

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Special Meeting
Budget Retreat

August 3, 2004
6:00 p.m.

Mercer Room, Winters Estate
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Noble, and Councilmembers Balducci¹,
Chelminiak, Davidson, Degginger, and Lee²

ABSENT: None.

1. Call to Order

The meeting was called to order at 6:03 p.m. by Mayor Marshall, who presided.

City Manager Steve Sarkozy clarified that staff is seeking general direction from Council in order to present a preliminary budget to Council in late September. He reviewed the following underlying budget principles:

- No new services.
- Maintain the City's Aaa bond rating.
- Minimize or avoid layoffs.
- No new taxes.
- No new full-time equivalent (FTE) positions.

2. Budget Workshop

(a) General Fund

Mr. Sarkozy referenced page 3a-1 of the August 3 Budget Retreat binder for the General Fund Forecast Summary. He noted the challenge of increasing health benefits costs, state-mandated retirement plan costs, and workers compensation costs. Turning to page 3a-2, Mr. Sarkozy noted a projected budget shortfall of \$2.4 million in 2005 and \$2 million in 2006. Page 3b-1 summarizes the City's success in reducing expenditures through efficiency gains, project

¹ Ms. Balducci arrived at 6:08 p.m.

² Mr. Lee arrived at 6:06 p.m.

deferrals, and service modifications. Despite ongoing cost-cutting measures, the City recently received its highest customer satisfaction levels ever as staff continues to deliver a high level of service. Mr. Sarkozy reviewed areas in which the City is doing more with less by implementing large organizational-wide projects including the Enterprise Resource Planning (ERP) system, Utilities Customer/Billing Information System (CIS), Parks registration system, Downtown Implementation Plan update, and the New City Building redevelopment project.

Handout 1, 2005-2006 General Fund Operation Budget Proposals, was distributed to the group. It shows funding requests and the City Manager's preliminary recommendation for the 2005-2006 budget. The City Manager's priorities include an Eastgate Subarea Plan update, preparation of a Critical Areas Notebook, fire inspection services, and the Rotary partnership to create a water play area at Crossroads Park.

Responding to Mayor Marshall, Mr. Sarkozy confirmed that budget items already agreed to by Council are not itemized on the handout.

The City Manager recommends continued expenditure reductions by departments and consideration of new revenue sources including the cable utility tax, fire inspection fees, and fees for false alarms. Jonathan Swift, Budget Manager, noted that many jurisdictions charge hundreds of dollars for fire inspection services.

Finance Director Jan Hawn said the correct figure for the fire inspection services full cost recovery option is \$860,000. The partial cost recovery option reflects a budget item of \$430,000.

Council and staff discussed the handout and strategies for resolving the projected budget shortfalls in 2005 and 2006. Councilmember Degginger questioned the feasibility of identifying entire programs or services that could be eliminated rather than continuing with citywide expenditure reductions.

Mayor Marshall expressed general support for the City Manager's recommendation. In light of some Councilmembers' concerns regarding the expense of creating the Critical Areas Notebook and whether the City should subsidize the preparation of a document that will serve just a segment of residents, Mrs. Marshall agrees with a minimal approach to the notebook.

Deputy Mayor Noble supports the general direction of the City Manager's recommendation. He concurs with Mr. Degginger's suggestion that staff attempt to identify any programs or services that could be eliminated entirely.

Responding to Mayor Marshall, Councilmembers indicated preliminary support for the City Manager's recommendation.

(b) Capital Investment Program (CIP) Plan

Mr. Sarkozy turned to Section 4 of the budget binders to discuss the Capital Investment Program (CIP) Plan. Projects in the current 2003-2009 CIP Plan were updated in April to address changes in project schedule, changes in project cost estimates, and inflation adjustments. Mr. Sarkozy

noted that expenditures are expected to exceed resources in the first year of the 2005-2011 CIP Plan.

Handout 2, 2005-2011 General CIP Plan Budget – New Proposals, was distributed to the group. Mr. Sarkozy reviewed the following new proposals recommended for funding:

- Bel-Red Corridor – High-Capacity Transit planning
- NE 10th Street Extension and Overlake Hospital Medical Center Expansion
- Neighborhood Preservation and Reinvestment
- Downtown Implementation Plan projects.

Mr. Sarkozy referred to page 4b-6 for a summary of proposed project deferrals by department/program area. Councilmembers discussed their interest in presenting a park bond measure for additional funding. Mr. Sarkozy reviewed Handout 3 entitled Voter Initiative for Parks and Cultural Arts, which summarizes the potential components of a bond package and the property tax impact on a typical homeowner.

(c) Utilities Budget

Mr. Swift distributed Handout 4 outlining 2005-2006 Utilities Budget Proposals and their impact on customer rates. An increase in METRO's rates represents the majority of the projected rate increase. However, the following factors also have a direct impact on utility rates: inflation, personnel costs, pavement restoration, NPDES (National Pollutant Discharge Elimination System) permit requirements, repair/replacement reserves, and CIP projects.

Following brief discussion, Mayor Marshall noted general Council consensus with the City Manager's recommendation for Utilities budget proposals.

3. Wrap-up

Deputy City Manager Ed Oberg distributed a memo from Interim Fire Chief Mike Eisner regarding the Light Force issue.

Mr. Oberg announced that Joe Guinasso is moving to a job with the Development Services group in the Planning and Community Development department.

At 9:20 p.m., Mayor Marshall declared the meeting adjourned.

Kelly Wilson for
Myrna L. Basich
City Clerk

kaw