

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

October 15, 2012
6:00 p.m.

Council Conference Room
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:09 p.m., with Mayor Lee presiding. There was no Executive Session.

2. Study Session

(a) 2013-2014 Operating and 2013-2019 Capital Budget Kickoff Discussion

City Manager Steve Sarkozy made opening comments for the budget presentation. He said the budget preparation was an organization-wide effort with staff Results Teams who reviewed proposals and made recommendations based on the principles and desired outcomes established by the Council in February. The Operating Budget is built on the reductions made in response to the recession and assumes slow economic growth, no general tax increases, and maintaining the City's operating reserves. The Capital Investment Program (CIP) Plan has no general tax increases, ensures that debt obligations are met, funds East Link related obligations, and continues implementation of the Parks Levy projects.

Mr. Sarkozy reviewed the Budget One guiding principles which include a focus on services that deliver outcomes important to the community, an examination of the entire budget, and a long-range strategic approach to an affordable and sustainable budget. Operating budget changes based on the July discussion with the Council include mobility-related regional projects and planning; neighborhood mediation; Comprehensive Plan update; Eastgate/I-90 Plan implementation; economic development activities; Downtown parking; and Probation Services.

Mr. Sarkozy reviewed the budget calendar which includes Council discussions at nearly every meeting until Budget adoption on December 3.

Toni Rezab, Assistant Finance Director, presented the economic outlook, noting that growth is steady but slow. She reported that the Puget Sound area is performing slightly better than the rest of the country, consumer demand is slowly improving, and office vacancy rates continue to decline.

Ms. Rezab reported that the two-year Preliminary Budget totals \$1.287 billion, including \$869.1 million in Operational Funds; \$59.7 million in Special Purpose Funds; and \$357.8 million in Capital Investment Funds for the first two years of the 2013-2019 CIP Plan. Responding to Deputy Mayor Robertson, Ms. Rezab said the first two years of capital investments include two years of General CIP funding and two years of Utilities CIP funding.

Mr. Rezab described the percentages of the Operating Budget distributed to each of the seven outcomes (Safe Community; Improved Mobility; Healthy and Sustainable Environment; Quality Neighborhoods; Innovative, Vibrant and Caring Community; Responsive Government; and Economic Growth and Competitiveness). The percentages are roughly the same for the 2011-2012 and the 2013-2014 Biennial Budgets.

Ms. Rezab described total City resources and total City expenditures for the 2013-2014 Operating Budget.

Responding to Councilmember Chelminiak, Ms. Rezab reviewed the City's total full-time equivalent (FTE) positions since 2007, noting a peak in 2009 and the loss of nearly 80 positions since that time. Some of the positions may be vacant. A few FTEs will be added in 2013 related to the South Bellevue annexations.

Ms. Rezab said the General Fund reflects increases of 4.4 percent in 2013 and 3.2 percent in 2014, without taking annexation into consideration. The General Fund increases by nearly 6 percent in 2013 if annexation expenditures are included. The General Fund contains three new economic development proposals: 1) Comprehensive Plan update, 2) Economic Recovery Strategy, and 3) Eastgate/I-90 Plan implementation. Inflation (CPI-W) is expected to increase by 2.7 percent in 2013 and 2.2 percent in 2014. Sales tax revenues are projected to increase by approximately 4 percent in 2013 and in 2014, and B&O tax revenues are expected to grow at slightly slower rates.

Mr. Rezab noted that the Budget proposes increased utility rates and increased Development Services rates. These will be discussed with the Council on November 13.

Mr. Sarkozy introduced discussion of the 2013-2019 General CIP Plan. It maintains current infrastructure, funds East Link and key Bel-Red projects, continues implementation of Parks Levy projects, provides for neighborhood needs, supports future development, and ensures the strategic use of long- and short-term debt.

Key changes to the CIP Plan since it was presented to the Council in July are proposals to fund the Fire Station Feasibility Study (\$200,000) and the Economic Development/Neighborhood

Opportunity initiative (\$6.2 million). The latter category is considered a Council Contingency fund for projects to be identified later. Previous direction from the Council focused on no new general taxes, maintaining transportation impact fees at the Council-adopted level, paying off the existing line of credit, and the strategic use of long-term and short-term debt to address cash flow needs and revenue shortfalls.

Responding to Councilmember Davidson, Finance Director Jan Hawn explained that long-term debt would be structured over the standard 20 years, and payments would come out of the General CIP. At the end of the 20 years, CIP funds would be used for another purpose. Mr. Sarkozy said there is no presumption that those dollars would be used in the future CIP Plan for long-term debt.

Planning Director Dan Stroh recalled that presentations on CIP elements were provided to the Council in February, March, June, July and September. Key CIP challenges are the current revenue shortfall, ongoing cash flow needs, providing adequate funding for infrastructure maintenance, East Link related obligations, and Mobility and Infrastructure Initiative (MII) projects.

Mr. Stroh described the types of restricted and unrestricted CIP revenues. The recommended CIP Plan allocates 50 percent to discrete projects (e.g., Parks Levy package, East Link, M&I and other needs), 26 percent to ongoing programs (e.g., major maintenance, neighborhood needs), and 24 percent to debt service.

Mr. Sarkozy commented on future capital needs. The City continues to have a large backlog of unmet needs, for example: 1) Infrastructure to support growth centers (Downtown, Bel-Red, Wilburton and Eastgate); 2) Neighborhood sidewalks including West Lake Sammamish Parkway, 3) Continued *City in a Park* investments, 4) Arts and culture, and 5) other transportation and mobility needs.

Mr. Sarkozy explained that one way to address these needs is through a package of new revenues targeted to specific projects and supported through bond funding. If the Council chose this approach, he suggests focusing additional funds on transportation needs. Mr. Sarkozy said that a one percent increase in the property tax generates approximately \$330,000 to \$350,000. If the Council were to do some type of special revenue package, he would recommend a 4 percent increase the first year, followed by a one percent increase the next year to maintain the previous year's capital investments. Mr. Sarkozy said this proposal is not included in the Preliminary Budget because the Council has asked staff to remain responsive to the fiscally constrained environment.

Councilmember Stokes said he would be interested in hearing recommendations from staff about potential projects and revenues that could be added and implemented fairly soon.

Councilmember Chelminiak recalled that, during the July budget workshop, several Councilmembers expressed an interest in receiving proposals from staff about a revenue package

to fund additional capital investments. He would like to see a proposal come forward for Council discussion and consideration.

Mayor Lee suggested this would be a good topic for kicking off discussions with the visioning focus group.

Mr. Chelminiak said he is interested in having that conversation prior to adoption of the budget.

Mr. Sarkozy said that, while there might be disagreement on the Council about considering new revenues, staff can come back with some ideas on how this could be framed for Council review.

Mayor Lee suggested scheduling the focus group for November 8 and having Councilmembers submit names of individuals to serve on the group by Wednesday.

Deputy Mayor Robertson said she is willing to look at new revenues. With regard to raising funds for CIP projects, she would prefer that the dedicated tax increase be rolled back upon completion of the individual projects.

Ms. Robertson requested more information on the Parks Levy package. She observed that the package represents 6 percent of resources in the capital budget but 20 percent of expenses. She would like information on what was promised to the voters and what projects go beyond what was promised. She would like information on the Base CIP match as well.

Ms. Robertson observed that the Neighborhood Enhancement Program is reduced in the CIP Plan. She would like to maintain adequate funds to continue to provide neighborhood projects on a rotating basis throughout the community.

Councilmember Stokes observed that the Parks Levy projects also contribute to neighborhoods.

Councilmember Wallace concurred with Ms. Robertson, noting that the budgets for the Parks Levy projects are higher than reflected in the levy package due to CIP match funding. He would like to see an analysis of what the City has spent on the projects to date as well as the plan for completing the projects by the end of the levy period. He would like to be able to know the final overall cost of all projects.

With regard to the potential for a property tax increase, Mr. Wallace said the first step is to decide what the Council wants to do. The next steps are to determine the costs and the revenue sources. Mr. Wallace observed that there is nothing in state law that requires this to be accomplished by the end of the year. He suggested that the Council pass the budget by the end of the year and then address supplemental budget items and resources early next year.

Continuing, Mr. Wallace said his recollection from two years ago was that sales tax increases were budgeted at 6 percent per year, and now they are at 4.5 percent per year.

Ms. Rezab said the updated projections are based in part on the past two years and in part on what is happening in surrounding jurisdictions. The City of Seattle is growing its sales tax at a rate of approximately 7.5 percent to 8 percent. They also have a number of large construction projects underway. Ms. Rezab said that, when a construction project starts, the City does not receive related sales tax revenues for nearly 18 months. She said King County is forecasting its sales tax revenues at lower rates.

Councilmember Chelminiak questioned how much a 4 percent property tax increase would affect Bellevue homeowners. Ms. Rezab said the impact would be approximately \$20 per year for the average household.

Councilmember Davidson noted other levies coming before the voters including the King County Emergency Medical Services (EMS) levy.

Mr. Chelminiak said he would like the City to be able to benefit from its own property tax.

Mayor Lee thanked staff for the presentation.

(b) East Link: Cost Savings Work Plan Findings

Mr. Sarkozy opened discussion regarding the East Link cost savings effort under the Memorandum of Understanding (MOU) established between the City and Sound Transit to fund a Downtown light rail tunnel. The goal of the collaborative design process is to jointly advance the design of the East Link project and to reduce costs.

Mayor Lee expressed appreciation for the hard work of those involved in the collaborative design process. He asked the members of the MOU Leadership Group to comment on the process and the Steering Committee's recommendations.

Deputy Mayor Robertson, a member of the Leadership Group for the collaborative design process, said the objective has been to determine the best light rail system for Bellevue and its neighborhoods and Sound Transit and its riders, in a way that will save the \$60 million contingency contribution for Bellevue. The Council is at the point of narrowing its recommendations to Sound Transit, which will conduct additional environmental review on the cost savings options. The City and Sound Transit will review the additional design work next spring to decide whether to amend the MOU alignment.

Ms. Robertson said it is important for the public to understand that the Sound Transit preferred alignment has not changed. The MOU alignment reflects a flyover over 112th Avenue SE into a trench under SE 4th Street. The flyover has evolved into the road over rail concept which raises 112th Avenue vehicle traffic above light rail. Ms. Robertson said the 112th Avenue segment is important because what moves forward for further analysis at this point could become the preferred alignment.

Ms. Robertson reviewed the three areas under study for potential cost savings: 1) Bellevue Way, shifting the roadway to the west and adding a southbound HOV lane; 2) 112th Avenue (3 options); and 3) Downtown Station (3 options).

Ms. Robertson said she would like to accept the Steering Committee's recommendation on Bellevue Way and on the NE 6th Street Downtown Station and to move those forward for further environmental review. However, she is not ready to accept the Committee's recommendation to only move forward with the at-grade alignment for 112th Avenue SE. She would like to move the trench concept forward, but is not opposed to studying the at-grade option further.

Ms. Robertson suggested that the best process for the Council is to have a good discussion about the advantages and disadvantages of each idea and to make a determination about what to move forward for additional study. She would then like to direct staff to come back with a letter to Sound Transit for Council approval.

Councilmember Stokes, a member of the MOU Leadership Group, concurred with Ms. Robertson's comments. He wants to be sure to continue working with the neighborhood and the community to come up with a final selection that best serves the public. He noted that the goal of tonight's discussion is to narrow the cost savings options under consideration, but not to make any final decisions.

Councilmember Wallace, a member of the MOU Leadership Group, said progress has been made but there are still many unanswered questions, especially related to mitigation. He believes there is a need to continue to refine the options. He supports continuing to study the MOU option and the at-grade option for the Downtown Station. On Bellevue Way, Mr. Wallace said the HOV lane is an essential piece. However, he believes both options should continue to be studied. On 112th Avenue, if Sound Transit is willing to study only one option, Mr. Wallace believes it should be the trench because the at-grade alignment cannot be mitigated in accordance with Bellevue's noise ordinance.

Councilmember Davidson recalled a question that he asked the previous week about NOAA and obtaining a biological opinion. Kate Berens, Deputy City Attorney, said she has not heard back but she will continue to pursue an answer.

Responding to Dr. Davidson, Councilmember Balducci said the Sound Transit Board capital committee did not make any recommendations for the Board. She urged the committee to not come to any conclusions, even individually, about the options until they received the Bellevue City Council's recommendations.

Bernard van de Kamp, Assistant Director of Transportation, opened the presentation and noted that staff has developed animations of the 112th Avenue options for the Council to view. He said three drop-in sessions were held for the public in early October, which were attended by more than 140 attendees. A number of stakeholder briefings have been held as well. Additional outreach includes media briefings and Internet-provided information.

Mr. van de Kamp reported that public comments about Bellevue Way continue to express concerns about noise and visual impacts, the loss of trees, environmental impacts to the Mercer Slough, and impacts to the Winters House and blueberry farm. There is generally more support for the trench alignment than the cost savings option (shifting Bellevue Way to the west).

For 112th Avenue SE, public comments express a preference for the MOU trench alignment. Citizens also expressed concerns about cut-through traffic into the Surrey Downs neighborhood, noise, and visual impacts. There is considerable opposition to the concept that would connect 111th Place SE to SE 15th Street as an alternative access into the neighborhood.

For the Downtown Station, there is support for the Optimized Adopted option. There are concerns about the Stacked Tunnel options due to its impact on general purpose traffic lanes on 110th Avenue SE. There is support for the NE 6th Street Station due to its cost savings.

Ron Lewis, Sound Transit, reviewed the project schedule, noting that this work was originally anticipated to be completed by June or July. The final design phase spans from 2012 to 2016, and a final design consultant team is under contract. The overall design schedule reflects a 60-percent design milestone in approximately one year. Mr. Lewis listed the many activities involved throughout the final design phase.

Mr. Lewis explained that work to certify right-of-way for acquisition will begin as the 60-percent design work is being completed. He acknowledged that the City Council and the Sound Transit Board have asked staff to look at the possibility of accelerating property acquisitions. One of the areas that is a good candidate for that, from Sound Transit's perspective, is along the northern portion of 112th Avenue.

Construction is targeted for 2015-2020, systems installation continues through 2021, and the system becomes operational in 2023.

Councilmember Davidson returned to his inquiry about a conversation with NOAA and asked whether Sound Transit has spoken with NOAA officials about the Endangered Species Act. Dr. Davidson observed that the environmental impact statement (EIS) does not address this issue.

Councilmember Wallace stated that the cost savings work was to have been completed in June or July, and additional environmental review was targeted for completion by the end of 2012. Given the current status of the process, Mr. Wallace questioned the target date for the additional environmental work. Mr. Lewis said that Sound Transit expects to complete additional review during the first quarter of 2013, and the design update is scheduled in March.

Councilmember Wallace observed that it would be appropriate to look at completing the Code review by March as well in order to have the benefit of the updated designs along with better information on mitigation and environmental review. This would also provide more time to work with the community through the Land Use Code amendment process. Councilmember Wallace asked Sound Transit to consider this suggested schedule.

Councilmember Wallace asked when information on the sound walls and other impacts will be available. Mr. Lewis said that is part of the final design process. As the options are refined, those elements will be included in the infrastructure and represented in the drawings. In further response, Mr. Lewis said the 60-percent design documents will include an updated cost estimate.

Mr. Wallace asked whether a critical areas report and NOAA study would be included in the final design package and delivered by the end of 2013. Mr. Lewis said he can speak to Sound Transit's environmental staff for a response. Mr. Wallace suggested it would be helpful to have that process underway, given the proximity of the rail alignment to the Mercer Slough, wetlands, and other sensitive areas.

Mr. Lewis said Sound Transit staff look forward to the narrowing of the cost savings options, which will enable specific and appropriate environmental work to be conducted.

Mayor Lee reinforced the importance of the City and Sound Transit continuing to work together throughout every phase of the project.

Councilmember Stokes observed that the collaborative design process has made good progress. He encouraged the Council to keep pushing to have questions answered and to move forward.

Councilmember Chelminiak said he wants to be sure that if he votes to move any of the options forward, he is supporting further study but is not committed to the options as a final decision. He suggested that the trench and at-grade alignments for 112th Avenue SE should each receive comparable engineering and environmental review. He questioned what additional analysis would occur if both continue to be studied.

Mr. Lewis said that neither the trench nor the at-grade alignment on the west side have been through environmental analysis. The MOU at-grade option is different than the cost savings at-grade option.

Mr. Chelminiak stated his understanding that both the trench and at-grade options involve a six foot to eight foot noise wall along 112th Avenue SE. Mr. Lewis said the trench wall extends above grade to act as both a retaining wall and noise buffer. The wall mitigates road noise as well.

At 8:03 p.m., Mayor Lee declared recess to the Regular Session, noting that Council would continue this discussion during that session.

Myrna L. Basich, MMC
City Clerk

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