

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session
Budget Workshop

April 2, 2012
6:00 p.m.

Mercer Slough Environmental Education Center
Bellevue, Washington

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

ABSENT: None.

1. Operating Budget Early Outlook and Financial Update

The meeting was called to order at 6:01 p.m., with Mayor Lee presiding.

Finance Director Jan Hawn presented the Operating Budget early outlook. Revenues are roughly equal to expenditures, but State budget impacts are not included because the legislature has not yet adopted a budget.

Toni Rezab, Budget Manager, said that the primary risks affecting the City's financial performance are state legislative impacts, health care costs, inflation due to fuel costs, and general global instability. She described what is now being called a jobless recovery of the U.S. economy. The gross domestic product (GDP) has recovered to pre-recession levels. However, employment and the size of the labor force have not and remain low.

In terms of 2011 General Fund performance, tax revenues have bottomed out and are beginning to recover. Budget year 2011 ended on target with the biennium forecast, which was substantially lower than anticipated in the 2011 Adopted Budget. Expenditures in 2011 were approximately 1.3 percent below the September projections.

Staff is projecting revenues equal to expenditures by the end of 2012. The risks associated with the global economy, including fuel prices, and with the State budget continue through 2012. Expenses are expected to increase at a rate higher than inflation due to increased health and benefits costs.

Responding to Councilmember Davidson, Ms. Rezab confirmed that expenditures are expected to increase beginning in 2013 due primarily to health care costs.

Councilmembers Davidson and Wallace said it would be helpful to see the percentage increases in projected revenues and expenses, along with the actual dollar levels already provided, in the forecast information. Responding to Mr. Wallace, Ms. Rezab commented briefly on the assumptions underlying the revenue projections.

Councilmember Chelminiak commented that the topic of revenues, including the types of revenues and appropriate tax rates for each, is essentially a policy issue for the Council.

Ms. Rezab responded to questions of clarification regarding the revenue projections.

2. Budget Process, Status, Milestones, and Results Teams Presentations

(a) Process Overview

Ms. Hawn said that development of the 2013-2014 budget builds on the 2011-2012 Budget One process. She noted the emphasis on community outcomes instead of department budgets, and the integration of the One City philosophy involving collaboration and innovation. The focus is on services that deliver outcomes important to the community and on developing a long-range strategic approach to an affordable and sustainable budget. She noted the principle that if continued expenditure reductions are necessary, the elimination of certain services is considered preferable to poor or marginal quality programs.

Councilmember Davidson suggested that certain programs could be restructured and delivered more efficiently. Ms. Hawn confirmed that the process includes identifying and analyzing alternative ways for delivering and structuring services.

Mayor Lee said it is better to eliminate a program when it cannot be done well or is not in demand.

Councilmember Stokes supports whatever can be done to retain a program and to make it work. However, modifications to programs or services might not always be appropriate or effective.

Ms. Hawn reviewed the budget process schedule.

Councilmember Balducci observed that the budget process is built on funding priorities, and she believes it is important to engage the community in what will be very significant decisions. Ms. Balducci said she would like to see a robust public outreach effort as part of the budget process. She believes there is a need to reach out to the public beyond the groups and individuals who are more actively involved with local government issues on a somewhat regular basis.

Mayor Lee concurred and suggested that public outreach efforts could be enhanced for future budget processes. Mr. Sarkozy said staff can try to incorporate more outreach this year.

Councilmember Balducci suggested “key informant” interviews and getting out into the community more.

Moving on, Ms. Rezab explained that the current work of the Outcome-based Results Teams builds on the work completed by the teams for the 2011-2012 budget. Feedback so far indicates that the budget process is taking roughly half of the time contributed by staff in 2010.

Ms. Rezab described the seven Budget One Outcomes: 1) Responsive Government, 2) Improved Mobility, 3) Safe Community, 4) Healthy and Sustainable Environment, 5) Quality Neighborhoods, 6) Innovative, Vibrant and Caring Community, and 7) Economic Growth and Competitiveness.

(b) Results Teams Presentations

Ms. Rezab introduced the Results Teams’ presentations. She asked the Council to consider whether the factors and sub-factors presented by each team make sense and whether there are other factors or sub-factors that should be included.

Mayor Lee thanked staff for their time and energy. He appreciates that staff is building on the previous budget process, and he looks forward to hearing the recommendations.

(1) Responsive Government

Ken Carlson presented the Responsive Government Outcome, which is the foundation of all other Outcomes. The four Factors contained within the Responsive Government cause and effect map are: 1) Strategic leadership, 2) High-performing workforce, 3) Customer-focused service, and 4) Stewards of the public trust.

This Outcome reflects Bellevue’s values of an open, transparent city government that seeks involvement from the community; a government that provides high quality services and is accountable for results; and a government that looks to the future and seeks innovative solutions to regional and local challenges. Mr. Carlson explained that the Results Team is seeking proposals that respond to the Factors and Sub-Factors of this Outcome.

(2) Safe Community

Kyle Stannert presented the Safe Community Outcome. He noted that the cause and effect map is essentially the same as the one used for the previous budget. The four Factors are: 1) Prevention, 2) Response, 3) Planning and preparation, and 4) Community engagement. Mr. Stannert said the Results Team recognizes that achieving this Outcome requires a balance of proactive and reactive factors, prevention activities that target a broad set of groups and activities, and results that influence both the reality and perception of safety.

Councilmember Balducci observed that it is important to both be safe and feel safe in community. Responding to Ms. Balducci, Ms. Rezab said the 2012 community survey is

currently underway, and the results for the related community indicators will be incorporated into this Outcome.

Councilmember Wallace questioned how to translate Outcomes into actual budget items. He expressed concern about health care costs and other personnel costs. He commented on labor contracts that provide cost-of-living adjustments, while the slowed economy is not generating sufficient revenues.

Ms. Rezab explained that, after the budget proposals are submitted, the Results Teams will each develop a list of ranked priorities within each Outcome. Ms. Hawn said the Leadership Team will review this work within the broader organizational context, looking for further opportunities related to efficiency and the scalability of programs and services.

Mr. Sarkozy recalled how the Council conducted the previous budget review, which involved studying and discussing the lists of ranked budget proposals for each Outcome.

Councilmember Wallace observed that the process does not get to the broader issue, which is that the operating budget will continue to put pressure on tax revenues and the capital budget. Certain costs within the operating budget are increasing faster than inflation. He is concerned about getting personnel costs under control, and noted the need to address this issue and its long-term implications.

Deputy Mayor Robertson said she would like the Council to receive the budget proposal rankings of both the Results Team and the Leadership Team, as well as the rationale for the rankings that differ.

Councilmember Stokes concurred with the concerns about personnel costs.

Mr. Wallace observed that the operating budget covers two years, while the Capital Investment Program (CIP) Plan covers a seven-year period. He said it would be helpful to take a longer term look at the operating budget.

Mayor Lee said there needs to be discussion about costs, which will enable the Council to make decisions.

Ms. Hawn explained that staff is writing budget proposals (i.e., purchasing strategies) which include costs to be submitted to the Results Teams for review and ranking. The Results Teams will use all of that information to evaluate and rank proposals.

Mr. Stannert commented on the ranking process. He explained that there will be instances in which certain proposals coordinate with or depend on other proposals. The cases where one or more of these proposals falls below the budget line are likely to be candidates for eliminating a program or service altogether. The process involves finding a balance between priorities and available resources.

Mayor Lee acknowledged the importance of finding the right balance. Ms. Hawn said the Results Teams are expected to complete their rankings by July.

(3) Improved Mobility

Ranodda DeChambeau presented for the Improved Mobility Results Team. The four Factors on the cause and effect map are: 1) Existing and future Infrastructure, 2) Traffic flow, 3) Built environment, and 4) Travel options. Safety is a primary consideration, and maximizing efficiency is critical. Mobility encompasses more than cars and traffic flow, and the East Link light rail project is a new consideration that was not a part of the last budget process. A new sub-factor under the Built Environment Factor is Accessibility to ensure that all services are accessible by all citizens.

Ms. DeChambeau summarized that the Improved Mobility Outcome values a safe transportation system for all users; a convenient, efficient and reliable transportation system; and a system that provides options to accommodate growth and to improve the overall quality of life.

Responding to Deputy Mayor Robertson, Ms. DeChambeau said the Predictability sub-factor under the Travel Options Factor refers to the reliability and frequency of travel modes.

Councilmember Chelminiak said that predictability includes economic considerations as well, which can influence decisions about choices of travel modes and travel patterns.

Mr. Chelminiak observed that more transportation projects in the future will involve partnerships with private developments, for example, the Wright Runstad Spring District project in the Bel-Red Corridor. He said it would be good to try to allocate the City's resources to areas and projects that can achieve state and federal grant funding, and to coordinate local projects with regional projects to the extent possible.

Councilmember Balducci concurred with the importance of partnerships. She thanked staff for adding the Accessibility sub-factor under Travel Options. She questioned whether the Improved Mobility Outcome captures the local segment of freight mobility. Ms. Balducci thanked staff for their work.

Mayor Lee spoke to the importance of a seamless transportation system with efficient and convenient connections between travel modes.

Councilmember Wallace noted the assumption that the East Link light rail affects, at least indirectly, all of the Outcomes. He said he would like to get to the end of the year with an understanding of how the City will pay for East Link project capital demands. One priority is to reduce the Downtown Tunnel project budget. Mr. Wallace said the East Link financial obligation that was not in the budget two years ago forces the City to look for synergistic opportunities to deliver on the goals of the Memorandum of Understanding with Sound Transit while coordinating with other City projects.

Ms. Hawn said the capital priorities would be discussed later in the meeting.

(4) Healthy and Sustainable Environment

Scott Taylor noted that Jerome Roaché is the lead for this Results Team. However, he was unable to attend the meeting.

Mr. Taylor described the cause and effect map and assumptions, which focus on air, water and land. Land sub-factors are divided into the urban and natural environments. The four Factors are: 1) Clean air, 2) Clean reliable water, 3) Clean green city, and 4) Natural environment. Mr. Taylor said the community survey indicates that Bellevue citizens place a high value on the natural environment.

Deputy Mayor Robertson questioned whether the Factors are referring to proposals that affect City facilities or to potential regulations affecting every building constructed in Bellevue. Mr. Taylor confirmed that, typically, the focus has been on City operations. However, it could be expanded to develop incentives that encourage green building practices, for example.

Councilmember Stokes believes there are opportunities to work with the community. He prefers working cooperatively over imposing regulations.

Ms. Robertson clarified that she was wanting to understand the goal of the Outcome; she was not suggesting increased regulations.

Mayor Lee questioned how economic sustainability fits into the Healthy and Sustainable Environment Outcome. He suggested that the City might not want to be so idealistic to the point that proposed actions are not affordable.

(5) Quality Neighborhoods

Franz Loewenherz presented for the Quality Neighborhoods Results Team. He noted that the same staff team is responsible for the Innovative, Vibrant and Caring Community Outcome.

Mr. Loewenherz said that the vast majority (96 percent) of Bellevue residents feel that the quality of life in their neighborhood is good or excellent. Mr. Loewenherz described the cause and effect map and five Factors: 1) Sense of community, 2) Facilities and amenities, 3) Public health and safety, 4) Mobility, and 5) Schools.

Responding to Councilmember Stokes, Mr. Loewenherz said the Outcome recognizes that different areas of the community appeal to different people for different reasons. He noted the growing ethnic diversity as well.

Mayor Lee commented on the importance of engaging people in community activities. Mr. Loewenherz said the fuller documentation on this Outcome area provides more details, including the concept of community involvement and neighborhood identity.

Councilmember Chelminiak questioned whether the Outcome addresses demographic or other changes in neighborhoods over time. For example, when he moved to his neighborhood, there were almost no children. Now the neighborhood has three bus stops for kids. Mr. Chelminiak said it would be interesting to be able to analyze and plan for those types of changes. Some areas have more residents who are aging in place, while others will experience a greater degree of turnover to new families.

Mr. Loewenherz thanked Councilmembers for their input and encouraged them to review the full documentation for this Outcome. He said it is reaffirming for the Results Team to see that the Council's questions and comments are hitting on many of the same themes addressed in that information.

(6) Innovative, Vibrant and Caring Community

Frank Pinney presented the Innovative, Vibrant and Caring Community Outcome, whose four Factors are: 1) Support services, 2) Involved citizens, 3) Opportunities for interaction, and 4) the Built Environment. Support Services are a foundation for the other factors, and partnerships are critical for success. Mr. Pinney said the Results Team is seeking proposals that support a diverse community (e.g., ages, abilities, cultural backgrounds, disabilities), encourage citizen involvement, and create positive and memorable experiences.

(7) Economic Growth and Competitiveness

Max Jacobs described the cause and effect map and its five Factors: 1) City brand, 2) Costs and capital, 3) Land, infrastructure and planning, 4) Quality of community, and 5) Workforce. The Results Team analyzed the Factors through the lens of business needs and tested each Factor and Sub-factor to ensure it was not merely an activity. The Economic Growth and Competitiveness Outcome largely retained the Factors used for the previous budget process. However, they have been reorganized for improved clarity.

Mr. Jacobs explained that the Results Team is seeking proposals that highlight Bellevue's reputation as a great place to launch, grow, and sustain a thriving business; support the financial aspects of business development and operation; promote economic growth by providing infrastructure and strategic planning; and enhance the skills and makeup of Bellevue's present and future workforce.

Councilmember Stokes commented that economic growth and competitiveness is also related to the types of residents and neighborhoods as well as the values of a caring community. He noted that economic vitality is linked to all of the Outcome areas.

Councilmember Chelminiak spoke to the importance of partnerships in education, human services, and other areas. He talked about identifying key indicators related to the City's brand. For example, he has heard concerns from builders about how long it takes to get a single-family home building permit. He suggested establishing metrics focused on upholding the City's brand.

Councilmember Chelminiak recalled that when the Council eliminated the Economic Development Director position, he believes they all had the idea that it would be restored within the near term. He noted that the Council discussed a number of issues, including economic and community development, at the Council retreat. He suggested that the Council review those ideas and determine whether there are any that should be implemented in the next budget.

Councilmember Wallace concurred with Mr. Chelminiak and commented that economic development is both the fruit and the fertilizer of a community. Mr. Wallace said that an effective economic strategy will enable Bellevue to remain competitive and to provide a high quality of life. He expressed concern that the City has focused on economic development more as the fruit than as the fertilizer for the future, and both are important.

Councilmember Balducci suggested that the Council consider developing its own proposals. She would consider a proposal for the Economic Development Director position with specifically defined goals, milestones, and outcomes. She observed that past planning efforts have identified specific activities rather than a series of actions that build upon each other and work together. She said it is important to think about where Bellevue fits within the region and how the City can bring people to the area. She suggested an emphasis on attracting business from outside of the region.

With regard to the Workforce Factor, Councilmember Balducci recalled that approximately 18 months ago she asked that the City take a look at developing an apprentice program for its own contracting. By this she means training the next generation of local workers to work on City projects. She requested a proposal regarding an apprenticeship program and an analysis of the costs and benefits of such an approach.

Councilmember Stokes concurred with Councilmember Wallace's focus. He believes that an important component of the economic piece is to continue to take a look at Downtown land use and zoning and to integrate economic growth with the other Outcome areas.

Mayor Lee stated that this is one of the best presentations he has seen on economic development. It addresses the many things that the City has done right in terms of producing fruit. However, he believes it is important to identify what type of economic activity it wants to encourage and grow. He likes the focus on the City brand, which he believes is an inexpensive way to foster economic growth.

Mr. Lee said the City has developed a vision related to economic development, but it still does not have a plan and strategies in place. He encouraged the Results Team to look for proposals reflecting strategies and plans that will meet the City's vision.

Mayor Lee summarized the Sub-Factors of the City Brand Factor – City vision and mission, focus on reputation, regional character and location, and existing businesses and industries. He encouraged developing a strategy to implement this focus.

Mr. Jacobs noted that the Results Team's documentation for this Outcome touches on many of the themes discussed by the Council.

At 8:28 p.m., Mayor Lee declared a break.

The meeting resumed at 8:44 p.m.

3. Capital Budget

Ms. Hawn opened discussion of the capital budget and the Capital Investment Program (CIP), noting the upcoming capital funding challenges, and identifying the prioritization criteria used in 2010 of: 1) Effectiveness in achieving City mission and community outcomes, 2) Legal mandates, 3) Financial factors, 4) Timing/urgency, and 5) Scaling (i.e., level of service provided or level of project development).

Ms. Hawn presented the early look at the 2013-2019 Base CIP Plan, which excludes the Mobility and Infrastructure Initiative (MII). It assumes that the adopted Council Contingency will be available for new projects or to partially offset a tax shortfall. Major tax revenue impacts are similar to those affecting the General Fund, with a tax shortfall of approximately \$31 million in the 2013-2019 CIP Plan compared to the 2011-2017 adopted CIP Plan. Ms. Hawn noted resources of approximately \$19 million (2010 dollars) available for 2018-2019.

Responding to Deputy Mayor Robertson, Ms. Hawn confirmed that, according to current revenue projections and the adopted CIP Plan, \$19 million would be available for 2018-2019 and the \$22.3 million Council Contingency would be preserved. The City could delay projects to spread out the expenditures.

Planning Director Dan Stroh described the General Capital Funding Scorecard (Handout) designed to capture key CIP projects and anticipated revenues. He described the three revenue categories: 1) Basic General CIP Revenues, 2) Mobility and Infrastructure Initiative (M&I) Revenues, and 3) Other potential revenue sources. Mr. Stroh explained that the Scorecard is intended as a conceptual tool for the Council's policy and priority setting discussions.

Referring to the General CIP, Councilmember Balducci observed that the Council Contingency is listed under both Projects and Revenues. Mr. Stroh said that the \$22.3 million is backed by taxes and fees and is shown with revenues because it is a potential funding source.

Deputy Mayor Robertson said it would be helpful to have a column in the Revenues section of the Scorecard for 2013-2019. The 2011-2017 CIP column indicates that there are \$73.3 million in revenues. Mr. Stroh explained that the 2011-2017 CIP column is added to the 2018-2019 column to reflect the total revenues for that time period. Ms. Robertson said it would be helpful if that section of the Scorecard captured revenues in the 2011-2017 CIP Plan that have already been spent.

Continuing, Mr. Stroh commented on the additional Revenues column showing estimated 2020-2030 revenues.

Mr. Stroh moved to the Mobility and Infrastructure Initiative (MII) section of the Revenues half of the Scorecard, which presents two possible scenarios (Baseline and Scenario 1) based on the types and amounts of revenues to be implemented (i.e., Local Improvement District, grant funding, impact fees, sales tax, general taxes, and local revitalization funding).

Councilmember Chelminiak observed that the only obligation related to the East Link MOU that is reflected in the current CIP Plan is approximately \$40 million. He questioned the source for the next \$60 million contribution related to the MOU.

Mr. Sarkozy and Mr. Stroh spoke to the breakdown of estimated East Link MOU costs provided on the lower section of the Projects half of the Scorecard. Mr. Sarkozy said it is possible that the City's actual contribution will be lower than what is currently projected.

Mr. Chelminiak noted the availability of the \$19 million spoken about earlier by Deputy Mayor Robertson. Mr. Stroh said there are a number of ways that the CIP Plan can be structured.

Continuing, Mr. Stroh described Mobility and Infrastructure Initiative Projects, several of which are located in the Bel-Red corridor. He described plans for new arterial connections and transportation projects throughout the Bel-Red area. He described additional transportation projects in the Wilburton area and the Downtown, as well as the Parks Levy match.

Deputy Mayor Robertson observed that the Scorecard does not clearly indicate the amount of the budget shortfall. She said it would be more helpful to look at what is in the CIP Plan, the Plan's budget gap, and revenue/funding options.

Mr. Stroh acknowledged that the Scorecard presents a great deal of information and many variables. With regard to the MII scenarios, he said staff is seeking Council input in developing the preferred scenario.

Ms. Robertson stated that the City needs to define the East Link MOU project and to determine how it will be funded.

Councilmember Chelminiak suggested that the East Link light rail project could be used, at least in part, to focus the City's infrastructure projects over the next 10 to 15 years. He talked about coordinating light rail investments with other projects in the Bel-Red area. For example, he likes the idea of building the light rail elevated track through the Bel-Red corridor before the housing gets built.

Councilmember Stokes noted his involvement with the Eastgate/I-90 Citizen Advisory Committee (CAC). He said developers have had plans for that area for many years. He encouraged a plan to prioritize investments that will help stimulate and support economic

development in the Eastgate area and in other areas of the community over the next several years.

Councilmember Wallace observed that the CIP Plan is heavily focused on the Downtown, Bel-Red corridor, and light rail, which seems appropriate to him. He would like to see a spreadsheet listing the CIP projects and providing individual columns for the years 2013 through 2019. He would then like the specific revenue sources for each project to be reflected for each year. He said he does not understand what will happen to the money that is not spent this year. He suggested that the discussion assume that the Council Contingency will be used.

Responding to Mr. Wallace, Mr. Stroh said the Revenues half of the Scorecard assumes no new debt.

Mr. Wallace said it would be helpful to be able to look at the capital budget through the next CIP Plan with the underlying assumption that infrastructure projects will have a life span greater than 20 years. What would 20-year debt look like based on this scenario?

- At 9:54 p.m., Deputy Mayor Robertson moved to extend the meeting to 11:00 p.m., and Councilmember Chelminiak seconded the motion.
- The motion carried by a vote of 7-0.

Councilmember Chelminiak expressed support for considering debt to complete projects.

Councilmember Balducci suggested that, if the Scorecard tool is not helpful, the Council should be specific about what it would like to see from staff.

Ms. Balducci suggested a broader look at infrastructure needs. She expressed support for the ITS (Intelligent Transportation System) capital improvements on East Bellevue arterials to improve traffic flow. She said she is uncertain about why the Downtown Circulator is in the CIP Plan, and she would like an update on that issue. She suggested that certain items can probably be removed because the projects are not likely to be funded in the near future.

Ms. Balducci said she would like a slightly more detailed itemization of the East Link MOU expenditures and when they will occur.

Mayor Lee summarized the general understanding that there is a budget gap, and the Council needs to come up with ways to solve it. He said it is important to recognize the need for a long-term economic development vision.

4. Executive Session

At 10:08 p.m., Mayor Lee declared recess to Executive Session to discuss one item of property acquisition.

At 10:27 p.m., the meeting resumed. City Manager Steve Sarkozy reported that Concur Technology is seeking an office space lease in downtown Bellevue and is requesting that they be allowed to display their name on the building façade. Mr. Sarkozy questioned whether the Council would entertain relaxation of sign code requirements to allow this use. He noted that agreement could be conditioned on Concur Technology's taking additional office space within a specific timeframe.

Council discussed the rigorous review that led to the current sign code provisions, the visual impact if additional amendments were to be granted, and the desirability of attracting new businesses to the community.

Council agreed to the City Manager continuing to discuss possible sign code amendment with the group and to scheduling additional discussion at a later date if the negotiations warrant.

The meeting was adjourned at 10:42 p.m.

Myrna L. Basich, MMC
City Clerk

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