

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

August 5, 2013
6:00 p.m.

Council Conference Room
Bellevue, Washington

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

ABSENT: Deputy Mayor Robertson

1. Executive Session

Councilmember Stokes called the meeting to order at 6:00 p.m., and declared recess to Executive Session for approximately 30 minutes to discuss one item of potential litigation and one item of pending litigation.

The meeting resumed at 6:33 p.m., with Mayor Lee presiding. He noted that Deputy Mayor Robertson would participate during the later Regular Session via speakerphone.

2. Study Session

- (a) Second Quarter 2013 Budget Monitoring Report; project updates for the General Fund, Development Services Fund, General Capital Investment Program Fund, Water Fund, Sewer Fund, Storm and Surface Water Fund and Utility's Capital Fund and preview of the mid-biennium calendar.

Acting City Manager Brad Miyake opened staff's presentation regarding the 2013 second quarter budget monitoring update.

Finance Director Jan Hawn said staff will be presenting information but is not seeking any specific direction tonight. The City is in good fiscal condition and its top bond ratings have been reaffirmed with Moody's (Aaa) and Standard & Poor's (AAA). Operating Funds (i.e., General, Development Services, Utilities) are performing as expected and within budget. Permitting activity is increasing and the Development Services Department proposes additional staffing to meet near-term service demands.

With regard to the Capital Investment Program CIP, Ms. Hawn said the cost of construction for public projects is increasing. The City faces a potential loss of \$16 million to \$20 million due in part to the elimination of the State Public Works Trust Fund loan program and reduced grant

revenue. The City is also facing uncertainty in its ability to negotiate some of the special benefit offsets that were included in the original capital budget.

Ms. Hawn highlighted Mid-Biennium Budget items. The Operating Funds have limited changes, but adjustments are needed to balance the CIP Plan. Staff is closely following developments related to the implementation of health care legislation, including the 2014 requirements that have been postponed to 2015. The City's Impact Fee Program will be reviewed in the Spring of 2014, CIP project updates will be provided as needed, and the long-term financing strategy will be discussed beginning in January.

Toni Rezab, Budget Manager, said national economic recovery remains relatively slow, although this region is doing somewhat better with an unemployment rate slightly below seven percent. Unemployment in Bellevue is 3.7 percent, and development permitting is recovering. Sales tax revenues are recovering more slowly than trends following previous recessions.

Responding to Councilmember Davidson, Ms. Rezab said she will provide a more detailed report on unemployment rates, which are provided by the Bureau of Labor Statistics.

Councilmember Wallace noted other data indicating a recent eleven percent increase in sales tax collections. He commented that construction sales tax is picking up as well.

Ms. Rezab said the 2014 forecast reflects a 7.5 percent increase in 2005 dollars for comparison purposes. She said sales tax revenue related to development generally follows eight to nine months after a permit is filed for construction.

Ms. Rezab reported that General Fund expenditures are in line with revenues and General Fund revenues are performing at budget. Utilities taxes are performing slightly under budget. Property tax collections have increased due to the Eastgate annexations.

Mike Brennan, Director of Development Services, reported that permitting activity has increased approximately 17 percent over the past year. Projects include office, multifamily, retail, hotel, single-family, high-rise and mid-rise buildings, and public amenities. Development activity is expected to grow through the next several years. East Link light rail project permits will be submitted by Sound Transit in the fall.

Responding to Dr. Davidson, Mr. Brennan said applications for all permit types can now be made online. Staff will provide an update on online permitting activity in the fall. In further response, Mr. Brennan said the primary benefit is enhanced convenience and ease for customers.

Mr. Brennan described the Development Services Department's business model, which must operate within a revenue stream that is primarily driven by permit fees. Adding and reducing staff is the primary way to manage fluctuations in the workload. He described a proposal to add up to 17 positions in 2013 and up to seven in 2014. The potential staff are funded by permit fees and provide the flexibility to meet a challenging and diverse economic recovery. Staffing was reduced by 24 full-time positions since 2009, and staff would like the flexibility to staff back up to that level through 2014, if needed.

Mr. Brennan said consultant services, at a higher cost, have been used rather heavily in the past. Adding regular staff would help to manage the use of consultant services to a more moderate level.

Responding to Councilmember Chelminiak, Mr. Brennan confirmed that staff is requesting the authority to fill up to 24 positions but the Department will not do so unless warranted by the workload. Mr. Chelminiak expressed concern about adding staff, but noted he understands the business model.

Responding to Councilmember Davidson, Mr. Brennan said the DSD Fund includes an amount to allow some flexibility in meeting fluctuating demand. The rates are set to allow for this reserve to be able to ramp up staffing in anticipation of increased development without waiting until it is too late in the process. The reserves are approximately 20 percent of the Fund.

Councilmember Stokes restated that the City will hire only as needed and as can be supported by revenue. Mr. Brennan confirmed his understanding. Responding to Mr. Stokes, Mr. Brennan confirmed that increased staffing will enable the City to continue to provide good service.

Responding to the City Manager, Mr. Brennan confirmed that there is somewhat of an urgency in order to meet performance measures. He said the Development Services Department needs a quicker turnaround on many of the shorter term permits.

Councilmember Balducci questioned whether potential over-hiring could lead to a request to increase development fees. Mr. Brennan said the fees are set primarily on how long it takes to process a permit. In further response, Mr. Brennan said the City can adjust the level of outside consulting services as the workload fluctuates.

Mr. Miyake said staff can provide periodic updates to the Council, including the transmittal of performance metrics data.

Ms. Balducci requested a breakdown of permits being issued by type.

Councilmember Wallace concurred that an understanding of the volume of permits by type would be helpful in understanding the overall workload.

Responding to Mr. Wallace, Mr. Brennan said the types of employees are engineers, plan review staff, technical staff, planners, and inspectors. Councilmember Wallace said it would be helpful to see a longer term forecast. In further response, Mr. Brennan reiterated that it is important to have staffing available in order to respond quickly and appropriately to an increase in development activity.

Councilmember Wallace said it would be interesting to understand the rationale for deciding when it makes sense to hire an outside consultant versus a full-time staff. He acknowledged that the Council cannot complain about slow permitting times if it is not willing to provide the authority for an adequate staffing level.

Responding to Councilmember Davidson, Mr. Brennan said that finding experienced staff can be a challenge, especially as demand increases around the region. He talked about the difficulty of hiring people in the past to fill the three-year, limited-term employee (LTE) positions. The development upswings generally last longer than three years and often the positions are converted to regular full-time equivalent (FTE) positions. Mr. Brennan said the ability to hire FTEs initially would likely enable the City to hire more qualified staff. He said the City is not currently having a problem filling the positions.

Councilmember Stokes expressed support for the proposal for hiring staff as needed. He said it is Mr. Brennan's job to manage staffing levels, and he would like regular updates to the Council.

Responding to Mr. Wallace, Mr. Brennan said the City is able to track the time spent on East Link permitting.

Utilities Director Nav Otal said the Utilities Funds are in good shape. She provided a brief update on the Water, Sewer, and Storm and Surface Water Funds. Expenditures are approximately \$2 million below budget for 2013, due largely to capital equipment purchases that have been delayed until 2014. She noted a savings of approximately \$400,000 due to staff vacancies. Ms. Otal said staff does not anticipate needing to adjust the 2013-2014 utilities rates adopted in the last budget.

Ms. Rezab introduced discussion regarding the Capital Investment Program.

Parks and Community Services Director Patrick Foran said the City is making progress on a number of the Parks Levy projects. The Bellevue Botanical Garden and Bellevue Youth Theatre projects are under construction. Both are scheduled for completion in the summer of 2014. Mr. Foran said the Bellevue Botanical Garden Society has raised more than \$4 million of its \$5 million goal for the Visitor Center project. The Bellevue Youth Theatre Foundation has raised nearly \$700,000 toward its fundraising goal of \$1 million.

The Bridle Trails/NE 24th Street Neighborhood Park is in the permitting stage and is part of the Parks Levy package. Construction is due to start this fall.

Mr. Foran described the Hidden Valley Partnership with the Boys and Girls Club of Bellevue, which is scheduled to start construction later this year or early 2014. The project involves adding a Little League field, installing synthetic turf on all three fields, and constructing a 20,000 square foot structure with four full-size gymnasiums. The City will have usage of the facility for 70 hours per week, which is anticipated to accommodate adult programming for wellness and physical fitness. The City is funding \$3 million and the Boys and Girls Club is funding \$8 million for the project.

Several projects are in planning and design including Downtown Park, Airfield Park, Surrey Downs Park, and Meydenbauer Bay Park. Completing the circle at Downtown Park and expanding the west parking lot is one of the Parks Levy projects. Construction is scheduled for 2015/2016. The Inspiration Playground is a joint project in Downtown Park with the Bellevue

Rotary. The City is covering the soft costs (i.e., design and permitting), and the Rotary is funding the full construction cost of \$3.5 million.

The Surrey Downs Park Master Plan is scheduled to be updated in the Spring of 2014. Phase 1 design and permitting for Bellevue Airfield Park is ongoing through 2015. Meydenbauer Bay Park is in Phase 1 design and construction, with construction anticipated in 2017/2018. Mr. Foran said the City recently received State grant funding for this project.

Mr. Foran summarized that 42 percent of the \$50 million capital improvement program is external funding which includes significant fundraising and partnerships with community organizations. Only 9 percent of the \$50 million comes from the General CIP Budget.

Responding to Councilmember Wallace, Mr. Foran confirmed that the lead legislator for the State grant was Senator Rodney Tom.

Ron Kessack, Assistant Director of Transportation, highlighted projects completed in 2013 including the NE 4th Street demolition contract, NE 5th Street Neighborhood Traffic Plan, Lakehurst Lane sidewalk repair, 112th Avenue NE sidewalk (near NE 24th Street), Bellevue Way and NE 24th Street intersection improvements, and radar signs at certain locations.

Mr. Kessack highlighted projects currently under construction including West Lake Sammamish Parkway Phase 1, Northup Way pedestrian improvements, 150th Avenue SE and SE Newport Way interim intersection improvements, SCATS Phase 4 implementation, Lewis Creek Tributary restoration, and 2013 overlays at 156th/Eastgate Way and NE 20th/Northup Way.

Responding to Councilmember Wallace, Mr. Kessack explained, for the public, that SCATS is the Sydney Coordinated Adaptive Traffic System, which manages traffic flow based on traffic volumes and patterns. Mr. Berg noted that the flashing yellow left-turn arrows are one noticeable feature of this system.

Many projects are currently in design including NE 4th Street Phase 1 (116th to 120th Avenues NE), Factoria Boulevard overlay, 120th Avenue NE Stages 2 and 3, 124th Avenue NE (NE 14th to Northup Way), Northup Way corridor improvements, NE 15th Street Zones 1 and 2, and NE 16th Street (130th to NE 20th Street), Lakemont Boulevard/Cougar Mountain Way intersection improvements, Newport Way and Sunset Elementary sidewalk projects, and Cherry Crest and Cougar Ridge school zone safety projects.

Mr. Kessack highlighted planning studies and public involvement activities underway which include the Downtown Transportation Plan update, Transit Plan update, Transportation Facilities Plan (TFP) update, SE 8th Street traffic improvement plan, 152nd/154th Avenue SE traffic improvement plan (Lake Hills), and others.

Regional projects in construction include the SR 520 regional transit and HOV project, I-405 Bellevue to Lynnwood express toll lanes, and I-405 northbound pavement rehabilitation. Regional projects in planning and design are the SR 520/124th Avenue NE interchange and the East Link light rail project.

Responding to Councilmember Wallace, Mr. Kessack said the Factoria Boulevard overlays will be completed before the holiday season. The West Lake Sammamish Parkway project will be substantially completed before school starts and two-way traffic will resume. However, landscaping and other work will continue.

Dave Berg, Transportation Director, commented on design consultant costs as a percentage of original construction contracts for a number of projects. He highlighted the construction contract variance (i.e., final cost versus original bid) for certain projects, noting that a number of large projects were completed below the original bid cost.

Mr. Berg commented on CIP challenges including the elimination of the Public Works Trust Fund loans, a bid climate shifting to increasing costs, increasing right-of-way costs, and the uncertainty of many projects in design or active negotiation. He noted the potential for a \$16 million to \$20 million funding deficit in the short- and long-terms. The Mid-Biennium Budget update will consider options to ensure that the CIP remains a balanced funding plan.

Ms. Otal said the Utility CIP is in good fiscal condition. Revenues are on budget, and project costs are in line with projections. The City has accelerated certain projects to meet unanticipated needs (i.e., water main breaks).

Ms. Otal described Utility CIP investments for the Water, Wastewater, and Storm Water Funds. The AC Water Main replacement is the largest citywide project. It will complete four miles in 2013 at a cost of \$5.4 million. Ms. Otal said this project has been taken off course at times due to the need to respond to unexpected water main breaks and repairs.

Ms. Otal said the Water Pump Station Rehabilitation Program includes a \$1 million investment in 2013 to replace the Newport Water Booster Pump Station and to design two new stations. The Sanitary Sewer Repairs and Rehabilitation Program reflects an investment of \$1.2 million for repairs at 54 locations. The Coal Creek Parkway Culvert Replacement project is underway with a total investment of \$6 million. It will be completed in 2014.

Ms. Hawn briefly reviewed the Mid-Biennium Update schedule which begins in late October/early November and continues through budget adoption on December 2.

Councilmember Wallace said he would like a more refined look at the revenue forecast when staff returns for the Mid-Biennium update. He believes that construction sales tax revenues are not fully reflected in the forecast.

At 8:00 p.m., Mayor Lee declared recess to the Regular Session.

Myrna L. Basich, MMC
City Clerk

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