

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session
Special Meeting – Budget Discussion

November 29, 2006
6:00 p.m.

Council Conference Room
Bellevue, Washington

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

ABSENT: None.

1. Oral Communications

Mayor Degginger called the meeting to order at 6:00 p.m.

- (a) Keith Baldwin, Bellevue Arts Museum, expressed support for the property tax flat levy to fund capital projects and contribute to arts and cultural organizations including BAM, KidsQuest Museum, and PACE (Performing Arts Center Eastside). He requested continued support of BAM's operating expenses and endowment
- (b) Angela Sutter, BAM, described the role of the museum in the public interest. BAM provides educational programs that benefit in the same way as libraries and schools. Museums provide gathering places for citizens to spend time with friends, and weddings have even been held at the museum. Last year the museum had 90,000 visitors to view 16 exhibitions. BAM is currently featured on the cover of American Craft magazine with a large inside story. Ms. Sutter reviewed specific programs and events held at BAM.
- (c) Putter Bert, Executive Director of KidsQuest Museum, requested support of the museum in the City's budget.
- (d) Molly Lambright, Board Member for KidsQuest Museum, requested financial support to help expand the museum.
- (e) Bruce Ansell, President of Bellevue Firefighters Local 1604, said the union appreciates individual meetings Councilmembers have had with them to discuss concerns about staffing and service levels. He thanked the Council for granting a request for new firefighters to staff an aid car in South Bellevue, which in conjunction with internal

policy changes will result in meaningful and measurable improvements in response times citywide. He noted additional requests of the City Manager and Council including restoration of the reduced staffing at Fire Station 3, future dedicated truck companies, and ultimately a downtown fire station. Mr. Ansell said information regarding Central Business District response issues has been distributed to the Council. He asked for Council's support in funding service level needs, which will continue to increase with downtown development and anticipated redevelopment of the Bel-Red corridor.

2. Study Session

(a) Continued Discussion of 2007-2008 Operating Budget and 2007-2013 Capital Investment Program (CIP) Plan

City Manager Steve Sarkozy opened discussion of continued Budget and Capital Investment Program (CIP) Plan deliberations. Tonight's meeting is requesting Council direction on:

- Proposed 2007-2008 Operating Budget,
- Proposed 2007-2013 CIP Plan,
- The use of \$12 million in the Council Contingency Fund,
- Supplemental funding in the CIP Plan, and
- Specific capital projects to be funded.

Mr. Sarkozy reviewed the three funding proposals for additional human services requests presented previously to Council. These involve a reduction in the maintenance and operations (M&O) inflationary increase and one of the following:

1. Redirecting the LEOFF I medical contribution, or
2. Establishing an endowment/trust and utilizing the interest earnings, or
3. Diverting money currently allocated for pothole patching to human services.

Mr. Sarkozy acknowledged that additional options can be considered as well.

Councilmember Davidson noted expenditures below budget and an over-collection of revenues, and he asked if some of this money could be applied to the human services request.

Finance Director Jan Hawn explained that the over-collection of revenue and reductions in expenditure are built into the financial forecast to accommodate the fund balance to be carried forward. The funds have been utilized to balance the 2007-2008 Preliminary Budget.

Councilmember Lee said he is comfortable with using the planned LEOFF I contribution, given how well the program has been funded in recent years. He also supports the concept for creating a human services endowment or trust if a viable option.

- ☉ Councilmember Lee moved to utilize the options to reduce maintenance and operations (M&O) inflationary increases and to redirect LEOFF I contributions to human services. Mr. Noble seconded the motion.

Responding to Councilmember Marshall, Budget Manager Jonathan Swift said \$64,000 annually (\$128,000 for the 2007-2008 Budget) is allocated to the pothole patching program. He clarified that the human services request totals \$477,600 for the two-year budget.

Councilmember Balducci reiterated her concern about redirecting funds from the LEOFF I medical contribution. She had anticipated that staff would identify additional funding options since the previous Council discussion. Ms. Balducci noted that Bellevue is one of the few cities that has made a strong effort to fund its LEOFF I liability, with contributions totaling \$17 million to date. She said the Association of Washington Cities (AWC) will be lobbying during the upcoming legislative session for additional state funding for the LEOFF I program. She feels not making a contribution at this time could weaken the argument for obtaining state funding. Ms. Balducci will not support the motion. She would prefer to utilize reserves or the Council Contingency Fund.

Deputy Mayor Chelminiak clarified that money for pothole patching be allocated from the \$20 million in 2007-2008 CIP expenditures related to transportation maintenance and minor capital items, or from the \$20 million in 2007-2008 dedicated to roadways. Mr. Sarkozy explained staff's interest in restoring funding for pothole patching that was eliminated in recent years to reduce expenditures.

Mr. Chelminiak stated his understanding that if funds for pothole patching were redirected to human services and the M&O inflation increase is reduced, potholes could still be patched through other funding and additional human services funding requests would be met for 2007.

☞ As a substitute motion, Deputy Mayor Chelminiak moved to utilize the options to reduce maintenance and operations (M&O) inflationary increases and to redirect pothole patching allocations to human services. Mr. Noble seconded the motion.

Mr. Noble feels that using the 2007-2008 LEOFF I contribution of approximately \$200,000 for human services during the next budget cycle is relatively insignificant compared to the overall LEOFF I fund of \$17 million. However, he is open to any of the funding options. He noted an option previously discussed to use \$200,000 designated to the economic development program, which has not yet been reviewed or adopted by the Council.

Mr. Sarkozy said he recommended eliminating the use of economic development funds because the program is important to the economic vitality of the City.

→ As a friendly amendment, Mayor Degginger suggested the City Manager be directed to find \$130,000 to close gap from the 14 departments to help fund the shortfall, instead of using LEOFF I funds. Mr. Lee accepted the friendly amendment, and Mr. Chelminiak seconded.

Mr. Sarkozy noted he was standing on the principle that no new program be added unless a specific source of funding is identified. Mayor Degginger indicated the Council's desire to provide additional human services funding.

- ☉ The motion to utilize the option to reduce maintenance and operations (M&O) inflationary increases and to direct the City Manager to find \$130,000 from its budget to help fund additional human services requests carried by a vote of 7-0.

Mr. Sarkozy reviewed Council action items scheduled for December 11:

- 2007-2008 Budget,
- 2007-2013 CIP Plan,
- 2007 Pay Plans,
- 2007 Property Tax Levy,
- Utility rates, and
- Development Services fees.

Mr. Sarkozy asked staff to present new information regarding the 2007 property tax rate. Ms. Hawn said the latest information from King County indicates that the 2007 rate will be \$1.02 per \$1,000 assessed valuation. Mr. Swift said assessed values increased 10.2% within the year; 75% was due to regular valuation and the remainder was from new construction.

Mr. Sarkozy moved on to discuss the CIP Plan. He asked staff to provide a brief presentation on transportation elements.

Kris Liljebblad, Assistant Director of Transportation, reviewed key concepts and projects identified in the Downtown Implementation Plan (DIP) update process two to three years ago:

- Freeway improvements serving downtown (Braided ramps to SR 520 and NE 12th Street bridge replacement; added capacity on I-405; construction of NE 10th Street extension/overpass; NE 2nd Street overpass and ramps; and NE 6th Street HOV extension to 116th Avenue).
- Arterial street improvements.
- Eastside Light Rail through downtown.
- Pedestrian and bicycle facilities.
- Enhancement of the NE 6th Street Pedestrian Corridor.
- Establishment of a downtown circulator.

Mr. Liljebblad explained that some transportation projects are funded at this time but significant additional funds are needed as well.

Dan Stroh, Planning Director, described how the Pedestrian Corridor is a key organizing element and the main east-west connection through the downtown. Development of a vision for the Pedestrian Corridor will consider design guidelines, relationship to light rail and transit circulator, people-mover technology, connections to Meydenbauer Bay and Downtown Park, the future of the Metro site along the corridor (the only vacant downtown site), and expansion of Compass Plaza.

Staff is currently building a 3D computer model to explore design alternatives for the Pedestrian Corridor. A minor study by Parametrix is examining light rail and people-mover design issues.

Initial grant funding will help to rebuild kiosks and place pedestrian maps and signage. A CIP package totaling \$1.85 million studies initial implementation of the vision for the corridor including light rail planning, a connection to Meydenbauer Bay, acquisition of the Metro site, and a public art program. More funding will be needed to complete the project in phases.

Responding to Councilmember Lee, Mr. Stroh said the DIP includes fairly high travel mode split assumptions in order to maintain vehicular circulation. Meeting the mode split target relies on both conventional transit and high capacity transit. Mr. Stroh confirmed staff's goal to ensure the implementation of light rail does not interfere with vehicular traffic flow. Mr. Lee said it is important to maintain pedestrian circulation as well, possibly using sky bridges and/or underground tunnels.

Dr. Davidson is not completely comfortable with the one-way couplet concept recommended in the DIP Update. He feels there should be more Council discussion about this proposal. Mr. Sarkozy said staff will resume discussion of the idea as part of the initial design phase. Staff will present the design proposal at that time and lead a discussion of the benefits and tradeoffs.

Responding to Mr. Noble, Mr. Stroh said the \$2 million associated with proposed CIP project CD-19 was initially targeted for other items (e.g., green streets, mid-block crossings). However, staff now recommends using the money to enhance the Pedestrian Corridor and explore people mover ideas.

Mayor Degginger noted the importance of connecting downtown's emerging retail districts to each other.

Responding to Councilmember Balducci, Mr. Liljeblad said staff is proceeding with the Great Streets project, which currently has approximately \$100,000 in funding. Mr. Stroh said design guidelines will be published to encourage further private investment in Great Streets features.

Responding to Councilmember Marshall, Mayor Degginger agreed to move on to the overall CIP Plan. Mrs. Marshall supports the CIP Plan but would like to provide additional funding from the Council Contingency Fund for West Lake Sammamish Parkway improvements, Bellevue Challenge Grant program (Parks), and purchasing the Metro site.

Mayor Degginger said the County Executive has indicated to him twice that King County/Metro is not interested in selling its site to the City of Bellevue. The County wants to be involved in development of the site. He questioned whether the money allocated to purchasing the site should continue to be retained as a placeholder.

Mrs. Marshall would like to continue holding the funds, and possibly allocating more, because she would like to purchase the site.

Dr. Davidson is uncomfortable with the Shorelines Update, Critical Areas Handbook, and geo-mapping as CIP items because these are activities that formerly were funded in the operating budget.

Deputy Mayor Chelminiak concurred with Councilmember Marshall regarding her recommendation for additional funding to challenge grants for Parks facilities and programs, whether the money comes from the Council Contingency Fund or another source.

Dr. Davidson suggested discussion regarding the process and criteria to guide the Council in making funding allocations.

Mayor Degginger concurred. He suggested completing discussion about the CIP Plan and Council Contingency Fund, and then moving to the topic mentioned by Dr. Davidson.

Ms. Balducci supports the CIP package proposed by the City Manager and staff.

- Councilmember Marshall moved to accept the Capital Investment Program (CIP) Plan, including the new NE 6th Corridor/People Mover Vision package (\$1.85 million) presented by staff this evening. Councilmember Balducci seconded the motion.

Responding to Deputy Mayor Chelminiak, Mayor Degginger confirmed that Council is not formally adopting the CIP Plan at this time but is expressing a general consensus in support of the plan and agreement to move forward to discuss other items.

- The motion to accept the Capital Investment Program (CIP) Plan, including the new NE 6th Corridor/People Mover Vision package (\$1.85 million) presented by staff this evening, carried by a vote of 7-0.

Mayor Degginger moved to a discussion of the Council Contingency Fund.

Mr. Sarkozy explained that the fund currently contains approximately \$10 million. It will have an estimated \$12 million by the end of 2008. Two possible uses proposed for the funds are BAM (Bellevue Arts Museum) and PACE (Performing Arts Center Eastside), which are the largest budget requests from the public. Mr. Sarkozy said guidelines for allocating funds should be developed before making a decision on the requests. The City is prohibited from gifting money and must receive something tangible in return. Council and staff must additionally develop a sustainable long-term financial model with strong private sector financial commitment, clearly define the public benefit to be achieved by the investment, and provide for City involvement in financial oversight.

Funds must be used for investment in a facility and cannot be used to support fundraising activities. Mr. Sarkozy suggested identifying a placeholder in the budget to allow continued discussion and analysis. The following items have been identified as potential items to be funded using the Council Contingency Fund:

- *Transit Now* Partnership/Circulator - \$1 million,
- Human Services Endowment/Trust - \$2.3 million,
- District Court Start-up Costs - \$0.5 million,
- Cultural Arts - \$4 million,
- Downtown Fire Station - \$1 million,
- Restore Challenge Grant program funding - \$2.2 million,

- Property Acquisition - \$1 million.

Responding to Councilmember Balducci, Mr. Sarkozy said the \$1 million identified for a transit and/or downtown circulator partnership would likely be matched, and potentially supplemented, by the *Transit Now* funding package. In further response, Mr. Sarkozy said it is possible a downtown fire station could be collocated within another facility. Staffing is estimated at approximately \$2 million annually.

Mr. Lee questioned whether and how future funding would be identified for the potential budget items after initial funding is provided from the Council Contingency Fund. Mr. Sarkozy briefly reviewed how much the funds would achieve for some of the items and confirmed that financial sustainability for each is an important criteria in funding decisions.

Responding to Councilmember Noble, Parks and Community Services Director Patrick Foran said requests from BAM and PACE are outside of the scale and scope of the City's Challenge Grant program, which includes projects such as the renovation of Ivanhoe Bellevue Youth Theatre, construction of Bellevue Botanical Garden's visitors center, and the Crossroads water play area. These programs have a formal relationship with the City through memorandums of understanding (MOUs) and typically have conducted fundraising efforts. In further response to Mr. Noble, Mr. Foran said the Parks Department has an ongoing relationship with BAM to produce educational programs.

Councilmember Marshall suggested placing the Human Services Endowment/Trust in the Supplemental CIP Plan. She supports the remaining proposals suggested for funding from the Council Contingency Fund. Mrs. Marshall is in favor of allocating \$4 million to BAM and PACE. In addition, she suggested the creation of a Cultural Arts Endowment Fund in the Supplemental CIP Plan for ongoing support.

Deputy Mayor Chelminiak noted that current Human Services requests have been funded in the operating budget and should continue to be funded in this way. He feels that more than \$0.5 million should be allocated to court start-up costs. Mr. Chelminiak suggested exploring a partnership with BAM for administering the public art program. He further suggested more funding toward a downtown fire station.

Ms. Balducci supports funding the *Transit Now* partnership, court start-up costs, cultural arts, a downtown fire station, and challenge grants. She noted ongoing requests for neighborhood enhancements projects including a sidewalk/walkway in the Somerset area and improvements to Lake Hills Boulevard.

Mr. Lee prefers to spend money on projects that can be completed. He expressed support for a downtown fire station, increased Challenge Grant funding, court planning costs, and a transit circulator.

Responding to Mr. Lee, Mr. Sarkozy said the suggested allocation of \$4 million to cultural arts is a placeholder pending discussions with arts organizations in the community that have made requests for funding.

Mr. Foran clarified the process to date regarding Challenge Grant funding. After the Parks and Community Services Board submitted its initial budget recommendations to the Council, overall CIP Plan resources were lowered, including a reduction of \$1 million from the Parks CIP Plan. At that time, the Mercer Slough Environmental Education Center project was recosted and costs had increased significantly. To avoid losing \$3 million in HUD grant funds, the Parks Board moved \$1 million from the Challenge Grant program to the Mercer Slough project.

Mr. Foran responded to additional questions of clarification regarding grants and partnerships for requested facilities including an indoor aquatic center. Initial funding is utilized to conduct feasibility studies, followed by continuing discussions with Council.

Mayor Degginger summarized Council support for the *Transit Now* partnership/circulator, District Court start-up costs, and a downtown fire station.

Mrs. Marshall requested consideration of allocating the \$2.3 million proposed for a Human Services Endowment/Trust to other items including neighborhood enhancement projects (e.g., sidewalks, walkways), as suggested by Ms. Balducci. Mrs. Marshall feels neighborhood projects are important to balance investments in the downtown.

Deputy Mayor Chelminiak described his interest in neighborhood livability projects, including sidewalks, as well. David Berg, Transportation, confirmed that a sidewalk project on 152nd Avenue SE, serving Eastgate Elementary School, is in the proposed CIP Plan. He favors funding more sidewalk projects, perhaps with Supplemental CIP allocations.

Councilmember Lee supports funding for sidewalks and other neighborhood amenities. He suggested financial support for community services to promote cultural diversity, which could include cooperative efforts with BAM.

Mayor Degginger confirmed Council consensus supporting Challenge Grant funding, in addition to the items noted above. He suggested taking a short break.

The meeting resumed and Mayor Degginger summarized the items with general Council support:

- *Transit Now* partnership/circulator (\$1 million),
- District Court start-up costs (\$0.5 million),
- Downtown fire station (\$1 million),
- Challenge Grant funding (\$2.4 million).

Mrs. Marshall noted that the \$2.3 million suggested for a Human Services Endowment reduces to \$2.1 million with the transfer of \$0.2 million to Challenge Grant funding. She reiterated her suggestion to use the \$2.1 million for other items at this time, pending future discussions of human services funding. She suggested moving the \$1 million proposed for property acquisition to the Challenge Grant program, with the idea of obtaining funds for property acquisition through a future parks bond measure. Mrs. Marshall would like to see Challenge Grant funding of \$500,000 allocated to the KidsQuest Museum.

Mr. Lee concurred with moving additional funds to the Challenge Grant program and providing funding to the KidsQuest Museum. Mr. Chelminiak supports the suggestion as well.

Dr. Davidson commented that if the Council wants to support KidsQuest, a direct allocation should be made rather than subjecting the museum to the process of applying for a challenge grant. Mrs. Marshall would support that approach and feels the museum is a community benefit. However, she noted the need for further review and analysis of the museum's operations and public benefit because the City cannot make a gift of public funds.

Following brief Council discussion, Mrs. Marshall suggested an alternative approach of moving \$500,000 of the property acquisition figure to the Challenge Grant program and \$500,00 to Cultural Arts to support BAM, PACE, and KidsQuest. Councilmembers concurred with this approach, but were not prepared to specify funding amounts at this time.

Mrs. Marshall feels funding to arts organizations should be based on them demonstrating long-term financial models, perhaps through endowment funds.

In terms of financial principles to be used as criteria in determining cultural arts funding, Deputy Mayor Chelminiak noted that money from the Council Contingency Fund should be considered as one-time funding. He feels the City has a responsibility as stewards of BAM because it has previously invested money in the museum. However, he does not see the financial feasibility of continuing with an ongoing subsidy.

Mr. Chelminiak acknowledged BAM's educational role within the community, which he feels can draw people to the museum and encourage further private financial support. He noted this could be considered as one principle on which to base funding decisions. He suggested further exploration of alternative models for helping arts organizations to become self-sustaining.

Mayor Degginger explained that Council has developed a cultural plan for the community. While it encourages cultural and arts activities, it does not commit to funding as an ongoing City responsibility.

Mr. Noble agrees with the principle requiring arts organizations to have a financial plan for sustainability, whether through an endowment or other mechanism.

Dr. Davidson feels specific funding allocations to arts groups should be deferred. Mr. Degginger suggested a decision principle to address the timing of allocations.

Mr. Lee reiterated his interest in funding organizations reflecting cultural diversity.

Responding to Mr. Lee, Transportation Director Goran Sparrman said King County requires a minimum investment from the City of \$200,000 annually (over five years) to work toward implementing a transit circulator in downtown Bellevue.

Mayor Degginger noted general support for using the proposed property acquisition funds to increase Cultural Arts funding by \$500,000, but to wait to make specific funding decisions, and to increase Challenge Grant funding by \$500,000.

Mr. Sarkozy reminded Council that an additional amount of up to \$2 million will be available in the Council Contingency Fund through 2008, if Council wishes to consider allocating that now.

Deputy Mayor Chelminiak suggested adding \$500,000 to the downtown fire station, \$500,000 to court start-up costs, and utilizing remaining funds for neighborhood projects.

Councilmember Balducci prefers to designate the funds mentioned by Mr. Chelminiak to neighborhood sidewalk projects. Decision criteria to be applied to these projects include consistency with the City's Pedestrian/Bicycle Plan, community support for project, a priority on safe school routes, and recommendations from the Transportation Commission regarding proposed projects.

Mrs. Marshall spoke in support of funding the requested Somerset sidewalk project, and then allowing the Transportation Commission to prioritize remaining projects.

Mr. Noble feels one advantage of funding neighborhood projects is that these smaller projects can be completed, while other items discussed tonight will just get started with the proposed funding levels.

Mayor Degginger suggested retaining approximately \$2 million of the Council Contingency Fund for unanticipated needs and proposals. However, he also supports increased funding for sidewalk projects.

Mayor Degginger requested Council direction regarding Ms. Balducci's and Mr. Chelminiak's proposals for spending the additional \$2 million, and his own proposal for saving the money. Four Councilmembers indicated support for saving the money at this time for unanticipated needs and opportunities.

Moving on, Mr. Sarkozy introduced discussion about whether to provide Supplemental CIP funding. He noted that 18 percent of General CIP funding goes to maintenance and operations (M&O) costs, which is a sound practice for maintaining capital facilities. However, alternative funding for M&O costs would free up money for more capital needs.

One funding alternative previously presented to Council is a flat levy in which the City would not decrease annual property tax rates, as has been done for several years, in order to collect more revenue. Mr. Sarkozy reviewed the levy scenarios. A 100% flat levy would result in a bondable amount of \$122 million, and a 50% flat levy would result in a bondable amount of \$61 million.

Budget Manager Jonathan Swift responded to questions of clarification regarding the flat levy. Under the 50% flat levy, the City would never use its entire banked property tax capacity.

Mr. Sarkozy noted a list of unmet capital needs totaling approximately \$490 million, which have been previously presented to Council. Items in the downtown include major property acquisitions for parks properties, transportation projects, development of Ashwood Park, and further development of Downtown Park. Community livability projects include sidewalks,

development of Coal Creek park property (acquired from King County), Mercer Slough Environmental Education Center, and development of the Boeing/Eastgate site acquired by the City. Major street projects include the 120th Avenue realignment, extension of NE 10th Street, and West Lake Sammamish Parkway improvements.

Mr. Sarkozy noted that many more projects are on the list of unmet capital needs. Staff has developed the following principles or criteria for selecting projects for funding:

- Sustains the community's economic vitality.
- Captures current opportunities (e.g., partnerships involving private funding).
- Invests in community livability.
- Leverages funds or other investments.
- Provides transformational and/or innovative benefits.
- Links to other high priority projects.

Councilmember Lee suggested giving priority to long-term projects that are consistent with the City's long-term plans within each category (i.e., transportation, neighborhood projects).

- ➡ At 9:52 p.m., Deputy Mayor Chelminiak moved to extend the meeting by two hours until midnight, and Mrs. Marshall seconded the motion.
- ➡ The motion to extend the meeting by two hours until midnight carried by a vote of 6-1, with Dr. Davidson opposed.

Councilmember Marshall suggested focusing on the issue of whether to implement the flat levy, and if so, to defer project prioritization until the Council Retreat in early 2007. She supports the 100% flat levy proposal, noting that Bellevue has the lowest property tax rate in the state.

Dr. Davidson feels decisions on specific priorities should first be made in order to determine the amount of additional funding needed.

Deputy Mayor Chelminiak noted that the average homeowner would pay \$10 to \$13 more annually with the 100% flat levy. At most, a Bellevue homeowner would pay \$35 more per year. He clarified that Bellevue's property tax is a small percentage of citizens' overall property taxes.

Mayor Degginger encouraged investments focused on fulfilling the City's land use vision and Comprehensive Plan's goal to concentrate new growth in the downtown and preserve single-family neighborhoods. Maintaining vehicular and pedestrian circulation within and to and from the downtown is critical to ensuring economic vitality. Mr. Degginger noted the importance of parks and neighborhood connections/walkways to residents.

Mrs. Marshall noted that human services are important to the community's economic vitality. She supports transformational projects including arts and cultural facilities and activities.

Deputy Mayor Chelminiak expressed support for Mayor Degginger's suggestion to prioritize projects that implement the Land Use Plan, Comprehensive Plan, and Downtown Implementation Plan. Mr. Chelminiak commented that the state Growth Management Act

requires that the City accommodate continued growth. He said Council-manic property tax increases have not been used in the past for capital improvements. Mr. Chelminiak noted that future increases in operational costs are inevitable and he feels it is important to save some money for the operational side.

Ms. Balducci commented on the need to aggressively plan for infrastructure needs as the region continues to grow. She feels any increased revenue from a property tax levy should be used for both capital and operational needs. She looks forward to a review of transportation impact fees as well.

Mr. Lee commented on the need for more revenue to meet the many needs of the community including transportation and public safety.

Mayor Degginger highlighted the Bellevue Downtown Association's support of a property tax flat levy because the business community recognizes significant infrastructure needs.

Mr. Lee feels citizens would like to see a list of projects and programs to be funded by a flat levy.

Mrs. Marshall thanked Mr. Chelminiak for presenting information about the impact of a flat levy on the average homeowner, using an example of a \$530,000 home. Mrs. Marshall concurred with Mr. Lee's request for a list of specific items to be funded with additional revenue.

Mr. Chelminiak stated his preference for using a portion of additional revenue toward maintenance and operations (M&O) expenditures that are now in the CIP Plan. He would want to know how much money this move would free up in the CIP Plan for new projects.

Mr. Swift explained that property tax revenue flows into the General Fund, which would reduce the amount of transfer of sales tax, and then placed into a sub-fund of the General Fund or a separate fund.

Mayor Degginger suggested Council discussion specifically on whether to fund a Supplemental CIP Plan and if so, at what property tax level.

Mr. Noble said expenditures are projected to exceed revenue within the next few years, and this forecast does not take into consideration the future impacts of B&O apportionment and sales tax streamlining. Therefore, revenue must be increased in some way. He supports a property tax levy as long as funds would be allocated to both capital and operational needs, and to fostering human services' sustainability. Mr. Noble said significant transportation projects will not be funded without increased revenue. He favors both a property tax levy and parks levy.

Mr. Chelminiak would support a parks bond measure as well as a property tax levy. He suggested going to the public to determine the level of support for a levy to support parks projects and facilities and cultural arts programs. However, he feels a 50% levy is needed for essential projects.

Dr. Davidson noted that a parks bond measure could be presented with a companion levy to cover M&O costs.

Ms. Balducci concurred with Mr. Noble. She supports the 100% flat levy now in order to accomplish projects and to avoid a future increase sooner if a lower tax levy were adopted now.

Mrs. Marshall suggested a principle that any item approved for funding from a new levy must be in an existing Council-approved plan. She would like additional revenue to be used toward M&O and human services costs as well. She asked whether staff could develop some scenarios reflecting revenue levels and potential expenditures under the varying tax rates, as well as with a parks levy.

Mr. Sarkozy said if Council is prepared to support a flat tax levy, this could be considered step one. Step two could be a review in early 2007 of a parks bond measure to address specific needs. The next step is to address M&O costs related to continued growth in the downtown and associated public safety and transportation needs. Then Council may wish to address future development and redevelopment of the Bel-Red Corridor.

Mr. Sarkozy cautioned against attempting to finalize a specific project list at this point. He feels the task now is to determine the order of magnitude of the most appropriate taxing level. He noted that the additional revenue from a flat levy will be collected over time. Therefore it will likely be necessary to issue bonds every two to three years to provide a staggered revenue stream. With this in mind, the Council has time over the coming years to make decisions on specific projects.

Mayor Degginger confirmed that Council and staff will review some revenue and expenditure scenarios next week.

At approximately 11:00 p.m., Mayor Degginger declared the meeting adjourned.

Myrna L. Basich
City Clerk

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