

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Extended Study Session

April 10, 2006  
6:00 p.m.

Council Conference Room  
Bellevue, Washington

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

ABSENT: Councilmember Marshall

1. Executive Session

Mayor Degginger called the meeting to order at 6:01 p.m. There was no Executive Session.

2. Oral Communications

- (a) Paul Sanders thanked Council for sending the Critical Areas ordinance back to the Planning Commission for additional review and debate. He appreciates the Planning Commission's consideration of view preservation.
- (b) John Valaas, Executive Committee Chair for Bellevue Chamber of Commerce, praised Bellevue's tradition of environmental stewardship. However, he feels the proposed Critical Areas ordinance is overly restrictive. As a banker, his business is dependent upon the continued investment of capital. Mr. Valaas is concerned about the potential impacts of the ordinance on current and future development and redevelopment. He cautioned that the ordinance will likely increase housing costs and dampen commercial development. He feels some of the regulations go beyond protecting critical habitat and instead try to restore it. Mr. Valaas questioned the need for the ordinance to go this far and whether it justifies cost impacts to property owners. The Chamber is interested in helping to prepare the alternative programmatic approach to critical areas. Mr. Valaas thanked Council for its decision to hold a public hearing on the ordinance.
- (c) Randy Bannecker, Seattle-King County Association of Realtors, noted he participated in Bellevue Chamber's review of the Critical Areas ordinance. He thanked Council for taking the time to fully study the proposed regulations, which are technically complex. Mr. Bannecker expressed concern about the buffer requirements, which exceed the required protection standard and lean toward restoration. He encouraged Council to both increase environmental benefits and decrease impacts on property owners. He supports

further development of a programmatic approach that credits the City for open space already preserved and existing environmental regulations. He favors an option for property owners to commit to an actively managed buffer program in exchange for the opportunity to work within existing buffer widths. Mr. Bannecker encouraged the City to develop guidelines for property owners as has been discussed in the past.

3. Study Session

(a) Council New Initiatives

[No new initiatives were introduced.]

(b) Neighborhood Mediation Program 10-Year Celebration

Regina Lyons, Neighborhood Mediation Program Co-Manager, invited Council to a celebration of volunteers and the program's 10<sup>th</sup> anniversary on Tuesday, April 18. During the program's 10 years, 400 mediations have been completed by more than 300 community volunteers. Volunteers receive approximately 40 hours of training. The Parent Teen Mediation Program was launched in 1998 and pairs adult and teen mediators to work with families and teens.

Councilmember Balducci congratulated staff on the program's success and noted she has heard good things about the program from citizens.

Deputy Mayor Chelminiak commended the Peer Mediation Program in local high schools, which his stepdaughter is involved in.

Responding to Councilmember Lee, Ms. Lyons said the program has worked to increase diversity among its mediator volunteers. She noted more success in this area within the Parent Teen Program than in the adult program. The program also works with neighborhood groups to determine the best ways to address cultural diversity.

Mayor Degginger praised the program and thanked Ms. Lyons and volunteers for their hard work. Ms. Lyons thanked Council for its support.

City Manager Steve Sarkozy noted that Bellevue's program is one of only two community mediation programs in the state.

(c) Cascade Water Alliance

Resolution No. 7348 authorizing execution of certifications, entering into a continuing disclosure undertaking, and doing all things necessary to enable Cascade Water Alliance to issue and sell its initial bonds. (*Council discussion on this item was held on January 17, 2006, and action is requested this evening.*)

Alison Bennett, Utilities Policy Program Manager, recalled previous discussions with Council regarding Cascade Water Alliance's issue and sale of initial bonds.

Michael Gagliardo, General Manager for Cascade Water Alliance, described efforts to finalize documents necessary to complete Cascade's initial bond offering. Cascade anticipates issuing bonds with a principal amount of approximately \$58 million. The sale of bonds has been negotiated through Lehman Brothers as the lead underwriter. The dollar amount increased from \$50 million in January because it was determined that with current interest rates on long-term tax-exempt debt, it is less expensive to borrow the money now and repay debt to Tacoma. Major items covered by the initial bond offering are Tacoma connection charges, the purchase of Lake Tapps, repayment of the loan to Sammamish Plateau, and central segment pipeline design.

Mr. Gagliardo said the finance team met with rating agencies in San Francisco in late March and experienced a positive reception by both Moodys and Standard and Poors. Notification regarding the bond rating is expected later in the week. The final bond resolution and final draft of the preliminary official statement will be presented to the Cascade Board on April 19. Cascade representatives will meet with Lehman Brothers in New York on April 25 for pre-pricing. The bond pricing and sale are scheduled for approval at the April 26 Cascade Board meeting. Bond closing is anticipated in early to mid-May.

Mr. Gagliardo reiterated that this is Cascade's initial bond offering. Future bonds to be issued include a 2007 bond issue for \$40 to \$45 million (central segment pipeline construction, north segment pipeline design, Lake Tapps acquisition and capital improvements), a 2008 bond issue for \$35 to \$40 million (north segment pipeline construction, Lake Tapps capital improvements), and a 2009 issue for \$10 to \$15 million (north segment pipeline construction). Further bond issues are not anticipated until approximately 2020.

Jay Reich, Bond Counsel, clarified that Cascade's bonds are not the City's bonds. The City does not incur any debt and commits no taxes to bond payments. Under the Interlocal Agreement Bellevue is responsible for passing associated costs on to ratepayers, however. Cascade is requesting formal approval of the bond issuance by all member jurisdictions.

Councilmember Lee expressed support for the bond issuance. Responding to Mr. Lee, Mr. Reich said the interest on the bonds will be tax exempt under federal tax law. The bonds are paid by Cascade using revenue it receives from the Interlocal Agreement between all Cascade members. Under the contract, the City agrees to impose rates and charges on its utility customers to raise adequate funds to pay its obligation to Cascade.

Responding to Deputy Mayor Chelminiak, Mr. Reich explained that Seattle's recent demand forecast assumes supplying to Cascade only the volume of water indicated in Seattle's current contract with Cascade. The amount of water available to Cascade from Seattle declines beginning in 2024 and flattens out from 2045 to 2050.

Dr. Davidson expressed support for Resolution No. 7348, which he feels represents a conservative approach.

- Deputy Mayor Chelminiak moved to approve Resolution No. 7348, and Mr. Lee seconded the motion.

☞ The motion to approve Resolution No. 7348 carried by a vote of 6-0, with Mrs. Marshall absent.

(d) Review of Proposed 2007-2008 Budget Process and 2007-2013 CIP Plan Key Milestones and Financial Status

Finance Director Jan Hawn described the overall budget process approach:

- Early policy and framework discussions.
- Frequent briefings on financial status, operating budgets, and capital projects.
- Council direction before budget development.
- Budget deliberation in October and November.
- Budget adoption in December.

She reviewed the proposed schedule beginning with an Operating Budget and Capital Investment Program (CIP) overview and discussion of budget survey results on April 17. On April 24, staff will introduce policy discussions, provide programmatic information by department, identify mandatory vs. discretionary programs, and present information regarding current appropriations and associated staff. Staff will also present an update regarding the elimination of positions pursuant to implementation of the Enterprise Resource Planning (ERP) system.

Staff will provide an early outlook presentation on June 12, followed by a full financial forecast on October 20. Budget and CIP retreat/workshops are scheduled for May 22, July 10 and 24, and October 9. Staff will seek Council direction on July 24 to guide development of the budget. Department budget presentations are scheduled for June 5, 12, 19, and 26. Three public hearings will be held as follows: May 15, July 17, and November 13.

Ms. Hawn recalled that the financial forecast for the mid-biennium update indicated a \$0.5 million shortfall for the 2007-2008 budget. The primary reason for the shortfall is B&O (business and occupation) tax apportionment beginning in 2008. While tax growth is expected to be strong, some expenditures are running higher than projected, including state pension costs, inflation (affecting personnel and maintenance and operations costs), and higher operating costs for City Hall. The finance plan for the new City Hall assumed improved energy efficiency over the old building and all new systems. Costs for operating the building are higher than the former owner's costs, and City Hall is experiencing a higher consumption of both gas and electric utilities. In addition, custodial, HVAC, and security contracts have higher costs than anticipated. Due to value engineering, some items in the original building plan, such as cooling towers and HVAC controllers, were not installed. This required the establishment of replacement reserves in the upcoming budget for some of the originally planned items.

Ms. Hawn said the projected overall shortfall for the 2007-2008 biennium budget is estimated at \$1 million to \$3 million for the total budget of approximately \$260 million. In the CIP Plan, tax growth is expected to be strong. The B&O apportionment loss is more than offset by real estate excise tax (REET) collections. Staff projects a total of \$55 million in available resources for the CIP Plan between 2009 and 2013.

Mayor Degginger expressed an interest in the level of replacement reserves originally established for the new City Hall.

Responding to Mr. Noble, Budget Manager Jonathan Swift said staff will provide specific information regarding areas experiencing increased costs in future discussions.

Ms. Balducci encouraged staff to explore energy saving measures.

(e) Critical Areas Ordinance Update

Planning and Community Development Director Matt Terry referred Council to the Decision Matrix beginning on page 3-19 of the meeting packet reflecting changes to the Critical Areas ordinance based on Council direction provided in December and January.

Deputy City Attorney Kate Berens briefly highlighted some of the changes reflected in the Critical Areas Decision Matrix.

Responding to Mayor Degginger, Ms. Berens said the ordinance and neighborhood covenants can complement each other. She referred to the vegetation management section on page 23 of the ordinance for an example of flexibility within the regulations based on Council direction. Ms. Berens said covenants typically do not direct a specific method to preserve views but instead indicate a maximum height for structures and vegetation. Proposed vegetation management provisions allow the removal of taller vegetation and replacement with lower growing plants. Staff feels this type of provision will enable compliance with both covenants and critical areas regulations.

Responding to Dr. Davidson, Ms. Berens said a property owner does not need a permit to trim trees. However, the City will provide guidelines on tree trimming requirements through mailings, the City's web site, and neighborhood associations. Dr. Davidson wants to ensure that covenants to preserve views are addressed and that citizens are properly informed regarding regulations.

Mr. Chelminiak is not in favor of the City enforcing neighborhood covenants. However, he also does not want a situation in which one citizen who opposes his neighbors' interest in trimming a tree, consistent with their covenants, to use the City in an attempt to prevent the trimming. In areas with view preservation covenants, Mr. Chelminiak feels the City should be a good neighbor and keep vegetation on City-owned property trimmed.

Ms. Berens said staff has attempted to address these concerns in the proposed ordinance. She feels the ordinance will affect very few lots in the Somerset area, for example, with steep slopes, critical areas, and view covenants. Slopes of less than 1000 square feet or with less than 10 feet of rise are exempt from the Critical Areas ordinance.

Responding to Ms. Balducci, Ms. Berens said there are six or seven neighborhoods with view preservation covenants that have active homeowners associations. In further response, Ms.

Berens said the proposed ordinance provides more flexibility for vegetation management than current regulations.

Ms. Berens said the consultants are preparing an updated risk analysis and final EIS, which staff hopes to be able to present the week before the public hearing. Preliminary findings indicate some increased risk to stream and shoreline critical areas as a result of accommodations in the ordinance for developed property. The final EIS will include options for mitigating this risk.

Responding to Ms. Balducci, Ms. Berens said staff is targeting July 1 as the effective date for the ordinance.

Addressing some follow-up items, Ms. Berens said the City is one of three agencies that issues permits for new docks. The state and federal agencies do not charge permitting fees. Staff is working to develop a more streamlined and coordinated permitting process between all three levels of government.

Responding to Dr. Davidson, Ms. Berens confirmed that buffers for developed property are the same as or similar to current regulations. Redevelopment activities will be allowed to develop according to the existing footprint and setbacks.

Responding to Mayor Degginger, Mr. Terry expressed support for the idea of the City providing critical areas how-to guidelines for homeowners. He said this would be much more difficult to do, however, for commercial development.

Michael Paine, Environmental Planning Manager, interjected there is often a disparity in opinions when two scientists visit and evaluate a site. Therefore, the City cannot be sure about a particular outcome even with clear criteria.

Mayor Degginger expressed support for the flexibility provided by the critical areas report process in which property owners can hire an expert to evaluate their specific situation.

Responding to Mr. Lee, Mr. Terry said the City has a long history of environmental preservation and protection. With Bellevue located in the middle of a rapidly growing urban area, conflicts do exist between objectives for growth and economic development vs. protecting the environment. The intent of the Critical Areas ordinance is to slow the degradation of the urban environment.

Responding to Mayor Degginger, Mr. Terry said staff continue to evaluate the feasibility of a programmatic approach. Staff is reviewing current City programs and management practices as well as new initiatives that might enhance Bellevue's environment. As a result of the Bel-Red Corridor Study, staff is also looking into market-based incentives to encourage the reclamation and restoration of urban streams.

Mr. Lee expressed support for incentives over regulations.

Ms. Berens referred Council to the summary of follow-up items on page 3-16 of the Council packet. Responses to public comments are provided on page 3-17. Attachment D is the City's response to the Bellevue Chamber of Commerce regarding concerns about construction staging. The City typically expects construction staging to remain outside of critical area buffers. However, if a critical areas report indicates that buffers are the only space available for construction staging, it could be allowed. Ms. Berens suggested the option of modifying the City Code to indicate that construction staging could occur on already paved surfaces and parking lots without the need for a critical areas report.

Responding to Mr. Chelminiak, Ms. Berens said construction staging could similarly be allowed on a compacted impervious surface such as compact gravel.

At 7:55 p.m., Mayor Degginger declared the meeting adjourned.

Myrna L. Basich  
City Clerk

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