

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

November 13, 2012
6:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Lee, Deputy Mayor Robertson, and Councilmembers Balducci¹,
Chelminiak, Davidson, Stokes², and Wallace

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:15 p.m., with Mayor Lee presiding. There was no Executive Session.

2. Oral Communications

- (a) Bill Hirt encouraged the City Council to use the City's permitting process to stop the East Link light rail project. He spoke in favor of using bus rapid transit (BRT) as an alternative. If light rail is to be constructed, he believes that Sound Transit should provide a full tunnel in Bellevue between I-90 and the Downtown, as the agency has in much of Seattle. Mr. Hirt submitted his comments in writing.
- (b) Scott Lampe referred to the memo from the Arts Commission in Council's desk packet which indicates a possible reduction of \$10,000 in arts funding. He said he has been a Board Member for the Bellevue Youth Symphony Orchestra for the past 10 years. He spoke to the importance of the orchestra for youth and for the community.
- (c) David Plummer encouraged the Council to reject the City Manager's proposed budget and to request a revised budget with reduced spending. He said the proposed utilities rate increases should be rejected, and he expressed a number of concerns about utilities rates and financial policies. He encouraged the Council to review the agreement with the Cascade Water Alliance and to work to decrease water rates. Mr. Plummer submitted his comments in writing.

¹ Councilmember Balducci arrived at 6:28 p.m.

² Councilmember Stokes arrived at 6:20 p.m.

- (d) Todd Woosley, an owner of property in Enatai and along 112th Avenue NE, asked the Council to consider supporting a property tax increase to fund critical transportation capacity projects. He encouraged the Council to consider the City Manager's 4-1-4 property tax and bonding proposal.
- (e) Sam Bellomio, Stand Up America, noted that he has been attending Council meetings for approximately seven months to express his concerns about red light cameras. He thanked Councilmember Wallace for responding to him and providing some information. He said the red light cameras are not reducing accidents. He noted that the City's memo refers to income, and he thought the purpose was safety. Mr. Bellomio expressed concern that a portion of the revenue goes to the red light camera companies and to King County.
- (f) Alex Zimmerman, Stand Up America, reiterated his ongoing request for the cost of a four-year, 330-page Police investigation. He believes that the investigation is partly religious and political persecution. He said the government should be honest and not cheating people.

3. Study Session

(a) Council Business and New Initiatives

- Deputy Mayor Robertson moved to amend the agenda to move Agenda Item 3(f), Light Rail Overlay, to occur following the budget discussion. Councilmember Wallace seconded the motion.
- The motion to amend the agenda carried by a vote of 7-0.

(b) Report of Community Councils, Boards, and Commissions

(1) Arts Commission Comments on Budget Proposal

Arts Commission Chair Brad Smith noted his fellow Commissioners in the audience and the Commission's memo in the meeting packet on page 3-1. He expressed concern about the budget proposal to reduce Arts Program funding by \$10,000 in the 2013-2014 Operating Budget. He explained that arts groups continue to struggle through the economic downturn.

Mr. Smith described the diversity of arts groups in the community and the negative impacts of decreased funding, noting that financial support from the City helps to leverage other contributions. He commended the talented and dedicated individuals on the Arts Commission.

Chair Smith said the Commission is both appreciative of the City's support and frustrated with the challenges facing arts organizations.

Mayor Lee thanked Mr. Smith and the Arts Commissioners for their commitment to the arts community.

Councilmember Balducci spoke to the value of Boards and Commissions in reaching out to and representing the community. She thanked the Arts Commission for its work.

Councilmember Stokes thanked the Arts Commission and expressed support for its role and the Commissioners' hard work. He believes the arts should be at the center of all aspects of the City's development.

(2) Environmental Services Commission Comments on Utilities Department
2013-2014 Budget and Rate Recommendations

Brad Helland, Environmental Services Commission Chair, said the Commission recommends full funding of the Utilities Department 2013-2014 Preliminary Budget. The Commission opposes the proposed staffing reductions to the Water Conservation and the Storm and Surface Water Pollution Prevention programs. Mr. Helland said he believes the City is doing a good job of maintaining community confidence in utilities, and the Commission understands the impact of rate increases on residents. Mr. Helland described the Utilities Department's success in containing costs. He spoke against deferring capital projects because that generally results in higher costs in the long run.

Mayor Lee thanked the Commissioners for their work.

Councilmember Stokes noted that he is the Council liaison to the Environmental Services Commission. He commended the Commissioners for their thorough review and discussions of rates and budget components.

(c) Update regarding Jubilee REACH Center

City Manager Steve Sarkozy said he requested this agenda item to highlight the community contributions of the Jubilee REACH Center. He described the City's involvement in partnering with after-school programs, including the Wrap Around Services Program for youth and their families, which was scaled back somewhat due to the economic downturn. Jubilee REACH Center stepped in to provide a number of programs and services needed within the community. The program relies primarily on volunteers and represents a collaborative effort with the Bellevue School District and others.

Brent Christie, Executive Director of the Jubilee REACH Center, described the development of the program to respond to community needs which were identified and highlighted through the Wrap Around Services Program. He showed two videos about the Jubilee REACH program and its positive impact on youth. Mr. Christie described the program's activities in local schools and commended Bellevue for being such a supportive community.

Dave Cole, Jubilee REACH Center Board of Directors, shared additional stories of lives that have been transformed. He thanked the City for its support.

Mayor Lee thanked them for the presentation. He said these programs are having a positive impact beyond the youths, to include their families. He encouraged everyone to visit the Jubilee REACH Center programs.

Councilmember Stokes recalled his past work with the Bellevue School District Foundation. He commented on the powerful impact of Jubilee REACH in coordinating a number of services and reaching out to youth.

- (d) Proposed Ordinance to amend Chapter 22.18 of the Bellevue City Code to modify the School Impact Fee scheduled as requested by Issaquah School District

Mr. Sarkozy said staff is requesting Council direction to prepare an ordinance in support of the impact fee schedule.

Noting the full meeting agenda, Councilmember Wallace suggested foregoing staff's presentation. He said that the Council is familiar with the issue, and information is provided in the meeting packet.

Councilmember Chelminiak concurred and suggested that staff bring the ordinance forward for action the following week.

Councilmember Balducci asked staff to briefly describe the issue for the benefit of the public.

Catherine Drews, Legal Planner, explained that the City collects school impact fees for the Issaquah School District because some Bellevue residents attend Issaquah schools. Approximately 12 percent of the District's students reside in Bellevue. The District's proposal increases impact fees for single-family homes by \$170, while maintaining the multifamily rate at \$0. The ordinance is scheduled to go into effect on January 1, 2013, if approved by the Council.

Responding to Councilmember Chelminiak, Ms. Drews said she was not prepared to provide the rationale for the impact fee increase. A representative of the Issaquah School District was originally scheduled to attend the meeting but was unable to make it.

Mr. Sarkozy noted a list of capacity projects on page 3-18 of the meeting packet.

Mayor Lee thanked staff and reiterated the Council's interest in a response regarding the basis for the impact fee increase and for the increase in the single-family impact fee only.

Councilmember Davidson requested that the item be scheduled separately from the Consent Calendar, to allow him the opportunity to comment at the time of Council action.

- (e) Proposed Ordinance authorizing and providing for Property Acquisition of certain property rights required for the 120th Avenue NE Improvements Project, Stage 2, NE 8th Street to NE 12th Street.

Mr. Sarkozy opened discussion regarding a proposed ordinance authorizing and providing for property acquisition, including through condemnation, of certain property rights required for the 120th Avenue NE project.

Max Jacobs, Real Property Manager, introduced Paul Krawczyk, Project Manager for the 120th Avenue NE Stage 2 project.

Mr. Krawczyk explained that Stage 2 is part of the NE 4th/120th Avenue NE corridor project. Tonight's discussion focuses on the section between NE 7th and NE 12th Streets. He described the configuration of the roadway project, which includes utilities upgrades as well. The project is at 70 percent design and is expected to reach 90 percent design by the end of the year. The next step in the process is property acquisition.

Mr. Jacobs reviewed the next steps, beginning with public notice of the anticipated action in *The Seattle Times* and *Daily Journal of Commerce*, as well as mailings to property owners and tenants. Staff anticipates requesting Council action on the Acquisition Ordinance on December 3.

Mr. Jacobs described the project and related property impacts.

Responding to Mayor Lee, Mr. Jacobs said staff has had extensive conversations with the properties experiencing the most significant impacts. All property owners, including those with minimal impacts, will receive a mailed notice and are invited to negotiate with the City.

In further response to Mayor Lee, Mr. Jacobs explained that the City typically starts talking first to the property owners with the highest impacts, because that can affect the design of the project. Mr. Jacobs noted that this is the beginning of the process.

Councilmember Chelminiak questioned the funding source for taking this project to completion. Mr. Krawczyk said the majority of project funding is from the impact fee program.

Transportation Director Dave Berg said that additional funding sources are two grants totaling approximately \$4.1 million.

Responding to Councilmember Chelminiak, Mr. Krawczyk described the roadway configuration in greater detail.

Responding to Councilmember Chelminiak, Mr. Berg said the project is fully funded in the 2013-2019 Capital Investment Program (CIP) Plan.

Councilmember Davidson asked how the City determines fair market value for properties.

Mr. Jacobs said the City obtains an appraisal from an independent appraiser, which is followed by an additional review appraisal to set market value. The Federal Highway Administration rules that apply to acquisitions include a number of provisions committed to protecting property

owners. Mr. Jacobs said the City's policy is to pay market value. The City offers the exact amount that the review appraiser has substantiated to begin acquisition negotiations.

Deputy Mayor Robertson questioned whether the City is planning to use a special benefit offset for the acquisitions. Mr. Jacobs said staff proposes language in the ordinance that will provide the ability for an offset in the case in which there could be a significant benefit to the individual parcel. Ms. Robertson expressed support for that approach.

Ms. Robertson concurred with Mayor Lee's suggestion about communicating with the affected property owners. She would like staff to work with the property owners and to be helpful and appropriate in a very transparent way. She supported bringing this project forward in the last capital budget and supports bringing the ordinance forward.

Responding to Councilmember Balducci, Mr. Krawczyk provided additional details on how the U-turns will function. Ms. Balducci encouraged staff to talk to businesses in that area about the implications for access to their properties. Mr. Berg explained that the project will improve access to the overall area via NE 4th Street and 120th Avenue NE.

Ms. Balducci said she is pleased to see a full intersection planned for 120th Avenue NE and NE 8th Street. She said that residents of the Wilburton area have wanted a full intersection there, especially with the plans to extend NE 4th Street east of I-405.

Councilmember Chelminiak commented that existing U-turns are heavily used. He said that residents of Lake Bellevue, who were concerned about access to their properties, are pleased with how the project plan has developed.

Responding to Councilmember Stokes, Mr. Berg described roadway revisions affecting access to Whole Foods on 116th Avenue NE.

Responding to Councilmember Wallace, Mr. Berg said the plan is to leave traffic movements as they are now by Bartell on 120th Avenue NE. The current drive is Bartell's only access point and the project will not restrict left turns coming out of there for now. However, access will need to be revised for later phases of the project.

Mayor Lee welcomed Boy Scout Troop 438 in audience. A member stepped forward and said the troop from Tillicum Middle School is working toward earning their Community and Merit Badges.

At 7:46 p.m., Mayor Lee declared a break.

[Agenda Reordered]

The meeting resumed at 7:58 p.m.

(g) 2013-2014 Operating Budget and 2013-2019 Capital Investment Program (CIP)

(1) Capital Investment Program (CIP) Plan

Mr. Sarkozy recalled the Council's interest in alternative funding scenarios to support capital projects. He described three scenarios summarized on page 3-89 of the meeting packet: 1) A focus on economic recovery/development capital projects that help the City recover from the economic downturn and prepare for the next wave of development, 2) An approach focusing on key neighborhood needs, including projects such as West Lake Sammamish Parkway and City-wide neighborhood sidewalk improvements, and 3) A blend of the two approaches.

Mr. Sarkozy referred the Council to a list of projects beginning on page 3-97 of the packet, which have been identified by Councilmembers as potential candidates for funding. The projects are organized by the three alternative scenarios.

Mayor Lee observed that the City Manager's proposed budget provides for public safety, parks, utilities, roads, light rail, human services, environmental protection, planning, and administration. It does not require a property tax increase. The budget was created and vetted by staff teams, and it represents an effort for the City to live within its means. Mr. Lee said the status quo budget is consistent with Council direction to continue delivering high quality and efficient municipal services. It includes a \$6.5 million reserve for additional priorities as well. Mayor Lee said he believes this is the right course of action. However, at the same time, he recognizes the need for capital investments.

Mayor Lee proposed adopting the Preliminary Budget as presented by the City Manager. At the same time, he is committed to implementing a process to look at future investments, beginning with a meeting of community focus groups on November 20. He anticipates a Council economic development retreat early next year as well as the Council's usual annual retreat to look at broader community needs.

Mayor Lee believes the region is at the threshold of an economic recovery, and he wants the Council to have the opportunity to make adjustments to the budget as needed next year. He said he has invited Councilmembers to identify their top priority projects as a way of beginning the evening's discussion.

Councilmember Stokes stated his understanding that the Council would discuss capital projects and a potential increase in the property tax. He thought the Council would then have a retreat to come to some agreement on the vision of what to do moving forward, linking that vision in part to the Downtown Livability Initiative, and to review alternative revenue sources.

Mayor Lee said that Councilmembers have expressed an interest in considering specific capital projects now as part of the budget to be adopted. He said this is the beginning of the community process.

Councilmember Chelminiak said it sounded like the 4-1-4 property tax proposal was not going to be discussed. Mayor Lee said that anything can be discussed. However, he prefers to adopt the capital budget now and to have further discussion next year following the community process.

Councilmember Chelminiak said he came to the meeting, following the Deputy Mayor's suggestion the previous week, expecting a discussion of alternative revenue scenarios. In the middle of the week, Councilmembers received an email asking them to submit two or three priority projects, which he did. However, he was not necessarily prepared to rank projects that evening.

Councilmember Chelminiak recalled that the Council created a long-term project and financing plan a few years ago based on Mr. Lee's suggestion to create a 20-year plan.

Mayor Lee said the Mobility and Infrastructure Initiative still exists. However, implementation of the plan has been negatively affected by the economic downturn. Mr. Lee said he respects the history of the Council's planning. However, he does not want to foreclose changes to the plan. Mr. Lee said the City Manager's budget has been before the Council for quite a while now, and he believes it is time to make a decision.

Councilmember Stokes said there is a long list of CIP projects. He acknowledged that the Council could discuss that list. However, he does not believe that the Council is ready to make serious substantive decisions tonight. He would like to hear more on the 4-1-4 property tax proposal and any other funding alternatives.

Mayor Lee said there is not sufficient time for in-depth discussions over the next few weeks, which is why he has proposed his process. He said the Council could spend some time talking about projects tonight if desired. However, he prefers to adopt the budget as presented and to then continue with the visioning process and amending the budget as appropriate next year.

Councilmember Balducci concurred with Mr. Stokes that the Council is not prepared to make decisions at this point. She said the Council has had the City Manager's budget since the summer but has chosen to not make decisions up to this point. The Council needs to do some planning and is not going to be able to do that by budget adoption scheduled for December 3. In the past few years, the Council changed direction with regard to revenue sources but did not define a new direction.

Councilmember Balducci suggested scheduling a process for next year to develop a long-term financing plan. She said she did not submit any suggestions for her top priority projects because she did not believe that would be productive. Having Councilmembers identify their favorite projects is not the way to develop a thoughtful capital plan. Some of the projects on the new list are in conflict with existing plans. Ms. Balducci believes that the Council needs to start with its vision, Comprehensive Plan, and other adopted policies and plans to determine future objectives.

Councilmember Davidson said he does not recall any time that the Council said to raise taxes. His desire was that the City Manager present a budget with no tax increases. Dr. Davidson said the Council can still reallocate monies within the budget, however.

Responding to the Mayor, Mr. Sarkozy said staff's role was to present a budget responsive to the principles originally established by the Council, which is a balanced budget with no increase in taxes. That strategy was implemented through the Budget results teams and the Leadership Team. At the same time, the Council has had discussions about a strategy to complete some of the Mobility and Infrastructure Initiative projects. The MII financing plan has decreased from \$300 million to \$100 million in projects, and there are a number of missed opportunities as a result. Mr. Sarkozy said there has been Council discussion about whether and how to restore some of that funding. He observed that the Council is starting from a positive place of a balanced budget that maintains services. The question is whether the Council wants to do more, and how to start that conversation. Another option is to revise the list of CIP projects.

Mayor Lee said he wanted to provide the opportunity to discuss the use of the property tax for Councilmembers interested in that discussion.

Councilmember Wallace said the Council has gotten through a difficult economic recession without raising the property tax rate. Bellevue has the lowest or one of lowest millage rates in the state. When he joined the Council in 2009, the top transportation project was the NE 4th Street extension. That project is still the top priority and will be completed within the next few years. Councilmember Wallace suggested hearing from Transportation staff about when projects will be ready to go. Then the Council will be in a good position to determine if and when to adjust the property tax rate.

Councilmember Wallace noted that the Council has not been able to properly address the budget over the past few years due largely to the significant attention required by the East Link light rail project. He is frustrated that the Sound Transit maintenance facility was recently sprung on the Council. He suggested that light rail funding needs to be resolved before the Council can address other major projects. He believes the City is essentially in a good position, and he appreciates all of the efforts of the City Manager, Leadership Team, Mayor and Deputy Mayor in preparing the budget. He looks forward to digging into the details more when the Council has better information next year.

Mayor Lee recalled that he and the Council took pride in developing the Mobility and Infrastructure Initiative long-term financing plan a few years ago. However, the plan has been modified, some projects have been delayed, and some projects are still included in the CIP budget.

Councilmember Davidson referred to page 5-2 of the Council's Budget Binder and noted that resources in the 2013-2014 budget are anticipated to increase by 11.8 percent over the previous budget. That is due in part to annexation and to a slight economic recovery, and the key point for him is that the City is not out of money.

Councilmember Balducci noted that the NE 4th Street project is not in the Downtown. Half of the project extends through an empty lot and the other half goes through a parking lot between two large retailers. The Council directed revisions to the project a number of times but the project has not been completed. Ms. Balducci said it is important to remember where this project has been.

With regard to light rail, Councilmember Balducci recalled that 57 percent of voters supported the Sound Transit Phase 2 package. With regard to Dr. Davidson's comments, Ms. Balducci acknowledged that the City spends a significant amount of money on capital needs. However, the City has cut services and Police Officers and has delayed projects that the Council deemed to be important to the future vision for the community. She noted the list of unmet CIP needs that have been deferred, reduced or eliminated from the CIP Plan [Page 3-94 of the meeting packet]. The list of unmet needs totals roughly \$150 million.

Councilmember Balducci said the Council is not required to do any of the projects. However, Councils have supported and implemented projects to fulfill a vision for the City that has been very successful for many decades. This vision requires investments in transportation and livability. Ms. Balducci said that everyone around the table, as well as previous Councils, have recognized that the Council needs to determine an approach for keeping pace with the investments needed to continue to achieve economic, social, and cultural objectives. She said the Council needs to have this discussion beginning next year.

Deputy Mayor Robertson asked whether the three scenarios ("straw man" proposals) will be presented to the group attending the November 20 focus group meeting. She questioned what will be asked of the participants.

Mr. Sarkozy said staff will be discussing that tomorrow.

Mayor Lee said his thought is to describe the current situation and to allow the focus groups to brainstorm and discuss anything they might envision for Bellevue's future. Mr. Sarkozy said the participants can also help identify gaps or issues the City might be missing.

Mayor Lee said Councilmembers are invited to attend but not to participate. The purpose is to solicit input from the participants.

Deputy Mayor Robertson said it would be helpful to have some specific feedback on the types of projects envisioned, whether capacity projects, neighborhood projects, etc., as well as input on taxes and possible tax packages. She believes it was appropriate to take a break from discussing a property tax increase because growth remains slow and projects can be deferred somewhat. She noted that the property tax rate has actually decreased over many years. She believes it is appropriate to have a discussion now about adjusting the property tax rate in order to fund needed capital projects.

Ms. Robertson said she looks forward to going through the visioning process and developing a package, funding plan, and construction schedule by the second quarter of 2013. She would prefer to present a package to the voters. The recent election showed that people will support

specific levy measures if they understand what they provide. She thanked the City Manager and Leadership Team for putting together a budget that includes many projects wanted by the Council and community.

Councilmember Chelminiak questioned who will participate in the community focus group workshop. Mayor Lee said the participants are individuals recommended by Councilmembers. So far, approximately 20 people have confirmed that they will attend.

Mr. Chelminiak observed that he recently learned that all of the impact fee revenues the City anticipates collecting are dedicated to Phase 2 of the 120th Avenue NE project. He said he looks forward to discussing the vision and future projects.

Councilmember Davidson recalled voting for mass transit expansion through Sound Transit a number of years ago. However, he does not believe that the current East Link project is consistent with the original Sound Transit 2 package. He has re-read the original ballot measure and suggested that other Councilmembers might want to read it as well.

Councilmember Wallace said he would like to look at the operating budget beyond a two-year horizon. He is concerned about the effect of health care costs on the future ability to provide the personnel needed to continue to operate City services.

Mayor Lee noted that salaries and compensation represent 60 percent of operating costs.

Mr. Sarkozy said the City conducts comparison surveys of salaries and benefits every time it goes through negotiations with the labor unions, and it does the same with regard to compensation for non-represented employees. Many aspects of the costs are beyond the City's control including the health care market and related federal law and the constraints represented by the State pension system and collective bargaining agreements.

Referring back to Dr. Davidson's comment, Councilmember Chelminiak recalled the ballot measure that failed in November 2011 which would have stopped Sound Transit light rail from coming across the lake. Voters affirmed their support of light rail as they affirmed their support of certain Councilmembers in the same election.

Councilmember Stokes agreed with Councilmember Balducci's comments about the Council's responsibility in not having progressed further on making budget decisions. He observed that there are tremendous opportunities for projects beneficial to the community, and the Council and City need to move forward. He said the Council's role is to show leadership for the community.

Responding to the Mayor, Mr. Sarkozy summarized that he is hearing that the CIP Plan remains unchanged, and there are currently no suggestions for changes to the General Fund. He said the \$6.5 million contingency reserve is available as well.

Mr. Sarkozy noted the Public Hearing scheduled for November 19 and Budget Adoption anticipated for December 3.

Councilmember Chelminiak said that Councilmembers have all received emails from Ellen Kerr and Norm Hanson regarding the electrical reliability study. He met today with Ms. Kerr; Mr. Hanson; Chris Salomone, Director of Planning and Community Development; Nicholas Matz, Senior Planner; and the City Manager. The related budget proposal includes a request for a half-time staff position. Mr. Chelminiak said that one key issue is the redundant line that will connect the Phantom Lake Substation and the Lake Hills Substation. He said there will be more discussion on that project next year.

Mr. Chelminiak said Sheida Sahandy is handling a project under the City's sustainability initiative which falls under the electrical reliability work as well. He said the City's renewal of the franchise with Puget Sound Energy is due in 2013. All of these projects will likely require the assistance of outside experts. Mr. Chelminiak suggested adding electrical reliability to the Council's regional issues agenda with a periodic update from staff.

Councilmember Wallace questioned why the electrical reliability work is not handled by the Utilities Department. He noted that the City brings in tax revenue from electricity and questioned whether it could be used toward this initiative.

Mr. Chelminiak said the idea of requesting a portion of funding from the Utilities Department has been briefly discussed. He observed that electrical reliability relates to planning, economic development, and community development issues, which fall under the Department of Planning and Community Development.

Councilmember Wallace endorsed the importance of a reliable electrical system for neighborhoods, the Downtown, and general economic development. He suggested that the City can have an important role in advocating for issues important to both Puget Sound Energy and the City.

Councilmember Stokes expressed support for the electrical reliability work.

(2) Proposed Utility Rates for the 2013-2014 Budget

Nav Otal, Utilities Director, presented the proposed 2013-2014 utility rates for the three piped utilities: water, wastewater, and storm and surface water. She described the attributes of a well-managed utility and highlighted Bellevue Utilities' high bond rating, minimal debt, American Public Works Association (APWA) Accreditation, and achievement of the Association of Metropolitan Water Agencies (AMWA) Platinum Award.

Ms. Otal demonstrated that Bellevue's utility rates compare favorably with other cities and described Utilities financial policies. She described cost reductions in the 2011-2012 and the 2013-2014 budgets. Key ongoing challenges are wholesale costs, aging infrastructure, capacity for growth, and regulatory requirements and mandates.

Ms. Otal explained that the aging infrastructure has an asset replacement value exceeding \$3.5 billion and more than 1,600 miles of pipelines past mid-life. Timely asset replacement is critical to maintaining services and to continuing to address this liability.

Ms. Otal described the challenges of capacity for growth and declining water demand and revenues. While revenues have decreased, expenditures have not. She described the key drivers of the Utilities' rates: 1) wholesale costs, 2) CIP and renewal/replacements, 3) Taxes and other governmental mandates, and 4) Operations. Key internal rate drivers include CIP and Reserve and Replacement funding increases for a list of projects including replacement of the Coal Creek culvert; capacity to support growth in the Downtown, Wilburton and Bel-Red areas; and stream restoration in the Bel-Red corridor.

Councilmember Wallace questioned what would happen if the Cascade Water Alliance changes its budget or rates. Ms. Otal said that, if Cascade is successful in renegotiating contracts with Seattle and Tacoma, it will affect future rate increases. However, Cascade has already adopted its next budget and those rates will not change.

Continuing, Ms. Otal provided additional details on key rate drivers for the three utilities in 2013 and 2014. The total impact to the typical residential customer reflects a 10 percent rate increase in 2013 and a 5.9 percent rate increase in 2014.

Responding to Mayor Lee, Ms. Otal said the City's policy is to provide predictable and gradual rates within the parameters of what it can control. However, there can be fairly wide fluctuations in wholesale costs. Ms. Otal said that Bellevue's rates will continue to increase gradually to replace aging infrastructure.

Councilmember Wallace asked whether there is a benefit to the City from the utilities relocations related to the Sound Transit East Link light rail project. Ms. Otal said yes, the projects will replace pipe that needs to be replaced.

Mr. Wallace questioned the timing of projects S-52 and S-53 which run along 112th Avenue in the same path as the light rail alignment. Wes Jorgenson, Assistant Director of Utilities, said that certain infrastructure work has been delayed until issues related to the East Link project are resolved and a final alignment is selected.

Responding to Councilmember Davidson, Mr. Jorgenson said that Utilities Department plans recognize the redevelopment potential of the Bel-Red corridor.

Dr. Davidson said it is interesting that the City pays for capacity but charges for consumption. He said the two factors do not always match up, especially when practicing water conservation. He believes it is important for citizens to understand this aspect of utility rates.

Councilmember Balducci observed that there are competing principles of: 1) predictable and gradual rate adjustments, 2) meeting infrastructure needs, and 3) managing fluctuations in

wholesale rates. Ms. Otal said it is difficult and somewhat risky to try to forecast what King County or the Cascade Water Alliance might do.

Responding to Ms. Balducci, Ms. Otal explained that staff has been meeting weekly for four months to review the budget and make ongoing reductions. In identifying necessary staffing reductions, the objective was to minimize the impact to customers. The conservation program is one area in which the Utilities Department was exceeding its goals, which contributed to the decision to reduce that staff. However, the effects will be noticed in school programs and other related activities. The reduction in customer service staff will likely be noticed by the public as well, for example, if callers have longer wait times to speak to staff or to be called back.

Mayor Lee noted general Council support of the proposed rate increases.

Councilmember Chelminiak said he would prefer to preserve the conservation program, but he understands that reductions are necessary. He commented on the significant benefits of the conservation ethic that has evolved over the past many years.

Councilmember Stokes concurred.

- Councilmember Chelminiak moved to extend the meeting to 10:30 p.m., and Councilmember Wallace seconded the motion.
- The motion carried by a vote of 4-3, with Deputy Mayor Robertson and Councilmembers Davidson and Wallace opposed.

(3) Development Services Update of Hourly Rates and Building Permit Fees

Mike Brennan, Director of the Development Services Department, provided a presentation on proposed 2013 Development Services hourly rates and building permit fees. The proposal recommends adjusting building review and inspection fees by the CPI-W inflation index of 2.7 percent.

Mr. Brennan presented the following underlying financial principles: that permit applicants should pay for the services they receive, fees should be predictable and understandable, fees should be regionally competitive, and the funding structure should support the Department through economic cycles. Cost recovery goals are 100 percent for business support, inspection and engineering review and 50 percent for land use or other discretionary review. Pre-submittal support, public information, and policy development do not have cost recovery expectations.

Mr. Brennan said staff proposes realigning the fees to match with the cost of services. A partial rate adjustment was made in 2012 following two years in which rates were held flat and did not achieve cost recovery goals. Personnel costs continue to increase, and fixed costs continue to grow for technology, facilities, vehicles, fuel and overhead functions.

Mr. Brennan described the proposed hourly cost components for Land Use, Transportation, Fire and Utilities development services. Hourly rates increase by \$8 to \$10 for each category. Bellevue's hourly rates continue to be competitive with Seattle and King County, and comparable to Redmond's hourly rates. Bellevue's permit fees are competitive with other jurisdictions as well.

Mr. Brennan said staff is requesting Council action on a Consolidated Fee Ordinance on December 3. New fees will be implemented on January 1, 2013.

Responding to Councilmember Wallace, Mr. Brennan said he has contacted the Master Builders Association about the proposed fee adjustments but has not heard back.

Councilmember Wallace said that fast, predictable service is critical. He questioned what staff is doing to prepare for the next wave of development.

Mr. Brennan said the reserve created by the fee structure allows the City to ramp up staffing and services when needed. In addition, the City has made a significant investment in its paperless permitting project, which will increase efficiencies for the City and the development community. The project will be expanded to cover all permit types in Spring 2013. Mr. Brennan said the Department focuses on staff training and process improvement efforts on an ongoing basis.

Mr. Wallace observed that the rate adjustments will not deter development. However, he believes that predictability in the processing of permits and inspections is of significant importance. Mr. Brennan concurred. Mr. Wallace commended staff on their ongoing efforts to improve services, including the online permitting project.

Mayor Lee commented on the importance of providing realistic estimates of permit processing times for customers.

(f) LUCAs relating to Light Rail Overlay to govern permitting for the East Link Light Rail Project

Kate Berens, Deputy City Attorney, explained that, due to the shortness of time, staff narrowed the scope of the evening's discussion to the appropriate conditional use permit (CUP) process and the mechanism to apply light rail best practices through the draft Land Use Code Overlay. Three other items identified in the meeting packet are process related and will be discussed during an upcoming meeting.

Mike Brennan, Director of the Development Services Department, reviewed the Code adoption schedule. This topic is scheduled for Council discussion on November 26, December 3 and December 10. Mr. Brennan said staff wants to continue to move this process forward. The benefit of defining the permitting path and mitigation through a Code amendment is increased certainty for residents impacted by the light rail project and for further project design.

Mr. Brennan recalled previous discussion about gaps in design standards along the light rail alignment. These are addressed in the Light Rail Overlay Land Use Code Amendment.

Carol Helland, Land Use Director, described the two permit paths. Tonight's discussion is about what type of conditional use permit (CUP) process should be used for the path in which there is no agreement between the City and Sound Transit on the alignment. She requested Council direction about whether the CUP permit should fall under Process I or Process III. The only difference is that Process I ends with the Hearing Examiner's decision unless appealed, in which case it goes before the Council. Process III permits are always forwarded to the Council.

Deputy Mayor Robertson said she would like the flexibility to have part of the application go through the CUP process and part of it to be addressed by a development agreement.

Ms. Robertson said the Council would like to eliminate its quasi-judicial role. If that occurs, the process would change from a Process I application to a decision by the Hearing Examiner that could be appealed to Superior Court based on the Land Use Petition Act (LUPA). She would prefer that route. Ms. Robertson observed that having the Council sit as judges creates a barrier between Councilmembers and citizens.

Responding to Councilmember Wallace, Ms. Helland said both Process I and Process III involve closed record appeals. The standard of review for both is whether a mistake was made by the Hearing Examiner.

- Councilmember Balducci moved to extend the meeting by 15 minutes, and Councilmember Stokes seconded the motion.
- The motion carried by a vote of 4-3, with Deputy Mayor Robertson and Councilmembers Davidson and Wallace opposed.

Responding to Councilmember Balducci, Ms. Helland said that only the parties of record (i.e., citizens who commented during the overall process and/or public hearing) are allowed to appeal a matter. Ms. Balducci suggested the idea of giving citizens the option of which permit process they would like to follow.

Councilmember Chelminiak noted ongoing testimony from Bill Hirt that the City should deny the permit for East Link light rail. Mr. Chelminiak observed that this creates the mistaken impression that the City can do that through the conditional use permit process. The CUP process generally addresses modifications and/or exceptions.

Mr. Chelminiak concurred with the Deputy Mayor about removing the Council from its quasi-judicial role. However, he believes the public would be better served through a development agreement than through the permitting process for the light rail project. With regard to the permit options, he has a preference for Process I.

Ms. Helland, noting the time, proposed that staff draft the Land Use Code Overlay as Process I. She suggested that staff also draft a policy regarding the Council's quasi-judicial role as well.

Mayor Lee said he wants the Council to have flexibility and control in whatever option is chosen.

Ms. Helland said staff would like direction on one more issue. The decision criteria in the draft Light Rail Overlay incorporates the Light Rail Best Practices work as policy. She questioned whether Council would prefer a cross reference in the Overlay language to the Light Rail Best Practices report, or whether the Overlay should include all of the text.

Ms. Robertson said she would be satisfied with a reference about establishing consistency with the Comprehensive Plan, including the Light Rail Best Practices Report. The Council was in general agreement.

Mr. Brennan said staff will revise the draft for further discussion with the Council.

Councilmember Wallace expressed concern about whether and how cross references in the draft Overlay might be applied. He wants to be sure that the language and intent are clear. He noted concerns about mitigation standards and the maintenance facility as well.

Councilmember Chelminiak asked staff to address, when they come back to the Council, how Land Use Classification 41 fits into this issue. It includes rail transportation, right-of-way yards, terminals, and maintenance shops as conditional uses.

At 10:44 p.m., Mayor Lee declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

kaw