

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Special Meeting and  
Extended Study Session

November 8, 2010  
4:30 p.m./6:00 p.m.

Council Conference Room 1E-113  
Bellevue, Washington

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

ABSENT: Councilmember Degginger

Special Meeting: Executive Session

At 4:30 p.m., Mayor Davidson called the Special Meeting to order and announced recess to Executive Session for approximately 90 minutes to discuss one item of property acquisition/disposition.

The Special Meeting/Executive Session concluded at 5:35 p.m.

1. Extended Study Session

At 6:03 p.m., Mayor Davidson called the Extended Study Session to order, noting Councilmember Degginger's absence.

2. Communications: Written and Oral

- (a) Donna Neely, an Enatai resident, spoke to East Link light rail routing. She expressed concern that the Council voted to change its preferred alignment, following an election that resulted in new Councilmembers who favor select business owners and developers. She is concerned that disproportionate consideration has been given to the Surrey Downs neighborhood, who she feels does not represent the majority of Bellevue residents. She noted assertions that the Light Rail Best Practices Committee recommended the B7 route, when light rail routing was specifically called out to not be part of the Committee's work. She is opposed to spending \$670,000 to duplicate another agency's work with regard to the Draft Environmental Impact Statement, because some Councilmembers do not like the conclusions, especially while the City is cutting essential Neighborhood Enhancement Program projects.

Ms. Neely is further concerned about the proposal for a new light rail station in South Enatai, at a much greater cost in terms of dollars and residential impacts, to support the B7 route which the DEIS concludes is inferior to the B2M alignment in most ways. Her husband rides the 550 bus to Seattle daily and would benefit from light rail development along the Sound Transit-preferred B2M route. When the economy recovers, downtown buildings will fill up with workers and residents who will need transportation choices to avoid excessive congestion. Ms. Neely said it is time for the Council to consider the needs of current and future transit users, and to begin working with Sound Transit to create a system that other City Councils will visit as an example of best practices.

- (b) Colleen Pana, representing the SPLASH Board of Directors, spoke in support of a new aquatics center. She read a Seattle Times column by Tom Fuller regarding the need for swimming facilities.
- (c) Martin Paquette, an Enatai resident, reiterated his support for ensuring that the East Link light rail project is carefully mitigated for maximum utility and livability. He favors a downtown tunnel. He encouraged the Council to not push with decisions that might jeopardize the whole project.
- (d) Svetla Tzekov said she has two sons who swim. She expressed support for a new aquatics facility in Bellevue.

### 3. Study Session

#### (a) Council Business and New Initiatives

Councilmember Chelminiak said he will forego reporting on his activities until the next Regular Session.

Councilmember Balducci noted that today was the 100<sup>th</sup> year anniversary of granting women's suffrage in Washington. She encouraged interested young women to consider public service as elected officials.

#### (b) Issaquah School District Impact Fees

City Manager Steve Sarkozy opened discussion regarding the Issaquah School District, which serves a portion of Bellevue residents. The District utilizes impact fees as a key funding mechanism for the development of new facilities, and the City acts on its behalf to collect the fees.

Catherine Drews, Legal Planner, referred the Council to page 3-1 of the meeting packet and explained that Bellevue City Code requires that impact fees be reviewed and updated annually, based on the Issaquah School District Capital Facility Plan. She noted the map of the District's boundaries and school locations. In July, the City received the District's 2010 Capital Facilities

Plan and request for updated impact fees. For 2011, the District is requesting an increase in single-family fees of \$464, and maintaining the multifamily impact fee. Staff recommends approval of the new impact fees.

Steve Crawford, District Director of Capital Projects, explained that the single-family impact fee increase is due to the student generation rate at the single-family home level. The District reviews its student generation data every two years as part of the overall formula used to calculate fees. The formula is the same for all school districts in King County. Over the years, the single-family impact fee has steadily declined through last year from \$6,136 to the current request of \$3,800.

Ms. Drews noted that a five-year history of the District's impact fees is provided on page 3-35 of the meeting packet.

Mayor Davidson questioned why people who buy new homes pay impact fees, when they also pay property taxes that support schools.

Mr. Crawford explained that impact fees were developed at the state level based on the concept that new development is increasing the need for capital facilities, and that new development should pay a significantly higher rate than they currently do.

In further response to the Mayor, Mr. Crawford confirmed that the multifamily fee is currently zero. However, there have been multifamily impact fees in the past. He said the District uses the formula used by all school districts in King County. The formula inputs a number of factors and is intended to provide balance.

Deputy Mayor Lee stated that the City is acting as an agent to collect the fees for the Issaquah School District. He agrees that the District needs to be funded, but questions how it should be funded. He questioned the equity of the impact fee system. Mr. Lee said education is important and it should be funded through general taxes.

Regarding equity, Mr. Crawford said that King County's system supports balance and provides a reasonable funding solution for all sides. He noted that there are citizens, particularly without children, who feel that property taxes should not support schools.

Responding to Councilmember Balducci, Land Use Director Carol Helland said staff is requesting that the Council move the adoption of impact fees forward for final action on November 15.

Responding to Ms. Balducci, Mr. Crawford said the formula for calculating impact fees has been consistent since 2005. However, some of the input data and factors have changed since 2005, which has lowered the impact fees.

Councilmember Balducci expressed support for approving the impact fees.

→ Councilmember Balducci moved to direct staff to present a proposed Ordinance on the November 15 Consent Calendar for Council action. Councilmember Chelminiak seconded the motion.

Deputy Mayor Lee said he will support the motion.

→ The motion carried by a vote of 5-1, with Mayor Davidson opposed.

(c) East Link Supplemental Draft Environmental Impact Statement (SDEIS)

Mr. Sarkozy made introductory comments and introduced the guest staff.

Bernard van de Kamp, Regional Projects manager, said that the Supplemental Draft Environmental Impact Statement (SDEIS) has been received and distributed to the Council. Staff is initiating its review and intends to return to the Council in early January to report any major findings and to support Council deliberations. Staff anticipates sending a technical comment letter on the SDEIS to Sound Transit.

Responding to Mayor Davidson, Mr. van de Kamp said a lengthy technical letter from staff regarding the initial DEIS was submitted to Sound Transit in February 2009, along with a separate letter from the Council specifying its preferred routes.

Rick Ilgenfritz, Sound Transit, explained that the SDEIS documents the work completed earlier this year.

Don Billen provided the staff presentation. He reminded the Council of the project's goals to connect urban centers, provide dependable travel times, and increase person throughput and capacity on I-90. He reviewed the process leading to the project decision. He described new alternatives and the basis of Sound Transit's cost estimating.

Mr. Billen reviewed Sound Transit's preferred alternative, which is currently undergoing preliminary engineering. He described alternatives for Segment B and Segment C, as well as updated performance data, cost estimates, and impacts for three Segment B/Segment C combinations.

Mayor Davidson asked whether Sound Transit is using the draft B7 that was in the DEIS. Mr. Billen responded yes, with the exception of a few design revisions due to changes on the ground. These costs do not include the additional costs associated with the A2 Station/Park and Ride developed by KPFF. It does continue to evaluate the 118<sup>th</sup> Avenue SE Station.

Responding to Deputy Mayor Lee, Mr. Billen said the ridership goal is to serve the major markets along the corridor. Segment boardings give a sense of how well the route is serving a specific location, as opposed to system-wide ridership.

Mr. Lee questioned how to know whether a preferred alternative meets goals. Mr. Ilgenfritz stated that that is a policy question for the Sound Transit Board. The Board wants the best possible ridership performance in the system within the available resources.

Deputy Mayor Lee questioned whether there were any parameters when the project was started. What is Sound Transit shooting for, and/or what is good enough?

Mr. Ilgenfritz recalled the early work exploring the different alternatives for the downtown, including travel time analysis, traffic analysis, and walk analysis for both residential and employment locations. Sound Transit then evaluated which station location provided the best access to the system.

Deputy Mayor Lee said it would be helpful to have some historical data. He questioned targets for travel times.

Mr. Billen said these are all ultimately policy tradeoffs to be weighed against cost and environmental impacts.

Mr. Lee questioned cost targets. Mr. Billen said Sound Transit is attempting to manage within the resources available in the ST2 Plan. The lower ranges are based on cost estimates, while the upper end includes a 15-percent project reserve. Revenues no longer support the project reserves. Referring to the term sheet between the City and Sound Transit regarding efforts to fund the tunnel, Mr. Billen said that it appears that the B2M and C9T alignments fall within the parameters of the term sheet. The B7-C9T combination adds approximately \$150 million in necessary funding beyond the term sheet.

Councilmember Wallace questioned the information on system-wide ridership and boardings per minute. Mr. Billen said that system-wide ridership is balancing how well an alignment is serving the markets in individual segments versus pass-through travelers. As travel time goes down, it is more attractive traveling between Redmond and Seattle, for example. There are tradeoffs between system ridership and local service.

Mr. Wallace recalled that in the original comparison, there were more people boarding at Mercer Island with the B7 route. He questioned whether faster travel times equate to more boardings. Mr. Billen said that is dependent upon a number of factors, including whether faster speeds sacrifice the number of access points. The ideal system will serve all markets with a fast travel time.

Responding to Mr. Wallace, Mr. Billen confirmed that the low end of the cost estimates reflects today's updated revenues, while the high end reflects those with 15-percent reserves.

Mayor Davidson questioned the dollars, noting that at one time the B7 and B3/B2 were viewed equally. There appears to now be a \$60 million difference. He allowed Ms. Balducci to ask a question on the current slide before asking staff to respond.

Councilmember Balducci requested an explanation of signal priority. She questioned what the City would need to do to its traffic signals to achieve the 13-minute travel time and higher ridership with the at-grade Segment C alternative. Mr. Billen said the train would need to be given full priority, so it would never be delayed by a traffic signal. In further response, Mr. Billen said the SDEIS does not contain a detailed traffic analysis about how that would affect Downtown Bellevue. He explained that the EIS traffic methodology is a more simplified methodology than what was done for the Downtown Concept Design Report.

Councilmember Balducci opined that it would be important to understand the traffic impacts related to achieving the desired travel times with an at-grade alternative.

Continuing the presentation, Mr. Billen highlighted changes in the Segment B and Segment C cost estimates since the DEIS. All Segment B alternatives are affected by the requirement to preserve Bellevue Way HOV access at I-90. The new B2M includes a side-running alignment, with less road reconstruction but higher costs associated with the retained cut by the Winters House and ground improvements. The new 114<sup>th</sup> design option and the updated B7 reflect I-405 construction and an additional business displacement.

Responding to Mayor Davidson's earlier question, Mr. Billen said it is important to look at the costs of different Segment B and C alignment combinations. Entering Segment C, the costs are substantially lower along 112<sup>th</sup> Avenue SE (B2M) than with either the B3 or the B7 route. The B2M side-running option is elevated on columns in some places, and at the same elevation as the road in other areas. Due to the soil conditions, Sound Transit will need to complete ground improvements, which are currently being studied in preliminary engineering. These improvements might be stone columns driven into the soil to provide a firmer foundation. In some places, there might be over excavation to go down to better soil and then fill back up. Near SE 8<sup>th</sup> Street, it might be necessary to construct on piles. Sound Transit is not anticipating pilings under the expanded South Bellevue Park and Ride, as currently planned.

Responding to Councilmember Chelminiak, Mr. Billen said Sound Transit has completed geotechnical borings at the Park and Ride, and the facility design reflects this data. Mr. Billen reiterated that pilings would not be necessary to construct the four-story parking garage, based on supplemental work since February 2009. He said some ground improvement will occur, but not piles.

Responding to Mayor Davidson, Mr. Billen said other staff have the expertise to comment on the implications regarding a conditional use land use permit for the Park and Ride.

Responding to Mr. Lee, Mr. Billen said the C14E is addressed in the SDEIS.

James Irish, Deputy Director of Sound Transit's Environmental Compliance group, reviewed a table comparing impacts associated with three Segment B/Segment combinations. Impacts include household and business displacements, noise, wetlands/habitat, and park property. Most noise impacts can be mitigated with noise walls for the B2M option. There are approximately 14 housing units that would need sound insulation, and they have exterior spaces that would not

receive mitigation. For the Segment C at-grade alignment, there are four multifamily buildings in Downtown Bellevue with 70 units that would be impacted. Most of these have balconies, which would not be protected. With the B7 alignment, noise impacts to homes would be mitigated with noise walls and other mechanisms, and there would be no affected exterior spaces.

Mr. Irish compared impacts to the natural environment for the three Segment B/C alignments.

Mayor Davidson noted the opinion of the City's consultant that the Bellefield Office Park is wetlands, as well as the area around the Park and Ride.

Mr. Irish said he would agree with some of the opinions and disagree with others. In terms of jurisdictional wetlands, Sound Transit has delineated the boundaries and the assessment is reflected at this level of study.

Councilmember Robertson stated her understanding that, with regard to noise impacts for the B2M/C11A and B2M/C9T, there will be a certain number of homes for which complete noise mitigation cannot be achieved. Mr. Irish confirmed this observation. Ms. Robertson continued that under the City's preferred alternative B7/C9T, every noise impact could be mitigated with no exterior residual noise impacts. Mr. Irish responded yes, based on analysis at this point.

Mayor Davidson questioned whether Sound Transit looked at the conditional use of the condos that were done in 1985 and 1991, about the mitigation for noise due to three trains going by as well as the freeway, and what mitigations were already completed for those condos.

Mr. Irish said Sound Transit has not inspected any units in terms of noise mitigation. That would be looked at during the final design of the alternative that is selected.

Mayor Davidson recalled that both conditional uses had noise mitigation, and the buildings were approved during his previous terms on the City Council.

Councilmember Chelminiak questioned where noise measurements were taken. Mr. Irish said they were taken adjacent to the buildings.

Councilmember Robertson continued questions related to noise mitigation stating that along 112<sup>th</sup> Avenue SE, Sound Transit shows eight feet tall sound walls. She understands these are effective at cutting some of the sound, but questioned how they will affect residences in terms of light and view. She clarified that she is referring to 112<sup>th</sup>, just north of the Y at Bellevue Way to SE 8<sup>th</sup> Street. She noted that the City spent a great deal of time a few years back looking at neighborhood livability. One of the things that people were concerned about was the redevelopment of larger houses that block sunlight for existing homes and yards.

Mr. Irish said Sound Transit has not looked at the shading of yards specifically in the conceptual high-level drawings.

Councilmember Robertson said she is concerned about what people would be willing to give up, for example sun on their gardens, to have peace and quiet and/or views. This would be good for people to understand.

Responding to Councilmember Wallace, Mr. Irish described drawings G5 and G6 and the placement of sound walls. In some areas they are at the back of residential property lines.

Responding to Mr. Wallace, Mr. Irish confirmed that the B2M route uses the west side of 112<sup>th</sup> Avenue SE, removes condos along 112<sup>th</sup>, and builds a sound wall between the roadway and homes to the west. That is the conceptual proposal at this point.

Mr. Billen added that the actual depth of the affected lots is approximately 100 feet. So there is substantial space between the edge of the light rail and the back of the next lot, which provides the opportunity for a landscape buffer.

Mr. Wallace stated that six homes will have significant impacts. Mr. Irish noted that the impacts exist prior to mitigation. There are no exterior impacts in this area following mitigation.

Responding to Mayor Davidson, Mr. Irish said that sound walls would bring the noise levels down below the federal criteria that Sound Transit is required to meet.

Responding to Councilmember Robertson, Mr. Irish said Sound Transit has not compared to residential noise levels required by the Bellevue City Code.

Councilmember Balducci said that the Sound Transit Board has discussed the different types of noise and the potential for additional studies regarding mitigation. She questioned what kind of emitters are causing noise impacts in Segment B. Referring to 112<sup>th</sup> from the Y at Bellevue Way, north to Main Street, the three contributors to noise are the sound of the train on the tracks, bells at a couple of locations, and noise associated with one crossover between Surrey Downs Park and Main Street. The latter can be designed to reduce noise impacts. Sound walls are the primary mitigation for the first two sources.

Ms. Balducci feels there is more that can and should be done about noise mitigation. She asked what Sound Transit has done with the studies submitted by the City of Bellevue.

Mr. Irish said staff reviewed the consultants' reports regarding noise, and has taken care of inaccuracies that were identified. For the most part, the City's consultants said that Sound Transit's work was solid. Sound Transit incorporated some, but not all, of their recommendations.

Mr. Billen referred to his notes from when the City's consultants presented to the Sound Transit Board's capital projects committee. His notes indicate that the OTAK report stated that the DEIS is fair with respect to wetlands, at its conceptual level. The consultant acknowledged that the conceptual level is typical of other wetlands analyses. The presenter from David Evans and Associates opined that the DEIS was fair and balanced in its treatment of alternatives.

Mayor Davidson observed that Sound Transit had more time with the City's consultants than the City Council. He referred to a report that identified seven mistakes in the consultants' assumptions, and he recalled that he was told that these would not be determined until the permit phase. Dr. Davidson said the Council's questions have yet to be answered.

Mr. Ilgenfritz said he appreciated the City making its consultants available to brief Sound Transit. He reiterated that comments regarding improvements that should be made or considered were incorporated by Sound Transit.

Councilmember Balducci questioned what aspects of the wetlands report made their way into the SDEIS, noting that the question did not need to be answered at that moment.

Mr. Irish said he was not prepared to speak to specific points in the report that night. He relayed that issues were raised regarding the B2M including groundwater from Bellevue Way and impacts to the wetlands. Mr. Irish clarified that the design for the B2M accommodates groundwater under or around the alignment, and there is no issue in terms of recharge of the wetlands and water coming off the hillside. Sound Transit has looked at those issues and made sure they are addressed, but he was not prepared to describe every consideration.

Councilmember Balducci said she was not expecting him to be able to recite the details at this point, but she would like a separate briefing on the topic.

Deputy Mayor Lee requested a specific report about what was incorporated from the City's consultants' studies. He would like to be reminded about the consultants' work and what makes sense or does not. Ms. Balducci suggested they be briefed at the same time.

Councilmember Chelminiak recalled comments about groundwater and the consultant's conclusion that Sound Transit will address the issues at the appropriate point in the design and engineering process. The consultant opined that Sound Transit would run into the same groundwater issues with the B7 alternative with more advanced engineering work.

Mr. Chelminiak went back to the sound wall along the west side of 112<sup>th</sup>, where the condos would be removed. Mr. Irish said the sound wall would be located at the residential property line, but that is up for reconsideration as the design process moves forward. If the wall would be equally effective along the track, that option could be considered. For an elevated guideway, it is preferred to place the wall up on the structure.

Mr. Chelminiak observed that the townhouses along 112<sup>th</sup> currently act as a sound barrier for residences to the west. He would like to find a way to quiet the sound from light rail as well as traffic noise on 112<sup>th</sup>.

Mr. Irish confirmed that the location of a sound wall can certainly affect its impact. He noted that much of the light rail line through Tukwila follows I-5. In some areas where Sound Transit has

built sound walls, noise levels are now quieter than before due to previous noise from the freeway.

Mr. Ilgenfritz said that once a preferred alternative is selected, there will be ongoing public involvement and coordination with jurisdictions to address and refine mitigation issues.

Mr. Irish continued his presentation of environmental impacts.

Responding to Mayor Davidson, Mr. Irish said trees in wetlands are considered in numbers.

Responding to Councilmember Wallace, Mr. Irish said the trees on 112<sup>th</sup> are not considered a particularly high-value habitat because it is more of an urban environment. The wetland impacts are primarily at the Mercer Park Slough area. There are some vegetation impacts along the BNSF corridor.

Mr. Irish noted that the B2M has a higher impact for park property acquisition than the B7. Referring back to the wetlands, he said Sound Transit would develop mitigation in conjunction with the City as part of the permit process. The buffer areas are generally replaced at a 1:1 ratio, while the wetland mitigation ratio in Bellevue can range from 1:3 to 1:12. It could be necessary to acquire additional properties for mitigation.

Responding to Mr. Wallace, Mr. Irish said the 114<sup>th</sup> design option was part of the City's recommendation in its original comment letter on the DEIS. It was part of the side-running alignment along Bellevue Way and 112<sup>th</sup>, which then followed SE 8<sup>th</sup> Street toward I-405.

Mr. Billen explained that when the Sound Transit Board considered the B3S in 2009, it did not include the jog over to 114<sup>th</sup> Avenue SE.

Mr. Billen reviewed Segment D through the Bel-Red corridor and Segment E to Downtown Redmond. Segment D's connection to Segment C at NE 6<sup>th</sup> Street adds \$30 million to \$35 million as compared to connecting at NE 12<sup>th</sup> Street. Sound Transit has a non-binding term sheet with the developer of the Spring District with regard to funding a retained cut station instead of an at-grade station. For service to Overlake Village, alignment along SR 520 improves travel time, reduces costs by approximately \$45 million, and reduces business displacements by 38, as compared to a NE 24<sup>th</sup> Street alignment.

Mr. Billen said the comment period on the SDEIS begins November 12 and ends January 10. An open house and public hearing is scheduled for November 30 at Bellevue City Hall. Environmental documents are available at [www.soundtransit.org/eastlink](http://www.soundtransit.org/eastlink). The Executive Summary and documents on CD are available at no charge. The full SDEIS and drawings are available at cost.

Responding to Mayor Davidson, Mr. Billen said Sound Transit is working on Segment A, Seattle to Bellevue, with the Washington State Department of Transportation (WSDOT). He noted that the stretch of I-90 that includes the center roadway is being designated as historic, due to its

unique design. However, the original design contemplated rail so there is no adverse effect from the conversion of the center roadway. The preliminary light rail design estimates operating speeds of 35-40 miles per hour at either end of the bridge and 55 miles per hour on the main section of the bridge.

Councilmember Robertson commented that the timing of the comment period ending on January 10 will be challenging for other agencies currently working on their budgets. She noted fewer business days, as well, between now and January 10, which translates to a shorter period of time for the Council to review the report. Ms. Robertson would like to have a study session on the SDEIS before January 3.

Mr. van de Kamp said staff intends to provide as much information as possible to the Council in a timely manner. He will work with the City Clerk to schedule more time on the Council's calendar.

Mr. Ilgenfritz said that Sound Transit typically has a 45-day comment period but decided to extend that to 60 days given the holidays. The Sound Transit Board and its capital committee both have monthly meetings, and the Board will be open to accepting input throughout the process until it makes a decision on the project.

Councilmember Wallace questioned how to get a handle on the rationale behind the cost ranges, especially for Segment C alternatives and in negotiating funding for the Downtown Tunnel.

Mr. Billen said the cost ranges for Segment C reflect amounts with and without project reserves, as well as the alignment approach into the downtown. In Chapter 2 of the SDEIS main volume, there is a matrix of the possible Segments B and C combinations. Regarding the term sheet, Sound Transit provided to Bellevue staff a great level of detail behind the various possible items in the term sheet. At this point, that is the best source of information. Project costs will be updated upon completion of preliminary engineering.

Mr. Ilgenfritz encouraged the Council to focus on the low end of the ranges, because this is what Sound Transit is managing to, in general. The higher amounts contemplated reserves, which are no longer possible. The Board has directed staff to manage to the low end of the estimates.

Mr. Wallace questioned how Sound Transit determines how much of the project is Bellevue's portion.

Mr. Ilgenfritz said the Board will adopt a project scope, schedule, and budget for the entire route between the International District Station in Seattle to the Overlake Transit Center.

Councilmember Wallace noted that the Downtown Tunnel term sheet refers to \$300 million, and he questioned \$300 million from what (i.e., all of East Link? individual segments?).

Mr. Ilgenfritz said the underlying policy decision is that the ST 2 package approved by voters did not include funding for a tunnel alternative. In response to the City of Bellevue, the Sound Transit Board has agreed to consider a tunnel if more funding can be identified.

Councilmember Wallace questioned, with respect to C11A and C9A, whether there have been discussions with City staff about the terms of using the City's right-of-way.

Mr. Billen said Sound Transit will ultimately need a transit-way agreement with the City of Bellevue, as has been executed with other jurisdictions.

Deputy Mayor Lee noted a concern with the matrix comparing performances of segments based on ridership, travel times, and cost. He feels we should be looking at the best combination, and not necessarily the lowest cost. The missing criteria is neighborhood impact, impact to Bellevue, and impact to citizens.

Councilmember Balducci commended the SDEIS for reflecting a great deal of the give and take between the City and Sound Transit. She noted that it contains a number of items requested by the City including the B3 Side-running, the turn onto SE 8<sup>th</sup> Street, and the C9T Downtown Tunnel. She thanked Sound Transit staff for their work.

At 7:51 p.m., the Mayor called for a five-minute recess. The meeting reconvened at 7:59 p.m.

(d) Continued Discussion of the 2011-2012 Operating Budget by Outcome: Healthy and Sustainable Environment; and Responsive Government

Mr. Sarkozy noted the Council's ongoing discussions regarding the 2011-2012 Operating Budget. He introduced the presentations tonight by the Responsive Government Outcome Results Team and the Healthy and Sustainable Environment Outcome Results Team.

Nora Johnson, Civic Services Director, said the Responsive Government Outcome contains 81 proposals representing 16 percent of the General Fund and 14 percent of all funds. She reviewed the key performance indicators, as well as the Results Team's strategy of requesting more than \$7 million in initial reductions.

Toni Cramer, Chief Information Officer, explained that the Results Team requested 25 alternate proposals for service reductions, and accepted 13 of them. As a result of initial savings and service reductions, \$5 million shifted from this Outcome to reinstate service cuts in other Outcomes, primarily Public Safety. Cost reductions resulted in a range of impacts including some increase in risks, eliminating the capacity to respond to unanticipated needs, reductions in routine maintenance, and slower processing times. Cost reductions were made through contract renegotiating and restructuring, process changes and improvements, workload decreases and deferrals, and other savings measures. Areas experiencing service level and/or staffing reductions are cable and franchise management, graphic services, facilities maintenance and operations, Service First, fleet inventory, Hearing Examiner's Office, tuition reimbursement, and procurement.

Ms. Cramer described three proposed revenue enhancements. Enhanced tax enforcement efforts are expected to generate a net \$70,000 annually. The survey permit fee structure will be adjusted to achieve full cost recovery, which will net \$60,000 annually beginning in 2012. The third revenue source is increasing the one-time business license fee from \$30 to \$80.

Mr. Sarkozy noted that the Responsive Government Outcome represents nearly every department and/or function within the City. He thanked Ms. Johnson for her assistance on election night at City Hall, which drew a much larger crowd than anticipated.

Councilmember Robertson said it is wonderful to have been able to scrub \$5 million from this Outcome area and to apply it to essential government functions such as Police and Fire. She questioned the summary of the fleet inventory reduction item on page 3-126 of the meeting packet. Ms. Johnson explained that fleet operations is a large function containing many activities and interrelationships. Staff is working on developing performance measures for fleet operations for next year's mid-biennium budget process.

Responding to Deputy Mayor Lee, Ms. Johnson said that a 0.50 staffing reduction occurred as an efficiency measure because workload had decreased. The elimination of an additional Service First staff position represents a service reduction and is likely to result in longer response times over the telephone and in City Hall. The Service First desk is currently staffed from 7:00 a.m. to 5:30 p.m., and hours will be reduced to 8:00 a.m. to 5:00 p.m.

Mr. Lee suggested adding the Service First reduction to the list for further discussion before he decides if he can support it. He suggested that the City Council take a five-percent pay cut. Regarding the increase in the business license fee, he questioned whether there is a specific designated use for the funds. He feels that individuals would be more receptive to the change if they know the use.

Finance Director Jan Hawn said the business license fee is considered general revenue and is not earmarked for any specific purpose.

Mr. Sarkozy explained that the fee pays for the one-time input of background data and licensing information into the City's system for new businesses. It comes in as general revenue, and is used to offset the minimal administrative costs associated with this function.

Councilmember Robertson questioned whether the reduction in Service First's hours will affect the operation of the parking garage and related revenues. Ms. Johnson said the financial impact will be minimal.

Responding to Councilmember Balducci, Ms. Cramer said the franchise function has two primary activities: 1) Negotiating new and renewal franchise agreements, and 2) The community response piece related to customer complaints, community assessments, and audits. The reduction affects the negotiation side, and the City Attorney's Office has been handling the lead

role in cable negotiations. The budget retains money to support the City Attorney's Office if they need additional assistance.

Responding to Councilmember Chelminiak, City Attorney Lori Riordan said workers compensation rates are paid from a self-insurance fund. The City anticipated a somewhat substantial increase, which has now been specified as 12 percent by the Department of Labor and Industries.

Responding to Councilmember Wallace, Ms. Cramer said that outsourcing was considered as a potential alternative for virtually every Information Technology Department function. For example, a full-time trainer position is eliminated. The City will purchase an online curriculum and will bring in specialized classroom training as needed. All of the City's business systems (e.g., permitting, inspection, asset management, recreation systems) were evaluated to determine whether a vendor would be more cost-effective. It is currently less expensive to retain these functions internally. However, future workload decreases and programmatic changes by the Finance Department will reduce the need for some specialized technical support over the next couple of years. These will be replaced with outsourcing contracts as the need arises.

In further response, Ms. Cramer explained that a change in technology now allows the City to virtualize servers, and hopefully soon, desktops as well. This has significantly reduced the needed labor and the complexity of managing the internal infrastructure of the network administration environment. It made sense to reallocate two positions from another area to the network function, and to be able to cut a contract that was approaching \$1 million annually.

Moving on, Utilities Director Denny Vidmar introduced staff's presentation of the Healthy and Sustainable Environment Outcome. The majority of proposals in this category represent the Utilities Department. However, there are proposals from the Transportation Department and Parks and Community Services Department as well. This Outcome makes up 32 percent of all funds and, unlike other Outcomes, includes two years of funding for the Utilities capital budget. Mr. Vidmar noted the list of key performance indicators for the Utilities functions.

Patrick Foran, Director of Parks and Community Services, described the reductions proposed for the Parks Department: 1) Reductions to Parks natural resource programs including seasonal labor, materials/supplies, contract maintenance, and water usage; and 2) Elimination of one crew in the Well KEPT youth development and training program. A proposal below the funding line relates to community alliances and partnerships. This eliminates plans to manage an offender work crew program and to partner with nonprofit agencies to help maintain and restore natural spaces throughout the parks system.

Responding to Deputy Mayor Lee, Mr. Foran explained that the Community Alliance Partnership Pilot Program was proposed as a potential way to reduce jail costs. People who otherwise would be sentenced to jail time could opt to participate in a community work program in lieu of going to jail and/or paying fines. The program would not involve offenders who would normally be put on probation. The initial cost savings of the pilot program is estimated at

\$30,000. The program would provide accountability for the offenders, and the idea is to coordinate with social services as well.

Deputy Mayor Lee said the program is worth considering if the cost savings are proven. Mr. Foran clarified that the pilot program would not result in a net savings. However, it would test the underlying premise of the program for potential continuation.

Councilmember Balducci said there are programs like this in other agencies, including King County, which could provide data about the cost effectiveness and benefits.

Mr. Foran said City staff has been researching the issue for some time, and given the budget shortfall, it seemed to be worth considering now.

Councilmember Wallace questioned maintenance-related proposals for the Parks Department. Mr. Foran said there is a recommendation to convert five contracted positions to FTE positions to achieve cost savings. Wage levels set by the State have increased for outsourced workers. In addition, some landscape contractors charge \$70-\$90 for certain types of work.

Mr. Wallace expressed concern that the State Department of Labor and Industries has increased the prevailing wage for certain job categories substantially, even in this time of a recession.

Mr. Foran commented that it is costing significantly more now for public agencies to maintain their parks systems. Staff has drafted a letter to the Department of Labor and Industries, for the City Manager's review, requesting wage reductions for some categories and noting inconsistencies in some of the wage levels. Mr. Foran said this is an issue for contractors as well, because they find it difficult to bid on contracts.

Mr. Wallace said private companies are able to hire individuals with landscape architecture degrees for \$14-\$16 per hour. He noted the importance of continuing to work on this issue.

Mr. Vidmar continued with an overview of the 2011-2012 Utilities preliminary budget, which includes cost containment and efficiency measures to reduce controllable operating costs by 11.4 percent and to reduce operating reserves for the Water Fund. In the capital budget, the budget saves \$2.7 million through one-time project design-related savings and by eliminating projected inflation adjustments from the CIP Plan.

Mr. Vidmar described reductions in reserves that are proposed in order to keep utilities rates consistent with market rates. He highlighted the key components of the overall operating and capital budget purchasing plan. Mr. Vidmar described water, wastewater, and storm and surface water rates and their impact on customers. He compared the City's rates to surrounding jurisdictions, and noted that none of them have renewal and replacement reserves that are comparable to Bellevue's. This will force some cities to implement significant rate increases in order to fund maintenance activities.

Mr. Vidmar reported on the Environmental Services Commission's review of the budget. The Commission held a public hearing on October 28 to provide the opportunity for input from customers. Mr. Vidmar noted that Commission's formal recommendation is included in the meeting packet, and the Commission Chair's speaking notes are provided in Council's desk packet. Mr. Vidmar highlighted items in the Commission's recommendation, and explained that the Chair was not able to attend this meeting. The Commission unanimously recommends funding the Utilities Department's operating budget as proposed, including restoring full funding of the planned contributions to the renewal and replacement fund.

Councilmember Robertson questioned reimbursement related to private water system maintenance. Mr. Vidmar said the City does not receive reimbursement from the owners of the private water system for certain maintenance work. In 1984, the Council decided to not charge for private drainage system inspections, in order to encourage people to keep their systems clean. This work was funded from the general rate base.

Speaking to the water conservation and solid waste contract recycling incentive program, Ms. Robertson noted that green living and conservation are part of the local culture. Given this, she questioned the need to spend money on initiatives within this realm. She asked about when the solid waste contract ends and whether the City plans to continue the recycling incentive program in the new contract.

Mr. Vidmar said the solid waste contract terminates in 2014. Staff plans to work on establishing a new bidding process in 2013. With regard to conservation, the future water supply picture is predicated on the level of conservation. While Bellevue is exceeding its current projections of conservation, it is also counting on that to continue in order to forestall investments in new water supplies.

Councilmember Robertson questioned whether customers' conservation efforts would decline if the program were eliminated from the budget. She recalled projections that the water supply is adequate through 2060. Anne Weigle, Assistant Director of Utilities, said the City has a long history of successful programs. However, staff has learned as well that if you do not make a program highly visible to customers, their efforts will decline.

Deputy Mayor Lee noted that Council policy wants to maintain the rate increase at a steady level, without any sudden jumps. However, there is a larger increase in 2013. He questioned the alternative, and whether it is justifiable to cut renewal and replacement reserves over the next two years to maintain rates. Mr. Vidmar said it is a policy issue and a matter of judgment as to whether the savings to customers is justified at this time. He noted that these are unusual times, and he advises against any rate relief on this basis over the long term. However, he feels it is justifiable over the next two years.

Councilmember Chelminiak pointed out that the residential utility rate increase averages \$74 in 2011, and \$61.50 in 2012. For a medium commercial customer, the 2011 increase averages \$2,200, and the 2012 increase averages \$1,200. Customers are paying utilities fees and taxes, as well as property taxes. Mr. Chelminiak said it is also important to consider generational equity,

which is paying in advance for future infrastructure costs. This has never been done in this state for transportation projects, which is at least part of the reason that the region is stuck in gridlock on many roads. He noted that the approach reflected in the budget is planning ahead to fund infrastructure improvements that will be needed, which is a policy issue.

Councilmember Chelminiak challenged the statement that the City's budget has no tax increases, given that citizens will be paying more for utilities. The issue of how to define a tax increase is a philosophical and policy discussion.

Mayor Davidson added the issue of renewal and replacement reserves to the Council's discussion list.

Councilmember Wallace questioned whether staff is taking into account, on the revenue side for the operating budget, that as the rate goes up, the tax goes up. Staff confirmed that this is part of their analysis. Mr. Wallace questioned how the City considers increased costs from Metro and the Cascade Water Alliance when looking at how to set rates.

Mr. Vidmar said staff does look at the rate increase forecast for wholesale costs, and tries to balance the City's rate to avoid dramatic rate increases from year to year.

Councilmember Balducci noted the overall performance-based budgeting process involving outcome measures. She recalled her observation early in the budget process that the outcome measures are perception-based (e.g., percentage of residents who believe that the rates are fair) instead of being based on an established standard. She questioned how the new budget process ties into the City's award-winning performance measurement program. She questioned how to know whether the budget approach is working.

Ms. Hawn said staff has refined performance measures throughout the process and will continue to do so. Some measures are quarterly, while some are annual or on another schedule.

Mr. Sarkozy added that, across the country, there has been a strong emphasis on performance management systems. Staff is looking into how to reset some of the performance indicators to be both objective and subjective. The goal is to provide meaningful data to the Council as a basis for policy decisions.

Councilmember Chelminiak expressed support for Deputy Mayor Lee's suggestion earlier about reducing the Council budget. Potential areas for cost savings include electronic agenda packets. He spoke in favor of reducing the budget by five percent. Mr. Lee suggested reducing or eliminating the Council's salaries.

Responding to Councilmember Balducci, City Clerk Myrna Basich confirmed that adjustments to Council salaries are implemented after the next election cycle.

Ms. Basich said staff will provide a written response to the suggestion.

Mr. Chelminiak listed other areas for potential reductions including travel and printing.

Ms. Basich noted that the Council's travel budget has been reduced by 25 percent.

At 9:33 p.m., Mayor Davidson declared the meeting adjourned.

Myrna L. Basich, MMC  
City Clerk

kaw