

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

April 19, 2010
6:00 p.m.

Council Conference Room
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:04 p.m., with Mayor Davidson presiding. There was no Executive Session.

2. Study Session

(a) Regional Issues

(1) 2011 King County Wastewater Rate Proposal Update

City Manager Steve Sarkozy opened discussion regarding the King County wastewater rate proposal.

Diane Carlson, Director of Intergovernmental Relations, introduced Christie True, Director of King County Wastewater Treatment, to present the King County Executive's 2011 wastewater rate proposal. Staff plans to come back to the Council in May to discuss and develop principles related to rates and the capacity charge. The set of principles will guide the City in working with other cities and King County as the County Council adopts these rates.

Ms. True thanked the Mayor, Council, and City staff for their extensive work with the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC).

The King County Executive recommends a monthly wholesale rate increase of approximately 10.2 percent, as well as a 2.8 percent increase in the capacity charge. The capacity charge is billed directly to residential customers. The 2011 proposed King County monthly wholesale

sewer rate is \$35.15, which is lower than the original projected rate of \$36.06. The King County Executive is proposing a one-year rate, primarily because a two-year rate would have been higher. MWPAAC recommends a one-year rate as well.

Ms. True reviewed King County's efforts to mitigate the rate increase, which includes reprioritizing approximately \$30 million in the County's capital program by delaying projects and reducing the scope of projects. This does not delay or eliminate any projects in Bellevue, however. Ms. True described operational efficiencies that will help control costs associated with operating the new Brightwater plant including labor savings, chemical reductions, equipment and maintenance modifications, reductions in travel and training, and cost savings in the vehicle fleet. While the County is concerned about capital funding, staff is cognizant of the positive effect of capital projects on employment and the local economy.

Ms. True provided an update on the Brightwater project. Of the 13 miles of tunnel, nearly 11 miles are completed. The treatment plant is on schedule, and the change order rate has been low.

Responding to Councilmember Degginger, Ms. True clarified that King County initially hired two tunnel contractors. One is successfully completing the tunnel from Kenmore to the North Creek portal in Bothell. Due to concerns that the tunnel from Kenmore to the Lake Ballinger portal would be very expensive and require much more time, the County started looking at the alternative of hiring the first contractor to do the second tunnel as well. She acknowledged that this will be a contractual dispute with the contractor, but the County believes it has a reasonable alternative and that the contractor will be able to finish both tunnels.

Ms. True reviewed the major factors affecting the rate increase, including fewer residential customer equivalents in the commercial sector due to the economy. Responding to Councilmember Wallace, she confirmed that rates are increased if demand decreases.

Ms. True described the rate stabilization reserve and noted increased operating costs in salaries, benefits, chemicals, and energy. King County will be scaling back its water quality monitoring in the region as a cost-saving measure. Ms. True reviewed recent debt service history and commented on its relationship to rates.

Responding to Deputy Mayor Lee, Ms. True said due to the current rate methodology, it is not possible to repay residential customers in the future for the higher rates they are paying now as a result of the slowed economy and decreased commercial activity.

Responding to Mr. Wallace, Ms. True explained that the rates and the level of the rate stabilization fund are adopted together annually by ordinance.

Responding to Councilmember Degginger, Ms. True said personnel benefits costs are expected to increase approximately 10 percent, which is of concern to the King County Executive. She offered to provide additional details on salary and benefits costs, as well as overall central office overhead charges, as a follow-up to the meeting.

Councilmember Degginger said he appreciates the project update and the County Executive's attention to this project. Mr. Degginger expressed concern about the project's costs and overall progress, and with the increased capacity charge for new residential units. He questioned whether any policy change is anticipated with regard to the capacity charge and its affordability.

Mayor Davidson noted that he represents the Suburban Cities Association on the Regional Water Quality Committee, which has a subcommittee reviewing basic financial policies. This Financial Policies Work Group is addressing the "growth pays for growth" concept and the capacity charge.

Joyce Nichols, Bellevue's Utilities Policy Advisor, noted that the work group anticipates completing its work in the fall, in order to submit a recommendation that could affect rates for the following year.

Responding to Councilmember Balducci, Ms. True described the roles of MWPAAC, the Regional Water Quality Committee, and the Financial Policies Work Group. MWPAAC is defined in state law as an advisory committee to the County Executive and County Council, and it advises the budget committee. The RWQC addresses policy issues, such as the capacity charge, and provides recommendations that might ultimately influence rates. The Work Group is primarily staff, which works jointly with the RWQC.

Mayor Davidson explained that Wes Jorgenson, Utilities Assistant Director of Engineering, is his alternate on MWPAAC. Mr. Jorgenson serves as MWPAAC's representative on the Financial Policies Work Group, and Anne Weigle, Utilities Assistant Director of Resource Management, serves as Bellevue's representative on the Work Group. Mayor Davidson noted that Bellevue is well represented in these regional forums.

Ms. True briefly reviewed additional recommendations in the letter from MWPAAC, as well as attached graphs comparing King County sewer rates with other parts of the country.

Councilmember Wallace said it would be helpful to be able to compare both the rates and capacity charges with other parts of the country and with Snohomish County and Pierce County. He expressed an interest in sewer capacity charge projections through 2020, which Ms. True said she can provide. He questioned expected future revenue from capacity charges, and expressed concern that the charges inhibit growth in housing.

Ms. True said she will provide additional information. She acknowledged the complex policy issues involved with evaluating the capacity charge and its role as a source of revenue and as an influence on housing development.

Councilmember Wallace commented on King County's exemption of its rate capacity charge for affordable housing. Separate from his role on the Council, he has been working with Seattle to enhance consistency between Seattle's and King County's definitions of affordable housing. He would like to also work toward Bellevue's ability to take advantage of a lower sewer capacity connection charge in order to encourage more affordable housing.

Ms. True noted that the Financial Policy Work Group is addressing this type of issue.

Responding to Ms. Balducci, Ms. True said the Work Group reports to the RWQC. Ms. Nichols said staff plans to provide an update to the Council in May on the Work Group's recommendations, particularly those regarding the capacity charge.

Mayor Davidson thanked Ms. True for her work and collaboration.

(2) Animal Care and Control – Options for Service Delivery

Mr. Sarkozy recalled that King County is proposing adjustments to its animal control services given the current budget situation. The City has been working with the County, as well as other cities, to evaluate options for providing these services.

Diane Carlson, Director of Intergovernmental Relations, noted the information provided in the meeting packet beginning on page SS 2-15. The two options under consideration are maintaining the current regional model or establishing a subregional model involving a number of Eastside cities, yet to be determined. Staff is requesting Council feedback and plans to bring the issue back soon for a decision. Ms. Carlson noted the difficulties involved with regard to regional and subregional efforts, due largely to the fact that all of the jurisdictions have different service needs.

Alison Bennett, Policy Advisor, explained that King County currently provides all animal care and control services for Bellevue and other cities. There are no direct payments to the County from cities for these services, which are instead funded by pet license fees collected by the County on behalf of the cities. Animal control programs typically receive additional monies from the General Fund as well.

Earlier this year, the King County Council adopted a budget amendment stating that field control, licensing, and sheltering services for cities would end on June 30, 2010, unless cities entered into full cost recovery contracts with the County. The County then convened a County-Cities Work Group to develop a proposed regional model for service delivery. The group studied a number of cost allocation methods including those based on specific services used and/or on population. A majority of the group agreed on a 50/50 use and population allocation model as a way to allocate the cost of the total budget. This concept is the basis of the current proposed regional model.

Ms. Bennett briefly highlighted key features of the regional model, including enhanced licensing marketing services for Bellevue in the short term to try to increase revenue. The proposed term for the agreement is 2-1/2 years, with a six-month option to terminate from the regional contract.

Ms. Bennett described a number of potential options for a subregional approach including partnering with other cities and contracting specific services to outside vendors (e.g., Seattle Humane Society, pet licensing services). Implementation of a new subregional approach would

be challenging given the timeline of the current contract with King County, and service delivery to other cities would need to be phased in. Ms. Bennett reviewed a comparison of the estimated costs for the King County 50/50 Regional Model (allocations based on use and population) and the Subregional Model based on services used. While the subregional option is less expensive, it might not be possible to implement new program services by July 1.

Ms. Bennett briefly reviewed the tradeoffs associated with each of the two approaches. The subregional model provides higher levels of both control and risk, and takes on a new City responsibility. Staff will return for further Council discussion and direction in May. If the Council decides to continue with King County, the contract will need to be signed in June.

Councilmember Degginger acknowledged the difficulties associated with this topic, and stated that he favors a subregional solution. He expressed concern that Bellevue pays a disproportionate share of the costs in the regional model.

In terms of a transition, Ms. Bennett noted the possibility of continuing with King County for six months while working to put a separate program in place.

Councilmember Chelminiak said he is reluctant for the City to take on this service, but he agrees with Mr. Degginger's observations about continuing in the regional model.

Responding to Mr. Chelminiak, Ms. Carlson confirmed that if larger Eastside cities create their own forum, the costs for smaller cities and/or heavy users of animal control services would increase significantly. The cost of services will vary based on the number of participants in a subregional model.

Responding to Councilmember Chelminiak regarding calls that Bellevue Police currently respond to, Police Chief Linda Pillo said it is good for citizens to know that a Bellevue officer will respond to complaints regarding vicious dogs, dogs barking in the middle of the night, and biting animals. King County Animal Control takes longer to respond and is not available in the middle of the night. Dispatchers try to refer calls to Animal Control, but sometimes the citizen wants a response right away.

Councilmember Chelminiak recalled a news article stating that most animal bite and vicious animal calls involved essentially a full day for response. He observed that providing more services to certain cities discourages other measures that might reduce the need for services. He would like to support the regional model, and strongly prefers that the City not take on animal control services.

Ms. Carlson introduced Carrie Cihak, Director of Strategic Initiatives from the King County Executive's Office, who was the lead staff on the working group. Ms. Cihak said she believes there are opportunities to mitigate the cost impacts for Bellevue and some of the other Eastside cities. Most of the cost impact based on population is reflected in the shelter costs. Field costs are divided up into four regions and then by use within the regions. Licensing rates do not vary dramatically across different cities in the way that shelter use costs do. Ms. Cihak suggested that

further exploration regarding the potential involvement of the Seattle Humane Society could result in reducing the cost impacts for some Eastside cities.

Responding to Councilmember Chelminiak, Ms. Cihak confirmed that stray and vicious dogs tend to end up at a County shelter versus the Humane Society. She observed that partnering with the Humane Society and/or other private shelters would allow Bellevue and other cities to leverage the significant private financial donations to those organizations.

Councilmember Robertson agrees with Councilmember Chelminiak in terms of not wanting the City to become a provider of animal control services. However, given the costly contract renewal option, it makes sense to explore the subregional model further to determine its feasibility. She expressed concern that the response times in the King County model are not consistent with Bellevue's priorities. She believes Bellevue can do better than a 20- to 24-hour response time for animal bites and vicious animal calls. If the City takes a new direction in the future, Ms. Robertson said it is important to ensure a continuity of services during the transition.

Councilmember Robertson questioned whether the City would receive a pro rata refund of pet licensing fees paid to King County for any period in which Bellevue is not receiving services.

Ms. Carlson said Bellevue requested this type of provision. However, King County made it clear that it would need all of the revenues collected in 2010 to pay for services provided during the same year. There is no intent to return license fee revenues.

Ms. Cihak noted that the County has been subsidizing animal control services at a fairly significant rate for a number of years. She said the County does respond quickly to situations in which an animal or the public are in significant, imminent danger.

Responding to Councilmember Robertson, Ms. Cihak said the distribution of pet licensing fee revenues is one of the significant issues to be worked out if Bellevue decides to terminate the County's services mid-year. She noted an overall 25-percent compliance rate for pet licensing, and Bellevue's rate is estimated to be quite a bit lower. Ms. Cihak concurred with the need for a public education campaign to encourage the payment of pet license fees.

Councilmember Balducci commented on the importance of animal control services, particularly when compared to parts of the world that do not identify it as a priority. She noted successful regional partnerships in which Bellevue participates including NORCOM and the Cascade Water Alliance. She observed that there are other considerations besides costs in assessing how to provide animal control services. However, Ms. Balducci cautioned against under-estimating the costs of a subregional model, and noted the importance of fully understanding all costs, benefits, and implications. Ms. Balducci commented that one benefit of a larger regional system is the ability to adjust to fluctuations in service demands, costs, and revenue.

Responding to Ms. Balducci, Ms. Cihak spoke to the 50/50 model, which was considered a compromise between user-based fees and population-based fees. A strict user fee model was too expensive for some cities. Ms. Cihak reiterated that costs can probably be reduced through a

partnership with a private shelter. The population-based component recognizes that there are private shelters in some cities, which is considered a hidden subsidy in terms of lowering the demand for services to some extent. In further response, Ms. Carlson said the Human Society provided a proposal in which the City would pay only for the animals brought to the shelter, versus those found abandoned.

Deputy Mayor Lee noted a difficulty in understanding the assumptions and costs represented for both the regional and subregional options. He feels there is a need to look at the costs and to determine how much Bellevue can bear.

Ms. Carlson confirmed Mr. Lee's interest in more information about the regional model, such as assumptions about service demands and the number of calls per city. She noted Ms. Balducci's questions, and stated that staff plans further discussion of the subregional model as well if there is Council interest in this option.

Deputy Mayor Lee said he is inclined to support the subregional model.

Mayor Davidson noted general Council interest in further exploration of the subregional model.

Councilmember Chelminiak restated his preference that the City not get involved in providing animal control services.

Mayor Davidson concurred. However, given the information presented so far by the County, he feels the City should be ready to further examine a subregional model.

Responding to Councilmember Wallace, Ms. Carlson said if Bellevue leaves the County contract for services, King County would need to continue to serve at least the unincorporated areas. The costs to the County and to cities that would stay in the regional system would increase significantly.

Councilmember Wallace questioned the overall impact on taxpayers. If Bellevue creates a subregional system that is revenue neutral, and King County continues to have a budget deficit for animal control services, he feels this is not good for taxpayers.

Ms. Cihak said this is one of the reasons that the County feels a regional model is more effective and efficient, due to the benefits of economies of scale in this service.

Councilmember Degginger suggested that the cities who use the most services should pay more. Otherwise, Bellevue and other cities are subsidizing the high-user cities.

(3) Amendment to Interlocal Agreement between King County and the City for Jail Services

Mr. Sarkozy noted that Agenda Item 2(b) , the budget discussion, will be deferred to next week.

Councilmember Balducci recused herself from participating in this discussion. Although she is no longer involved in negotiating jail contracts, she feels it is best to be consistent with her past practice of removing herself from these discussions.

Ms. Carlson provided an overview of a proposed amendment to the Interlocal Agreement between King County and the City for jail services. The amendment continues jail services beyond the 2012 contract expiration date to 2016. King County intends to move to a variable rate structure, which incorporates additional charges for inmates requiring specialized services (e.g., medical, psychological assessment and care). The contract is based on charging for actual beds/services used.

Staff is requesting Council action on the amendment during the May 3 meeting. Ms. Carlson recalled that the City has been working with Yakima County and King County to plan for the future demand for secure jail beds. The City must notify King County by early May if it would like to extend the current agreement for jail services.

Staff has been working on a number of options including potential contracts with Yakima County and/or SCORE (South King County Corrections Entity), and building new City jail facilities. SCORE is building a new jail facility and has indicated an interest in providing beds to other King County cities beginning in 2012.

If the King County Interlocal Agreement amendment is approved, new bed rates will start in November. It is hoped that the City can limit the potential cost increase at King County as early as 2012 by contracting with SCORE once its facility is open. Ms. Carlson said staff will return this summer to review options in greater detail, and to present the Bellevue-Kirkland jail feasibility analysis. Staff recommends approval of the amendment at this time to ensure jail beds will be available if needed.

Councilmember Degginger observed that this is a necessary, interim approach. The City will have more flexible options in the future that will not necessarily require large capital investments.

Mayor Davidson noted a general Council consensus to proceed toward adopting the amendment.

- (b) Budget One Presentation of Outcomes: Healthy and Sustainable Environment; Economic Growth and Competitiveness; and Responsive Government

[Postponed to April 26.]

At 7:56 p.m., Mayor Davidson declared recess to the Regular Session.

Myrna L. Basich, MMC
City Clerk

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