

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

October 6, 2003
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Degginger, and Councilmembers Creighton, Davidson, Lee, Mosher, and Noble

ABSENT: None.

1. Executive Session

Deputy Mayor Degginger opened the meeting at 6:00 p.m. and announced recess to Executive Session for approximately 1 hour and 15 minutes to discuss one item of pending litigation and one item of potential litigation.

The Study Session resumed at 7:25 p.m. with Mayor Marshall presiding.

2. Study Session

(a) Utilities Department Accreditation Project

City Manager Steve Sarkozy opened discussion regarding the efforts of the Utilities Department to become accredited by the American Public Works Association (APWA). Utilities Director Lloyd Warren noted that Brad Miyake, Utilities Assistant Director, and Pam Maloney, Utilities Planning Manager, have been leading the accreditation process since 2002.

Mr. Miyake explained that the APWA is an international professional association with 26,000 public works organization members. Accreditation is recognition that an agency's policies, procedures, and practices meet international industry standards of excellence. Only 12 agencies have achieved APWA accreditation since the program's inception in 1996, and 35 agencies are currently pursuing accreditation. The benefits of accreditation include: 1) apprising the public, elected officials, and management of how effectively and efficiently the Utilities Department is managed, 2) bringing business practices in line with standards for high-performing organizations, and 3) reinforcing and clarifying existing policies and practices for all staff.

Mr. Miyake said the following business lines were evaluated throughout the accreditation process: water, wastewater, storm and surface water, solid waste, fleet and communications management, and streets maintenance. Support service functions were evaluated as well including human resources, finance/budgeting, and files access/data security. The Utilities

Department's application was submitted in February 2002 and the self assessment was completed in September 2003. Upcoming steps are the improvement phase, beginning this month and an evaluation phase scheduled for the first quarter of 2004. The evaluation phase consists of an independent peer review by a team of APWA member representatives. Accreditation is anticipated in the second quarter of 2004.

Mr. Miyake explained that the self assessment evaluated more than 350 business practices. The Utilities Department was found to be in compliance with 93 percent of the items, while 7 percent of the practices required changes. The APWA requires agencies seeking accreditation to share the results of the self assessment with the elected body and citizens. A report on the self assessment results is provided beginning on page SS 2-3 of the Council packet.

Responding to Mr. Mosher, Ms. Maloney said the 12 accredited agencies include public works departments and water/sewer districts. Coquitlam, British Columbia, and Costa County, California are the only West Coast agencies to achieve accreditation to date. Mr. Mosher commended staff's efforts.

Mr. Lee asked for examples of practices within the Utilities Department requiring changes based on the self assessment. Mr. Miyake noted the accreditation requirement for a strategic plan and said the department has a strategic plan but it has not been updated in several years. Additional examples include improvements to minor systems, inventory requirements, and the documentation of all existing practices.

Mr. Creighton congratulated staff for their self assessment efforts and the upcoming peer review. Mr. Noble concurred and feels there is great benefit in comparing the City's practices to other jurisdictions. Responding to Mr. Noble, Mr. Miyake said accreditation requires full or substantial compliance with all relevant practices.

Responding to Mayor Marshall, Mr. Miyake said the benefit of accreditation for citizens will be improved delivery of services and lower rate increases through efficiency measures.

Dr. Davidson commended staff for the accreditation efforts. He noted that four City departments are currently pursuing accreditation or re-accreditation by national organizations and thanked the City Manager for this direction.

Mr. Sarkozy said the four departments are Police, Parks, Emergency Communications, and Utilities. He thanked staff for adding this to their regular workload and characterized the accreditation assessments as operational readiness tests.

(b) Capital Investment Program (CIP) Line of Credit

Finance Director Jan Hawn introduced a presentation on cash flow borrowing for the 2003-2009 General Capital Investment Program (CIP) Plan.

Finance Assistant Director Joe Guinasso recalled that the 2003-2009 CIP Plan was adopted on December 2, 2002. As with previous CIP Plans, the majority of expenditures are programmed

within the first three years of the seven-year plan. Expenditures, including key transportation and parks projects as well as the Finance/Human Resources new Enterprise Resource Planning (ERP) system, exceed resources during the first three years of the plan.

Mr. Guinasso noted the City has not engaged in CIP borrowing since 1990. He explained staff's goal to accelerate projects to take advantage of the current low interest rates and favorable bidding climate. Approximately 30 transportation construction contracts have been awarded over the past 18 months, averaging 8 percent below the Engineer's Estimates and therefore saving nearly \$2.8 million. Similarly, two recent park acquisitions were completed for \$425,000 below the appraised property values.

Mr. Guinasso said staff recommends establishing a \$35 million line of credit for a five-year term to provide cash flow borrowing for the CIP Plan. The interest rate is estimated at 1.64 percent annually, and total 2003-2004 borrowing costs are estimated at \$525,000. Council authorization of the line of credit is requested on October 13. If approved, the 2003-2009 CIP Plan will be revised to reflect borrowing costs during the mid-biennium budget update later this year.

Dr. Davidson would like to schedule a Council discussion of overall CIP policies. Responding to Dr. Davidson, Ms. Hawn said the line of credit borrowing should not affect the City's favorable bond rating.

Mayor Marshall commented that borrowing appears to make sense because overall project costs will be lower if projects are accelerated. Mr. Sarkozy noted the alternative of deferring some projects to alleviate the need for borrowing. Mr. Mosher supports the line of credit proposal in order to take advantage of low interest rates and a favorable bidding climate.

Responding to Mr. Creighton, Mr. Guinasso said CIP expenditures are expected to exceed revenues over the next two years by \$35 million, which is the recommended line of credit amount. In further response, Mr. Guinasso explained that the City's debt capacity is restricted by state law to 1.5 percent of its assessed value. The City's policy is more conservative and restricts debt to one percent of the assessed value. Although borrowing is proposed for the new City building redevelopment project, the City's debt capacity will still remain under this threshold.

At 8:03 p.m., Mayor Marshall declared recess to the Regular Session. She indicated that discussion of the last item will continue in the Regular Session under Agenda Item 12, Unfinished Business.

Myrna L. Basich
City Clerk

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