

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Special Meeting
and Extended Study Session

July 28, 2014
4:00 p.m./6:00-10:00 p.m.

Mercer Slough Environmental Education Center
Bellevue, Washington

PRESENT: Mayor Balducci, Deputy Mayor Wallace, and Councilmembers Chelminiak¹, Lee, Robertson, Robinson, and Stokes

ABSENT: None.

1. Executive Session: None.
2. Oral Communications: None.
3. Study Session
 - (a) Council Business and New Initiatives

Mayor Balducci noted the memorandum in the Council's desk packet regarding her nominees for the light rail East Main Station Area Plan Citizen Advisory Committee (CAC). The CAC has 11 members from the Surrey Downs and Bellecrest neighborhoods and businesses. Mayor Balducci requested Council approval of the CAC members as proposed.

→ Deputy Mayor Wallace moved to approve the 11 nominees for the East Main Station Area Plan CAC: Chris Breiland, John D'Agnone, Christie Hammond, John King, Scott Lampe, Jim Long, Erin Powell, Danny Rogers, Alexander Strunkin, Bill Thurston and Pamela Unger. Councilmember Stokes seconded the motion.

Responding to Councilmember Robertson, the City Clerk recalled that the meeting's noticing allowed this motion at this time.

→ The motion carried by a vote of 6-0.

Deputy Mayor Wallace noted that the Council received an email over the weekend about the broken windows issues at Crossroads Park. He requested that staff follow up. He would like

¹ Councilmember Chelminiak arrived at 5:01 p.m.

more information on broader issues at Crossroads as well, including some raised in the email. He observed that some may apply citywide. He would like to see what can be done to curb some of the behavior.

City Manager Miyake said he did not receive that email. Deputy Mayor Wallace noted that it appears to have gone to Councilmembers' individual emails. He will forward it to Mr. Miyake.

(b) Council Budget Workshop and Discussion

(1) Introduction

City Manager Brad Miyake said the Leadership Team will be reviewing the budget over the next couple of months before he crafts his recommended budget. Staff is seeking Council feedback on the budget work to date to help the Leadership Team and him in preparing a draft budget that responds to the Council's and the community's priorities. Mr. Miyake said he will also be meeting individually with Councilmembers between now and mid-September for further feedback and direction.

Staff is seeking Council feedback tonight on the Capital Investment Program (CIP) Panel's work to date on the seven-year (2015-2021) CIP Budget and on key priorities beyond the seven-year CIP Plan. The staff Results Teams will present their funding recommendations for the 2015-2016 Operating Budget by Budget Outcome.

Mr. Miyake recalled that the Council recently completed its 20-year vision identifying seven Strategic Target Areas with one- and two-year priorities for each area. The capital and operating budgets include proposals that fall under these Strategic Target Areas.

Staff is seeking Council feedback on whether the proposals adequately respond to priorities. Is the Council comfortable with some of the trade-offs made between the priorities and base budget? Is the Council interested in funding additional projects in the future which may require additional revenue?

Mr. Miyake noted that, although many of the proposals and projects included in the budget are not highlighted as a Council priority, they represent core services necessary to support the Council's vision and priorities. Some key services are not currently recommended for funding (e.g., court facility) and will be addressed by the Leadership Team.

Mr. Miyake said certain Council priorities are not responded to in the budget to date (e.g., Regional Partners Collaboration, plan for securing great levels of grant funding). The Leadership Team will take a look at these priorities and is seeking input from the Council as well.

Mr. Miyake thanked the Results Teams, CIP Panel, and Finance Department staff for all of their hard work.

(2) Budget Process, Calendar and Public Engagement

Finance Director Jan Hawn moved to a broad overview of the process so far and additional future steps. She reminded the Council of the 2015-2016 Budget Guiding Principles which include a focus on services that deliver the outcomes important to the community, an examination of the entire budget and not on just incremental changes from the previous budget, and a long-range strategic approach to an affordable and sustainable budget. An additional building principle in recent years has been that, if expenditure reductions are necessary, service elimination is preferable to providing poor or marginal quality programs.

Ms. Hawn said the Leadership team is beginning its review of the budget proposals across Outcomes. The Leadership Team anticipates recommending a budget to the City Manager in August. The City Manager's preliminary budget will go to the Council in October. From October to December, the Council will review the budget, hold its third Public Hearing, and adopt a final 2015-2016 Budget and 2015-2021 CIP Plan in December.

Ms. Hawn said public outreach is not limited to the public hearings. Budget materials are available online and a community survey was completed in January. A Neighborhood Leadership gathering was held and public comment opportunities are provided at Council meetings. Communications may be sent to Council@bellevuewa.gov and/or FinanceDepartment@bellevuewa.gov.

(3) Economic Forecast Update

Toni Rezab, Assistant Finance Director/Budget Manager, presented the economic forecast update. The current forecast assumes no change in tax rates. Changes since the March 24 forecast including construction activity increasing the sales tax revenue forecast by 10 percent; reduced utility taxes reflecting lower growth trends; and the CPI-W for 2014 is 2.2 percent. The March CPI-W estimate was 2.4 percent.

Ms. Rezab said retail sales tax revenue is growing at 1-2 percent, which is lower than forecast. Certain sales tax categories (i.e., outdoor sporting goods) are generating less revenue. Utility tax collections are experiencing a flattening of cellular phone tax revenue. Looking beyond 2015, the economy continues to recover slowly and risks include uncertainty in the global marketplace and the impact of federal health care reform. The forecast shows revenues keeping pace with expenditures in 2015-2016, and revenues begin to outperform expenditures in 2017-2020.

Deputy Mayor Wallace questioned the split in major tax sources between the operating and capital budgets. Ms. Rezab said sales tax and B&O tax revenues are split 75 percent to the Operating Budget and 25 percent to the CIP. All REET revenues go to the CIP (50 percent to Parks, 50 percent to Transportation), and both the utility tax and the property tax go exclusively to the Operating Budget.

Councilmember Lee questioned the amounts of sales tax generated by category. How does the 10 percent growth in construction activity affect overall sales tax revenues? Ms. Rezab said she would provide the information.

Deputy Mayor Wallace observed that, despite substantial property sales, REET revenues are not performing as anticipated. Ms. Rezab said REET revenues are forecast by averaging large property sales over time. They are anticipated to reach forecast levels by the end of the year, however.

(4) General Capital Investment Program (CIP) Plan

Mr. Miyake opened discussion regarding the Capital Investment Program (CIP) Plan.

Ms. Rezab said the CIP Leadership Team Panel's recommended CIP Plan reflects \$38 million in new/enhanced Council priority projects, maintains existing infrastructure in alignment with Council policy, establishes capital replacement funding for existing IT systems, pays debt service as the first draw on revenues, and continues the City's investments in projects funded in the 2013-2019 CIP Plan.

Ms. Rezab provided an overview of the 69 proposals recommended for CIP funding and totaling \$493 million. She referred the Council to sections of the Budget binders containing relevant information. Key issues that the Panel grappled with include the slower revenue growth compared to rising costs, balancing cash flow, the adequacy of major infrastructure maintenance, minor maintenance and operations (M&O) costs as new infrastructure is completed, furthering Council's priorities, and funding the East Link Memorandum of Understanding (MOU) and complementary projects.

Ms. Rezab described the prioritization criteria which include preserving existing capital infrastructure before building new projects; effectiveness in achieving City mission, community outcomes, and Council priorities; mandates; financial factors; timing/urgency; and scaling. She noted the revenue restrictions by major area (i.e., transportation, parks, other restricted, and trails/pathways). Only 38 percent of CIP revenue is available for all other projects.

Ms. Rezab said the recommended CIP projects forward the Council priorities, assure that debt obligations are met, provide funding for major maintenance programs, provide funding for transportation and mobility projects (e.g., NE 4th Street, 120 Avenue NE, pedestrian/bicycle access), respond to anticipated East Link-related projects, keep the Parks Levy commitment, provide for neighborhood needs (e.g., Lakemont Boulevard/Cougar Mountain signal project, neighborhood sidewalks), prepare for and serve as a catalyst for future development, and fulfill general government responsibilities.

Projects not recommended include a portion of Spring Boulevard (Zone 1), Newport Way sidewalk design funding, West Lake Sammamish Phase 2, Downtown Transportation Implementation Plan, several transportation road projects, Green Revolving Fund, early planning and implementation of the Grand Connection between Meydenbauer Bay and the Wilburton area, East Link station area planning implementation, Downtown Livability items, and the Neighborhood Enhancement Program (NEP).

Councilmember Robinson questioned the difference in Downtown Transportation Plan costs on different pages of the Budget binder. Dan Stroh, Planning Director, said the Plan is scalable in terms of how much is funded for different scenarios/packages. Staff will provide more details in the future about what the dollar amounts will fund.

Mayor Balducci said she was expecting staff to describe the major projects/proposals.

Deputy Mayor Wallace observed that the Council needs to know which projects are funded by restricted revenues. In addition, he would like more discussion about options for phasing certain projects.

Continuing, Ms. Rezab referred the Council to the Waterfall tab of the Budget binders and explained how the CIP recommendations were derived.

Councilmember Robertson said she was having difficulty tracking project numbers with Budget Outcome numbers. Ms. Rezab said staff will address and try to clarify that.

[Councilmember Chelminiak arrived at 5:01 p.m.]

Mayor Balducci questioned "maintenance" versus "system upgrades". She suggested this is a trade-off that Council might like to look at.

Staff responded to questions of clarification regarding how to read and interpret the Budget materials.

Councilmember Stokes suggested refining the use of the term "maintenance" versus "enhancements" and "improvements." The difference is he sees maintenance items as things that the City must do to continue to support facilities, while the other categories are items he would consider optional.

Moving to Step 3 (Pages 79-80 of binder), Ms. Rezab said those projects are in the 2013-2019 CIP Plan.

Mayor Balducci noted the uncertainty around the East Link Memorandum of Understanding (MOU) commitments. She said the Council can discuss that more later.

Deputy Mayor Wallace suggested that additional light rail-related projects (e.g., 120th Avenue NE, Spring Boulevard, NE 12th Street) be grouped together in negotiations with Sound Transit. He believes they should be evaluated as a package.

Responding to Councilmember Chelminiak, Ms. Rezab said project PW-R-159 is staff/consulting and not construction or implementation. She said that is unique within this CIP Plan.

Deputy Mayor Wallace noted there is also money in the operating budget for the East Link project. Mr. Stroh said some of that comes from the CIP. He said staff made an effort to be

consistent with the direction from the last budget cycle to be careful about funding planning studies in the CIP and to use the CIP primarily to build facilities. However, it is still possible under rules approved by the Council to essentially fund activities that are directly related to building projects.

Councilmember Chelminiak said some of this goes back to the East Link MOU commitments. He said he is trying to understand what MOU commitments are represents in project PW-R-181.

Mr. Stroh said that, if you break down the MOU, there are \$100 million in upfront contributions. The CIP was not specific about dollars per project to achieve that because it includes property acquisitions and a number of items. Other contributions from a number of sources are part of the \$100 million as well. The East Link MOU line item in the CIP captures the capital costs of the \$100 million contribution. There is a \$60 million contingent contribution, which is not budgeted in the existing CIP or in the proposed CIP Update. Mayor Balducci said it would be helpful to group all of those items in one list/package.

Mr. Stroh said staff will address the formatting suggestions by Councilmembers to clarify the written materials.

Responding to Deputy Mayor Wallace, Ms. Rezab said staff will provide a list of existing projects that have been recosted. In further response, Mr. Stroh said that additional phases not included in a project line item are considered a change in scope or “enhanced,” while recosting refers to a cost increase for any given project/scope. Mayor Balducci requested a column in the listings to indicate items with cost increases.

Ms. Rezab moved to Step 4, the listing of projects that have changed scope or are new.

Responding to Councilmember Stokes, Ms. Rezab said she will provide more information on the increase for the Parks Levy items [PA-D-79, PA-D-27].

Responding to Mayor Balducci, Ms. Rezab said she will provide more information on Spring Boulevard [PW-R-173] under Step 5. She noted that Step 5 projects are not funded.

Mayor Balducci questioned whether staff put Xs corresponding to every proposal reflected in the Council’s specific priorities. Ms. Rezab said staff focused on two-year priorities and tried to indicate only those with a fairly direct connection.

Ms. Balducci said it is important for the Council to ensure that the correct priorities are identified. However, she acknowledged that priorities can change. Councilmember Robinson indicated she would prefer to not change key priorities at this point. Mr. Wallace observed that the Council can maintain its priorities and reduce the scope of certain projects or complete them in phases. Ms. Balducci concurred and suggested more specific descriptions of the Council priorities.

Councilmember Lee observed that this is a process which will eventually lead to a final budget.

Councilmember Stokes said it is helpful to have the Xs correlating specific projects and priorities. However, if projects are ultimately not funded, perhaps they should no longer be identified as priorities.

Moving on, Ms. Rezab reiterated that Step 5 lists projects not recommended for funding at this time.

Responding to Deputy Mayor Wallace, Ms. Rezab said pages 84-87 related to projects in Steps 1-4 indicate the cost of each project annually and how the dollars come in to fund them. She described how short-term borrowing works, noting that the \$59 million scenario could be repaid within the seven-year CIP period.

Deputy Mayor Wallace said approximately \$40 million remains available from the previous short-term borrowing, which is intended to be used for East Link MOU commitments. He said it would be helpful to know more accurately when MOU expenditures will be made. In addition, Mr. Wallace said the CIP proposals reflect only a partial amount of the potential contribution that the City could and should get from Sound Transit for items in the City's capital budget. Mayor Balducci suggested that contingent items be set aside until funding is actually available.

Councilmember Robertson said it would be helpful to have a list of interrelated CIP projects as well as potential revenues. For example, the City Hall Plaza parking garage is on the unfunded list. However, a monetary contribution or MOU credit for the City is anticipated for that project.

Mr. Wallace said that short-term cash flow borrowing is coming from identified projects (e.g., road projects). He said he has asked for a list of each line item anticipated as part of the \$59 million in short-term borrowing. He suggested that 20-year debt, if used instead, would free up additional capital and allow more to be done with the Budget. He believes it is worth considering given the low interest rates and significant needs.

At 5:48 p.m., Mayor Balducci declared a 20-minute break for dinner.

The meeting resumed at 6:20 p.m.

(5) Capital Investment Strategy – Beyond the Status Quo

Mr. Miyake recalled that the Council has requested “strawman” proposals/scenarios for their consideration. One of staff's goals tonight is to better understand the Council's interest in pursuing additional projects and in considering new funding options.

Mr. Stroh highlighted the materials provided in the binders under the Bellevue's Investment Strategy tab (Page 152). Attachment 1 (Page 162) outlines potential capital packages. Potential revenue sources are provided under the next tab (Page 168), followed by a list of Council-identified projects related to specific Council priorities beginning on page 174.

Councilmember Lee questioned the lack of capital projects under the areas of Regional Leadership and Influence and of Economic Development. Mr. Stroh recalled that the Economic Development Strategy contains both foundational and direct strategies. He noted that related projects show up in a number of Outcome areas including road projects under Improved Mobility. Mr. Stroh said staff did not identify specific capital investments under Regional Leadership but see that as part of the overall economic development strategy.

In further response to Mr. Lee, Mr. Stroh said he could develop a list of projects with a strong economic development focus.

Councilmember Stokes suggested that one example might be the regional performing arts center which can be a factor in economic development as well as require regional leadership and influence.

Councilmember Chelminiak noted that many projects could be placed under more than one strategy. Examples of other economic development-related proposals are Downtown mid-block pedestrian crossings and development of the Metro site next to City Hall.

Mayor Balducci stated her understanding that the purpose of tonight's discussion is to gain a sense of what the City is capable of doing and what the Council wants to do in order to collectively provide input to the City Manager.

Deputy Mayor Wallace noted the staffing proposal under the economic development strategy category. He believes two projects should be reflected in the baseline budget: Newport Way sidewalk/roadway improvements project design and Bellevue Way design. For the latter, he would like to learn more about the 300-foot queue jump.

Mr. Stroh said the intent tonight is to begin to identify projects for enhanced revenue funding beyond the CIP. He noted that the Council's principles for considering project priorities are summarized on page 154. Based on an earlier polling exercise for Councilmembers, staff created four project packages to guide continued discussions. Package 1 reflects the projects rated as high priorities by the greatest number of Councilmembers, and Package 4 reflects projects identified as high priorities by the fewest Councilmembers.

Mr. Stroh described package 1 which includes 124th Avenue NE, Spring Boulevard, and Newport Way road projects; Downtown Transportation Plan; Community Connectivity; and the Fire Facility Plan Station 5 Rebuild. Mr. Stroh said the Downtown Transportation Plan includes enhancements (e.g., pedestrian) related to the NE 6th Street light rail station.

Mr. Stroh described package 2, which adds the following to package 1: Bellevue Way HOV project, increased Downtown Transportation Plan funding, completion of Meydenbauer Bay Park, Grand Connection from Meydenbauer Bay to Wilburton area, and Neighborhood Enhancement Program (NEP) funding.

Councilmember Robertson said she would like more details on what is provided at each scale/funding level for individual transportation projects.

Responding to Councilmember Robinson, Parks Director Patrick Foran commented on what is included within the phasing/scaling levels of the Meydenbauer Bay Park project. He said additional parking will be needed for Phase 2.

Mayor Balducci observed that, before the Council reaches its final decisions on project scaling, Councilmembers will ultimately need more details on what is included within each funding level/phase for individual projects.

Councilmember Chelminiak said both phasing and timing are important with Sound Transit and major roadway projects. Decisions will need to be based, at least in part, on how they all come together. He said it would be helpful to understand the timing of the Bellevue Way HOV lane, if approved, within the context of the broader East Link project.

Continuing, Mr. Stroh said package 3 adds West Lake Sammamish Phase 2, Bel-Red mobility improvements (NE Spring Boulevard), and the Fire Facility Plan Training Center Expansion. Package 4 adds NE Spring Boulevard Zone 2, Downtown Livability items, SE 16th Street (148th to 156th SE), and a revolving energy fund.

Mayor Balducci said Councilmembers have been approached by KidsQuest Museum, but she did not see anything on the project list. Mr. Stroh said there is a potential for a combined cultural facilities placeholder.

Responding to Councilmember Robinson, Councilmember Stokes said the dollar amount to be requested by the Tateuchi Performing Arts Center for a City contribution has not been determined.

Councilmember Lee said a key element in encouraging economic development is the availability of land.

Ms. Balducci said Inspiration Playground at Downtown Park is funded at \$2 million in the base CIP Plan. However, she did not recall Council discussion about that as a priority. She suggested the Council discuss its priorities with regard to the arts and other cultural amenities. She said KidsQuest Museum has made a commitment to moving to the Downtown and she would like the Council to consider providing financial assistance. She recalled that the Council made an agreement with the Tateuchi Center to explore and identify funding as well.

Responding to Councilmember Robinson, Mr. Foran said the \$2 million for Inspiration Playground reflects a donation from the Rotary Club. The City's portion of the project is to provide design, permitting, and other non-construction items.

Deputy Mayor Wallace observed that it is essential to be able to identify direct funding sources (City versus other sources) to fully understand the budget. Mr. Stroh said this can be shown in the base CIP Plan.

Responding to Councilmember Robinson, Ms. Rezab said the impact of a 31-cent property tax increase is approximately \$200 for a home valued at \$700,000.

Councilmember Robertson would like to know what a tax increase buys. For example, what does a certain percentage of sales tax or property tax buy? And what does it cost the average homeowner? She has the same question for any other revenue sources to be discussed throughout the budget process.

As an example, Ms. Rezab said Bellevue's property tax rate is currently \$1 per \$1,000 of assessed valuation. A 10-cent (10 percent) increase for a \$500,000 house is \$50 annually.

Mr. Stroh referred the Council to page 168 of the Budget binder for capital funding options.

Before moving on, Deputy Mayor Wallace said he wanted to comment on the project list. He suggested that the Spring Boulevard projects be grouped with light rail. He suggests considering design funding for Newport Way. He would like the \$5 million for station enhancements to be discussed with other light rail funding. He opined that the Community Connectivity project could wait until the study is completed. He believes Fire facilities should also be a separate discussion. Mr. Wallace observed that a number of projects have likely sources of revenue other than the General Fund. For example, he anticipates some regional funding and/or grant funding for the Fire Department training facility.

Councilmember Robinson expressed support for the Community Connectivity project and questioned the implications of postponing it. Mr. Stroh said the broadband issue is much bigger than this capital investment piece.

Toni Cramer, Chief Information Officer, said the capital piece is intended to get the City through the next couple of years to help facilitate the expansion of broadband facilities with private providers. One potential option is the colocation of facilities. The study is an assessment this year and a community survey next year to determine needs and preferences. Ms. Cramer said the City is positioning itself to work with public and private partnerships to reach common goals.

Councilmember Chelminiak observed it might not make sense to wait too long for Phase 2 of West Lake Sammamish Parkway. Referring to page 165, he does not think the City can plan on a voted package for only Meydenbauer Bay Park and the Grand Connection. He believes there would need to be more items in a package to win the public's support. He suggested adding public safety, cultural resources, and other items to the package.

Councilmember Chelminiak expressed support for "strawman" package A1. Under package A2, he is interested in the concept of a 300-foot, queue jump only project for the Bellevue Way HOV lane.

Moving on, Mr. Stroh said he would skip through the slides on funding sources and go to the "strawman" packages. However, he referred the Council to page 168 of the binder for information on revenue sources. He said the next version will include the impact on the average homeowner.

Mr. Stroh said package A1 (Councilmanic) represents a 10-cent property tax increase to bond approximately \$50 million. He referred to page 214 of the binders and noted that the City's share of the property tax is only 11 percent of what homeowners see on their tax bill. The rest goes to King County, school districts, and other taxing jurisdictions.

Package A2 (Councilmanic) includes A1 projects plus funding for the Bellevue Way HOV lane (300 feet), Downtown Transportation Plan, Meydenbauer Bay Park Phase 2, and the Grand Connection. Potential revenue sources include the property tax, motor vehicle tax, and grants.

Voter-only packages are B1 which funds the full Fire Facilities Plan; B2 for Parks and Culture (Meydenbauer Bay Park, Grand Connection, and other key parks and cultural resources); and B3 with a Transportation and Neighborhood voter package.

Additional options combine Councilmanic urgent needs with the Fire Facilities package (C1), Parks and Culture voter package (C2), or Transportation and Neighborhoods package (C3). Mr. Stroh noted the potential for a voted Transportation Benefit District (TBD) assessment to fund transportation projects.

Mayor Balducci believes a voter package with a strong theme could be successful. She asked whether the Council is willing to consider voter measures.

Councilmember Robinson offered her thoughts on a possible combined Councilmanic and voted package. She believes the Community Connectivity initiative is important. She sees the Grand Connection as a good opportunity to connect neighborhoods to the Downtown and the activities it has to offer. For a property tax increase of 13 cents, she suggests 124th Avenue, Spring Boulevard, Community Connectivity, Fire Station 5 Rebuild, Meydenbauer Bay Park Phase 2 (including parking), Grand Connection, and the Bellevue Way HOV 300-foot lane. A Transportation Benefit District (TBD) assessment of \$10 would pay for the Downtown Transportation Plan. She suggested another TBD could be identified as well.

Continuing, Ms. Robinson said a voted measure could be a 10-cent property tax increase or a one percent TBD sales tax. The sales tax could be combined with the Neighborhood Enhancement Program, Newport Way sidewalks, enhanced access to the Downtown Station, West Lake Sammamish Parkway Phase 2, Downtown Livability, to be determined (\$4 million), PACE/Tateuchi Center (\$10 million), and cultural arts (\$20 million).

Councilmember Lee commented on the importance of developing a budget, and potentially voter packages, that are strongly supported by the Council and the public.

Councilmember Chelminiak said he likes the idea of a \$20 vehicle fee for transportation projects. He supports selecting a revenue package that also includes a series of property tax increases and/or a Transportation Benefit District assessment (i.e., 1% sales tax). He suggested a package of transportation projects, public safety, and specific arts and culture projects.

Councilmember Stokes said Bellevue is a medium-sized city with an urban center, which requires more revenue than can typically be generated from its population. He is not quite ready to determine what should be included and funded. He recalled visiting Denver two years ago which has some parallels to Bellevue. He encouraged working on public-private partnerships. He suggested taking advantage of the synergies presented by the light rail project. He is a little concerned about how to structure a voter package for the Bel-Red area/Spring District. However, he believes it could be supported if the overall community benefits are demonstrated.

Councilmember Robertson said the East Link MOU designates funding that would otherwise have been used for City transportation projects. She expressed support for voter package B3, Transportation and Neighborhoods. She supports placing a TBD assessment before the voters but is hesitant to adopt a vehicle license tax, which she believes is one of the most regressive types of taxation. She believes a TBD sales tax and a small property tax increase would be good for funding a number of transportation needs. She suggested considering a ballot measure for November 2015 or November 2016. Ms. Robertson spoke in favor of addressing public safety as a Councilmanic measure. She would support presenting an arts and culture package to the voters.

Deputy Mayor Wallace observed that there is more capacity in the base CIP than he had thought. He suggested considering whether the Council wants to delete, refine, or modify existing items/projects in the baseline budget. In looking at long-term debt financing, he observed that many of the transportation projects are suitable for 20-year bond financing instead of taking on short-term debt for the life of the seven-year CIP Plan. However, he believes the Community Connectivity project would not be appropriate for 20-year financing.

Mr. Wallace expressed concern that light rail costs are a major issue. Sound Transit plans to site a maintenance facility in Bellevue, and details of the light rail project continue to change, including requiring more property acquisitions than originally anticipated.

Deputy Mayor Wallace said the East Link MOU needs to be completely renegotiated, and Bellevue should receive a larger amount from Sound Transit than what is currently reflected in the City's capital budget. He would prioritize the City's Fire Facilities Plan over Sound Transit's light rail project, especially in light of that agency's efforts to place a large maintenance facility in Bellevue.

Mr. Wallace said he is open to considering the \$20 vehicle tax for appropriate projects. A property tax increase has some appeal because the millage rate is so low. However, he said that 100 percent of property tax revenue is allocated to the operating budget. He noted risks associated with the operating budget including the financial impact of the Affordable Care Act. Mr. Wallace observed that the City cannot plan to spend all of its property tax banked capacity on capital projects.

Mayor Balducci agreed that it will be difficult to pass any voter or Councilmanic measures until the Council understands the final impact of the East Link light rail projects. With regard to the strawman packages, Ms. Balducci expressed support for the Parks and Culture package (B2). She is somewhat hesitant to come out with another parks package when there is an existing parks

levy package. She suggested a culture and neighborhoods package with desired quality of life elements.

Mayor Balducci concurred with the Deputy Mayor's suggestion to review the base CIP Plan for potential refinements before deciding what to add. She is willing to ask taxpayers for a property tax increase because Bellevue's rate is so low. She believes it would be appropriate to use a vehicle tax and a TBD sales tax to fund transportation projects.

Mr. Stroh said there are some themes throughout Councilmembers' comments. He suggested coming back in a few weeks for continued discussion.

Mayor Balducci suggested funding the design of the Grand Connection project before placing a voter measure on the ballot to implement the project. She would like to identify money in the current CIP Plan for design.

At 8:15 p.m., Mayor Balducci declared a short break.

The meeting resumed at 8:23 p.m.

(6) Operating Budget – Results Team Presentations

City Manager Miyake introduced the Results Teams presentations, beginning with the Responsive Government Outcome.

Mike Remington, Deputy Fire Chief, said the Responsive Government Results Team received and ranked 62 proposals from 10 departments. The team's recommendation maintains basic service levels and accommodates certain enhancements to programs and staffing levels. Mr. Remington commented on the factors taken into consideration by the Results Team. Of the 62 proposals reviewed, the team recommends fully funding 44 proposals, enhancements to several proposals, and minor reductions to a few proposals to support enhancements to key services.

Responding to Mayor Balducci, Ms. Rezab described the written materials depicting the proposals and their rankings under the Responsive Government Outcome. Ms. Rezab noted the proposals for which funding was not recommended, and acknowledged that the format is slightly different than previous budget cycles.

Ms. Balducci questioned why One City was skipped over and lower ranking projects were funded. Mr. Remington said the Results Team suggests that it be funded through MND (Miscellaneous Non-Departmental).

Councilmember Robertson said the information does not reflect whether staff is being added or what the budget percentage increase is for specific line items. She said it would be helpful for the summaries to provide information on what the Council approved over the past two years.

Mayor Balducci noted that details on staffing will be provided in the City Manager's Preliminary Budget later in the process. Mr. Miyake reminded the Council that the Leadership Team has not

yet reviewed the Results Teams' work. He said there will be changes to what the Council is seeing tonight.

Deputy Mayor Wallace questioned how the monies were allocated to each Outcome and how that compares to the previous budget. Ms. Rezab said the total amounts designated for each Outcome are based on the last Council-adopted budget. She acknowledged that this is an imperfect process, but it is the first step in staff's review. The Leadership Team will review the recommendations next.

Scott Taylor, Utilities Design and Construction Manager, presented the Safe Community Outcome results. The Results Team reviewed 41 proposals from eight departments, which included 11 new proposals and a request for 33 new staff positions. He said the team attempted to identify savings in the base budget to fund enhancements, but a significant funding gap exists. The purchasing plan recommends holding at the status quo for most of the proposals and holding the line on maintenance and operations expenses.

The Safe Community Results Team recommends funding for core services, modest enhancements, and modest reductions. Proposals below the full funding line are King County District Court-Bellevue Division, Fire Department dedicated technical and supervisory training, power stretchers, and East Link Fire operations.

Mr. Taylor said the recommendations support the Council's vision and priorities for safe neighborhoods, high quality infrastructure, and high quality emergency response services. Additional funding is required for District Court, and the Results Team recommends maintaining the current staffing level. New revenue sources to consider are a security alarm registration fee, annual fire inspection fee, and re-inspection fee for annual fire inspections.

Mayor Balducci questioned how funding will be handled for District Court, which the City is required to provide. Mr. Miyake said the Leadership Team will be looking carefully at that item. Mr. Remington noted that the court proposal requested \$2 million, and the Results Team was unable to fund \$680,000. Responding to Mayor Balducci, Mr. Miyake said the Leadership Team will develop options for Council consideration.

Councilmember Robertson said it would be helpful to know which line items receive funding from other sources. For example, traffic enforcement cameras are listed as an expense. However, the costs are recovered through fines. She questioned the percentage paid by the school district for School Resource Officers. Ms. Robertson said she would like to see some of the previous service cuts restored for the Fire and Police Departments and to be able to fund a Downtown Fire Station.

Councilmember Chelminiak noted the recommendation to hold four Police positions open in 2015 and to fund two of those in 2016. Mr. Taylor said those positions are in Patrol. In looking over the past 20 quarters at Police Department vacancies, the Department did not fall below 7.2 vacancies on average. He said there are currently 11 vacancies.

Councilmember Chelminiak questioned whether there is a proposal for the Ethics Officer. City Clerk Myrna Basich said the Council determined that the position would be filled by a contract, and staff has not yet initiated the request for proposals (RFP). The thought was that the individual will be available on an as-needed basis.

Mayor Balducci noted the need to address the money allocated to staffing in the Police Department if there are always vacant positions. She suggested it might be appropriate to reallocate some of that money to other uses.

Councilmember Lee said he is not sure there is a way to fix the problem. He thinks it is important to have the funding to increase staffing. He would like to restore the Downtown Bike Patrols. He recalled that resident surveys identify public safety as a top priority.

Referring to the Responsive Government Outcome, Mr. Lee noted status quo funding for intergovernmental relations/regional issues. He said one of the Council's priorities is to enhance efforts in this area. Mr. Miyake concurred that this issue and others (e.g., grant funding) need to be explored further by the Leadership Team.

Councilmember Stokes observed that the ongoing vacancies in the Police Department raise the question of whether the department is functioning at the appropriate level. He said this confuses the budget process somewhat. He noted the lack of funding for Bike Patrols. Mr. Stokes expressed concern that this appears the Council is not supporting the Police Department. He said this is an important issue for the Police Department and the Leadership Team.

Mr. Taylor said the Police Department is planning, under its personnel services unit, to ramp up the hiring process. The Results Team did fund an enhancement to provide \$40,000 to assist in recruiting and hiring. Even with freezing four positions in 2015, seven positions remain to be filled.

Responding to Mr. Stokes, Mr. Taylor said the funding gap is related primarily to the District Court lease, the expansion of red light cameras, and the requested 33 new positions.

Deputy Mayor Wallace said he is interested in whether the leadership of the Police and Fire Departments believe they have the right number of personnel to protect the City. He would be interested to see how enhancements in technology might help do more with less. He would like more information on not being able to hire enough Police Officers. His understanding is that the Police Academy cannot process the recruits fast enough right now. He said there will be a fair amount of attrition over the next decade and he is interested in hearing how staff plans to address this.

Moving on, Assistant City Attorney Cheryl Zakrzewski presented for the Healthy and Sustainable Environment Outcome Results Team. The team reviewed 38 proposals from five departments, which included 34 proposals from the Utilities Department. Seven proposals requested money from general revenue allocations, which was made up of three Utilities proposals and the four non-Utilities proposals. The factors considered in ranking the proposals

include consistency with Council priorities. The 2012 citizens survey ranked clean streets, access to open spaces, and protecting water quality as top priorities.

Ms. Zakrzewski said the Healthy and Sustainable Environment purchasing plan fully funds general revenue-related Utilities proposals and street cleaning. It partially funds Natural Resource Management and the Environmental Stewardship Initiative. Both of those proposals requested enhancements which the Results Team determined could not be funded. The Results Team recommends foregoing the Phase II NPDES Permit requirement proposal based on its determination that the work can be provided with current staffing.

Ms. Zakrzewski said the Results Team recommends that the Utilities proposals be reviewed separately because the nature of the Utilities Department does not fit well within the Budget One structure. The team suggests that the Council look at the long-term sustainability of maintenance funding for the expanding inventory of City-owned facilities. The team further suggests that the Council consider the use of one-time revenue sources to fund ongoing maintenance and operations costs.

Councilmember Stokes suggested that everyone use the term "enhancement" in the same way. He questioned the rationale for not funding NPDES support. Ms. Zakrzewski said the proposal requested outside consultant services. The Results Team concluded that the work can be done with existing staff, although this may slow down review of the NPDES permit.

Responding to Councilmember Lee, Ms. Zakrzewski said the Results Team provided base funding for the Environmental Stewardship Initiative but did not fund the requested enhancement. Councilmember Stokes said he would like the Leadership Team to take a look at that proposal and the comments that were made about it. He believes it is an important program and would like to see a modest enhancement. Councilmember Lee concurred and asked the City Manager to reevaluate the Results Team's recommendation. Ms. Zakrzewski noted that ESI work is being done across a number of departments.

Responding to Councilmember Robinson, Ms. Zakrzewski said the City regularly pursues grants.

Ms. Robinson noted the importance of maintaining the timely processing of development permits through the Utilities Department.

Responding to Councilmember Chelminiak, Ms. Rezac said she will follow up to provide information on any proposals related to the Electrical Reliability Study.

Mayor Balducci said she will have questions later about what \$200,000 buys for the Environmental Stewardship Initiative and what the proposed enhancement would provide.

Emil King, Strategic Planning Manager, presented for the Improved Mobility Results Team. He noted that transportation and mobility continue to be top priorities for the community. The team reviewed 15 operating proposals, none of which were entirely new. He noted that the CIP Panel reviewed 46 mobility proposals for capital projects.

Mr. King said the recommended Improved Mobility Outcome purchasing plan maintains core services in all 15 mobility proposals. The proposals reinforce and complement each other, and foregoing any of them would have broader impacts. Most enhancements requested in this area were unable to be funded. The Results Team's recommendations align with the Council's priorities of economic development, mobility, high-quality built and natural environment, and regional leadership/influence.

Councilmember Robertson said she would like to know, for all Outcomes, which operating budget projects include CIP monies that are transferred to the General Fund. Mr. King said the key ones are East Link, CIP Delivery Services, and the Transportation Overlay Program.

For projects indicating enhancements, Councilmember Lee said he would like to know the amount of the dollar and staffing increases.

Councilmember Chelminiak said he would like to provide adequate support for regional efforts (i.e., State Legislature, Puget Sound Regional Council), especially those that bring in funding for City projects. Mr. King said the requested enhancement, which was staff to assist with program accreditation, was not recommended.

Mayor Balducci observed that there are a number of reductions to maintenance and operations (M&O) and to equipment replacements and purchases. She will be interested to hear whether departments confirm that they can maintain an adequate level of service with these reductions. Mr. King said those are not reducing core services, but there is less money for equipment and certain maintenance items during the next budget cycle.

Jerome Roaché, Assistant City Attorney, presented the Innovative, Vibrant and Caring Community (IVCC) Outcome and the Quality Neighborhoods (QN) Outcome. He said the IVCC Outcome refers to the whole community and QN refers to specific neighborhoods.

Eighteen IVCC proposals were reviewed, with the majority coming from the Parks Department. Most were enhancements or requests for the restoration of prior service levels. Three new proposals received relate to the Diversity Initiative, PACE (Performing Arts Center Eastside), and the Fire Department's CARES (Citizen Advocates for Resources and Education Services) Program.

The IVCC purchasing plan removed discretionary enhancements, recommends funding two new programs (Diversity Initiative and CARES program), recommends funding a majority of existing programs at or near existing funding levels, reduces certain items (e.g., street trees, landscaping and vegetation management), and recommends collaboration with regional partners to fund PACE. The Results Team believes that the level of service can be adjusted to lessen the impact of the reductions.

Mr. Roaché said PACE was the only program that the Results Team recommended against funding. The rationale was that regional collaboration would provide the necessary funding, and competing proposals did not have other potential funding sources.

Mr. Roaché said both the Diversity Initiative proposal and the Bellevue CARES proposal contribute to Bellevue's goals for an Innovative, Vibrant and Caring Community. The Council has indicated that diversity is our strength. Three separate diversity proposals were originally received and these were streamlined into one proposal.

Councilmember Robinson said she supports the Diversity Initiative. However, she believes the County should be providing the CARES program and not the City. She expressed reluctance to having firefighters working as social workers and physical therapists. She said the Fire Department's role should be to refer situations to the County for their social services program to address.

Mr. Roaché said the basis of the CARES program, as presented to the Results Team, is that it will save Fire Department resources in the long run. One example was of a resident who kept calling because he could not reach his remote control; ongoing Fire Department responses was thought not the most effective use of resources. The CARES program provides a social worker who educates and helps this person, which frees up Fire personnel and equipment for other responses. The objective is to change the behavior. While staff does not disagree that the County should be providing these services, unfortunately it does not.

Councilmember Robinson reiterated that she thinks the role of identifying the need is important. However, there are existing social services resources to address those situations.

Councilmember Stokes expressed support for the Diversity Initiative. However, he is puzzled by the recommendation to not provide funding for the Regional Arts Facilities Collaboration/PACE proposal.

Mr. Roaché said the Results Team analyzed ways to fund that proposal but could not come up with a solution that did not have a negative impact on other programs. The team determined that private funding and other resources are potentially available to support PACE.

Mr. Stokes said the Council has entered into a Memorandum of Understanding (MOU) indicating the City's intent to consider providing funding to PACE.

Councilmember Lee supports the Diversity Initiative as a positive bold step.

Responding to Councilmember Chelminiak, Mr. Roaché said the enhancement requested under human services was additional staffing for the winter shelter. Mr. Chelminiak observed that the Human Services Commission intends to recommend funding for the winter shelter.

Councilmember Robinson asked whether there are statistics on the effectiveness of the Bellevue CARES program, which has been in existence for approximately one year. Mr. Roaché said he believed it started as a University of Washington program and they were using students as opposed to licensed social workers. The UW is requesting that the City provide a funded graduate student in social work to perform the role. Mr. Roaché said he is not aware of statistics or effectiveness measures.

Councilmember Stokes said he supports ARCH (A Regional Coalition for Housing) funding and would like a robust discussion of overall housing funding and policy issues in the future.

Mayor Balducci expressed support for the Diversity Initiative but questioned the rationale for combining it with the Civic Engagement program, which coordinates the City's volunteer program. She does not want the latter to lose its value by combining with the Diversity Initiative.

→ At 9:53 p.m., Councilmember Chelminiak moved to extend the meeting to 10:15 p.m. The motion was seconded by Councilmember Stokes.

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

Moving on, Mr. Roaché said the Results Team recommends that IVCC and Quality Neighborhoods be combined into one Outcome. The Quality Neighborhoods Outcome received three proposals, two from the Parks Department (one of which included an enhancement request) and one from the Development Services Department which requested an enhancement. The Results Team recommends funding all three proposals without the enhancements. Mr. Roaché said the distinction between the two Outcomes is primarily geographic (community-wide versus specific neighborhoods), and the Results Team believes they fit well together.

Responding to Mayor Balducci, Mr. Roaché said the requested enhancements were two staff positions and related costs.

Ms. Balducci said she is not opposed to combining the two Outcomes. However, she wants to be sure that Quality Neighborhoods proposals are not lost within the remaining Outcome.

Smitha Vijayan, IT GIS Lead, presented the Economic Growth and Competitiveness Outcome. Six proposals were reviewed including three new proposals: Broadband fiber and cable franchise program, Economic Development Strategy implementation, and Downtown Parking Enforcement Alternative. The existing model for Downtown Parking Enforcement is not recommended for funding.

Existing proposals are Development Services review services and the Economic Development core program. Five of the six proposals are recommended for funding, excluding the existing Downtown Parking Enforcement model. However, all proposals had to be scaled back from the requested levels.

Responding to Mayor Balducci, Ms. Vijayan said the proposed new parking enforcement program would be initiated in 2016.

Councilmember Robertson asked how the new parking enforcement affects Old Bellevue. She said the Downtown Livability Initiative is addressing parking in that area and the City also has plans to add parking at Downtown Park adjacent to Old Bellevue. Ms. Robertson recalled past Council discussions in which there was not support for parking meters. She would want to see an analysis of the implications (e.g., economic, parking behavior, parking availability) of the

parking proposal before it is considered. She questioned the revenue stream for this proposal and asked that the topic be highlighted for further discussion.

Councilmember Robertson questioned whether the Economic Development proposal includes staffing. Ms. Vijayan said the Economic Development director position is included in the core services. The Economic Development Strategy proposal is requesting an additional new position to focus exclusively on strategic plan implementation. The Results Team recommends funding for the latter for six months in 2015 and all of 2016.

In further response to Ms. Robertson, Ms. Vijayan said staff is working to fill the existing vacant position, and the new/proposed strategic planning position is a third position.

Councilmember Lee said the City needs a full review of parking policies and needs. He understands the need for parking in Old Bellevue. He expressed support for the Economic Development staff positions.

Deputy Mayor Wallace requested an itemization of Development Services fees for the East Link light rail project.

Mayor Balducci expressed support for the Economic Development staff proposal.

Mr. Miyake thanked the Results Teams for their hard work.

Mayor Balducci declared the meeting adjourned at 10:15 p.m.

Myrna L. Basich, MMC
City Clerk

/kaw