

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

March 26, 2012
6:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Lee and Councilmembers Balducci, Chelminiak, Davidson, Stokes, and Wallace

ABSENT: Deputy Mayor Robertson

1. Executive Session

Councilmember Chelminiak called the meeting to order at 6:01 p.m., and declared recess to Executive Session for approximately one hour to discuss one item of labor negotiations, one personnel matter, one item of property acquisition, and two items of potential litigation.

The meeting resumed at 7:08 p.m., with Mayor Lee presiding.

2. Oral Communications

- (a) King County Councilmember Jane Hague recalled that she has been advocating for the annexation of South Bellevue since she served on the Bellevue City Council 20 years ago. She said the annexations have the support of the King County Council and King County Executive to meet the June 1 deadline. She said she has given a calendar to the City Clerk of the items that need to be addressed by that deadline. The County Council anticipates assigning this issue to committee the first week in April. The 10-day advertising period will begin April 9 and expire on April 20. Public hearings will be held by the Transportation, Economy and Environment (TREE) Committee which is chaired by Councilmember Larry Phillips, who is committed to fast-tracking the action. Council staff is working with Executive staff to review and expedite the interlocal agreement. Ms. Hague said the annexations comply with the State Growth Management Act, and she believes that residents will receive the best possible municipal services from the City.

Councilmember Balducci observed that the City will be better equipped than King County has been for many years to maintain and improve roads and infrastructure in the annexation areas. She said the City Council is committed to completing the annexations.

Councilmember Stokes thanked Councilmember Hague for coming to speak to the City Council. He has enjoyed serving on the Eastgate/I-90 Citizen Advisory Committee and working with residents of the area who are eager for annexation. Councilmember Hague concurred that South Bellevue has committed residents who will be an asset for the city. She noted that the neighborhoods are the last pockets of urban unincorporated area in her district on the Eastside.

Mayor Lee said he appreciates the work that Councilmember Hague has done on behalf of Bellevue residents. He noted ongoing issues with King County including animal control services and the Metro parcel in Downtown Bellevue.

- (b) Bill Hirt spoke expressing his opposition to the Sound Transit East Link light rail project. He believes that buses and HOV lanes would be more effective and considerably less expensive for enhancing mobility. Mr. Hirt submitted his comments in writing.
- (c) Cindy Grace stated her support for the Eastgate annexation.
- (d) Adam Stafford expressed support for the Eastgate annexation, and thanked the Council and County Councilmember Hague for their commitment to meeting the June 1 deadline. Mr. Stafford noted that the petition signatures expire at a certain point, and residents are concerned about the implications of missing the deadline.

City Manager Steve Sarkozy noted that the annexation effective date was delayed beyond April 1 following recent discussions with King County. The interlocal agreement between the City and County is complex, and a number of transition issues need to be resolved. Referring to the timeline distributed by Councilmember Hague, Mr. Sarkozy said the interlocal agreement must be fully executed by the County and the City before the June 1 deadline. The agreement is scheduled for consideration on May 28 by the King County Council. The County Executive would sign it on May 29, and the City would sign it on May 30.

Councilmember Balducci asked for information on the expiration date for the annexation petitions.

- (e) Scott Hall, Pine Forest Properties, Inc., introduced an update on property they own in the Bel-Red corridor, which has been targeted for acquisition by the City for Sound Transit's light rail system.
- (f) John Hempelmann, Cairncross Hempelmann, described the Pine Forest property in the Bel-Red corridor, which is 11 acres at 120th Avenue NE and NE 12th Street, across the street from the Spring District property. The northern half of the property is noted in the MOU with Sound Transit as one that the City has agreed to acquire for right-of-way and to contribute to Sound Transit. Mr. Hempelmann noted ongoing discussions with the City about the potential for reducing the size of the property taking, which would be less expensive for the City but would not reduce the City's contribution to Sound Transit. This would allow the Burnstead family (Pine Forest Properties) to retain as much property as possible to maximize the future redevelopment as transit-oriented

development. Mr. Hempelmann said they are proposing a development agreement with the City to address multiple issues. He believes that Pine Forest Properties could submit a catalyst project application within 18 months of the date of the issuance of the record of decision.

- (g) Arlan Collins, Architect and Planner with Collins Woerman, briefly reviewed concepts for the property discussed above as potential transit-oriented development. He noted that most of the property is closer to the rail station than is the lower half of the Spring District. Mr. Collins observed that the site provides a wonderful opportunity for residential development. The project needs support from the City in order to gain right-of-way access on 120th Avenue NE, NE 12th Street/Bel-Red Road, and the future NE 15th/16th Street.

Councilmember Wallace said it would be good to review the timelines established in the catalyst agreement ordinance to determine what would be appropriate.

Mayor Lee expressed general support for continuing to work with the property owner.

- (h) David Lowe, CEO of the Seattle Humane Society, said his organization is the largest nonprofit animal welfare agency in the county, and one of the largest in the Pacific Northwest. Established in Seattle in 1897, SHS moved to its Bellevue location in the early 1970s. Mr. Lowe said the agency has been approached by nine King County cities over the past few months, asking for help with their animal sheltering and seeking an alternative to their current contract with King County. In its consideration of animal control services, Mr. Lowe encouraged the Council to determine what is best for the animals in Bellevue. He said that Bellevue is looked to as the leader for the subregional model, which would allow a coalition of five Eastside cities to provide animal control services at a reduced cost, maintain pet licensing revenue within the cities' control, and to partner with a private nonprofit for shelter needs. Mr. Lowe offered the agency's full support and cooperation to address animal control services. He encouraged the Council to give serious consideration to moving to the subregional model.
- (i) Michael Ellison, a Bellevue resident since 1982, said he serves as a volunteer on the Board of Directors for the Seattle Humane Society. He reviewed the types of services provided by the organization, and encouraged the City to consider the subregional model as the optimal alternative for animal control services.
- (j) Linda Guise, a twenty year Bellevue resident, said she is a volunteer and member of the Volunteer Leadership Council at the Seattle Humane Society. She urged the Council to consider the agency as a more humane and affordable option than King County for animal shelter services.

3. Study Session

- (a) Council Business and New Initiatives

Councilmember Wallace asked for more details on the annexation interlocal agreement with King County.

City Manager Sarkozy explained that the elements of the interlocal agreement address the transfer of responsibilities from one jurisdiction to another. This agreement involves a couple of policy issues, one of which is the amount, if any, owed to the road fund with regard to the 150th Avenue project completed jointly by the City and King County several years ago. The City might be required, under the contract, to pay up to \$500,000 per year to the County. The City maintains that it does not make sense to pay the County for a project that will be located within the City limits. Mr. Sarkozy said there are other minor issues to be resolved with the interlocal agreement as well.

Responding to Mayor Lee, Mr. Sarkozy said staff will provide a summary of the major points related to the interlocal agreement by the end of the week. Councilmember Wallace said he was surprised by the timing of this issue. He would like to have more than one week to review and understand the interlocal agreement before taking Council action.

With regard to the Pine Forest Properties concept for the Bel-Red corridor, Mr. Wallace requested that staff develop a graphic representation of the future road and light rail line in relationship to the project.

Councilmember Chelminiak said it is time to complete the Eastgate annexation. He noted that Mr. Stafford, who spoke earlier during Oral Communications, organized a community forum of residents interested in annexation in approximately 2006. Mr. Chelminiak concurred with Mr. Wallace's interest in having sufficient time to review the interlocal agreement with King County.

Mayor Lee said it is important to have a timeline for completing the annexation.

Councilmember Balducci expressed concern that June 1 is the absolute latest date for executing the annexation before the petition signatures expire. She would like to have options for the Council to consider, including proceeding with annexation regardless of whether the interlocal agreement on 150th Avenue is resolved by that time. Ms. Balducci would like the City Council to have control over its actions and decisions.

Councilmember Davidson recalled that, when 150th Avenue was negotiated years ago, the City was to make improvements. King County collected dollars and yet would not improve the road, instead waiting for the City to annex it. Dr. Davidson requested a report from the City Manager on that negotiation.

Councilmember Stokes concurred with the comments to follow a timeline that will accomplish the annexation.

Councilmember Wallace clarified his perspective that the Council has been in agreement for the past year or more to pursue the annexation. He does not want the Council to be asked to take action on an agreement, however, without sufficient time to review it.

(b) City Manager's Report

(1) Bond Refinancing

Mr. Sarkozy recalled that the Council previously authorized staff to proceed with refinancing the LTGO debt. The sale of a portion of that debt was curtailed somewhat due to market conditions. However, staff proposes going back out as the market has changed to be more favorable to the City.

Finance Director Jan Hawn recalled that, in January, staff came to the Council with a favorable interest rate climate in which the City could achieve financial savings in refunding the 2004 LTGO bonds. In February, the Council passed an ordinance authorizing staff to move forward. However, between March 1 and March 15, interest rates increased by approximately 25 to 30 basis points, which lowered the anticipated savings and made some bonds not ready for refunding at that time.

Ms. Hawn explained that, on the day of the underwriting on March 15, the City went through a considerable exercise of comparing multiple rate sales. The City moved forward with refunding \$ 55.2 million of the \$96 million, which achieved significant savings of 6.89 percent. This is more than twice the policy requirement for a three percent savings.

While the ordinance previously adopted by the Council provides the authority for staff to move forward with refunding the remaining amount, Ms. Hawn said the City's bond counsel has recommended that the Council make a motion authorizing staff to proceed with refunding additional bonds when and if the market becomes favorable.

Responding to Councilmember Balducci, Lindsay Sovde, Seattle Northwest Securities, said there are two primary reasons that some maturities made sense to refund and others did not. The first relates to a bond's yield curve, which means that short-term interest rates are typically lower than long-term interest rates. The bonds that were chosen to not refinance are the longest term bonds, which mature from 2039 to 2043. The bonds that were refunded are short-term bonds with lower interest rates, resulting in more savings.

Continuing, Ms. Sovde said the other factor is the coupon on the outstanding bonds. Shorter term bonds had a higher coupon, which made them more refundable; they were at higher interest rates than the longer term bonds. There was not enough savings on the longer term bonds for refinancing to make sense.

In further response to Ms. Balducci, Ms. Hawn said the present value savings related to refunding takes into account the total cost of issuing the bonds. Zemed Yitref, Investment and

Debt Manager, said the savings on the unrefunded portion would have been only 1.6 percent. The City will have another opportunity to achieve more than five percent of savings.

Responding to Ms. Balducci, Ms. Hawn said the City achieved \$3.85 million in present value savings for the portion already refunded.

Responding to Councilmember Chelminiak, Ms. Hawn said that Ordinance No. 6042 adopted on February 6, 2012, authorized 180 days for staff to complete the refundings.

Councilmember Wallace questioned what staff is looking to happen in the market to enable a decision to refinance the long-term bonds. Ms. Sovde said they are looking for municipal bond interest rates to drop by 27 basis points. If that happens, the City could achieve a five percent savings. Mr. Wallace asked whether the market is fluctuating enough to reasonably expect that to happen.

Ms. Sovde said there is no way to know where interest rates will go. However, she noted that the City currently has significant negative arbitrage on this escrow. If the call date of December 1, 2014, is reached, the negative arbitrage will be zero and that would be the optimum time to refund bonds, all things being equal. Ms. Sovde said it makes sense to forego lowering the interest rate by 1.06 percent, as of today's rates, to save \$473,000 through the refunding of \$44 million. By all standards of good municipal finance, that would not be a prudent decision to make today.

Councilmember Wallace stated his understanding that there is a prepayment penalty now. However, if the City waited until 2014, there would be no prepayment penalty, and if interest rates are the same as today, it would be smarter to wait. Ms. Sovde affirmed this understanding.

Responding to Mayor Lee, Ms. Sovde confirmed that the refunding of the \$44 million is not recommended at this time because the savings would not meet the three percent change in interest rate threshold.

In further response to Mr. Lee, Ms. Sovde said the City is not required to refinance its bonds on the call date. The City has until the maturity date, and the first maturity date of bonds that were not refunded is 2030. The City essentially has between now and 2030 for interest rates to drop enough to save at least three percent on the bonds.

- Councilmember Davidson moved to authorize staff to proceed with the issuance and sale of additional limited tax general obligation (LTGO) refunding bonds to provide funds for completing the plan of refunding certain LTGO bonds of the City (in one or more series), all within the parameters set by Ordinance No. 6042, should market conditions become favorable again. Councilmember Wallace seconded the motion.
- The motion carried by a vote of 6-0, with Deputy Mayor Robertson absent.

(2) Management Brief on NE 4th Street Project Advancement

Mr. Sarkozy introduced staff's update on the NE 4th Street project property acquisitions.

Transportation Director Dave Berg said staff will bring forward, for Council action on April 16, the condemnation ordinance for the first phase of the NE 4th Street extension project. Phase 1 extends from 116th Avenue NE to the BNSF right-of-way. The City will continue to negotiate with property owners.

Responding to Councilmember Davidson, Monica Buck, Assistant City Attorney, said that condemnation laws allow the City to take an offset for the benefit of the project from the payment of just compensation for properties.

In further response, Ms. Buck said that, for this project, condemnation is an alternative to the Local Improvement District (LID) mechanism.

Responding to Mayor Lee, Ms. Buck said the NE 4th Street extension project will benefit the properties by providing an arterial connection to the freeway. The dollar value of the benefit will be determined by an appraiser.

Councilmember Wallace suggested that, as the City contemplates the establishment of LIDs as identified in the Mobility and Infrastructure Initiative (MII) plan, analysis should be conducted to determine whether the projected figures are realistic in the current economy.

(3) Management Brief regarding West Lake Sammamish Parkway Traffic Signal

Mr. Berg updated the Council on the proposed traffic signal at SE 34th Street and West Lake Sammamish Parkway, which was last discussed with the Council on February 13. Staff has been working with residents since that time, and it has become clear that a number of citizens who originally supported installing a traffic signal are now opposed to the signal. The original intent was to provide gaps in traffic flow to enable better ingress and egress for driveways. Many residents now believe that a signal is not needed.

Mr. Berg recalled that the planning for this project has involved significant public input, and the City has worked to create a project that reflects the character of the neighborhood. Staff now proposes deferring the installation of the signal equipment. However, the project will widen the roadway and complete the underground work to accommodate a future signal. This results in the deferral of approximately \$150,000 from this phase of the project to a future phase.

Responding to Councilmember Wallace, Mr. Berg said there are nine national criteria for determining the need for a signal which are called signal warrants. The intersection did not meet the threshold for any of the criteria. However, traffic counts were close to meeting the four-hour volume warrant.

Responding to Mayor Lee, Mr. Berg estimated that the cost of the underground work is approximately \$100,000.

Councilmember Stokes expressed support for staff's recommendation.

Responding to Councilmember Chelminiak, Mr. Berg confirmed that the cost of installing a future traffic signal will likely be higher than the current cost. Mr. Berg said the City heard from 80 to 90 residents in favor of deferring the signal.

Mr. Chelminiak said that when the original planning was done, 95 residents were opposed to the signal and 154 were in favor of the traffic signal.

At 8:20 p.m., Mayor Lee declared a short break.

The meeting reconvened at 8:31 p.m.

- (c) Update on the City's ongoing Americans with Disabilities Act (ADA) Compliance Efforts

Mr. Sarkozy opened discussion regarding the City's Americans with Disabilities Act (ADA) compliance efforts.

Yvonne Tate, Human Resources Director, outlined the City's ADA Compliance Plan and provided an overview of ADA and requirements. The purpose of the law is to provide a clear and comprehensive national mandate for the elimination of discrimination against individuals with disabilities.

The U.S. Department of Justice is responsible for ensuring ADA compliance. Responsibility for the direct monitoring of cities' compliance falls to those federal agencies that provide funding to the City. Bellevue's primary federal funding comes from the Federal Highway Administration and the Department of Housing and Urban Development. Cities or agencies found to be negligent in advancing the tenets of the ADA face a range of penalties, from addressing the non-compliant issues to providing financial settlements.

Ms. Tate explained that the ADA addresses program accessibility and physical accessibility. Title II of the ADA contains two primary requirements: 1) The City must conduct a self-evaluation of its facilities to identify barriers to access, and 2) The City must establish an ADA transition plan which outlines how and when the barriers are to be addressed.

Ms. Tate said that her role, as the Human Resources Director, is to function as the City's ADA Coordinator. The City has an internal ADA Advisory Team with representatives from each department. The City has also established an ADA grievance procedure to respond to requests and complaints about City programs, services, and activities. Ms. Tate said more information is provided on the City's web site at www.bellevuewa.gov/accessibility.htm.

Ms. Tate reviewed the City's ADA efforts to date. Focus groups were held at Highland Community Center beginning in late 2007, and public engagement activities were held throughout 2009, including a field tour (with Metro), ADA accessibility open house at City Hall, and a citizen written survey. The City has distributed training programs and resource materials to inform City employees about ADA compliance requirements, developed and published a notice of non-discrimination, and installed hearing assistive devices in the City Council Chambers and Conference Room.

Ms. Tate said the City will bring an outside reviewer in 2012 to provide a new perspective on the City's program and services compliance. The Transportation Department conducted a detailed inventory of pedestrian facilities in 2009, which generated a list of recommended projects totaling more than \$900 million.

In 2008, the City contracted with Endelman and Associates to evaluate the public areas of four facilities and identify barriers to accessibility for each. Mitigation projects are to be completed as funds are available. The four public areas evaluated were the North Bellevue Community Center, Highland Park Community Center, Highland Park Recreation Area, and the route of travel from the Bellevue Transit Center to Bellevue City Hall, as well as access into City Hall from the visitor parking garage. The estimated cost of mitigation measures was \$230,000, and approximately half have been completed.

Ms. Tate said staff is planning the Phase II Facilities Assessment, which will review the Bellevue Botanical Gardens, Wilburton Hill Park, Bellevue Aquatic Center, Crossroads Community Center and Park, Northwest Art Center, Robinswood Community Park, Downtown Park, Kelsey Creek Farm and Park, Bellevue Golf Course, and City Hall interior public areas. She noted that the federal government has recognized that while compliance might create a financial hardship for cities, budgetary constraints do not relieve a City from its responsibility to comply.

Ms. Tate said it is important to make good faith efforts toward complying with the ADA law. She noted that approval of the contract for the Phase II ADA evaluation will be presented on the Council's Consent Calendar in the near future.

Responding to Councilmember Balducci, Jen Benn, Transportation Department, said that all new projects (e.g., sidewalks) are required to meet ADA standards. The City uses a number of resources, including placing conditions on private development that involve sidewalks or other related facilities. Ms. Benn said that a portion of the street overlay program is dedicated to provide certain curb ramp updates, and a small program for pedestrian access provides \$100,000 per year.

Councilmember Balducci made a distinction between areas/facilities with less than ideal access (e.g., deteriorated curb), areas with more significant barriers such as no sidewalk and/or no space to walk alongside a street, and high-demand, high-impact pedestrian areas (e.g., Hospital district). She suggested prioritizing the mitigation projects to address the highest impact situations first. Ms. Balducci said she appreciates staff's work in this area.

Ms. Benn said the City's public outreach in 2009 was targeted at identifying the most prominent barriers and high-impact locations. The field inventory created both a need and an impediment score for facilities at specific locations.

Ms. Balducci said the City's goal should be to have a community that people can navigate regardless of their challenges or disabilities.

Responding to Councilmember Stokes, Ms. Benn said the only new facilities in the plan, as opposed to the mitigation of existing facilities, are missing curb cuts at existing sidewalks.

Mr. Stokes questioned the liability of having identified the deficiencies. Jerome Roaché, Assistant City Attorney, said the City must make good faith efforts to correct the issues. However, as Councilmember Balducci suggested, the City should prioritize projects to address the highest impact situations first.

Councilmember Davidson said he has gained a new appreciation for accessibility issues over the past year, based on his own temporary challenges. He questioned whether there is a map to assist the disabled in navigating the Downtown. Ms. Benn said staff has not created a map. However, data from the field inventory was entered into a GIS program with the intent of making it available to the public (i.e., to determine the most accessible route between two points). Staff is currently updating the information from the 2009 survey.

Dr. Davidson said the Bellevue Rotary is in discussions with the City about making parks more accessible for the disabled. He thanked staff for their work.

Responding to Mayor Lee, Ms. Benn said the next internal staff review of the Transition Plan is scheduled for April. Staff will seek public comment on the plan from a broad spectrum of interested parties. Ms. Benn said the City does not receive any federal funding to fulfill the mandate.

Mayor Lee suggested elevating this effort within the context of the budget discussions and developing a long-term strategic plan for addressing the needs. Ms. Benn said the City spends approximately \$1.1 million for ADA compliance. Mr. Lee said it is important to have a plan to demonstrate the City's efforts and commitment.

Mr. Lee expressed support for Dr. Davidson's suggestion for an ADA navigation map.

Responding to Dr. Davidson, Ms. Benn said an important part of the ADA Transition Plan update will be adding audible pedestrian signals at all signalized intersections. There are currently 63 intersections with audible pedestrian signals, and more than a hundred more are to be added.

(d) Regional Issues

(1) Animal Control Services Update

Sheida Sahandy, Assistant to the City Manager, provided an update on the animal control services contract with King County. She recalled that notice must be provided to King County by May 1 about whether the City intends to renew its contractual relationship, which expires December 31, 2012. Animal control services currently provided by the County are: 1) Field services (i.e., enforcement), 2) Shelter and adoption services, and 3) Pet licensing.

Ms. Sahandy reviewed the service delivery alternatives previously discussed with the Council. The regional option involves entering into a new contract with King County for the continuation of services for an additional three years. The subregional alternative establishes a new program with neighboring cities. In this model, Bellevue provides contracted field services for all participating cities, and each city is responsible for its own licensing and shelter.

Although negotiations are ongoing, the cities of Auburn, Kirkland and Shoreline have indicated that they intend to leave the regional system at the end of the year. It would be helpful to the cities and King County to have an idea of Bellevue's intentions as soon as possible.

The proposed regional contract involves 23 cities and unincorporated King County. The current four control districts will be reduced to two districts, and there are five animal control officers instead of six. Ms. Sahandy said the County agrees to provide enhanced licensing support and credits for the City of Bellevue. The cost allocation formula has been revised to be based 80 percent on usage and 20 percent on population, which benefits Bellevue due to its low usage of services and higher population.

Ms. Sahandy highlighted the key attributes of each alternative. She noted that continuing with the regional contract provides service consistency and continuity, and avoids the expense of establishing a new program. Costs are likely to be lower under a subregional model, and the City would have greater control over the field services function. However, this option involves startup costs and the potential for exposure to new risks and liabilities.

Ms. Sahandy briefly reviewed the comparative costs of the existing contract, proposed regional contract (cost based 80 percent on usage, 20 percent on population), and a model with costs based 100 percent on usage. She explained that the transitional pet licensing agreement to be provided by King County requires that Bellevue provide in-kind services (e.g., mailings, flyers, use of other City resources or programs) to help generate the licensing revenue. This last item is not currently budgeted. Ms. Sahandy said the 2012 estimated startup costs of the subregional model are not budgeted as well, and these primarily relate to the staffing required to initiate and oversee the program.

Ms. Sahandy reviewed the estimated net cost comparisons of the regional and subregional alternatives for the years 2012 through 2015. She noted that costs could fluctuate based on the actual usage of services, pet licensing revenue, and other factors. The initial costs are high for the subregional model. However, annual costs are expected to be lower than the regional option beginning in 2013. Ms. Sahandy briefly highlighted a list provided by the Finance Department of potential risks, uncertainties, and assumptions related to the subregional alternative.

Councilmember Wallace referred to the comparison of estimated costs for the regional and subregional alternatives and suggested that more accurate estimates be developed. He said it would be helpful to be able to compare costs over a 10-year period. He questioned whether there are other non-monetary factors that should be considered by the Council in making a decision.

Councilmember Davidson concurred with Mr. Wallace's concerns about the cost estimate ranges for the subregional model. He said it would be helpful to have more details on the variables that make up the subregional cost estimates.

City Manager Sarkozy suggested that the decision is not strictly a matter of cost. The current arrangement with King County provides all animal control services with relatively predictable costs. Moving to a subregional model introduces items that the City would manage internally. It is likely that shelter and adoption costs could remain somewhat fixed. However, field services costs will vary depending on the service level. Licensing will require the City to conduct a census of animals to ensure that the City is maximizing its revenue. Mr. Sarkozy said the costs of prosecution and appeals, animal cruelty investigations, and responses to public disclosure requests are unknown and less predictable.

Mr. Sarkozy observed that it is difficult to refine the cost estimates to a greater degree at this point. The regional alternative is a contract model, and the subregional alternative is a management model.

Mayor Lee suggested that staff develop the best, worst, and midpoint scenarios and cost estimates.

Councilmember Balducci asked whether staff looked at Seattle's animal control services. Ms. Sahandy said staff reviewed the history of Bellevue's costs with King County, which formed the basis for the cost estimates. Staff looked at some of the Eastside jurisdictions, but not Seattle.

Ms. Balducci asked whether they have been any discussions with King County about a hybrid model in which the County would contract with cities for operational services, while shelters and field services could be contracted out separately. Ms. Sahandy said that City staff has raised this alternative, but the County has not responded favorably to an approach involving optional service components.

Councilmember Chelminiak observed that excellent questions are being raised, but he believes it will be difficult to refine the cost estimates due to the number of variables and unknowns. He noted that the City of Kent currently has high shelter costs because the shelter is located there.

Mr. Chelminiak said he would like to understand what the City would need to do from a policy standpoint to enter into a subregional model. His understanding is that the Bellevue currently operates under King County's Code regarding pets, enforcement, and other issues. He questioned what Bellevue would need to establish in its Code in order to move to a subregional model. Mr. Chelminiak questioned which regulations and/or standards would be followed if Bellevue is the

enforcement agency providing services to other cities. He would like information on these issues before the next discussion and formal Council direction.

Ms. Sahandy said she believes that, when the City entered into the contract, King County required that the City either adopt the County ordinance by reference or a consistent City ordinance. Under a subregional model, cities contracting with Bellevue for field services would have to adopt a consistent ordinance as well.

Councilmember Stokes asked whether Auburn, Kirkland and Shoreline have determined a management model and cost estimates.

Ms. Sahandy said the City of Kirkland plans to contract with PAWS or the Seattle Humane Society for shelter services, and to hire its own animal control officers. The City of Auburn plans to establish its own shelter in partnership with a local nonprofit organization. Ms. Sahandy said she will get cost estimate information from the City of Kirkland. The City of Renton contracts with the Seattle Humane Society for shelter services and hires its own animal control officers.

Mr. Stokes said he would like to see a more detailed cost analysis as requested by other Councilmembers. He believes that the subregional model is somewhat risky. He observed that shelter and adoption services make sense at the local level, and the County might be the best option for field services. He encouraged staff to work with King County to develop an option structured in this way.

Responding to Councilmember Wallace, Ms. Sahandy said that, under the subregional model, cities could adjust the pet licensing fee.

(2) Legislative Update

Joyce Nichols, Interim Director of Intergovernmental Relations, provided an update on the state legislature and budget discussions. The regular session ended on March 8, and a special session began the following Monday, March 12.

Ms. Nichols said the governor proposed a change in the way that the State would handle sales tax distributions. Typically the State collects sales tax revenues, which go into an account in the Treasurer's Office specifically for city and county payments. Under the governor's proposal, cities would receive the same amount of money on the same day that they currently collect sales tax distributions. However, the State would hold all of the sales tax revenue in the State General Fund account, which would accrue interest on the total amount of the sales tax remittances until funds are distributed.

Responding to Councilmember Chelminiak, Ms. Nichols confirmed that interest currently accrues to the local city/county account, and cities receive a portion of this interest with the sales tax distributions.

Mr. Chelminiak observed that the higher funding level in the General Fund will be temporary on a monthly basis, if the State continues to distribute the interest to the cities, and that it does not actually generate new State revenue. Ms. Nichols said the legislation would need to have language stating that the State must continue to make interest payments to cities based on the average daily balance of sales tax collections, as it has done in the past. If not, the State would be under no obligation to share the interest earned with the cities.

Ms. Nichols said the proposal was released the previous Thursday, and it has not yet received much discussion. The projected impact to cities and counties could be approximately \$250,000 statewide.

Mr. Chelminiak said there is a reason that sales tax revenues currently go into the city/county account, which is to avoid it being reflected in the State budget.

Moving on, Ms. Nichols noted information on pages 3-54 and 3-55 of the meeting packet regarding pending bills addressing new local transportation revenue options, SEPA (State Environmental Policy Act) reform, and the SR 520 bridge construction.

Responding to Mr. Chelminiak, Ms. Nichols said the bill on new local transportation revenue options passed the Senate by a vote of 25-24. The House amended the bill to add the distribution formula for the MVET (Motor Vehicle Excise Tax). That formula then disappeared in the compromised bill. Due to an error in the drafting of the bill, the original bill goes back to the Senate Rules Committee.

(3) Information Items

Ms. Nichols noted the federal legislative update beginning on page 3-59 of the meeting packet.

Ms. Nichols referred to page 3-66 of the meeting packet, which provides an update on the preliminary wastewater rate increase. She said that Councilmember Davidson serves on the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC), which has expressed concerns about the pass-through wholesale rate from King County, expected to be in double digits again this year. MWPAAC's position is that this is unsustainable into the future. Ms. Nichols reported that 65 cents of every rate dollar is used to repay debt. A representative of the King County Solid Waste Division will attend the Council's Regional Issues discussion in late May to present the rate proposal.

Ms. Nichols noted an update on the King Conservation District on pages 3-68 and 3-69 of the meeting packet. She said that a court case in Mason County has placed the special assessment charged by the District in doubt. The money will continue to be collected in 2012, but will be placed into an escrow account. The City typically receives \$75,000 annually from the District for local programs, and staff is working with the District to determine the impact.

Councilmember Davidson noted that the money is being held in escrow because it is possible it will need to be refunded to taxpayers.

Responding to Mayor Lee regarding wastewater rates, Dr. Davidson said that MWPAAC is writing a letter to the King County Executive to communicate its concerns about the sustainability of rate increases.

At 10:01 p.m., Mayor Lee declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

kaw