

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

February 8, 2016
6:00 p.m.

Conference Room 1E-113
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

At 6:02 p.m., Deputy Mayor Chelminiak called the meeting to order and declared recess to Executive Session for approximately 45 minutes to discuss one item of potential litigation and one item of pending litigation.

The meeting resumed at 6:58 p.m., with Mayor Stokes presiding.

2. Approval of Agenda

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

→ The motion carried by a vote of 6-0.¹

3. Oral Communications

(a) Micki Larimer thanked the Parks Department for acknowledging the need for walkable open space in the Eastgate area, and for including a recommendation in the Parks and Open Space System Plan for an acquisition to create a park.

(b) Michelle Wannamaker, an Eastgate resident, commented on the need for a park in their neighborhood. She said Eastgate Park is essentially a steep wooded hillside which is not very usable. She said the neighborhood held its annual picnic at a church in Factoria due

¹ Councilmember Wallace joined the meeting immediately after the vote.

to the lack of another suitable location. Ms. Wannamaker said she understands it will not be easy to put a park in the Eastgate neighborhood, and she acknowledged that the City will likely have to buy residential lots to develop a park. She said the Parks Department will need to be ready to act if property becomes available because homes are sold quickly when placed on the market. She said a park will complement other development planned for the Eastgate area, and she expressed support for the draft Parks and Open Space System Plan.

- (c) Bill Hirt said his understanding is that Sound Transit intends to ask for an additional \$1 billion per year beginning in 2017 to support its Phase 3 (ST3) package. The \$1 billion is in addition to the current \$997.9 million anticipated from all revenue sources in Sound Transit's 2016 budget. He suggested that Sound Transit needs the money to complete projects already underway. He said the agency raised \$1.3 billion through a loan and an additional \$600 million by issuing bonds. Repaying the loan and the interest on the bonds will cost Sound Transit nearly \$75 million annually. Before issuing the bonds, Sound Transit indicated it will need an additional \$6.6 billion by 2023 to complete light rail extensions. Mr. Hirt suggested that ST3 funding is intended to complete those extensions. He questioned what will happen if voters reject the ST3 ballot measure and whether it would affect the East Link light rail project. He suggested that tonight is the perfect opportunity for the Council to ask Sound Transit questions and to insist that the agency respond before East Link construction begins in Bellevue.
- (d) Alex Zimmerman, StandUP-America, questioned why the Council conducts Executive Sessions at the beginning of meetings, causing the public to wait for the meeting to start. He asked what the City is doing with his money. He said the Council does not care about the people and does not respect them.
- (e) Ron Bromwell distributed envelopes with information related to the Olympic Pipeline and electrical power lines. He said he lives near the pipeline, and he and many residents along the pipeline right-of-way are concerned about Puget Sound Energy's plans to collocate the Energize Eastside transmission lines along the same ROW. He referred to written materials submitted to the Council, noting that they address the Olympic Pipeline's concerns about any ground vibrations near its pipeline. The Energize Eastside project could involve as many as 72 new poles, which require the installation of large concrete bases. Mr. Bromwell said the pipeline is rather fragile. He noted the explosion in Bellingham several years ago which killed three people. He suggested that everyone is assuming that Olympic Pipeline and PSE are coordinating their efforts. However, he noted that Olympic Pipeline leases its pipeline alignment, and PSE has the right to request the relocation of the pipeline.

Deputy Mayor Chelminiak indicated to the City Manager that he would like to be sure that Mr. Bromwell's comments are forwarded as feedback to the Draft Environmental Impact Statement (DEIS) review and report.

- (f) Norm Hansen, a Bridle Trails resident, said he sent an email to the Council earlier in the day. He said there is tremendous interest among residents about the Olympic pipeline safety issues. He found out the previous Friday that the City is proposing a 10-year

extension of the franchise agreement. Mr. Hansen asked the City to work with residents before renewing the agreement, which does not appear to protect residents. He suggested that the Washington Utilities and Transportation Commission (WUTC) does not necessarily do a good job of overseeing utilities inspections and operations.

- (g) Warren Halverson thanked the Council for its thoughtful and thorough involvement in Puget Sound Energy's Energize Eastside project. He recalled the previous week's overflow audience for the Council meeting and said he looks forward to the Council's comments on the project's Environmental Impact Statement. He said residents want to understand the need for the project, the magnitude of the need, alternatives, and the implications for the community.

4. Study Session

(a) Council Business and New Initiatives

Deputy Mayor Chelminiak said the Council received a request for funding from the East Bellevue Community Council and the City Attorney is reviewing the request. Mr. Chelminiak said the Council will need to approve additional funding for the Community Council's legal expenses related to the appeal involving the Lake Hills 115kV transmission line. He requested Council concurrence when staff brings the proposal to the Council in the near future.

Mayor Stokes said he and Councilmember Lee met with Valeriy Chaly, Ambassador Extraordinary and Plenipotentiary of the Ukraine Embassy in the United States. Mr. Stokes presented a gift from Mr. Chaly and said there are several thousand individuals from Ukraine living and working in Bellevue.

(b) Draft 2016 Parks and Open Space System Plan Update

City Manager Brad Miyake introduced discussion of the draft 2016 Parks and Open Space System Plan. He said the Parks and Community Services Board recently completed its review of the plan, which will be presented tonight for feedback and Council direction.

Patrick Foran, Director of the Parks and Community Services Department, introduced Kathy George, Chair of the Parks and Community Services Board, and Camron Parker, Senior Planner and project lead.

Mr. Parker said the plan is updated approximately every six years. He said the plan is required by the Council on Accreditation of Park and Recreation Agencies (CAPRA) to maintain the department's accreditation status, which is reviewed every five years. It is also required by the City's grant from the Washington Recreation and Conservation Office. The plan is consistent with policies established in the City's Comprehensive Plan pursuant to the Washington State Growth Management Act.

Mr. Parker highlighted the contents of the plan: community profile, natural resource characteristics, park and open space inventory, system plan goals, capital project objectives,

funding strategies and sources, and maintenance and security provisions. Mr. Parker highlighted the plan's focus areas including open space, trails, park facilities, active recreation facilities, waterfront access, partnerships, and historic and art resources. Related plans and initiatives include the Council Vision, Recreation Program Plan, Human Services Needs Update, Downtown Livability Initiative, Bellevue Diversity Advantage initiative, Pedestrian and Bike Implementation Initiative, Shoreline Master Program, and the Eastside Rail Corridor Master Plan.

Chair George said the Parks and Community Services Board held four study sessions to discuss the plan as well as a public hearing. The Board recommends approval of the plan update. She said the Board's review focused on the Policy Chapter and the Capital Projects Objectives Chapter. The Board reviewed the capital projects in the 2010 plan and updated them for 2016. The Board identified its top priorities as open space preservation, protection of the tree canopy, equity, and connectivity. The Board wants to promote equitable access to parks facilities from all parts of the community. A key theme of the public comments was the importance of the trail system in connecting parks and neighborhoods. Ms. George thanked the Council for its consideration of the Board's recommendations.

Mr. Parker said a number of public outreach methods were used including resident surveys, an open web site survey, public hearings and meetings, the NextDoor neighborhood email distribution groups, newsletters, social media, newspapers, web pages, and flyers. He said a photography and poetry contest was held for the second year to generate interest in the plan.

Mr. Parker highlighted responses to the survey questions regarding frequency of use of parks and facilities, accessibility to park and trail entrances, accessibility by walking and biking, and distance to parks and trails from residences. Additional questions asked residents to rank certain priorities for the development of parks and recreational facilities. The four highest priorities were unstructured play areas, community beaches and waterfront parks, playgrounds, and trails.

Responding to Councilmember Slatter, Mr. Parker confirmed that the web survey generated approximately 600 replies. Ms. Slatter noted that off-leash dog areas were identified as a higher priority in some parts of the community. She questioned whether the survey results reflect the ages of the respondents. Mr. Parker said the demographics for the statistically significant survey reflect the age, race, and gender makeup of the community. However, that information is not available for respondents to the web survey.

Mr. Parker said there is only one off-leash dog area in Bellevue, which is at Robinswood Park, and one swimming pool. He said these facilities rank lower in frequency of use because they are not able to accommodate a high number of users.

Mr. Parker highlighted projects completed over the past six years including the major renovation of the Coal Creek Natural Area, acquisition of 10 acres in Newport Hills, opening of the Bridle Trails corner park, acquisition of NE 2nd Street properties in the Downtown, opening of the new Bellevue Youth Theatre, Bellevue Botanical Garden improvements, sports fields improvements (i.e., Bannerwood, Hidden Valley, and Newport Hills), and site preparation for Meydenbauer Bay Park.

Mr. Parker highlighted topics and language added to the 2016 Plan Update addressing alignment with goals in the Comprehensive Plan, neighborhood survey data, Parks Board capital recommendations, future bond/levy package, and increased reliance on grants and partnerships. Capital project objectives have been incorporated from other planning initiatives including the Downtown Urban Trail System, Grand Connection (Meydenbauer Bay to Wilburton area), and Eastgate I-90 Corridor park projects.

New objectives proposed by public feedback and City studies are a neighborhood park in the Eastgate area, neighborhood park in the Wilburton area, improvements to undeveloped park sites in the Bridle Trails area, improvements to undeveloped sites in Newport Hills, the addition of picnic shelters, and redevelopment of the Sweyolocken boat launch.

Mr. Parker highlighted objectives from the 2010 plan that are updated in the 2016 plan related to trail connections and extensions; off-leash dog areas; facilities providing recreation for diverse cultures, ages and abilities; and public golf-related facility improvements. Next steps are the State Environmental Policy Act (SEPA) review of the plan, Council adoption of the plan, finalization of the layout and graphics for the plan, and submittal to the State Recreation and Conservation Office to apply for grants.

Councilmember Lee expressed support for the plan update and observed that off-leash dog areas are a high priority for a number of residents. He said he is particularly interested in facilities providing recreation for diverse cultures, ages and abilities.

Councilmember Robinson thanked staff for the presentation. She said she often uses trails and frequently sees dogs that are not on leashes. She proposed designating certain time periods for allowing off-leash dogs in parks and on trails. She questioned whether it would be possible to add walking trails to the South Bellevue Community Center. Mr. Foran said there are some historical informal trails connecting the center and the adjacent neighborhood.

Councilmember Robertson questioned whether the survey addressed the difference in seasonal services, including seasonal closures of certain facilities. Mr. Foran said the chapter on maintenance addresses maintaining the infrastructure, but the plan does not encompass operational policies. Ms. Robertson said the Council has received comments about seasonal closures. Responding to Ms. Robertson, Mr. Foran confirmed that those issues can be addressed through this year's budget discussions.

Ms. Robertson questioned whether the Parks and Community Services Board discussed a multicultural center as part of the Parks and Open Space System Plan. Mr. Parker said the plan contains a cultural arts center that was identified in the 2010 plan. In further response, Mr. Parker said there is an item in the plan to update the Ashwood Park Master Plan. Mr. Foran said that work is anticipated in the 2016 budget.

Deputy Mayor Chelminiak expressed support for a neighborhood park in the Eastgate area. He questioned whether this could be accomplished without taking any homes. Mr. Foran said staff has not conducted an exhaustive search of vacant property. Over the past two years, new homes were platted for certain existing vacant properties. However, he is not sure whether they have

been built. Mr. Foran said land for a potential park development is scarce in the Eastgate area. Responding to Mr. Chelminiak, Mr. Foran said the size of a neighborhood park is less important than the location of and accessibility to the park by residents. Factors taken into consideration include buffers to adjacent homes, the potential for sidewalk frontage, and the mitigation of other impacts.

Deputy Mayor Chelminiak noted that the Eastgate area was annexed relatively recently by the City, and he would like to continue to address neighborhood needs. He is pleased with plans for park development in Newport Hills. He believes this will fit in well with the existing sports fields, school, and trail. He expressed support for the priorities identified by the Parks and Community Services Board of open space, connectivity, equity, and tree canopy. He said it is important to continue to develop trail connections.

Responding to Councilmember Slatter, Mr. Foran said a significant amount of preparation and work goes into developing the parks levy package. He noted the need to involve the community in the planning of projects and financing. The current levy expires in 2028, and the City is approximately two-thirds through that project list. He said the newer ideas and interests for the next levy package are significantly more expensive than many past projects.

Responding to Ms. Slatter regarding a neighborhood park in the Eastgate area, Mr. Foran said the key issue is funding and the first focus is the acquisition of property. Planning, environmental review, and construction can extend over two to three years.

Councilmember Lee reiterated his support for a multicultural center and said he wants to be sure the Council discusses it during this year's budget deliberations. Mayor Stokes confirmed that there will be a full discussion of the proposed project.

Mr. Lee questioned whether parks could be used to address the issue of homelessness. He said a number of homeless individuals sleep in their cars in parks throughout the region. Mayor Stokes observed that that topic falls outside of the Parks and Open Space System Plan and could be discussed at another time.

Mayor Stokes noted the section of the plan that provides a history of the City and Parks Department. He acknowledged that residents have different concerns about park development, park maintenance, and park acquisition. He expressed support for the addition of neighborhood parks, including in the Eastgate area despite the challenges.

Mr. Stokes thanked staff and the Parks and Community Services Board for their work. He noted his agreement with Deputy Mayor Chelminiak about the importance of connectivity and trails including the Mountains to Sound Greenway, Eastside Rail Corridor, and the City's Grand Connection.

At 8:12 p.m., Mayor Stokes declared a brief break.

The meeting resumed at 8:20 p.m.

- (c) Discussion of proposed Ordinance to replace existing Petroleum Products Franchise Agreement with a new 10-year agreement between the City and Olympic Pipe Line Company.

City Manager Miyake introduced discussion regarding the renewal of the franchise agreement with the Olympic Pipe Line Company.

Transportation Director Dave Berg introduced Titus Butcher, Right-of-Way Engineer, who has been working on the franchise agreement over the past year.

Mr. Butcher presented a map of the 400 miles of interstate pipeline from Washington state's northern border to Portland, Oregon. It provides approximately 315,000 barrels of product each day, which is the equivalent of one tanker truck per minute on the interstate system. The pipeline is jointly owned by British Petroleum and Enbridge Pipelines LLC, and is operated at the Renton control center by BP.

The corridor contains one 16-inch pipeline built in 1965 and a 20-inch pipeline built in 1972. They travel 17 miles through Bellevue, including four miles in the City's right-of-way. The franchise agreement covers the ROW portion. The pipelines were recently relocated in the BelRed Corridor, at the pipeline operator's expense, to prepare for the construction of the East Link light rail project. Under federal law, three public entities have jurisdiction over the Olympic Pipe Line Company: U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA), the Washington Utilities and Transportation Commission (WUTC), and the City. However, state and local governments are preempted from adopting additional safety standards on the pipeline beyond federal regulations.

Mr. Butcher described the existing franchise agreement, which was originally adopted in 1964. Ordinance No. 5603 in 2005 granted Olympic Pipe Line Company the right to construct, operate, maintain and improve its transportation facilities for petroleum products within the ROW. An information-sharing agreement was established at the same time. The current franchise agreement expires February 26, 2016, and the new franchise agreement is proposed for a 10-year term. Mr. Butcher said the delay in renewing the franchise agreement was based on the City's interest in updating the information-sharing agreement. It has now been incorporated into the franchise agreement as Section 20 instead of continuing as a separate agreement.

Mr. Butcher described the key franchise elements including access to emergency response plans, pipeline locations, damage prevention procedures, and repair programs. The franchise agreement protects the City in several ways through provisions on permitting, reimbursement of emergency response costs, construction coordination, relocation of the pipelines related to the installation of public infrastructure, and on the City's ability to request and review pipeline-related records.

Mr. Butcher said staff reviewed the franchise agreement consistent with the terms outlined in BCC 14.20.080. These relate to the applicant's past service and safety record, the nature of the proposed facilities and services, proposed fee (i.e., \$22,500), and whether the proposal adequately serves the public's needs and overall interests of citizens. Mr. Butcher noted that the fee is dictated by federal regulations.

Mr. Butcher described the causes of damage incidents, with the largest number from excavations and corrosion. The Olympic Pipe Line Company has a robust damage prevention program and the City is involved through the permitting process and the information-sharing agreement.

Mr. Butcher said there have been significant improvements in the Smart PIG (pipeline inspection gauge) technology used to detect defects in pipelines. A single anomaly was found in the pipeline in Bellevue in 2014 and was repaired. The pipelines supply 40 percent of the region's fuel and all of the jet fuel used at SeaTac International Airport.

Mr. Butcher acknowledged the public's concerns about Puget Sound Energy's Energize Eastside project and its alignment along the pipeline ROW. He reiterated that the City is preempted from imposing additional safety regulations on the pipeline beyond federal regulations. He said City staff reviewed a number of other cities' franchise agreements and none addressed the collocation of the pipeline with electrical power lines. Mr. Butcher said Phase II of the Energize Eastside project's Draft Environmental Impact Statement (DEIS) will consider the impacts of the PSE transmission line project with regard to cathodic protection, construction impacts, and emergency events.

Mr. Butcher said staff recommends moving forward with the proposed franchise agreement given its effectiveness in addressing construction coordination, public safety, and sustained economic development. He requested Council direction to prepare an ordinance for the adoption of the franchise agreement.

Councilmember Robertson said she has a great deal of confidence in the safety of the pipeline based on her briefing with Olympic Pipe Line Company and City staff. She said one topic discussed in the briefings was the block valves. She questioned whether the agreement could require signage at those locations to prohibit Fire Department personnel from adjusting the valves in the event of an emergency. Mr. Butcher said he visited two valve locations, which are nearly impossible for the public to see and/or access. He said the Fire Department is communicating with the pipeline company regarding emergency response.

Councilmember Robertson said a number of residents have expressed an interest in meeting to discuss the franchise agreement. Mr. Butcher said staff could work to facilitate another franchise agreement extension if directed by the Council. However, the terms of the agreement would not change. Mr. Butcher offered to meet with concerned residents and to invite Olympic Pipe Line Company representatives to meet as well. Ms. Robertson said she felt a great degree of confidence after meeting with the company's representatives.

Mr. Berg said certain residents have expressed concerns about the segment of the pipeline not in the City's ROW. However, all of those issues can be addressed by staff.

Responding to Ms. Robertson, Mr. Butcher said his understanding of the sub-lease by the Olympic Pipe Line Company is that the company could be required to relocate in certain circumstances. However, relocating a regional pipeline would be a significant endeavor. Ms. Robertson said she would like more information but she was not intending to delay a decision on the pipeline based on her interest in this topic.

Councilmember Robertson referred to Section 15 of the Franchise Agreement on indemnification and questioned whether the terms are broad enough to cover damages resulting from a pipeline failure to entities other than the City.

Ms. Robertson noted that the 2005 franchise fee was \$22,500, which was increased annually, and the fee in the new agreement starts at \$22,500 again. Mr. Butcher said Olympic Pipe Line Company asked the City to document all of its administrative costs associated with managing the franchise. The two parties negotiated the proposed fee based on those calculations. He said other cities' fees, based on his research, are \$10,000 or less. He said most franchise agreements in the region were originally modeled after Bellevue's agreement. Ms. Robertson requested the documentation supporting the fee rate.

Councilmember Robinson said she appreciated meeting with Olympic Pipe Line Company and City staff. She observed that damage from excavation implies human error. She questioned whether it would be possible to require that a pipeline company employee be on site for any digging within 50 feet of the pipeline. Mr. Butcher concurred with the suggestion but said the City cannot require additional safety standards on the pipeline. Mr. Berg suggested that it might be possible to address that issue through the permitting process for work conducted in the ROW.

Councilmember Lee commended staff on their good work. Responding to Mr. Lee, Mr. Butcher said the franchise agreement states that Olympic Pipe Line Company must follow all federal and state laws. Federal regulations require the smart PIG inspections. In further response, Mr. Butcher said the City's ultimate recourse if a party fails to comply with a franchise agreement is to discontinue the franchise. However, he was unsure how that would be handled in the case of an interstate pipeline providing a critical public benefit. Mr. Berg said the pipeline is monitored by the City and the State (WUTC).

Mayor Stokes said it is important to move forward with the franchise agreement and to continue to monitor its operations to ensure compliance. Mr. Butcher said the information-sharing provisions in the agreement enable the City to review Olympic Pipe Line's records and to address any issues through the WUTC and federal government.

Councilmember Slatter said the briefing with the Olympic Pipe Line Company was very beneficial. She expressed support for the information-sharing component of the agreement. Responding to Ms. Slatter, Mr. Butcher went back to the slide with the map of the pipeline, noting that it travels through four miles of the City's ROW. The total length through Bellevue is 17 miles, and the franchise agreement specifically covers the ROW.

In further response to Ms. Slatter, Mr. Butcher said that, if the pipeline needed to be relocated due to the Energize Eastside project, Olympic Pipe Line Company and PSE would work out an agreement on the relocation and costs.

Ms. Slatter questioned whether the insurance provisions of the franchise agreement protect damage to private property. Mr. Butcher said private property is not covered in the agreement. Incidents involving private property are governed by individual easement agreements with the

pipeline company. Mr. Butcher said none of the franchise agreements with other local governments cover private property.

Responding to Councilmember Slatter, Mr. Berg said the City's Office of Emergency Management and the Olympic Pipe Line Company coordinate emergency response preparedness. However, he was not sure about the extent to which the company participates in regional drills.

Deputy Mayor Chelminiak said he felt much better after meeting with Olympic Pipe Line personnel. He noted that the franchise agreement includes a \$500,000 performance bond to ensure that the company complies with federal standards. He said there are markers along the pipeline both underground and on the surface. Mr. Chelminiak said he would like to see the franchise agreement move forward as soon as possible. He referred to the packet of information submitted by Mr. Bromwell, who spoke earlier during oral communications, which primarily addresses concerns about the Energize Eastside project as it relates to the pipeline.

Mayor Stokes noted a Council consensus to direct staff to bring the agreement forward in the near future for Council action. Responding to Mr. Chelminiak, there was agreement about the suggestion for a meeting with residents who have raised concerns.

(d) Update from Sound Transit Staff on Financial Planning for Sound Transit Phase 3 (ST3) System Plan

City Manager Miyake introduced staff's update on the Sound Transit Phase 3 (ST3) System Plan, which is slated for a ballot measure in November.

Mr. Berg highlighted the regional effort to date to develop the ST3 System Plan. He commented that there will continue to be significant growth in the region and an increasing need for transit connections in all directions, including throughout the Eastside. He said the City has been working with other Eastside cities since last summer. Key themes reflected in letters regarding the Eastside include completing the light rail spine to Redmond, support for SR 522/523 bus rapid transit, comments regarding I-405 bus rapid transit and high-capacity transit on the Eastside Rail Corridor, support for connections to SeaTac Airport, and improved connections with other transit services.

The next steps for the development of the ST3 package include a Council presentation on March 7 from Sound Transit and King County Metro staff on the integration of their planning efforts. The Sound Transit Board is scheduled to review the draft ST3 System Plan on March 24, and Sound Transit will solicit public input on the draft plan through April and May. Adoption of the final plan and financial policy by the Sound Transit Board is anticipated on June 23.

Ric Ilgenfritz, Sound Transit Executive Director of Planning, Environment, and Project Development, described a map of the full Link light rail system from Federal Way to Lynnwood, and east to Redmond. He highlighted ST3 candidate projects on the Eastside. The four major investments directly serving Bellevue are Overlake to Downtown Redmond light rail, Totem Lake-Bellevue-Issaquah light rail, I-405 corridor bus rapid transit (BRT), and Eastside Rail Corridor BRT. He referenced the project web site for more information: www.soundtransit3.org.

Mr. Ilgenfritz said the Draft ST3 System plan will be released in March, followed by a public outreach effort through April. Adoption of the final plan is anticipated in June in preparation for the November ballot measure.

Brian McCartan, Chief Financial Officer, Sound Transit, presented the ST3 package financial plan. He said the financial policies established for the previous two voter-approved packages (i.e., Sound Move and ST2) will be updated for the ST3 package. He said the state legislature approved the authority for Sound Transit to request new taxes for ST3 up to a 0.9 percent sales tax, 0.8 percent motor vehicle excise tax (MVET), and \$0.25/\$1,000 AV property tax. These are in addition to the current taxes imposed by Sound Transit. Additional revenue sources are fares, grants, and bonding/debt.

Councilmember Wallace said the total tax rates for Sound Transit revenues could result in a 1.1 percent MVET through 2028 (0.8 percent beyond 2028) and 1.4 percent sales tax, as well as the newly proposed property tax assessment. Mr. McCartan said the ballot measure will ask voters to approve the existing and new taxes.

Mr. Wallace expressed concern about the use of bonding for Sound Move and ST2, and the proposed additional bonding for ST3.

Continuing with the presentation, Mr. McCartan said the four key components of the finance plan to balance are the capital scope/cost, timeframe, tax level, and regional equity. He said the concept of equity established in state law (RCW 81.112) was relatively broad. Funds could be generated in one area and spent in another, as long as this was communicated to and approved by the voters. Sound Transit went beyond that requirement in its Sound Move and ST2 financial policies, which created five subareas and focused on utilizing local tax revenues for projects and services that benefit the subarea generating the taxes.

Mr. McCartan said the key concept is benefit. The King Street Station is the north terminus for the Sounder commuter train service. While the station is physically located in the North King Subarea, the service was considered a benefit to, and funded by, the South King Subarea in the Sound Move voter package. He said that, as the regional system expands through ST3, it becomes more difficult to assign benefits to specific subareas.

Councilmember Robertson noted that a large portion of the East Link light rail project, including the I-90 bridge connecting to Seattle, is being charged to the East King Subarea. She said she believed the Sound Transit 550 bus route between Bellevue and Seattle is funded by the East Subarea as well. She observed that these services benefit riders on both sides of the lake. She expressed concern that the assigning of benefits under ST3 will become even more tenuous.

Ms. Robertson questioned whether the North King Subarea has ever funded any facilities outside of that subarea. She said it appears that East and South Subarea funds have been used fairly extensively in the North Subarea. Mr. McCartan said he did not think the North Subarea had funded physical projects in other subareas. However, facilities funded by the North Subarea connect regional services.

Deputy Mayor Chelminiak observed that regional light rail trains will be traveling through Bellevue to the new Operations and Maintenance Satellite Facility (OMSF) in the BelRed corridor.

Councilmember Robertson reiterated her concern about the relatively vague assigning of benefits under ST2, which will become less clear under ST3. Mr. McCartan said the Sound Transit Board will determine which subareas will fund specific projects and facilities, and that information will be disclosed to the voters in the ballot measure.

Mr. Ilgenfritz said the utilization of the system is not vague. There will be a system-wide forecast for the ST3 plan that will project ridership for the entire integrated bus, commuter train, and light rail system. It is anticipated that at least half of the ridership in the system core will be riders from other subareas.

Councilmember Lee acknowledged that Sound Transit is building a regional system. However, he said the issue is the choices that are made in terms of project implementation.

Councilmember Wallace said he believed that the East King Subarea accumulated the most debt under the ST2 package. Mr. McCartan said he would need to review the information before he could confirm that statement. He confirmed that the North King Subarea incurred the least debt and received the highest level of federal grant funding due to its higher ridership.

Mr. Wallace said he understood the logic of allocating more grant dollars to higher density areas. However, the region approved the Sound Move and ST2 packages with the expectation of subarea equity. He said the entire I-90 bridge light rail crossing located in the North King Subarea is funded by the East King Subarea, which already has the most debt. Mr. Wallace expressed concern that taxpayers in the East Subarea will be paying for the ST2 package for decades. He said the Eastside has growing transit needs, yet East Subarea funds are being used elsewhere.

Continuing, Mr. McCartan described a table showing three optional ST3 investment scenarios composed of sales tax, MVET, property tax, and other revenues. The packages generate \$26 billion to \$48 billion. He said the impact of the full tax authority is approximately \$200 annually in new taxes per adult.

Responding to Councilmember Robertson, Mr. McCartan said current Sound Transit taxes are approximately \$200 annually per adult as well. In further response, Mr. McCartan said the state legislature granted Sound Transit \$15 billion in new taxing authority through 2032. Ms. Robertson said the taxes will be collected beyond 2032, and she questioned whether this will be clear in the ST3 ballot measure.

Mr. McCartan said the plan states that the taxes will continue until the Sound Transit Board determines that capital needs have been met, at which time the taxes will be lowered to what is needed to support operations. Councilmember Robertson said it is important for the ballot measure to be transparent regarding the total of the existing and new taxes, as well as the indefinite timeframe of the taxes.

Ms. Robertson recalled public comment earlier in the evening stating that Sound Transit is relying on ST3 funds to complete certain Sound Move and ST2 projects. Mr. McCartan said all Sound Move projects were completed, except for the Renton HOV access project which was impacted by the lack of State funding. The ST2 package was adversely affected by the recession and a portion of the program was suspended until revenues improved. Mr. McCartan said the Board has been adding those projects back into the plan, and 98 percent of the ST2 program is fully funded. The ST3 package will accelerate the completion of those projects.

→ At 9:58 p.m., Councilmember Robertson moved to extend the meeting to 10:20 p.m., and Deputy Mayor Chelminiak seconded the motion.

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

Responding to Councilmember Robertson, Mr. McCartan said ST2 projects will be completed even if the ST3 ballot measure fails. However, completion of the projects will be delayed.

Responding to Councilmember Slatter, Mr. Ilgenfritz said the ballot measure will describe all of the ST3 package projects. In further response, Mr. McCartan said the category of “other revenues” includes federal grants, bonding/debt, and surplus from existing taxes. He said transit fares cover one-quarter to one-third of operations costs. Fare revenue becomes more significant later as the system becomes more fully developed. In further response to Ms. Slatter, Mr. McCartan confirmed that debt service will be allocated by subarea in the same manner used for ST2 projects.

Councilmember Robinson said it is difficult to embrace a plan that has no solid endpoint. As a voter, she would like to see either a maximum dollar amount to be collected in taxes or an end date for tax collection. Mr. McCartan said bonding for the ST3 plan ending in 2041 would extend 30 years beyond that point. While the taxing level might become lower over time, the taxes would extend until 2071 at some level to complete the ST3 package.

Ms. Slatter questioned what will happen if Sound Transit does not obtain the estimated grants and other revenues. Mr. McCartan said Sound Transit believes that the projections are within reasonable parameters. He said there are provisions for scaling back, delaying, or removing projects. However, Sound Transit has not eliminated any projects to date.

Deputy Mayor Chelminiak observed that a number of areas on the edges of the transit network (e.g., Redmond and Everett) will benefit from the regional system but will not be contributing property and MVET taxes. Mr. McCartan said there are provisions for expanding the taxing district. However, there are challenges to doing so. Mr. Ilgenfritz said residents of those areas do pay sales taxes in money they spend within the Sound Transit taxing district.

Deputy Mayor Chelminiak said this becomes a more important issue as Sound Transit moves away from subarea equity and more toward the regional benefits concept. He stated his understanding that Bellevue is the only jurisdiction that addressed subarea equity in its comments on the proposed ST3 Plan. He suggested that Bellevue work with cities in the region

to address this topic. Councilmember Wallace suggested that the Eastside Transportation Partnership (ETP) meeting later in the week would be a good place to initiate that dialogue.

Councilmember Wallace noted that 40 percent of the residents in the taxing district do not have a Sound Transit Board representative from their city. He observed that many would be looking to Bellevue to take a leadership role on that issue.

Referring to the slide with the three optional investment scenarios, Mr. Wallace said the cost to taxpayers does not specifically match the costs of repaying anticipated debt. Mr. McCartan said Sound Transit has traditionally captured the cost of the package through the period of the capital program. However, there is always a debate during the campaign season about whether the package costs should be captured through the life of the bonds. He said most local government capital programs capture their capital costs through the construction period. It is unusual for local governments to address the full cost of repaying the bonds. Mr. McCartan compared it to talking about the cost of one's home versus the full cost over the 30-year mortgage including interest costs.

Councilmember Wallace observed that it is fair to say that there is roughly \$1 billion in annual tax revenue, regardless of the timeframe of the taxes. He said the revenues do not go away. With respect to the property tax, Mr. Wallace noted the obligation to provide significant education funding under the McCleary Decision. He said the property tax is typically used for education and not for transit services. He noted that the property tax revenue portion is a relatively small percentage of the financing plan, and Sound Transit is achieving cost savings in both construction and borrowing costs. He questioned whether the Sound Transit Board would consider those factors and possibly decide to not impose a property tax.

Mr. McCartan said the Board is still working to determine the appropriate revenue scenario. He acknowledged that the property tax has not previously been used by Sound Transit.

Mr. Ilgenfritz said the Board addressed the property tax as a policy issue during the development of the ST2 financing plan, which included only the sales tax. He said the sales tax is largely viewed as a regressive tax, which led to the consideration of other types of taxes including the property tax.

Councilmember Wallace acknowledged that the property tax makes sense from Sound Transit's perspective. However, the property tax is limited by the state constitution as well as the willingness of voters to embrace more taxes. He noted media reports about cost savings in Sound Transit's projects and suggested that surplus funds should be considered as the Sound Transit Board discusses new taxes.

Mr. Wallace itemized his calculation of the anticipated impact of the ST3 package on voters. Sales tax for a middle class family totals approximately \$385 annually to Sound Transit, versus the current amount of \$248. The MVET for \$45,000 in car value results in an annual tax of \$495 to Sound Transit, versus the current \$135. The new property tax for a typical family is \$150 annually. The actual tax impact of the ST3 proposal is approximately \$1,030 annually for a typical middle class family.

Mayor Stokes thanked staff for the update. He said the Council is interested in achieving the right balance of costs, services, and connectivity. He said Eastside voters will need to see specific benefits in order to support the ballot measure. However, Mr. Stokes acknowledged the importance of creating an effective regional system. Mayor Stokes said he looks forward to continued discussions and planning.

5. Continued Oral Communications: None.

Mayor Stokes declared the meeting adjourned at 10:19 p.m.

Kyle Stannert
Acting City Clerk

/kaw