

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Special Meeting
Budget Retreat

July 23, 2002
6:00 p.m.

Conference Room 3A/B – City Hall
Bellevue, Washington

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

ABSENT: None.

1. Overview of Major 2003-2004 Budget Discussion and Decision Points

City Manager Steve Sarkozy noted that the Council has spent four months, totaling approximately 26 to 28 meeting hours, so far on budget review. He described the intent of tonight's meeting and referred Council to Section 29 of the Council Review Sessions binder which provides highlights of Council direction to date. He recalled that the rationale for these early budget review meetings was for Council to provide guidance for preparation of the 2003-2004 Preliminary Budget. Mr. Sarkozy said Council's ongoing feedback will be utilized by staff in preparation of the formal Preliminary Budget over the next two months. Council will review and make decisions on the Preliminary Budget this fall.

Interim Finance Director Gary Ameling provided an overview of Section 29 and how Council's prior direction and feedback have been highlighted. In some areas Council has not yet provided feedback or direction, and staff hopes to receive that input this evening to further assist in budget preparation.

Financial Forecast

Referring to page 29-3, Mr. Ameling reminded Council of the discussion about forecast results. He reported on projected budget shortfalls over the next several years as a consequence of the current economic downturn. Departments predict underspending budgets by \$2.3 million in 2002 to make up for decreased revenue. The Financial Forecast had previously assumed 2.4 percent inflation and the actual CPI was 1.5 percent. In the General Fund, this will result in a \$550,000 expenditure savings, which has a compounding effect over the forecast period.

Dr. Davidson requested budget reports for the last six years providing detail of actual revenues and expenditures for both the General Fund and the Capital Investment Program (CIP). Mayor Marshall requested that all Councilmembers receive this information.

Deputy Mayor Degginger noted that participation dues for Cascade Water Alliance next year could be \$400,000 to \$500,000. Mr. Ameling said these charges would most likely be paid by Utilities rather than the General Fund. He predicted such an increase could result in a rate increase of 4 to 5 percent in addition to the potential 15.7 percent increase in wholesale water charges from Seattle.

Mr. Ameling moved on to the CIP Plan, whose revenues have also been affected by the economic downturn resulting in decreased funding in the later years of the plan. Several new projects (Neighborhood Investment Strategy, Finance/Human Resources system, Public Safety/City Hall facility, Downtown Implementation Plan early actions) identified by Council are currently unfunded. Staff will evaluate a number of options for funding these new projects.

Councilmember Mosher noted that \$3 million is set aside in the Parks and Open Space bond issue for acquisition of park property in the Downtown area, which is consistent with DIP recommendations.

Dr. Davidson suggested one approach might be to fund elements of each of the four new projects. He suggested that staff provide a recommendation to Council regarding prioritization, and Mr. Mosher agreed.

Revenues

Mr. Ameling reviewed Council direction regarding revenue policies outlined on page 29-5. Council expressed continuing agreement with these policies.

Noting increasing wholesale water costs from Seattle, Dr. Davidson questioned whether the City should attempt to smooth these rate impacts by altering its current reserve approach.

Deputy Mayor Degginger said reserve contributions are currently insufficient to offset the projected wholesale rate increase. He does not object to looking into strategies to smooth the rates, however.

Reserves

Mr. Ameling reviewed Council's previous discussion regarding reserves. He described staff's plan during the Preliminary Budget preparation to review current individual reserve levels, consider the alternative of interfund loans in some cases, and consider reducing overall reserve levels somewhat.

Mayor Marshall asked staff to prepare a plan for how reserves would be repaid if Council were to choose to borrow from reserves. Mr. Ameling said the LEOFF 1 reserve was fully funded through excess collections and underexpenditures of the General Fund, which is one alternative.

He noted that the citizen survey reviewed with Council at the July 22 Extended Study Session indicates this is citizens' preferred approach and staff's recommendation as well. Mayor Marshall asked that written policy language be developed so this funding source is not diverted to other uses in the future.

Expenditures/Compensation

Mr. Ameling reviewed Council's previous direction on expenditure policies. Recalling Council's previous direction of no new FTEs (full-time employees), Mr. Ameling questioned whether staff increases might be approved in cases where new revenues would cover the additions, as a result of contractual obligations, or if the staffing increase resulted in expenditure savings. He provided the examples presented by the Fire Department of increased staffing due to Medic 14 and by the Utilities Department in reference to the Coal Creek Utility District merger, both of which provide offsetting revenues.

Councilmembers commented on the need to identify full long-term staffing costs when analyzing whether to staff programs or projects through FTEs or contractors. They feel contracting can be more expensive than staffing internally if done extensively and it may incur additional costs associated with managing the contracts. Mr. Sarkozy suggested Council may not want to limit its options by preventing staff increases but instead should scrutinize the options closely. Mayor Marshall indicated a willingness to consider adding staff if Council were provided a full comparative cost analysis. Mr. Ameling pointed to the jail contract recently approved by Council in which it is more cost effective to hire a staff person to manage the jail contract than to pay an extra \$300,000 in jail fees.

Mr. Degginger emphasized the importance of holding the line on budget growth. He is willing to consider adding staff as long as the analysis justifies that all current FTEs are needed.

Mayor Marshall prefers to shift staff internally to meet changing priorities, when possible, rather than to hire new FTEs.

Mr. Mosher would like Council to review options. Mr. Noble agreed, and indicated he does not believe a "hiring freeze" is a good blanket policy.

Mr. Creighton recalled the Fire Department's finding last year that it is less expensive to hire additional staff than to pay overtime. He is willing to listen to proposals to increase staffing when it can be demonstrated to be less expensive than providing the service by other means.

Dr. Davidson commented that Council regularly deals with requests to increase staff, but positions never appear to be freed up once projects are concluded. He requested that Council be apprised of internal shifts in staff resources between projects.

Deputy Mayor Degginger noted that significant funding has been dedicated to technology improvements with the promise of improved productivity. He would like to see that productivity dividend identified in the budget. He also noted that a number of functions have been decentralized over time and suggested that the overall number of staff might be reduced if these

functions were centralized. He would like to see a rigorous review of the base budget for such opportunities.

Mr. Lee does not like to see government grow but also feels that Council should not be micromanaging City staff. The key is for the City to remain competitive and cost-effective.

Mr. Mosher reiterated that Council would like to know about internal shifts in resources, both in FTEs and in other areas of the base budget. Mayor Marshall summed up the discussion by restating Council's desire to see options and fully analyzed alternatives.

Turning to compensation policies, Mr. Degginger expressed concern about the number of staff receiving the highest merit rating. Mr. Mosher noted the City's policy to hire above-average staff and to pay slightly higher than the market.

Mr. Sarkozy reviewed the current merit program and noted that Council has directed further analysis of the City's compensation program. Staff will prepare a package for Council consideration in late summer or early fall. Mr. Sarkozy acknowledged the need to refine the performance rating definitions.

Deputy Mayor Degginger feels merit increases should be provided based on job performance and not merely to provide movement through the salary range. Mayor Marshall agreed. Mr. Degginger noted that the new compensation program was designed to fluctuate based on market conditions.

Mr. Creighton supports above-average pay for above-average performance. He described his company's approach based on revenue per employee. He said his firm pays above-market salaries but also generates above-average revenue per employee. He suggested the City needs a better mechanism to measure above-average performance.

Mr. Mosher feels Council should let the compensation program work as intended and should not make precipitous changes now. He noted the need to acknowledge above-average performance but suggested that Council should not get too involved in how the system is designed and instead focus on results. He recalled how a new merit program was introduced at the U.S. General Accounting Office and the negative results it achieved in practice.

Transportation Department

Mr. Ameling referred to binder materials beginning on page 29-8. He noted that Council consensus has not been achieved on some departmental issues and memory bank items.

Mayor Marshall noted that the report provided on construction management and inspection issues did not answer a number of Council's questions. She requested additional information from staff. She is interested in evaluating the criteria used for contractor selection. She feels firms that are not performing well should not receive additional work, even if they are the low bidder. Mr. Mosher agreed.

Mr. Sarkozy said the Transportation Department's consulting agreements are being evaluated and the department is looking at shifting resources in some areas. Their workload is currently at very high levels, so he would suggest not disrupting their operation at this time for an extensive review of their contracting practices. Mayor Marshall requested that the City Manager retain this as a future work program item.

Mr. Ameling noted Council's request that a mechanism be found for funding transportation initiatives proposed by Council in the early years of the CIP Plan. Staff will try to accelerate projects through shifts in project schedules or reallocations.

Mr. Noble feels Council needs to review the entire list of CIP projects when making reprioritizations. In evaluating changing priorities, Mrs. Marshall would like to know what promises have been made through public involvement processes before making decisions to divert funding from projects.

Mr. Ameling noted Council's willingness to potentially shift Transportation resources to address citywide needs.

Mr. Sarkozy said these budget discussions are an opportunity to evaluate the overall process. He questioned whether the City is programming its CIP Plan too far into the future.

Dr. Davidson suggested a review of the following aspects of the CIP Plan after the current budget process is concluded: 1) percent allocations to programmatic areas, 2) project prioritization, 3) diversion of CIP funding sources to cover maintenance and operations costs, and 4) the length of time provided to complete projects.

Council briefly discussed participation in Sound Transit Phase 2. Mayor Marshall asked that Council feedback be revised to indicate that high-capacity transit (HCT) is important, but not critical, to the City's future.

Moving to a discussion of competing demands on the public right-of-way due to special events, Mr. Ameling emphasized the need for continued coordination. Council agreed on the need to continue efforts to obtain additional transit hours. Council also agreed on the reallocation of staff to provide greater timeliness in providing telecommunications permits.

Mr. Creighton reiterated his request for the arterial map/plan previously discussed with Council.

Parks Department

Referring to page 29-11, Mr. Ameling noted Council's prior discussion of the human services funding formula and reported that including a population adjustment factor would add about \$9,000 per year to the budget. Mr. Creighton and Mr. Noble supported this addition. Mr. Degginger agreed that such an increase makes sense in this economy. Mayor Marshall noted Council consensus to add the population adjustment factor.

Skipping to a discussion of neighborhood festivals and events, Mayor Marshall suggested coordinating such events with the already approved funding package for the City's 50th anniversary in 2003.

Dr. Davidson expressed opposition to City funding for Bellevue's birthday celebration. He suggested instead that the City create a foundation to which individuals or groups could contribute. Assistant City Manager Myrna Basich reminded Council that Bellevue 50 Fest plans include a fundraising component.

Mr. Creighton described his service on the Seafair Board which is planning a July 2003 event in Bellevue. He asked staff to determine the cost of providing in-kind traffic control for a proposed marathon. Mayor Marshall feels the City should look to leverage events sponsored by other groups, such as the Seafair proposal, to promote Bellevue.

Planning and Community Development

Council agreed that discussion of responses to the Downtown Implementation Plan is premature, as recommendations will not begin coming to Council for review until this fall. Staff will evaluate setting aside some funding as a placeholder for DIP early action items.

Moving on to the Neighborhood Investment Strategy, Mayor Marshall feels the City should not rotate to a new NIS area every two years, but instead move on to a new area after the City has successfully implemented a number of recommendations from the current study.

Mr. Noble said some commitment needs to be made regarding the timing of the next NIS project because this is becoming the City's most visible response to meeting neighborhood needs.

Mr. Mosher feels the City should put a more systematic approach into place. He suggested changing the approach to the City's maintenance efforts to concentrate efforts in a particular neighborhood and generate dramatic change.

Mayor Marshall feels this may be a better approach than developing extensive CIP project lists. She feels, however, that citizen expectations must be managed to avoid disappointing them.

Mr. Mosher noted the City's interest in using the NIS program to train community leaders. Mr. Sarkozy plans Leadership Team discussions about how to repackage neighborhood services, such as street overlays, to have a broader impact in specific neighborhoods. More staff work is needed in order to develop a coordinated, comprehensive service delivery package.

Mr. Ameling suggested changing the wording of Council direction as drafted on page 29-14 to indicate Council's strong support for continuing the NIS program and asking staff to evaluate a greater consolidation of services. Mr. Degginger suggested providing a specific program description in the budget as well as an action plan.

Moving on to Economic Development, Mayor Marshall would like to see a strategy for working with the Port of Seattle. Bellevue citizens are contributing significant tax dollars to Port funding and should be seeing some direct benefit for that investment.

Mr. Ameling noted a lack of Council support to pursue impact zoning.

Utilities

Dr. Davidson noted that solutions emanating from Water Resource Inventory Area 8 (WRIA 8) discussions will not be known until 2003.

Mayor Marshall reported on fish hatchery grants received by Issaquah. She feels Bellevue does a good job of seeking grants and asked that staff continue this effort.

Moving on to a discussion of regional water supply arrangements, Mr. Degginger suggested that Council direction be amended to read: Evaluate supply alternatives that meet Bellevue's interests with the lowest long-term impact on customer rates. He noted that within the 2003-2004 budget timeframe, the City might be called upon to make a number of capital decisions regarding water supply. Mr. Ameling noted the City is currently not using any of its water bonding capacity.

Fire

Regarding Medic 14, Mr. Ameling reported on staff's plan to bring a proposal forward to Council as part of the Preliminary Budget. Mayor Marshall asked that a full cost-benefit analysis be provided.

Moving to a discussion of fire inspection services, Dr. Davidson raised concerns regarding increasing business and occupation (B&O) taxes, which is one of the funding sources under consideration. Mayor Marshall asked staff to evaluate and identify the costs of the various alternatives under consideration.

With regard to public facility needs, Mayor Marshall questioned the referenced need for a new Emergency Operations Center (EOC). She is interested in staff making as much recycled use of existing furniture and equipment as possible if the City moves forward with acquisition of a new Public Safety facility. She hopes that the "new EOC" refers to relocating to a new facility and not all new furniture and equipment.

Police

Regarding previous discussions about video cameras in Police cars, Mayor Marshall does not want to set up expectations that the City will provide video cameras when the economy improves. She said the use of this technology needs to be carefully studied before deciding to move forward.

Legal

Mayor Marshall suggested that the City Attorney's Office work to streamline the City Code. Dr. Davidson thinks this is a great idea if there is little or no cost involved. Mr. Noble feels this would be an unfunded mandate.

Council

Although materials provided to Council earlier identified no significant policy issues or budget needs for the coming year, Ms. Basich noted that staff is currently evaluating the cost of high-speed cable modem access for the Council as this service becomes available to them over the coming months.

Mr. Lee asked Council to consider adding individual assistants for Councilmembers to coordinate their individual schedules, analyze issues, perform research, coordinate work with constituents, and assist Councilmembers in developing their positions on issues. He feels that since Council is a part-time body, they are in need of this type of help. He noted that other elected officials in the region have this type of assistance.

Mayor Marshall feels existing staffing is working well to support the Council as a whole. Deputy Mayor Degginger feels this would not be appropriate during the current economic times. Mr. Mosher agreed.

Dr. Davidson noted that Councilmembers can go to department heads or management staff whenever necessary to get the information they need. He is pleased with the level of staff support.

City Manager's Office

Responding to Mayor Marshall, Mr. Sarkozy said a new assistant for the Regional Issues Manager has been hired and will start August 5.

Deputy Mayor Degginger requested information on the Sister Cities program and questioned whether Bellevue's approach follows International Sister City standards. Mr. Mosher noted that Bellevue Sister Cities Association (BSCA) is currently reviewing its exchange program rotation.

Finance

Mr. Sarkozy reported that staff will present the proposal for the Finance/Human Resources system replacement after Council's upcoming August recess.

Information Technology

Responding to Mayor Marshall, Mr. Sarkozy introduced the memo on page 29-29 regarding research on a Municipal Fiber Network and walked through its major points. Mayor Marshall suggested acquiring cable to fill the gaps in the City's current network. Mr. Lee supports

spending \$85,000 for an architectural (business) plan. He questioned how Tacoma was able to wire their city. Mr. Sarkozy said staff plans to bring forward the issue of pursuing a municipal network at a future Study Session.

Mr. Creighton noted that network providers are currently in bad financial situations with no capital to proceed with deployment plans. Mayor Marshall detailed what might be included in a business plan for the municipal network. Mr. Degginger views such a network as part of the City's economic development program and hopes it will assist in convincing businesses to locate here. It is also a critical element in allowing telecommuting for employees.

Mr. Sarkozy noted that more analysis is needed. Councilmembers expressed an interest in hearing more about the proposal as research continues.

Economic Development Projects

Referring to the memo on page 29-33, Mr. Sarkozy said economic development needs have changed due to the downturn in the economy. He feels this area needs significant attention in the upcoming budget. He reported on economic development positioning and promotional activities in Seattle for the area south of Lake Union and in Rainier Valley as well as in Kent, Tukwila, and Tacoma.

Mr. Lee noted that historically economic development staffing has been positioned in the Planning and Community Development Department. He feels the City needs a more direct approach.

Mr. Sarkozy speculated that the state legislature will be placing significant attention on economic competition. He feels there will be more access to economic development grants for cities.

Mr. Degginger noted the need to determine the appropriate budgetary commitment to the Bellevue Economic Partnership (BEP). Mr. Mosher referred to the Competitiveness Council and recommended the development of measures to streamline processing for the siting of companies and to facilitate their relocation to Bellevue. Mr. Lee feels the City needs an active marketing program.

Mr. Degginger referred to the new federal New Markets Tax Credits program available to cities with tracts meeting census criteria.

Dr. Davidson feels statewide tax reform is needed to remove obstacles to economic development.

Mayor Marshall would like staff to take a look at an expanded economic development program, but she feels we need something to market such as faster permitting or a less complex City Code to operate within. She suggested involving the Port of Seattle in this effort.

Public Safety Training Center

Mr. Sarkozy described the purpose of the Training Center and the need to upgrade. If we move forward with a new Public Safety facility, one floor could possibly be equipped for Training Center purposes.

Mr. Mosher noted that our Training Center is used by other cities as well. He likes the idea of consolidating functions within the Public Safety facility. Mr. Sarkozy will discuss this approach further with Police and Fire management.

Staffing Levels

Mr. Sarkozy referred to the memo on pages 29-38 and 29-39. Mayor Marshall noted that cities utilize various approaches to staffing. Referring to the graphs, Mayor Marshall indicated her understanding that Issaquah has a staffing level similar to Redmond's.

Dr. Davidson feels that comparison of staffing levels based on population is not a valid approach. He said larger cities have efficiencies of scale unavailable to smaller jurisdictions. Mr. Ameling noted that Bellevue's staffing is not growing as a percentage of population.

Mr. Degginger noted that certain City departments provide services outside of the City's boundaries and inquired whether this adjustment had been made in the graphed information. Councilmembers enumerated a number of services provided by Bellevue to other jurisdictions or areas outside the City. Mr. Mosher said Bellevue has a significant daytime population that is not captured in these graphed statistics. Mr. Sarkozy commented that Bellevue has also chosen to deliver significantly higher levels of service in some areas, such as parks, than other cities.

Mrs. Marshall would like to be able to compare Bellevue's staffing to comparative cities outside of our region. Mr. Noble finds this information marginally interesting but not really helpful since cities' needs and service levels differ. Mr. Mosher feels the ICMA comparative cities program provides more compelling and useful management information.

Following brief discussion, Mayor Marshall noted Council consensus that the budget session scheduled for June 29 will not be needed.

Mr. Mosher said Council is interested in seeing the full lists of budget proposals in order to independently evaluate the alternatives. Council may wish to reprioritize certain projects. Mr. Ameling acknowledged the need for staff to bring forward budget reduction packages for consideration.

Steve suggested individual Council briefings in late August or early September to explain how the budget is developing and key issues.

Mayor Marshall values hearing other Councilmembers' comments. She would prefer having these briefings scheduled as an evening retreat similar to tonight. Mr. Mosher does not mind the informal briefings, but understands that some issues benefit from the entire Council's discussion.

Mr. Sarkozy thanked Finance staff for their hard work in preparing these budget review sessions. Mayor Marshall and Deputy Mayor Degginger commended Mr. Ameling's leadership and congratulated him on his new position in La Mesa, California.

Mayor Marshall feels this budget review process has been more substantive than in the past. Mr. Mosher likes the approach of discussing policy first.

At 9:56 Mayor Marshall declared the meeting adjourned.

Myrna L. Basich
City Clerk

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