

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Regular Meeting

March 7, 2022
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; Flag Salute

City Clerk Charmaine Arredondo called the roll. All Councilmembers were present and participating remotely. Councilmember Lee led the flag salute.

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. Oral Communications

(a) Luca Macadar expressed concern regarding the traffic associated with the Chick-Fil-A restaurant on 116th Avenue NE. He noted that the traffic sometimes backs up to the off-ramp from I-405.

(b) Valeriy Goloborodko thanked the Council for its leadership and for standing with the Ukrainian community. He said they have enjoyed hosting the largest Ukrainian cultural event on the west coast in Bellevue. He said he hopes this year's event in September will be a celebration of Ukraine's victory.

5. Reports of Community Councils, Boards, and Commissions: None.
6. Report of the City Manager: None.
7. Council Business and New Initiatives: None.
8. Consent Calendar: None.
9. Public Hearing: None.
10. Study Session
 - (a) Budget Workshop: 2023-2024 Operating Budget and 2023-2029 Capital Investment Program (CIP) Plan

City Manager Brad Miyake introduced discussion regarding the financial forecast and the process for developing the 2023-2024 Operating Budget and the 2023-2029 Capital Investment Program (CIP) Plan.

Evan Phillips, Budget Manager, Finance and Asset Management Department, said staff is seeking Council feedback regarding the budget process, public engagement and the application of an equity lens for this budget cycle. He noted that the City's Budget One process was implemented in 2010 to identify the community's priorities and to prioritize and fund the needed services. All departments submit proposals to the budget office, which are analyzed and discussed by staff and the Council before the City Manager presents his preliminary budget to the Council for deliberation, review and adoption. Mr. Phillips noted that this year's community survey now includes statistically valid demographic information, which is a change from past processes. The budget process includes three public hearings with adoption of the budget targeted for late November.

Public engagement activities include opportunities for public comment during meetings of the City Council, Boards and Commissions; the budget, performance and business surveys; public hearings and communications directly to the Council and staff. He referenced the budget public involvement page on the City's web site for more information: [Budget Public Involvement | City of Bellevue \(bellevuewa.gov\)](https://www.bellevuewa.gov/BudgetPublicInvolvement).

Mr. Phillips highlighted the City's budget guiding principles to offer high-quality services and programs, deliver outcomes important and accessible to the community, realize opportunities, examine the entire budget, develop a long-range approach to an affordable and sustainable budget and to incorporate innovation, efficiency and sound business practices. The guiding principles indicate that if expenditure reductions are necessary, eliminating a service or program is preferred over offering a low-quality program or service.

The seven strategic areas of the Budget One process are 1) economic development, 2) mobility and transportation, 3) high-quality built and natural environment, 4) creating great places where

you want to be, 5) regional leadership and influence, 6) achieving human potential and 7) high performance government.

Mr. Phillips said staff is seeking feedback regarding the development and testing of an equity lens for the budget process, performance metrics, and community surveys. The City will build on this approach in subsequent budget processes. Mr. Phillips said the proposed approach is informed by other Puget Sound jurisdictions including the City of Tacoma and the Port of Seattle.

Councilmember Barksdale said he appreciated the development and testing of an equity lens in the budget process. He encouraged staff to engage with stakeholders from groups that are typically underrepresented. He suggested adding the concept of equity to the budget guiding principles.

Responding to Mr. Barksdale, Toni Call, Director of the Finance and Asset Management Department, said there have been a couple of times that the City decided to eliminate a program, at least temporarily, due to inadequate funding to continue a high level of service. One example is the elimination of the police bike patrol during the recession, which was later reinstated as revenues improved. Councilmember Barksdale said he wants to ensure that the City does not eliminate any needed human services.

Councilmember Lee thanked staff for the emphasis on data-driven decisions and equity.

Responding to Mr. Lee, Ms. Call said that different jurisdictions are at varying levels of progress in terms of how they are using equity in a decision-making tool. She noted that the City of Tacoma and the Port of Seattle have done a nice job of mapping data. Mr. Phillips said the City of Tacoma's approach has been in place for a longer time. The Port of Seattle has noted the importance of establishing a good baseline in its initial development of an equity lens. Mr. Phillips said that collecting and analyzing the data will help to identify the needs and opportunities.

Councilmember Stokes spoke to the value of considering equity and inclusion in the analysis of budget proposals and the overall budget package. He thanked staff for their work.

Deputy Mayor Nieuwenhuis expressed support for the proposed budget process and said he looks forward to further discussion during the Council retreat in late March. He encouraged staff to highlight the budget process on the MyBellevue app. He asked how the City will measure the impact of incorporating an equity lens. Ms. Call said the test will be whether the City used the data to help make informed decisions. Mr. Phillips said there will be opportunities for feedback regarding whether people in the community felt that they were engaged in the process and that decisions were clearly communicated.

Councilmember Zahn said she is a longtime employee of the Port of Seattle and she looks forward to partnering with them in addressing equity. She noted that an equity lens is one tool. She said the data collected throughout the budget process will be used to establish a baseline and goals. She noted the importance of equity training, surveys, assessments and listening session to

define the City's objectives and to ensure that the equity lens is appropriately addressed. Councilmember Zahn encouraged a holistic, long-range view reflecting budget sustainability and equity in action.

Councilmember Robertson expressed support for the Budget One process and adding the equity lens. She said there are a number of ways to analyze the distribution of investments including looking at areas that have had more investments as well as the neighborhoods with more people in need.

Ms. Robertson said she would like to use the practice originally introduced with the Budget One process in which the priorities for each strategic target area are listed with a line indicating that priorities above the line are funded, while items below the line have been identified as priorities but are not funded. She said the lists are helpful in considering tradeoffs in priorities as budget discussions move forward.

Mayor Robinson said she appreciated the equity lens and suggested adding a sustainability lens as well.

Mr. Phillips described a chart depicting inflation rates since 1990, noting highs of 6.2 percent in 2008 and 6.3 percent in 2021. The inflation rate for 2022 could range from four percent to seven percent, and the City estimates that the rate will be around five percent. Mr. Phillips said that every one percent increase in the inflation rate represents a \$1.2 million increase in personnel expenditures in the General Fund.

Ms. Call presented the General Fund forecast. She said the City, like other local governments, will continue to face an ongoing structural deficit in which expenditure growth exceeds revenue growth. The main drivers of the increase in expenditures is revenue imbalance and growth/urbanization. Ms. Call said the property tax does not grow at a sustainable rate, and sales tax and business and occupation (B&O) tax collections cannot make up the difference.

Ms. Call said the five major revenue sources of the General Fund are: 1) sales tax (29 percent), 2) B&O tax (17 percent), 3) property tax (17 percent), 4) utility taxes (11 percent) and 5) other revenues, primarily based on the inflation rate (26 percent). She noted that the General Fund is currently driven by the two most economically sensitive revenue sources, the sales tax and the B&O tax. The biggest driver of sales tax growth is related to construction and development. Ms. Call said that retail sales make up approximately 30 percent of the total sales tax, and those sales tax collections are increasing at four percent annually. Utility tax revenues increase by 2-3 percent annually. However, tax revenue associated with landlines has decreased significantly and cellular data usage is not taxable.

Ms. Call summarized the actions the City has taken to address the projected gap between expenditures and revenues. Prior to the pandemic, the City built its reserves, implemented the one percent Councilmanic property tax and adjusted fire inspection fees. The City also began implementing strategies to address health care costs. The onset of the pandemic required a reduction of \$16 million for the two-year budget through cost containment and adjustments to

maintenance schedules. There were modest increases in revenues through increases in the property tax and the Basic Life Support (BLS) transport fee.

Ms. Call presented an early look at projected expenditure and revenue growth, noting that total expenditures for 2023 currently exceed revenues. The forecast assumes the opening of Fire Station 10 in 2023, a five-percent inflation rate, a three-percent increase in expenditures and the continuation of the cost reductions implemented over the past couple of years. The current budget process begins with a \$3 million gap between expenditures and revenues.

Ms. Call highlighted two scenarios depicting how revenues and expenditures would perform if staffing was increased by two percent or by four percent. She said that balancing the budget will involve reducing expenditures, increasing revenues and/or using one-time reserves. She said that reducing expenditures will be difficult, especially given the growth in Bellevue and the uncertainty of inflation.

Councilmanic options for increasing revenues include the one percent annual property tax increase (\$482,000), the property tax banked capacity up to a 14 percent increase or \$9 million, increase in B&O tax rate (0.5 percent increase generates \$14 million), utility tax increase (0.5 percent increase generates \$2 million), and other sources. New options to consider, whether Councilmanic or voted, include a parking tax, affordable housing levy, Regional Fire Authority tax, Fire Protection District tax, Transportation Benefit District tax, public safety sales tax, Cultural Access program and others.

Mayor Robinson thanked staff for the presentation.

Councilmember Barksdale suggested that increasing nightlife and entertainment options could generate a significant fiscal impact. He suggested looking at related policies in other cities for consideration. Ms. Call said that less than 10 percent of sales tax collections were generated from restaurants and hotels in 2021. However, she said staff will look at pre-pandemic years. She said that increasing nightlife venues and activities would have a positive impact on the sales tax and on the B&O tax.

Councilmember Lee said this is a time for innovation and trying new approaches. He concurred with Mr. Barksdale's suggestion to explore other tools and policies implemented in other cities. He encouraged public-private partnerships to provide funding as well as a focus on creating sustainability in the budget.

Councilmember Stokes commented on the challenge of keeping pace with development and suggested a review of the City's tax structure. He concurred with Mr. Lee's suggestion regarding innovation and finding new ways to do things. Mr. Stokes said Bellevue must continue to be a high-performing city and maintain service levels. He encouraged looking at ways to achieve more leverage with City funding.

Deputy Mayor Nieuwenhuis wondered whether there are approaches to mitigate the impacts of increasing inflation given that the City has gone through previous peaks in the inflation rate. He said the City of Seattle had a 40 percent increase in revenues from 2012 to 2018 and questioned

the underlying cause. He noted the positive impact of ancillary services related to growth including restaurants and nightlife. Mr. Nieuwenhuis wondered whether the City could be more aggressive. He questioned whether something similar to the redevelopment in Seattle's South Lake Union area could occur in Bellevue. He suggested avoiding the use of one-time funding sources for ongoing programs and services.

Ms. Call said staff will research the revenue increases in Seattle. Regarding inflation, she recalled that the inflation rate reached 6.2 percent in 2008 and fell to nearly zero in the subsequent years. She said she is hopeful that the inflation rate will be closer to four percent in the near future. However a number of factors, including the war in Ukraine, create a level of uncertainty. Regarding sales tax and B&O tax projections, Ms. Call said the forecast assumes continued robust development in Bellevue.

Councilmember Zahn expressed support for her colleagues' comments about benchmarking and looking at other cities. She suggested looking at reserves from the standpoint of leveraging funds in the short term for long-term gain. She expressed support for staff's efforts to consider a wide range of potential funding sources. She suggested leveraging Smart City initiative and exploring more data analytics to inform and guide staff. She wondered whether the City could be doing more in terms of pursuing grants and low-cost loans. She encouraged partnerships. She suggested that the community surveys and other public engagement might identify opportunities for using City funds to do more.

Councilmember Robertson concurred with Deputy Mayor Nieuwenhuis's request for more information regarding the City of Seattle. She said the addition of jobs stimulates other business growth that increases revenue for state and local governments while also increasing the need for enhanced service levels. She said that while the City has experienced financial challenges in the past, the gap between revenues and expenditures is concerning given the continued robust growth and development.

Ms. Robertson concurred with Mr. Nieuwenhuis's comment about not using one-time funds for ongoing programs. However, she supports using one-time funds in ways that will create more ongoing economic activity and help fund services in Bellevue. She encouraged looking at possible revenue sources for both the General Fund and the CIP Plan. She said her preference is to determine how to leverage growth to fund services.

Mayor Robinson said that as inflation and housing costs increase, she believes it is important to look at bonding the HB 1590 revenues to address housing needs.

At 7:27 p.m., Mayor Robinson declared a short break. The meeting resumed at 7:40 p.m.

Mr. Phillips said staff is seeking Council feedback regarding the criteria to be applied for building the 2023-2029 CIP Plan. The general CIP includes major capital investments for neighborhood parks, new facilities (e.g., Fire Station 10), planning processes (e.g., Comprehensive Plan update) and infrastructure projects (e.g., Vision Zero program). The 2021-2027 CIP Plan totals \$662 million in expenditures. The CIP Plan includes debt service, ongoing maintenance programs and the continued implementation of the current CIP projects. Based on

current projections, approximately \$45 million will be available to allocate to new or existing projects for 2028 and 2029. Mr. Phillips said that real estate excise tax (REET) collections are \$20 million higher than budgeted for 2021, so the total amount of unallocated funding is closer to \$65 million. He cautioned that REET tax revenue is volatile, which limits the City's ability to accurately project revenues over the seven-year CIP Plan.

Mr. Phillips said that infrastructure projects in need of funding include the 120th Avenue Stage 4 project, Bellevue Way HOV lane, 150th Avenue SE corridor improvements, future phases of the West Lake Sammamish Park project, and others. Quality of life investments include the aquatics center, additional development phases for Meydenbauer Bay Park, neighborhood parks, open space, sports and cultural events. Mr. Phillips noted the need to replace aging enterprise technologies and aging or deficient facilities.

Mr. Phillips said that balancing the CIP Plan will take careful prioritization, and staff is seeking input regarding the criteria to be used in balancing the plan. The first step is determining whether new or existing projects are effective in achieving the goals of the City's mission, strategic target areas and Council priorities. Additional criteria include legal mandates, financial factors, timing/urgency and scaling projects and investments where appropriate.

Councilmember Robertson said she will want to discuss the potential uses for REET funds. She suggested the money should be used for quality of life items.

Councilmember Zahn said it is important for the City to position itself to be competitive. She said the federal bipartisan infrastructure package provides grant opportunities, especially for cities similar in size to Bellevue. Potential candidate projects for federal funding include the Vision Zero program and Mobility Implementation Plan. She suggested pursuing matching funds and other partnerships. Referring to the criteria for balancing the CIP Plan, Ms. Zahn said she wants to be sure that the City is considering sustainability and climate change impacts. She would like to identify more funding to accelerate the Vision Zero program.

Deputy Mayor Nieuwenhuis expressed support for the criteria presented for balancing the CIP Plan.

Councilmember Stokes expressed support for the criteria and encouraged a focus on the effectiveness of projects and services and how they add to the quality of life. Another important factor is how projects and programs impact economic development and continue to make Bellevue a great community.

Councilmember Lee said that partnerships are one of the best ways to leverage City dollars. He noted common goals related to the multimodal transportation system, technology investments (e.g., 5G and autonomous vehicles), environmental priorities and economic development.

Responding to Councilmember Barksdale regarding the use of the criteria in considering projects, Ms. Call said the criteria are not weighted but are generally applied to prioritizing the overall collection of projects. She said some funding sources are restricted to certain uses.

Michael Shiosaki, Director, Parks and Community Services Department, said that tonight's presentation regarding a parks levy strategy responds to the Council's adopted 2021-2023 priority to advance a parks funding strategy including the consideration of new funding sources for operations, maintenance and construction. He said staff is seeking Council feedback about whether to explore specific parks funding options and return to the Council with additional information.

Mr. Shiosaki said the use of City parks increased dramatically over the past two years as the park system provided places to safely gather and enjoy the outdoors during the pandemic. Bellevue's excellent park system is a result of setting a long-term vision and developing and implementing plans. Bellevue voters approved 10 ballot measures for parks between the 1950s and 2008. The most recent initiative was the parks and natural areas levy that was approved in 2008 and expires in 2028. Many notable projects have been funded including completing the circle and adding the northeast gateway project to the Downtown Park, redeveloping Surrey Downs Park, replacing the Bellevue Botanical Garden visitor center, building the new Bellevue Youth Theatre and acquiring property for the future Lake Sammamish neighborhood park. Mr. Shiosaki said that leveraging the levy dollars with private funding and other public grants has contributed to the success of the levy package and only two projects remain to be completed.

Mr. Shiosaki said the 2022 update to the Parks and Open Space System Plan is nearing completion. The six-year plan allows the City to be eligible for state and federal grants and is required for reaccreditation. The Parks and Community Services Board has reviewed the updated plan and developed its recommendations, which will be presented to the Council in the future. The update includes a review of Bellevue's community profile and future demographic trends as well as a review of the level of service provided by the network of neighborhood parks and trails. The update documents the progress in completing capital projects since the last plan update and reviews adopted citywide long-range plans and policy documents to ensure that the park plan is in alignment.

A key aspect of the process to update the Parks and Open Space System Plan is public engagement and input regarding priorities. Mr. Shiosaki said the City's public process included outreach to Boards and Commissions, neighborhood groups and community groups. Additional elements include publications, social media, surveys and online information on the Engaging Bellevue web site. Staff conducted targeted outreach to organizations and agencies serving historically marginalized communities.

Mr. Shiosaki said two surveys were completed to inform the plan update: 1) statistically valid resident survey (online and by phone) and 2) the online park user survey. There were 465 responses to the resident survey and 383 responses to the online survey. Mr. Shiosaki noted a table capturing the number of respondents by neighborhood. The survey data provides information regarding the usage of trails, parks, beaches, outdoor sports fields, playgrounds, off-leash dog areas, swimming pools and other facilities. It also provides data regarding the reasons for utilizing parks and recreation facilities (e.g., experiencing nature, spending time with family and friends, exercise, structured sports, community events and other purposes).

Continuing with the survey results, Mr. Shiosaki said the respondents were evenly split between those who say that the City should focus on developing and improving existing parks while the other half suggests that the City should be acquiring and developing new parks. The parks development priorities based on the surveys are trails through natural areas, paved or gravel trails, beaches/waterfront parks, unstructured play and picnic areas, display gardens, outdoor sports fields, swimming pools and indoor sports facilities or fitness center.

Mr. Shiosaki said public feedback indicated a number of themes, including that Bellevue parks are well maintained and important to the quality of life. Additional themes include protecting natural resources and open space, expanding trails, providing facilities in areas with few or no parks, designing parks facilities for gatherings, providing relevant facilities for diverse populations and preserving history and cultural resources.

Mr. Shiosaki highlighted the capital project needs by category: 1) open space, greenways, wildlife corridors and trails, 2) park facilities, 3) active recreation facilities, 4) urban park systems, 5) waterfront access, 6) partnership opportunities, and 7) historic, cultural and art resources. The 20-year capital needs reflected in the Parks and Open Space System Plan total \$500 million to \$880 million. The projected 20-year revenues total \$300 million.

Current funding sources include REET revenues, 2008 Parks and Natural Areas Levy, 2019 King County Parks Levy, user fees, grants, King County Conservation Futures tax, partnerships, donations and developer incentives and mitigation fees. Potential funding options going forward include voter-improved initiatives, real estate transactions (sale or swap of City-owned land), creation of a Metropolitan Park District, Councilmanic bonds, impact fees and new tax sources.

Mr. Shiosaki said that if the Council is interested in moving forward with a ballot measure for the November general election, the ballot language must be submitted by August 2.

Mayor Robinson acknowledged that the presentation is focused on capital needs. However, she said she has a concern that general public sports programs for children are disappearing and the majority of funding is going toward select sports programs. She would like to ensure there are programs for families who cannot afford and/or are not interested in select sports. Mr. Shiosaki said the City is not focused on select programs but is trying to provide a broad range of access to youth sports.

Responding to Mayor Robinson, Mr. Shiosaki said staff would like to consider whether to wait until the current parks levy expires in 2028 or to initiate a new ballot measure this year. He said staff can conduct an analysis and return with additional information. He said the two remaining projects in the current levy are Lake Sammamish Park and Airfield Park. He said the latter project is on hold as staff works on a new master plan that could include the aquatic center.

Councilmember Robertson noted that the purchasing power of 20-year levies diminishes over time and many cities are now approving 10-year levies. She said a new parks levy could be approved to retire the existing 2008 levy early. Ms. Robertson said that if that were to be done, she supports maintaining the two remaining projects in the new levy and adding new projects to the package, including the aquatic center. Ms. Robertson spoke in favor of developing a new

levy given the significant growth in the community, increasing land costs and increasing overall project costs. She suggested also considering an operations and maintenance levy, which could fund needed youth programs. Councilmember Robertson spoke in favor of moving forward with a new levy this year. She expressed an interest in discussing park impact fees for new development as well.

Councilmember Zahn noted that she has been the Council liaison to the Parks and Community Services Board over the past two years. She agreed with the need for more parks south of I-90. She expressed support for moving projects forward now as land and construction costs will continue to increase. She encouraged the City to be well positioned for opportunities. Ms. Zahn requested additional information regarding REET revenues and other existing parks funding. Referring to the list of potential levy projects, Ms. Zahn said she did not see the cross-cultural center or the Grand Connection lidded park. She suggested exploring the impacts of park operations related to climate change and encouraged a holistic review of all needs.

Deputy Mayor Nieuwenhuis expressed support for moving forward to consider a new capital levy as well as an operations and maintenance levy. He noted the critical need for a park in the Eastgate/Factoria area. He would like to see more information about retiring the existing levy as part of a new levy package.

Councilmember Stokes noted that he and Mayor Robinson served on the Parks and Community Services Board. Mr. Stokes spoke in favor of moving forward and concurred with the need for a park in Eastgate and other underserved areas. He concurred with Councilmember Robertson's suggestion to create a new levy that incorporates the remaining two park projects as well as new projects. He said there are many opportunities and needs related to Bellevue's continued growth.

Councilmember Lee noted that the City has data regarding park usage and the community's priorities. He suggested a focus on bringing people together. He recalled that he served on the City in a Park committee. He said that parks projects can take a long time to develop and he would like to move forward as quickly as possible. He wants to be sure that the levy includes the Council's priorities.

Councilmember Barksdale encouraged a focus on both park facilities and the community's experiences within the park and open space system. He said it is important to provide places for people to connect.

Mayor Robinson thanked staff for the presentation and noted that the Council will continue to discuss park priorities during the Council retreat in late March.

11. Land Use: None.
12. Other Ordinances, Resolutions, and Motions: None.
13. Unfinished Business: None.
14. New Business: None.

15. Executive Session: None.

16. Adjournment

At 8:35 p.m., Mayor Robinson declared the meeting adjourned.

Charmaine Arredondo, CMC
City Clerk

/kaw