CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

April 24, 2006 Council Conference Room
6:00 p.m. Bellevue, Washington

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

ABSENT: Councilmembers Marshall and Noble

1. Executive Session

Deputy Mayor Chelminiak called the meeting to order at 6:00 p.m. and announced recess to Executive Session for approximately 20 minutes to discuss one item of pending litigation.

The Study Session resumed at 6:22 p.m. with Mayor Degginger presiding.

2. Oral Communications

(a) Stacie LeBlanc Anderson, a Surrey Downs resident, commented on the Comprehensive Plan Amendment proposal she submitted to the City. She said staff's response to the application indicates that the state constitution prohibits condemnation for private use except in limited cases where the property is blighted. Ms. Anderson feels that the state's protection is not particularly strict in practice. As examples, she noted a case in Bremerton in which property was taken and given to a car dealership, the "sinking ship" parking lot in Seattle, and the acquisition of monorail properties. Ms. Anderson is concerned about the potential abuse of eminent domain and the lack of a clear definition for blighted property. She asked the City Council to protect and strengthen private property rights.

(b) Sylvia Jones is opposed to the proposed King County hospital district levy associated with Valley Medical Center. She urged Council's help in extricating the Newport Hills area currently included from Public Hospital District #1.

(c) Renay Bennett commented on the proposed Comprehensive Plan Amendment regarding the mitigation of freeway noise. She noted Comprehensive Plan policy TR-118 providing for neighborhood protection, including noise mitigation, with regard to transportation projects. EN-91 commits the City to working with the State to mitigate

freeway noise while addressing aesthetic concerns. Ms. Bennett urged Council to follow these policies. City Code Section 9.18 requires that noise levels be kept below 55 decibels. However, the State does not provide mitigation until noise levels reach 67 decibels. Ms. Bennett urged the City to consider using rubberized asphalt. WSDOT plans to test this material on a small section (approximately 100 feet) of I-5 on one side of the freeway only. She feels this is not an adequate test area to produce meaningful results. Ms. Bennett would like rubberized asphalt to be used on the I-405 project between SE 8th Street and I-90. This material has been used in other states for years including 17 years in Arizona.

(d) Ellen Post, Wallace Properties employee and Bellevue Chamber of Commerce Board of Directors, said she is not convinced that the proposed Critical Areas Ordinance provides the right balance for Bellevue's urban environment. A stream through her neighborhood is thriving with salmon and attracts Great Blue Herons despite buffers consisting of garden beds and rockeries that are often only five to ten feet wide. The stream is protected by trees and foliage which provide the proper habitat for wildlife. Ms. Post said adding more regulations will not help this and similar healthy urban environments but will harm property owners by restricting their ability to build a deck or patio or to expand their homes. She feels the option of the critical areas report process is costly, unpredictable, and subjective. Ms. Post feels the proposed Critical Areas Ordinance is excessively restrictive. She encouraged Council to adopt only those regulations that are absolutely necessary to maintain sensitive areas.

(e) Ray Osborn, Newport Hills Community Club, said the club's boundaries contain more than 3,000 homes. More than three-quarters of these homes are in the Valley Medical Public Hospital District. The levy rate went from 9 cents to 59 cents per $1,000 of assessed value. The levy covers emergency medical services that do not benefit Bellevue residents. The hospital is farther from these residents than Overlake Hospital and is rarely used by the local fire station. He urged Council to help the City withdraw from the hospital district.

(f) Walter Scott, Eastside Citizens for Responsible Development, expressed concern regarding the noise impacts associated with the planned expansion of I-405. The Environmental Impact Statement (EIS) identifies three receptors in the Surrey Downs neighborhood that will exceed the state's acceptable decibel levels. Residents of Wilburton Hill will be affected as well and noise into their area will not be mitigated by the sound wall. Mr. Scott described Arizona's success with rubberized asphalt and its lowering of the acceptable decibel level. An increment of four decibels represents approximately a doubling of the noise level. The State of Arizona recycles approximately 70 percent of its used tires into rubberized asphalt. The asphalt is more durable and lasts longer than the material currently used on Washington highways.

3. <u>Study Session</u>

(a) Council New Initiatives

[No new initiatives were introduced.]

(b) Regional Issues

(1) Cascade Water Alliance North Pipeline Briefing

Alison Bennett, Utilities Policy Program Manager, opened discussion regarding upcoming Cascade Water Alliance activities including plans for the north pipeline. In addition to Cascade work items recently reviewed with Council, coordinated water system planning with King County has been initiated and staff plans to provide a report during the fourth quarter of this year. Ms. Bennett recalled that the central segment pipeline will carry water north from Tacoma to Cascade customers. The north pipeline is the final segment necessary to deliver water to customers if Cascade cannot reach a wheeling agreement with the City of Seattle.

Cascade is moving forward with the north pipeline as a contingency in the event a wheeling agreement is not reached with Seattle. Cascade is ready to start work on the environmental review required by the State Environmental Policy Act (SEPA) and to select a preferred route. Cascade is seeking members' input regarding route alternatives.

Bob King, HDR Engineering, reviewed Cascade's overall system plan and two alternative routes (West/Plum and East/Lime) for the north segment pipeline, if needed. Each project requires the future addition of a new parallel Bellevue-Issaquah pipeline. The eastern alternative is a more rural route. The western route is 2 miles longer and located almost entirely in the public right-of-way. The eastern route requires a number of private easements. The western route would take longer to construct because it travels through developed areas. Cost estimates are $73.5 million for the west route and $60.5 million for the east route.

The eastern corridor is more favorable in terms of future design flexibility, operational flexibility, and system and supply redundancy. Wholesale rate impacts will be the same for either alternative. Staff recommends the eastern corridor route for the following reasons:

- Shorter pipeline length.
- Lower construction cost estimate.
- Shorter construction schedule.
- Overall evaluation of both routes resulted in essentially the same scores.
- Provides fully independent transmission of water supply from Tacoma.
- Preserves western corridor for future pipeline potential from Lake Tapps.
- Minimizes construction impacts to municipalities.

Responding to Councilmember Lee, Mr. King said either alternative route will serve Cascade members in essentially the same way. A route has not yet been determined for a future pipeline from Lake Tapps.

Deputy Mayor Chelminiak asked whether the evaluation of the two routes studied potential earthquake impacts. Mr. King said there are no significant differences between the two routes in

terms of reconnaissance-level geotechnical factors. Physical exploration in the field will be conducted once the preferred route is identified.

In further response to Mr. Chelminiak, Mr. King said most of the private easements associated with the eastern line are part of the Puget Sound Energy right-of-way. The pipeline will run underground through the easements.

Responding to Ms. Balducci, Mr. King said criteria used to identify the two alternative routes included consultations with affected municipalities and the objective of staying within public road rights-of-way.

Responding to Dr. Davidson, Mr. King confirmed that the eastern route presents more environmental challenges, including wetland impacts, than the western route. However, Mr. King said the impacts can be mitigated.

Mayor Degginger noted Council consensus for Cascade staff to move forward with the eastern route recommendation.

(2) PSRC Vision 2020+20 Update and Preliminary Interest Statement

Diane Carlson, Director of Intergovernmental Relations, welcomed Norman Abbott, Director of Growth Management Planning for Puget Sound Regional Council (PSRC). She recalled that Mr. Abbott provided an overview of Vision 2020+20 planning to Council in September.

Mr. Abbott described ongoing work with the PSRC Executive Board on Vision 2020+20 planning. Ten issue papers have been reviewed and are available online. The PSRC Growth Management Policy Board evaluated eight growth distribution scenarios and identified four for EIS (Environmental Impact Statement) review. Staff is currently working with the consultant, Parametrix, to write the draft EIS (DEIS). A public event is scheduled for May 23. If the DEIS is not completed by then, a proof copy will be available. Approximately 15 meetings with City Councils have been held and 15 more are scheduled. PSRC plans to conduct a total of 130 public meetings and is hiring an experienced urban planner to assist with presentations and communications.

Mr. Abbott explained that the idea of having a numeric set of alternatives in the DEIS has raised questions. He clarified that the numbers do not represent forecasts or targets. They are simply the representation of the conceptual growth vision. The existing Vision 2020 plan contains a conceptual growth vision without numbers. The updated Vision 2020+20 plan will include numbers so it can be measured, modeled, and communicated more effectively. Mr. Abbott said the Growth Management Policy Board has extended the public comment period on the DEIS to 60 days.

Charlie Bush, Management Analyst, referred Council to Bellevue's revised interest statement regarding Vision 2020+20 growth alternatives [Page 3-13]. Dan Stroh, Planning Director, briefly reviewed the key principles included in the interest statement.

Deputy Mayor Chelminiak is pleased that Vision 2020+20 planning is building on efforts that have been ongoing for years. He agrees jurisdictions should be awarded for doing "the right thing" but suggested clarification of this statement. Mr. Chelminiak suggested adding a statement about the importance of keeping land use decisions at the local government (e.g., City, County) level.

Dr. Davidson questioned the phrase to "tighten up the regional centers criteria." Mr. Stroh said this refers to making the criteria more realistic in terms of setting growth expectations for designated centers.

Responding to Ms. Balducci, Mr. Stroh said the phrase about setting a high bar for planning is meant to emphasize the importance of this effort for all jurisdictions and the region as a whole. Each county will make its own decisions, and these decisions will be most effective if based on common principles for handling growth.

Ms. Balducci suggested the interest statement clarify the various authorities and their roles with regard to the Vision 2020+20 plan.

Mayor Degginger noted the many regional issues as well as the Critical Areas Update on the evening's agenda. He commented on the increasing challenge of managing growth while also protecting the environment.

(3) Public Hospital District Withdrawal Procedures

Nicholas Matz, Senior Planner, described alternatives for encouraging the withdrawal of territory in Bellevue that lies within the boundaries of Public Hospital District #1 (Valley Medical Center). He displayed a map showing the affected portion of Bellevue. Many residents of the area have asked the City Council to become involved in this issue. Mr. Matz clarified that the City has no direct authority to affect withdrawal.

Mr. Matz explained that state law authorizes residents to submit a petition for withdrawal. The hospital district then holds a hearing and forwards its findings and recommendations to King County. The County holds its own hearing and issues its findings. If either the district or the county recommended against withdrawal, or if the county and district disagree, a special election is held. The entire population of the hospital district would be allowed to vote on the issue.

Mr. Matz noted that in 2005, there were 474 emergency medical incidents within the portion of Public Hospital District #1 in Bellevue. Of those transported, 168 were taken to Overlake Hospital Medical Center, five went to Valley Medical Center, 43 were taken to other hospitals, and one patient went to Harborview Medical Center.

Mr. Matz noted three alternatives [Page 3-19 of packet] for Council's consideration:

- Direct staff to develop a resolution supporting withdrawal of the territory of Public Hospital District #1 located in Bellevue.

- Direct staff to evaluate potential legislative remedies to the current statutes governing withdrawal of territory from a public hospital special purpose district.
- Take no action.

Mayor Degginger said the tax is unfair based on the services utilized by residents of the hospital district in South Bellevue.

Deputy Mayor Chelminiak described his research into the matter after being contacted by a resident. He discovered that the precinct in which the resident lived voted 70 percent against increasing the district levy in the last election. He noted that the use of hospital and medical facilities has changed significantly since the rural hospital district was created in the 1940s. Mr. Chelminiak encouraged Council to adopt a resolution and/or send a letter to the hospital district and to advocate for legislative change. Mr. Chelminiak thanked Mr. Matz for his work on this issue.

Dr. Davidson would like to see an evaluation assessing the feasibility of successfully influencing a withdrawal of the Bellevue territory from the hospital district.

Ms. Balducci is in favor of meeting with other elected officials and working with state legislators on this issue.

Responding to Mr. Lee, Mr. Matz explained that when unincorporated areas are annexed into a city or town, state law allows the city to replace existing services (e.g., water utility) with its own services by assuming the special district.

Mayor Degginger confirmed Council's interest in pursuing legislative options, adopting a resolution supporting withdrawal of the portion of Bellevue in PHD #1, and meeting with district officials.

(4) Sound Transit and RTID Joint Ballot Activities for 2007

Transportation Director Goran Sparrman recalled ongoing efforts between Sound Transit and the Regional Transportation Investment District (RTID) to prepare a joint ballot measure for November 2007. He noted Bellevue's high interest in the I-90 High Capacity Transit (HCT) project.

Kim Becklund, Transportation Policy Advisor, reviewed Bellevue staff's draft schedule of upcoming Sound Transit Phase 2 and I-90 HCT project activities and tasks. Sound Transit is expected to make a decision in June or July regarding the I-90 HCT mode selection. The two alternatives under consideration are light rail and rail-convertible bus rapid transit. In terms of Sound Transit Phase 2 planning, the Sound Transit Board will prepare a finance package this summer that is largely dependent on its unused sales tax authority.

Councilmember Lee expressed an interest in more information beyond what Sound Transit is providing. He is concerned about the outcome of Sound Transit's decision regarding the HCT

mode for I-90 due to his ongoing interest in more innovative technologies. He does not want this decision to affect future choices of HCT modes in other areas.

Ms. Balducci thanked staff for staying on top of this issue and working with Sound Transit staff. She feels strongly that Sound Transit should evaluate a wide range of HCT route alignments. Mr. Sparrman said the consideration of alignment options will be discussed publicly throughout the process.

Mr. Chelminiak noted the schedule indicates that route alternatives will be studied by a consultant this summer, when no public meetings are planned. He questioned the possibility for the introduction of new alternatives for consideration through the public comment process after the consultant's work is completed this summer.

Mr. Sparrman explained the reasoning that public participation in meetings will be higher in the fall than in the summer. Technical information will be shared with the public in the fall and all options will continue to be studied and considered.

Mr. Chelminiak would like an in-depth briefing for the Council following the consultant's work this summer, preferably before Sound Transit launches its public outreach efforts in September and October. Mr. Sparrman confirmed that a discussion with Council will be scheduled for a Study Session.

Dr. Davidson expressed his ongoing interest in holding a public hearing to gather input from Bellevue residents regarding alignment alternatives and additional issues.

Mayor Degginger reiterated Council's interest in more information regarding alternatives and projected costs.

Ms. Carlson noted the draft letter to Chair Ladenburg, Sound Transit, communicating Bellevue's position on Sound Transit 2 and I-90 planning. She requested Council feedback by the end of the week.

(5) King County District Court Redistricting

Ms. Carlson referred to packet materials beginning on page 3-27 regarding the King County District Court redistricting proposal. She recalled staff's briefing to Council during the March 27 meeting. There are currently three districts (East, West, South). The East district handles approximately 63 percent of the overall caseload, the West handles approximately 9 percent, and the South handles approximately 28 percent. Ms. Carlson noted that the East district includes Shoreline's courthouse.

Ms. Carlson said the redistricting plan proposes removing one judicial position from the East district, which handles the majority of cases. Several cities in the East district contract for court services, thus contributing to the high caseload. The King County Redistricting Committee will meet on Friday, April 28, and Bellevue (as well as all cities with a population above 3,000) is invited to send a representative to this meeting.

Ms. Carlson referred to page 3-35 and requested Council feedback and approval of the Statement of Principles regarding King County District Court redistricting.

Mayor Degginger feels it makes sense to retain the judge position in the East district based on the caseload. Councilmembers concurred.

(6) Legislative Update

Ms. Carlson noted the Federal Legislative Update materials beginning on page 3-37 of the packet. Telecommunications continues to be a high priority issue and staff is monitoring the issue with lobbyists in Washington, D.C.

Mayor Degginger expressed concern regarding King County's plans for the Factoria Transfer Station versus alternatives preferred by Bellevue. Ms. Carlson said the County has extended the schedule for development of its plan to allow preparation of an environmental impact statement (EIS). The King County Council is expected to select a preferred alternative this fall. City Utilities staff is working to evaluate alternatives for the site.

Responding to Mr. Degginger, Ms. Carlson said staff will prepare another letter to legislators articulating Bellevue's position on telecommunications issues.

Mr. Lee noted his involvement with the Regional Transit Committee (RTC) and his continued advocacy for bus shelters and funding partnerships for shelters.

At 8:13 p.m., Mayor Degginger declared a break. The meeting resumed at 8:23 p.m.

(c) Update on Crossroads Center Plan

Kathleen Burgess, Comprehensive Planning Manager, recalled staff's discussion with Council on March 13 in which Council directed that liaisons for the Crossroads Center planning be appointed from the Parks and Community Services Board, Planning Commission, and Transportation Commission. Approximately 70 citizens attended a project open house on April 4. Ms. Burgess noted the summary of public comments beginning on page 3-53 of the meeting packet. Three public workshops are scheduled for May 2 (Parks and gathering spaces), May 16 (Uses and Activities), and May 30 (Transportation and connections). So far 29 citizens have signed up for workshops.

Councilmember Balducci was pleased with the open house and has received positive feedback from citizens. She noted that residents of the Crossroads area as well as other neighborhoods participated in the open house.

Mr. Lee feels that slowing down the process will allow greater community involvement in planning.

(d) Non-Site Specific Comprehensive Plan Amendments

Mr. Stroh recalled previous Council discussion regarding three incomplete applications received in January for non-site specific Comprehensive Plan amendments. Council has the option to initiate the CPAs for full consideration, forward the applications to the Planning Commission for threshold criteria review, or to take no action.

Dr. Davidson spoke to the importance of addressing the mitigation of freeway noise (the subject of Renay Bennett's proposal).

Speaking about freeway noise, Mr. Chelminiak opined that having certain things stated in Bellevue's Comprehensive Plan will likely not influence WSDOT to actually do what residents would like. He would prefer that staff spend time and resources on identifying solutions for mitigating the freeway noise. Mr. Chelminiak would like more information about the use of rubberized asphalt in Scottsdale, Arizona. He feels it will be more effective to continue working with WSDOT on noise mitigation than to adopt a local CPA.

Mr. Lee concurred with Mr. Chelminiak.

Mayor Degginger asked staff to gather information for Council about noise mitigation in Arizona.

Ms. Balducci suggested engaging with WSDOT through existing committees for SR 520 and I-405 planning.

(e) Critical Areas Ordinance Update

Mr. Sarkozy noted that tonight's discussion of the critical areas ordinance will focus on regulations for subdivisions and planned unit developments (PUDs). This topic was previously discussed with Council on January 3. Planning and Community Development Director Matt Terry announced that a public hearing on the ordinance is scheduled for mid-May.

Deputy City Attorney Kate Berens presented the Planning Commission's recommendation regarding revisions to the City's subdivision and PUD requirements. The draft ordinance reviewed by Council in September did not modify rules regarding subdivisions and PUDs. Ms. Berens noted the alternatives identified for Council's consideration [Page 3-76 of packet]. The first is to accept the Planning Commission's recommended amendments. The second is to request further study and to modify the Commission's recommendation. Finally, Council may defer consideration of amendments applicable to PUDs and subdivisions to a future date. Tonight staff is looking for Council direction to revise the ordinance, if Council chooses, in preparation for the May 15 public hearing.

Ms. Berens explained that the Planning Commission felt it was important to acknowledge the impact on development of properties that can be subdivided resulting from changes to critical areas regulations, especially those applicable to buffer dimensions. The Commission is interested in retaining a similar level of development available today on properties with critical

areas. The second principle was to separate critical areas and their buffers into separate tracts so they can be managed consistently. The ordinance allows buffers and critical areas to be used to satisfy minimum lot size requirements for individual lots.

The Planning Commission's recommended conservation subdivision process allows a portion of the development potential of the critical area portion of the site to be located on the buildable portion of the site and allows for minimum lot sizes to be reduced from the lot size required for the underlying zoning down to 65 percent of the standard lot size. Critical areas tracts could be retained by a homeowners association or dedicated to the City. Minor modifications are allowed for front, rear, and side setbacks. However, the Planning Commission recognized this may have some impact on traditional subdivisions adjacent to conservation subdivisions and recommend compatibility features to address this. These include a reduction of the front setback of only five to 10 feet, depending on the land use district, and the preservation of five feet for a single side setback. Where traditional subdivisions border conservation subdivisions, setbacks cannot be reduced below what is required for the traditional subdivision. Driveways and garages must be set back enough to allow one car to be parked off the street. Changes in the unit type (e.g., from detached to attached single family) would not be allowed within a conservation subdivision.

Responding to Mayor Degginger, Ms. Berens confirmed that the minimum lot size for conservation subdivisions would be smaller than for traditional subdivisions.

Ms. Berens described the Commission's proposed changes to PUD provisions. Existing provisions are designed to encourage residential development that is better than what would occur in a traditional subdivision. PUDs must set aside 40 percent of the area as open space, which can include critical areas as well as active or passive open space. PUDs are currently eligible for a 10 percent density bonus above base density but must demonstrate that the development remains compatible with the surrounding neighborhood. PUDs are a desired option for sites with critical areas because of the lot size flexibility allowed.

The Planning Commission's recommendations regarding PUDs are intended to enhance alternatives for demonstrating a benefit to the City. The regulations provide incentives for exceeding requirements through the conservation factor system. This identifies a number of ways the developer can achieve the open space requirement. The final recommended change to PUD requirements provides the possibility for development to achieve up to 30 percent of a bonus density for providing more amenities (e.g., critical areas open space and low impact development). The Commission recommends limiting this option to parcels of five acres or larger, which represents three multifamily sites and 17 single-family properties. Some of the amenities qualified for incentives in the conservation factor approach are preserving habitats, innovative and sometimes smaller housing units (e.g., cottage housing), and shared open space.

Ms. Berens reviewed examples of PUDs and the anticipated effect of proposed changes in requirements. As one example of a site with wetlands and steep slopes, the base density calculation would allow 24 units. The PUD process would allow an additional three units and the proposed process could allow up to 32 units. Staff's analysis would take into consideration whether the development remains compatible with surrounding development.

Staff suggests adding to the conservation factors approach the Master Builders Built Green Program, which includes low impact development measures, and an incentive related to LEED (Leadership in Energy and Environmental Design) certification levels, which is a green building rating system.

Responding to Councilmember Lee, Ms. Berens said the proposed conservation factors approach adds alternatives and incentives for achieving the 40 percent open space requirement for PUDs.

Responding to Mayor Degginger, Mr. Terry explained that choosing to address PUDs and subdivisions through a housing ordinance instead of the critical areas ordinance could allow more specific requirements regarding alternative housing (e.g., cottage housing), accessory dwelling units (mother-in-law apartments), and other measures to enhance flexibility. Staff is working on these issues now and hope to begin discussing them with Council this fall.

Responding to Ms. Balducci, Mr. Terry said the recommended amendments to the critical areas ordinance are focused more on environmental issues while a housing ordinance would focus on housing standards.

Responding to Mayor Degginger, Environmental Planning Manager Michael Paine opined that the proposed conservation factor approach will result in higher quality development and provide greater flexibility than the City's current PUD and subdivision processes. Mr. Terry said the proposed amendments will provide better control of minimum lot size, which is consistent with previous Council direction.

Staff responded to additional questions of clarification.

Mayor Degginger noted Council consensus to proceed with the Planning Commission's recommendations for the public hearing.

(f) 2007-2008 Operating Budget and 2007-2013 Capital Investment Program

Mr. Sarkozy introduced discussion regarding the 2007-2008 Operating Budget and the 2007-2013 Capital Investment Program (CIP) Plan.

Finance Director Jan Hawn said the presentation will address key financial policies guiding the budget process. The first budget and CIP workshop for Council is scheduled for May 22, and department discussions are scheduled for June. Two budget and CIP workshops are scheduled in July as well.

Jonathan Swift, Budget Manager, explained that the key financial policies address:

- The mix and balance of reserves.
- Examination of the base budget.
- The quality of service programs.
- Existing services vs. additional or enhanced service needs.
- CIP maintenance and operating costs.

- Preserving existing capital infrastructure before building new facilities.
- The use of debt in the CIP Plan.
- Ensuring a balanced CIP Plan.

Mr. Swift reviewed the use of CIP project prioritization criteria including program area, legal mandates, health and safety objectives, maintaining current infrastructure and low operating costs, leveraging City resources, short-term opportunities, and relationship to other projects.

Ms. Swift explained the concept of extraordinary development sales tax. Staff estimates that two developments (Lincoln Square and Overlake Hospital Medical Center) will generate approximately $1.6 million in construction sales tax over two years (2005-2006). For the 2007-2008 budget process, three projects (Braeburn, Wasatch, Bellevue Towers) will generate approximately $2.8 million in sales tax revenue. Staff will be requesting Council direction about whether to use these funds for City Hall financing, CIP projects, or set aside for a future economic downturn.

Mr. Swift said CIP resources in excess of budget are becoming a significant source of funds. The City over-collected $4.5 million for the 2005 CIP Plan. An over-collection of $2 million in real estate excise tax (REET) is expected this year. Options for this money include budgeting for the repayment of reserves and dedicating funds to the CIP and/or City Hall project.

Ms. Hawn described the LEOFF I medical reserve, which are benefits mandated by state law for law enforcement and fire fighter personnel. The City currently has 150 employees in the plan, which pays for all benefits. Increases to the fund result from investment earnings and annual contributions by the City ($90,000) and contract cities ($60,000). An actuarial study completed this month indicates a liability for the fund of $30 million. Bellevue has approximately $17 million in the fund, leaving an unfunded liability of $13 million. Council options include no change in the contribution level, an increase in the contribution level, full funding of the liability, or the establishment of a Trust Fund. Ms. Hawn said full funding of the $13 liability is not realistic over the next two-year budget. Establishment of a Trust would present slightly higher risk coupled with higher investment returns.

Ms. Hawn said staff recommends continuing the current level of LEOFF 1 funding along with an additional amount and to work with the Disability Board to discuss the fiscal impact of any proposed expansion of benefits.

Councilmember Balducci, Chair of the Firemen's Pension Board, described a board member's interest in using Firemen's Pension funds to cover medical costs within the LEOFF I program. Ms. Hawn said staff is currently updating the actuarial study for the Firemen's Pension Fund as well and will analyze the potential for the use of funds toward medical costs.

Dr. Davidson expressed concern about borrowing within the CIP Plan. He questioned the concept of extraordinary development sales tax and suggested including this sales tax with routine sales tax revenue as was done in the past.

Mr. Lee expressed concern about the increasing liability of the LEOFF I fund.

Mr. Chelminiak feels extraordinary sales tax collections should not be factored into the base budget of day-to-day expenses and should be used for one-time projects. He said the base budget should be based on more conservative revenue projections rather than on extraordinary development revenue.

Mr. Sarkozy noted the City is in a strong financial position and has funded a larger portion of the LEOFF I liability than most cities, some of which have not provided any LEOFF I funding.

➲ Deputy Mayor Chelminiak moved to extend the meeting to 10:30 p.m., and Dr. Davidson seconded the motion.

➲ The motion to extend the meeting to 10:30 p.m. carried by a vote of 5-0.

Ms. Hawn noted Council's previous request for information on full-time equivalent (FTE) positions and the impact of ERP (Enterprise Resource Planning) implementation on staffing needs. Up to 18 FTEs are to be eliminated; 10 of these have already been identified and removed from the current budget. An additional 6.5 FTEs will be eliminated by the end of the year. A pay date change will create an efficiency of one more FTE. Ms. Hawn referred to additional information beginning on page 3-109 of the meeting packet.

Ms. Hawn responded to questions of clarification. She noted programmatic (Budget template) information beginning on page 3-111 of the packet, as requested by Council.

4. Executive Session

At 10:04 p.m., Mayor Degginger announced recess to Executive Session for approximately 15 minutes to discuss one item of property acquisition.

The Executive Session ended at 10:20 p.m. and Mayor Degginger declared the meeting adjourned.

Michelle Murphy, CMC
Deputy City Clerk

/kaw