

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

June 13, 2016
6:00 p.m.

Conference Room 1E-113
Bellevue, Washington

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

ABSENT: Councilmember Slatter

1. Executive Session

Deputy Mayor Chelminiak called the meeting to order at 6:02 p.m., and declared recess to Executive Session for approximately 30 minutes to discuss one item of labor negotiations and one item of potential litigation.

The meeting resumed at 6:48 p.m., with Mayor Stokes presiding.

Mayor Stokes offered condolences to the victims of the June 12 attack in Orlando, Florida, and to their families. Like Orlando, Bellevue is home to individuals of many colors and creeds, and residents are proud that diversity is the community's greatest strength. Mr. Stokes said no one should be fearful of their personal safety regardless of their ethnic background, skin color, gender, religion, or sexual orientation. Mayor Stokes asked for a moment of silence in honor of the victims.

2. Approval of Agenda

→ Deputy Mayor Chelminiak moved to approve the agenda, and Councilmember Lee seconded the motion.

→ The motion to approve the agenda carried by a vote of 6-0.

3. Oral Communications

(a) Alex Zimmerman, President of StandUP-America, reiterated his ongoing request that the City Manager hold monthly open meetings with citizens. He expressed concerns about government in general.

- (b) Monica Negrila, IKRON, said the small nonprofit organization provides integrated behavioral health and employment services for disabled youth and adults. She said she wanted to introduce the organization to the City, and she left information with the City Clerk.

4. Study Session

- (a) Council Business and New Initiatives

Councilmember Wallace said the letter drafted by City staff was unanimously adopted by the Eastside Transportation Partnership (ETP). He thanked Kate March, Transportation Policy Advisor, for taking the lead in this effort.

Responding to Councilmember Lee, Mayor Stokes confirmed that the ETP is looking for a venue for its second annual transportation technology symposium. Mr. Lee suggested that perhaps the event can be held in Bellevue.

- (b) Water Rate Structure and Water Utility Service Rates

City Manager Brad Miyake introduced staff's update on the City's water rate structure and water utility service rates. He said this item is informational only and staff is not seeking any formal Council action.

Utilities Director Nav Otal said the City recently expanded its sampling of water for lead in homes and service lines that would be most likely to have lead (i.e., 1940s/1950s homes and infrastructure). The results ranged from no lead detected to six parts per billion, which is well below the U.S. Environmental Protection Agency's action threshold of 15 parts per billion.

Moving on, Ms. Otal said water rates are a function of Council-adopted policies and the operating and capital budgets. She highlighted the Council's adopted rate policies focused on maintaining current service levels, passing through wholesale water costs, maintaining renewal and replacement (R&R) reserves and operating reserves, and providing rate assistance for low-income customers. She said Bellevue is one of the few water utilities in the country without debt.

Ms. Otal said the water utility operating and capital budgets are reviewed by department management, Results Teams, Leadership Team/City Manager, Environmental Services Commission, and the City Council. The water rate structure is designed based on Council-adopted policies and the results of a consultant's work in 2014. The Environmental Services Commission held three meetings to review the recommended rate structure and to engage customer groups including the Bellevue Downtown Association and the Chamber of Commerce. The rate structure at that time had been developed in 2004. Council adopted the current rate structure as part of the 2015-2016 budget.

Ms. Otal said the 2014 Water Cost-of-Service Study determined that single-family customers were paying more than their fair share, and commercial customers were paying less than their fair share. Multifamily customers were paying slightly less than their fair share. The new structure was intended to meet the objectives of ratepayer equity, revenue stability, responsible water usage, and a simplified rate design. The changes shifted costs between customers and

maintained total water revenue collections. The bill for a typical single-family home decreased by \$1.36 per month.

Ms. Otal said the typical single-family water bill in Bellevue is \$58.42 monthly. The revenues support the water supply, taxes and interfund fees to the City and State, capital investments, and operations costs. The water utility has a customer satisfaction rating of 93 percent and is accredited by the American Public Works Association (APWA). It has received the Association of Metropolitan Water Agencies (AMWA) Platinum Award and the AMWA Sustainable Water Utility Management Award.

Ms. Otal compared Bellevue's water rates to other cities. She noted the utility's Aa1 bond rating, lack of debt, and infrastructure R&R reserves program. Projected annual rate increases to support operational and capital needs reflect a 1.5 percent increase in wholesale costs, 2.5 percent increase in capital infrastructure investment, and a one percent increase in maintenance and operations costs. Ms. Otal noted the City's Utility Rate Relief Program for low-income seniors and permanently disabled customers and the Utility Tax Relief Program for certain low-income individuals.

Responding to Councilmember Lee, Ms. Otal said the R&R reserves are not currently a driver for rates. She said the current Capital Investment Program (CIP) involves R&R funding, and it will be four to five years before the CIP is not relying on the assistance of R&R funds. She said it is important to ensure that rates are sustainable for the long-term capital program. She noted that R&R funds could be used in the future to implement AMI (Advanced Metering Infrastructure).

Councilmember Robinson said she is impressed with Bellevue's water quality. She thanked staff for the timely response to address concerns regarding the potential for lead in the City's water.

Responding to Mr. Lee, Ms. Otal said that approximately 40 percent of the City's water mains are made of asbestos cement. The City's goal is to replace this infrastructure at the rate of approximately five miles per year. At that rate, it will take approximately 125 years to replace the City's 600 miles of pipe.

Councilmember Wallace compared the water main replacement program to the Transportation Department's overlay program, both of which are necessary ongoing maintenance projects to avoid significant failures or catastrophes.

Mr. Wallace suggested it would be helpful for the public to understand the components of water, stormwater, and sewer costs, and to understand that the costs are largely beyond the City's control. Ms. Otal noted that Bellevue's sewer rates are lower than surrounding cities.

Mayor Stokes said the cost of water reflects the dependence on purchasing water from other sources, as well as the City's ongoing maintenance and replacement of infrastructure.

City Manager Miyake introduced an update from the Cascade Water Alliance. He noted that Mayor Stokes is the Vice Chair of the Cascade Board, which is scheduled to take action on the budget in September.

Chuck Clarke, CEO, Cascade Water Alliance, highlighted Cascade's objectives of ensuring a reliable water supply, maintaining flexibility, and operating as efficiently as possible to keep rates low. He said the organization engages in zero-based budgeting every two years and will be presenting proposed rates to the Board the following week. Adoption of the rates is anticipated in September.

Mr. Clarke said water costs from Seattle have been increasing three percent annually over the past five years. Debt service is gradually decreasing, and operations costs are projected to increase slightly through 2018. Water conservation remains steady over time, and administrative costs increase approximately one percent annually.

Responding to Councilmember Wallace, Mr. Clarke said capital investments of \$1.5 million to \$4 million annually are anticipated over the next several years. Over the longer term, Mr. Clarke said there will likely be a reduction in connection charge costs as capital needs decrease.

Mr. Clarke said the Cascade rate increase from 2016 to 2017 is due primarily to increased debt service repayment and operating and administrative costs. He highlighted a table summarizing 2017 charges for the Cascade member cities.

Alison Bennett, Policy Program Manager, said there are two components of Bellevue's member charge. One is the increase in water supply charges due to the growth in demand relative to other Cascade members. The 1.7 percent wholesale rate increase results in a 0.8 percent retail rate increase (i.e., 50 cents per month for a typical single-family customer). The second factor is the Issaquah assumption, which results in a reduction in Bellevue's water supply costs as well as a reduction in water supply revenues.

Mayor Stokes thanked staff for the update.

(d) King County Countywide Planning Policies

Mr. Miyake introduced discussion of an amendment to the Countywide Planning Policies (CPPs) related to affordable housing.

Mike Kattermann, Senior Planner, said staff is seeking direction about whether the City would like to ratify an amendment to an existing housing policy in the King County Countywide Planning Policies. The amendment was proposed by the City of Seattle and states that "Jurisdictions may consider a full range of programs, from optional to mandatory, that will assist in meeting the jurisdiction's share of the countywide need for affordable housing."

The amendment was approved by the Growth Management Planning Council in November 2015. Mr. Kattermann said Councilmember Robertson is the City's representative on that body. He said the amendment does not require cities to do anything specific, but is intended to provide a policy basis and support for a range of options that cities might pursue. Mr. Kattermann requested Council direction regarding whether to prepare a resolution for final action.

Councilmember Robertson said the GMPC supported the proposed amendment because it refers to the full range of options and programs and leaves specific decisions to the cities. She observed that it is consistent with Bellevue's approach to affordable housing. She expressed support for ratifying the amendment.

Mayor Stokes thanked Ms. Robertson for her work on the GMPC. He noted a Council consensus to direct staff to prepare the appropriate legislation. Mr. Kattermann said he will bring it back as a resolution on a future consent calendar.

(e) East Link Operations and Maintenance Satellite Facility (OMSF) Update

Mr. Miyake recalled that the last update on the East Link Operations and Maintenance Satellite Facility (OMSF) occurred in January. Tonight's discussion will focus on an overview of the market analysis and future development feasibility study as well as the project schedule and the design-build contractor selection process

Chris Salomone, Director of Planning and Community Development, introduced Jon Mihkels, who provided an update to the Council on January 25.

Mr. Mihkels said that, since January, Bellevue adopted a Land Use Code Amendment allowing for the use of the OMSF at the selected location, and Sound Transit completed the transit-oriented development (TOD) feasibility study and market analysis. He highlighted the OMSF project schedule, which is anticipated to be completed approximately two years before East Link begins service in 2023. Light rail vehicles for East Link will begin filling the OMSF in early 2021.

Mr. Mihkels said Sound Transit received responses in May to the request for qualifications (RFQ) for the design-build team. Those submittals will be reviewed this week. Sound Transit staff is working on finalizing the OMSF schedule, scope and budget in anticipation of approval by the Sound Transit Board in July. The request for proposals (RFP) for the design of the OMSF will be issued to the top three teams. Bellevue staff is involved in the process and will have input into the selection of the design-build contractor.

Mihkels described two conceptual alternatives identified in the feasibility study: Island Scenario and Grid Scenario. The Island Scenario provides 1.3 million gross square feet (GSF) of office development and up to 1,581 housing units. The Grid Scenario provides 1.6 million GSF of office development and up to 1,858 housing units. Both alternatives are viable and include a City roadway project over the East Link rail corridor.

Councilmember Wallace observed that, if there is an expectation that the City will fund the road over the rail alignment, he would like details on that plan as soon as possible.

Responding to Councilmember Robertson, Mr. Mihkels confirmed that plans do not include any at-grade crossings for light rail.

Continuing, Mr. Mikhels highlighted information from the market study, which focused on apartment growth and office growth from 2015 to 2025.

Mr. Mikhels said the Memorandum of Understanding (MOU) between Sound Transit and the City captures the two parties' shared goals: 1) Future development considerations are integrated into the OMSF design-build procurement, 2) City staff has a meaningful role in selecting the OMSF design-build firm, 3) OMSF design-build firm will prepare and submit a Master Development Plan that encompasses the facility and future development parcels, and 4) Design elements that substantively improve the marketability of future development parcels could be added in an amended baseline to the OMSF project.

Mr. Mikhels described the coordinated project schedule for transit-oriented development (TOD). He said there will be a better idea of the TOD potential and timeline after the design and layout of the facility and surrounding properties are determined.

Councilmember Robertson questioned Sound Transit's plan for completing the TOD before the East Link trains begin operating. Mr. Mikhels said the MOU states that Sound Transit will make every effort to ensure that TOD opportunities will be available. He said the Master Development Plan (MDP) will allow the Board to progress to TOD planning, permitting and construction, which ideally will occur from 2019 to mid-2023. Responding to Ms. Robertson, Mr. Mikhels said the MDP will include infrastructure and development.

Nancy LaCombe, Transportation Project Manager, described the design-bid-build public permitting process which includes a Master Development Plan, defining surplus property available for TOD, and implementing TOD through a number of steps, including the use of a development agreement with the developer. Project baselining would occur with the development agreement. There would be a related public involvement process through final design.

Ms. LaCombe described the design-build process in which the selection of the design-build firm is a non-public process. This approach could involve an implementation agreement instead of a development agreement. At approximately 30 percent design, after the design-build firm is selected, the City conducts its public process for establishing the MDP and development agreement. Project baselining A would occur at the beginning of the design-build solicitation process, and project baselining B would occur at the time of the MDP and development agreement.

Ms. LaCombe said the design-build process has a shorter timeline than the design-bid-build process. She said staff will return to the Council on July 5 to review the terms of the proposed implementation agreement. Final Council action on the agreement is slated for July 11 before the Sound Transit capital committee reviews the OMSF baseline on July 14. Sound Transit Board action on the OMSF project baseline is scheduled for July 28.

Councilmember Lee said he understands that Sound Transit is interested in expediting the process. However, he wants to be sure that the City has adequate opportunity to participate in selecting the design-build contractor. He wants to maintain the integrity of the City's Bel-Red Subarea Plan. He expressed concern that the process will be expedited to meet Sound Transit's goals and objectives. He wants to be sure the design is compatible with the City's vision as well.

Responding to Councilmember Robinson, Mr. Mikhels said staff has started initial discussions about the art budget. He said Sound Transit staff will work with the City's Arts Commission. He said Sound Transit is also working with King County to plan art along the inter-trail connection.

Deputy Mayor Chelminiak said he is concerned about the process, including the baselining A and B phases of the design-build approach. He questioned how Sound Transit can assure the City that the TOD potential promised in the MOU will be available at baseline B.

Mr. Mikhels said it is not possible to define baseline B until there is a design for the facility. Sound Transit does not know how much or which property will be used to develop the OMSF, and it does not know when surplus properties will become available for TOD.

Mr. Chelminiak said the City had a strong opportunity for marketing TOD in the area before Sound Transit sited the OMSF in the BelRed corridor. He said it is important for Sound Transit to be a true partner and to remedy the impacts to the City, which is the bottom line of the MOU. He is not comfortable with the baseline A and B approach unless the City can be assured that Sound Transit will follow through with what is adopted in baseline A, regardless of the design and costs at the baseline B milestone. Mr. Mikhels noted that the MOU provides certainty of process. Mr. Chelminiak said he wants to be sure there is certainty of commitments.

Responding to Councilmember Robertson, Mr. Mikhels acknowledged that the baseline A/B approach is unusual. However, it has been used by Sound Transit. Ms. Robertson reiterated the Deputy Mayor's question about whether Sound Transit will cover any increased costs reflected at the baseline B point. Mr. Mikhels said Sound Transit anticipates that the design-build process will help minimize any difference between the baseline A and baseline B figures.

Ms. Robertson questioned whether the Sound Transit Board will be comfortable knowing that baseline B could ultimately be higher than baseline A. She asked where Sound Transit would have the additional funds. Mr. Mikhels said he did not have an answer at this time.

Ms. Robertson noted to City staff that the timeline for the implementation agreement seems relatively quick. The Council is not meeting on June 27. She requested the draft agreement as soon as possible to provide adequate review time and the opportunity to release the agreement for the public.

Responding to Councilmember Wallace, Ms. LaCombe said the City will review the entire OMSF site during the MDP process, which will allocate the potential TOD parcels. The OMSF and those parcels will also need to go through design review.

Mr. Wallace questioned who is making the decisions about lot boundaries and sizes. Ms. LaCombe said the request for proposals (RFP) process will involve discussions with the City about the Land Use Code, BelRed Plan standards, and other considerations. It is not a public process, but City staff will meet with each design-build firm that is submitting a proposal.

Responding to Councilmember Wallace, Ms. LaCombe said Sound Transit intends to rely on the candidate firms to propose how to define the parcels in the lot. In further response to Mr. Wallace, Mr. Mihkels said the TOD developer and the maintenance facility developer are separate entities, and the latter is establishing the parcel boundaries. Mr. Mihkels said the approach is intended to be more cost-effective than other approaches.

Councilmember Wallace said he has additional questions and would like a follow-up conversation. He questioned the cost to the City for this process. Ms. LaCombe said Sound Transit pays for staff time related to the OMSF permit and is paying the same fees as any other permit applicant.

Mr. Wallace said it would be helpful to have, as soon as possible, a model of the OMSF, development, roadways, and rail line. He expressed concern about the overall concept. He is not convinced that one developer will have the expertise required for this type of project or that it will be the most cost-effective approach. Referring to the Island Scenario option presented earlier, Mr. Wallace suggested eliminating parcels A1 and B1. He observed that development will not be desirable for those sites, and including them in the design will increase costs.

Mayor Stokes said these are conceptual plans and Mr. Wallace's comments should be considered. Mr. Mihkels acknowledged that the Island Scenario is challenging.

Returning to the differences between the procurement processes, Mayor Stokes observed that Sound Transit is trying to be innovative and cost-effective. Mr. Stokes suggested that the potential for higher cost increases is greater with the bid process than with the proposed design-build process. However, cost overruns can occur with either approach.

5. Council Discussion of Upcoming Items

Deputy Mayor Chelminiak said he will be out of town for the July 11 meeting but would like to participate via telephone.

→ Councilmember Robertson moved to allow Deputy Mayor Chelminiak to participate in the July 11 meeting via telephone. Councilmember Lee seconded the motion.

→ The motion carried by a vote of 6-0.

6. Continued Oral Communications: None.

Mayor Stokes declared the meeting adjourned at 8:42 p.m.

Kyle Stannert
City Clerk

/kaw