

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Study Session

November 3, 2008  
6:00 p.m.

Council Conference Room  
Bellevue, Washington

PRESENT: Mayor Degginger and Councilmembers Bonincontri, Chelminiak, Davidson, Lee and Noble

ABSENT: Deputy Mayor Balducci

1. Executive Session

Councilmember Chelminiak called the meeting to order at 6:04 p.m., and declared recess to Executive Session for approximately 30 minutes to discuss one item of potential litigation.

The meeting resumed at 6:38 p.m. with Mayor Degginger presiding.

2. Study Session

(a) 2009-2010 Preliminary Budget and 2009-2015 Preliminary Capital Investment Program (CIP) Plan [*Continued discussion from October 27 Extended Study Session*]

(1) Update on Cultural Arts Funding Earmarks for KidsQuest, Bellevue Arts Museum, and Performing Arts Center Eastside (PACE)

City Attorney Lori Riordan recalled that the Council previously set aside funds in the 2007-2008 Budget for cultural arts funding. Funding agreements have been implemented with both KidsQuest and the Bellevue Arts Museum. Approximately \$100,000 remains to be paid to KidsQuest, and \$500,000 remains to be paid to BAM.

Ms. Riordan explained that PACE has revised its financial plan since the funding earmark was established in the City's 2007-2008 Budget. Once PACE takes ownership of the property on which the performing arts center will be built, the City will record a covenant on the land to secure the City's investment in the facility. PACE has asked that the Council rollover the \$2

million earmark into the 2009-2010 Budget. PACE anticipates securing sufficient funding to break ground on the project during the next two years.

Responding to Mayor Degginger, Ms. Riordan said that conditions associated with the funding earmark will remain the same in terms of financial oversight and audit requirements.

Ms. Riordan responded to brief questions of clarification.

Mayor Degginger noted Council consensus to allow a rollover of the funding earmarked for PACE.

## (2) 2009-2010 Operating Budget

City Manager Steve Sarkozy briefly reviewed the 2009-2010 Budget schedule, which will continue through adoption of the Budget in December. The Budget reflects no tax rate increases, and makes limited investments in priority areas already identified by residents. The Budget includes 8.25 new operating positions, which in some cases involves reclassifying limited-term employee (LTE) positions to regular full-time equivalent (FTE) positions.

Finance Director Jan Hawn said the General Fund drivers include personnel and salary costs, state pension rate increases, health benefits increases, inflationary increases, NORCOM implementation, and 2008 mid-year Public Safety position additions. She noted that some internal reorganizations have occurred, resulting in changes in staffing levels for the affected divisions/departments.

Responding to Councilmember Davidson, Budget Manager Jonathan Swift acknowledged differences between the 2007-2008 Budget that was originally adopted and the Amended Budget. In stating the percentage increase between the 2007-2008 Budget and the 2009-2010 Budget, Dr. Davidson feels it is important to specify whether the basis of the comparison is the originally adopted Budget or the Amended Budget.

Responding to Mayor Degginger, Ms. Hawn referred the Council to Figure 3-1 on Page 3-12 of the Budget binder, which reflects the 10.9 percent increase (\$33 million) to the General Fund Operating Budget. Responding to Mr. Chelminiak, Mr. Swift clarified that references to the 2007-2008 Budget on Pages 3-12 and 3-13 refer to the Amended Budget with Mid-Biennium changes.

Councilmember Chelminiak requested a memo summarizing the amendments that have occurred since the original version of the 2007-2008 Budget, and calculating percentage increases based on the original Budget.

Responding to Mayor Degginger, Mr. Sarkozy said staff will provide a prioritized list of staffing positions included in the proposed budget.

Transportation Director Goran Sparrman described the request for the conversion of a limited-term employee (LTE) Streetlight Maintenance Technician position to full-time equivalent (FTE) status in the Operating Budget. Bellevue has approximately 8,000 streetlights, and about half are owned and maintained by the City. The remaining lights are owned by Puget Sound Energy. Before assigning staff dedicated to this function, the City primarily responded to complaints about streetlights being out. The backlog of malfunctioning lights has been reduced over the past two years from 300 to 86. Retaining the position allows a permanent crew to remain in place to address trouble calls and perform preventive maintenance.

Mr. Sparrman explained that staff is interested in eventually changing the streetlight technology, as Bellevue's system is one of the highest energy consumers for the City. Most traffic signals were converted in recent years, resulting in significant energy savings for the City.

Responding to Dr. Davidson, Ms. Hawn clarified that this position is funded in the Operating Budget. However, some of the staffing positions in the proposed Budget are funded in the CIP Plan and will be discussed over the next few weeks.

Parks and Community Services Director Patrick Foran described the request to convert the Wrap Around Services Coordinator position from LTE to FTE status, in order to continue the partnership program at Lake Hills Elementary between the City, Bellevue School District, and social services providers. The program has been considered a success, and were it not for significant budget constraints staff would be seeking to expand the program to other schools.

Responding to Mayor Degginger, Mr. Foran said the position is funded in the budget through reallocations from certain programs that were never fully implemented or were considered to be less effective. Mr. Sarkozy clarified that this is how the Wrap Around Services pilot program was initially funded three years ago as well.

Mr. Foran added that the program is also funded by United Way and foundation grants.

Councilmember Chelminiak requested information on the cost of all requested staffing positions, including the conversions from LTE to FTE. He would also like information regarding the cost of expanding the Wrap Around Services program to a second school.

Councilmember Lee expressed support for the Wrap Around Services program.

Responding to Mayor Degginger, Mr. Foran said the Parks Department monitors programs and services on an ongoing basis and reallocates resources as needed to maintain efficiency and effectiveness.

Mr. Lee reiterated the Council's previous request for an update to the City's cultural diversity plan and program.

Responding to Mayor Degginger, Mr. Foran said staff did not identify any areas for the 2009-2010 Budget in which funding could be reduced due to a program's ineffectiveness or need.

Mr. Sparrman said Transportation staff did not find any areas in which funding could be reduced as well.

Responding to Mr. Degginger, Civic Services Director Nora Johnson said that for now this new department is focusing on gaining efficiencies through this consolidation of services. As one example, she has changed the classification of a manager position to a lower-level security position.

Interim Fire Chief Mike Eisner said staff did not identify any recommended budget reductions.

Ms. Hawn said the Finance Department has reallocated some staffing responsibilities to gain efficiencies. However, there are no recommendations to terminate existing programs or services.

Dr. Davidson said it would be helpful for ineffective programs/services and other opportunities for reallocations to be explicitly addressed within the department budget documents.

Mr. Sarkozy explained that Department Directors monitor service needs on an ongoing basis and make budget and staffing adjustments as appropriate. Mayor Degginger noted that an evaluation of this type is to be conducted by each department during the budget process as well.

Moving on, Mr. Foran said the Mercer Slough Environmental Education Center is now open, and staffing is needed to coordinate the operation of the facility. The current request is for one FTE position as well as temporary help and interpretive programming. Staffing will be funded through a CIP transfer, in accordance with City policy. This is consistent with the manner in which South Bellevue Community Center staff was funded as well.

Dr. Davidson observed that although the position would be funded through a transfer of CIP dollars to the Operating Budget, it represents a decrease in CIP funding. Mr. Sarkozy acknowledged that there is an opportunity cost for all expenditures, in the sense that any of them could be allocated to different functions. Responding to Mayor Degginger, Mr. Foran confirmed that the CIP transfer is an ongoing funding mechanism for the staffing.

Responding to Councilmember Chelminiak, Mr. Foran said the revenue identified to fund the position refers to the CIP transfer. Mr. Chelminiak concurred with Dr. Davidson's earlier comment that this transfer of funds represents a budget impact. Responding to Mr. Chelminiak, Mr. Swift said staff is prepared to discuss later in the presentation the issue of charging maintenance and operations costs permanently out of the CIP.

Mayor Degginger stated his position that new staffing should be funded from the Operating Budget and not through the CIP Plan.

Mr. Foran recalled that it has been the City's policy to seek approval of ongoing maintenance and operations costs at the time that the request for a new capital investment is made. He noted that for most cities capital funding is separate from M&O funding, which can result in a lack of M&O funding altogether.

Mr. Chelminiak said Council has expressed an interest in reviewing this policy and considering modifications. He fully supports the City's approach of allocating both capital and operational funds at the same time. However, the issue is where the funds should reside.

Councilmember Noble concurred with the position that staffing expenses should be funded in the Operating Budget instead of the CIP.

Councilmembers Bonincontri and Lee concurred with the interest in reviewing the CIP transfer policy as well.

Responding to Ms. Bonincontri, Mr. Foran said rental revenue will be a primary revenue source for the Mercer Slough Center.

At 7:58 p.m., Mayor Degginger declared recess to the Regular Session, noting that the Council would return to this discussion following the Regular Session.

The Study Session resumed at 8:54 p.m.

Mayor Degginger moved to the next staffing proposal for a Home Repair Loan Specialist in the Parks and Community Services Department. This position is funded through the Community Development Block Grant program.

Mr. Sarkozy reviewed a request for converting the Public Disclosure Analyst position in the City Clerk's Office from LTE to FTE status. This responds to state-mandated requirements for public disclosure, and to the increased volume and complexity of public disclosure requests. Mr. Sarkozy recalled the recent review of the City's public disclosure function by the State Auditor, and the determination that Bellevue's program represents many of the best practices within the state.

Responding to Mayor Degginger, Ms. Hawn said the City has received approximately over 200 public disclosure requests annually in the past. The number of requests could be as high as 300 for 2008.

Chief Eisner described the request to convert the Fire Prevention Office Assistant position from LTE to FTE status. This is the only support position for the Fire Prevention division, which includes 17 FTEs who are primarily field inspectors. The office assistant is responsible for billing entries for new construction activity, Fire Code violations, and operational permits (approximately 650 annually). The position is funded through permit fees and revenue generated by fire service contracts.

Responding to Mayor Degginger, Chief Eisner said the revenue used to fund this position is nearly equally split between Development Services fees and Operational Permit fees.

Responding to Councilmember Chelminiak, Chief Eisner explained that a portion of revenue to fund this position comes from a reserve account associated with the Fire Marshall's Office. The account contains funds granted to the City based on the completion of certain fire fighter training.

Mayor Degginger expressed concern about this revenue source. Mr. Swift said this represents a mechanism for balancing the budget as opposed to a best practice. The funds in the reserve account are a result of reimbursement from the State Fire Marshall for fire fighter training completed by City personnel.

Responding to Mr. Chelminiak, Mr. Swift said the funds can be used for a purpose other than a Fire Department function.

Ms. Johnson described the Civic Services Department's request to convert the Fleet Warranty Program Coordinator position from LTE to FTE status. The City's fleet includes more than 70 Fire Department vehicles and approximately 150 Police Department vehicles, as well as vehicles used by other departments. A key driver for the position is to maximize the efficiency of maintenance services and to minimize down time for vehicles.

The Fleet Warranty Program was authorized as a pilot program in the 2007-2008 Budget, and included funding for one FTE. Sufficient revenue exists for staffing due to reimbursements achieved through the Fleet Warranty Program. Additional revenue is generated in coordination with the Risk Management Division by recovering reimbursements for damage caused by third parties.

Responding to Dr. Davidson, Ms. Johnson explained that the staffing level is directly correlated with the capability to obtain reimbursements from manufacturers for warranty work provided by City staff or another vendor.

Responding to Mr. Lee, Ms. Johnson said the City recently reduced reserves which previously maintained enough money to replace every vehicle. The current value of fleet assets is approximately \$47 million. This reduction in fleet reserves provides funding for the use of other City functions and departments.

Mr. Chelminiak indicated an interest in knowing how those funds have been reallocated. He expressed support for the program's ability to pay for itself.

Councilmember Noble noted that it is important to continue to track reimbursement levels against the cost of funding this function.

Ms. Johnson described a request to convert the Assistant Mechanical Services Technician LTE position to FTE status. This position assists with fuel system, motor pool, vehicle parts, and maintenance activities. It was staffed by a series of eight temporary employees over 4-1/2 years before it was granted LTE status.

Referring to the overall Operating Budget, Dr. Davidson questioned the total value of reserves. Mr. Swift said the General Fund Contingency is by policy 0.6 percent of total revenues, and the fund is reflected in the budget as an expenditure.

Councilmember Lee noted there are volunteers in Police fleet services, and he questioned the feasibility of additional volunteer workers. Ms. Johnson said Police volunteers occasionally assist with overall fleet maintenance functions. However, a dedicated position is necessary in order to maintain certainty in fleet service operations.

Responding to Mr. Noble, Ms. Johnson explained that it has been more efficient and effective having one person in a LTE position versus a series of temporary employees that required repeated recruitment and training efforts. She confirmed that the City cannot continue the position on a LTE basis due to labor contracts in place.

Ms. Hawn described the request to add one tax analyst position to perform tax compliance enforcement activities in order to promote taxpayer equity. It would be funded through new revenue generated by the position as well as existing M&O monies. Ms. Hawn noted that business license registrations have increased by 39 percent, and tax filers have increased by 30 percent, over the past seven years. During that same time, the City has not added staff in this function.

Responding to Mayor Degginger, Ms. Hawn explained that the revenue offsets shown in the budget are based on the City's actual experience utilizing contract auditors in the past. These contracts have generated revenue up to 5 to 6 times the fee paid to the outside auditors.

Responding to Mr. Chelminiak, Ms. Hawn said the contract auditors work primarily in the field. The City will continue to utilize this type of service, while the proposed tax analyst position will focus on different aspects of compliance auditing.

Ms. Hawn briefly reviewed additional Operating Budget investments including NORCOM Regional Communications Center, Bellevue Jazz Festival, and activities related to NPDES (National Pollutant Discharge Elimination System) permitting requirements.

Staff responded to brief questions of clarification.

Mayor Degginger expressed support for continuing funding assistance to local festivals and neighborhood events.

Mr. Degginger requested a discussion of the CIP transfer (M&O cost) issue next week, as well as a listing of all memory bank items identified through the long-range financial planning process.

Mayor Degginger declared the meeting adjourned at 9:55 p.m.

Michelle Murphy, CMC  
Deputy City Clerk

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