

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

November 14, 2016
6:00 p.m.

Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Stokes, Deputy Mayor Chelminiak, and Councilmembers Lee, Robinson¹, Slatter, and Wallace

ABSENT: Councilmember Robertson

1. Executive Session

At 6:01 p.m., Deputy Mayor Chelminiak called the meeting to order and declared recess to Executive Session for approximately 15 minutes to discuss one item of pending litigation.

The meeting resumed at 6:20 p.m., with Mayor Stokes presiding.

2. Approval of Agenda

Mayor Stokes noted the need to address one item of Council Business and New Initiatives, which typically is listed as Agenda Item 4(a).

→ Deputy Mayor Chelminiak moved to approve the agenda, amended to add Agenda Item 4(a), Council Business and New Initiatives, with the remaining Study Session items to follow in the order shown on the published agenda. Councilmember Slatter seconded the motion.

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

3. Oral Communications

(a) Steve Sanchez, commented that current homeless individuals living in tent city are likely to not be comfortable in the proposed low barrier Eastgate shelter. He opposes the Eastgate shelter as planned, and noted the problems related to the homeless in Seattle. He said low barrier shelters can have dangerous people, and he expressed concern about the

¹ Councilmember Robinson participated remotely via speakerphone.

proximity and accessibility of the Eastgate area to Seattle. He noted individuals in the audience wearing purple shirts who are opposed to a low barrier shelter. Mr. Sanchez encouraged the City to pursue both community input as well as analysis and review of the plan by experts in dealing with homeless issues.

- (b) Jim Black, speaking on behalf of the Eastgate Residents Community, expressed support for the vision of the proposed Eastgate Land Use Code Amendment (LUCA) with a few exceptions. He noted the need to update the traffic study completed in 2010 and to analyze noise impacts. He expressed concern regarding the increased FAR (floor-area ratio) to be allowed and the impact of redevelopment on the tree canopy. He said that park property in the area should not be used for setbacks, retention ponds, or other features. He said the current park and ride lot is at capacity, and there are no plans to increase transit services.
- (c) JD Yu, a Somerset resident, spoke on behalf of the Seattle Chinese Drama Club. He expressed support for the idea of a multicultural center in Bellevue, and asked the Council to include funding in the budget. He believes the center would have a positive impact on the Eastside. He said it is very difficult to find performance space.
- (d) Brigit Hansen, a resident of Harmony townhomes near the proposed men's shelter, said there is a petition with more than 2,200 signatures from individuals who oppose the plan. She submitted a map depicting schools, child care centers, and residential areas within a one-mile radius of the site. Residents are concerned about the concept of a low barrier shelter with less strict rules. Ms. Hansen said they would like to work with the City in finding a solution, and she encouraged full transparency in the process.
- (e) Valeriy Goloborodko, a West Lake Sammamish resident, said the Ukrainian Community in Washington state is approximately 60,000-70,000 people. He thanked the City for its work on behalf of residents. He said the first Ukrainian festival was held in Crossroads Park and attracted approximately 12,000 attendees, including those from other states. He expressed support for a multicultural center. He said it is difficult to find event and performance space. He noted an organization that recently used the Bellevue Youth Theatre for a fundraising event. However, it was not able to accommodate everyone who wanted to attend.
- (f) Troy Pottinger said he spends time at the Redmond skate park, which has a legal graffiti wall. He said he enjoys the art displayed on the wall, and he encouraged the City to consider a legal graffiti wall in Bellevue.
- (g) Wasim Khan said he moved to Bellevue in December 1991, and he has not seen any lanes added to roads or new bike facilities since 1992. He expressed concern about increasing development and traffic congestion. He noted congestion on 140th Avenue and 148th Avenue and in the Eastgate corridor. He questioned the City's acceptable LOS performance.
- (h) Michelle Wannamaker, an Eastgate resident, said she attended her first Transportation Commission meeting on October 13 after seeing that the agenda included a presentation on the 2016 concurrency report. She learned that one of the commissioners is a former

traffic engineer. He said the data modeling showing that Eastgate traffic is at 70 percent of capacity is inaccurate in representing existing conditions. Ms. Wannamaker said the Commission ended the meeting by indicating that it would like to review how the City evaluates traffic at a future meeting. She said concurrency reports are intended as part of a checks and balance under the Growth Management Act. She asked the Council to not approve the Eastgate/I-90 Land Use Code Amendment based on inaccurate data. She said she learned that the data modeling software was developed in conjunction with Redmond and Kirkland approximately 20 years ago. She understands that the transportation levy includes money for new software. However, she asked the Council to delay approval of the amendments until the traffic study is updated. Ms. Wannamaker said the Planning Commission voted on July 27 to approve the Eastgate/I-90 project. On July 29, residents and the Planning Commission first heard about a homeless shelter at Eastgate when the City Council August 1 meeting agenda was posted.

- (i) Andy Tay, a Northtowne resident, asked the Council to reconsider the motion to approve the proposed location for Fire Station 10. He said this represents a significant encroachment into a residential area. He expressed concern that the station will negatively impact home values. As a recent resident, he would not have moved to the neighborhood had he known about the proposed fire station. Mr. Tay said his neighbors have identified suitable alternate locations that are closer to the Downtown areas that the station is meant to serve. He said it is asking too much of Northtowne residents to accommodate the impacts.

4. Study Session

(a) Council Business and New Initiatives

Mayor Stokes provided an update on the City's ballot measures approved by the voters. He said the levy for Fire Facilities is passing with 57 percent voter support, and the neighborhood safety, connectivity, and congestion levy is passing by 54 percent. He thanked the community for its support and City staff for their hard work. He said the Council looks forward to incorporating the packages into the City's budget. Mr. Stokes said the revenues will help to accelerate needed projects.

Deputy Mayor Chelminiak thanked staff for designing the ballot measures to fund a backlog of projects related to public safety and neighborhood priorities. He thanked voters for approving the measures. He noted comments during the earlier oral communications that the City has not added road lanes since 1991. Mr. Chelminiak said the City has added significant transportation infrastructure since that time.

Councilmember Slatter concurred with Mr. Chelminiak and thanked staff for developing the ballot measures. She said it will be good to be able to accelerate projects that support public safety, transportation, and connectivity. She thanked the voters for their support.

Councilmember Robinson thanked Bellevue citizens for providing the opportunity to enhance public safety and to improve neighborhood safety and connections, including roads and pedestrian facilities near schools.

Councilmember Lee commended voters for approving funding to address and accelerate needed projects.

(b) City of Bellevue's Diversity Plan: The Diversity Advantage Update

Mayor Stokes noted current incidents of intolerance and stated that the City remains committed to its policy of inclusion and to its vision of welcoming the world and recognizing that diversity contributes to the strength of the community. He said the City is committed to protecting and serving everyone, and any type of intolerance is not acceptable. He encouraged citizens to reach out to City staff or the Bellevue Police if they feel unsafe. Mayor Stokes said it is critical for everyone to come together to continue working on a more caring, safe, and inclusive community. He noted a conversation topic on the www.Nextdoor.com site encouraging the community to stand up to intolerance and hate.

Elaine Acacio, Diversity and Inclusion Administrator, recalled the Council's adoption of the Diversity Advantage Plan in 2014 and the approval of staffing and other resources. The vision creates a proactive response to Bellevue's rapidly changing demographics. Ms. Acacio summarized the guiding principles of the plan using the mnemonic device of AEIOU: 1) Access, 2) Equity, 3) Inclusion, 4) Opportunity, and 5) Understanding cultural competence.

Mark Manuel, Diversity Outreach and Engagement Administrator, thanked the Council for adopting a vision leading to the creation of the Diversity Advantage Plan and for providing clear policy direction. He presented a list of the many events representing the community's diversity. He said the City has built and strengthened relationships with more than 150 community stakeholders representing education, nonprofit agencies, business groups, community organizations, public safety, and local governments.

Mr. Manuel noted that the City has been engaged in diversity related programming over the past 20 years. He said it is important to continue to address issues that challenge and potentially divide the community (e.g., Police minority relations, racism, and the state of Bellevue's Muslim community).

Mr. Manuel said the acquisition of the Highland Village apartments to preserve affordable housing reflects the community's ability to mobilize to address urgent needs.

Mr. Manuel described the Bellevue Diversity Advisory Network of 21 members created to provide support and advice on ways to improve the City's ability to communicate, collaborate, and better serve Bellevue's diverse community. This effort focuses on: 1) outreach and communication, 2) engagement, and 3) culturally responsive government. He said community feedback is vital in assessing whether the City is providing culturally responsive government.

Ms. Acacio said the City created cross-departmental staff teams to address strategic plans and recommendations, enhanced mechanisms for communications and staff engagement, and incorporating and practicing One City values. This effort includes cultural competence foundational training for all employees; City volunteers and community leaders; and members of Boards, Commissions, and advisory committees.

Ms. Acacio said the diversity talent hiring initiative focuses on strengthening and advancing recruitment efforts to better reflect Bellevue's demographics. This includes addressing issues related to implicit bias awareness, public safety recruitment, and supported employment for individuals with disabilities.

Ms. Acacio said current citywide initiatives and partnerships include the ADA (Americans with Disabilities Act) self-evaluation and transition plan, expanding language access, and the Minority Women Disadvantage Business Enterprise (MWDBE) initiative. Hearing loop systems have been installed in the Council Chambers and will be expanded to other City facilities.

Ms. Acacio said the 60 recommended actions in the Diversity Advantage Plan fall into six areas: 1) cultural competence training, 2) public safety, 3) economic development, 4) human services, 5) education, and 6) civic engagement. She said the Police and Fire Departments continue to be strong partners in enhancing community outreach and trust. Mr. Manuel said staff would like to establish mechanisms to enhance the City's ability in outreach and in receiving valuable community feedback.

Mr. Manuel said that people of color become entrepreneurs at higher rates, and it is important to have effective business development services. He said Startup425 was created to fill that need. He said the Economic Development Office supports Planning and Community Development's affordable housing planners to engage with local businesses on issues related to workforce housing.

Mr. Manuel said the City participates with the Eastside Human Services Forum to address needs related to cultural diversity. He said staff is working on developing an equity lens to incorporate into the review of funding requests from human services organizations. The City collaborates with the Bellevue School District, Bellevue College, and the Eastside Pathways program.

Mr. Manuel noted the City's support of the school district's BOOM (Breaking Out Of the Margins) Conference. The City will participate in Bellevue College's Power of One Conference in April, which will provide educational and leadership workshops for the LGBTQ community and its allies. Mr. Manuel said the City works with community volunteers and will launch an engagement volunteer class during the second quarter of 2017.

Mr. Manuel concluded by highlighting the importance of two-way learning and communication with the community including efforts through the Bellevue Diversity Advisory Network, training, Diversity Advantage Plan implementation, and the ADA self-evaluation and transition plan.

Mayor Stokes thanked staff for the update and commended Mr. Manuel for his presentation during the recent Sound Cities Association (SCA) dinner.

City Manager Miyake read a question from Councilmember Robinson: Is it possible to make diversity training a requirement for serving on the City Council, Board, or Commission? Councilmembers concurred that requiring training would be helpful.

Councilmember Slatter thanked staff for their hard work. She noted staff's development of performance metrics related to diversity training and questioned staff's goals. She questioned how to measure a culturally competent city.

Ms. Acacio said the plan's goal is to achieve full staff training within the five-year plan. However, staff would like to complete the training within three years. With regard to key performance indicators for diversity, Ms. Acacio said staff is currently developing a diversity score card to monitor staff training, recruitment and retention, results of the employee survey, and other items. City departments are creating work plans and performance metrics over the next three years.

Mr. Manuel said one advantage of mobilizing the Bellevue Diversity Advisory Network is to take advantage of the talent in the community. He said one member of the Network is a data scientist, which will be helpful in the City's work.

Councilmember Slatter questioned the City's definition of diversity. Mr. Manuel said the City deliberately developed a broad definition that moves beyond race and ethnicity to include gender, sexual orientation, socio-economic status, abilities/disabilities, and other aspects of diversity. Ms. Acacio said it will be important, in developing metrics, to be able to call out which population a program or effort is trying to address.

Ms. Slatter said there is public rhetoric that, for a small number of individuals, is interpreted as a license for racist behavior, which is both un-American and scares members of the community. She said it is important to support everyone in the community because the diversity strengthens and enriches Bellevue. She questioned how the City could address those concerns in the near term. Mr. Manuel said the City will rely heavily on the established partnerships with community organizations and agencies.

Ms. Slatter read a favorite quote by President John F. Kennedy: "In the final analysis, our most basic common link is that we all inhabit this small planet. We all breathe the same air. We all cherish our children's futures, and we are all mortal." Ms. Slatter suggested that the elements we all share are the thread that should bind our community and our country.

Councilmember Lee commended staff on their work. He said the Council provided the commitment and resources to address the objectives related to diversity reflected in the Council Vision. He said it is important to consider history in moving forward with diversity awareness, and he noted that all individuals have the same goals.

Mr. Lee said he would like the City Council to receive the cultural competence training. He would like the Council to be more involved in cultural diversity initiatives.

- (c) Discussion of proposed modifications to the school impact fee schedule as requested by the Issaquah School District and the Renton School District

Mayor Stokes introduced discussion regarding school district impact fees.

City Manager Brad Miyake said that small portions of the Issaquah and Renton School Districts overlap with Bellevue's city limits. Both districts are requesting Bellevue's approval of the 2017 impact fees based on 2016 capital plans.

Trisna Tanus, Legal Planner, introduced Steve Crawford, Director of Capital Projects for the Issaquah School District, and Stewart Shusterman, Facilities Project Manager for the Renton School District. Parts of Bellevue lie within the Lake Washington School District. However, that district and the Bellevue School District do not levy impact fees. The City collects school impact fees on behalf of the Issaquah School District and the Renton School District.

Ms. Tanus said five Issaquah School District schools serve the 1,703 students residing in Bellevue. Capital improvements will increase district-wide capacity in elementary, middle and high schools. The District receives funding through bond measures, school impact fees, and reserve funds.

Ms. Tanus said that 160 Bellevue students attend four Renton School District schools. Planned improvements will increase the District's capacity in elementary and middle schools. The District receives funding through levy and bond measures, school impact fees, and other unsecured funds.

Impact fees are charged on new development and are based on both Districts' 2016 Capital Facilities Plans. The Issaquah School District increased its single-family impact fee by \$3,286 to \$7,921, and its multifamily impact fee by \$852 to \$2,386. The Renton School District increased its single-family impact fee by \$789 to \$6,432, and its multifamily impact fee by \$63 to \$1,448.

Ms. Tanus requested Council direction to finalize an ordinance updating the ISD and RSD fee schedules in BCC 22.18 for Council adoption on December 5.

Councilmember Wallace expressed support for directing staff to finalize the ordinance.

Deputy Mayor Chelminiak suggested placing the item on the Consent Calendar.

- (d) Discussion of Development Services fee update and 2017-2018 budget adjustments responding to continued high levels of development, and code policy work responding to economic development priorities.

Mayor Stokes introduced discussion regarding the proposed Development Services fee update and 2017-2018 Budget adjustments responding to the continued high levels of development in Bellevue.

Toni Call, Interim Finance Director, said this is the fourth of six budget briefings before the Council. She said the third and final public hearing is scheduled for November 21, and budget adoption is scheduled for December 5.

Mike Brennan, Director of the Development Services Department (DSD), introduced Teri Jones, Development Services Fiscal Manager. He said staff is seeking direction to prepare an updated Consolidated Fee Ordinance for Council adoption on December 5 as part of the overall budget adoption.

Mr. Brennan said Development Services fees consist of hourly rates charged by the Fire, Transportation, and Utilities Departments and by the Land Use Division within Development Services. Building permit and inspection fees are based on the value of the project. Flat rate fees are set for large volume, low variability projects based on the average time spent on those projects.

Mr. Brennan said the proposed fees are consistent with the Council's previous endorsement of the financial principles stating that fees should be regionally competitive, permit applications should pay for the services received, fees should be predictable and understandable to customers, and the funding structure should support Development Services' business through economic cycles. Mr. Brennan said the cost recovery objectives are 100 percent for engineering review, inspection, and business support; and 50 percent for land use/discretionary review. The early steps in the process (i.e., public information, policy development, and pre-submittal support) are funded through General Fund revenues.

Ms. Jones said the proposed rate adjustments are part of the annual fee analysis conducted to ensure alignment with financial policies. Staff proposes hourly rate increases for Land Use, Fire, Transportation, and Utilities work ranging from 3.1 percent to 4.3 percent. The schedule proposes an adjustment of two percent (CPI-W) for building permit fees based on estimated valuation. The adjustments result in a total increase in revenues of \$455,000.

Ms. Jones described an example of a single-family, 500 square feet addition project with a \$80,000 valuation. Fees change from \$2,628 in 2016 to \$2,749 in 2017, which is an increase of \$120. For a \$80,000 tenant improvement, total fees change from \$2,861 in 2016 to \$2,914 in 2017, an increase of \$52.

Mr. Brennan highlighted the development forecast based on regional and national economic data, Bellevue trends, historical data, pending development projects, and input from the development community. In the area of major commercial activity, several projects are progressing to permit issuance and construction and the majority of new projects are multifamily residential. Residents continue to reinvest in their properties, and tenant improvements remain active. Ongoing projects involving Development Services include the East Link light rail project, construction of new schools, and permitting activity to be generated by projects within the Fire and Transportation levies.

Mr. Brennan said construction valuation hit a record high in 2015. He described the significant increase in online permitting (74 percent) versus paper applications (26 percent). Top management issues include filling vacant positions, maintaining permit review and inspection as high priorities, close monitoring of revenues and expenditures, and responding to customer feedback.

Mr. Brennan said the key Development Services 2017-2018 Budget proposals are 7.15 staffing positions for review and inspection, one position to support policy and code development, and paperless permitting system improvements. The policy support position supports the Council's code and development work as well as economic development priorities, and responds to the Council's desire to retain agility and flexibility in dealing with emergent needs.

Councilmember Slatter thanked staff for responding to her previous questions and for the presentation. She observed that the budget proposals appear to be reasonable and thoughtful. She questioned the metrics to be used during the mid-biennium budget process to evaluate whether Development Services is on track with regard to the objectives of the budget proposals.

Mr. Brennan said a primary indicator is the speed and predictability of the permit process. He observed that moving to a fully paperless system is efficient for the City and its customers.

Ms. Slatter said she hears comments from individuals who express concern when they do not hear back from the City regarding their permits. She questioned how the budget proposals might address that concern.

Mr. Brennan said that building professionals are more familiar with navigating the City's system. However, individuals submitting permit applications for residential and smaller commercial/tenant improvements are not as knowledgeable about the process. He said the City is trying to improve channels of communication for its customers. Mr. Brennan said one idea discussed by staff is creating a customer dashboard. However, that would be a significant undertaking.

City Manager Miyake read a question from Councilmember Robinson: As we try to find ways to create affordable housing, and knowing that the cost of development is passed on to tenants, are there ways to make development permitting more affordable?

Mr. Brennan said the challenge is to maintain lower costs in processing permits and to meet cost recovery objectives. He said staff works hard to be as efficient as possible. Ms. Robinson asked staff to present recommendations to the Council as ideas and initiatives come to mind.

Councilmember Wallace expressed support for the proposed fees and the Berk Consulting report, and questioned how the report will be used. Mr. Brennan observed that the budget proposals are responsive to the report. However, he said ongoing feedback would help staff to work more effectively. The City receives comments suggesting a more simplified process with greater speed and predictability in permit processing.

Mr. Wallace thanked staff for their work. He said he and the Master Builders Association appreciate the City's efforts toward continuous improvements. He acknowledged that the high level of development activity presents challenges for the City.

Councilmember Wallace recalled the fixed fee arrangement with Sound Transit related to the East Link light rail project. He questioned the City's planning to ensure adequate staffing for processing those permits without interfering with the regular permit workload.

Mr. Brennan said the City worked with Sound Transit while negotiating the fee agreement to determine the necessary skill sets and staffing levels. He said those resources are reflected in the department's budget, and staffing has been added to prepare for permit processing next year. Mr. Wallace said he is comfortable with Development Services budget proposal. He would like an update early next year to discuss what more the City can do to improve its services.

Mayor Stokes questioned the comprehensive fee and fiscal management study referenced in the presentation for 2017. Mr. Brennan said the City is studying its fees, cost recovery model, and fiscal policies in conjunction with a consultant that will provide a third-party evaluation.

Councilmember Lee questioned how well the City competes with other cities in recruiting and retaining inspectors and other staff. Mr. Brennan said it is challenging for both the public and private sectors to keep up with needed resources and personnel. He observed that Bellevue is a preferred place to work for many building professionals. However, he acknowledged that the City is having difficulty in filling a number of positions. Mr. Brennan said Bellevue offers competitive compensation.

Mayor Stokes thanked staff for working with homeowners and developers on an ongoing basis. He thanked Mr. Brennan for his work with the community, including attending the recent meeting with Woodridge residents. Mr. Stokes concurred with Mr. Wallace about the usefulness of the Berk report.

(e) Utilities Department Proposed 2017-2018 Budget and Rates

Nav Otal, Utilities Director, introduced Keith Swenson, Chair of the Environmental Services Commission. She said the Commission began reviewing the Utilities budget and rates in January.

Chair Swenson noted that the previous Vice Chair, Calvin Wang, resigned due to health issues. However, Mr. Swenson said he contributed significantly to the review and had a strong understanding of and support for the proposed Advanced Metering Infrastructure (AMI) of smart water meters. Mr. Swenson said the Commission studied the Utilities budget and proposed rates extensively over the year. He thanked staff for their hard work.

Ms. Otal noted Vice Chair Diann Strom in the audience and expressed appreciation for the Commission's work.

Ms. Otal recalled a previous question from the Council about whether the 2017-2018 budget includes funding for long-term solid waste services. She said the City currently contracts with King County for those services, and the contract expires in 2028. Staff completed a preliminary evaluation of options in the past and will bring those back to the Council for discussion early next year. Ms. Otal said \$150,000 is included in the budget for further study of the option selected by the Council at that time.

Ms. Otal said the City has been studying AMI technology since 1996, and a financial feasibility study indicated that it is a cost-effective approach for monitoring and managing water usage. She recalled that the results of that study were shared with the Council in April. She said the meters provide real-time information for customers, including proactive leak detection.

Andrew Lee, Deputy Director of Utilities, said AMI smart meters are integral to an overall Smart Cities approach. He recalled the Smart Cities presentation to the Council in September. Benefits of the AMI system include real-time information, early leak detection, water conservation, improved data analytics, and reduced meter reading costs. Mr. Lee said it is more cost effective over the long term to install smart meters than to continue the City's current metering program. Labor and vehicle costs for meter reading will be reduced. Mr. Lee said a number of older meters

are under-reporting water usage, and smart meters will ensure that all customers pay their fair share.

Mr. Lee said the number of jurisdictions using AMI, both locally and nationally, is growing. Local cities include the Sammamish Plateau Water and Sewer District, Woodinville Water and Sewer District, and Renton. He said City staff has spoken with staff in cities around the country to discuss the benefits of smart meters.

Mr. Lee said that, if the AMI budget proposal is approved, staff will initiate a communications plan to customers early next year. Staff will prepare the technical requirements to issue a request for proposals (RFP) next summer, and implementation is planned through two phases during 2018 and 2019. Mr. Lee said the requirements will include interoperability with other Smart Cities technologies and ensuring the proper security and privacy of information.

Ms. Otal recalled that the Council asked staff to suggest how to pay for the program without increasing utility rates. She said the implementation of smart meters will not require a rate increase due to the availability of Extraordinary Operating Reserves of \$6 million and Renewal and Replacement Reserves of \$17.1 million. The R&R Reserve Fund will be made whole over time from the cost savings associated with AMI technology as well as additional revenue resulting from more accurate meter readings.

Councilmember Wallace observed that the project uses funding from both the Water Utility R&R Fund and the Sewer Utility R&R Fund. He said those funds are maintained to replace infrastructure over time. Ms. Otal confirmed his understanding. Mr. Wallace said the availability of reserves puts the City in a good position, especially compared to many other jurisdictions. Responding to Mr. Wallace, Ms. Otal confirmed that the AMI project will be funded through reserves and through the sale of more water than anticipated in 2015.

In further response to Mr. Wallace, Ms. Otal said savings will be achieved through reduced staffing and vehicles and through more accurate meter reading and billing. Mr. Wallace questioned whether the analysis reflects that the City might sell less water due to the reduction in water leaks. Ms. Otal said the financial analysis considered that people will conserve more water and that the early detection of leaks will reduce water usage. Responding to Mr. Wallace, Ms. Otal confirmed that rates are likely to increase over the long term to continue to support the water utility system.

Councilmember Lee stated his understanding that reserves will be replaced over time due to cost savings. He said he would like to see the analysis of the replacement of reserves over the long term. Ms. Otal said staff will send that information to the Council.

Councilmember Lee questioned whether staff studied other technologies. Andrew Lee said the City evaluated three technologies for advanced meters. Councilmember Lee encouraged staff to remain flexible and to continue looking at other technologies, including those in use around the world.

Councilmember Robinson expressed support for the implementation of smart water meters. She noted that, with all of the technology industry in this area, residents likely expect this level of

service. She thanked Ms. Otal and staff for their hard work and for helping the City to be a strong contender for the Georgetown University energy prize.

Responding to Councilmember Slatter, Mr. Lee said the technical feasibility of AMI was evaluated and found to be feasible. Staff did not go the extra step of developing detailed technical requirements, which is typically conducted as part of the preparation of the RFP.

Ms. Slatter said she is the Council liaison to the Environmental Services Commission, and she complimented the Commission on its extensive review. Ms. Slatter said the Commission discussed the budget over 10 meetings. She feels the AMI proposal has been well vetted and considered from many perspectives. She said she is impressed with the long term analysis looking 75-100 years into the future. She said staff and the Commission keep the City's water system safe, resilient, and predictable. She commended staff for the fiscal responsibility reflected in the replacement of reserves. Ms. Slatter expressed support for the AMI budget proposal.

Mayor Stokes expressed support for moving forward with including the proposal in the budget.

Continuing with the presentation, Ms. Otal said the Utilities Department measures its effectiveness based on customer satisfaction ratings, standards for solid financial management, and national standards of excellence established by a number of professional organizations. The Utilities Department has a high bond rating of Aa1 and no debt, and has received accreditation and a number of awards from industry professionals. Key budget priorities are sustainable high-quality utility services and certainty and predictability in rates.

Ms. Otal said that more than half the budget is wholesale costs and other non-discretionary costs. Less than 20 percent of the budget is related to maintenance and daily operations. There have been no staffing increases over the past four years, except for staffing related to capital projects and development services activities.

Ms. Otal said the Capital Investment Program (CIP) Budget will address the highest risks of failure related to the aging infrastructure. The City's original goal was to replace five miles of the AC water main per year. However, the failure of the West Lake Sammamish water main and the Sandpiper Bridge water main have resulted in a reduction of that goal to three miles per year. Ms. Otal said the CIP is designed to address four areas of high risk: aging infrastructure, capacity for growth, environmental preservation, and service enhancements.

Ms. Otal described how the proposed budget emphasizes long-term financial sustainability as well as rate certainty and predictability. As part of the long-range financial plan, the Council established the Renewal and Replacement Fund in 1995. Ms. Otal presented the utility rate forecast for 2017-2022, noting that all percentage increases are lower than originally anticipated by the projections presented earlier in the year.

Ms. Otal presented a comparison of residential, multifamily, and commercial water, sewer, and storm/surface water rates with other jurisdictions. She noted that the City of Redmond and the City of Renton have the lowest rates because they have their own water wells. Bellevue's rates fall into the midpoint and remain favorable due to the Utilities Department's lack of debt.

Ms. Otal highlighted that \$1 spent on a 16-ounce retail bottle of water buys 110 gallons of water through Bellevue Utilities.

Deputy Mayor Chelminiak said it is sometimes difficult for the public to understand why utility rates increase more than the inflation rate. He thanked staff for responding to his question from a previous meeting about future solid waste planning. He looks forward to studying the options. Mr. Chelminiak said he is satisfied with the Utilities budget, which reflects the need to proactively replace aging infrastructure.

Councilmember Wallace said the Council and staff have had thorough discussions about the budget. He noted his review of the Utilities budget to determine whether there are opportunities to lower utility rates. He observed that the City's utilities are well managed in a cost-effective manner. He said the City's reserves are in line with actuarial studies for the industry. Mr. Wallace said he is comfortable with the Environmental Services Commission's review of the budget as well.

Mr. Wallace said that, going forward, he would like staff and the Council to discuss the interfund process.

Mr. Wallace noted a small line item in the budget funding fall natural yard care classes. He said no one attended last year's class. He suggested looking into whether the Cascade Water Alliance and King County spend money on similar types of education. He said the public does a good job of conserving water, and he observed that the classes are not necessary. Mayor Stokes said Cascade reduced its conservation funding somewhat.

Mr. Wallace noted credit card processing fees of \$100,000 and suggested determining whether there are ways to reduce those fees.

Councilmember Lee said the City deliberately established reserve funds many years ago to avoid significant fluctuations in utility rates. He said Bellevue is responsible and prudent in its rate structure and financial management. He said wholesale water costs are beyond the City's control. However, he encouraged staff to continually look for cost savings. Mr. Lee expressed support for the proposed Utilities budget.

Mayor Stokes said he looks forward to focusing on solid waste services options next year. He thanked staff and the Environmental Services Commission for their work.

5. Discussion of Upcoming Items

Deputy Mayor Chelminiak questioned the preparation anticipated for the following week's budget discussion. City Manager Miyake said staff's plan is to provide a list and descriptions of all items that have been raised by the Council during previous discussions. The third Budget Public Hearing is scheduled for November 21 as well. Mr. Miyake said staff anticipates final budget deliberations on November 28 in preparation for budget adoption on December 5.

Mayor Stokes encouraged Councilmembers to forward questions and suggestions to staff.

Deputy Mayor Chelminiak observed that money has been set aside that has not been allocated. He noted \$2 million for the Grand Connection in the budget. However, he wonders whether the Council should allocate more seed money to that item.

Mr. Chelminiak said he is interested in understanding whether and how the Bicycle Rapid Implementation Plan fits with plans for the Eastside Rail Corridor.

Mr. Chelminiak said Councilmember Lee called him earlier in the day about the multicultural center. Mr. Chelminiak said he was not certain what a multicultural center would be in terms of a City facility. He said his brief research indicates that similar facilities are more commonly found on college campuses. Other examples tend to be more focused on social/human services, interpretive services, and other functions versus serving as performing arts centers.

Deputy Mayor Chelminiak noted the need to define a multicultural center and the Council's goals for the facility. He does not want to create an inaccurate expectation for the public.

Councilmember Slatter said there have been budget requests from nonprofit organizations in the past, and she questioned the criteria for evaluating those proposals.

Ms. Call said the criteria for the community requests would be provided in the following week's meeting packet. She said the Council has a longstanding set of criteria including that proposals have a clearly defined public benefit, do not contribute to fundraising, fund or support a facility, and allow the City's oversight to ensure the requester is a viable organization. Additional criteria to be evaluated by staff address project feasibility and readiness for moving forward.

Ms. Slatter asked staff to provide examples of how community requests have been successfully funded with demonstrated performance metrics.

With regard to the multicultural center concept, Mayor Stokes observed that there is a need for a venue for smaller cultural events and arts programs. He suggested studying how that fits with existing facilities in Bellevue including Meydenbauer Convention Center. He concurred with Mr. Chelminiak about the need to define and focus the purpose of the center.

Councilmember Robinson observed that the public library functions as a cultural center. In exploring the potential facility, she suggested looking at how needs are or are not already served within the community.

Councilmember Wallace suggested considering the consolidation of facilities and/or programs, such as a combined senior center and multicultural center. Mr. Stokes observed that the senior adult population is increasing.

Mayor Stokes said the Council will have discussions early next year regarding the recently approved levies, which could influence the ability to achieve other objectives that are not currently funded.

Councilmember Lee said he always likes to look at the biggest picture and to include every possible function and program. However, realistically, there is a limit to what one facility can

provide. He suggested that the \$150,000 budget item will start the conversation with the Council and the community.

Deputy Mayor Chelminiak said it would be helpful to have, for Council review, a document or spreadsheet of the unfunded budget requests in preparation for next week's meeting. He encouraged prioritizing and finalizing the budget on November 28 to be prepared for budget adoption on December 5.

Mayor Stokes recalled that Councilmember Lee originally introduced the idea of a multicultural center. He said it will help the Council conversation if Mr. Lee defines his objectives and anticipated purpose of the facility. Mr. Lee said he is interested in obtaining input as well.

6. Continued Oral Communications: None.

Mayor Stokes declared the meeting adjourned at 9:15 p.m.

Kyle Stannert, CMC
City Clerk

/kaw