

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

October 15, 2018
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Chelminiak, Deputy Mayor Robinson, and Councilmembers Lee, Nieuwenhuis, Robertson, Stokes, and Zahn¹

ABSENT: None.

1. Executive Session

Deputy Mayor Robinson called the meeting to order at 6:00 p.m., and declared recess to Executive Session for approximately 45 minutes to discuss one item of property disposition.

The meeting resumed at 6:45 p.m., with Mayor Chelminiak presiding.

2. Study Session

- (a) Introduction of the Preliminary 2019-2020 Operating Budget and the 2019-2025 Capital Investment Program (CIP) Plan

City Manager Brad Miyake introduced discussion regarding the Preliminary 2019-2020 Operating Budget and the 2019-2025 Capital Investment Program (CIP) Plan. The budget reflects the Council vision and priorities, and represents a strong operational and fiscally responsible plan that the current and past City Councils have guided through the adoption of conservative financial policies. The budget proposes modest growth in response to the community's needs and sets the course of action for future challenges.

Mr. Miyake said the budget reflects his and staff's best professional judgement regarding how to best accomplish multiple objectives within available resources. The budget includes a significant amount of funding for affordable housing, environmental stewardship initiative, and transformational projects (e.g., Grand Connection, Downtown Park gateway, and the Smart City initiative). It develops key infrastructure projects supported through the Parks levy, Fire Facilities Levy, and the Neighborhood Transportation Safety, Connectivity, and Congestion levy.

¹ Councilmember Zahn participated remotely via telephone.

The City engaged in significant public outreach to help prepare the budget, including the annual community/residential and business surveys, community meetings, and neighborhood walks. Mr. Miyake noted that two of the highest priorities identified in the surveys are the need for affordable housing and relief from traffic congestion. The budget includes funding for affordable housing and begins to fund projects to supplement the City's neighborhood transportation levy program. The budget meets the Council's adopted financial policies including adjusting development services rates to meet the City's cost recovery objectives and adjusting utilities rates to address aging infrastructure and increasing wholesale water costs.

Mr. Miyake noted the challenge of maintaining the high service levels that the community values and expects while developing a budget that will be sustainable in the long term. The budget includes funding for additional Police staffing and Fire Department inspectors. Mr. Miyake said expenditure growth will begin outpacing revenue growth in 2021. The budget proposes a one percent property tax increase in 2019 and in 2020, includes the addition of a new fire inspection fee to cover the growing demand for inspections related to development, and includes proposed changes to the City's health care plan to reduce the rate of growth in personnel costs.

Mr. Miyake thanked the Leadership Team, Budget Office staff, and the many other employees who contributed to a successful budget process.

Finance Director Toni Call thanked David Baldwin, Budget Division Manager; James Alcantar, Assistant Director of Finance; and all staff who worked on the budget. She noted that the budget will be discussed with the Council through November, with adoption slated for December 3. The adoption of the budget includes a number of actions to approve the 2019 Development Services Fees Ordinance, 2019-2020 Utilities Rates Ordinances, 2019 Property Tax Banked Capacity Resolution, 2019 Property Tax Levy Ordinance, 2019-2020 Biennial Budget Ordinance, Human Services and Block Grant Ordinances, and the Fire Code Revision Ordinance.

Ms. Call said revenues in the General Fund are forecasted to exceed expenditures in the near term. However, the trend reverses beginning in 2021. The preliminary budget includes funding for the Law Enforcement Officer Fire Fighter (LEOFF 1) pension plan. Fire Station 10 will open and the Sales Tax Annexation Credit will end in 2022. Ms. Call highlighted the downward trend in the ending fund balance, which dips below the Council's 15-percent policy by 2023. Given that it has been 10 years since the recession, Ms. Call noted the risk for a cyclical downturn in the economy, which would decrease the sales tax revenues generated by development. On the positive side, the City's marketplace sales tax collections are stronger than anticipated.

Ms. Call said the overall budget totals \$1.7 billion and includes the General Fund (\$476 million), Internal Service and other Operating Funds (\$215 million), Enterprise Funds (\$442 million), Special Purpose Funds (\$72 million), and the Capital Investment Program (\$534 million). She highlighted the City's total resources and noted that the one percent property tax increase affects only the City's portion (11.2 percent) of a resident's overall property tax bill.

Ms. Call said the 2019-2020 General Fund budget totals \$476 million. She highlighted expenditures by City departments: 23 percent for the Fire Department, 21 percent for the Police Department, 16 percent for the Parks and Community Services Department, 12 percent for the Transportation Department, 11 percent toward the ending fund balance, and the remaining 17 percent for multiple departments.

Enhancements to the budget in response to the Council's priorities are a new Community Relations Coordinator, Transportation Department Franchise Manager, and Police Department Homelessness Outreach Coordinator. Ms. Call noted that the latter position is intended to provide direct assistance to individuals experiencing homelessness and to respond to community issues related to homelessness. That position has been structured based on the City of Redmond's model.

New investments include restructured community patrol and policing, two new Fire Department inspectors supported by the proposed inspection fee, the Homeless Outreach Coordinator function, LEOFF I funding beginning in 2019, and other increases made possible through cost reductions or increased revenues. Ms. Call noted that the City continues to implement strategies to manage increasing health care costs. The proposed one percent property tax increases in 2019 and in 2020 will cost the average homeowner (\$791,000 assessed valuation) approximately \$9.50 annually.

Ms. Call noted the following upcoming budget discussions: Development Services, October 22; Utilities, November 13; and Public Safety, November 13.

Mayor Chelminiak highlighted investments in public safety, affordable housing, environmental priorities, Smart City technology, and transformational projects for the community. He thanked staff for their hard work and said he appreciates their willingness to work individually with Councilmembers to discuss the budget.

Councilmember Lee commended staff's work and the overall budget process.

Deputy Mayor Robinson thanked the City Manager and staff for their work. Responding to Ms. Robinson, Ms. Call said the projected ending fund balance through 2024 assumes a slight decrease in development activity. However, the BelRed area is growing and redeveloping.

Ms. Robinson noted that she serves on the LEOFF I Disability Board. For LEOFF I members who are not receiving Medicare or contracted with Kaiser Permanent, Ms. Robinson encouraged the City to ensure that the compensation of medical bills is done in the most cost-effective manner.

Responding to Mayor Chelminiak, Ms. Call said the LEOFF I pension plan was established for police officers and firefighters who served prior to 1976. The plan included a provision for the City to pay for health benefits. The City established a reserve in the late 1990s that was anticipated to cover the life of the plan. However, the reserves have been depleted due to increasing health care costs, and the City will cover the costs as they occur going forward.

Councilmember Robertson said it would be great to be able to use a portion of real estate excise tax (REET) collections to help fund the LEOFF I obligations.

Ms. Robertson complimented the City Manager, staff, and past City Councils for the strong financial stewardship reflected in the City's budget. She noted the City's commitment to providing a high level of service at a fair cost to taxpayers. She said she appreciates the additions for public safety priorities. Ms. Robertson said the expenditure control aspects and long-range forecasting enable the Council to make minor adjustments now to provide a stable city into the future. She said the budget demonstrates the City's commitment to the community.

Councilmember Stokes said the City's tax structure is relatively small compared to the services that are delivered. He said the budget process maintains a strong focus on the Council's and the community's priorities, goals, and outcomes. He complimented staff and said he appreciated the public engagement, including the Council's three public hearings on the budget.

Councilmember Nieuwenhuis thanked staff and the City Manager for briefing him on the budget. He said he appreciated the financial stewardship reflected in the budget, as well as the creativity in streamlining the budget and reducing costs to the extent possible. He expressed support for the public safety items.

Councilmember Zahn thanked staff for the time they spent to help her understand the budget. She said the budget materials are well organized and clearly presented. She complimented the proactive approach and future planning reflected in the budget documents.

Moving on to the 2019-2025 Capital Investment Program (CIP), Ms. Call said the General CIP Plan totals \$693 million. The General CIP builds on the 2017-2023 plan, ensures that debt obligations are met, maintains existing infrastructure in accordance with Council policy, promotes diversity and accessibility, ensures the completion of TIFIA (Transportation Infrastructure Finance and Innovation Act) projects, continues to implement levy projects, continues to show progress on large long-term projects, supports neighborhood programs, and provides quality of life amenities.

Ms. Call summarized the General CIP resources, noting that 76 percent of the funding is through major taxes (e.g., Sales Tax, Business and Occupation Tax, Real Estate Excise Tax, Motor Vehicle Fuel Tax, and levies). Approximately 25 percent of the General CIP budget is dedicated to debt service, 20 percent is directed toward ongoing maintenance programs, and 55 percent is allocated to discrete and ongoing projects. Ms. Call highlighted new investments totaling \$30 million, including transportation projects, BelRed parks and streams, affordable housing, Smart City connectivity, Environmental Stewardship Initiative, and the Grand Connection project.

Responding to Councilmember Stokes, Ms. Call confirmed that interest rates on loans were low coming out of the recession, which provided a good opportunity for the City to accomplish certain projects now and in the near future at a lower cost.

(b) I-405 Renton to Bellevue Widening and Express Toll Lanes Project Agreements

City Manager Miyake introduced discussion regarding the I-405 Renton to Bellevue widening and express toll lanes project.

Ron Kessack, Transportation Assistant Director, opened the presentation regarding three agreements related to the I-405 Renton to Bellevue project: 1) Design-Build Cooperative Agreement, 2) Design-Build Coordinator Agreement, and 3) Utility Construction Agreement.

Steve Costa, Transportation Regional Projects Coordinator, said the City has been working with the Washington State Department of Transportation (WSDOT) over the past year to discuss the scope of the project and public outreach activities. He said WSDOT began its public outreach in 2015 during the environmental permit review process for the toll lanes project. Two public hearings were held this past summer related to environmental assessments of Downtown Bellevue and of the area from I-90 to Renton. The WSDOT received a finding of no significant impacts (FONSI) for the Downtown and is awaiting the determination for the section south of I-90. The next step will be to issue the Request for Proposals (RFP) for the design-build contractor.

Mr. Costa said the State will use the design-build method of project delivery, which moves faster and more efficiently than the typical design-bid-build method. He described the three agreements. The Design-Build Cooperative Agreement addresses elements within the City's jurisdiction (e.g., streets, roundabouts, pedestrian and bike connections, streetlights and plantings, and City utilities) and establishes a task force of representatives from WSDOT, the City, and the design-build firm. The agreement states that the City will make good faith efforts to review submittals within 14 calendar days, and WSDOT will contribute funding for City staff time.

The Cooperative Agreement also includes the reconstruction of the Main Street bridge over I-405. The design-build contractor will design and construct a planter box on the bridge along the Lake to Lake Trail, and the City will take ownership of the planter box, plantings, and irrigation system and be responsible for operations and maintenance costs. The City will reimburse WSDOT for half of the cost of the planter box.

The Design-Build Coordinator Agreement identifies a project coordinator as a liaison between WSDOT and City staff. The individual will represent the City in task force meetings and ongoing informal reviews, and will circulate submittals to City staff and expedite reviews within the timeframes outlined in the Cooperative Agreement. WSDOT will reimburse the City for the costs associated with the project coordinator, up to a maximum of \$220,000.

Linda DeBoldt, Utilities Assistant Director, described the Utility Construction Agreement, which addresses two areas of significant impact: Main Street Bridge and the Newport Hills Park and Ride facility. The Main Street Bridge project impacts the City's 12-inch water main and the City's conduit located on the existing bridge. Under the agreement, the City requests that WSDOT construct a new 16-inch water main and install new conduit across the bridge. The Newport Hills Park and Ride project impacts the City's eight-inch water main located on

WSDOT property, and the City requests that WSDOT relocate the water main with the new 112th Avenue SE bridge. Ms. DeBoldt said that WSDOT agrees to administer the work on behalf of the City, and the City agrees to be responsible for the costs estimated at \$1.5 million.

Mr. Costa said next steps include approval of the agreements in November and the issuance of the RFP by WSDOT in January. The design-build process will begin next summer and the project is anticipated to open to traffic in 2024.

Deputy Mayor Robinson said she supports toll lanes and believes they will help to minimize cut-through traffic in neighborhoods. She noted that neighborhoods along I-405 have been impacted by past projects, and the noise level of I-405 traffic increases with each project. She expressed an interest in learning about how WSDOT is working with residents to mitigate the impacts. She noted complaints by residents regarding trees planted by WSDOT, which block views and dump debris on their properties. She encouraged ongoing communications between residents, WSDOT, and the City.

Mr. Kessack confirmed that cut-through traffic is an issue in different areas of Bellevue, due primarily to the lack of mobility on the freeways. He acknowledged that noise is always a concern when adding freeway capacity. He said the City will continue to work with WSDOT on the required noise analysis and will continue to study noise impacts through the design-build process. He said more information will be provided to the Council as the project moves forward.

Councilmember Lee said the City does a good job of coordinating transportation projects. He encouraged the City to monitor project elements that affect local traffic. He expressed concern about how the I-405 project will affect Coal Creek Parkway and other local streets and projects.

Councilmember Robertson said she looks forward to a more detailed project update and discussion about mitigation. Responding to Ms. Robertson regarding the Main Street bridge and the Cooperative Agreement, Mr. Kessack said WSDOT is responsible for the payment of staff time associated with the engineering and design of the project. He said the I-405 design standards do not include planters on any of the bridges. However, the City advocated for a multi-use path with plantings as part of the Lake to Lake Trail across the bridge. The City and WSDOT will split the cost of the planter box, and the City will take responsibility for ongoing maintenance.

Councilmember Stokes said he shared the Deputy Mayor's concern regarding the noise impacts from I-405 into neighborhoods.

Mayor Chelminiak acknowledged the Council's interest in the Main Street bridge, public outreach, and the design-build process. He recalled a problem with water runoff near Newcastle Beach Park during a previous WSDOT project along I-405. He likes the plan for the Main Street bridge, which is part of the future Grand Connection. He encouraged exploring ways to use the neighborhood transportation levy to link from 116th Avenue to the trail.

3. Council Discussion of Upcoming Items: None.

At 8:01 p.m., Mayor Chelminiak declared recess to the Regular Session.

Kyle Stannert, CMC
City Clerk

/kaw