did not balance the budget for this Outcome, but accepted some alternatives to buy programs and services. The team determined that additional cuts would be too deep in terms of continuing to effectively provide services.

Mr. Stannert provided examples of items that potentially could be modified for cost savings. For Police Bicycle Patrol, the Results Team felt there might be other ways of accommodating this service need through Patrol and the Downtown Unit deployment. Mr. Stannert explained that approximately 85 percent of the work of Word Processing services provides verbatim transcription related to Police investigations. He recalled that a request for proposals for word processing services was issued in 2009, and it was determined that it was more cost effective to maintain this service within the organization.

Mr. Stannert described the following four proposals involving the reduction or elimination of services: 1) Severe Weather Shelter, 2) Beach Lifeguard, 3) Street light maintenance, and 4) Probation and Electronic Home Detention. With regard to the shelter, Bellevue is essentially covering the entire cost of the regional program (i.e., Approximately \$900 per night). The Results Team suggested finding another way to provide shelters, through community partnerships or other funding mechanisms.

Mr. Stannert highlighted additional recommended reductions including one FTE in Criminal Investigations/Joint Terrorism Task Force, one FTE in narcotics enforcement, and one personnel services FTE.

Mr. Stannert described an example of two alternative proposals considered by the Results Team for the Fire Department, and the proposal ultimately recommended by the Results Team.

Questions and Answers:

- Responding to Councilmember Balducci, Fire Chief Mike Eisner described how the different alternatives would work in an emergency response. He noted that a fire station has three units available for response (Engine, Ladder Truck, and Aid Car).
- Chief Eisner responded to a number of questions of clarification. He noted that given the higher volume of medical aid calls, it is important to be able to respond with a dedicated aid car 24 hours per day.
- Responding to Deputy Mayor Lee, Chief Eisner summarized that the Fire Department base proposal would reduce one response unit to 12 hours per day. During those 12 hours, which experience approximately 25 percent of calls, there would still be two units to respond. The Result Team proposes completely eliminating the aid car and unit, instead of just reducing to 12-hour operation. This would still leave two response teams at a station.
- Responding to Councilmember Robertson, Chief Eisner noted that the budget proposals outline the consequences of not funding. Under the Results Team's proposal, service would not be affected until a third call came in for a specific station. There could be a longer response time if both units are out and a unit from another station must travel a longer distance. Chief Eisner said that additional information on delay impacts is included in the budget proposal.
- Councilmember Robertson stated that she does not want any reductions in Fire Department services to the Downtown.
- City Manager Sarkozy said the Fire Department has found that calls in the Downtown have not increased as anticipated, in large part because new residential units are not fully occupied. As a cost cutting measure, staff has determined that increased service levels are not critical at this time. Downtown needs can be revisited as revenues rebound for the City.
- Responding to Councilmember Robertson, Chief Eisner said that fire fighters are cross-trained to provide emergency medical services. Personnel assigned to a ladder truck are certified at the EMT level, not at the paramedic level. Both can render basic first aid.

- Councilmember Degginger questioned the impact of the proposal alternatives on the ability to provide vertical response and rescue in the Downtown. Chief Eisner said a Light Force and Ladder truck can provide the same service, and first responders will arrive at the same time. The net effect of the proposal is that there will be two fewer staff on duty per shift.

Mr. Stannert moved to describe proposals related to street light maintenance and probation services (i.e., EHD, electronic home detention), noting that there was a great deal of discussion about the latter. The Results Team believes that electronic home detention warrants further study. He noted that Bellevue has a strong reputation in the region for its probation program. When asked to provide an alternative EHD proposal that would result in a 10 percent budget cut, the proposal did not reduce the level of service but instead did not allow the program to grow over the next two years.

Mr. Stannert said that the City of Redmond contracts for EHD services, which is cost-neutral due to payments made by those in the program. It appears that Bellevue's program has a cost of \$85 per participant, per day. Mr. Stannert said this is one of the reasons that the Results Team felt that Bellevue's program needs further study, as there are likely other factors to consider.

Councilmember Chelminiak noted that King County judges want to use Bellevue's probation services because it gets to root causes and gets people into treatment. He cautioned about proceeding carefully in this area. The City's quality of service is significantly different from the County's approach.

Mr. Stannert reviewed the list of items that the Result Team recommends for an expanded purchasing plan, as well as for a reduced purchasing plan.

Questions and Answers:

- Staff responded to questions from Councilmember Chelminiak about fire flow capacity and the related tax recently adopted by the Council. The Utilities Director confirmed that the proposal is revenue neutral to the General Fund.
- Responding to Mr. Chelminiak, staff said street light reductions would be instituted citywide and primarily affect arterials. Mr. Chelminiak said he would like to see a map of the affected areas, noting his concern regarding equity.
- Mr. Chelminiak noted proposals to eliminate School Resource Officers, Motorcycle Officers, a Bicycle Officer, a Records Clerk, eight Firefighters, and additional personnel. Mr. Sarkozy said the list of cost savings beginning on page 3-89 of the bound meeting information reflects Department-recommended budget modifications.
- Councilmember Balducci noted that she had been told that the City is not eliminating School Resource Officers in 2010. She sent a letter to the Bellevue School Board to that effect. Mr. Sarkozy said the SROs remain in the budget for this fall. However, there could be reductions in personnel beginning in January.
- Councilmember Chelminiak expressed concern about the proposed staffing reductions. He received an email last night advocating for the severe weather shelter. He noted the

ongoing need for shelter, even when the weather is not severe, as evidenced by the number of people sleeping outside churches and other areas within the community.

- Councilmember Balducci reiterated her interest in discussing the 2010 budget deficit. She would like a better understanding of the Fire Department alternative proposals. She observed that almost all of the proposed cuts are problematic. They might save dollars in the short term, but cost more in the long term. She expressed concern that if street lighting is reduced, car prowls will increase. She wants to understand probation services more fully. She noted that the probation division utilizes many volunteers. She feels that SROs are important for providing intervention in youth crimes. She would like to review the department proposals and recommendations alongside the Results Team's purchasing plan.
- Councilmember Robertson is not comfortable cutting services that make the community safer. With regard to the proposed reduction in motorcycle officers, she questioned how this would impact revenue collections from fines. Chief Pillo said the cost of the two officers is \$197,000, which generates approximately \$86,000 in revenue from violations. She noted the benefits of improved safety as well.
- Responding to Ms. Robertson, Chief Pillo said the Bellevue School District contributes approximately \$87,000 annually toward school safety officers. She noted that some school districts provide higher funding levels for school officers. Under the current proposal, SROs would not be funded for Robinswood Alternative School and one Middle School beginning in 2011.
- Councilmember Robertson expressed concern about reducing street lighting, as this relates to public safety. While she is open to slowing down on replacing burned out lights, she feels that waiting nine months is unacceptable. Staff noted that the City is not yet seeing cost savings from LED lights.
- With regard to severe weather shelters, Ms. Robertson questioned the City's efforts with the School District, Red Cross, or other entities. Patrick Foran explained how the City's shelters are currently managed according to existing contracts.
- Councilmember Degginger questioned what performance measures were set for controlling costs. He questioned whether the proposed budget is building in cost increases or telling vendors to not increase costs. He reiterated his interest in knowing which costs are for procurement purposes versus labor. Nav Otal said staff can provide more information based on the departmental cuts.
- Councilmember Wallace concurs with the need for taking a look at procurement policies, especially for fleet services. He observed that Police, Fire, and Courts seem appropriate to the Safe Community Outcome, while beach lifeguards and Development Services inspection services seem to fit more under the Innovative, Vibrant and Caring Community Outcome. Mr. Stannert acknowledged the overlap and explained that proposals were assigned to an Outcome area based on their primary focus or purpose.
- With regard to the severe weather shelter, Mr. Wallace questioned funding at the recommended level, given that in some years there is not significant severe weather. He suggested budgeting less and using contingency funds if bad weather hits.
- Mr. Wallace said the budget proposals do not indicate whether items are grant funded, tax funded, etc. This would be helpful to him in making determinations about the budget.

- Responding to Mr. Wallace, Chief Pillo said the high schools will all retain a SRO. She acknowledged that there will likely be some increased activity related to reducing staffing at other schools.

At 3:45 p.m., Deputy Mayor Lee declared a break.

(c) Improved Mobility

Kate Berens noted that the organizing factors for the Improved Mobility Outcome are existing and future infrastructure, traffic flow, built environment, and travel options. The Results Team reviewed 26 proposals, and a core set of proposals was identified to meet the goals of the purchasing plan. The base purchasing plan consists of 21 of the 26 proposals for a total cost of \$24.9 million, reflecting an unfunded portion of \$1.9 million in the original requests.

Ms. Berens reviewed the rationale for the base purchasing plan, and described the interrelatedness of proposals between the four main factors of this outcome. The Leadership Team's recommendations are generally consistent with the Results Team's ranked operating budget proposals. Ms. Berens said the base purchasing plan does not include Transportation Demand Management (TDM), Downtown Transportation Plan Update, and Parking and Employee Transportation Plan services. She noted that the Leadership Team recommends funding consulting work for the Downtown Transportation Plan in the Capital Investment Program. However, the operating budget base purchasing plan does not provide corresponding funding for staff work.

Ms. Berens highlighted the proposals contained in the Improved Mobility base purchasing plan, and commented on the following key issues:

- Maintenance proposals represent approximately one-third of the base purchasing plan. The Results Team focused on safety and traffic management, and came to the conclusion that the City is maintaining its facilities at a high level. The Results Team feels that the City can reduce its level of service, but that citizens will notice.
- East Link-related proposals.
- Mandates – Both the TDM and Parking and Employee Transportation Services programs have mandated elements.

Under an expanded purchasing plan, the Results Team recommends funding the remaining programs and restoring certain maintenance reductions. With regard to a reduced purchasing plan, the Results Team believes there is limited ability to further reduce programs, and some reductions would impact consultant dollars associated with the specific programs. The Team recommends a review of the level of service in the pavement management program.

- Councilmember Wallace observed that the Improved Mobility purchasing plan is linked to the capital budget. He questioned whether the Results Team was able to link operating proposals to potential impacts in the capital budget. Ms. Berens said that some of the more directly linked projects/proposals were discussed at some length, while other proposals have less direct links.

- Deputy Mayor Lee questioned how the purchasing plan compares to 2009-2010 costs. He asked about labor versus other costs. Ms. Berens said the proposals did make a distinction between personnel costs and other costs, including consultant costs.
- Councilmember Chelminiak questioned how to determine where items funded in the CIP (e.g., East Link project) are managed in the operating budget. He noted the need for transparency. Ms. Berens said there is an expanded spreadsheet that shows funding sources. Staff will provide this information.
- Councilmember Degginger requested a breakdown of what is included in the East Link Overall proposal. Ms. Berens reviewed the components including 10.6 FTEs; general station planning and modeling; capital projects and engineering, including right-of-way management; impacts on traffic operations; 0.5 FTE for communications; DSD permit review; and comment on engineering designs. Staff will provide this information in writing.
- Responding to Councilmember Balducci, Ms. Berens said there could be reductions in staff associated with reductions in CIP projects.

(d) Healthy and Sustainable Environment

Doug Dossett explained that the Results Team received 49 recommended operating proposals and nine alternates. The Team accepted three alternates that were determined to be the lower cost recommended proposals. A large percentage of proposals were from Utilities and were tied to restricted utility rate funds. The proposals were ranked based on their purchasing strategies and service delivery in support of the Outcome.

Mr. Dossett reviewed three key issues:

- Fire flow capacity and the supporting revenue source were transferred to the Safe Community Outcome.
- The Resource Conservation Manager Program proposal ranked low. The Results Team recommends funding the program, however, given its benefits in terms of internal services that are not readily apparent to citizens.
- Alternative proposals were received from Utilities to address the effects of a 0% local utility tax increase.

Mr. Dossett reviewed the recommended approach to improved funding and reduced funding. An expanded purchasing plan would restore street cleaning and sweeping level of service. A reduced purchasing plan would modify or eliminate the Resource Conservation Manager Program, Environmental Stewardship Initiative, and a number of other programs. Mr. Dossett noted an additional reduced purchasing plan option that would address the effect of a 0% local utility rate increase, which reduces the operating transfers to the CIP and to reserves.

Mr. Dossett said that the Results Team supports the recommended General CIP Plan and believes that the CIP projects were correctly submitted as CIP projects versus operations and maintenance projects.

Questions and Answers:

- Responding to Councilmember Balducci, Mr. Dossett said that nine or 10 of this Outcome's proposals affect the General Fund. Ms. Balducci commented that it would be helpful to delineate operating and capital dollars.
- Councilmember Chelminiak observed that one of his issues with the budget is having enough time to talk about the funding for this Outcome area, which represents significantly more dollars than the Safe Community Outcome.
- Responding to Mr. Chelminiak, Denny Vidmar said that operating costs are lower for 2011-2012 than for the current biennium. If the transfer of dollars to reserve funds is deferred, reserve funds will be reduced by approximately \$5.5 million and the interest that would have been earned on that money.
- Responding to Councilmember Robertson, Mr. Vidmar said that the cost of the water conservation program/incentives is minimal. Councilmember Wallace noted that the Cascade Water Alliance now anticipates that there is enough water until 2010. Councilmember Degginger noted that one of the assumptions is that member cities continue their conservation programs.
- Councilmember Wallace questioned the need to spend \$1 million per year for conserving water. Mr. Dossett said this relates to water savings for parks and streetscapes. Mr. Foran said that proposal covers the maintenance of all irrigation systems in parks and the water they provide.
- Responding to Councilmember Wallace, Mr. Foran said all Parks proposals reflect at least a 5% reduction. Ms. Hawn noted that spreadsheets of the original proposals have been provided to the Council.
- Deputy Mayor Lee expressed an interest in tracking reductions in costs and seeing the cuts proposed by departments in their original proposals.

(e) Innovative, Vibrant and Caring Community

Tim Stever said the four factors for the Innovative, Vibrant and Caring Community Outcome are support services, opportunities for interaction, built environment and involved citizens. The Results Team reviewed 41 operating proposals. The purchasing plan funds all proposals, some at reduced levels however. It maintains the level of service at community centers, except for the Northwest Arts Center, scales back some maintenance activities, and eliminates direct contributions to special events. The City would continue to provide in-kind services for special events such as traffic control and park set-up. The Results Team suggests reducing the core arts program by decreasing funding grants to arts agencies.

Mr. Stever said that the Results Team's analysis indicates that the Parks Department is being run efficiently, as it has steadily scaled back its budget during the past three budget cycles. Park infrastructure continues to grow and must be maintained. Therefore, level of service reductions are needed to fund all proposals.

Key issues/consequences:

- Reduced janitorial services are being recommended, which may affect public perceptions.
- The purchasing plan suggests closing some Parks restrooms.
- Cutbacks within this Outcome area could affect other Outcomes (i.e., tree trimming may have an impact on sight distances and affect Transportation functions).
- Short-term cutbacks versus the “new norm”?
- Expectation management around Parks services and programs with level of service reductions.

The increased funding scenario restores all proposals to their original form, in the order listed by the Results Team. The Team had concluded that all of the proposals were at appropriate levels, at least in the previously healthy economy.

The decreased funding scenarios include further reductions to Northwest Arts Center, Bellevue Cares Initiative, arts programs, special events, general maintenance, Ground Zero and YES programs, and staffing for parks management.

Mr. Stever noted that several Parks facilities are enterprise funded (e.g., Golf, Tennis, Aquatic Center), which as an aggregate are revenue neutral. Community Centers are partially funded (approximately 75%) through fees.

Questions and Answers:

- Councilmember Degginger questioned the scope of service reductions in Parks. What do we spend for the maintenance of parks and community centers? Mr. Foran said approximately \$13 million is allocated annually for maintaining Parks systems. Councilmember Degginger questioned how much of the \$13 million is being reduced in the proposed budget. Mr. Foran said that Parks Department operations fall into two Outcome areas. All proposals reflect a minimum 5% reduction in costs. Ms. Otal said she will provide more detailed information on reductions. Mr. Stever noted a reduction of approximately \$600,000 in maintenance costs over a two-year period within this Outcome area.
- Councilmember Chelminiak commented on Street Trees, Landscaping and Vegetation Management, which appears to reflect a 15% reduction. Referring to Parks in general, he questioned what was funded in 2010 and what will be funded at in 2011? Mr. Foran said that rounds 1 and 2 of the Results Team’s review resulted in a 13% reduction in costs to the General Fund. The reductions vary by program area.
- Deputy Mayor Lee concurred with Mr. Chelminiak’s interest in being able to compare proposals to 2010.
- Responding to Mr. Degginger, Mr. Otal said there are also Parks maintenance items in the capital budget. Mr. Degginger said he wants to make sure he is seeing all of the Parks maintenance items in one place. Ms. Otal indicated that she will provide a summary of maintenance and operations items for all programs.
- Mr. Chelminiak commented on a \$5.1 million transfer from CIP to operating in 2010. Jan Hawn confirmed that this is part of the \$13 million in maintenance costs noted above.

- Mr. Degginger asked about the use of voter-approved M&O expenditures for parks. Mr. Foran explained how funds are collected and secured for parks maintenance. There are currently no significant completed projects for the use of the bond funds. He noted there will be different service levels for different parks.
- Responding to Mr. Lee regarding street trees/landscaping staffing, Mr. Stever said the proposal adds one FTE but saves approximately \$137,000 by reducing contracted services.
- Responding to Ms. Robertson, staff said the adult needs program is self-sustaining but other programs are not. Staff confirmed that the City uses drought-resistant vegetation in its streetscapes. Regarding the elimination of the General Fund subsidy to the Aquatic Center, staff said the impacts include fee adjustments and reduced hours. Staff noted that other proposals limit the hours of operation of other community centers.
- Responding to Mr. Lee, Mr. Foran said the South Bellevue Community Center is one-third operated by the Boys and Girls Club of Bellevue.
- Ms. Balducci noted the impacts to special events and arts programs. If special event reductions means that events are terminated, for example the 4th of July celebration, she observed that this is potentially a big impact for a small savings.

City Manager Sarkozy noted that all of the budget information is on the City's web site, and staff is working to make sure that information gets out to the community. He noted concerns from the Bellevue Downtown Association about special events funding, which could have a significant impact for them.

Deputy Mayor Lee questioned the status of updating the City's cultural diversity plan and program.

(f) Quality Neighborhoods

Mike Kattermann said the Quality Neighborhoods Outcome consists of 10 operating proposals and five related CIP proposals. The CIP proposals include two proposed for reduction, two for elimination, and one to be phased out over three years. The operating proposals total \$10.7 million and involve 28.5 FTEs. Factors under this Outcome are sense of community, facilities and amenities, public health and safety, mobility, and schools.

Mr. Kattermann said the purchasing plan fully funds the top 9 proposals, while #10 is not recommended for funding. The Results Team suggests moving the remaining funds to the other Outcomes, and first to the Innovative, Vibrant and Caring Community Outcome because this is the closest to the Quality Neighborhoods Outcome. Mr. Kattermann explained that the Team determined that the Neighborhood Shopping Center proposal represents an enhancement, and elements of it are contained within a proposal under the IVCC Outcome.

If additional funds were available, Mr. Kattermann said the Results Team would restore funding to the top nine proposals that might have been reduced, reallocate funding to other Outcomes that contribute to achieving the Quality Neighborhoods Outcome, and provide funding for the Neighborhood Traffic Calming Program. Given a smaller allocation, the Results Team would reduce spending on neighborhood parks.

Key issues highlighted:

- Financial and operational relationships among Outcomes and proposals (e.g., horticulture program).
- Potential pressure on Neighborhood Enhancement Program (NEP) to make up for other reductions (e.g., traffic calming).
- Managing expectations regarding levels of service if other reductions occur.

Questions and Answers:

- All Parks proposals in this Outcome included reductions of at least 5%, with the exception of the Wrap Around Services Program which is recommended for enhancement.
- Responding to Deputy Mayor Lee, Mr. Kattermann said the Results Team recommends eliminating \$12,000 in contractual services associated with the Mediation program.
- Councilmember Wallace questioned how to get to an analysis that will determine whether it makes sense to eliminate a program versus continuing to reduce its level of service. Mr. Kattermann explained that program staff are able to determine the appropriate and optimal level of service needed to maintain program effectiveness. Mr. Sarkozy noted the need to consider both vertical and horizontal cuts across the organization in order to cover the budget shortfall. He invited Councilmembers to provide input about areas they think could be reduced or eliminated. Mr. Kattermann explained that programs have different tolerances in terms of the potential impact of reductions to staff or services.
- Responding to Councilmember Degginger, Mr. Kattermann said the Results Team recommended against funding the Neighborhood Shopping Center proposal because it is an enhancement, and because a similar program exists in another proposal. The Team felt now was not the right time for this project, relative to the other community priorities. Most of the dollars in the proposal were for consultant work, and there is not a high level of certainty about whether the effort will effectively resolve the issues associated with neighborhood shopping centers.
- Deputy Mayor Lee said that the Neighborhood Shopping Center initiative is important and has been a priority for the Council. He suggested the need to determine the minimum that the City could do to positively influence this issue.
- Councilmember Wallace said he generally likes the way the meeting materials present the rankings, and he feels the rationales offered make sense. He noted that some proposals are very large, and perhaps they could be trimmed. He suggested cost-saving measures such as email instead of U.S. mail; printing in black and white instead of color; putting neighborhood/community information in notices with utility bills, instead of doing separate mailings; and taking a look at services that are being provided by others (e.g., nonprofit, County, School District). He suggested that perhaps the City could make lower contributions but retain the same outcomes.
- Councilmember Chelminiak commented that there could be lines of business or service areas that the City might not want to continue, or in which the City is no longer being

effective. These are the types of things that the Council needs to discuss as the budget process moves forward.

(g) Economic Growth and Competitiveness

Paul Inghram presented the Economic Growth and Competitiveness Outcome area, which includes people and partners; community policy, planning and development; infrastructure; quality of community; and City brand. The ranking process looked at economic growth and competitiveness in both the short and long term. Areas of importance include building and maintaining relationships, planning and development, and infrastructure.

The key issues for this Outcome area are:

- Difficult to measure some aspects of economic development.
- Results can take years, and often involve the cumulative total of many actions.
- Some proposals seen as more critical for the City, while others are less critical but good ideas.
- No proposals were seen as not valuable.

Mr. Inghram reviewed the four of seven proposals recommended for funding. Two additional items were combined with one of those proposals, and a capital project was withdrawn. The Results Team recognized that other Outcome areas also support economic development, such as safety and infrastructure maintenance programs. Two policy issues that were discussed are on-street parking enforcement and the long-term evaluation of transient occupancy tax (aka, hotel/motel tax) revenues. Parking enforcement is important in the downtown, but, under the preliminary allocation, enforcement is not funded.

If funding for this Outcome area is increased, the Results Team recommends support of critical safety and maintenance programs under other Outcomes, full funding for on-street parking enforcement, restoring all Office of Economic Development functions, and reconsidering the capital proposal.

Questions and Answers:

- Councilmember Degginger questioned the justification for looking at TOT revenues based on his understanding that they are dedicated to certain purposes. Mr. Inghram said there is a question about whether 100 percent of revenues must go to debt service, especially if more hotel rooms are created.
- Responding to Councilmember Robertson, Mr. Inghram said the potential parking kiosks would be cost neutral after two years. Ms. Robertson would like to look at this, especially to address long-term parking, and supports engaging retailers on this issue.
- Responding to Councilmember Balducci, staff said savings come through reducing programs that OED supports, for example studies, consultants, memberships, and activities in which OED staff participate. Ms. Balducci said she would like to see written detail of these items. Regarding neighborhood shopping centers, she noted that she spent extensive time working on the Lake Hills shopping center. While it ultimately paid off, she noted that redevelopment likely would have occurred eventually. She understands

staff's point about the uncertainty of becoming involved in stimulating redevelopment. She requested more information on OED programs, including the specific objectives.

- Deputy Mayor Lee said economic development has always ranked high, and the City is just beginning to recognize the importance of new initiatives. He acknowledged that it can be difficult to identify direct linkages to benefits, and he feels that Bellevue is well positioned for economic growth. He concurred with the need to refine the objectives within this Outcome.
- Councilmember Degginger observed that economic development is a consideration in everything that the City does in all of the Outcome areas.

Councilmember Balducci thanked the Results Teams for all of their work.

At 5:42 p.m., Mr. Sarkozy indicated that the group would break for 15 minutes to allow everyone to get their dinner, and staff would then resume the presentation.

3. Capital Investment Program

Dan Stroh presented the Capital Investment Program Panel recommendations. The Panel's charge was to identify the highest priority capital projects and programs that fit within funding constraints, blend the Base CIP with the Mobility and Infrastructure Initiative, clarify what belongs in the operating versus capital budget, and examine CIP policies.

A total of \$350 million is available for the 2011-2017 CIP Plan, which includes City Hall debt service payments. Mr. Stroh reviewed the current forecast for the Base CIP, Mobility and Infrastructure Initiative, and City Hall debt service. He reviewed major revenue sources and changes to those sources.

Mr. Stroh explained that the CIP Panel scrutinized the CIP budget extensively before submitting it for funding consideration. Departments submitted 78 proposals that they considered the highest priorities, and 64 (\$350 million) are recommended for funding. Fourteen proposals (\$31.3 million) fall below the funding line, and there are many more unmet needs.

Consistent with previous Council direction, the Panel recommends new guidelines for what to include in the CIP Plan:

- Include expenditures that extend or enhance an asset's life, as opposed to repair and maintenance to realize its expected useful life (the latter of which belongs in the Operating Budget).
- Include expenditures on new physical construction, land acquisitions, and costs for pre-design, design, right-of-way work and/or construction.
- Include debt financing costs (e.g., City Hall).
- Three models were identified for handling studies and plans.

Mr. Stroh reviewed the Results Team's ranking criteria. Efficiencies, reductions and/or consolidations are proposed for a number of programs including street overlays, major maintenance program, major safety improvements, and Neighborhood Enhancement Program

and other neighborhood efforts. Costs moved to the Operating Budget, per Council direction and the Panel's recommendations, include planning studies and the Transportation Demand Management (TDM) program.

Mr. Stroh reviewed the new or enhanced projects including emergency power switch upgrades, relocation of municipal courts, financial systems updates, and several transportation projects. He noted that the Enterprise Content Management (ECM) program is listed as new or enhanced, but it is actually an ongoing system implementation.

- Councilmember Degginger questioned the need for the emergency power switch upgrade. Nora Johnson explained that this refers to an upgrade to the original equipment in City Hall that switches power to emergency generators and back when needed. The item was originally intended as part of the new City Hall costs, but was not implemented at that time.

Mr. Stroh reviewed recommended funding by Outcome, noting that Improved Mobility and Innovative, Vibrant and Caring Community make up more than 60 percent of the recommended funding. He also reviewed recommended funding by project type, and reported that an additional \$38 million in unmet needs have been identified. Mr. Stroh reviewed the lists of existing CIP projects that are proposed and not proposed for funding, as well as the new CIP projects that are proposed or not proposed for funding.

Questions and Answers:

- Responding to Councilmember Wallace, Mr. Stroh said the sequencing and timing of projects throughout the full seven-year CIP Plan has not yet been fully defined. Mr. Wallace observed that an immediate concern is the budget gap next year. How to assure there will be enough cash moving forward? He suggested that the City needs to be thinking about how to fund East Link related work and Mobility and Infrastructure Initiative projects. Mr. Stroh noted that it is typically necessary to engage in some cash flow borrowing within the CIP period. Ms. Hawn said the CIP Plan was balanced to the forecasted available resources, and the remaining projects are added to the unmet needs list. Goran Sparrman said some transportation projects do have defined schedules at this point. The City was notified today that it received approval from the Puget Sound Regional Council (PSRC) for the first phase of federal funding (\$2.6 million) for the NE 4th Street project. It is identified as a high priority in the new CIP going forward.
- Councilmember Chelminiak expressed concern that a list of good projects planned over a long period of time are being pushed off the table due to the economic crisis. He wondered if there would be an advantage to extending the CIP Plan for a longer timeframe. This would allow prioritizing for future years certain projects that have been high on the list at some point but are now falling to the wayside. He is concerned that the CIP Plan is bypassing projects that have undergone a great deal of planning and community involvement. Mr. Stroh acknowledged that this was the idea behind the longer, 10-year Mobility and Infrastructure Initiative.

Continuing the presentation, Mr. Stroh noted the following policy issues:

- Status of Mobility and Infrastructure Initiative.
- Maintenance and Operations (M&O) transfer issue.
- Use of debt.
- Approach to Parks and Natural Areas Levy.
- Overall Neighborhood strategy and Neighborhood Enhancement Program, including partner match program.
- East Link light rail.

Mr. Stroh reviewed the funding approach for the Mobility and Infrastructure Initiative, and noted a deficit of \$12 million in funding resources. He referred the Council to pages 4-17 through 4-20 of the meeting binder for detailed information on this initiative and financing plan. He reviewed the list of projects included in the Mobility and Infrastructure Initiative.

Mr. Stroh previewed the most recent revenue estimates within the MII financing plan, based on reductions associated with recent Council actions and changes to other revenues. More work is needed to refine the dollar amounts and assumptions. Staff analyzed two scenarios, one reflecting the three-percent property tax increase and the other without the increase. With the three-percent property tax increase annually for the next eight years, resources total approximately \$251 million, a reduction of \$48 million from the original financing plan. Without the property tax increase, resources total \$168 million, resulting in a reduction in collections of \$131 million from the original plan.

- Councilmember Balducci questioned incentive zoning in the Bel-Red Corridor, and whether it is solely applicable to the Spring District development agreement. Staff will provide information on this issue.
- Councilmember Wallace questioned the difference between CIP period estimates and the 10-year MII plan. Mr. Stroh said staff will provide that information. He noted that the plans are conservative on both the revenue and expenditure sides. Staff added that the MII plan focuses on projects in the Wilburton area and Bel-Red corridor.

Mr. Stroh moved to discuss the M&O transfer issue. The focus is on the sales tax component, with 75 percent of sales tax collections going to the General Fund, and 25 percent remaining available for new capital projects and debt. The M&O component is allocated from the 25 percent portion.

Mr. Stroh reviewed the options identified by staff for the Council to consider for the future funding of CIP M&O costs, ranging from an immediate shift to disallowing any M&O funding from CIP-dedicated sales tax revenues to gradually adjusting the M&O transfer over time. The 2010 M&O transfer was \$7.8 million, and the 2011 status quo level of transfer is \$8.1 million.

- Councilmember Degginger observed that none of the options create any new dollars, and the City must maintain what it builds. He believes it would be better to isolate and manage the M&O component in the Operating Budget. He expressed frustration about

the lengthy past Council discussions on this issue, as there is no actual change in the amount of revenue available. He encouraged moving the M&O component to the Operating Budget and moving beyond this issue.

- Ms. Hawn clarified that M&O expenditures have always been in the Operating Budget. However, the issue is the distribution of a larger portion of sales tax to the Operating Budget, as well as whether any M&O costs should be funded from the CIP portion of sales tax revenues.
- Responding to City Manager Sarkozy, Councilmember Degginger questioned the reasoning behind the practice of putting M&O funding into the capital budget and then transferring it to the Operating Budget. Councilmember Balducci suggested that Option 2 is perhaps close to what Mr. Degginger might favor, noting that it involves funding new M&O costs directly from the General Fund. She noted it would then be necessary to change the 75-25 split as M&O costs grow.
- Councilmember Chelminiak observed that this forces the question about what you do to cover the shortfall in the capital budget.
- Councilmember Degginger reiterated that regardless of the specific option or approach, the policy remains the same, which is to maintain what we build. He believes that it makes more sense to put the M&O revenue directly into the Operating Budget, because it is used for operating purposes.
- Councilmember Wallace expressed concern that the shift puts a very volatile tax in place to cover payroll. The City has spent years keeping the property tax flat and using sales tax to fund M&O costs. Mr. Wallace suggested that the City would potentially need a 40 percent increase in the property tax at some point to replace the volatile sales tax revenue targeted for the CIP.
- Deputy Mayor Lee observed that M&O dollars are included with capital projects initially because the City recognizes the need to provide operating funds for new capital projects.
- Councilmember Robertson stated her understanding that under option 2 sales tax is expected to grow, which contributes increasingly to the General Fund, at the expense of the capital budget. She suggested that over time as revenues increase, the City will likely want more funding for capital projects. Mr. Sarkozy suggested that a way to address this would be to adjust the M&O transfer to the General Fund only by an annual inflation factor, to avoid an adverse impact to the capital budget.
- Councilmember Balducci suggested leaving things the way they are, but coming up with a reporting mechanism that highlights the transfer of funds for individual projects.
- Mr. Sarkozy said he hears the Council affirming the policy of maintaining what we build, and paying from sales tax revenues at the present ratio. It then becomes an issue of transparency, and how to manage and report the mechanism.
- Deputy Mayor Lee concurred with Councilmember Degginger that it makes more sense to put M&O allocations into the Operating Budget.
- Councilmember Chelminiak supports changing the policy, and basing the M&O transfer on an inflationary factor.
- Mr. Sarkozy said this means that the cost of maintenance and operations shall not exceed inflation regardless of sales tax growth. Ms. Robertson suggested an additional provision that excess sales tax revenue to the General Fund be moved to the capital budget. Councilmember Chelminiak expressed support for this suggestion.

- Deputy Mayor Lee suggested that staff bring back proposed policy language for future discussion with the full Council.

Mr. Stroh moved to discuss the use of debt.

- Councilmember Wallace said he would be interested in identifying what long-term assets and projects (.e.g., Major road projects) might be good candidates for borrowing, given the favorable market of low interest rates and construction costs. He noted that it does not make sense for shorter-term projects, however.
- Councilmember Robertson said it would be necessary to identify a source of repayment. She suggested thinking about doing a large transportation levy for certain major projects. She proposed that the Council discuss this potential approach later in 2011.
- Deputy Mayor Lee agreed with the reasoning of using debt for long-term projects, but questioned how to generate revenue from road projects. Instead, he suggests building a revenue-producing facility that generates the dollars to pay off the debt. He would like the Council to talk about options. He clarified that any debt must have an attached revenue source. He prefers a pay-as-you-go approach.
- Councilmember Chelminiak noted that if the City moves M&O to the General Fund, debt service as a percentage of the CIP goes from 27 percent to 38 percent.
- Councilmember Wallace noted that he would support debt for assets extending over 20 or more years.
- Councilmember Degginger suggested also considering potential property tax revenues, as well as other sources. Mr. Sarkozy said staff can bring back options to fund projects from the list of already considered priorities (e.g., NE 4th Street, 120th Avenue NE, NE 15th/16th Street corridor, and light rail tunnel). He noted that this potentially further reduces CIP discretionary funds remaining in the CIP Plan for other purposes and limits future options. Staff will provide scenarios of 10-year and 20-year debt.
- Ms. Balducci noted that some projects overlap. She suggested looking to fund projects with the maximum amount of overlap between the Mobility and Infrastructure Initiative and the East Link light rail project.

Mr. Stroh moved to discuss the Parks and Natural Areas Levy, which was approved in November 2008. The capital portion is \$40.5 million over 20 years, and the maintenance portion is an ongoing \$660,000 annually with no time limit. Parks projects proposed for the 2011-2017 CIP Plan are to be funded with \$26.5 million from levy funds and \$14 million in City funds.

- Responding to Mr. Chelminiak, Patrick Foran acknowledged the potential light rail impacts to Surrey Downs Park. Mr. Chelminiak said that while he would like to move forward with the park project, it might make more sense to delay it, given that the light rail project will have impacts. This would release funding for perhaps accelerating another project. Mr. Foran noted the issue of potentially coordinating park development with the East Link project and related frontage elements.
- Responding to Councilmember Wallace, Mr. Foran said the Parks levy package also anticipates \$28.5 million from the CIP and \$14 million from external sources. Mr. Wallace expressed concern about whether the funds will cover all of the projects.

- Councilmember Robertson requested a list of the levy package projects and their estimated costs.

Mr. Stroh introduced discussion of the City's overall neighborhood strategy. Staff is recommending changes to the Neighborhood Enhancement Program (NEP), which are detailed in the meeting binder. The proposed approach focuses on one neighborhood annually, with the goal of implementing larger projects with a greater public benefit. Staff also recommends consolidating the Neighborhood Match and Neighborhood Fitness programs. The modified approach reduces the current combined budget for these programs.

- Councilmember Robertson expressed support for a new approach, noting that she recently heard comments from a Somerset neighborhood that the NEP is not needed right now. Ms. Robertson suggested suspending new NEP projects temporarily. However, she feels that neighborhoods should receive equal attention. There is a high demand for sidewalks all over the city, and she suggests choosing areas with the greatest needs first.
- Councilmember Balducci suggested that the new approach have a new name because its mission is different. The Neighborhood Enhancement Program provided projects chosen by residents. The proposed approach sounds like it has a different focus in terms of the City having a greater role in identifying and choosing projects based on needs it sees in the community. Ms. Balducci acknowledged the appropriate role for this type of program as well.
- Councilmember Chelminiak concurred that this proposal is not the NEP program, and it is a misnomer to call it that. He believes that doing away with NEP would be a huge mistake. He said it has an important role in providing smaller projects, such as neighborhood playground equipment, that would not otherwise be funded. NEP also gives citizens the opportunity to make decisions about the use of their taxpayer dollars. Mr. Chelminiak feels it is important to retain NEP.
- Ms. Balducci requested a report detailing the projects requested by neighborhoods that were screened out because they were considered to be too big/expensive.
- Councilmember Wallace observed that \$1 million per year sounds like a good funding level. He would like a Study Session discussion on what staff's thinking was for new idea.
- Councilmember Degginger would also like to discuss further. He feels these have been good programs, and he does not want to stifle innovation in neighborhoods for several years. He said it is good to have a small amount of funding available for more immediate needs.
- Deputy Mayor Lee concurred that the current neighborhood-focused programs have merit. However, he agrees with Ms. Robertson's suggestion to perhaps defer expenditures for a couple of years due to the economy.

East Link

Mr. Stroh described a proposal by the CIP Panel to provide funding to extend the current East Link analysis and development activities through 2011-2012, and to advance work on the Downtown tunnel and mitigation. Staffing costs are \$3.5 million for 14.2 FTEs (Transportation,

PCD, Development Services), and technical assistance costs are \$2.75 million. He noted that a related issue not included in this proposal is any potential capital contribution to the East Link light rail tunnel.

The CIP Panel also identified the \$22.5 million Council Contingency Fund, which could be used for a number of purposes including CIP projects, the East Link tunnel, or other Council priorities. If the Council wishes to fund projects on the unmet needs list, options include adjusting the CIP Panel's recommendations to reduce funding for other projects, using the Council Contingency Fund, issuing debt, and/or implementing remaining revenue elements in the Mobility and Infrastructure Initiative financing plan.

Mr. Stroh summarized that the Budget One process is a work in progress that continues to evolve. Council direction tonight will be helpful in preparing the Preliminary Budget to be presented in late September. There will be extensive Council engagement in the process through early December.

Councilmember Wallace noted the potential synergistic benefits of developing Ashwood Park in conjunction with a fire station. He suggested reviewing the feasibility of this approach. With regard to the potential expansion of Bellevue Way from the fork at 112th Avenue SE to I-90 for the light rail project, he questioned whether funds have been identified for this potential project and appropriate mitigation measures. He noted that the City continues to face funding challenges related to the Downtown tunnel. He is not convinced that Sound Transit will be willing to accept non-cash contributions (e.g., ROW, waiving certain fees) from the City. He believes that Sound Transit wants a cash contribution.

Mr. Sarkozy said he is not prepared for a full discussion of the Downtown tunnel issue tonight. However, the City's analysis indicates that contributions toward the tunnel present the opportunity for certain collateral benefits to the City. Staff continues to refine this list as the City moves forward in negotiations with Sound Transit staff.

Councilmember Balducci opined that the City needs to conduct an in-depth analysis before it can properly move forward with the tunnel negotiations. She suggested this needs to happen quickly, however, in order to coordinate with the budget process.

Councilmember Wallace recalled that he submitted a list of questions at the time that the Council approved the term sheet agreement with Sound Transit. He observed that the baseline project costs and budget gap are still unclear, due in part to the uncertainty about the overall light rail alignment and total costs.

Councilmember Degginger concurred with the need for Council discussion or briefings about tunnel funding and negotiations. Mr. Sarkozy indicated a preference for briefings as negotiations are underway.

At 9:48 p.m., Deputy Mayor Lee declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

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