

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

July 9, 2012
6:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Lee, Deputy Mayor Robertson, and Councilmembers Balducci¹,
Chelminiak, and Stokes

ABSENT: Councilmembers Davidson and Wallace

1. Executive Session

The meeting was called to order at 6:13 p.m., with Mayor Lee presiding. There was no Executive Session.

2. Oral Communications

- (a) Stewart Shusterman, representing the Renton School District, said the District is requesting that the City of Bellevue adopt an ordinance or amend the City Code to enable the Renton School District to collect impact fees for the portions of Bellevue in the District. The District includes portions of five cities and unincorporated King County, and 173 Renton School District students reside within Bellevue's city limits. He noted that Bellevue is collecting impact fees for the Issaquah School District. Mr. Shusterman submitted his comments in writing.
- (b) Sam Bellomio, Stand Up America, recalled that he has addressed the Council a number of times regarding his concerns about red light cameras. He said he has not heard back from anyone with the City.

Mayor Lee interjected that the Council has asked the City Manager to respond to his concerns.

Continuing, Mr. Bellomio said that red light cameras have not affected safety. He believes the program is in place only to generate revenue. He expressed concern that 40 percent of the revenue goes to the vendor providing the cameras.

¹ Councilmember Balducci arrived at 6:45 p.m.

- (c) Alex Zimmerman, Stand Up America, recalled that he made a request three months ago asking about the cost of an investigation. He said that the first month the Council looked like crooks, and the second month they looked like a clown.

Mayor Lee asked the citizen to speak with civility to the Council and the public.

Mr. Zimmerman asked to be treated like civilized people. He reiterated his request for the cost of the four-year, 300-page investigation. He said the City Manager is not responding to his request, and he believes the Council and City staff do not respect him.

Mayor Lee reiterated that the City Manager or other staff will speak with Mr. Zimmerman. Mr. Zimmerman served Councilmember Chelminiak with documents related to a suit against him in small claims court.

Mayor Lee apologized to the audience.

3. Study Session

- (a) Council Business and New Initiatives

There were no reports.

- (b) Report of the City Manager
 - (1) Management Brief on Bellevue School District and City of Bellevue Elementary School Organics Program – Youth Education Recycler of the Year Award

City Manager Steve Sarkozy opened discussion regarding the Bellevue School District and City of Bellevue Elementary School Organics Program.

Nav Ota, Utilities Director, reported that all 16 elementary schools in Bellevue participated in the program. She announced that the City and Bellevue School District have received a 2012 Washington State Recycling Association (WSRA) Recycler of the Year award in the Youth Education category for the Elementary School Organics Program.

Nancy Larson, representing the Bellevue School District, thanked the City for its partnership and ongoing relationship.

Ms. Ota acknowledged Jennifer Goodart, the City's Conservation and Outreach Program Administrator, for her work with the District.

Councilmember Stokes recalled working with Nancy Larson and the Bellevue School District in the past. He thanked her and City staff for their work.

Deputy Mayor Robertson thanked staff for their work. Responding to Ms. Robertson, Ms. Larson said the District hopes to implement the program in middle schools and high schools during the next school year.

(2) Management Brief on Bellwether 2012: reGeneration Sculpture Exhibit Preview

Mary Pat Byrne, Arts Specialist, described the opening of the Bellwether Sculpture exhibit, which is currently being installed throughout the downtown. The exhibition was established in 1992 with 12 sculptures and has grown to 44 sculptures this year. This year's exhibit is called reGeneration, and a number of tours have been organized for neighborhood groups.

Ms. Byrne described the role of youth in the sculpture exhibition. The teen project involved 90 art students from Interlake, Sammamish and Bellevue High Schools who created 50 sculptures using wire, found objects, and recycled materials. All of the sculptures are located in a cage structure.

Ms. Byrne highlighted several of the sculptures in the exhibition, and noted that 29 pieces will be displayed in City Hall. Additional works are on display at Downtown Park, Bellevue Galleria, the Bellevue Collection, and the Bellevue Arts Museum. Ms. Byrne said a number of City departments have been involved in preparing for the exhibition, which officially opens on Friday at 6:00 p.m. in Bellevue City Hall.

Councilmember Balducci praised the efforts of staff, participating artists and art organizations, and the Arts Commission in producing an exhibition of this scale.

Responding to Mayor Lee, Ms. Byrne described the marketing activities for the event including paid and free advertising in newspapers and foreign language publications. She reported that she has given tours to a number of travel writers during the past year, who have been enthusiastic about the exhibition. The exhibit has a Facebook page, Twitter account, and a cell phone audio tour available.

Mayor Lee requested a summary of the groups and publications involved in the exhibition.

Responding to Councilmember Chelminiak, Ms. Byrne said the Twitter account is named Bellevue Arts Program.

Councilmember Balducci noted a 2008 survey which indicates that nearly half of Bellevue residents reported that they have heard of the Bellwether exhibition.

(3) Management Brief providing Update on Downtown Transportation Plan

Mr. Sarkozy introduced an update on the Downtown Transportation Plan, noting that this work fits in well with current efforts to update the Transit Master Plan and Downtown Livability Initiative.

Bernard Van de Kamp, Transportation Assistant Director, said the Downtown Transportation Plan work has been underway for approximately one year. He noted that staff is providing an update in response to requests from a number of Councilmembers.

Kevin McDonald, Senior Planner, recalled the update in February regarding the extensive community outreach effort. At that time, staff asked the Council to approve project principles and measures of effectiveness for the plan update. The City is working with Downtown stakeholders and the community at large to study issues related to mobility. City staff has been working with the Transportation Commission over the past year to enhance the understanding of Downtown mobility issues.

Mr. McDonald highlighted key elements of the Bicycle and Pedestrian Plan. One of the more difficult issues is the 112th Avenue NE corridor, which is an important commuting corridor and a segment of the Lake Washington loop bicycle route.

Mr. McDonald briefly described work on travel demand modeling and the growth in trips, including walking trips. Staff is working toward developing projects, which it will begin discussing with the Transportation Commission this week.

Mr. McDonald commented on traffic congestion and noted that transit and roadway capacity will be studied using 2030 modeling. Staff anticipates having preliminary project ideas for all travel modes later this fall. These ideas will be brought to the Council and the community for review and consideration.

Deputy Mayor Robertson questioned how staff's review of Downtown transit services and the related discussion with the Transportation Commission in the fall will be coordinated with the Bellevue Transit Master Plan update. Mr. McDonald said he is in constant communication with staff managing the King County Transit Plan Update. He noted that the City is also focused on pedestrian facilities and public information activities.

Responding to Ms. Robertson, Mr. McDonald said the information for the Downtown Transportation Plan is largely derived from the 2030 modeling work completed by City staff related to capacity issues and transit services. The citywide Transit Master Plan will look at how that capacity is provided by transit agencies.

Responding to Ms. Robertson, Mr. McDonald said the City's work with Downtown bicycle mobility is largely focused on access to transit and light rail stations. He noted that the bicycle route changes to 114th Avenue in the Downtown, which avoids conflict with the light rail alignment to the south of the Downtown. In further response, Mr. McDonald said the Downtown Transportation Plan must support regional light rail implementation. Some of the work will also inform future station area planning.

Mayor Lee commented on the importance of creating an enjoyable pedestrian environment. He suggested researching what other cities do in this regard.

Councilmember Stokes referred to page 3-6 of the meeting packet, which describes travel demand modeling using the BKR (Bellevue Kirkland Redmond) model. He questioned whether growth in Renton and areas to the south is taken into consideration. Mr. McDonald said the BKR model includes a land use component and a transportation component. This information is considered along with the Puget Sound Regional Council's (PSRC) regional growth estimates for 2030. Mr. Stokes noted that growth to the east is an important consideration as well.

Mr. Stokes expressed concern about the constricted bike lanes along 114th and 118th Avenues NE, and questioned whether there are plans to improve them. Mr. McDonald said it is difficult to add bicycle infrastructure to a city that was built to accommodate cars. He noted that traffic volumes and speeds are generally low on 114th Avenue. A few years ago, the City installed shared lane markings along the road to help improve bike travel. Mr. McDonald said the route improves on 118th Avenue, and said there are no current plans for further modifications.

Responding to Mr. Chelminiak, Mr. McDonald said the NE 2nd Street expansion project is not assumed in the 2030 modeling. It will not be considered until the NE 2nd Street freeway interchange becomes a viable project. Mr. Chelminiak suggested considering the widening of NE 2nd Street in advance of the interchange project.

Mr. Chelminiak observed that it is difficult to travel in Downtown Bellevue on a bicycle. Mr. McDonald described a plan for a separate bike lane along 108th Avenue. Staff is evaluating additional possible locations for bike lanes. In further response to Mr. Chelminiak, Mr. McDonald said he has not seen the design details for how the local bicycle system integrates with SR 520.

Councilmember Balducci requested statistics on the growth in trips since 1990. Mr. McDonald said that population growth does not always translate to more car trips. Many of the trips use transit or other modes. Ms. Balducci confirmed that vehicle miles traveled has flattened in recent years despite increased population growth. She thanked staff for the presentation and information.

Mayor Lee suggested an expansion of grade-separated solutions such as sky bridges.

(c) Continued Discussion of Bellevue Transit Master Plan

Mr. Sarkozy recalled the previous week's discussion about the Bellevue Transit Master Plan.

Transportation Director Dave Berg said staff is seeking the Council's continued input on the Transit Master Plan update and the draft project principles.

Mr. Van de Kamp recalled key points from the previous week's discussion, including that surveys of Bellevue residents indicate that good transit service is important, and public support for transit is strong. Average weekday bus ridership in Bellevue increased from 21,900 in 2003

to 40,250 in 2011. The Bellevue Transit Master Plan update will take into account the many changes in Bellevue's transportation system over recent years.

Mr. Van de Kamp recalled comments from the Council during the previous week's discussion: 1) Present a bold vision of the local transit improvements needed to support growth, 2) Identify transit investment strategies that encourage long-term ridership growth, 3) Address capacity constraints at existing transit centers and park and ride facilities, 4) Provide enhanced transit service within Bellevue and to regional destinations, 5) Maximize personal mobility, 6) Provide transportation options for people who do not drive, 7) Ensure the active involvement of all City Boards and Commissions, and 8) Position the City to effectively influence regional transit agencies. Mr. van de Kamp said the Council indicated that transit is more than a transportation issue and is closely tied to human services and environmental objectives.

Mr. Van de Kamp described the three elements of the Transit Master Plan Update: Policy, Service and Capital. The Service Element addresses the existing transit market, future transit market, and transit service vision.

Mr. Van de Kamp explained that the Capital Element assesses roadway, signal system and other improvements that could be made to support the transit vision outlined in the Service Element. This includes bus stops, layover facilities, transit priority treatments, East King County Park and Ride demand analysis, pedestrian and bicycle connections, roadway design, and East Link light rail and bus integration.

Mr. Van de Kamp said staff will be using the BKR Model for the Park and Ride demand analysis. City staff believes it is important to work more on bus connections to East Link light rail upon its implementation.

The Policy Element addresses the Comprehensive Plan, Land Use Code, and transit initiatives. This element articulates Bellevue's interests as it responds to regional transit policy changes and financial uncertainties, and as it coordinates with partner agencies.

Mr. Van de Kamp reviewed the draft project principles, provided in the Council's desk packet, including suggested changes. He briefly reviewed the project schedule for updating the Transit Master Plan, which continues through 2013.

Mr. van de Kamp said staff is requesting Council direction on the Transit Master Plan update and draft project principles.

Councilmember Stokes suggested adding "enhanced livability" to the opening statement of the Project Principles document (i.e., "supports the City's growth, ~~and~~ economic vitality, and enhanced livability...").

Councilmember Balducci suggested changing bus services to transit services in the opening paragraph.

Ms. Balducci presented her list of bold questions that could potentially be addressed in conjunction with the Transit Master Plan update:

- Follow up to past Multi-Modal Concurrency study.
- Explore land use planning options to encourage transit.
- Consider a coherent parking policy for Bellevue.
- Alignment with current policy direction at the federal, state, and regional level.
- Public/private partnerships (e.g., corporate-based transit services).
- Consideration of transit-only facilities, perhaps only during peak hours.

Ms. Balducci questioned whether the Council should review the practice of using the regional transit subarea as the basis for policy decisions on transit. She observed that the East Subarea is receiving only eight percent of new transit services. She suggested organizing around interests with characteristics similar to Bellevue versus organizing around a geographic location on the map.

Ms. Balducci observed that something missing from the Project Principles is the construction impact related to transportation projects (e.g., SR 520, I-405, light rail) over the next 10 years. She suggested exploring ways to enhance the transit system to preserve mobility while accommodating construction activity.

Ms. Balducci suggested reaching out to Bellevue Youth Link and the Youth Council, which has identified transportation and transit as key issues for youth. She said transit is also a significant issue for the Medical Institution District.

Councilmember Chelminiak thanked staff for the update. He encouraged considering the use of taxis for specific transportation needs. He noted the need for further study of bus layover practices. He encouraged looking at options that are smaller than traditional buses to provide transit service within the local community.

Mr. Chelminiak noted the link between human services and transportation needs, and suggested involving the Human Services Commission and Planning Commission in the Transit Master Plan update. However, instead of establishing a special committee of Board and Commission members, he suggested that at least one liaison from each Board or Commission attend the Transportation Commission discussions on the transit plan.

Ms. Balducci suggested studying additional methods for serving special needs (e.g., bus ambassadors, bus buddies), potentially through the use of grants available for this type of project.

Mayor Lee commented on the needs of those who are dependent on transit. He agrees with the importance of involving the Human Services Commission in the Transportation Commission's discussions of the Transit Master Plan.

Mr. Lee suggested looking at successful transit projects in other cities and considering more sky bridges, tunnels, and other creative solutions that enhance local access to transit services. Mr. Lee concurred with suggestions to explore taxis, shuttles and other types of transit vehicles.

Mayor Lee encouraged updated Transit Center planning to integrate all forms of travel modes.

Mr. Stokes expressed support for the draft principles as revised, and encouraged moving forward.

Mayor Lee concurred with adopting the project principles and asked staff to continue to track the Council's questions and suggestions for ongoing discussions.

→ Councilmember Chelminiak moved to adopt the Bellevue Transit Master Plan update Project Principles, presented in the desk packet, with two revisions to the first paragraph: 1) Add "enhanced livability" to the opening statement of the Project Principles document (i.e., "supports the City's growth, ~~and~~ economic vitality, and enhanced livability..."), and 2) Change bus services to transit services. Councilmember Balducci seconded the motion.

→ The motion carried by a vote of 5-0, with Councilmembers Davidson and Wallace absent.

Mr. Chelminiak requested a briefing on I-405 bus rapid transit and how it relates to the East Link light rail project.

Responding to Mayor Lee, Mr. Sarkozy suggested that staff provide an update on the I-405 Master Plan after the Council's recess in August.

Mr. Van de Kamp said staff will incorporate the Council's comments into the scope of work. Mr. Sarkozy said staff will add an appendix to capture the Council's discussion as well.

At 8:10 p.m., Mayor Lee declared a break. The meeting resumed at 8:24 p.m.

Mayor Lee welcomed members of Boy Scout Troop 438, who arrived during the break, and invited them to speak to the Council.

Shawn Marshall-Spitzbart said he is a Life Scout and the Assistant Senior Patrol Leader for Troop 438. Patrick Lin said he is a Star Scout and the scribe for Troop 438. Kevin Kang said he is a Star Scout and instructor for the troop.

Patrick said the troop is based at the Christ the King Lutheran Church in southeast Bellevue, which has been sponsoring the troop for more than 50 years.

Shawn explained that the scouts are attending the meeting because they are working on earning their merit badges for citizenship in the community.

Mayor Lee welcomed them and noted that they are located in the Eastgate area, which was recently annexed by Bellevue.

Responding to Deputy Mayor Robertson, the scouts said they are going into 10th grade in the fall. She encouraged them to become Eagle Scouts, and invited them to attend a Council meeting again.

Councilmember Stokes welcomed the scouts and commended their efforts.

Mayor Lee said he was Cub Scoutmaster at one point. He thanked the scouts for visiting and encouraged them to become Eagle Scouts.

(d) 2012 Department Budget Presentations: Transportation Department, Parks and Community Services Department, and Utilities Department

Mr. Sarkozy indicated that the Transportation, Parks & Community Services, and Utilities Departments would be presenting on their department budgets tonight. He noted that all departments are nationally accredited by their respective peer review organizations.

Transportation Director Dave Berg said the Transportation Department developed 21 Operating Budget proposals and 43 Capital Investment Program (CIP) proposals (13 for ongoing programs and 30 for discrete projects) for the 2013-2014 General Fund Budget and the 2013-2019 CIP Plan.

Issue 1 is the aging infrastructure of roadway pavement and sidewalks. He explained that a comprehensive audit of roadway conditions is conducted every two years. The average pavement rating for arterial streets is 74 compared to the target of 78. The average pavement rating for residential streets is 82 compared to a target of 72. Mr. Berg displayed a graph summarizing pavement conditions, and noted that approximately 30 percent of arterials have relatively low ratings.

Mr. Berg said that aging sidewalks experience displacements due to tree roots, freezing/weather conditions, and other causes. He commented on the backlog of sidewalk repairs to continue to correct panel displacements exceeding ¾-inch. There is a budget proposal that includes funding for a pavement grinder to support the displacement mitigation efforts.

Issue 2 is related to growth, primarily in the Downtown daytime and evening populations. Strategies include completing the Downtown Transportation Plan Update and the Transit Master Plan Update; collaborating with the Department of Planning and Community Development on the Downtown Livability Initiative; and outreach to schools, students and parents.

Issue 3 relates to the East Link light rail project: 1) Leveraging investment dollars with Sound Transit for mutual benefit, and 2) Coordinating the timing of investments to assure mutual compatibility.

Issue 4 involves the challenge of achieving funding due to underperforming revenues at the local, regional, and state levels. Mr. Berg noted that economic competitiveness depends on a functional and efficient transportation system.

Issue 5 involves responding to mandates: 1) Americans with Disabilities Act (ADA); 2) National Pollutant Discharge Elimination System (NPDES) permit requirements, and 3) the Manual on Uniform Traffic Control Devices (MUTCD). Mr. Berg reported that an inventory of ADA-related compliance issues conducted in 2009 identified \$935,744,400 in needed investments.

Councilmember Balducci commended staff for using and continuing to seek creative solutions and approaches for addressing transportation challenges.

Deputy Mayor Robertson questioned the use of rubber pavement in areas where tree roots are a problem. Mr. Berg said there is a section of rubber sidewalk on NE 10th Street between 100th and 102nd Avenues NE. Mr. Chelminiak said he walks it regularly, including earlier that day. He said it is odd to walk on but he has gotten used to it.

Mr. Berg said the City receives mixed reviews on the walking surface, and some citizens find it difficult to walk on. He noted that the rubber panels are relatively easy to remove to shave tree roots when needed.

Ms. Robertson commented on the East Link project. As the City is moving through the Memorandum of Understanding (MOU) negotiations and collaborative design process with Sound Transit, she noted the need to hire a construction accounting expert to analyze the project contingencies and construction estimates. She believes the budget needs to fund this work, whether by hiring a full-time employee or a consultant. She thanked staff for their good work in maintaining roadway surfaces.

Ms. Robertson said she would like the City to fill the Economic Development Director position.

Councilmember Chelminiak said he would like to increase safety around schools. He suggested working with the Bellevue School District to address the ¼-mile areas around schools.

With regard to the Economic Development Director position, Mr. Chelminiak said he would like to look at the cost of that position and to compare that to using the same amount of money in other ways to advance economic development. He would like to look at both options, filling the position or other initiatives.

Councilmember Stokes concurred with the suggestion to work with schools on improving safety. Noting that the issue of economic development crosses most City departments, he expressed an interest in determining how best to use the budget to move related objectives forward.

With regard to Issue 4, Deputy Mayor Robertson said she would like an analysis of alternative methods for addressing funding shortfalls (e.g., project schedule delays, revenue enhancement, grants, etc.).

Mayor Lee encouraged continued and expanded partnerships with government /public agencies and private entities.

Mr. Sarkozy opened the Parks Department's budget overview, noting its accreditation and history of achieving awards for the City's parks and youth services.

Patrick Foran, Director of Parks and Community Services, said that Issue 1 is responding to a diverse and changing community. Strategies include updating the Cultural Diversity Plan to address ethnicity, age, socio-economic issues, and urbanization; assessing services needs and opportunities related to the growing workforce/daytime population; collaborating with schools; and coordinating with economic development strategies. He suggested that the Cultural Diversity Plan incorporate an economic development element.

Issue 2 is the intensity of use and aging infrastructure (e.g., Community Center capacity, rentals/program registrations, increasing number of community events). He noted the challenge of balancing the ongoing cumulative impact to maintenance standards due to earlier budget reductions. Suggested strategies are to sustain funding for the Renovation Fund, continue to prioritize maintenance standards, continue to leverage a flexible workforce, and to diversify and increase the role of volunteers, contractors, and partnerships.

Issue 3 is state and regional parks budget impacts related to the Department of Natural Resources, State Parks System, and King County Parks System. These three agencies control 82 percent of the open space network on the Eastside (Woodinville to Newcastle), but funding to support the parks is diminishing. The State Parks System has been told that it is to be off the General Fund within the next year or so. Affected State parks include Bridle Trails Park, East Lake Sammamish State Park, and Tiger Mountain State Forest. The City provides approximately \$6.4 million annually to support park purposes. However, the King County Parks System is not on a path to recovery or sustainability.

Issue 4 is to increase community initiatives and partnership opportunities to leverage the private nonprofit service network to fill gaps in services. Mr. Foran explained that strategies include supporting organizations that embrace a collective impact model, broadening the scope for volunteerism in the greater community, and assisting businesses to achieve their corporate citizenship objectives.

Issue 5, human services, is a considerable challenge due to the loss of funding for federal, state, county and nonprofit service providers. He said the recent Eastgate annexation will be considered in identifying human services needs, but is not expected to have a significant impact. Mr. Foran said the Parks Department will continue to strengthen collaborations on regional issues and to monitor and react to changes from the State and County.

Issue 6 is capital funding and advancing the parks and open space system. Key capital initiatives are levy implementation, adequate funding for the urban park system (Bel-Red, Downtown), and

Downtown waterfront development. Strategies include focusing on the levy match, acquisition priorities, and leveraging City funds with grants and public-private partnerships.

Mr. Foran noted that \$7 million is held in the levy program for the Surrey Downs Master Plan work. That project has been deferred due to the timing of Sound Transit's East Link light rail project, and there have been discussions about whether it would be worth distributing those dollars, for the time being, to other projects that are ready to go. The Parks and Community Services Board has recommended that this would be an appropriate course of action. However, the Board did not identify specific allocations. Mr. Foran suggested consideration of completing the Downtown Park circle and partnering with the Boys and Girls Club of Bellevue for a new facility.

Deputy Mayor Robertson noted Mr. Foran's comment that usage of Crossroads Park and Downtown Park is near the saturation point. The CIP Plan adopted in 2010 includes the completion of the Downtown Park circle. Mr. Foran said the current CIP funding will provide limited additional open space in Downtown Park. This will not free up much in terms of capacity for large events. However, it will add open space in the Downtown.

Ms. Robertson questioned how additional park capacity can be added. Mr. Foran said that Airfield Park in the Eastgate area will be able to accommodate large community events and festivals. He said that Cougar Mountain borders Bellevue and Tiger Mountain is nearby. Bridle Trails State Park is split between Kirkland and Bellevue.

Councilmember Stokes noted the importance of working with the County on parks and other issues. He commended the Bellevue Rotary organization for its projects in local parks. Mr. Stokes thanked Parks and Community Services Department staff for their efforts in human services and with the Wrap-Around Services program.

Responding to Councilmember Chelminiak, Mr. Foran confirmed that 21 special event permits have been issued so far this year, and these events are supported by Police, Fire, and other department staff.

Mr. Chelminiak commented that the Downtown population has increased over the past several years, but the City has not added any park space. Mr. Foran commented that Bellevue does not yet have a true urban park system in the Downtown or in the Bel-Red corridor.

Councilmember Chelminiak said there needs to be a way to integrate parks with the Downtown Livability initiative.

Mr. Sarkozy said the Downtown Livability project looks at Downtown zoning and the incentives currently in place to achieve higher and denser zoning opportunities. This City is proposing a review of Downtown zoning because many of the current incentives in the Land Use Code are outdated. The City has explored, with a couple of developers, the concept of enhancing recreational infrastructure to obtain desired zoning. One idea for an incentive is linking projects to the development of a Downtown Community Center.

Councilmember Stokes noted that open space features are anticipated as part of the overall Eastgate/I-90 Plan.

Mr. Sarkozy said there is a potential opportunity at the Metro site adjacent to City Hall to expand the plaza on top of the parking garage. He recalled that the Downtown Implementation Plan identified parks and green space in each of the four quadrants of the Downtown, and it would be appropriate for City Hall to provide some of that open space.

Mayor Lee thanked staff for the presentation, and expressed support for promoting community engagement and economic development. He said he recently spoke with the new Bellevue School District Superintendent, who has a strong interest in partnerships such as the Wrap-Around Services and Eastside Pathways programs.

Moving on, Mr. Sarkozy noted that the Utilities Department was the 14th to receive the relevant accreditation in 2004. The Utilities Department has the ability to have separate debt, but is one of the few utilities that does not have any ongoing debt. The Association of Metropolitan Water Agencies recognized the Bellevue Utilities Department with its Platinum Award in 2010.

Utilities Director Nav Otal said the Utilities Department manages drinking water, wastewater, storm and surface water, solid waste, and related streets maintenance. The utilities operate as businesses, and each utility must be independent and financially self-sufficient. There are no tax revenues that support the three utility funds. Services are not scalable. It is therefore difficult to reduce costs when revenues decline. Rates are the primary source of revenue, and that revenue has increased only slightly in recent years.

Ms. Otal noted that the Utilities Departments holds renewal and replacement (R&R) reserves for the ongoing maintenance and replacement of infrastructure. The Utilities Department conducts rate analysis projections for a 75-year planning horizon and avoids creating unfunded liabilities for future generations.

→ Councilmember Balducci moved to extend the meeting to 10:20 p.m., and Councilmember Chelminiak seconded the motion.

→ The motion carried by a vote of 5-0.

Continuing, Ms. Otal spoke to Issue 1, wholesale cost increases due to declining water demand and revenues and increasing wastewater costs. Taxes and franchise fees are increasing as well.

Issue 2 is aging infrastructure. The current asset replacement value exceeds \$3.5 billion. Ms. Otal explained that proactive maintenance is much less expensive than responding to failures. Referring to the West Lake Sammamish Parkway landslide, Ms. Otal said the cost to replace the pipe would have been about \$30,000. The total cost of the restoration project is exceeding \$1.6 million.

Ms. Otal said the City Council established the utility infrastructure Renewal and Replacement (R&R) Funds in 1995. The Water Utility has 600 miles of pipeline with less than half of its service life remaining. Wastewater infrastructure includes 650 miles of pipeline with less than half of its service life remaining. Strategies for Issue 2 are to start the pipeline replacement program with \$1 million per year. Lakelines replacement will be very expensive in 2020-2030 and 2060-2070.

Ms. Otal said there is limited information on the Storm Water Utility. However, it is estimated that there are more than 400 miles of pipeline with less than half of its service life remaining. Staff recommends continuing the current investment in the R&R Fund and refining the R&R needs assessment.

Issue 3 is the capacity for growth and the need to expand utility infrastructure ahead of development. Ms. Otal highlighted three major water and wastewater growth projects totaling approximately \$35 million.

Issue 4 includes regulatory requirements, mandates and other costs. Requirements under the National Pollutant Discharge Elimination Systems (NPDES) permit have a significant impact on storm water rates. Strategies to address these requirements include partnering with other jurisdictions for regional monitoring of NPDES requirements. The joint effort for an extension of the current NPDES permit was not successful, however.

Ms. Otal said the current budget includes a utilities contribution to the East Link light rail project from the R&R funds. She recalled that the Council adopted storm water rate increases of 1.5 percent annually through 2018 to support the Mobility and Infrastructure Initiative.

Issue 5 is declining water demand and volatile water revenues. Ms. Otal noted an ongoing decline in the demand for water due primarily to conservation, whether through the deliberate reduction in usage by citizens, the increased water efficiencies of new fixtures, and other factors. Ms. Otal said that water utilities across the country are experiencing this same decline in water consumption. Strategies include redesigning the water rate structure to improve revenue stability and a one-time water rate adjustment to continue to meet fixed costs.

Responding to Mayor Lee, Ms. Otal said the study of the water rate structure has been completed, and the Environmental Services Commission is reviewing the water rate proposal. The Commission's recommendation will be developed and presented to the Council in the fall.

Issue 6 is the challenge of keeping rates low while meeting Utilities Financial Policies. Cost containment measures were effective for the 2011-2012 Budget, and additional cost containment is anticipated in the 2013-2014 Budget. An additional strategy is the reduction of four full-time equivalent (FTE) positions from 2012 to 2013 in the areas of conservation programs, billing/customer service, and internal support function. No new FTEs are planned except to support the Capital Investment Program.

Ms. Otal described a graph depicting the total utility operating budget components over a six-year period, 2012-2018: 1) Wholesale costs, 2) CIP and Reserves, 3) Taxes and general support costs, 4) Personnel costs, and 5) Operations. The largest component is wholesale costs, which are expected to continue to increase.

Responding to Councilmember Balducci, Ms. Otal said the operations category includes the inventory of maintenance parts and piping.

Ms. Otal summarized that, despite significant challenges, the Utilities Department's goal is to keep current budget and rate recommendations at or below the levels projected in the adopted 2011-2012 Operating Budget and the 2013-2018 Early Outlook Financial Forecast. She presented the projected rate increases for the 2013-2018 Early Outlook Forecast, and itemized the services provided to customers for less than \$5 a day.

Responding to Deputy Mayor Robertson, Ms. Otal described plans to begin replacing wastewater lakelines in 2020 (Lake Washington, 15 miles; Lake Sammamish, 6 miles). She noted there will be environmental challenges because the lines are mostly submerged.

In further response, Ms. Otal said that each utility is a standalone business, and funds from one area cannot subsidize another (i.e., water, wastewater, storm water).

→ At 10:20, Councilmember Stokes moved to extend the meeting by five minutes. Ms. Robertson seconded the motion.

→ The motion to extend the meeting carried by a vote of 5-0.

Councilmember Stokes said the Environmental Services Commission wants to ensure that conservation programs do not end. He expressed concern that rates are not kept so low that they cause adverse long-term impacts to providing utility services. He acknowledged the challenge of balancing operational and maintenance costs with the objective of providing high quality services.

Mayor Lee thanked Ms. Otal for the thorough presentation.

At 10:24 p.m., Mayor Lee declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

kaw