CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

October 26, 2015 Conference Room 1E-113
6:00 p.m. Bellevue, Washington

PRESENT: Mayor Balducci, Deputy Mayor Wallace, and Councilmembers Chelminiak, Lee, Robertson, Robinson, and Stokes

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:09 p.m., with Mayor Balducci presiding. There was no Executive Session.

2. Approval of Agenda

→ Councilmember Stokes moved to approve the agenda, and Councilmember Robertson seconded the motion.

→ The motion carried by a vote of 7-0.

3. Oral Communications

(a) Bill Capron, Chair of the East Bellevue Community Council (EBCC), provided an update on Puget Sound Energy's (PSE) proposed Lake Hills to Phantom Lake transmission line. He noted Bellevue's reputation as a City in a Park and said that 148th Avenue and NE 8th Street are designated as urban boulevards. When 148th Avenue was widened in the 1970s, the East Bellevue community worked hard to achieve an urban boulevard with sound walls and underground utilities. The EBCC determined that PSE applied for the wrong route for the transmission line. He said the record shows that certain City staff opposed the route as well due to concerns about the loss of trees. He said PSE's proposed route is 50 percent longer than the most direct route. The line goes through the EBCC jurisdiction but only one of the substations is located in the area. Mr. Capron said his research determined that the two substations serve few EBCC area residents. He said the City's Hearing Examiner changed PSE's conditional use permit (CUP) application by denying the SE 16th Street link. The EBCC feels the Hearing Examiner should have denied the application and suggested that PSE find a solution for SE 16th Street. Mr. Capron said the EBCC found that the proposed project does not give adequate consideration to

construction traffic impacts, which will be more significant than the few power outages that occur. Chair Capron said the EBCC would like to work with PSE and the City Council to find a solution for the project. He believes there is a route that would work for all parties. Mr. Capron said he would prefer to reach a mutual decision than to continue with litigation.

(b) Steve Fricke, a resident within the EBCC jurisdiction, asked the City Council to support funding for the litigation with Puget Sound Energy related to the Lake Hills transmission line. He said the Community Council is a government entity representing the residents who will be most impacted by the project. He observed that the EBCC is asking only to have its day in court. His understanding is that there is an issue about whether the EBCC has the authority over shoreline permits. Mr. Fricke said the EBCC needs funding for legal counsel to achieve a final determination about this issue. He acknowledged that his information is based on hearsay. However, he said the City Council approved the PSE application for permits, and the EBCC voted to deny them. Mr. Fricke said the City Council has more funding than the EBCC for litigation. He asked them to give the EBCC its day in court.

Mayor Balducci said the EBCC is a separate legal municipal corporation that does not have taxing authority. She said the City has not received a request from the EBCC for additional funding. However, her understanding is that the EBCC intends to discuss the issue during its November meeting.

(c) Irene Fernandes expressed support for the EBCC in its disagreement with PSE regarding the transmission line project. Her understanding is that the EBCC-PSE hearing is completed and a decision is due in December. If the EBCC chooses to appeal that decision, she believes the City should continue to pay its attorney's fees. Ms. Fernandes said PSE has admitted that the new transmission line would cause little or no decrease in power outages. Her understanding is that undergrounding lines would be more expensive. However, she believes maintenance would be less expensive. She wants to preserve the urban boulevard character of 148th Avenue and NE 8 Street. Ms. Fernandes opined that this type of project would not occur in more affluent neighborhoods.

Mayor Balducci noted that she is a resident of the Lake Hills area and this type of disagreement happens infrequently. She said this is only the second time in 20 years that she can recall a significant difference of opinion between the City Council and EBCC.

(d) Wesley Clark said he is a graduate of the Bellevue Essentials program and has since become a leader within the Robinswood neighborhood and East Bellevue. He said he is not aware of any resident who is an advocate for closing one lane on 148th Avenue for 4 months to 6 months. He expressed concern regarding current and potential increases in cut-through traffic. Responding to the Mayor, Mr. Clark said he was speaking regarding the Energize Eastside project. Continuing, Mr. Clark said the proposed project alignment would negatively impact businesses and potentially jobs, especially in the Kelsey Creek Center. Mayor Balducci observed that his comments were consistent with the Lake Hills transmission line project and there had already been three speakers on the same side of

that topic. Mr. Clark said his primary message is that it is imperative to consider the concerns and opinions of residents in neighborhoods to be affected by any project proposal. He spoke in favor of underground power lines.

Mayor Balducci ruled that the previous speaker was not speaking about the Energize Eastside project and that three individuals would be allowed to speak to that project if necessary.

(e) Edward Chung said he is a graduate of the University of Washington and a product manager at Microsoft. He spoke on behalf of the Coalition of Eastside Neighborhoods for Sensible Energy (CENSE). He said the Federal Energy Regulatory Commission dismissed a complaint the previous week that CENSE filed in June regarding the Puget Sound Energy (PSE) Energize Eastside project. He said the project is not needed to serve regional transmission needs. Mr. Chung said CENSE questions why the project involves sending power to Canada. He asked the City Council to initiate an independent and transparent study within the next 30 days to fully address the need for the project. He estimated the cost of a study would be $15,000, and he said CENSE members are willing to pay a significant portion of the cost. Mr. Chung said CENSE believes the study will demonstrate that the current infrastructure meets federal regulations well into the future. He submitted his comments in writing.

(f) Alex Zimmerman, President of StandUP-America, compared the City of Seattle to the former Soviet Union government and named City and County elected officials he does not like. He said there is not freedom of speech. He urged Washington residents to stand up against, what he characterized as, the Seattle Soviet Republic.

(g) Brad Throssell, President of the Bellevue-Issaquah Chapter of Trout Unlimited, said the group is working to save the Kokanee salmon in Lake Sammamish. He asked the Council to consider contributing $10,000 toward the group's watershed-based salmon recovery projects. He said the group is requesting funds from other cities as well, and $45,000 has been raised to date. The goal is to raise $200,000 to pay for a full-time staff person over two years to participate in regional efforts. This person would be able to pursue grants and funding from other sources. He said Trout Unlimited chapters around the country fund similar positions through their own financing. The local Bellevue-Issaquah Chapter would fund the position beyond the first two years. Mr. Throssell submitted a letter from Trout Unlimited.

Mayor Balducci said the Council is beginning its Mid-Biennium Budget discussions. She asked Mr. Throssell to provide information to the City Manager regarding the request.

(h) Mark Taylor, Chair of the Kokanee Committee, Bellevue-Issaquah Trout Unlimited, noted that the group sent a letter and email to the Council providing details on the funding request. He said this would be a small investment for significant public benefit. He said Trout Unlimited nationwide does a good job of using its funds to leverage additional contributions. Mr. Taylor submitted his comments in writing.

(i) Patrick McGrath expressed concern about paying and providing personal information to a private company for the false alarm reduction program. He received a letter and bill from CryWolf indicating that they have set up an account for him, without his knowledge. His understanding is that, if he does not pay the fee, the vendor has the power to prevent the Bellevue Police Department from responding to an emergency at his home. Mr. McGrath said he was told by Detective Jensen that it is a privilege, and not a right, for residents to have monitored alarms. However, Mr. McGrath said residents have the right to protect their homes as well as a right to privacy. He believes there are less restrictive ways to reduce false alarms without burdening public resources. He said CryWolf sells software that cities can manage themselves, and the company boasts that cities can obtain a return on investment of more than 400 percent annually. Mr. McGrath said this can be done without violating property owners' privacy or mandating that residents pay an outside company. He said the City issued a notice explaining that CryWolf adheres to a strict privacy policy and protects all information. However, Mr. McGrath said that policy is weak and deceptive. He said CryWolf refers to itself as an agency, which is incorrect as it is a private company. The company states that it is committed to respecting and protecting privacy and that it has intent to protect the security of personal information, but it does not guarantee the security of that information. Mr. McGrath said the City states that its privacy policies supersede any other privacy policies that may be used by CryWolf. However, in the actual privacy policy, CryWolf states that it reserves the right to modify or update the privacy statement at any time without prior notice. Mr. McGrath asked the Council to review Ordinance No. 6214 and to adopt a less restrictive program. He asked that the City not outsource the permitting program.

Deputy Mayor Wallace requested more information on the program, especially the statement that the Police would not respond to a call if an alarm is not registered. He said the City is receiving a number of complaints about the program and there are details that he does not recall from Council discussions.

City Manager Miyake said staff will prepare a response and bring back more information for the Council's review.

Councilmember Chelminiak recalled a past public comment from a resident about being charged a $100 late fee, while the City's policy is to not charge the late fee. He would like staff to look into whether the company is complying with the contract, especially with regard to customer service. He expressed concern that residents are being told the Police will not respond to an alarm at their property. Mayor Balducci concurred.

Councilmember Lee agreed with the need to determine whether the project is being properly administered.

Councilmember Stokes suggested a quick resolution to this issue. He observed that, separate from the administrative issues, the community needs a better understanding of the reasons for the program.

Councilmember Robertson said she would like to see a summary of the contract including requirements, options for early termination of the contract, and the financial impacts of a potential termination. She observed that this program might not be the best solution, especially in terms of customer service.

(j) Jeff Ross and Steven Franz, Music Works Northwest, described the programs offered by the organization, including music therapy and free concerts, as well as their move to a new facility this fall. They submitted copies of their 2014 funding request and an additional sheet listing updated information and a request for $75,000 in funding from the City. They described the need for additional improvements to their new facility. The program has been in Bellevue since 1998 and serves 600-700 students annually.

(k) Lincoln Vander Veen, Bellevue Chamber of Commerce, announced that Friday will be his last day with the Chamber. He said he has enjoyed working with the City during his three years with the Chamber, and he looks forward to serving as External Affairs Manager for Seattle University.

Mayor Balducci said Mr. Vander Veen has been a strong advocate for Bellevue's business community and she wished him well in his new position.

Deputy Mayor Wallace said he has enjoyed working with Mr. Vander Veen.

Councilmember Chelminiak noted that he attended the ribbon cutting for Seattle University's new office in Downtown Bellevue.

4. Study Session

(a) Council Business and New Initiatives

Responding to Deputy Mayor Wallace, Mayor Balducci said the Music Works Northwest funding request will be addressed during the Mid-Biennium Budget process this fall. City Manager Miyake said staff will provide information to the Council before the November 23 Budget Public Hearing.

In further response, Mayor Balducci said the request from the Coalition of Eastside Neighborhoods for Sensible Energy (CENSE) regarding Puget Sound Energy's (PSE) Energize Eastside project has narrowed over time. She would like to see all existing information that addresses CENSE's current issues as well as options for responding to outstanding issues. She requested information from staff within the next few days, if possible. She observed that the community is raising legitimate questions that should be answered. Mr. Miyake said he would follow up with staff.

Councilmember Lee said there is a specific request that the City conduct a study to determine the need for the Energize Eastside project. CENSE has indicated a willingness to fund a portion of the study's cost.

Mayor Balducci requested that staff respond to the request for additional study. Having experienced the many studies related to the light rail project, she cautioned that a study would likely cost much more than CENSE's estimated $15,000. However, she would like staff's input on what it would take to answer CENSE's questions.

Deputy Mayor Wallace concurred with the importance of pursuing answers to the questions. However, he would like more specific direction on the City's authority over the project based on any information it might obtain. If a study concluded that there is no need for the Energize Eastside power project, how would the City be able to use that information to influence PSE, if at all? If the City does not have the authority to influence the project as desired by CENSE, Mr. Wallace said he would be reluctant to spend additional money for continued studies.

Councilmember Stokes concurred with Mr. Wallace. Mr. Stokes said it would be helpful to have a better understanding of how local generation plants relate to the federal reliability requirements.

(b) Regional Issues Overview

(1) Briefing on K-12 School Funding in Washington State by Bellevue School District

Joyce Nichols, Director of Intergovernmental Relations, introduced Melissa deVita, Deputy Superintendent of Finance and Operations for the Bellevue School District, to provide a briefing on K-12 school funding in Washington state. Ms. Nichols said the state legislature is challenged with financial obligations related to the McCleary Decision on funding K-12 education. Several proposals have been drafted to address how to equalize education funding throughout the state. This informational briefing is being provided in response to the Council's request for a foundational presentation on K-12 school funding.

Mayor Balducci welcomed Chris Marks, Bellevue School District Board Member, in the audience.

Ms. deVita said the two primary school finance issues under the McCleary Decision are equity (fairness and justice in the way people are treated) and adequacy (enough funding for certain needs and requirements). Equity relates to the tax rates paid within school districts and the amount of money provided per individual to the districts. Local tax rates vary from $1.25 per $1,000 assessed valuation (AV) to more than $7 per $1,000 AV. Adequacy refers to whether the State is providing enough funds to meet the requirements imposed on school districts. Ms. deVita noted that these issues are being addressed in many states across the country.

Ms. deVita said Bellevue schools are funded by the State property tax and the local school property tax. The Bellevue School District collects taxes for four purposes: capital expenditures, educational programs and operations, transportation vehicles, and the repayment of bonds. The District's educational programs and operations levy renews every 4 years and is limited by the Levy Lid Act.

Responding to Deputy Mayor Wallace, Ms. deVita confirmed that the proposed levy swap related to the McCleary Decision involves the educational programs and operations levy but not the capital and transportation levies.

Responding to Mr. Wallace, Ms. deVita confirmed that the local property tax is based on a total for the City. As property rates increase, the millage rate (amount per $1,000 AV) decreases. The State property tax is approved for a millage rate up to $3.60 per $1,000 AV, and the current rate is $2.47 per $1,000 AV.

Ms. deVita said the Bellevue School District receives funding through local, state and federal resources. State funding accounts for 56 percent of the District's General Fund revenue. The general apportionment is based on the number of students and state salary schedules. Other state funding is allotted for specific purposes. Ms. deVita said the Bellevue School District's salaries are higher than the state salary schedules. For example, the schedules allocate $65,000 for a school principal but BSD pays $104,000-$140,000 in salary. Similarly, BSD has higher expenditures in other areas including approximately $9 million more for special education than what is received from the state and federal governments.

The three local property tax levies for the Bellevue School District are the Capital Projects Fund, Debt Service Fund, and Education and Operations (General Fund). Ms. deVita said the State is responsible for funding basic education, which essentially means teachers' salaries, but it does not. As a result, all of the school districts use TRI-pay (Time, Responsibility, Incentive) to add to teachers' salaries. Examples for earning TRI-pay are professional development days and longer days for secondary schools. Ms. deVita said the BSD provides more teachers and smaller class sizes than the state's staffing model, and levy funds contribute to TRI-pay expenditures.

Responding to Councilmember Lee, Ms. deVita said the BSD General Fund is $209 million and the local levy is $50 million.

Ms. deVita provided a brief history of local tax levies. When a Seattle School District levy failed in 1976, the Basic Education Act in 1977 increased state funding for schools. The Levy Lid Act that same year limited the amount that local school district levies could provide, as a way of addressing inequalities between districts. In 2010, following the recession, the levy lid was lifted by four percent. The Bellevue School District currently collects up to 34.66 percent of its local spending through its levy, and that amount will decrease to 30.66 percent in 2018.

Ms. deVita described the levy authority formula. She said the levy lid percentage for most school districts is 28 percent. BSD's percentage is 34.66 percent. There are 90 (of 295) school districts with grandfathered levy lids above 28 percent up to 37.9 percent. The state adds levy equalization for districts that cannot raise or collect levies.

Ms. deVita said the differences in levy funding is one of the issues related to the McCleary Decision. She said 281 of 295 school districts in the state are collecting education program and operations levies for a total value of $2 billion. Of these, 255 districts are collecting less than their allowed lids, including 59 districts that are collecting less than 50 percent of their allowed

lids. Ms. deVita said 215 of the 295 districts, or 73 percent, receive Local Effort Assistance (levy equalization) from the state.

Ms. deVita presented a comparison of levy rates and local revenue per pupil for Bellevue and other school districts. Many school districts have higher local levy rates but generate lower local revenue per pupil.

Responding to Deputy Mayor Wallace, Ms. deVita said the levy base is not based on property values within a school district. Rather, the base is a function of how much the district spent in the previous year from state and federal sources. Mr. Wallace said it would be helpful to have a list of the school district levy bases. Ms. deVita said she would provide that information.

Responding to Councilmember Lee, Ms. deVita said the school district's spending is largely tied to enrollment.

Ms. deVita said the McCleary Decision on January 5, 2012 determined that the state's first and highest priority should be education. Funding should be ample rather than just adequate for all children. Public education should provide the basic knowledge and skills needed to compete in today's economy and to meaningfully participate in the state's democracy. Ms. deVita said "basic education" has not been well-defined and some of the proposals in the state legislature offer a very broad definition (e.g., activities or classes for which students earn credits or a grade). With that provision, the Bellevue School District would not be able to fund 7th period. The estimated cost for funding the McCleary Decision is $4.7 billion per biennium by 2018.

Ms. deVita noted that a number of legislative funding proposals consider a levy swap, and she described how that would work. Today, the current state property tax for schools is approximately $2.45 per $1,000 AV. If $1.15 is added to reach the limit of $3.60 per $1,000 AV, $1.3 billion in additional state monies would be generated. In Bellevue, the added $1.15 per $1,000 AV generates $48.1 million. This would be contributed to the State General Fund and redistributed to all school districts, with the Bellevue School District receiving $16.4 million. Ms. deVita said the district's funding would remain flat despite the increased property tax for Bellevue residents.

Responding to Councilmember Lee, Ms. deVita said that, under the levy swap scenario, communities around the Puget Sound area will pay more than their school districts will receive in return.

Deputy Mayor Wallace said the lowest property tax increase he is aware of in any of the legislative proposals is $1.50 per $1,000 AV, and the Bellevue School District would receive no benefit from the increased tax on Bellevue residents.

Ms. deVita said the proposals that have been developed are in their early stages. Many do not address fundamental principles including defining "basic education." The Bellevue School District's interests include determining how much local money will be diverted to other districts, what the district will receive, and what the criteria will be for state funding. When the district received a three percent cost-of-living-adjustment (COLA) from the state this year, it was based

on the state's salary schedule and not on BSD actual salaries. As a result, the district received $3.9 million from the state for an actual cost to the district of $5.5 million.

Ms. deVita said the issue underlying the McCleary Decision is determining the state's obligation to all students in Washington.

Responding to Councilmember Robinson, Ms. deVita said the state legislature is considering a change to limits on local levies. Ms. Robinson said she has always considered the Bellevue School District as an important component of the community's economic health. While she cares about all school districts statewide, she is concerned about the potential economic impacts as well as the impacts on students.

Councilmember Robertson said she shares those concerns. Responding to Ms. Robertson, Ms. deVita said the capital levy is not affected by the levy swap scenario.

Ms. Robertson said the costs of providing education (e.g., salaries, taxes, cost of living) in Bellevue and King County are higher than in more rural counties. She said the Bellevue community's concept of a basic education differs from the state's definition. For example, she observed that the 7th period in high school is critical in preparing students to compete for good universities. Elementary and middle school education, including music and languages, are important toward that goal as well. She said it is important to continue to provide education that is consistent with Bellevue's values.

Councilmember Robertson concurred with Deputy Mayor Wallace's concerns about the tax impact on Bellevue residents, ranging from $400 to $900 per home, for funds that would be directed to other school districts in the state. Ms. Robertson questioned whether the BSD had developed an interest statement addressing the levy swap concept. If so, she requested a copy for the Council. She questioned how the City can partner with the district to implement future legislation in a way that will maintain the quality of education in the Bellevue School District.

Councilmember Stokes said the state's unwillingness to fund education has been in place for some time. He said that, fortunately, Bellevue students have been able to receive a high quality education with a levy rate that is significantly lower than many other school districts. He said the levy swap fails to look at the broader picture and allows the state legislature to avoid properly funding education. He observed that a state this large and wealthy should be able to meet its responsibility for education.

Councilmember Chelminiak observed that the levy swap potentially results in an average quality of education statewide, which is counter to the values of Washington residents. He said the City's share of the total property tax bill has decreased over time, from 14 percent a few years ago to 11 percent now. The state must find a way to fund education, and there will always be some level of inequity. He said it is important to communicate Bellevue's concerns regarding the impacts of a levy swap with the state legislature. He does not believe this is the right solution.

Deputy Mayor Wallace said he appreciated the comments of his colleagues. He noted that the Seattle School District also has a low millage rate and its loss is approximately $200 million

annually under the House-presented levy swap. He expressed concern that a struggling King County homeowner earning $60,000 per year would pay more than a person who, on a cost-of-living basis, is effectively earning twice as much in a smaller town. Mr. Wallace said Seattle and Bellevue residents are paying a large share of the property taxes for schools.

Deputy Mayor Wallace expressed concern regarding the loss of local control inherent in the levy swap. He said the economic impact needs to be analyzed. He cautioned that this could be the biggest tax increase ever in the region. He agrees that every child in the state deserves a good education. However, the cost of providing education is higher in urban areas than in rural areas and smaller towns. Mr. Wallace said the solution should not be a levy swap at the local level but rather a gradual increase in the state levy. Over time, the state would achieve the level of funding that it should have been providing for a number of years.

Mr. Wallace reiterated his concerns about the economic impacts and the loss of local control. He would like to focus on those issues in working with state legislators. Councilmember Stokes concurred that the state should be providing more funding.

Ms. deVita said she brought a copy of the K-12 finance book prepared by the Senate Ways and Means Committee.

Mayor Balducci thanked Ms. deVita for the briefing. Ms. Balducci said the resolution will be challenging given the Supreme Court ruling that the State is in contempt of court with regard to the requirements of the McCleary Decision.

Responding to Councilmember Robertson, Ms. Nichols said staff is working on drafting an interest statement reflecting the Council's concerns. Once approved by the Council, Ms. Nichols said staff and Councilmembers will take the issues to the state legislature in Olympia. Mayor Balducci suggested that the City coordinate with the Bellevue School District in its advocacy efforts as well.

(2) State Legislative Update

There was no discussion.

(3) Federal Legislative Update

There was no discussion.

(4) Briefings on Regional Committees

There was no discussion.

At 8:00 p.m., Mayor Balducci declared a short break. The meeting resumed at 8:12 p.m.

(c) Quarterly Update on Economic Development Activities

Chris Salomone, Director of Planning and Community Development, opened staff's quarterly update on Economic Development Plan activities.

James Henderson, Economic Development Director, recalled that the three program areas are business attraction, business retention and expansion, and Next Generation Bellevue. He said the Economic Development Plan is on track to meet or exceed many of the 2015 Action Plan metrics.

Business attraction activity in 2015 includes helping to facilitate five company locations or expansions which have created more than 70 jobs and $40 million in investment. Staff has 23 active prospects in this area as well.

Business retention and expansion includes four local businesses that have been retained or expanded and 148 jobs retained and/or created. The Economic Development Action Team of business leaders and City staff provides 25 forms of technical assistance to local companies which has helped 14 businesses to remain and/or expand in Bellevue.

NextGeneration Bellevue has assisted 66 new businesses through the ImpactHub facility leading to the creation of 89 jobs. Three small businesses have been helped, at no charge, through the Small Business Development Center advisor who works from City Hall on Thursdays and Fridays.

Mr. Henderson said major accomplishments during the third quarter include implementing the SBDC advisor service, updating the economic development web page, and participating in the Gamescom trade mission trip.

Jesse Canedo, Economic Development Manager, said the City participated in the trade mission to Cologne, Germany, in partnership with One Redmond and the Washington Interactive Network, to attend the Gamescom Interactive Media and Video Game Conference. Eight local video game studios traveled to the conference as well. The focus of the trip was to help the local video game companies expand their sales in Europe and to meet with video game companies in Europe that are interested in expanding to the United States.

Mr. Canedo said the SEA-VR (Virtual Reality) conference will be held this week at Meydenbauer Convention Center. City staff is working to develop a tourism master plan request for proposals (RFP) to be released in November or December. The first business survey in the City's history is underway and 450 responses have been received to date.

Mr. Henderson said an analysis related to the economic development branding and marketing material initiative was completed in September. The analysis determined that economic development should be the primary target for the branding and marketing strategy, which should tell Bellevue's story as a good place to live and to grow businesses. Mr. Henderson said a core team of City staff and potentially other parties will be organized to establish a scope of work and timeline for the project.

Mr. Henderson said that, when staff states that the City helps to facilitate the location of a company and the creation of jobs, the City has played a role in recruiting the company to Bellevue or in providing technical assistance to facilitate a company's expansion. During the third quarter, staff helped with two company locations and expansions (425 Business and Wisemont Capital), for a year-to-date total of five companies. Approximately 21 jobs were created by those companies for a total of 71 jobs created in 2015.

Mr. Henderson thanked Councilmember Lee for his role in assisting with Wisemont Capital's locating in Bellevue. The company's grand opening was held in City Hall on September 28.

Mr. Henderson said Symetra was acquired by Sumitomo Life Insurance, Japan's fourth largest insurer. He said a number of acquisitions of U.S.-based financial companies by Japanese insurance companies have occurred nationally. He said Salesforce recently announced that it will be locating in Downtown Bellevue, which will create approximately 500 jobs. He said the City's economic development staff was involved in recruiting those businesses.

Mr. Canedo said the City has been working with a local consulting firm that helps European companies expand their operations into the U.S.

Mr. Henderson said the Sunset Glass Company, which has been in Bellevue for more than 50 years, will be displaced by the Sound Transit East Link light rail project. The City worked with Sound Transit to find a new location for the company, which is on 130th Avenue at Bel-Red Road. The City is working with a couple of other businesses that are being displaced by the project to assist in finding new locations as well. During the third quarter, the City helped to facilitate two local retentions or expansions which led to the retention or creation of 11 jobs. Technical support was provided to 17 companies during the third quarter, for a total of 25 companies in 2015.

Mr. Canedo said employer visits during the third quarter were focused on small- and medium-sized companies. The largest company was Unity and Councilmember Robinson was involved in that effort. Additional companies visited by staff were Footmarks, Bellevue Nissan, (tupl), and Robodub. Bellevue businesses are doing well. However, they report the need for more affordable office options, parking and commute options, and affordable housing.

For NextGeneration Bellevue, 23 new businesses and 32 jobs were created at ImpactHub, where total membership has grown to 116 members. The facility is fully occupied and will hold the grand opening for its event space on November 10. ImpactHub businesses are interested in expanded multi-modal transportation options and bridge space (between incubator and full market office space).

Mr. Henderson said regional activities include working with the Global Innovation Exchange (GIX). The City will attend, at the University of Washington's invitation, the GIX Innovation Summit in Shanghai in November. Mr. Henderson served on the advisory board for a one-day conference held by the Washington Technology Industry Association.

Mr. Canedo said the City is working with Visit Bellevue Washington to develop the tourism master plan, and the RFP will be released in November. Both the Bellevue Downtown Association (BDA) and Bellevue Chamber of Commerce are members of the Economic Development Action Team and are helping the City provide assistance to local companies.

Mr. Henderson said that he, Councilmember Stokes, and Planning and Community Development (PCD) Director Chris Salomone attended the BDA's study tour to Minneapolis. Mr. Henderson attended the International Economic Development Council's annual conference in Anchorage. He attended the Seattle Chamber of Commerce Regional Leadership Forum with Councilmembers Lee and Robinson. Both conferences addressed the importance of connecting economic development on a regional level. Mr. Henderson said he believes Bellevue can play a strong leadership role in fostering expanded collaboration on the Eastside and throughout the broader region.

Mr. Canedo said upcoming events include the InnovateHER conference at Bellevue College on November 18 and the review of business survey results by December.

Councilmember Robinson thanked economic development staff for their work and Director Salomone for his role in bringing ImpactHub to Bellevue. She would like to see a way for the City to support equity crowdfunding to recruit and retain startup businesses.

Councilmember Chelminiak commended staff for their work. While new business growth is important, he said longtime businesses continue to be important as well. He noted the email that day from The Boeing Company regarding its upcoming 100th anniversary. Mr. Chelminiak said Boeing is one of the reasons that the Seattle area became a strong manufacturing region. He said there was a story on the CBS news that morning about Boeing's accomplishments and impact.

Councilmember Lee said a key message of the Seattle Chamber Regional Leadership Forum was the importance of regional collaboration. However, Mr. Lee said it is important to emphasize Bellevue's unique characteristics and strengths as well including good schools and overall quality of life. He noted the importance of a global perspective, especially with regard to economic competition.

Councilmember Stokes concurred with the importance of building strong relationships with other cities. He said the message from many business and community groups in Minneapolis-St. Paul is that they are working together. Mr. Stokes believes Bellevue can provide leadership in the region.

Mayor Balducci thanked staff for their hard work and for the development and tracking of performance measures. She sees a great deal of potential in the partnerships that have been and will continue to be established. She said a focus of the local group behind the InnovateHER conference is a self-assessment for local small businesses, including non-technology businesses. She suggested that staff look into this tool.

(d) Mid-Biennium Budget Update

City Manager Miyake said this agenda item is the first discussion of the Mid-Biennium Budget update, which is required by state law.

Finance Director Jan Hawn said the proposed Mid-Biennium Budget adjustments fall into three categories: 1) minor and technical changes, 2) one percent property tax increase to finalize 2015-2016 funding for fire fighters, and 3) Development Services inflationary rate adjustments. The property tax increase requires a substantial need ordinance. Under Initiative 747, property tax revenue can grow by the lesser of one percent or the implicit price deflator (IPD). This year's IPD is .0251 percent. In order to access the full one percent needed for the cost of adding fire fighters, the Council must pass an ordinance establishing substantial need.

Ms. Hawn said the Budget update process will address Operating and other Funds on November 16, a Budget Public Hearing (and additional Study Session, if needed) on November 23, and Council action on the Mid-Biennium Budget ordinances on December 7.

Assistant Finance Director Toni Rezab presented the General Fund forecast. She said moderate growth continues with stronger sales tax and business and occupation (B&O) tax revenues. Utility taxes are performing under-budget and flattening for the forecast period. Risks inherent in the forecast are the impacts of the Affordable Care Act, the next potential recession, and unanticipated expenditures. On the positive side, development permits continue to grow for large projects and sales tax collections are increasing.

Ms. Rezab said sales tax revenues increased in 2014 to slightly above 2007 revenues. Sales tax revenue represents an average of 23 percent of the General Fund and is highly volatile. She said a $100 million development project generates approximately $850,000 in sales tax throughout the construction period. Councilmember Robertson noted that the Sound Transit East Link project will generate significant sales tax revenue for the City.

Ms. Rezab said B&O tax collections have recovered in 2014 and 2015 due to audit findings in 2014 that created ongoing receipts and the economic growth related to business expansion. The City has eight utility taxes and the four with flat or declining collections are electric, natural gas, landline phones, and cellular phones. Electric usage is declining with conservation efforts and natural gas prices have been low. Residents are moving away from landlines, and cell phone users have shifted more heavily toward untaxable data usage.

Ms. Rezab summarized the overall financial forecast. The Budget assumes a one percent property tax increase in alignment with the original Budget adoption provision for fire fighters. The update assumes one-time and short-term expenditures that will not occur in the future. She said the Budget Office publishes updates three times per year to address changes and trends. Ms. Rezab described a chart comparing revenues and expenditures since 2013. Expenditures will exceed revenue beginning in 2020 due to the shift from using reserves for LEOFF 1 (Law Enforcement Officers and Fire Fighters Plan 1) retirement payments to a pay-as-you-go model.

Responding to Councilmember Robinson, Ms. Rezab said the LEOFF 1 payments extend until approximately 2032.

Ms. Rezab moved to present the Capital Investment Program (CIP) Plan Mid-Biennium update. The seven-year CIP is a balanced program. Revenue adjustments include updated sales and B&O taxes for all years, Real Estate Excise Tax (REET) collections, contributions from other funds (e.g., Grant Fund and right-of-way lease permits), utility franchise relocation fees, and interlocal contributions. Adjustments reflect limited changes involving debt service payments for the 2015 bond issuance, the receipt of approximately $100,000 for NE 6th Street from the State, and 2014 carry-forwards. Two provisions of the Sound Transit East Link memorandum of understanding (MOU) address design funds for the 120th Avenue NE Stage 4 project and East Link staffing through 2021. Ms. Rezab said several CIP projects are impacted by increasing property acquisition costs and potential business relocations.

Councilmember Robertson requested paper copies of the spreadsheets. Responding to Ms. Robertson, Ms. Rezab said the 2015-2016 Budget includes approximately $7.2 million to purchase Downtown land as part of the Fire Facilities Plan. In 2020-2021, an additional $17 million is anticipated for two priorities: 1) rebuild Fire Station 5, and 2) address needs for the Fire Department training facility.

In further response to Ms. Robertson, Ms. Rezab said no budget adjustments are needed in 2016 related to the City's agreement with the Performing Arts Center Eastside (PACE). Ms. Rezab recalled that the Council appropriated $1 million for a future project on the BNSF corridor.

Councilmember Robertson noted her proposal in the meeting packet for building parking on NE 1st Street. She observed that a related funding proposal was not provided by staff. She recalled a discussion about potentially using angled parking because more spaces can be provided than with parallel parking.

Transportation Director Dave Berg said staff looked at three different options along the Downtown Park frontage on NE 1st Street. Staff determined that angled parking would encroach too far into the park, and parallel parking would require the removal of a number of significant trees. Responding to Councilmember Robertson, City Manager Miyake said the Budget includes a $4 million Council Contingency Fund, which could be used for parking needs.

Responding to Councilmember Lee, Ms. Rezab said CIP project budgets are trued up at the end of every year, and remaining funds are carried forward for uncompleted projects.

Councilmember Robinson said she was pleased to hear from Music Works Northwest and Trout Unlimited earlier during oral communications. She said she was expecting to hear from Ballet Bellevue, and she questioned whether the City should reach out to them.

Mayor Balducci noted that the upcoming Public Hearing provides the opportunity to hear more requests and proposals from the community. Councilmember Robinson said they have approached the Council in the past, and she would like to prompt them.

Mayor Balducci observed that requests for capital support seem to fluctuate year to year. She recalled previous Council discussions about developing a process and criteria to help guide organizations in preparing their requests. She noted the processes used by the Arts Commission and Human Services Commission.

Councilmember Chelminiak observed that the number of funding requests is unusual for a Mid-Biennium Budget update. Some are due to the Council's past suggestions that organizations bring their proposals back at this time. Responding to Mr. Chelminiak, staff confirmed that the 11 parking spaces along NE 1st Street would cost approximately $250,000.

For the operating budget, Mr. Chelminiak said each Councilmember has met with the new Police Chief, and a common objective of the Council and the Chief is restoring Police bike patrols. Mr. Chelminiak said the Police Chief is working with the City Manager regarding this priority.

Mr. Chelminiak suggested that the Council review the long-range financial plan adopted by the Council in 2009. He anticipates that budget requests from the community will continue to increase into the future. When the engineering studies related to the Bellevue Way HOV project move forward, he would like an analysis of the costs and benefits of extending the length of the lane beyond Sound Transit's planned project.

City Manager Miyake recalled that, during the Budget Retreat in 2014, the Council requested an overall long-range review of capital and operating costs. He said staff is working on that and anticipates bringing it to the Council in early 2016 prior to development of the next budget.

Deputy Mayor Wallace observed that the capital budget spreadsheet does not appear to reflect a calibration between the budget and actual expenditures in 2015 but instead carries remaining monies forward. Ms. Rezab confirmed that understanding. He noted that the delayed Downtown Park project still shows $4,546,000 for 2015. Ms. Rezab said that, toward the end of the year, the Budget will again reflect monies to be carried forward from 2015 to 2016.

Continuing, Mr. Wallace said the project funds remain for the Downtown Park project even though the cost of acquiring the needed property is far beyond what is budgeted. However, certain transportation projects have changed but their 2015 numbers did not change while their 2016 figures did change. He questioned how a determination is made that an adjustment should be made for 2016.

Ms. Rezab said the Mid-Biennium Budget focuses on those areas in which funds were previously brought forward. Most transportation project cost increases relate to increasing property values. Staff focused the Mid-Biennium Budget on those areas to limit the scope of the update. However, staff could expand the scope if directed by the Council. Ms. Rezab noted that, when the budget is trued up at the end of the year, some projects will have unspent funds that will be carried over into 2016.

Mr. Wallace referred to the 120th Avenue NE Stage 3 project and observed that the 2015 number was not adjusted while the 2016 number increased from $10.6 million to $12.5 million. Ms. Rezab said she believed the increase was related to rising property values. Responding to Deputy

Mayor Wallace, Ms. Rezab said staff can provide the rationale for each project adjustment reflected in the Mid-Biennium Budget. Mr. Wallace said the adjustments appear to be concentrated in the area of transportation projects.

City Manager Miyake said some of the details of the project adjustments were discussed with the Council earlier this year.

Deputy Mayor Wallace said it appears that some adjustments have been captured for transportation projects but not for parks projects (i.e., Downtown Park). He questioned when this would be discussed. Ms. Hawn said the Mid-Biennium Budget update focuses on a limited number of items which have been previously discussed with the Council. Staff does not undertake a recosting of every CIP project as it does during the regular Mid-Biennium Budget cycle. Mr. Wallace reiterated that the Council needs to have a discussion at some point about the Downtown Park project and significant property values.

Mr. Wallace said he was surprised by the budget adjustment related to Sound Transit East Link staffing. In the past, this was funded for two years. He questioned why the City is adding any funding with the project now moving into the permit process. He observed that seven-year funding has never been added during the Mid-Biennium Budget update period. Ms. Hawn said the ordinance to be adopted by the Council will only approve 2016 funding.

Ms. Rezab said the expansion of that budget item to 2021 was related to the timing of the adoption of the East Link Amended Memorandum of Understanding (MOU) with Sound Transit. At that time, outstanding policy issues were Stage 4 design funding and outreach funding. She suggested that Transportation Department staff could provide additional information. Mr. Miyake said staff will bring more details back for the Council.

Deputy Mayor Wallace reiterated that he does not understand why more money would be spent under the East Link staffing line item now that the City has agreed with Sound Transit about the respective financial responsibilities under the MOU and the project is in the permit phase.

Councilmember Stokes concurred with the Deputy Mayor's comments and request. Mr. Stokes referred to the Mayor's earlier comment regarding educating the public about how and when to prepare and present budget requests. Mr. Stokes suggested also getting more information out about various grant programs that might be available for organizations (i.e., Arts Commission and Human Services Commission funding allocation processes).

Mike Brennan, Director of the Development Services Department (DSD), described the inflation-based adjustments to building review and inspection fees and to the Transportation Model Run fee. The adjustments maintain alignment with DSD's financial policies and cost recovery objectives. Mr. Brennan said staff is requesting Council direction to enable staff to prepare the corresponding Budget ordinances.

The proposed rate adjustments include an increase of 2.5 percent to 3 percent for hourly permit review and inspection fees as well as an inflationary increase in the building permit fees that are based on a project's valuation. The proposed adjustments will generate a projected $336,000 in

2016 revenue. Mr. Brennan said the Transportation Model Run fee is a flat rate and has not been adjusted since 2009.

Responding to Deputy Mayor Wallace, Mr. Brennan confirmed that Bellevue is competitive with the rates in surrounding jurisdictions.

Ms. Hawn said staff will return on November 16 for continued discussion.

5. Council Discussion of Upcoming Items: None.

6. Continued Oral Communications: None.

At 9:42 p.m., Mayor Balducci declared the meeting adjourned.

Kyle Stannert
Acting City Clerk

/kaw