

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Special Meeting and
Extended Study Session

June 11, 2012
4:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Lee, Deputy Mayor Robertson¹ and Councilmembers Balducci, Chelminiak, Davidson, Stokes, and Wallace

ABSENT: None.

1. Special Meeting – Workshop on East Link Cost Saving Options

At 4:08 p.m., Mayor Lee called the meeting to order and announced that the Extended Study Session would begin at 6:00 p.m. as usual. He noted that the Deputy Mayor would be joining the meeting shortly.

Mayor Lee said the Council would recess at 5:30 p.m. for an Executive Session and dinner.

Councilmember Davidson requested the opportunity to comment before beginning the East Link discussion. He said he is disappointed that he has not had any information provided to him in response to his request for an analysis of a deep bored tunnel. He said he has been trying for years to determine a way for light rail to reach Downtown Bellevue that does not use Bellevue Way and 112th Avenue SE. He advocated for the B7 alignment option, which was not chosen by Sound Transit.

Dr. Davidson expressed concern about adverse impacts to the Enatai and Surrey Downs neighborhoods and the Mercer Slough Park and wetlands. He said that Sound Transit's preferred alignment disrupts traffic flow from Downtown to I-90 to the south. He noted that light rail tunnels are included in the Central Link project in Seattle. However, for some reason, a deep bored tunnel is not an option for Bellevue and the Eastside.

Dr. Davidson reiterated that he would like an analysis of a deep bored tunnel. He asked that Joe Rosmann be able to give his presentation tonight.

¹ Deputy Mayor Robertson arrived at 4:10 p.m.

Mayor Lee acknowledged that Dr. Davidson is passionate about his perspective on this issue. He explained that City staff and the Council have been working to implement the terms of the East Link Memorandum of Understanding (MOU), which was unanimously supported by the City Council. Mayor Lee said the process is not complete, and he looks forward to hearing all of the options. Mayor Lee encouraged staying in the spirit of the MOU to do what is right for Bellevue.

Deputy Mayor Robertson noted that, during the East Link MOU Leadership Group meeting earlier in the day, Sound Transit indicated that they are preparing a response to Dr. Davidson's request for more information on a deep bored tunnel.

Councilmember Balducci shared that she met this weekend with certain residents and, based on her understanding, told them there would not be an opportunity for public comment during this meeting.

Mayor Lee apologized and explained that, when he received the meeting packet on Friday, he was surprised to see that the Oral Communications item was not included on the meeting agenda. He noted that the opportunity for public comment would be provided during the 6:00 p.m. meeting.

Councilmember Stokes observed that he is interested in selecting an alignment that works best for Bellevue. The Council has been studying the light rail project for a number of years, and a process is in place to refine the alignment with Sound Transit. He expressed concern that a specific citizen will be making a presentation as part of the meeting when others did not anticipate the same opportunity.

Mr. Stokes commended his fellow Councilmembers and staff for their hard work to follow the process that has been established. He said the task of the MOU collaborative design process is specific about its scope and goals. Mr. Stokes believes the City needs to continue moving forward with that effort, which needs to be completed soon. Sound Transit can then respond to the City's recommendations. He encouraged everyone to focus on tonight's presentations and to move forward.

Mayor Lee said the Council wants to continue to hear from the public about the light rail project.

City Manager Steve Sarkozy introduced discussion of the cost-saving designs and modifications that have been developed as part of the East Link collaborative design process outlined in the MOU established between the City and Sound Transit. The purpose of this Special Meeting is to review the alternatives that have developed through discussions by the Leadership Group. He noted that Deputy Mayor Robertson and Councilmembers Stokes and Wallace serve on the MOU Leadership Group.

Mr. Sarkozy said this is an important step, but not a final step. Sound Transit's final decision on an alignment is anticipated by next summer. Mr. Sarkozy said tonight's workshop will address the alignment issues during the first half and the financial issues during the second half.

Transportation Director Dave Berg explained that this presentation was provided to the MOU Leadership Group earlier in the day. Mr. Berg said that he, Deputy City Attorney Kate Berens, Planning and Community Development Director Chris Salomone, and Development Services Director Mike Brennan serve on the MOU Steering Committee. Mr. Berg said that discussions of the Steering Committee, which includes Sound Transit staff as well, involved lively debate and differences of opinion. However, the Joint Steering Committee ultimately reached a consensus in support of the design modifications chosen for additional analysis.

Mr. Berg briefly reminded the Council of the East Link project schedule, noting that final design will continue through 2016. The decision to occur this month is an endorsement of cost-saving ideas for further engineering and environmental review. Mr. Berg said that none of the cost-saving ideas involve reducing mitigation measures.

Bernard Van de Kamp, Regional Projects Manager, reported on the April 26 and June 5 open house meetings and noted that multiple stakeholder briefings have been held as well. More than 200 people attended the April open house, and more than 150 attended on June 5. He said the comments and feedback have varied widely, and staff is preparing a summary of that input.

Mr. Van de Kamp described the cost-saving ideas that have been identified and may affect the MOU project description, if adopted. He reminded the Council of alternative concepts related to the Winters House, including replacing the retained cut profile with an at-grade alignment. These include shifting Bellevue Way to the west, away from the house, or moving the Winters House.

Mr. Van de Kamp said that adding a southbound HOV lane on Bellevue Way has been discussed in the past, which would have implications for any of the alternatives chosen. Both options related to the Winters House will require additional analysis of the environmental impacts and anticipated mitigation.

Deputy Mayor Robertson, speaking for the MOU Leadership Group, said that one concern regarding the Bellevue Way retained cut is that it lengthens the elevated segment of the alignment. The Leadership Group supports shifting Bellevue Way to the west, and encourages shortening the elevated section as well. There was also an interest in placing the train a few feet below the level of the roadway to lessen noise impacts.

Ms. Robertson noted that shifting Bellevue Way moves the alignment away from the wetlands and decreases the risk of damage and impacts to the Winters House. Ms. Robertson spoke in favor of two lanes of traffic in each direction to keep traffic moving during construction.

Ms. Robertson said the Leadership Group is not in favor of moving the Winters House due to the risk of damage to the structure and related legal issues. The group determined that it should only be considered if that alternative reveals higher cost savings after a more thorough analysis of mitigation.

Councilmember Balducci thanked the Steering Committee and Leadership Group for their extensive work on the MOU collaborative design process. She has heard from a number of Enatai residents who are concerned about moving Bellevue Way to the west.

Responding to Ms. Balducci, Mr. Van de Kamp said the roadway would shift approximately 30-35 feet to the west. Adding an HOV lane requires another 12 feet or so. In further response to Ms. Balducci, Mr. Van de Kamp said there would be full acquisitions of three homes on Bellevue Way and partial acquisitions of other homes.

Councilmember Balducci reiterated that she has heard a great deal from the community about preserving Bellevue Way as it is. She would prefer to shore up the Winters House, in that one spot, versus causing greater impacts over the wider neighborhood. She also noted the expense of adding the HOV lane.

Councilmember Chelminiak expressed appreciation for the three Councilmembers and others who have been involved in the collaborative design process. He believes this serves Bellevue well.

Responding to Mr. Chelminiak, Mr. Berg confirmed that shifting Bellevue Way to the west is recommended by staff if the HOV lane is added because this would be the most cost-effective way to add the lane. The current concept for traffic during construction is a reversible center lane. Adding the HOV lane results in two lanes in each direction.

Responding to Mr. Chelminiak, Mr. Berg described the design of the South Bellevue Park and Ride. Mr. Van de Kamp said the East Link project includes an HOV lane from the South Bellevue Park and Ride to I-90. Mr. Chelminiak said he likes the idea of shifting Bellevue Way to the west, even without the HOV lane. Mr. Berg said the HOV lane could be incorporated into realigning Bellevue Way at a much lower cost than constructing the HOV lane project separately.

Responding to Dr. Davidson, Mr. Berg described the design and function of the proposed HOV lane. Dr. Davidson commented on the heavy traffic on Bellevue Way at 5:00 p.m.

Responding to Councilmember Wallace, Mr. Berg agreed that congestion will continue to increase. Mr. Wallace noted the need to study anticipated mitigation for the new alternatives. He said the Leadership Group recognizes the need for additional review of any ideas selected for cost savings.

Councilmember Stokes expressed support for shifting Bellevue Way to the west. He believes the HOV lane will provide good benefits, and he suggested that the option might provide a better opportunity for enhancing the aesthetics of the alignment.

Councilmember Chelminiak said he would like more information on costs and traffic improvements associated with the HOV lane.

Mr. Chelminiak would like to see study of how the bus transit system will be impacted and how it will interconnect with light rail. He understands that the 550 bus is expected to be eliminated.

Responding to Mr. Chelminiak, Ms. Robertson explained how the process will move forward. The City Council is scheduled to make its decision on June 18, and the design options accepted by Sound Transit Board will be subjected to further study. However, at the same time, work on the current alignment will continue through the 60-percent design level.

Responding to Councilmember Balducci, Mr. Berg suggested the Council consider adding the Bellevue Way HOV lane to the Transportation Facilities Plan (TFP) in July. This action is sufficient to allow staff to continue to study the project. Mr. Berg indicated that the MOU Steering Committee favors shifting Bellevue Way and adding the HOV lane. If that is not approved, the committee supports further consideration of the option to relocate the Winters House.

Deputy Mayor Robertson said the Leadership Group also favors shifting Bellevue Way to the west. However, the group's second choice would be to preserve the original alignment alternative. Mr. Berg acknowledged that the Leadership Group and Steering Committee are not necessarily in agreement on all issues.

Dr. Davidson expressed concern about the potential for ultimately proceeding with the currently adopted alignment design, which is counter to the goal of saving money.

Ms. Robertson said the decision on alternatives will be made after further analysis to determine the extent of actual cost savings. From her perspective, there are certain cost savings that do not justify the impacts, such as bells and whistles. Any cost-saving idea will be value engineered and fully evaluated to determine whether there truly is a cost savings. The collaborative design process has developed a number of good ideas, including raising the roadway of 112th Avenue and putting light rail underneath the road to avoid a viaduct-style design.

Councilmember Stokes echoed the perspective that cost savings are not always justified and/or not worth choosing if they cause other adverse impacts or increased costs for other projects. The MOU collaborative design team is trying to narrow the options for further study.

Responding to Mr. Chelminiak, staff said the Council will be asked to take action in July to add the HOV lane project to the 12-year Transportation Facilities Plan for environmental review.

Mayor Lee said he would like staff to address how the design options affect noise, visual, and other environmental impacts while also achieving cost savings.

Dr. Davidson said he has mixed feelings about spending more money on additional design and engineering, to the 60-percent level, because that will offset the cost savings of the design modifications. Also, it is possible that the end result will be that the true cost savings are lower than anticipated due to the mitigation of environmental and other impacts.

Mayor Lee commented that this is not a perfect process. However, the Council needs more information on the full costs associated with each of the alternatives.

Councilmember Wallace explained that the three design modifications presented tonight (Winters House, 112th Avenue, and Downtown) will have further study and engineering work if selected by the Council and Sound Transit. He noted that they all have items requested by the Leadership Group and/or Bellevue representatives related to enhanced mitigation of visual, noise and traffic impacts. The Leadership Group anticipates a better understanding of mitigation issues in September.

Responding to Dr. Davidson, Mr. Berg reiterated that the current alignment will move forward toward 60-percent design while the design modifications are evaluated. The potential design alternatives are at barely the five-percent design level, and those identified later in June for further study will move forward as well. Mr. Berg said a final alignment decision will be made by Sound Transit next year.

Mayor Lee observed that Councilmembers serving on the MOU Leadership Group have a more detailed understanding of the issues affecting the design decisions.

Mr. Berg summarized his understanding of Council's feedback, which will be used by staff to draft the Council's recommendation to Sound Transit. The Council supports advancing Option 1a (Shifting Bellevue Way west) for further engineering and design, to include exploring the lowering and shortening the elevated section, addressing impacts and mitigation (Visual, Noise and Traffic) more fully, and providing more information on the Bellevue Way HOV lane and impacts to other transit (i.e., bus) service. If the Council chooses to not add the HOV lane project to the TFP in July, then Option 1b (Relocating the Winters House) would be considered, with the same focus on impacts and mitigation.

Mayor Lee added that the Council needs more detailed cost information as well.

Mr. Chelminiak said he would like to address the consistency of the proposed HOV lane with the Comprehensive Plan.

Moving on, Councilmember Wallace talked about the MOU design option at 112th Avenue SE and SE 15th Street. This modification places the train just above the water table and raises 112th Avenue SE above the train. Mr. Wallace said this configuration is less imposing than the current elevated rail alignment.

Dr. Davidson questioned whether anyone asked why the water table is a problem.

Mr. Sarkozy said the confluence of streams and culverts at 112th and Bellevue Way complicates that intersection. The new concept drops the light rail line by three to five feet to be just above the water table at 112th and SE 15th Street. However, additional engineering work is needed. Placing the rail above the water table will result in easier construction and avoid the elevated light rail flyover next to homes.

In further response to Dr. Davidson, Mr. Berg said the elevated 112th Avenue SE roadway would be approximately 10 feet lower than the current light rail elevated design, if it is possible to lower the train to five feet above the water table.

Councilmember Wallace believes that the option to raise the roadway and decrease the overall height of the impact is a significant improvement over the current elevated rail configuration. He articulated the residents' interest in maintaining one access point into the Surrey Downs neighborhood on 112th Avenue.

Responding to Mayor Lee, Mr. Wallace said it is considered less expensive to mitigate noise with a sound wall than with the train in a trench. This aspect will be studied further.

Responding to Mr. Chelminiak, Mr. Berg clarified that the staff Steering Committee's recommendation supports raising 112th Avenue SE, continuing the alignment at grade traveling north to Downtown, and studying the options of an entrance into Surrey Downs at SE 6th Street or no entrance on 112th Avenue SE.

Mr. Berg said the Leadership Group had different thoughts than the Steering Committee regarding access on 112th Avenue into Surrey Downs. He noted Councilmember Wallace's comments about continuing to identify an access point without gates and bells. The SE 6th Street connection considered by the Steering Committee does require gates and bells.

Mr. Wallace noted that the intent of a road into Surrey Downs is that it would be designated for local access only.

Councilmember Stokes commented that the intent is to continue to study a number of options for Surrey Downs neighborhood access.

Responding to Mr. Chelminiak, Mr. Berg said the cost difference between elevating the rail line or raising 112th Avenue has not been quantified.

Mr. Chelminiak said he would like to keep all options on the table, even those involving possibly one gate and bell location. He questioned whether it is worth sacrificing local access due to the bell, which likely can be mitigated so that the bell is not heard within the neighborhood. He said there could be other ways to access Surrey Downs as well.

Mr. Stokes said his understanding is that all options would still be studied. Mr. Chelminiak said he thought Mr. Wallace was more definitive about eliminating the light rail surface option.

Mr. Sarkozy said the current alignment involving the deep retained cut under SE 4th Street will continue to be studied as an option. A second option is reducing the cut and looking at potential access from 112th into Surrey Downs which might include SE 6th Street, SE 8th Street, or possibly SE 15th Street. At the same time, staff will look at modifications to access to the neighborhood along Main Street for the Council's consideration. Mr. Sarkozy said residents have indicated that

they prefer access into the neighborhood from 112th Avenue SE. However, all of those potential access points involve tradeoffs.

Ms. Robertson observed that there are few access points into Surrey Downs. She believes it would be difficult to close access into the neighborhood along 112th Avenue. She said the Leadership Group wanted to allow staff to continue to work to determine whether other access is possible without causing negative impacts, primarily bells.

Councilmember Balducci observed that the Leadership Group's recommendation needs to be very clear to the Council before taking action.

With regard to the concept of raising 112th Avenue, Ms. Balducci observed that it results in a lower and shorter elevated segment, which is appealing. She would like a better understanding of the plan at SE 4th Street and questioned whether the roadway modification could connect to the current plan for SE 4th Street.

Ms. Balducci recalled that Sound Transit ultimately chose the current alignment because it is significantly less expensive than Alternative B7. She sees key goals as gaining community acceptance, reducing the elevated segments, and smoothing out the ups and downs of the rail line. She stated that cost saving modifications should not result in negative impacts for residents to the extent possible.

Mr. Chelminiak noted his understanding that raising 112th Avenue is cost-neutral when compared to elevating the rail line. However, the issue of transitioning north on 112th Avenue is not cost-neutral and could potentially produce significant cost savings. Mr. Berg confirmed this understanding and said the estimated cost savings is \$9-16 million without the full retained trench along 112th Avenue and the bridge at SE 4th Street. Implementing an alternative access point into Surrey Downs from 112th Avenue would result in lower cost savings, however. Councilmember Chelminiak believes it would be worth studying additional options.

Responding to Mayor Lee, Mr. Berg summarized what he heard from the Council about the 112th Avenue SE segment. The Council generally agrees that raising 112th Avenue is a good solution. However, the Council is not necessarily supportive of continuing north at-grade as a cost-saving measure. The Council would like staff to continue to look for options to maintain access from 112th Avenue into Surrey Downs. The Council wants staff to continue to work to gain community acceptance of the ultimate solution.

Dr. Davidson noted the broader issue of how the different design modifications ultimately connect to each other.

- Deputy Mayor Robertson moved to amend the agenda to allow public comment, and Dr. Davidson seconded the motion.
- The motion carried by a vote of 7-0.

At 6:06 p.m., Mayor Lee opened the floor to oral communications.

City Clerk Myrna Basich explained that staff did not set up the timer because they did not anticipate public oral communications. She noted she would keep time with her watch and wave her hand when each speaker's time has elapsed.

2. Oral Communications

- (a) Robert Rosell, an Enatai resident, said that he recently sent photos to the Council that were taken approximately four years ago by Sound Transit, which depict property impacts along Bellevue Way related to an elevated alignment. Sound Transit rejected that concept at the time, and he is concerned that it is now being resurrected as a cost-saving option. Mr. Rosell said that he and his neighbors are concerned about the effectiveness of any mitigation measures. He said he raised the issue of a tunnel approximately three and a half years ago and was told it was too expensive, although the cost was not quantified. He questioned whether an at-grade alignment will truly be less expensive than a tunnel, once the mitigation costs are taken into account.
- (b) Richard Leeds thanked Councilmembers for their work. He suggested that Sound Transit should recognize the proposal for a deep bored tunnel, which are used throughout the world. He believes that, as a first class city, the light rail needs to go underground. He referred to the Big Dig in Boston, and the ultimate conclusion that it was worth the effort and expense to place the infrastructure underground. Mr. Leeds believes Sound Transit is failing Bellevue and that an underground alignment is needed to avoid negative impacts.
- (c) Joe Rosmann, representing Building a Better Bellevue, spoke about saving neighborhoods, businesses and taxpayers a great deal of money and making things work better in Bellevue. He referred to work by engineers and financial experts who have reviewed Sound Transit's work. He referenced Northgate and Roosevelt area light rail planning in Seattle, noting that four years after the Record of Decision (ROD) for Roosevelt, Sound Transit opted for a tunnel. The same thing happened six years after the ROD for Northgate. Mr. Rosmann said that Building a Better Bellevue's study indicates that a tunnel could be completed in Bellevue with a savings of \$160 million. He said that tunneling costs have decreased 30 percent or more since 2008. He submitted his full comments in writing. Mr. Rosmann said residents will be discussing their ideas with City staff this Wednesday.
- (d) Bill Popp, an Enatai resident, commented on the light rail project at the South Bellevue Park and Ride Station. He referred to the ARUP Study of the B7 alternative that addressed traffic congestion on Bellevue Way. He believes the proposed HOV lane will not be effective and that traffic will be backed up. He said the HOV lane project is flawed and that staff should study it further. He corrected Councilmember Balducci's reference to the cost differential between Alternative B7 and the adopted alignment.

- (e) Wendy Jones spoke to the new options identified for Bellevue Way. She observed that the discussion this evening does not seem to acknowledge the impact to residents of shifting Bellevue Way to the west, which is closer to homes. She expressed concern about the loss of the arboreal buffer. She said she recognizes that this is an early concept, but these are her initial thoughts. She did not hear anything about mitigation, which she understands is unknown at this point, but she wonders what the mitigation could be. Ms. Jones said Bellevue has a tradition of protecting neighborhoods. She thanked Councilmember Balducci for her comments earlier about minimizing neighborhood impacts.

2. Executive Session & Dinner Break

At 6:26 p.m., Mayor Lee declared recess to Executive Session for approximately 30 minutes to discuss one item of property acquisition. He noted that the Council would also eat dinner.

The meeting resumed at 7:06 p.m.

3. East Link Cost Savings Options (Continued)

Staff continued with the presentation on East Link Cost Savings options.

Mr. Van de Kamp described the proposed Downtown Tunnel and Station design modifications for the Council's consideration: 1) Stacked tunnel centered on NE 4th Street, underneath 110th Avenue NE, and 2) NE 6th Street Station. One drawback of the stacked tunnel is that station entrances would be placed in what is currently 110th Avenue NE. However, additional modifications to the entrances could be studied. The NE 6th Street Station raises issues regarding parking and Police Department impacts involving City Hall. Staff recommends consideration of these two options.

Councilmember Stokes said the Leadership Group agreed to not support the diagonal tunnel across the City Hall site due to its impact on the Metro site and other adverse impacts. The Leadership Group decided to support the Stacked Tunnel (Concept 3b). However, the group noted the need for further refinement of the concept and is interested in preserving vehicle capacity on NE 4th Street and 110th Avenue NE. Mr. Stokes observed that some combination of this option and the adopted "optimization" design (with mezzanine) might offer savings and avoid the street impacts.

Councilmember Stokes said the Leadership Group supports further study of the new NE 6th Street station option as well. There is the potential for this design to provide a signature station for Bellevue connecting City Hall, Meydenbauer Center, Bellevue Transit Center, and the Downtown core. He recalled Deputy Mayor Robertson's previous suggestion regarding the urban design potential of the site. Mr. Stokes said the concept has significant cost savings and reduced construction impacts. He believes that the current design and the new design option should continue to be studied.

Responding to Councilmember Chelminiak, Mr. Stokes said the stacked tunnel concept could be studied along with the current tunnel design, which is the subject of an optimization study.

Responding to Dr. Davidson, Mr. Van de Kamp clarified that the three options are the currently adopted station design, the Stacked Tunnel design, and the NE 6th Street alternative location. In further response, Mr. Van de Kamp said it is possible that the light rail Downtown Station could be integrated with other development on the Metro site adjacent to City Hall. It would be possible to construct a building over the train tracks.

Ms. Balducci encouraged continuing to study the Stacked Tunnel and NE 6th Street Station alternatives. She recalled past conversations about locating a Downtown Fire Station on the Metro site adjacent to City Hall. She noted the importance of continuing to consider all factors including walking access to the station and mitigation measures related to combining a structure with the light rail station.

Mr. Stokes concurred with the importance of maximizing ridership while also pursuing cost savings.

Ms. Balducci acknowledged that her recollection was incorrect regarding the cost difference between Alternative B7 and the adopted alternative for south Bellevue. She said that Mr. Popp was correct in stating that the cost difference was \$140 million.

Ms. Balducci observed that the light rail Downtown Station should serve the heart of the Downtown, which is essentially centered at 108th Avenue NE. She suggested that a station could be added closer to I-405 in the future if needed for crossing the freeway.

Councilmember Wallace said the evaluation of design options should consider construction impacts as well. He noted that the estimated cost savings do not include the allocated contingencies, which is 20-30 percent. He said the large East Link budget contingencies might provide additional opportunities for cost savings. Mr. Wallace is very concerned about construction impacts to surface streets that will affect businesses, residents, and Downtown workers. He said construction of the Capital Hill station in Seattle has been underway for two years on private property.

Mr. Chelminiak concurred that construction impacts should be studied. However, he noted that other major transportation projects in Bellevue along I-405 have been effectively coordinated and completed in a timely manner. He expressed concern that the walk shed or walkability of the Downtown Station drops off quite a bit as you go east. For example, moving east of 110th Avenue NE changes the walk shed for capturing light rail riders. Mr. Chelminiak said he is concerned about the impacts of the NE 6th Street station alternative on the City Hall site, and especially on Police Department functions and parking facilities. He noted that a great deal of time was spent working out all of those issues in planning the renovation of and move to the current City Hall.

Dr. Davidson observed that, even with cost savings in the East Link project, the City is still struggling with low revenues.

Mayor Lee wants to be sure that the final plan is positive for the economic health of the Downtown. He noted that the Council is preparing to review and update the Downtown Livability and Land Use Plan, and he highlighted the need to connect all of these pieces. He said it is important to consider whether the light rail station options are compatible with Downtown land use planning.

Mr. Berg summarized that there is general agreement with the Steering Committee's recommendation to continue with engineering work on the adopted mezzanine design option and to conduct further analysis on the Stacked Tunnel and NE 6th Station options. For the Stacked Tunnel design, this includes additional analysis to determine ways to avoid lane disruptions on 110th Avenue NE. He noted that construction impacts are critical. Mr. Berg observed that there are also concerns about the impact of Downtown Station options on Police Department operations during construction and for the long term. He acknowledged that the Downtown Station potentially creates a signature piece in terms of urban design.

Responding to Dr. Davidson, Mr. Van de Kamp confirmed that the stacked tunnel is approximately 55 feet deep. He will provide the exact dimensions.

Mr. Berg reviewed the next steps. The cost saving design modifications will be presented to the Sound Transit Capital Committee on June 14. The Bellevue City Council is expected to endorse specific options for further evaluation on June 18. The Sound Transit Board anticipates selecting the cost saving ideas for further review on June 28.

Mayor Lee requested a written summary of the Council's key comments from tonight's discussion.

Councilmember Balducci said it would be helpful to receive that summary before she attends the Sound Transit Capital Committee meeting on June 14.

Mayor Lee observed that the collaborative design work has been a good process for working through the issues and differences in perspectives and priorities.

4. Early Direction on Capital Investment Program (CIP)

At 7:48 p.m., the Council moved to staff's presentation of the Early Look at the 2013-2019 General Capital Investment Program (CIP) Plan.

Mr. Sarkozy said that staff would provide an overview of the entire CIP package including 20-year revenue projections and the Mobility and Infrastructure Initiative finance plan. He noted that the City's top bond ratings by both Moody's (Aaa) and Standard & Poor's (AAA) were reaffirmed last Friday.

Planning Director Dan Stroh provided an overview on the state of the Base CIP. Revenues continue to underperform, with a shortfall of approximately \$31 million going into the new CIP Plan. He recalled that ongoing program service levels were reduced approximately 30 percent during the last CIP cycle, and current resources do not allow restoration to pre-2011 service levels. New Budget One proposals are scaled back accordingly.

With regard to the state of the Mobility and Infrastructure Initiative (MII), adopted in 2009, Mr. Stroh reported that a number of revenue sources were not adopted as planned, and the economic downturn has reduced remaining revenues (i.e., impact fees, tax increments). There is a need to develop a strategy for rebalancing projects and revenues in the Bel-Red/Wilburton areas.

Mr. Stroh provided an overview of commitments related to the East Link light rail project Memorandum of Understanding (MOU) with Sound Transit. These include an up-front contribution of \$100 million in the form of related projects, and a potential contingent contribution of \$60 million for the Downtown Tunnel. The City is working with Sound Transit to reduce project costs and the City's contribution.

Mr. Stroh summarized the challenges for the overall 2013-2019 CIP Plan: 1) Address cash flow issue, 2) Identify critical expenditures and funding for the Mobility and Infrastructure Initiative, 3) Contain City costs and leverage the City's investments related to the Sound Transit East Link MOU, 4) Ensure that ongoing program maintenance levels are adequate, 5) Fund other key capital needs, and 6) Integrate the Base CIP, MII, and MOU plans into one document.

Mr. Stroh referred the Council to the Cash Flow tab in the meeting packet. As revenues increase, \$28 million will be available for new projects by 2019.

Deputy Mayor Robertson observed that the Base CIP (Spreadsheet 1) does not include a buy-back of the programs previously eliminated, and it does not include new projects. Mr. Stroh said that Step 3 does not include those projects, but Step 4 includes new proposed projects. He confirmed that the Results Teams are continuing to prepare their recommendations. Ms. Robertson stated that it is important for everyone to understand the budget shortfall if new projects are considered.

Responding to Mr. Chelminiak, Mr. Stroh said the Base CIP revenues include only the typical annual revenues dedicated to the CIP Plan (e.g., Sales Tax, B&O, Real Estate Excise Tax, and State-Shared revenues). Impact fees are not included in the Base CIP Plan, but will be addressed with the Mobility and Infrastructure Initiative.

Responding to Councilmember Wallace about paying off short-term debt in 2013, staff indicated that it is set to expire in November 2013. Mr. Wallace expressed concern that this creates a \$15 million gap. He suggested rolling the debt over to provide additional revenue for the CIP Plan.

Mr. Stroh said the modeling to be presented assumes issuing some long-term debt to address cash flow.

Mr. Sarkozy noted that the City's direct debt burden is a modest 0.5 percent, according to the report from Moody's. He compared this to the more typical debt burden of five to six percent for cities the size of Bellevue.

Councilmember Wallace said he would like to have more discussion about a way to smooth the debt repayment because the City will need the revenue in developing the CIP Plan.

Continuing, Mr. Stroh described the early modeling of the Base CIP. Staff suggests considering the use of long-term debt via the existing CIP revenue stream to address cash flow issues and to provide additional revenues. A policy issue for Council consideration is whether a modest amount of long-term debt, supported by Base CIP revenues, should be considered as one tool to balance the next CIP Plan.

Moving to the Mobility and Infrastructure Initiative, Mr. Stroh noted that revenues are highly constrained. He said staff suggests that a modest adjustment in impact fees might be appropriate. One idea is to consider collecting fees at the time that the Temporary Certificate of Occupancy is issued instead of at permit application.

Responding to Dr. Davidson, Mr. Stroh recalled that the Council adopted an ordinance that increases impact fees in a series of steps. An analysis indicates that the rates are competitive. However, the City could allow developers to pay later in the process. In that case, the City would get the fees approximately 18 months later. Staff recommends against lowering impact fees, which could result in insufficient revenue for infrastructure projects.

Councilmember Balducci observed that staff is presenting policy issues and an alternative, without providing a baseline of projections related to the current adopted impact fees. She noted the need for staff to model current law before considering policy changes. She wants to be able to review baseline projections for all revenues (e.g., property tax, utility taxes) before making decisions about adjustments to any of the rates.

Mr. Sarkozy clarified that the idea is not presented as a proposal or recommendation. He agreed that current law and more options should be modeled. Ms. Balducci expressed concern that this option was modeled while others are not.

Councilmember Chelminiak concurred with Ms. Balducci's concerns. However, he is open to consider adjusting the timing for the payment of impact fees. He agreed that staff should be modeling current law for the Council's review.

Mr. Stroh said that staff can provide modeling of the current impact fee schedule.

Continuing, Mr. Stroh said staff continues to assume the use of Local Improvement District assessments (LIDs) and special benefit offsets. The latter will generate less revenue than LIDs.

Mr. Stroh said that early modeling of the East Link MOU component shows anticipated expenditures for the up-front \$100 million Sound Transit credit. No MOU-specific resources are

assumed other than Parks Levy proceeds of \$5.9 million. Most MOU expenditures will be needed in 2014, and there are both revenue and cash flow shortfalls.

Mr. Stroh described the Integrated CIP scenario. Spreadsheet 5 (Page 15 of the meeting packet) introduces the potential use of debt to meet short-term cash flow needs.

Mr. Sarkozy explained that Spreadsheet 5 reflects all of Council's adopted CIP Plan, MII and MOU projects. The spreadsheet reflects moving \$37 million of debt that extends beyond the seven-year CIP Plan into long-term debt to take advantage of low interest rates. It anticipates some short-term borrowing for cash flow needs by coming up with a way of paying off those short-term debt issuances within the seven-year CIP Plan.

Mr. Sarkozy said those items represent two policy recommendations from staff. Additional revenue sources are the property tax, impact fees, LIDs, and utility taxes. Mr. Sarkozy said the Integrated CIP addresses the economic downturn, East Link MOU, and the Mobility and Infrastructure Initiative; and it is consistent with the Council's priorities and sound financial practices.

Deputy Mayor Robertson said she would like to see a complete recommendation with regard to the CIP Plan that includes the buy-back of services, Bellevue Way HOV project, and other unmet needs. She would like to see a staff recommendation that includes all of the different revenue sources, with an eye toward economic competitiveness.

Dr. Davidson thanked staff for providing the information in a comprehensive and understandable format. He believes the process is headed in the right direction, although it is premature to make any decisions at this point.

Mr. Chelminiak observed that the CIP budget is not as bad as he anticipated. However, a number of key policy issues need to be addressed, especially with regard to the Mobility and Infrastructure Initiative.

Councilmember Wallace said he is generally comfortable with some debt given the low interest rates and the City's strong bond rating. He believes it makes sense to borrow money now, especially if a 40-year project can be financed with 20-year debt. Mr. Wallace said the City has significant capital needs and should take advantage of low interest rates and low construction costs.

Councilmember Balducci observed that the property tax and other projected revenues in the MII Finance Plan are not coming in. She reiterated her request that staff provide a baseline model of all revenues based on current laws and policies before moving forward with discussing revenue options.

Councilmember Wallace concurred with this suggested approach. He would also like to determine whether the revenue assumptions in the MII Finance Plan are realistic and whether

they are consistent with new rules regarding the amounts that the City is legally authorized to collect.

Mayor Lee confirmed that the Council needs a baseline model of all revenues before moving forward.

Dr. Davidson mentioned economic development and questioned the point at which impact fees are too high and will potentially stifle development. He questioned the benefit of incentives as well. He suggested it could be helpful to have someone from outside the City conduct an economic analysis as the basis for this conversation.

Responding to the Council, City Manager Sarkozy clarified that the intent of tonight's presentation was to address the Council's concerns about the costs related to the East Link MOU and the Mobility and Infrastructure Initiative, within the broader context of capital budgeting. He reiterated that the City is in sound financial shape and maintains its triple-A bond ratings. The City can afford the MII plan, as it has been scaled back, and MOU commitments while maintaining the lowest property tax rate in the state.

Mr. Sarkozy said staff plans to return in July to discuss a long-term debt strategy and a separate short-term debt strategy to meet cash flow needs. Staff will bring back unmet needs for consideration, as well as a modeling of revenues including the property tax, LID assessments, impact fees, utility taxes, and others.

Mayor Lee thanked staff for the presentation.

Mr. Wallace reiterated his interest in discussing the repayment of \$15 million in short-term debt and issuing \$37 million in long-term debt. As a second issue, he observed that he did not see anything in the packet about the property tax banked capacity. Toni Rezab, Budget Manager, said the capacity is \$8.9 million.

At 9:08 p.m., Mayor Lee declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

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