

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Regular Meeting

June 22, 2020
6:00 p.m.

Virtual Meeting
Bellevue, Washington

PRESENT: Mayor Robinson, Deputy Mayor Nieuwenhuis, and Councilmembers Barksdale, Lee, Robertson, Stokes, and Zahn

ABSENT: None.

1. Call to Order

The meeting was called to order at 6:00 p.m., with Mayor Robinson presiding.

2. Roll Call

City Clerk Charmaine Arredondo called the roll. All Councilmembers were present and participating remotely.

(a) Bike Everywhere Month Proclamation

Deputy Mayor Nieuwenhuis read the proclamation declaring June 2020 as Bike Everywhere Month in Bellevue. He noted that the City added 10 miles of new bike lanes in 2019 and plans to add eight miles of new bikeways in 2020.

3. Approval of Agenda

→ Deputy Mayor Nieuwenhuis moved to approve the agenda, and Councilmember Stokes seconded the motion.

→ The motion carried by a vote of 7-0.

4. Written Communications

City Clerk Charmaine Arredondo read a communication from Reid Brockway, the acting president of Sammamish Homeowners (SHO), which is a citizen group representing the interests of lakeshore property owners in Sammamish. SHO is also working with the Washington Sensible Shorelines Association (WSSA) regarding conditions at Lake Sammamish. Mr. Brockway said that, at the end of March, WSSA submitted a proposal for Bellevue and other cities to become involved in addressing flood control near Lake Sammamish. Mr. Brockway said WSSA

submitted a letter earlier in the day elaborating on its previous request. WSSA is requesting a streamlined permitting process, support of residents' efforts with King County, and regional planning. The email provided additional details regarding past flooding events.

Ms. Arredondo read a communication written by Martin Nizlek on behalf of a number of Lake Sammamish residents. He said their concerns center around the lack of appropriate management of the lake's water levels. He said that weather events in 1996 and 1997 produced catastrophic damage to lake properties. A storm event in February resulted in water levels six feet above summer levels. Mr. Nizlek said residents reported the damage in February to King County and the U.S. Corps of Engineers, as well as to Bellevue and other cities around the lake. He expressed concern regarding King County's lack of regular maintenance to manage flooding.

Ms. Arredondo noted that the communications with attachments are available in the Council@inbox.

5. Reports of Community Councils, Boards, and Commissions: None.

6. Report of the City Manager: None.

7. Council Business and New Initiatives: None.

8. Study Session

(a) Budget 2021-2022 General Fund and 2021-2027 Capital Investment Program (CIP) Workshop

City Manager Brad Miyake introduced discussion regarding the 2021-2022 General Fund and the 2021-2027 Capital Investment Program (CIP) Plan.

Toni Call, Director of the Finance and Asset Management (FAM) Department, recalled that the City has been using the Budget One process, which budgets for outcomes, since 2010. The approach identifies the community's priorities, designs services to meet those priorities, and funds those services with available monies. All Budget One proposals have performance measures to monitor their effectiveness. Ms. Call described the process for developing budget proposals and performance metrics. After the Leadership Team reviews the budget proposals, they transmit their input to the City Manager to inform the development of his preliminary budget. The City Manager presents his preliminary budget to the Council in the fall for review, deliberation, and refinement before adopting the budget and CIP Plan in December.

Ms. Call said the public engagement process related to the development of the budget and CIP Plan includes information on the City's website, discussion during the Neighborhood Leadership Gathering in February, three public hearings before the City Council, public comment at Council meetings, emails to the Council and/or FAM staff, involvement of the Boards and Commissions, and the results of the budget, performance, and business surveys. Ms. Call said the first two public hearings will be held over the next few months, before the City Manager presents his budget to the Council in October. The third public hearing will be held in November, and budget

adoption is anticipated on December 7. Ms. Call highlighted the budget guiding principles, including the City's focus on services that deliver outcomes important to the community and that are responsive and accessible to all. Other guiding principles address innovation, efficiency, reviewing the entire budget, and taking a long-range approach to creating an affordable and sustainable budget. The guiding principles indicate that, if reductions in expenditures are necessary, service elimination is preferred over poor or marginal quality programs.

Keyi Lu, FAM Assistant Director, said the City has been budgeting by the following outcomes for the past several years: 1) Economic Growth and Competitiveness, 2) Safe Community, 3) Improved Mobility and Connectivity, 4) Responsive Government, 5) Quality Neighborhoods and Innovative, Vibrant and Caring Community, and 6) Healthy and Sustainable Environment. She described a proposal to instead create a budget framework organized by the seven strategic target areas from the City Council Vision: 1) Economic Development, 2) Transportation and Mobility, 3) High Quality Built and Natural Environment, 4) Bellevue: Great Places Where You Want to Be, 5) Regional Leadership and Influence, 6) Achieving Human Potential, and 7) High-Performance Government; Includes Public Safety.

Ms. Lu said the change will eliminate confusion regarding the similarity of the budget outcomes and the strategic target areas, and create a clear connection between the budget and the Council Vision statement. She noted that the seventh target area includes public safety. She said staff suggests revising the budget framework in the future if changes are made to the strategic target areas in the Council Vision.

Councilmember Stokes said the Council had discussed a similar approach during a past retreat. He expressed support for the recommended change in the budget framework.

Councilmember Robertson said she was comfortable making the change to the proposed framework. She likes the concept of aligning the Council Vision with the budget framework.

Ms. Robertson expressed concern about eliminating the Safe Community outcome and listing public safety under the High Performance Government target area. She suggested splitting that strategic target area into two separate strategic target areas: Safe Community and High Performance Government.

Councilmember Zahn said she appreciated staff's proposal for approaching the 2021-2022 budget. She expressed a preference for creating a separate Safe Community target area instead of including public safety under the High Performance Government area.

Councilmember Lee thanked staff for developing the proposal to modify the budget framework. However, he said he would like to take more time to review and compare the outcomes and the strategic target areas. Referring to materials in the meeting packet, he expressed his interest in learning more about other revenues to be considered in developing the budget. Mr. Lee concurred with Councilmember Zahn's suggestion to reuse the Safe Community title for a new strategic target area. Mr. Lee said the seven strategic target areas reflect the Council's highest priorities.

Councilmember Barksdale thanked staff for the proposal to organize the budget around the Council Vision's seven strategic target areas. He suggested there will be further discussion during the Council retreat. He would like to see a target area for cultural amenities.

Responding to Mr. Barksdale, Ms. Call said she is working with the City Clerk to determine the timing for the budget public hearings and to discuss the process for taking public comments if in-person meetings are not allowed.

Mr. Barksdale suggested adding an equity lens to the guiding principles. Ms. Call said staff will address the topic for the next budget discussion.

Deputy Mayor Nieuwenhuis thanked staff for the presentation. He asked staff to add a direct link to the budget information on the City website's Home page and to initiate a push notification through the MyBellevue app as well.

Responding to Mr. Nieuwenhuis, Ms. Call said there is sufficient time to schedule three public hearings. She noted that November has a fifth Monday for an optional special meeting. Mr. Nieuwenhuis expressed support for the proposed budget framework and concurred with Councilmember Robertson's suggestion to create a separate target area for public safety.

Mayor Robinson expressed support for structuring the budget around the seven strategic target areas. However, she looks forward to further discussion during the Council retreat to reimagine and refine the target areas. She observed that the Great Places Where You Want To Be target area could include both public safety and equity components, while also including public safety in the High Performance Government area.

Moving on, Ms. Lu provided the economic forecast for the General Fund and for the early look at the 2021-2027 Capital Investment Program (CIP) Plan. She said staff developed three budget scenarios based on the speed of economic recovery from the pandemic (i.e., rapid recovery, moderate recovery, and moderate plus), resulting in a gap in the 2021-2022 budget ranging from \$12 million to \$16 million. The scenarios assume that economic recovery will extend over two to three years. Ms. Lu noted the uncertainties associated with economic recovery and the status of the pandemic and said that the economic forecast will continue to change.

Ms. Lu compared the pre-pandemic revenue forecast with the three budget planning scenarios. The rapid recovery scenario results in a \$12 million budget gap, the moderate recovery scenario results in a \$14 million budget gap, and the moderate plus scenario results in a \$16 million budget deficit. The assumptions for the scenarios differ in the projected length of time for economic recovery and the extent of job losses. The most economically sensitive revenue sources in the General Fund are the sales tax and the business and occupation (B&O) tax. Sales tax and B&O tax collections are projected to recover to pre-pandemic levels by the end of 2021 under the rapid recovery scenario. Tax revenues are anticipated to recover by the end of 2022 for the moderate recovery scenario and the moderate plus scenario.

Ms. Lu said staff is currently working with the moderate plus scenario, reflecting a budget gap of \$16 million, for an eight percent reduction in the General Fund.

Ms. Lu said the City faces difficult choices with the 2021-2027 Capital Investment Program (CIP) Plan as well. She recalled that the first call on the use of funds is to pay debt service, followed by the priorities of ongoing maintenance and continuing the existing CIP Plan. She noted an estimated \$31 million in available resources for new projects in 2026-2027.

Mayor Robinson thanked staff for the presentation.

Councilmember Stokes acknowledged the need to be fiscally prudent and thanked staff for providing the scenarios. He noted the uncertainty regarding the pandemic and the economic impacts. He expressed his support for the seven strategic target areas and discouraged adding budget areas beyond the target areas reflected in the Council Vision. He thanked staff for their work.

Councilmember Robertson said she was thinking back on the lessons learned during the recession as well as the difficult budget processes from 2009 through 2012. She said one lesson was to pay attention to issues that affect the delivery of City services to residents and businesses. Another lesson was to not make short-term gains for long-term losses. She recalled that many residents complained when the City reduced its maintenance of landscaping along arterials and in parks. Ms. Robertson said it is also important to avoid doing anything that makes it harder for businesses to operate in Bellevue.

Ms. Robertson suggested the following elements to consider in moving forward to prepare the budget: 1) continue and consider increasing economic relief funds to local businesses, 2) ensure there are shovel-ready projects for grant applications, 3) fulfill the promises of the parks levy and the neighborhood transportation levy, and 4) retain the City's high quality services and maintenance standards. She thanked staff for their hard work.

Councilmember Zahn recalled that the pre-pandemic forecast already anticipated expenditures exceeding resources within the next couple of years. She thanked staff for developing and analyzing the three scenarios. She said it will be interesting to see how routines and work habits have changed due to the pandemic (e.g., teleworking).

Responding to Ms. Zahn, Ms. Call said the City receives sales tax from all deliveries within Bellevue. Councilmember Zahn requested information regarding the portion of the City's sales tax that would be expected to be tied to tourism. Ms. Call said staff would research the issue. Councilmember Zahn noted that construction costs are likely to be lower now.

Mayor Robinson, following up on Ms. Zahn's comments, requested copies of the pie chart depicting the percentages of the types of revenue sources (e.g., retail, tourism, etc.).

Councilmember Lee thanked staff for responding to his suggestion to develop multiple planning scenarios. He said we are living in extraordinary times and the future is difficult to predict. He said we are comparing the seven strategic target areas to the traditional budget outcome areas. He said the Council went through a deliberative process to develop the outcomes. Mr. Lee said the strategic target areas represent opportunities. He expressed support for including a separate Safe

Community target area. He encouraged thinking about opportunities and strategies during the current public health and economic challenges. He encouraged a continued focus on technology and economic viability and growth. Councilmember Lee thanked staff for their proposed change in the budget framework. He suggested further review of the principles, outcomes, and strategic target areas, especially within the context of the COVID-19 pandemic.

Councilmember Barksdale said he appreciated staff's efforts in developing the economic forecast during challenging times. Responding to Mr. Barksdale, Ms. Call said the City is able to adjust its forecast relatively quickly in response to changes in economic activity.

Deputy Mayor Nieuwenhuis thanked Councilmember Lee for requesting multiple budget scenarios for the Council's consideration. He thanked staff for their work and concurred with the focus on the most conservative (moderate plus) scenario. Mr. Nieuwenhuis speculated that the economy will recover quickly. However, anything could happen with the spread of the coronavirus.

Mayor Robinson observed that the City is hoping for the best but planning for the worst-case scenario, which she supports as well. She expressed support for moving forward consistent with the moderate plus budget planning scenario.

Continuing the presentation, Ms. Call described options for balancing the budget, which requires reducing the General Fund by \$16 million (8 percent). She noted the tools available to assist the Council including the budget guiding principles, financial policies, City Code and ordinances, and the Council Vision.

Ms. Call said the General Fund budget process involves three data sets: 1) metrics on delivering the Council Vision and strategic target areas; also budget and performance survey results, 2) past budgets for proposal rankings, and 3) the eight-percent budget reduction packages currently being developed by staff.

Councilmember Robertson reiterated that it would be helpful to review the lessons learned from the last economic downturn. One lesson was to be sure to have shovel-ready projects ready to go to take advantage of a more favorable construction environment. Ms. Robertson recalled that the City was relatively aggressive with large projects, despite the recession, to take advantage of lower construction costs. She noted the lesson learned that residents appreciate the City's standards regarding the appearance of parks and roadways. Ms. Robertson asked staff to compile the lessons learned for future discussion. She suggested considering which maintenance activities could be delayed without adding to long-term costs or impacts. Councilmember Robertson said she would like to discuss levy projects as well.

Councilmember Stokes said it will be helpful to review the lessons learned from the 2008 recession. He expressed support for the recommended approach to the budget and the data sets to assist in balancing the budget. He concurred with Councilmember Robertson's suggestion that the City identify shovel-ready projects for grant opportunities. Mr. Stokes said the City will need to be able to move quickly on certain issues. He said it is important to continue working with the Bellevue Downtown Association (BDA), Chamber of Commerce, businesses, and residents to

move forward with economic recovery. Councilmember Stokes expressed support for staff's suggestions regarding the budget process.

Councilmember Zahn said she appreciated the three data sets. She concurred with Councilmember Stokes about the importance of regional and local partnerships. Ms. Zahn said the National League of Cities (NLC) has been working to secure funding for cities. She noted that she serves on the NLC's transportation and infrastructure committee. Ms. Zahn suggested looking at both short-term and long-term needs and opportunities. She suggested researching lessons learned from other cities.

Councilmember Lee said it is important to look at the past, but more important to look to the future. Noting the uncertainties related to the pandemic, he said it is important to be sure the City is doing things with the right process and the right people. He expressed his confidence in the ability of the Council, staff, and the community to move forward. He encouraged a focus on innovation and wondered how the economy will change following the pandemic and which businesses will flourish. Mr. Lee suggested looking at what else the City can do, coupled with technology, to meet critical needs, including public safety. He said the Council and staff should be prepared to be nimble and flexible.

Mr. Lee noted that economic development is traditionally tied to land use. However, companies are realizing during the pandemic that they might not need extensive office space because employees can work effectively from home. He encouraged the City to continue to support and assist local businesses. He said the City will continue working to meet the community's needs for the future.

Councilmember Barksdale said it is important to tie Council decisions to people in the community. He questioned whether the City has any data sets that will help link budget decisions to their impacts on individuals, especially on those who are most in need.

Ms. Call said the Human Services Commission will present its funding recommendations to the Council in the fall. She said the commission's process involves the use of metrics to evaluate the impact of services within the community.

Deputy Mayor Nieuwenhuis thanked staff for their work and expressed support for the three data sets.

Mayor Robinson said she would be interested in seeing rankings of revenue-generating projects. She concurred with Councilmember Zahn's suggestion to take advantage of lower construction costs as the economy reopens.

Moving on, Ms. Call said staff is seeking input regarding modifications to policies that would provide additional flexibility in seeking budget solutions. She said that many of the City's revenue streams are restricted by law and can be used only for a specific purpose. Ms. Call said 75 percent of the City's sales tax collections are directed toward the General Fund and 25 percent of revenues are applied to the CIP Plan. Ms. Call said the sales tax split has served the City well. However, given the uncertainty in the General Fund, staff is seeking Council direction regarding

a proposal to provide temporary, one year to two year flexibility in the sales tax policy. This will allow the City to shift up to \$3 million annually from the CIP Plan to the General Fund. Ms. Call said the policy will be temporary and will provide a bridge during this economic uncertainty. If the City finds that reductions in the General Fund are as or more severe than currently forecasted, further reductions will be necessary. However, if the economy is ultimately better than anticipated, Ms. Call said the bridge funds might not be needed for the General Fund.

Ms. Call said staff is seeking direction regarding the Council's interest in staff further developing a formal proposal that will move \$6 million from the CIP Plan to the General Fund over a two-year period. She said there are a number of maintenance items and projects in the CIP Plan that could be delayed or possibly modified.

Mayor Robinson said staff is seeking feedback on the proposal to move up to \$3 million in sales tax revenues each year from the CIP Plan to the General Fund for up to two years (2021 and 2022).

Councilmember Stokes expressed support for staff's proposal.

Councilmember Robertson said the approach makes sense to her. However, she wants to ensure that this is a temporary measure and that the use of sales tax revenues will return to the normal 75 percent General Fund/25 percent CIP split by the end of 2022.

Councilmember Zahn thanked staff for being proactive in developing the proposal. She cautioned against shifting dollars to the General Fund that might be better spent by building projects in the CIP Plan.

Councilmember Lee expressed support for the proposal. He said it is important, however, to avoid negative impacts to long-term objectives and overall quality of life. He said there are tradeoffs to be considered, as well as the short-term and long-term implications.

Councilmember Barksdale expressed support for staff's proposal.

Deputy Mayor Nieuwenhuis thanked staff for the proposal and expressed his support. He said he will be interested in seeing how the temporary redirection of funds will impact the CIP Plan. Mayor Robinson concurred.

Moving on, Ms. Call said the last topic is about processing and how to make decisions about balancing the seven-year CIP Plan. She recalled that the CIP priorities are to pay debt service, continue ongoing maintenance activities, and to continue to complete CIP projects. She said \$31 million will be added to the last two years of the CIP Plan (2026 and 2027). As a starting point, staff will look to the historical criteria that have been used to guide the balancing of the CIP Plan: 1) effectiveness (City mission, community outcomes, Council priorities), 2) mandates (new requirements or laws), 3) financial factors (leveraging funds, cost/benefit analysis, sunk costs, avoided costs, stewardship), 4) timing/urgency (project readiness, linkage to other high-priority projects), and 5) scaling the level of service and providing the right project at the right time. Ms. Call asked the Council to consider whether they would like to add anything to the list of criteria.

Councilmember Stokes said he was comfortable with the criteria to be applied to balancing the CIP budget.

Responding to Councilmember Robertson, Ms. Call said she will add language referring to a project's ability to obtain grant funding.

Ms. Robertson encouraged prioritizing efforts to assist the business community as the economy recovers (e.g., blocking streets to allow outdoor dining). Ms. Call said she would add the topic under the effectiveness criteria.

Responding to Councilmember Zahn, Ms. Call said she would add leveraging community partnerships to one of the criteria. Referring to project readiness, Ms. Zahn said she had been thinking about infrastructure, connectivity resiliency, and how the City can set itself up for future success. She noted the importance of connectivity, especially during the pandemic.

Councilmember Lee suggested adding innovation and COVID-19 recovery as two criteria. He noted the importance of planning and looking to the future.

Councilmember Barksdale expressed support for the CIP criteria.

Deputy Mayor Nieuwenhuis concurred and noted his support for Ms. Robertson's suggestion about grant funding and Ms. Zahn's comments regarding connectivity resiliency. Mr. Nieuwenhuis suggested reviewing the City's reserves as a potential funding source.

Mayor Robinson reiterated her suggestion to prioritize revenue-generating projects. She encouraged an effort to revise the terms of the City's TIFIA (Transportation Infrastructure Finance and Innovation Act) loan to request changing the loan to a grant, changing the terms of the interest payments, or removing the interest payments.

Ms. Robinson suggested looking at ways to help small businesses recover more quickly. One example could be to streamline the permitting process for certain activities by businesses in response to the pandemic (e.g., allowing restaurants to place tables in their parking lots).

Mayor Robinson invited the Council to make any additional comments or to ask questions.

Councilmember Stokes again expressed his support for the proposed budget framework, process, and CIP criteria. He said he looks forward to continued discussion.

Councilmember Robertson concurred with Mayor Robinson's suggestion to pursue modifications to the terms of the TIFIA loan. Ms. Robertson said the City has serious capital needs and she prefers to not delay projects. She thanked staff for their work.

Councilmember Zahn said she appreciated the hard work of staff. She said the City will learn more over the next couple of months as the economy reopens. She expressed support for the Mayor's suggestion to pursue revisions to the terms of the TIFIA loan. She said she will share

that issue with the NLC transportation infrastructure committee as well. Ms. Zahn said she would like to avoid increasing any taxes.

Councilmember Lee said he supports the recommended process and data sets, as well as the proposal for temporarily adjusting the split of sales tax revenues between the General Fund and the CIP Plan. He encouraged innovation and looking to the future of the new norm. He said the City needs to be creative and innovative. He expressed support for pursuing changes to the TIFIA loan. He said the federal government is generally supportive of infrastructure funding. He said the City's Transportation Department is currently working with the U.S. Department of Transportation on another project. Mr. Lee recapped his priorities: innovation, economic recovery, and transportation infrastructure funding from state and federal governments.

Responding to Councilmember Barksdale, Ms. Call said she will work with the City Clerk to determine whether there is an opportunity for a fuller briefing on the performance and budget surveys, if desired by the Council. Ms. Call noted the preliminary survey information provided in the meeting packet. She said the full survey reports will be published in July.

Deputy Mayor Nieuwenhuis said Bellevue is fortunate to have Councilmembers who were on the Council during the 2008-2010 recession as well as staff who went through the experience. Responding to Mr. Nieuwenhuis, Ms. Call confirmed that the three budget planning scenarios assume the one-percent property tax in 2021 and 2022.

Mayor Robinson thanked staff for the presentation and the Council for their feedback and suggestions.

9. Public Hearing: None.
10. Land Use: None.
11. Other Ordinances, Resolutions, and Motions: None.
12. Unfinished Business: None.
13. New Business: None.
14. Executive Session: None.
15. Adjournment

At 8:10 p.m., Mayor Robinson declared the meeting adjourned.

Charmaine Arredondo, CMC
City Clerk

/kaw