

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

November 28, 2011
6:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Davidson and Councilmembers Balducci, Chelminiak, Degginger, Robertson, and Wallace

ABSENT: Deputy Mayor Lee

1. Executive Session

Councilmember Robertson called the meeting to order at 6:01 p.m., and declared recess to Executive Session for approximately 30 minutes to discuss one item of labor negotiations.

The meeting resumed at 6:25 p.m., with Mayor Davidson presiding.

2. Oral Communications

- (a) Bill Hirt recalled his recent appearance in which he asked the Council to not sign the East Link Memorandum of Understanding (MOU). He suggested that Sound Transit should add HOV lanes in both directions to the outer I-90 bridge. An HOV lane and bus only lane in both directions would dramatically reduce congestion, especially for reverse commuters already facing serious delays. He expressed concern that the center section of the bridge will be closed for several weeks for East Link construction. Having outer lanes would continue to meet the needs of commuters. He believes that modifying the bridge in 2012 would quickly benefit all cross-lake commuters. He suggested that the Council make East Link permit approval contingent on Sound Transit making these modifications.

3. Study Session

- (a) Council Business and New Initiatives: No discussion.
- (b) Regional Issues

City Manager Steve Sarkozy introduced discussion of regional issues.

(1) Cascade Water Alliance Interlocal Contract Amendment

Alison Bennett, Utilities Policy Advisor, recalled discussion with Council in July regarding the Cascade Water Alliance budget. At that time, staff explained how all regional water suppliers are experiencing reduced growth and water demands. Cascade was also working to revise its cost allocation structure to ensure that each member continues to pay its equitable share of all Cascade costs.

Ms. Bennett said the Cascade Water Alliance Board unanimously adopted a resolution to implement three changes to the member cost structure: 1) Increase the administrative cap in the Interlocal Contract, which requires contract amendment), 2) Assign minimum demand shares to Issaquah and the Sammamish Plateau, and 3) Adopt Regional Capital Facilities Charge (RCFC) credit purchase program.

Ms. Bennett said that all of the changes benefit Bellevue in the future. Current estimates show that the changes should reduce Bellevue's future wholesale costs from Cascade by about \$300,000 per year. Ms. Bennett said water demand and revenues have declined, especially in 2010 and 2011, due to the economic downturn, ongoing conservation efforts, and low water usage due to the cooler summer this year.

The City's Utility Fund is projected to end the year below budget. One-time cost savings and cost containment actions have been taken for 2011 and 2012, and therefore staff is not recommending any change to the 2012 adopted water rate. However, staff will be back during the 2013-2014 budget process with alternatives and recommendations for Council consideration after a thorough evaluation of the budget, water demand forecast, cost reductions, and efficiencies. The lower than anticipated wholesale costs from Cascade will be an important factor in addressing the Water Fund shortfall.

Chuck Clarke, Chief Executive Officer for the Cascade Water Alliance, explained that the change in demand patterns has become a national trend, and most of the larger utilities are struggling with how to change their business model, rate structure, and conservation efforts. Both Seattle and Tacoma have experienced significantly lower water usage over the past two years, and especially this past summer.

Mr. Clarke said Cascade is reevaluating the fundamental assumptions identified when Cascade was established. A benefit of the changed environment is that it puts Cascade in a strong position related to water supply issues, which provides a competitive advantage related to growth into the future. Water utilities are looking at retargeting conservation to address peak demand management, which tends to be the driver for future investments in water supply.

Mr. Clarke spoke to the objective of fairly allocating costs to members, noting that the current rate structure is no longer accurate due to changes related to Cascade's original assumptions. Issaquah, the Sammamish Plateau, and Covington will continue to experience growth for some time and to use large amounts of water. However, overall reductions in water demand due to the economy resulted in disproportionate rates for Bellevue, Kirkland, Tukwila and others, who do

not have their own supplies but were purchasing water from Seattle. Mr. Clarke said that, in the interest of fairness, Cascade revised member charges to reflect the changed business and growth environment.

Mr. Clarke noted that Cascade is renegotiating contracts with Seattle and Tacoma to enhance flexibility to reduce some of the previously committed charges. Bellevue will experience a reduction in Cascade charges of two to three percent annually going forward.

Councilmember Balducci noted the complexity of the rate structure. While she respects the recommendation and the knowledge of Councilmembers who have been closely involved with Cascade, she does not fully understand how charges were developed.

Mr. Clarke said the initial rates were based on anticipated water demand for each jurisdiction and whether jurisdictions had their own water supplies or were using Seattle water. Councilmember Balducci clarified that she does not understand how Cascade is projecting the demand share charge, and how realistic the projections are. Mr. Clarke said usage is adjusted after the fact. Bellevue's increase in member charges, based on water demand, was expected to increase 9.9 percent from 2011 to 2012. That estimate has been revised to 7.3 percent. In addition, Bellevue receives a credit of \$790,000 in 2012 due to lower new water surcharges. Mr. Clarke said Cascade is attempting to simplify the rate structure. Ms. Balducci again questioned the basis of the water demand estimates.

Ms. Bennett said the estimates are based on a three-year average, and they are adjusted annually due to actual usage. The \$790,000 credit is based on reduced water usage in 2010. Mr. Clarke said that the use patterns in 2011 will likely result in a similar credit. He noted that Seattle and most utilities develop their estimates in the same way as Cascade.

In further response to Councilmember Balducci, Mr. Clarke said he will provide additional explanatory materials that were presented to the Cascade Board.

Councilmember Degginger said there were two meetings with the committee of the whole to deal with this subject, which has been the most sensitive issue over the past 11 years for Cascade. Staff developed significant data throughout the process.

One major issue was that the first five percent of administrative charges were being allocated to all members, and the balance was being distributed among jurisdictions without their own independent supply. As a result, Bellevue and some other cities were paying a disproportionately higher percentage of the administrative costs. This did not seem appropriate in light of the fact that Bellevue incurred additional costs to acquire water to ensure that other communities could grow.

Mr. Degginger said the current proposed amendment represents a fundamental shift. The Bellevue City Council is asked to approve the proposed revisions to Cascade's governing document to address the cap issue, and to allow the cap to be increased as appropriate.

Councilmember Balducci said she is interested in how, under the new structure, money gets allocated to the long-range capital program. This is a big investment, and it is now extended into the future due to the slowed growth in demand.

Councilmember Degginger said the original concept was that growth was to pay the larger percentage of growth. With the decline in growth, the connection charge is maintained at the same level, which affects the availability of funding for capital projects.

Mr. Clarke said there have been significant increases in capital costs, and the postponement of capital projects will have a positive effect on Cascade's rates for the next five to 10 years. Tacoma has increased rates for wholesale customers by 15 percent each year in its last two rate adjustments. Seattle is considering a 28-percent rate increase over three years.

Cascade's rate increase was six percent for 2011/2012, but will be at three to four percent every year through 2016. Cascade has adopted a very conservative estimate on growth, and if growth picks up at all the rates will be even lower. Mr. Clarke said there is some pressure on Cascade in approximately six to seven years related to the Tacoma contract, and in approximately 15-20 years if Cascade needs to build some pipelines.

Councilmember Wallace questioned what is happening with the excess water. Mr. Clarke said fish are benefiting from the decrease in water usage. The change in demand patterns has been fairly radical, so the water remains in rivers and Lake Tapps. Mr. Clarke said this will present some operational and revenue challenges into the future, in part due to the effect on treatment utilities as well.

Responding to Councilmember Wallace, Mr. Clarke said water rates are increasing, while fixed costs (i.e., water treatment, facilities repair and replacement) are remaining about the same. The lowered demand keeps pushing rates up to generate the same amount of revenue received in the past. Mr. Clarke said this is causing some jurisdictions and utilities to reconsider water conservation programs. He suggested they should be based on the new future, as opposed to past projections of the future that anticipated inadequate water supply. The risk now is primarily related to economic issues including rates. This is a fundamental shift in strategy going forward.

In further response to Mr. Wallace, Mr. Clarke said peak demand during the summer is what drives whether to develop Lake Tapps' water supply and/or to purchase more water from Seattle. A better way to deal with demand management is to identify a way to reduce the peak. However, peak water generates the highest amount of revenue because it is typically higher summer rates and higher volumes. Mr. Clarke said another challenge is how to balance the potential for more revenue with higher water usage against the potential cost of more infrastructure if the increased usage reaches a certain level.

Mayor Davidson noted that dams are used for flood control as well, and excess water therefore cannot be held year to year.

Councilmember Wallace questioned whether the forecast for lower wholesale water rates could allow reducing near-term capital expenses. Ms. Bennett said staff will present alternatives for Council consideration next year, and all options are being explored.

Councilmember Robertson questioned whether the jurisdictions experiencing increased member charges are expected to ratify the amendment, and whether there will be the needed overall support to ratify the agreement. Mr. Clarke said the Cascade Board represents all jurisdictions and it voted unanimously to adopt the amended charges. Successful ratification is anticipated.

Mayor Davidson said this has been a maturing process for Cascade in terms of implementing a broad regional model. He said that all jurisdictions have been involved in discussions, and they ultimately achieved a unanimous position.

Councilmember Degginger said the Cascade Water Alliance differs from many regional forums in the way that all members truly take a regional approach to setting policies.

Mayor Davidson suggested that staff bring the item back for Council action on next week's Consent Calendar.

Mr. Degginger asked staff to provide the materials presented to the Cascade committee of the whole to Councilmember Balducci.

(2) Finalize 2012 State Legislative Agenda and Review of Draft 2012 Statement of Policy

Joyce Nichols, Interim Director of Intergovernmental Relations, referred the Council to the draft 2012 State Legislative Agenda, which begins on page 3-15 of the meeting packet. The legislative priorities have been discussed twice previously with the Council, and the State Legislative Agenda is a short list of priorities to be pursued in the next legislative session.

The State Legislative Statement of Policy is a longer document that has evolved over time. It provides policy direction for staff for potential subjects to be addressed by the state legislature. Ms. Nichols said this is the first presentation of the Statement of Policy to the Council. There are minimal changes from last year. One is the removal of an item related to Water Supply issues and the Cascade Water Alliance because it was accomplished in the 2011 session.

Ms. Nichols said staff is requesting Council approval of the State Legislative Agenda at this time.

Responding to Councilmember Degginger, Ms. Nichols said she will revise the statements on Local Revitalization Financing to make them consistent with each other.

Councilmember Degginger referred to page 3-27 and questioned the item about the protection of public intellectual property. Ms. Nichols said that was introduced a few years ago, and it related to the potential for charging for the usage of software developed by the City. She said the item is

in the Statement of Policy primarily as a placeholder in case there is a proposal to change the current intellectual property rights.

Councilmember Degginger recalled that this was discussed in the past with regard to the eCityGov Alliance. He questioned whether that name was trademarked or copyrighted by the Alliance. Mr. Sarkozy said the city trademarked and copyrighted a number of the names that are part of the eCityGov Alliance suite of services, and that continues to change as services are added and deleted.

Councilmember Wallace noted the transportation priorities and suggested refocusing on roadway projects. He recognizes the funding challenges, but believes it is important for the Eastside to focus more intensely on completing the I-405 Master Plan. Mr. Wallace said that Seattle's business and political communities have been working on a plan to advocate for Seattle's transportation infrastructure. He suggested that Bellevue take a lead in moving efforts on I-405 forward.

Kim Becklund, Transportation Policy Advisor, said there has been a fair amount of effort at the State level to put together a comprehensive highway package for consideration during the next legislative session. While General Fund issues are expected to be the key focus, discussion on highway programs is anticipated. The Washington State Department of Transportation (WSDOT) has been working with the Puget Sound Regional Council to begin to assemble a project list.

With regard to I-405, City staff has been talking internally about how to package a phased plan. Ms. Becklund said there is a great deal of work to be completed within Downtown Bellevue and related to the project between Bellevue and Renton. The first phase of HOT lane development is underway, but new funding authority will be needed to build the segment between Bellevue and Renton. The City is also looking at how to enhance circulation into and within Downtown Bellevue.

Ms. Becklund said City staff members are meeting with WSDOT I-405 management staff on December 13 to discuss the most logical sequence for implementing projects, taking into consideration SR 520 tolling, I-90 issues, and the Alaskan Way Viaduct project.

Mayor Davidson noted that the revenue sources for projects are different, which informs the planning and phasing. He said he met with the state legislature's joint transportation committee recently, which discussed SR 520. Mayor Marchione of Redmond, as well as representatives of Group Health, Microsoft and Wright Runstad, were present as well.

Mayor Davidson said it is important to continue to communicate that the infrastructure is needed to support economic growth.

Ms. Becklund summarized that there is a great deal of activity, and she proposed providing more frequent updates to the Council starting next year. Another project that would benefit Bellevue

is the southbound braid tie-in to NE 10th Street, similar to the northbound braided ramps.

Councilmember Wallace observed that there is currently no revenue to carry forward with these projects. Responding to Mr. Wallace, Ms. Becklund confirmed that HOT lane tolls would not cover the costs either. Mr. Wallace would like the state legislature to consider tolling all lanes instead of using HOT lanes, in order to provide a lower toll amount. He believes that the City needs a better understanding of revenue requirements and the best package of projects to support the I-405 Master Plan.

Councilmember Wallace noted that, missing from the State Legislative Agenda, is the proposed sales tax, which would have economic impacts for Bellevue.

Ms. Nichols said information on that topic will be provided later during the Budget update. The Governor is proposing a ½-cent increase in the sales tax. This would increase the State's share of the sales tax from 6.5 cents to 7 cents, and it would make Bellevue's sales tax rate 10 cents. Staff will provide more information once it determines support for the proposal and the anticipated impacts on Bellevue. A poll immediately following the Governor's announcement indicated 47 percent in favor of the sales tax increase, 47 percent opposed, and 6 percent undecided.

Councilmember Balducci concurred with Councilmember Wallace's suggestion to renew the Council's focus on roadway projects. She suggested it would be a good Council Retreat topic to review priorities. Ms. Balducci recalled that previous I-405 projects were successful in receiving significant funding from the Transportation Partnership Act (TPA). She suggested developing Bellevue's priorities and then working with other Eastside cities.

Councilmember Chelminiak suggested monitoring the sales tax issue very closely. He is concerned about how this could affect retail sales within Bellevue. Ms. Nichols said the Governor's proposal estimated that a ½-cent sales tax increase would provide approximately \$500 million annually. This would enable the Governor to buy back some of the items that she was proposing to remove from the budget, including funding for education, prisons, and assisting the elderly and disabled. Councilmember Chelminiak agreed that those are all good programs to fund. He expressed concern that the State might reduce liquor tax revenue and B&O tax revenue for the City.

Councilmember Degginger spoke to long-term funding for transit, and he recalled that the \$20 vehicle license fee was supposed to be temporary. Responding to Mr. Degginger, Ms. Becklund said transit agencies are generally fairly successful in obtaining one-time capital funding. However, operational funding is more of a challenge. The problem with the motor vehicle excise tax (MVET) is that it is used for a number of purposes. She noted the need to link specific percentages of the sales tax to specific uses such as a highway purpose or transit purpose. Mr. Degginger suggested that the City monitor this issue.

Ms. Becklund said the City will be updating its transit plan next year, which ties in with the commitment by King County Metro to explore ways to better serve activity centers.

Responding to Mayor Davidson, Ms. Nichols said the streamlined sales tax was approved, and payments are made annually to the cities who lost revenue. She confirmed that there is a national effort to approve an interstate compact related to sales tax streamlining. However, an agreement has not yet been reached. Ms. Nichols said that some Internet-based companies are working with government to negotiate on this issue.

Mayor Davidson noted a consensus in favor of the State Legislative Agenda, amended as suggested by Councilmember Degginger with regard to language about Local Revitalization Financing. Dr. Davidson asked staff to bring it back for Council action on the next Consent Calendar.

Responding to Mr. Sarkozy, Ms. Nichols said the Governor's budget reduces the State Sales Tax Credit related to annexations by 10 percent, as long as the annexation efforts have already begun.

(3) Federal Legislative Update

Ms. Nichols noted the brief federal legislative update in the meeting packet.

Councilmember Wallace commented on the Main Street Taxpayers Act under consideration by the Congress, which deals with the sales tax issue on a national level. He questioned whether the City should study the issue and consider supporting it.

Mayor Davidson said it would level the playing field for Washington state retailers, and therefore most likely would warrant the City's support.

(c) 2011-2012 Mid-Biennium Budget Forecast and Update

City Manager Sarkozy introduced discussion of the 2011-2012 Mid-Biennium Budget, noting that the intense focus on the East Link light rail project has caused a late start in addressing the budget process. A Public Hearing on the budget is scheduled for later in the evening.

Finance Director Jan Hawn recalled the budget presentation to the Council the previous week, which reviewed General Fund cost management actions, a proposed BLS (Basic Life Support) transport fee, adjustments to Development Services fees, and the impacts of the Governor's proposed budget. Council adoption of the 2011-2012 Mid-Biennium Budget is anticipated on December 5. State law requires the mid-biennium review. The Budget reflects minimal changes, including no change in taxes or utility rates. The Budget proposes a fee for BLS transport as well as fee increases for permit review and inspection services.

Ms. Hawn reported that General Fund revenues are not performing as projected. The 2011 budget is in balance due to strong management actions, cost containment measures, and the potential use of reserves. However, a deficit of \$6.5 million in 2012 indicates the need to reduce expenditures or increase revenues on a permanent, ongoing basis. The principles applied to management actions were to minimize impacts to front line services, increase efficiency, avoid tax increases, and minimize layoffs.

Ms. Hawn described the recommended approach to address the 2012 General Fund shortfall of \$6.5 million, which includes continued management actions and proposed BLS revenues. The proposed BLS transport fee generates approximately \$1.1 million per year.

Responding to Councilmember Wallace, Ms. Hawn said using the property tax to generate \$1.1 million would result in a three percent increase.

Continuing, Ms. Hawn referred to Attachment A, beginning on page 3-49 of the meeting packet, which lists the General Fund management actions proposed by City departments.

Councilmember Chelminiak questioned what level of utility tax increase would be needed to generate \$1.1 million. Ms. Hawn estimated that an increase just under 0.5 percent on each utility would raise roughly that amount.

Councilmember Balducci questioned which of the management actions result in a reduction in service levels to the public. Ms. Hawn said that most of the actions affect support services, and it is unknown at this time how this might impact services to the public.

Responding to Councilmember Chelminiak, Parks Director Patrick Foran described the transfer of the After-School Program to the Bellevue School District. Programs at Tillicum, Highland, and Odle Middle Schools and at Lake Hills Elementary School have been provided by the YMCA, Jubilee Reach, and the Boys and Girls Club of Bellevue through contracts with the City. The transition began in 2011, and is scheduled to continue through 2012 and to work to identify additional program partners. The services have continued through the transition. At Highland Middle School, Jubilee Reach is continuing its program at no cost to the City, Bellevue School District, or the children.

Responding to Ms. Balducci, Mr. Foran said the programs will continue through the current school year. The Boys and Girls Club is no longer a service provider at Odle Middle School, which is now operating its own program. The Boys and Girls Club is continuing to provide the City's program at Lake Hills Elementary, and the District is working on implementing its own program at that school.

Mr. Foran recalled that the Wrap Around Services Program was expanded into Stevenson Elementary with federal grants, which included funding for an after-school program. That program continues and is not affected by the changes just described.

Mr. Foran said the YMCA has not been able to implement its program at Tillicum Middle School. The City is working with them to resume that program.

Chris Salomone, Director of Planning and Community Development, explained that the General Fund management actions include a 25-percent reduction in the annual program that funds the core art groups in Bellevue. Staff's rationale for this reduction was that 80 percent of that budget goes to core art groups and activities in Bellevue. The remaining 20 percent is allocated to

special projects which are typically one-time events and small groups or activities. The intent was to continue to fund the core art groups at a sustainable level. Mr. Salomone said that, with the Bellevue Philharmonic Orchestra disbanding its operation, there is \$15,000 available to distribute among the core art groups.

In response to Councilmember Balducci, Mr. Salomone said the budget cuts previously funded primarily one-time and/or small events.

Councilmember Balducci questioned the impacts to the Ridesharing Parking Program, volunteer program, and other services in the Police and Fire Departments. Councilmember Chelminiak asked about the reduction in temporary help in the Parks Department.

Mr. Foran said temporary help is critical to the Parks Department, due to the seasonal nature of the work. He described staff's efforts to lower temporary help wages for these positions with high turnover, but to also remain competitive, especially in hiring lifeguards.

Nora Johnson, Civic Services Director, said the Ridesharing Parking Program is primarily focused on internal employee parking. In 2011, the function was shifted to Service First staffing, and a general Service First administrative position was eliminated. The reduction of 0.4 FTE in the Ridesharing Parking Program reflects a staffing action that is already in place due to an employee voluntarily reducing to part-time status.

Councilmember Balducci questioned the 0.2 FTE reduction in the volunteer program. Ms. Hawn said that, originally, there was a plan to increase the position from 0.8 to 1 FTE. However, the job is adequately staffed and the employee is happy to continue with the current position.

Turning to the Fire Department, Councilmember Balducci noticed the reduction of a Fire Prevention Officer position and an Administrative Lieutenant position. Fire Chief Mike Eisner said that both of the positions do not provide first-line services. The Fire Prevention Officer position is vacant. There are currently three Administrative Lieutenants. The Department is working to redistribute the workload to enable eliminating one of the three positions.

Responding to Ms. Balducci, Chief Eisner said that eliminating the Administrative Lieutenant position will lessen staff's ability to deliver some training activities. He explained that the Fire Prevention Officer position conducts annual inspections and new construction inspections. Chief Eisner said he does not believe that the budget cuts will reduce the Fire Department's ability to be responsive to the community's need for services.

Responding to Ms. Balducci, Deputy Police Chief Jim Jolliffe said the workload of the eliminated Detective position will be distributed among the remaining six accident investigators.

Councilmember Balducci expressed concern that, when eliminating administrative positions, at some point such reductions are likely to have an impact on service delivery to the public. However, she respects staff's decisions in terms of managing personnel.

City Manager Sarkozy commended Department leadership for its team approach to managing the overall organization. He acknowledged that it would be wrong to say that there will be no impacts. However, staff is doing a good job of managing within the available resources, and it is an ongoing process.

Mayor Davidson observed that Council and staff have talked about a reset in the City's budget, yet he noted that at some point a certain level of services must be sustained. He acknowledged that staffing and the budget have been reduced significantly, and time will tell whether that is sustainable.

Councilmember Balducci suggested that, next year, the Council should consider whether the City should make relatively significant changes in certain services or programs, and/or whether it is necessary to generate more revenues to maintain a certain level of service.

At 8:03 p.m., Mayor Davidson declared recess to move to the Council Chambers for the Public Hearing.

The meeting resumed at 8:06 p.m.

- (d) Public Hearing on 2011-2012 Budget and 2011-2017 Capital Investment Program (CIP) Plan Mid-Biennium Update

Mayor Davidson suggested opening the Public Hearing on the 2011-2012 Budget and the 2011-2017 Capital Investment Program (CIP) Plan Mid-Biennium Update.

- Councilmember Degginger moved to open the Public Hearing, and Councilmember Robertson seconded the motion.
- The motion carried by a vote of 6-0.

The following citizen came forward to speak:

1. Pat Spak, a Police Department Captain, spoke on behalf of the Bellevue Police Management Association (BPMA), which consists of three Majors and eight Captains. He noted that the BPMA Executive Board sent the Council an email the previous night and on November 20, which stated opposition to the elimination of a Police Captain position in 2012. Captain Spak said there is a vacancy in the Captain position at the Patrol Watch Commander level. However, the proposed cut is the Captain in charge of the Investigations Section. This person manages and oversees all criminal police investigations in the City. Captain Spak said that eliminating any Captain positions increases the risk and liability to the City.
- Councilmember Balducci moved to close the Public Hearing, and Councilmember Robertson seconded the motion.

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

At 8:11 p.m., Mayor Davidson declared recess to return to the Study Session room following a break. The meeting resumed at 8:15 p.m.

City Manager Steve Sarkozy suggested moving forward with discussing recommended budget amendments.

Councilmember Chelminiak questioned the concept of redeployment versus cuts. Ms. Hawn said that some positions to be cut are vacant, so they do not involve a layoff. In the case of the vacant Captain position, there is an individual in acting capacity for that position who will be redeployed to a non-Captain position, and one Captain position is being eliminated.

Councilmember Degginger questioned where the next \$1 million in budget cuts would be if the proposed BLS (Basic Life Support) transport fee is not adopted. Ms. Hawn said the next reductions would look at changing or removing programs because significant adjustments have already been made in support services on several occasions.

Mr. Sarkozy said one program targeted for reductions is probation services, which are provided by both King County and the City. The City's program is more robust, but there are elements that are somewhat duplicative of the County's services. Relying on the County program for certain elements will decrease the level of service to Bellevue residents.

Councilmember Chelminiak observed that there is a cost to the proposed change. As an example, if the City's electronic home detention system is downsized more individuals will go to jail, which has a much higher cost for taxpayers.

Responding to Councilmember Degginger, Mr. Foran said the net cost to the General Fund of the probation services program is approximately \$850,000 per year. Electronic home detention fees and probation revenues offset some of the program's costs.

Councilmember Robertson said she was hoping to see tonight's budget information trued up with Budget One. Part of that process was to establish a funding line as a way of prioritizing priorities.

Ms. Hawn explained that staff reviewed the Budget One information and determined that most of what falls below the funding line represents significant changes to services and programs. As a result, staff looked at individual proposals, hoping to find enough efficiencies and less drastic changes for the current update, and to then address broader programmatic decisions during the 2013-2014 Budget process. The current list of recommended budget adjustments was developed by having each director identify actions, which were then vetted by the full Leadership Team.

Councilmember Robertson said she still would like to see how the recommendations true up with Budget One. She noted testimony during the Public Hearing that there were no recommendations to eliminate any management within Police Services as a result of the Budget One process.

Councilmember Robertson asked whether the Budget will balance if the recommended actions are adopted. Ms. Hawn said yes, if the whole package is adopted. Responding to Ms. Robertson, Ms. Hawn said modifications to the Budget could be addressed after the beginning of the year. However, the City will be using some level of reserves in the interim.

Mr. Sarkozy said there are still a number of uncertainties in the budget including those related to the state legislative process (i.e., B&O Tax revenue stream, liquor Sales Tax revenues, annexation-related issues, and possibly others). Staff will address these issues with the Council as soon as decisions and impacts are known. The state legislative process could be extended into 2012.

Councilmember Robertson questioned the impact on investigations of losing one Police Captain position. Deputy Chief Jolliffe said the staffing change will not directly impact the community. Eliminating that position was determined to be the most desirable way to reduce the Police Department budget.

Councilmember Robertson questioned whether the BLS transport fee is expected to influence support for the next Medic One levy measure. Chief Eisner said there are some concerns throughout the county that implementing the transport fee could affect voter support. However, Bellevue and Redmond are the only two large communities in King County that do not have some form of user fee for BLS transport. Ms. Robertson requested information on which jurisdictions had a BLS transport fee at the time of the last EMS levy vote, and whether there was a correlation between EMS levy support and a BLS transport fee.

Battalion Chief Marty LaFave said that Seattle and the Eastside are generally supportive of the EMS levy. South King County residents are somewhat less supportive. The majority of BLS transports in Seattle and South King County are charged, and the Eastside is gradually converting to hospital transport fees.

Councilmember Robertson expressed concern that the adoption of a transport fee could affect support for the EMS levy, which provides critical Advanced Life Support (ALS) services.

Responding to Mayor Davidson, Mr. LaFave said the next EMS levy vote is in 2013, and the levy will go into effect in 2014.

Councilmember Degginger said he is struggling with the proposed BLS transport fee from a policy standpoint and in terms of the rationale and equity in setting the fee. He noted that different users will pay different fees.

Chief Eisner said that fee equity is an issue now as 30 percent of BLS transports are provided at a cost by private ambulance, and 70 percent are transported without a charge. He observed that the proposed transport fee will be more equitable than the current practice. Chief Eisner explained that, if the Council chooses to not implement the fee, the next line of budget adjustments is to reduce on-duty firefighting staff.

Councilmember Degginger said he continues to be concerned about the equity of the proposed fee, as well as about the equity of the current system.

City Manager Sarkozy explained that Fire Department and Medic Units respond to each call and conduct a medical assessment. In the cases determined to be non-critical, decisions about transporting a patient are made in the field. This frees up personnel and resources to respond to more critical incidents. Mr. Sarkozy said that transport fees are becoming a standard throughout the region. He noted that the fees enable fire departments to maintain service levels as well.

Councilmember Chelminiak recalled that, when the City began using private ambulance services, the Council was concerned about the inequity of some patients being charged while others were not. However, the rationale was that the use of private ambulances would enable fire fighters and emergency medical personnel to be available to respond to additional calls. Mr. Chelminiak observed that implementing a fee goes against that rationale. It will favor hospital transport by City personnel and vehicles, which will make them unavailable for other calls. He expressed concern that the fee is focused on balancing the City budget, and he suggested that there are other options for addressing the budget shortfall.

Responding to Mayor Davidson, Chief Eisner recalled the Mayor's previous question about whether the City has the legal standing to waive copays and deductibles for City residents. Chief Eisner said that a review by the City Attorney's Office and an opinion issued by the Office of the Inspector General indicate that it would not be inappropriate for the City to waive copays and insurance deductibles for City residents only.

In further response to Mayor Davidson, Chief Eisner said the City's health insurance program administered by Premera Blue Cross is regulated by the State Office of the Insurance Commissioner and follows different rules regarding the ability to waive copays.

Mayor Davidson expressed concern that a person who is uninsured is going to be stuck with a \$600 bill for ambulance transport.

Battalion Chief Marty LaFave said that, if the City continues to provide its current level of service without charging patients for transport, the City will be providing a special service in Bellevue that other communities do not have. Mr. LaFave said that Fire Department personnel currently try to transport as many patients as possible themselves. However, private ambulance service is needed to respond when the Fire Department does not have sufficient units available. Those charged under the current system are often patients who request transport to Seattle or another hospital away from the Eastside.

Councilmember Degginger stated that the Inspector General's opinion applied specifically to the Medicare deductible. He questioned whether a patient's private insurer would find it acceptable for the City to waive the deductible associated with a hospital transport. Mr. LaFave concurred that the Inspector General's opinion addressed Medicare, and suggested that staff address this specific question to the billing administrator.

Councilmember Degginger expressed concern that it is insufficient to base the implementation of a transport user fee on the fact that other jurisdictions are doing it.

Mayor Davidson expressed concern that citizens will not want to call 911 if there is the potential for a significant user fee.

Councilmember Balducci thanked staff for the information. While she initially had concerns about the basis for the proposed fee, she understands that jurisdictions are charging for a reason, which is that BLS transport is an optional service. Noting that 30 percent of patients are being charged now, she observed that the proposed fee for all transports would be more fair. Ms. Balducci would like the Council to consider implementing the fee.

Councilmember Chelminiak said he continues to be concerned about adopting a fee because the City needs to fill a budget gap. He recalled that there was an economic downturn in his first year on the City Council, and there was a proposal to place a fee on cable television customers. At that time, Mr. Chelminiak felt it was not appropriate to charge a fee to cable subscribers as a way of balancing the budget. Instead, the Council approved an increase in the utility tax, which affected all residents. Mr. Chelminiak suggested that a 0.5 percent increase in the utility tax now would cover the approximately \$1 million to be generated by the BLS user fee.

Councilmember Chelminiak recalled that there were some budget proposals rejected by the Council during last year's budget process. One was a proposal to reduce street lighting. He asked staff to remind the Council about other past proposals that were presented, and suggested reviewing some of those items.

Councilmember Wallace commented that the proposed BLS transport fee applies to situations that are not life threatening, and the money for hospital transport service needs to come from somewhere. He prefers the transport user fee over increasing property or utility taxes. Mr. Wallace questioned whether the revenues could be dedicated to use within the emergency transport program. He suggested consideration of a base transport fee below the proposed \$600.

Moving on, Development Services Director Mike Brennan reviewed proposed development services fees. Staff recommends a phased approach to the hourly rates, and has completed a cost for services study. Rates have not been increased for the past two years. Mr. Brennan said staff proposes an hourly rate increase of approximately five percent for 2012, adjustments to flat rate fees, and an inflation-based increase on building review and inspection permit fees.

Mr. Brennan said the City's fees are regionally competitive and are set to cover the cost of the services provided to the customer. A key financial principle is that the funding structure should support the Development Services function through economic cycles. Mr. Brennan reported on the cost recovery objectives for the types of services provided by the City. Engineering review, inspection, and business support are fully supported by fees.

Mr. Brennan reviewed the Development Services Fund balance since 2003, and demonstrated the impact of a full fee, partial fee or no fee adjustment to the Fund balance. He said it is important to maintain a certain Fund balance and staffing level to continue to provide appropriate services to the public.

Responding to Mayor Davidson, Mr. Brennan said the last fee increase was in 2009.

Responding to Councilmember Wallace, Mr. Brennan said the Development Services Fund contains advance payments for permit services that the City has not completed. The Fund also contains reserves for the replacement of equipment and software in the future, and it should maintain a certain staffing level to respond to fluctuations in the demand for services.

Responding to Mr. Wallace, Mr. Brennan described the forecast process used annually to determine core staffing. He commented on the need to maintain appropriate skill levels and review capacity, and to be able to dedicate time to training and process improvement work.

Councilmember Wallace observed that there is general support within the development community for the proposed fees. He said that predictability in permit processing is a key consideration for developers. He encouraged staff to continue to work with developers to improve Bellevue's services.

Mr. Brennan recalled the efforts of the City's Construction Code Advisory Committee, which was chaired by Councilmember Degginger for a number of years, to work with developers and others for the continuous improvement of the permitting process.

Responding to Councilmember Chelminiak, Mr. Brennan confirmed that approximately half of the minimum Development Services Fund balance of \$4 million represents prepayments to the City for work not yet completed. He responded to additional questions of clarification regarding cost recovery options for permitting and inspection fees.

Budget Manager Toni Rezab described the State impacts to the City's budget [Attachment D, Pages 3-77 and 3-78 of the meeting packet]. The State is facing a \$2 billion budget shortfall, and the legislature is now in a special session to consider the Governor's proposed budget. Ms. Rezab said that the impacts of the State's budget are not reflected in the City's current Mid-Biennium Budget.

Ms. Rezab said that the Governor's current proposed budget eliminates liquor excise tax sharing, which represents potentially \$670,000 annually for the City in 2013 and 2014. Streamlined sales tax mitigation is reduced by 10 percent, which equates to approximately \$14,500 annually in 2013 and 2014. Ms. Rezab noted staff's earlier discussion about the Governor's proposal related to the annexation sales tax credit. Additional areas with smaller fiscal impacts are reduced funding for the Criminal Justice Training Commission and a proposal to align LEOFF Plan 2 contributions with other State pension plans.

Ms. Rezab said the Governor proposes placing a referendum on the March 2012 ballot requesting a ½-cent sales tax, which would raise nearly \$500 million per year.

Councilmember Balducci observed that page 3-78 of the meeting packet indicates that City staff is researching which cities qualify for the annexation sales tax credit. Responding to Ms. Balducci, Ms. Rezab said legal staff will conduct a review of the issue.

Councilmember Balducci noted an inquiry from the Bellevue Farmers Market about whether it is included in the 2012 budget. City Manager Sarkozy said that staff will look into this issue, and will work to respond to all questions and comments from the Council tonight.

Mayor Davidson said he would like to see what the state legislature decides to do with regard to the State budget before the Council spends extensive time on certain issues.

Responding to the Mayor, Ms. Nichols said that a 60-day legislative session begins December 9. The special session that began today could go as long as 30 days.

At 9:37, Mayor Davidson declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

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