

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

October 11, 2010
6:00 p.m.

Council Conference Room
Bellevue, Washington

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

ABSENT: Councilmember Chelminiak [Excused for medical reasons.]

1. Executive Session

The meeting was called to order at 6:00 p.m., with Mayor Davidson presiding. There was no Executive Session.

Mayor Davidson noted that an agenda item regarding a proposed economic agreement with Macao, China, was postponed last week. That item will be addressed following oral communications.

2. Communications: Written and Oral

- (a) Linda Lowe-Sheedy, a resident of Sherwood Forest, requested that funding be preserved for traffic calming, pedestrian safety, and law enforcement. She explained that the intersection project designed to protect Sherwood Forest from cut-through traffic has been a failure. She reported that vehicles leaving the Microsoft campus continue to pass through the neighborhood, usually after making U-turns on Bel-Red Road and occasionally by driving over the curbs in the middle of the road. She said staff has not been responsive to complaints. Ms. Lowe-Sheedy described dangerous incidents involving pedestrians, and requested traffic and criminal enforcement in their neighborhood.
- (b) John Harrow, Sherwood Forest, described traffic impacts in their neighborhood related to schools, Microsoft, and businesses. Crimes such as vandalism, mail theft, car theft, and burglary have increased and were virtually non-existent prior to 2002. He encouraged the City to continue to fund traffic calming projects, noting that traffic speeds have increased over time.

- (c) Diane Parry, Sherwood Forest, described increasing traffic on NE 26th Street en route to 164th, and trying to avoid the gridlock of backed up traffic entering and exiting Interlake High School on NE 24th Street. Drivers disregard stop signs and posted speed limits within the neighborhood. Ms. Parry requested continued funding for traffic calming.

Councilmember Degginger asked staff to follow up on these concerns.

- (d) Will Knedlik stated that he does not belong to the Building a Better Bellevue group. He expressed concern that Councilmember Degginger has a conflict of interest related to his law firm's work with Sound Transit. Mr. Knedlik said that Mr. Degginger did not disclose that one of his largest personal assets is a profit sharing plan with the law firm, which receives proceeds from Sound Transit. Mr. Knedlik submitted a copy of Mr. Degginger's Personal Financial Affairs Statement on file with the Public Disclosure Commission. Mr. Knedlik recalled his previous communication that Councilmember Balducci's employment with King County represents a conflict of interest, as does her membership on the Sound Transit Board. Mr. Knedlik requested that the opportunity for recusal be allowed through October 31. He asked that actual conflicts be found formally by the Council after that date, and participation as to the Sound Transit questions be prohibited for cause.
- (e) Ron Griffin, a Wilburton resident, testified about the effectiveness of the Neighborhood Enhancement Program (NEP) in funding landscaping and entry enhancements, a sidewalk segment, playground upgrades, trail, and street lights over a 12-year period. He urged continued funding for the NEP, which enables projects that create a sense of community. Additional ideas for his neighborhood include a picnic shelter at the top of Wilburton Hill, entry signs, and pedestrian safety projects.
- (f) Michael McKinley, a Redmond resident on Bellevue's border in the Sherwood Forest area, expressed support for the new aquatics center requested by SPLASH. Mr. McKinley has been the master swim coach at the YMCA since 1988. Until a new aquatics center can be built, Mr. McKinley encouraged interim improvements to the existing pool or building a temporary facility.
- (g) Robert Shay, President of the Wilburton Community Association, spoke about the benefits of the Neighborhood Enhancement Program and encouraged continued funding.
- (h) Amy Sirr, an Enatai resident, shared her concerns with the proposal to continue to study the B7 light rail alignment. She does not believe that Sound Transit will be swayed by a hastily prepared 5 percent design study for the B7. The B7 route is currently at least \$100 million beyond Sound Transit's budget, which continues to experience decreasing revenues. She feels that the Council is ignoring the realities of the budget in asking for the B7 along with a Downtown tunnel. Ms. Sirr is concerned that the City has not notified Sound Transit about a change in Bellevue's preferred route to the Modified B7 option. This alternative would significantly alter the engineering design of Segment C, which

will become another reason that Sound Transit cannot be expected to switch to another new route proposed by the City.

Ms. Sirr expressed concern about Councilmember Robertson's comment, with regard to further study of the B7 route, that \$670,000 is "pocket change." Ms. Sirr said that additional study is to be funded by the City, which is already facing layoffs and budget reductions. She disagreed with those who say that the Modified B7 protects neighborhoods, as it does not protect neighborhoods on 118th Avenue SE or portions of Enatai. She would rather have money directed to B2 and C9T alignment issues. Ms. Sirr expressed concern that a continued focus on the Modified B7 alternative will threaten the City's position with regard to a Downtown tunnel. She thanked Councilmembers Balducci, Chelminiak, and Degginger for their continued attempts to be the voices of reason on the Council. She wished Councilmember Chelminiak a speedy and complete recovery.

- (i) Betina Finley speculated that Ms. Sirr, like her, might also be receiving emails from the community with a number of similar questions about light rail. Ms. Finley read a series of questions into the record. What makes the Council confident today that additional study of the B7 route will support a conclusion that Sound Transit will embrace and carry to further study? On what basis do members of the City Council today have any confidence that Sound Transit would reconsider the substantial commitments they have made to the present preferred alignments? Have staff or any members of the City Council had any discussion with members of the Sound Transit Board or staff which encourages one to advance studies in face of the current information? Is there any evidence that the light rail alignment being advanced by the Council will result in substantial cost savings? Does the Council have an end plan that does not jeopardize Bellevue losing tunnel funding? Where will the \$670,000 being spent on Phase 1 study come from? Which services and programs currently in the City budget will lose funding to support this study? Ms. Finley asked the Council to provide responses for the public.

3. Study Session

(a) Council Business and New Initiatives

City Manager Steve Sarkozy opened discussion regarding the proposed economic agreement with Macao, China.

Bob Derrick, Director of the Office of Economic Development, described the proposal for an economic agreement with Macao, China, similar to the agreements with Dalian and Qingdao. Macao, like Hong Kong, is a special administrative territory with a fair amount of independence in how it operates. The draft letter in Council's desk packet is intended to foster economic and cultural relationships with Macao businesses and entities.

Deputy Mayor Lee spoke in favor of facilitating international trade and business relationships between Macao and Bellevue.

Councilmember Balducci questioned the overall strategy and objectives of the City with regard to these types of proposals. She expressed an interest in a policy basis and comprehensive approach to guide the Council's review of this and similar proposals.

Deputy Mayor Lee described the Mayor's recent appointment of the Council Economic Development Working Group, comprised of Mr. Lee and Councilmembers Chelminiak and Wallace. He noted the group's interest in exploring economic opportunities.

Councilmember Balducci cautioned against the potential for hurt feelings and/or misguided decisions if there is no policy or specific criteria to be applied to decisions related to forming these economic relationships. Ms. Balducci recalled that when the Council discussed the previous agreements with Dalian and Qingdao, she had requested specific goals and outcome measures related to those agreements. She has not seen this information from staff or the Council.

Deputy Mayor Lee commented on China's significant economic growth in recent years, noting that Macao is a strong, westernized economic center.

Councilmember Wallace expressed support for fostering economic ties, particularly with areas experiencing strong economic growth such as China and India. He noted that many Bellevue residents are from China and India. He supports moving forward with the proposed letter.

Councilmember Degginger said he supports moving forward with the letter as well. However, he agrees with the need for an overall plan and policy framework. With regard to the proposed letter, Mr. Degginger said he is not comfortable with mentioning the names of others, especially if they are not aware of the reference. Staff said they will revise the letter.

Mayor Davidson said he is hearing support for moving forward with this letter, and that the Council is interested in developing a strategic plan and criteria regarding such relationships in the future.

Mr. Derrick said he will revise the letter based on Council's comments and distribute it via email for the Council's review. He is working with the Council Economic Development Working Group to update the City's strategic plan and to define criteria for establishing future economic relationships.

Councilmember Degginger reported that Councilmember Chelminiak went home from the hospital this afternoon and is doing well.

(1) Appointments to Special Events Committee

→ Councilmember Robertson moved the appointment of Mike Ogiore (Bellevue Downtown Association) as the Business Representative, and Anastacia Rice as the

Citizen Representative, to the Special Events Committee. Councilmember Balducci seconded the motion.

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

(b) Conflicts of Interest Discussion

City Manager Steve Sarkozy opened staff's presentation regarding state law's handling of conflicts of interest.

City Attorney Lori Riordan explained that ethics rules for municipal officials were originally adopted by law in 1961, and the Ethics in Public Service Act was passed in 1994. This act created RCW 42.52 regarding state officials, and amended RCW 42.23 for municipal officials. The purpose of the act was to address the importance of trust for state officials and government employees, and that offices not be used for personal gain or private advantage. The majority of RCW 42.23 addresses contracts with elected officials, which were put in place to allow individuals to maintain employment elsewhere while serving as an elected official. Bellevue has no active such contracts with its Councilmembers.

Ms. Riordan described acts prohibited by RCW 42.23.070 including securing special privileges, receiving compensation from a source other than the municipality for a matter connected with or related to the official's services, disclosing confidential information, and using confidential information for personal gain or benefit. Ms. Riordan clarified that the statute is not meant to preclude legislators from carrying out an agenda or promoting a cause, as long as there is no personal financial gain or other abuse of their office.

Ms. Riordan explained that the Appearance of Fairness Doctrine is a separate body of law, which applies to the Council in quasi-judicial land use matters. This requires not only fairness in the Council's role as judges, but also the appearance of fairness in terms of the perspective of other parties. Within the context of the Council's ongoing discussions about the Sound Transit East Link project, Councilmembers are not acting as judges. The Council is not applying the law to facts, but is instead making legislative and administrative decisions. Councilmembers are allowed and expected to have their own feelings, prejudices, and preferences, and these do not require recusal from participating in certain discussions.

Ms. Riordan noted that in the future the Council will be asked, with regard to the East Link project, to take action on a memorandum of understanding (MOU) regarding the Downtown light rail tunnel. This will be a legislative decision that is not subject to the Appearance of Fairness Doctrine. Similarly, related agreements involving City property or rights-of-way are legislative, not quasi-judicial, actions. However, conditional use permits (CUP) associated with the East Link project could become quasi-judicial if they are appealed to the Council. At that point, Councilmembers will be asked to determine whether they can consider certain matters with the impartiality required of a judge.

Mayor Davidson said he requested this presentation because he wanted to have the issues clarified in a public setting.

Councilmember Degginger noted correspondence from a constituent to the City Attorney several weeks ago related to RCW 52.020. Ms. Riordan confirmed that that statute does not apply to City Councilmembers.

Councilmember Balducci said she appreciates the opportunity to address this issue directly, and she noted allegations regarding her conflict of interest. She first addressed her ability to serve on the City Council while at the same time serving on the Sound Transit Board. The Board consists of 18 members, 17 of whom are elected officials from the three-county area. Many serve as officials in cities in which Sound Transit projects are being built, and they participate in both the local and regional roles. Ms. Balducci noted that the Sound Transit Board is established by state law.

A second comment about Ms. Balducci has been to ask how she can take a position that is different from the position of the Council majority. Her position on the East Link project was initially consistent with the Council majority. The majority position later changed, but she maintained her preferences and position. Ms. Balducci explained that there are different types of appointments to regional forums, those directly representing the City and Council, and those identifying a specific individual. She was appointed to the Sound Transit Board as an individual and not as the official representative for Bellevue.

The third alleged conflict of interest relates to her employment with King County. She has worked for the King County jail system for twelve years, and she recuses herself in instances where the Council addresses jail contracts. The County jail system has a contract with the City of Bellevue to house inmates on the City's behalf. Ms. Balducci said that there is nothing in state law supporting the assertion that her employment with the King County jail system is in conflict with the Council's consideration of light rail. She acknowledged that the King County Executive appoints the members of the Sound Transit Board. However, Ms. Balducci clarified that she has served under two County Executives and has never been pressured to take a position because it would be beneficial to the County. If that were to happen, she would not go along with it. She works hard to represent and lobby for the best interests of the citizens of Bellevue.

Councilmember Balducci explained that her rationale for the position she has taken regarding the South Bellevue light rail segment has been consistent with the goal of providing the best transit service to the most people, at a cost that the City and Sound Transit can afford. This includes an obligation to work hard to mitigate the impacts of that service on the residents of Bellevue. She believes that her conclusions regarding the light rail alignment is in Bellevue's best interest. Ms. Balducci summarized that she has a right and an obligation to participate in decisions regarding East Link light rail. The alignment ultimately chosen by Sound Transit will not affect her financially in any way.

Councilmember Degginger reiterated his comments from the September 27 Council meeting that he has no conflict of interest. While he was involved in a case representing Sound Transit six

years ago, his law firm has not performed any work on the East Link project. He observed that there is a perception by some in the community that if a Councilmember does not support the B7/B7 Modified alignment, that somehow he or she is in Sound Transit's pocket. He said that nothing could be further from the truth. As a former mayor, he had some public disagreements with the Sound Transit Board last year regarding the City's commitment to a downtown tunnel. The only property he owns in Bellevue is his house, and he does not manage or operate any property in Bellevue. Councilmember Degginger said he hopes this is the end of this subject.

Councilmember Wallace said that the alleged conflict of interest directed at him relates to his employment with Wallace Properties, which is a commercial real estate company that manages and operates property in Bellevue. His father has ownership interests in properties.

Councilmember Wallace said he does not own commercial properties, but he owns a house in Bellevue. He acknowledged that he is President of the real estate company that represents property owners, including his parents. Two of his parents' properties are within walking distance of the downtown station options.

Mr. Wallace recalled that when he began promoting his proposed C14E Vision Line alternative, he was accused of having a conflict of interest. He said that members of the community, including reporters, looked into the issue and agreed with him that there is no conflict of interest. He noted that the C14E line runs over a portion of one of his parents' properties. Councilmember Wallace said his goal is to balance the interests of neighborhoods, roads, businesses, and cost considerations. The Vision Line alternative keeps light rail away from neighborhoods and for the most part away from businesses, and also works within Sound Transit's budget. He felt it was important for the Council to be united. When he determined that the C14E was not favored by the Council, he agreed that negotiating for the tunnel alignment was a better approach.

Mr. Wallace ~~said Wallace Properties has residential property on 118th Avenue SE and in Surrey Downs and Enatai stated, in response to allegations of conflict of interest, that he does not own properties in South Bellevue.~~¹ With regard to South Bellevue options, he is interested in protecting neighborhoods and minimizing traffic impacts on Bellevue Way. He does not believe that Sound Transit can mitigate the impacts to Surrey Downs and Enatai residents with their proposed light rail alignment. He believes that placing the train along I-405 is a better solution, and that noise impacts can be mitigated for residences along that route. He said he is not substituting one neighborhood's interests for another.

At 7:27 p.m., Mayor Davidson called for a break.

- (c) Continued Discussion of the 2011-2012 Operating Budget by Outcome and the 2011-2017 Capital Investment Program (CIP) Plan

The meeting reconvened at 7:35 p.m.

City Manager Steve Sarkozy introduced continued discussion regarding the 2011-2012 Operating Budget and 2011-2017 Capital Investment Program (CIP). He noted that the

¹ Minutes were approved, as amended, during January 3, 2011, Regular Session.

ongoing downturn in the economy necessitates a major restructuring in the City's financial approach. This includes permanently reducing spending and sacrifices by all employees and departments. Mr. Sarkozy reiterated that the proposed budget contains no new taxes; maintains the City's world class public safety services as well as other critical city services; and maintains human services funding at a time when many families and individuals are struggling. Proposed operating reductions that will be felt throughout the community are cuts to parks services and neighborhood programs, some fee increases, and closure of the downtown Police substation. There are additional unmet needs as well.

Finance Director Jan Hawn reviewed the proposed budget calendar, decision process, and guiding principles. Key principles are to provide financial sustainability, focus on services that contribute the most to achieving Outcomes, preserve critical and mandatory services, and maintain critical infrastructure.

Councilmember Balducci requested a large tabbed binder with a "memory bank" section to store all budget documents.

Councilmember Wallace requested a spreadsheet summarizing all 2011-2017 Capital Investment Program (CIP) line items by year.

Planning Director Dan Stroh reported that he was a member of the Leadership Team Panel that reviewed the proposed CIP Plan. He described the revenue loss of approximately \$100 million in the 2011-2017 Base CIP from the 2009-2015 Plan. Ongoing programs have been reduced by 30 percent from the previous CIP, and some costs have been moved to the Operating Budget. Only high priority projects have been submitted for ranking, and there are significant unmet capital needs.

Mr. Stroh reviewed the CIP funding recommendations within the areas of ongoing programs, discrete projects, and the Mobility and Infrastructure Initiative. Staff is seeking Council direction regarding the types of expenditures to include in the CIP Plan, the proposed policy regarding maintenance and operations (M&O) funding, and Mobility and Infrastructure Initiative revenues and alternative scenarios. Future meetings will examine the overall CIP balance, and budget adoption is scheduled for December 6.

Mr. Stroh said that the objective for tonight's discussion is to build a list of projects identified by the Council for which the Council might have questions or concerns. The ranking criteria used by the CIP Panel were: 1) Effectiveness in achieving the City mission and community outcomes; 2) Legal mandates; 3) Financial factors (e.g., cost versus benefit, avoided costs, leveraging); 4) Timing or urgency (i.e., readiness, whether critical to other projects/phases); and 5) Scaling (i.e., appropriate level of service, project phase). Criteria considered by staff but not included were policy mandates, community support, geographic distribution, and historical distribution of outcomes.

Councilmember Wallace asked whether staff applied the criteria to its review of projects in an objective way. Mr. Stroh said that staff used the set of ranking criteria to balance the factors,

which resulted in rating projects as ultra high, high, medium, or low. It was not a quantitative weighted evaluation, but based more on staff's professional judgment.

Councilmember Wallace questioned the financial factors and whether a report was prepared for each project that outlined the costs and benefits, avoided costs, and leveraging factors. Mr. Stroh said that these factors are reflected in the written budget proposals. Ms. Hawn said the CIP proposals are on the CD included in the Council's September 27 workbook.

Continuing, Mr. Stroh reviewed the types of expenditures to include in the CIP Plan. He described the expenditure guidelines for CIP versus Operating budget projects. He noted the white paper in the September 27 packet [Page 3-65] regarding staff's recommended approach for technology systems.

Toni Cramer, Chief Information Officer, reviewed that, historically, Bellevue funds its technology investments more heavily in the operating budget than its peers. Typically, major technology investments are funded in the CIP Plan, ranging from the original public safety systems over the past ten years to the City's financial and transportation systems. Investments have traditionally been funded for initial purchase and implementation in the CIP. Once systems have been fully implemented, ongoing costs are allocated in the operating budget. The current CIP has remnants of previous implementations that are concluding. Money for hardware and ongoing replacement resides in reserves in the operating budget.

Councilmember Degginger questioned equipment replacement costs. He asked how staff parsed through capital versus operating costs for software.

Responding to Councilmember Degginger, Ms. Cramer said the desktop environment is treated as part of the infrastructure. The Microsoft suite and Windows on personal computers is on the operating side and resides in a collapsed replacement fund. Other business systems that have been purchased from the CIP receive ongoing funding for licensing and maintenance agreements in the operating budget. In further response, Ms. Cramer said the purchase of a major business system that exceeds \$100,000 is typically coupled with specific consulting expertise. However, most applications are supported and upgraded by staff following full implementation. All Information Technology staff are funded in the operating budget.

Mr. Stroh referred to page 3-69 of the meeting packet and commented on proposed policy changes for the CIP Plan.

In further response to Mr. Degginger, Mr. Stroh said staff will provide a definition of a technology projects. Mr. Degginger said it would be good to have some description of what that means. He asked how staff delineates the eligible costs outlined on page 3-70 of the packet. Mr. Stroh noted that, like the I.T. Department, the Department of Planning and Community Development does not have any staff in the capital budget. Ms. Cramer said the Transportation Department is the best example of staffing being split between the operating and CIP budgets. For the technology systems in the CIP budget, these have typically been funded with limited term employee (LTE) positions.

Responding to Councilmember Balducci, Ms. Cramer described two projects that are being shifted from the CIP to the operating budget.

Ms. Balducci said she wants to understand how the City allocates which types of projects are operating versus capital, and what the City is doing to the bottom line of each budget under all of the policies. Are we increasing the amount that goes into the operating budget from the revenue side, and are we increasing the amount of projects that go into the operating side in an equal amount, or different amounts? She questioned whether allocations could help one budget while taking from the other budget.

Mr. Stroh said that page 3-22 lists all of the shifts from the CIP to the operating budget. However, this does not identify whether these are all funded in the operating budget. Staff will come back with that information. He acknowledged that the shifts put additional pressure on the operating budget.

Councilmember Robertson followed up on the change in policies and moving M&O funding from the capital to the operating budget. She observed that staff, for example in the Transportation Department, are being paid full time, regardless of whether they are working on capital or operating tasks. By taking part of their time and bifurcating it, and taking money out of the capital project, it seems like, on a much smaller scale, somewhat what the Council is doing with M&O expenditures. She feels there is a big difference between hiring an LTE or consultant to implement a capital project versus taking staff funded from the operating budget and using capital dollars to pay for a part of their time. She would like to see this fleshed out as the process moves along.

Dave Berg, Deputy Director of Transportation, said he understands the question to be about capturing staff time spent on capital projects. Staff members complete time sheets and enter half-hour increments for specific capital projects.

Councilmember Robertson would like a future policy discussion on this topic.

Responding to Mayor Davidson, Ms. Cramer said the projects on the CIP list are of such a magnitude that the department tends to augment staffing in some way, and this represents a discrete cost of the overall project. Staff maintain timesheets because the department charges some time to other entities including the eGov Alliance.

Mayor Davidson suggested that the Council might need to set up a policy on how time is charged.

While clarifying that he does not want to preclude what the Council addresses, City Manager Sarkozy observed that he does not see a significant benefit to be gained in dissecting this issue. He explained that department heads allocate the staff resources necessary to support the CIP program. For example, if Ms. Cramer identifies LTE staff for a specific project, that position expires after three years. In some cases, LTE positions are terminated before the end of three

years. When a CIP project needs to be maintained on an ongoing basis, department heads will budget for less than a full employee position (e.g., .50, .75), which enables the department to track how staff time is spent. Mr. Sarkozy said staff would be happy to provide more information on this issue. He noted that the range and type of CIP Plan ultimately approved by the Council will dictate the necessary staffing.

Referring to page 3-22, Councilmember Wallace stated his understanding that moving M&O costs to the operating budget would be funded by adjusting the sales tax split between the operating and capital budgets. Going forward, the City would cap the operating budget at inflation, and anything above that would go to the capital budget.

Mr. Stroh said this is a topic for tonight's discussion, but he would like to address it after reviewing the budget outcome areas. He noted the white paper in tonight's packet summarizing previous Council direction from the August 4 workshop.

Mr. Stroh reviewed the CIP recommendations by outcome areas, as well as CIP revenues by their level of spending restrictions (e.g., grant funding, specific taxes). The project recommended for funding within the Economic Growth and Competitiveness Outcome is the Electrical Reliability Study.

Mayor Davidson explained that this is the first cut in reviewing CIP priorities by outcomes. He noted as well that this is the first year for the Budget One process, and this process will be refined in future years.

Deputy Mayor Lee encouraged a stronger emphasis on economic development, and suggested that there must be other projects appropriate to the CIP Plan.

Mr. Sarkozy referred the Council to the seven outcome areas, and commented that much of what the City does enhances both the functions of neighborhoods and economic growth. These are the fundamental outcomes of the entire budget. The City's projects and services related to safety, creating and maintaining quality neighborhoods, and working on infrastructure all create a solid platform for Bellevue's economic competitiveness. Certain projects in the CIP (e.g., mobility projects) have a direct relationship to the City's ability to attract new and expanding industry. Mr. Sarkozy said the entire budget essentially supports economic growth and neighborhood quality.

Deputy Mayor Lee said the Council needs to talk about this, but he wanted to note the lack of specific projects within this outcome.

Councilmember Balducci observed that economic development activities are primarily reflected in the operating budget versus the capital budget. She reinforced the interconnectedness of all of the outcome areas.

Councilmember Degginger concurred and cautioned against focusing too much on how budget items are categorized instead of on the overall budget.

Councilmember Wallace questioned whether the debt service for Meydenbauer Center would become a capital expense if it were to exceed hotel/motel tax collections. Mr. Sarkozy opined that this will not happen, at least within the next two years. However, he will consult with staff and provide information on this issue.

Mr. Stroh reviewed the Safe Community Outcome.

Councilmember Degginger said he was hoping for more detail on the proposed projects, for example, the renovation of public safety facilities. Warren Merritt, Deputy Fire Chief, explained that this project is spread over a seven-year period. It includes \$500,000 in the first two years to help renovate Fire Station 5. The renovation account is for projects that are generally less than \$100,000 (e.g., roof replacements, paving, ongoing maintenance items). The account maintains all nine fire stations and the training center.

Councilmember Degginger questioned the forecasted major expenditures for the public safety training facility. Chief Merritt said the City is in the middle of repairing the facades. The roof will be due for repairs or replacement within the next few years, and the building needs a generator. The facility has been in use since 1983. Another project relates to the gun range, which is currently out of service.

Mr. Stroh reviewed funded and unfunded projects in the Quality Neighborhoods Outcome. He noted a white paper in the meeting packet following up on Council's previous discussion on August 4.

Councilmember Degginger feels that the Neighborhood Enhancement Program is important for both delivering projects and building a sense of community. He would like to find a way to keep this program on the list.

Councilmember Robertson is concerned with moving away from a program that provides equity throughout City, although she understand that needs differ between areas. She acknowledged that some projects are more expensive (i.e., sidewalks, traffic calming) than the allotted funding. She supports taking longer to go around the City, focusing on fewer neighborhoods per year, in order to complete meaningful projects such as traffic calming or sidewalks in Sherwood Forest area. She suggested maintaining the current funding level and focusing on two neighborhoods per year.

Responding to Ms. Robertson, Mr. Stroh explained that funds are allocated to neighborhoods based on the number of households. Ms. Robertson suggested that perhaps the City could expand its community outreach. She observed that it might be easier and quicker to do smaller projects versus those involving a larger geographic area.

Deputy Mayor Lee said he will not support eliminating the NEP. It was established for many good reasons and has been in existence for 22 years. Because of the tight budget, he will support some changes in the program such as lengthening the cycle. He suggests maintaining the

program at a reduced level. He noted the need for a better understanding of the impacts of reducing or eliminating the program. He said NEP funding could be temporarily reduced, and the Neighborhood Investment Program and Neighborhood Match Program could be continued. He would like to maintain programs at a reduced level.

Councilmember Balducci concurred with the need to consider adjustments to service levels, given the budget constraints. However, she feels it is important to have a program that meets neighborhoods' identified needs. She is in favor of increasing the funding per neighborhood project because some projects proposed by neighborhoods are too expensive (e.g., sidewalks). She questioned the updated time horizon for the City's Pedestrian and Bike Plan.

Responding to Ms. Balducci, Mr. Stroh said the proposed targeted Neighborhood Investment Program would focus on two neighborhoods per year and provide higher funding levels to both than the NEP. Mr. Stroh said that the targeted neighborhood program is similar to the West Lake Hills model, which was designed to focus on what the community and the City together established to be issues in need of significant intervention. The NEP is intended to provide smaller projects identified and supported by a vote of residents.

With regard to Sherwood Forest, Councilmember Balducci noted that traffic calming projects can be funded with Transportation dollars. She looks forward to discussing this project.

Councilmember Wallace feels it is important to continue NEP funding. He noted that the CIP Plan reflects a total of \$9 million spread over seven years, and he suggested that this essentially preserves average annual funding levels. Mr. Stroh clarified that there is a lag between the time a neighborhood votes on a project and the time that it gets built, which in some cases can be years for a number of reasons (e.g., sensitive areas issues, design time, complications with other projects). Therefore, \$3 million of the investment will close out current NEP obligations. The CIP Panel's proposal is that the new approach would start one year into the new CIP Plan.

Responding to Councilmember Wallace, Neighborhood Outreach Manager Cheryl Kuhn said the NEP was effective for a number of years in providing missing sidewalk links. However, this is no longer possible given the allocated funding. She noted that the Wilburton project referred to during Oral Communications was supplemented by other funding.

Responding to Mr. Wallace, Mr. Stroh said the NEP program is intended to allow neighborhoods to choose projects, as opposed to the City determining that sidewalk projects will utilize those funds. The neighborhood sidewalk fund within the Transportation Department could fund larger projects with the highest citywide need.

Mr. Stroh summarized his understanding that the Council endorses the existing NEP, which allows residents to choose their priorities. The Council also generally supports extending the program cycle.

Mayor Davidson said he is hearing support for preserving the NEP, within budget constraints.

Councilmember Balducci would like the Neighborhood Investment Program to be added to the list along with the NEP, as an item for continued budget consideration.

Mr. Stroh reviewed the funded and unfunded items in the Innovative, Vibrant and Caring Community Outcome, noting that this area contains more projects than other outcomes. He asked the Council to identify items it would like to change and/or want more information. Otherwise staff will proceed with the understanding that the Council supports the recommendations.

Mayor Davidson added that Councilmembers can also communicate their preferences and input via email after they have more time to review the information.

Responding to Councilmember Degginger, Mr. Stroh said the \$175,000 for the Eastgate Land Use and Transportation Plan is the total amount needed to complete the planning work. Completion is anticipated by the end of 2011 and will involve a package of Comprehensive Plan Amendments. A Citizen Advisory Committee will be involved in the planning process, and environmental analysis will be conducted.

Mr. Stroh recalled an email about a month ago to all Councilmembers requesting nominations for CAC members and listing potential names. Three Councilmembers responded.

Mayor Davidson said the nominations will be discussed with the full Council.

Deputy Mayor Lee said he has questions about Parks planning and design (\$600,000), Parks renovation and refurbishment (\$24.7 million), and Public Art program (\$2.45 million). Mayor Davidson said these will be added to the discussion list.

Councilmember Robertson suggested adding the swimming pool proposal.

Councilmember Balducci questioned the Enhanced Right-of-Way and Urban Boulevards project. Mr. Stroh said this is a citywide item which consolidates several existing CIP programs. Potential projects are the Lake Hills Connector, Bellevue Way North, and two other locations. Ms. Balducci said she would like to add this to the list for further discussion. She also wants to talk more about the public art program. Mr. Stroh clarified that the budget reductions are in the operating budget, and these relate more to performing arts grants from the Arts Commission. Mr. Stroh explained that the Arts Commission's Public Art Fund was holding an unallocated balance of money (approximately \$1 million), which has been eliminated in the current budget recommendations.

Councilmember Balducci supports further discussion of the SPLASH proposal for an aquatics center. However, she does not understand the request to build a temporary, Olympic-size pool, which would be very expensive. She suggested pursuing partnerships with the groups and jurisdictions advocating for the proposal.

Responding to Councilmember Wallace, Mr. Foran explained that there is a 20-year plan for the Parks renovation and refurbishment item as part of the asset management program. It is limited

to major infrastructure replacements (e.g., roof replacement, sprinkler system replacement) for 92 buildings (300,000 square feet total).

Councilmember Wallace asked staff to provide information on the money spent through 2010 for specific Parks levy projects, and how that relates to the estimated budget.

Mr. Stroh reviewed CIP recommendations for the Responsive Government Outcome.

Mayor Davidson questioned the wetland monitoring project. Mr. Berg explained that some of the larger transportation projects have permit conditions with the state Department of Ecology (DOE) to replace wetlands. This involves an annual monitoring process for six to 10 years, which is conducted by a consultant hired by the City. Responding to Dr. Davidson, Mr. Berg said the monitoring is mandated. The DOE permit requirements were put in place before the City's Critical Areas Ordinance. Mayor Davidson observed that the provisions of the wetlands requirements should be consistent with the City's updated Critical Areas Ordinance.

Responding to Councilmember Degginger, Ms. Hawn explained that the Alpha system is outdated and was always intended to be replaced as part of the JDE system implementation. Unfortunately, JDE does not have a business tax and license component, so the City is in the process of implementing a system for this function. Ms. Hawn said the goal is a system to track all businesses, licensing, and taxes, which is currently accomplished in the antiquated Alpha system.

City Manager Sarkozy provided some background information on the City's transition to the JDE Enterprise Resource Planning (ERP) system. The last component to be implemented is the Alpha system functions.

In further response to Mr. Degginger, Ms. Cramer explained that the old financial system was comprised of approximately 60 different functions provided by individually built software components. When the City replaced those systems, it could have spent three times what it spent and achieved a system with those functions, as well as functions that the City did not need. The City chose JDE because it had substantially, although not all of, what was needed, at a much lower cost. The City purchased licenses for JDE and implemented the core financial pieces, and then went back to address the stand-alone systems that were not provided with JDE. The plan was to augment with additional software and to integrate with JDE.

Councilmember Degginger recalled original discussions that the JDE system would address all of the City's related needs. Mr. Sarkozy reviewed the City's development of individual applications over the years until it purchased the JDE system. Mr. Sarkozy recalled that none of the systems considered addressed all of the City's needs.

Ms. Cramer said the City issued a request for proposals (RFP) last year to purchase a small B&O tax package that would meet the City's needs. She believes that the lowest bid was \$350,000 or more, so staff decided they would instead build a system.

Councilmember Degginger asked why the City does not partner with other jurisdictions to leverage a more favorable solution and cost. Ms. Cramer said Bellevue had conversations with a number of other cities with similar needs, many of which process a much lower volume of work. She said there is interest within the Association of Washington Cities (AWC) to develop a statewide solution. However, in the current economy, it is difficult for jurisdictions to make any commitments. Ms. Cramer characterized the Alpha system as a remnant of old mainframe hardware that is out of warranty, outdated, and needs to be retired.

Ms. Hawn said it is important for the City to invest in a system that meets its needs and guarantees against failure. The current system is no longer reliable in terms of the risk for failure. Councilmember Degginger said he would like to place this item on the discussion list.

Mr. Stroh reviewed the Improved Mobility Outcome, which represents the largest share of the CIP Plan. He referred the Council to pages 3-25 through 3-33 for the funding recommendations, and to pages 3-57 through 3-61 for unfunded items.

Councilmember Robertson referred to the NE 15th/16th Street Corridor (Bel-Red) project, noting that she met with Mr. Berg today about the project. The bigger portions of the project come later in the seven-year CIP cycle. She questioned which parts are vital for the City to do now, and whether any parts could be delayed without affecting the East Link project implementation. She stated her understanding that design is needed now, while right-of-way acquisition (approximately \$15 million) could possibly be delayed. This would fund a number of unfunded projects (e.g., NE 2nd Street, West Lake Sammamish Parkway) in the near term. She would like to add this to the discussion list. She would like to hear about a more holistic look at the West Lake Sammamish project, which could result in a scaled-down project if that would expedite completion but still provide safety and capacity benefits.

Ms. Robertson wants further discussion of Transit Now. She noted that state law was changed and now allows the City to provide its own downtown transit circulator system, which is on the unfunded list. She feels this would be a good economic development projects.

Councilmember Degginger recalled that the Council's last discussions about the Pedestrian Corridor determined that the City should wait until East Link issues are resolved before further development of the Pedestrian Corridor. Mr. Stroh said the City will have a much better idea about the East Link project within the next seven-year CIP timeframe. The proposed work will help the City get into a better position with regard to this overall planning effort. Mr. Stroh said the City will not initiate the Pedestrian Corridor work until it has a more definite sense about the East Link project. Mr. Bentosino said the item is currently programmed for 2012.

Responding to Mr. Degginger, Mr. Berg said the Downtown Transportation Plan Update will extend the planning horizon for projects in the Downtown Implementation Plan to 2030. This is consistent with the East Link planning horizon as well. Mr. Berg noted the significant challenges related to downtown mobility and the need to update plans for the future. Councilmember Degginger suggested combining this item with East Link analysis. The item was added to the discussion list for further review.

Deputy Mayor Lee would like to add the Transit Now Downtown Circulator, Overlay Program, Early Implementation of Bel-Red Subarea Plan, Downtown Transportation Plan Update, and East Link Analysis to the list for further discussion.

Councilmember Balducci said it is important to identify all projects already on the list that support the East Link light rail Downtown Tunnel priority. She questioned the status of BROTS (Bel-Red Overlake Transportation Study) projects, which are important for relieving congestion in East Bellevue. Ms. Balducci noted a number of unfunded projects related to sidewalks, which she feels are a priority.

Ms. Balducci observed that the Council might not be prepared to fund the Mobility and Infrastructure Initiative at this time. She noted her concurrence with testimony provided last week by Lise Northey, former Transportation Commission Chair, which suggested that if the Council is not going to fund the Mobility and Infrastructure Initiative through the established financing plan, it should not reallocate funds from the base CIP for those projects. Projects in the base CIP were previously identified as priorities with their own financing plans, and they provide needed improvements throughout neighborhoods.

Councilmember Wallace questioned why some near-term existing CIP projects are not recommended for funding, while others within the Bel-Red corridor are recommended for funding. Mr. Stroh explained that the departments proposed programs that they felt were the highest priorities. In the past, Council has indicated that funding Mobility and Infrastructure Initiative projects is a high priority. While NE 2nd Street is important, it is considered to be less critical. Mr. Stroh reiterated that there is not nearly enough money to meet the City's needs. The CIP Panel was also influenced by the potential for the leveraging of funding, and the MII financing plan leverages funds from other sources.

Councilmember Wallace added to the discussion list the Local Improvement District (LID) policy and alternative fee scenarios, as well as the City's transportation impact fee. He is interested in what the impact fee would look like if capped at \$2,000, and a consideration of basing the fee upon a project's proportion within an area. He would like to reconsider impact fees by mobility management area rather than by a citywide basis.

Mr. Wallace concurred with Ms. Balducci about the need to identify items that will contribute to funding the light rail Downtown Tunnel. He noted that the purchase of the Metro site is unfunded. With its possible proximity to the light rail alignment, he feels there is some potential for a cooperative acquisition. If the light rail B7 Revised alternative is chosen, he feels this creates potential synergy with NE 2nd Street projects, including a park. Mr. Wallace noted the removal of plans for improving Main Street between 100th and 116th Avenues. He noted mitigation requirements associated with light rail and the South Bellevue Park and Ride, whether it is expanded or relocated.

Responding to Councilmember Wallace, Mr. Berg said the Transportation Commission participated in reviewing the funding recommendations.

Councilmember Balducci recalled that the Transportation Commission's submittal to the Council was fairly general in nature. At that time, she had asked that the Commission provide more detailed recommendations. Mr. Berg said this will be addressed at this week's Commission meeting. Ms. Balducci reiterated that she feels it is important to obtain detailed recommendations from the Commission, including their ranking of priorities. Mr. Berg said this will be discussed with the Commission, which has already been notified that the Council wants more detailed recommendations.

Responding to Councilmember Wallace, Mr. Berg said the NE 15th/16th Street project is at approximately 15-percent design. He explained that a large portion of the \$32 million in the proposed CIP item is for right-of-way acquisition. It does not include any construction.

Councilmember Wallace said he would like information on the revenue streams associated with specific transportation projects.

- Councilmember Balducci moved to extend the meeting until 10:30 p.m., and Councilmember Wallace seconded the motion.
- The motion carried by a vote of 5-1, with Councilmember Robertson opposed.

Councilmember Balducci said she wanted to come to a joint understanding of what the Council would like from the Transportation Commission. She suggested submitting a prioritized list of Improved Mobility Outcome projects to the Transportation Commission, and asking the Commission to review the list based on established criteria and to provide a recommendation to the Council.

Councilmember Wallace concurred and said he would like to broaden that direction to have the Transportation Commission look at the Transportation Facility Plan (TFP) adopted in 2009 to address whether the proposed CIP Plan is consistent with the TFP. He observed that the light rail project and economic conditions have significant implications for the TFP.

Mayor Davidson noted general agreement with the charge for the Transportation Commission.

Mr. Stroh reviewed the Healthy and Sustainable Environment Outcome, which has three proposals recommended for funding.

Mr. Stroh described the CIP Council Contingency Fund, which has approximately \$25 million. If converted to debt, it could support approximately \$45 million in 20-year debt. Mayor Davidson said he would like to add this item to the discussion list.

Mr. Stroh noted two additional policy issues. The first is the M&O transfer from the CIP Plan to the General Fund. He recalled Council discussion on August 4, which indicated a preference for maintaining the current sales tax split between the operating budget (55 percent) and CIP Plan

(45 percent). Operating budget expenditures would be increased at the inflation rate, and excess revenues would be directed to the CIP budget.

Mr. Stroh clarified that this method is sufficient for covering operating expenses for existing CIP projects. However, it does not provide for the M&O costs associated with new CIP projects. He referred the Council to page 3-73 of the meeting packet for information regarding transparency in identifying M&O costs for new capital projects. Page 3-74 reflects proposed policy language based on the Council's discussion during its August 4 workshop.

Councilmember Robertson thanked staff for the proposed policy language, and suggested changing the last line to read, "The distribution amounts should be reviewed periodically by Council for reasonableness and potential adjustment."

Councilmember Balducci noted that the policy of paying to maintain and operate what we build has been a foundational principle that has served the community well. She is concerned that, in the name of transparency and in trying to come up with more money for capital projects, the Council could be doing something that will tie its hands and make it difficult for the City to preserve the level of maintenance and operations that have traditionally been provided. She understands the motivation behind the policy language, but is concerned that it could have unintended implications.

Mayor Davidson observed that if the policy does not work correctly, it will be putting strain on the operating budget. However, he feels this is a good starting point, and in two years the Council can revisit the policy and its impacts.

Councilmember Balducci said she will support that direction but she does have concerns, including the implications of restricting M&O growth to the inflation rate.

Councilmember Degginger observed that this might provide the opportunity to better manage M&O expenses.

Councilmember Robertson stated that the benefit of the policy is transparency as well as providing a mechanism for ongoing review. She is committed to making sure that Bellevue continues to maintain its infrastructure and facilities.

Deputy Mayor Lee said it has been beneficial to discuss this issue and to gain a better understanding of M&O costs and the relationship between the capital and operating budgets. He concurred with the importance of continuing to review the policy on an ongoing basis.

Mr. Stroh described the relationship between the proposed 2011-2017 CIP Plan and the original financing plan for the Mobility and Infrastructure Initiative. He referred Council to the white paper on page 3-85 of the packet for detailed information.

Mayor Davidson suggested closing the meeting, but acknowledged that there was an additional presentation scheduled related to economic growth and competitiveness.

Councilmember Wallace questioned the best way to be able to address how the costs of transportation projects might be reduced. Mr. Stroh acknowledged that tradeoffs exist for many of the projects, and these will be discussed.

Councilmember Wallace noted that construction costs are very favorable at this time. He suggested looking for any projects that might be candidates for construction in 2011, even if it would require borrowing money. Mr. Berg said staff will provide information about projects that might be shovel ready by the end of this year.

At 10:23 p.m., Mayor Davidson declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

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