

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

November 5, 2007
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Degginger, Deputy Mayor Chelminiak¹, and Councilmembers Balducci, Davidson, Lee, Marshall and Noble

ABSENT: None.

1. Executive Session

Mayor Degginger called the meeting to order at 6:00 p.m. and announced recess to Executive Session for approximately 30 minutes to discuss one item of pending litigation and one item of potential litigation.

At 6:19 p.m., the meeting reconvened with Mayor Degginger presiding.

2. Study Session

(a) Third Quarter Budget Monitoring Report

City Manager Steve Sarkozy opened staff's presentation of the Third Quarter Budget Monitoring Report. Finance Director Jan Hawn noted that the regional economy continues to grow, regional employment growth is higher than the national average, retail sales and B&O (business and occupation) tax collections are strong, and office vacancy rates remain low (5.4%).

Budget Manager Jonathan Swift provided the report. The General Fund completed the third quarter with resources \$2.3 million higher than budgeted, due primarily to B&O, sales, and cellular utility tax collections. General Fund expenditures were below budget.

Capital Investment Program (CIP) resources exceed the budget by \$8.6 million, and expenditures were under budget. Mr. Swift highlighted key capital projects including the Mercer Slough

¹ Deputy Mayor Chelminiak arrived at approximately 6:45 p.m. after representing the City before the King County Charter Review Commission.

Environmental Education Center, Crossroads Water Playground, NE 10th Street Extension, and the street overlay program.

Councilmember Davidson expressed concern that the City is using bonds for capital projects despite a surplus of resources in the CIP Fund.

Mr. Swift explained that a line of credit for CIP resources will be paid off next year. Staff had initially anticipated a need for an additional line of credit borrowing authority, but with some excess in resources that will not be necessary. Mr. Swift said the CIP budget model assumes that only about 85 percent of the budget will be expended, which provides for some flexibility over the seven-year CIP Plan.

(b) 2007-2008 Mid-Biennium Budget Presentations

(1) Overview of Budget Amendments

Ms. Hawn said that the 2007-2008 Mid-Biennium Budget update process includes a public hearing on November 19 and anticipates Council adoption on December 3. Adoption of the Budget requires approval of a Mid-Biennium Budget Update Ordinance, 2008 Pay Plans, 2008 Property Tax Levy, and Development Services Fees.

Mr. Swift referred Council to page SS 2-13 of the meeting packet for information on 2008 Budget amendments. The Budget reflects an increase in resources of \$9.8 million, including \$5.8 million that is not programmed. Expenditures increase by \$4 million due to higher personnel costs, NORCOM participation, and Development Services activities. The General Fund reflects the addition of 12.56 FTE staff positions, including the conversion of 7.56 limited term employees to full-time status. Other funds reflect the addition of 10 Development Services positions that are offset by fees.

General Fund investments are Police dispatchers, Service First personnel, the conversion of two Fire District 14 employees to City employees, the Environmental Stewardship Initiative, and a Rainy Day Reserve contribution.

Mr. Swift recalled that the City budgets on a cash basis and performs accounting on a modified accrual basis, thereby maintaining two sets of books. Staff recommends that the City discontinue this practice and change to a modified accrual approach for both budgeting and accounting. This will streamline administration of the budget and enable the transfer of \$8 million toward repaying City Hall debt service costs. Council will be asked on December 3 to extend the Finance Director's interfund borrowing authority from three months to six months.

Mr. Swift briefly reviewed the General Fund forecast, which reflects a continued strong economy and assumes the current services and resources mix, steady B&O and sales tax collections, lower growth in health benefits costs and asset replacement, and involvement with the new NORCOM (North/East King County Communications) agency. The General Fund surplus of \$5.8 million in 2008 is projected to increase to \$7.6 million by 2014. Turning to the

CIP Fund, Mr. Swift noted an increase of \$5 million in resources in 2008 which staff proposes allocating to the Council Contingency.

Ms. Hawn reviewed key investments previously approved in the 2007-2008 Operating Budget:

- 8 Fire/EMS staff for an aid car south of I-90,
- 2 positions to support Fire services (funded in the Advanced Life Support levy),
- 2 Parks Maintenance positions, and
- Additional funding for economic development and human services.

Capital funding reflects \$26 million toward new mobility projects, \$32 million for new parks and community livability projects, \$33 million for downtown projects, \$16 million toward neighborhoods and cultural arts, and \$1.6 million toward public safety activities. Bellevue's property tax rate continues to decline, and the 2008 level will be approximately 93 cents per \$1,000 of assessed valuation.

Ms. Hawn reviewed that the Mid-biennium Budget proposal includes investments in Service First and dispatch staffing using mostly the existing budget, fee-supported Development Services positions, environmental initiatives, the Rainy Day Reserve (\$0.9 million), and the prepayment of \$8 million in debt (with approval of the change in budget method). This leaves \$5.8 million in unallocated resources in the operating budget. The proposed CIP budget allocates \$5 million in 2008 resources to the Council Contingency Fund and reflects no additional capital investments.

Noting excess resources, Dr. Davidson suggested considering a decrease in utility tax rates. He asked staff to prepare a model estimating the impact of a tax decrease.

Councilmember Balducci noted the difficulty of explaining to citizens that the City is experiencing excess resources yet proposes tax increases.

Responding to Ms. Balducci regarding staffing, Ms. Hawn said Fire District 14 will reimburse the City on an ongoing basis for the two positions to be transferred to City employment.

Councilmember Lee said he is pleased with Bellevue's low property tax rate.

Councilmember Noble expressed concern regarding the perception by some that public safety is underfunded and that some Police personnel are purchasing their own weapons. Mr. Sarkozy said that the type and level of weapons and equipment to be used by Police personnel is determined by the Police Chief and the command staff.

Major Bruce Vestal explained that patrol rifles and shotguns are issued for specific officers. Chief Montgomery authorized officers not in these designated categories to purchase their own patrol rifles, however, if desired. The weapons must be inspected and proven to comply with the Police Department's standards. Major Vestal noted that ammunition is currently difficult to acquire due to the Iraq war.

Councilmember Marshall expressed support for considering a decrease in utility tax rates. She noted the increase in utilities-related claims against the City, however, and encouraged an increase in repair and replacement reserve resources as well.

(2) Development Services Presentation

Mike Brennan, Deputy Director of Development Services, reviewed the significant increase in development activity since 1996 and highlighted the current major projects. As a result, the Development Services' workload has increased.

Mr. Brennan reviewed a proposal to add 13 FTE positions as follows:

- 4 Building inspectors,
- 2 Building plans examiners,
- 1 Fire inspector,
- 1 Utilities inspector,
- 1 Land use planner,
- 1 Utilities reviewer,
- 1 Right-of-Way Technician,
- 1 Transportation inspector, and
- 1 Training Coordinator.

Near-term needs will be addressed through the continued use of consultant contracts for inspection and plan review services. However, the staffing strategy is needed to keep pace with development, reduce the reliance on consultants, and to implement a training and professional development program. Mr. Brennan described data indicating a production level for staff after 12 months of employment that is 30-50 percent below the levels of more experienced employees. He feels training will provide a significant return on the investment of hiring new staff. Training and mentoring will help ensure that the knowledge and expertise of more experienced staff will be passed on to those with less experience.

Joe Guinasso, Administrative Services Director, described a proposal to increase hourly development fee rates by 3.2 to 3.7 percent for Land Use review, Transportation review and inspection, Fire review and inspection, and Utilities review and inspection. Staff proposes an update to the building valuation data (BVD) table published by the International Code Council (ICC) to reflect the change in construction valuation, which is used to determine permit fees for new buildings. Staff proposes an increase in building review and inspection fees of 3.3 percent based on the CPI-W.

Mr. Brennan explained that the proposal will be brought back for Council action as part of the Mid-Biennium Budget package.

Noting the cyclical nature of development activity, Councilmember Davidson questioned the rationale for converting LTE positions to FTE positions. Mr. Brennan said it is difficult to be

competitive in hiring inspectors on a limited term basis due to the current demand for building and construction inspectors.

Responding to Councilmember Noble, Mr. Brennan clarified that staff is looking for Council direction regarding the staffing and fee proposal, before incorporating it into the 2007-2008 Mid-Biennium Budget to be presented for Council action on December 3.

Councilmember Balducci expressed support for the proposed staff training position. Mayor Degginger concurred, noting that one objective of the restructuring of Development Services was to enhance staff cross-training.

Responding to Deputy Mayor Chelminiak, Mr. Brennan said it has been difficult to fill building inspector positions for the past couple of years. However, all except for two are currently filled.

Mayor Degginger expressed concern regarding fees for tree cutting, and suggested a maximum dollar amount be established for tree cutting and removal.

Land Use Director Carol Helland explained that tree-related permit requirements and fees are typically related to tree removal in sensitive/critical areas. The average permit fee for these cases, which involve SEPA (State Environmental Protection Act) review, is approximately \$500 for four hours of staff time.

Ms. Helland commented that if a fixed fee approach is desired by Council, she recommends a fixed fee for routine permits but a higher fee for Code violations/enforcement actions.

Mayor Degginger concurred with Ms. Helland and, noting general Council consensus, requested further analysis of the recommended approach.

3. Council Business [Regular Session Agenda Item 6]

Councilmember Marshall encouraged everyone to vote.

Dr. Davidson attended the Environmental Services Commission meeting.

Mr. Noble attended the King County Committee to End Homelessness Board meeting.

Ms. Balducci attended meetings of the Wrap-Around Services Steering Committee, Light Rail Best Practices Committee, and the Transportation Commission.

Mr. Chelminiak attended meetings of the Bellevue Probation Advisory Board and the Puget Sound Regional Council (PSRC) Growth Management Policy Board. He noted that residents are interested in planning for the development of Surrey Downs Park, and several have contacted him to discuss plans for the park.

Mr. Lee attended the Regional Transit Committee meeting as well as a workshop at City Hall on small international businesses. He commended the Fire Department for an immediate response to his home for a family medical emergency.

Mayor Degginger attended the Greater Seattle Chamber of Commerce leadership conference and the U.S. Mayors Conference on Climate Change.

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

Myrna L. Basich
City Clerk

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