

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

November 13, 2006
6:00 p.m.

Council Chamber
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:00 p.m., with Mayor Degginger presiding.

2. Oral Communications

- (a) Heather Trescases, Executive Director of the Eastside Heritage Center, thanked Council for its ongoing support. The Center's activities include exhibits, educational programs, publications, public programs, and the annual Strawberry Festival. Ms. Trescases announced that the Center is opening its first mini-museum at the Key Center Building in downtown Bellevue, sponsored by Equity Office.
- (b) Dave Porter, Chair of the Eastside Sierra Club, spoke regarding energy and transportation. He encouraged Council's leadership with regard to global warming.
- (c) Peter Orth, a volunteer with the Sierra Club, requested Council's support of the issues mentioned by Mr. Porter.
- (d) Sam Elder presented a draft resolution for Council's consideration regarding light rail and neighborhood impacts. He requested that Sound Transit study the neighborhood impacts of alternative light rail alignments and that the City encourage the study and selection of corridors that will minimize neighborhood impacts.

3. Study Session

- (a) Council Business and New Initiatives

Councilmember Lee described a National League of Cities' initiative to encourage cities to pass a resolution committing to raising awareness and focusing attention on the importance and value

of inclusive communities. Copies of the proposed resolution were distributed for Council's review and future discussion.

Councilmember Balducci would like to develop a work program to support the resolution.

Deputy Mayor Chelminiak suggested focusing on neighborhood programs, outreach activities, and the current diversity program to design an overall approach.

Councilmember Marshall expressed support for the initiative and for evaluating current programs as well as community needs. Noting that the City incorporated environmentally friendly features into the new City Hall, but chose to not pay for LEEDS certification, she feels concrete activities are more important than the formality of the resolution.

Mayor Degginger noted Council's interest in further discussion of this topic for a future agenda.

(b) Update on Results of Sound Transit East Link Initial Analysis of Routing and Station Location Options

City Manager Steve Sarkozy opened discussion regarding the Sound Transit East Link project, which represents potentially the most significant investment in the City's history.

Transportation Director Goran Sparrman recalled Council's recent endorsement of light rail as the preferred technology for the East Link project. Sound Transit continues to evaluate a wide array of possible alignments and station location plans. Starting early next year, Sound Transit will initiate the environmental review and planning process, which means by the end of this year the plan is to narrow down the broad range of alternatives for further analysis. Staff will return to Council next week for consideration of a draft letter to Sound Transit based on tonight's presentation. The Sound Transit Board is scheduled to take action on December 14 regarding a more limited list of alternatives to be studied as part of the SEPA (State Environmental Policy Act) process next year.

Don Billen, Sound Transit East Link Project Manager, reviewed the project timeline. The draft Environmental Impact Statement (DEIS) will be developed over the next year and published during the first half of 2008. A final EIS is anticipated in 2009. Four public meetings during the scoping phase were well attended and Sound Transit received approximately 300 formal comments on the scoping document. These comments are summarized in the briefing book report distributed by Sound Transit tonight. The largest number of route-related comments were from West Bellevue residents, who favor an alignment closer to the I-405 corridor. He noted potential alignments previously presented to the Council, which will be narrowed to a smaller list. The alternatives selected for the DEIS will evaluate all impacts, and a preferred route will not be selected until completion of the DEIS and its publication.

Mr. Billen referred to the Sound Transit briefing book for his continued comments. Ridership is generally similar for all alternatives, which serve the same major markets. Costs vary greatly

depending upon route length, profile, and the number of stations. Types of impacts vary by alternative.

Light rail will utilize the I-90 center roadway between Seattle and the Eastside (Segment A), with stations proposed at Rainier Avenue in Seattle and on Mercer Island. Mr. Billen acknowledged Bellevue's interest in preserving HOV access from Bellevue Way to westbound I-90.

Segment B encompasses several options under consideration which are grouped into three categories: 1) Bellevue Way to Main Street, 2) Bellevue Way and 112th Avenue, and 3) Routing along I-405 corridor utilizing 118th Avenue or the BNSF Railroad right-of-way. The first alternative generally has higher impacts to adjacent uses. However, it is the only alternative connecting to Alternative C-1 in downtown Bellevue. The Bellevue Way/112th Avenue alternatives involves fewer relocations due in part because 112th Avenue is wider in many places than Bellevue Way, and there is a median. A variation of this alternative would use 112th Avenue and turn east at SE 8th Street toward I-405. This is a longer, more expensive route and would involve more relocations.

Turning to alternatives near I-405, all would require construction of a new bridge across the Mercer Slough, on the north side of the existing I-90 bridge. Construction of the bridge adds cost, risks, and ecosystem impacts to the project. With these alternatives, a new Park and Ride is proposed at the SE 8th Street station. Preliminary alignments along 118th Avenue were laid out on the west side of the street, which results in park impacts unless 118th Avenue is rebuilt to the east. The route along the railway ROW avoids park impacts. Alternative B-7 stays along I-405 to Main Street and then turns west, with a station on the south side of Main Street. Higher ridership is projected for this route than some of the others as well as lower noise and construction disturbance impacts.

Technology alternatives through downtown Bellevue include tunnel, at-grade, and elevated structures. They generally focus around the Bellevue Transit Center as a means of serving both the center of downtown and integrating with bus service. One tunnel option connects from Bellevue Way, with a station between Main and NE 2nd Street, and turns east under the NE 6th Street Pedestrian Corridor with a station at Bellevue Transit Center. This provides good station locations but is the highest cost option and potentially has the most significant construction impacts. A second alternative approaches downtown from either 112th Avenue or the I-405 corridor, turns west to 106th Avenue and then east at the Transit Center. This involves the most out-of-direction travel and provides only one downtown station. The third tunnel alternative connects from 112th Avenue or I-405, turns west along the south side of Main Street to 108th, with a station proposed on 108th Avenue between NE 4th Street and the Pedestrian Corridor. It would emerge from underground on the north side of NE 12th Street, with a station over I-405 serving the northeast corner of downtown and the medical district.

The at-grade alternative through downtown Bellevue is a couplet utilizing 108th and 110th Avenues, which would require a detailed EIS traffic analysis to fully assess the potential impacts. The first elevated alternative follows 112th Avenue to the downtown, with a station between NE

4th and NE 6th Streets. The second alternative starts on 112th Avenue and swings around City Hall up to 110th Avenue, with a station near the Transit Center. Elevated alternatives are potentially less costly than tunneling and present fewer traffic impacts than at-grade operations.

From the initial analysis, Alternative C-7 along 112th Avenue has the lowest ridership because both stations are on the east side of downtown. An elevated pedestrian connection to the Transit Center could enhance ridership, however.

Moving to the Bel-Red corridor, Mr. Billen said ridership estimates are based on current zoning. As Sound Transit moves into EIS preparation, staff will want to work closely with Bellevue staff to coordinate with potential changes resulting from the Bel-Red Corridor Study currently underway.

Mr. Billen reviewed three alternatives for the Bel-Red corridor. D-1 follows Bel-Red Road. D-2, 3, and 4 alternatives operate generally in alignment with the NE 16th Street corridor. Alternative D-5 travels along the north side of Bel-Red Road and then swings east to the south side of SR 520. Mr. Billen noted that the City of Redmond is studying potential land use changes in its Overlake area on the east end of the Bel-Red corridor.

Mr. Billen explained that the Bel-Red Road alternative serves commercial and residential areas along the corridor but will generally have the highest impacts to adjacent uses. Alternatives that would operate along the NE 16th Street corridor all serve potential redevelopment of the area.

Mr. Billen acknowledged the Council's letter commenting on project scoping, which suggests additional analysis of a potential station on the Safeway distribution center site. Sound Transit would propose this for study in the EIS with regard to any of the NE 16th Street alternatives. NE 16th Street alternatives serve the potential redevelopment area. On the east end of the NE 16th Street corridor, there are three possible ways to continue traveling east: 1) Follow 136th Place NE to SR 520, 2) NE 20th route, and 3) Connect back to Bel-Red Road. D-5, Bel-Red Road to SR 520, is the lowest cost alternative but provides no stations in the Bel-Red corridor.

Mr. Billen described East Link plans for the Redmond portion of the corridor. A station would be located at the Overlake Transit Center. The alignment then follows SR 520 with four options for accessing downtown Redmond. Two options utilize Redmond Way or Leary Way, one follows the railroad ROW with a station at Redmond Town Center and a potential terminal station at the Redmond Park and Ride, and the fourth follows Bear Creek Parkway. City of Redmond staff recommend ending the route at Redmond Town Center to reduce project costs. The alignment along Bear Creek Parkway has the highest impacts of the alternatives.

Mr. Billen described the need for a light rail maintenance facility on the Eastside. The facility under construction south of downtown Seattle will serve Northgate to 200th Street operations. The Eastside facility will not duplicate all functions of the Seattle facility but needs to include vehicle storage, vehicle cleaning, operator reports, and light maintenance functions. Five options for the maintenance facility are located from the Bel-Red corridor to Redmond.

Responding to Councilmember Balducci, Mr. Billen said the Transit Board is being asked to select final alternatives for EIS analysis at its December 14 meeting. He said in the past Sound Transit has studied three to five alternatives per segment.

Ms. Balducci feels the expansion of Park and Ride lots will be necessary to support the light rail system. She commented that any at-grade alignment through downtown Bellevue would undoubtedly impact street traffic, which could then adversely affect ridership.

Responding to Councilmember Lee, Mr. Sparrman said City staff will present a draft comment letter to Sound Transit for Council consideration next week. The City will not have detailed cost or traffic operations information, however, until analysis is carried forward through the SEPA/NEPA process. Staff feels it has enough information to draw some overall conclusions but do not see the benefit of further analysis at this time. Mr. Sparrman said staff is looking at long-term needs of the community as it will be 10 to 20 years before the system is completed.

Responding to Councilmember Noble, Mr. Billen briefly reviewed Sound Transit's criteria for tunneling. The South Bellevue area does not meet the criteria. Mr. Noble suggested that tunneling would resolve anticipated impacts of a South Bellevue Way alignment.

Mr. Billen clarified that the analysis is comparative within a segment and the consideration of alternatives is relative. However, as the design and environmental review processes move forward, Sound Transit will consider measures to minimize or mitigate any impacts.

Mr. Billen briefly discussed research regarding the design of transit in an urban form, which looked at average distances from rail stations to work destinations in several urban centers. The study concluded that the average walk distance is approximately 4/10's of a mile, or more than 2,000 feet. The rule of thumb for bus usage is a quarter mile walk distance. However, people are willing to walk farther to use regional transit systems. Mr. Billen briefly described how some of the proposed station locations will affect ridership. Locating a station at the Transit Center provides favorable walking distances from a large part of the downtown.

Responding to Mr. Chelminiak, Mr. Billen agreed that people's perception of walking underground to get to a light rail car appears to be more favorable than walking a longer distance outside. Mr. Chelminiak encouraged the study of more station locations in the Bel-Red area.

Responding to Mr. Degginger, Mr. Billen said at this point all of the alternatives are costed at the two-percent design level, primarily for comparative purposes. Actual costs will vary as the project moves forward.

Mr. Billen continued to respond to questions of clarification.

Responding to Mrs. Marshall, Mr. Billen said when the 1996 RTA/Sound Transit ballot measure was presented, cost estimates for the Central Link were based on the assumption that the lowest cost alternative would be the preferred alternative, which was a risky assumption that proved to be wrong. In terms of voters' confidence with a Phase II ballot measure, Mrs. Marshall noted

there is better information now regarding the cost and feasibility of projects than there was for the 1996 vote.

Mr. Lee wants to ensure that the decision on a preferred alternative is not based strictly on cost but on the community's needs.

(c) Budget Review Session – Continued Capital Funding Discussion

Mr. Sarkozy recalled Council discussion the previous week regarding the Capital Investment Program (CIP) Plan. He noted the challenge of keeping pace with the rapidly growing list of emerging operating and capital needs. Last week, Council requested a review of the policy that allocates maintenance and operations funding within the CIP Plan, which restricts the ability to implement new projects. Mr. Sarkozy said tonight's discussion is focused on how to come up with broad funding opportunities rather than on specific projects.

Planning and Community Development Director Matt Terry opened the presentation by noting that residents, the business community, and new development all play a role in how capital funds are invested.

The proposed 2007-2013 CIP Plan contains 40 new projects (\$69 million) within the overall Plan totaling \$340 million. The CIP Plan includes \$62 million in maintenance and operations (M&O) costs. Mr. Terry feels it is prudent to include M&O costs associated with capital investments in the Plan. However, this decreases resources available for capital investments. Staff and the Council have identified approximately \$490 million in unfunded needs and requests.

Mr. Terry noted that public input is incorporated into the budget process through Citizens Advisory Committees, Boards and Commissions, Public Hearings, and written comments. Needs will continue to grow and change as the city evolves and matures.

Mr. Terry reviewed a graphic illustrating multiple options for generating revenue to fund unmet needs. CIP revenue over the next 20 years is anticipated to generate approximately \$200 million. Grants are expected to provide \$2 million per year. Impact fees require new development to contribute toward the cost of new infrastructure associated with growth. This funding source has declined significantly over the past 15 years. Through staff's involvement with residents regarding Neighborhood Enhancement Program (NEP) projects, a number of desired improvements that are too large to fit into the NEP have been identified. These projects (e.g., sidewalks, trail improvements, signage) do not compete well for CIP funding due to the criteria used to prioritize projects. Mr. Terry suggested that staff and Council might want to consider a new funding strategy for these improvements.

The business and occupation (B&O) tax and the sales tax have historically been important revenue sources for funding capital improvements. One potential revenue strategy involves tax increment financing, which uses revenue generated by new development to help finance improvements created by it. This can take the form of a benefit district (local improvement district) that is taxed to fund improvements.

Mr. Sarkozy clarified that the primary purpose of tonight's discussion is to address three potential methods for funding unmet needs: 1) Property tax adjustment, 2) Replacing maintenance and operations funding, now provided in CIP Plan, and 3) Voted Parks levy. The Council Contingency Fund with approximately \$10-12 million is an additional revenue source.

Finance Director Jan Hawn explained that the flat property tax levy concept refers to holding the property tax rate constant at its current level rather than decreasing the rate, as has been done for several years. Increasing assessed property values have enabled the City to decrease property tax rates in the past. If a flat tax approach were adopted, the City would ultimately decrease the property tax rate again in the future as assessed values continue to grow.

Ms. Hawn said Council has the authority to change to a flat tax policy, which would require multiple Council actions over a number of years. Council could opt to present the tax method as a ballot measure. However, under the single issue rule of state law, Council would be required to present an individual ballot measure for each program area (i.e., Transportation, Parks, Public Safety).

Ms. Hawn reviewed bond options for the three flat tax levy rates (100%, 75% and 50%) and the revenue to be generated by each.

Moving on, Ms. Hawn noted \$7.9 million in M&O funds in the 2007 CIP Plan, and this amount is expected to continue to increase. This is based on the City's longstanding financial management policy to maintain capital investments. However, it does restrict the funds available for new capital projects.

The M&O replacement levy alternative would replace funds transferred from the CIP Plan to the operating budget through a levy. This could be accomplished with a single Council action, depending on the number of purposes. If presented for vote, multiple measures would be required if there are multiple programs involved. Ms. Hawn reviewed two bond levy options.

The third alternative for generating revenue is a Parks voter initiative. These have played a significant role in the creation of the parks and open space system throughout the City's history. Eight separate bond measures were approved between 1953 and 1989. In 2002, voters approved a M&O levy of \$645,000 but a capital bond issue was narrowly defeated. Council did not utilize the M&O levy because it was intended to be dedicated to capital projects in the other ballot measure. A \$16 million bond measure from 1988 will be fully retired in 2008.

The 2003 Parks and Open Space Plan identified \$175 million in needs over the next 10 years. One funding mechanism could be to use the expiring tax from the 1988 bond measure, which would generate approximately \$25 million over 10 years and up to \$40 million over 20 years. A companion M&O levy would be presented as well.

Mr. Sarkozy reviewed a potential project list and estimated available revenue under each of the possible funding sources (flat levy, Parks voter measure, M&O levy, Council Contingency).

Some project opportunities may be lost if they are not pursued in the near future. Staff is interested in partnering and leveraging the City's investments with other agencies and private parties to maximize the return to the community.

Mr. Sarkozy noted the issue of whether to use available cash or bonding capacity to accomplish projects and the fundamental focus on preserving the City's favorable bond rating.

The potential project list prioritizes projects within Transportation, Parks, Public Safety, Cultural Facilities, Human Services, and Environmental Stewardship. Mr. Sarkozy displayed a table showing alternative bondable amounts and the impact on homeowners.

Staff responded to questions of clarification regarding the alternatives.

Responding to Councilmember Lee, Mr. Swift explained the difference between bondable amount and cash amount. If debt is not issued as a 100% flat levy and the expenditures remain budgeted in the CIP Plan, the City retains \$211 million to spend. The bondable amount over 20 years is \$122 million.

Mayor Degginger summarized that the issue before the Council is identifying priorities and how they could be funded. Council is asked to decide whether it wants to utilize one of the funding alternatives presented by staff to accelerate projects or to retain the status quo.

At 7:59 p.m., Mayor Degginger declared recess before beginning the public hearing.

The meeting resumed at 8:09 p.m.

(d) Third Public Hearing on 2007-2008 Budget and 2007-2013 Capital Investment Program (CIP) Plan

- Deputy Mayor Chelminiak moved to open the Public Hearing, and Mr. Lee seconded the motion.
- The motion to open the Public Hearing carried by a vote of 7-0.

The following citizens came forward to comment on the 2007-2008 Budget and 2007-2013 Capital Investment Program (CIP) Plan:

- (1) Cathi Hatch, Performing Arts Center Eastside (PACE), encouraged the City to make a \$10 million pledge to the Center.
- (2) Michael Monroe, Bellevue Arts Museum Director, requested Council's continued support of BAM. He introduced Ron Ho, an educator and artist working with the museum.
- (3) Ron Ho described his experience working as an educator with BAM, as well as the multicultural exhibits at the museum.

- (4) Angela Sutter, BAM Board Member, requested the City's continued support of the museum.
- (5) Rick Collette spoke in support of BAM and its programs and exhibits.
- (6) Debbie Lacy, Eastside Refugee and Immigrant Coalition, described the organization's programs and thanked the City for its ongoing support of human services.
- (7) Jim Young spoke on behalf of the Human Services Commission's request for additional investment in human services, including for the Eastside Interfaith Social Concerns Council and Congregations for the Homeless.
- (8) Renay Bennett spoke against tax increases and encouraged the Council to distinguish between wants and needs in its funding decisions.
- (9) Lisa Rowe spoke on behalf of the Bellevue Downtown Association and encouraged progress on the Downtown Implementation Plan. She urged Council to consider alternative funding mechanisms.
- (10) Leslie Lloyd, Bellevue Downtown Association, said the BDA is hesitant to support tax increases. She noted the benefits of downtown development to the overall community. However, the benefits of the current development boom appear to be absorbed in the new budget to cover base costs. She is concerned that growth is not adequately funding infrastructure to support this growth. The BDA supports preserving contributions from the current boom and reinvesting those with bonding to accomplish priorities over the next CIP Plan.
- (11) Mike Creighton encouraged the Council to find ways to fund the Downtown Implementation Plan. He is concerned that the longer the City waits on projects, the more likely opportunities will disappear.
- (12) Merle Keeney, Parks and Community Services Board, asked Council to support match funding for groups willing and able to collaborate with the City to implement projects. The current budget will provide only approximately 20 percent of estimated capital needs for proposed projects such as Bellevue Youth Theatre and Bellevue Botanical Garden.
- (13) Jerry Henery, Puget Sound Energy, noted that PSE was one of the original sponsors of the Mercer Slough Environmental Education Center. He asked Council to provide funding to complete the project in 2007.
- (14) Jim Pratt and Lisa Goodman, Bellevue Youth Theatre Foundation, expressed support for the funding request to renovate the Ivanhoe Theatre.

- (15) James Eder, 15422 SE 7th Place, said funding for economic development is inadequate. He suggested the City publish a list of unfunded needs, which might encourage private entities to partner with the City to fund projects and programs. He urged an increase in the salaries of City Councilmembers in 2008. He feels salaries should be commensurate with the value of services performed by the Council.
 - (16) Kristen Webb, KidsQuest Museum, requested Council's continued financial support of the museum. She reminded Council and the public of its free Friday nights from 5:00 to 8:00 p.m. There is an average of 400 visitors every Friday. She spoke against tax increases but in favor of adopting an alternative funding mechanism such as the flat tax levy. She encouraged Councilmembers to visit the KidsQuest Museum.
 - (17) Shannon Boldizar, Bellevue Chamber of Commerce, noted the Chamber's previous testimony regarding its priorities earlier this year. The Chamber supports transportation funding to increase mobility and reduce congestion and encourages the City to continue to control internal costs. Ms. Boldizar said businesses considering locating in this community are significantly influenced significantly by property tax levels and find Bellevue's tax rate to be favorable.
 - (18) Roxanne Shepherd, Bellevue Arts Commission Chair, acknowledged the challenge for Council to balance the budget and evaluate competing priorities and needs. She noted the many requests from the community related to arts programs and organizations, which demonstrates the importance of arts and cultural activities to residents. She briefly reviewed the Arts Commission's funding recommendations, which were presented to Council on May 15. The Commission requests funding increases from both the General Fund and CIP Plan.
 - (19) Bob Gillespie, Pacific Science Center, urged Council's support of the Mercer Slough Environmental Education Center. He noted the receipt of federal funding in 1998 for the project, and commended Parks and Community Services Director Patrick Foran and his staff for moving this project forward. He thanked PSE for its financial support, and noted Pacific Science Center's role as a programmatic partner. Mercer Slough programs are used extensively by students and residents.
 - (20) Alaric Bien spoke on behalf of the Chinese Information and Service Center. He praised the quality of life in Bellevue and urged support of the Human Services Commission's funding requests. He is intrigued by the concept of a Human Services endowment.
 - (21) Bill Perry spoke in support of a sidewalk project along the curve at 152nd. He urged the Council to fund this project to improve pedestrian safety in this area.
- ➡ Deputy Mayor Chelminiak moved to close the Public Hearing, and Mr. Lee seconded the motion.
 - ➡ The motion to close the Public Hearing carried by a vote of 7-0.

Mayor Degginger thanked everyone for participating in the hearing.

Councilmember Marshall indicated her interest in whether residents support a supplemental budget and are willing to consider funding alternatives as presented by staff before the hearing.

Mayor Degginger suggested proceeding with remaining agenda items and returning to that discussion later.

(e) Continued Budget Review Session – Utilities Department Budget and Rates Recommendations

Denny Vidmar, Utilities Director, recalled that staff presented the Utilities Department's early outlook on July 10. Since that time, better information on costs has resulted in slightly lower estimated rates than those presented in July and printed in the City's preliminary budget. The Environmental Services Commission held several meetings to review the updated budget and rate proposals. The Commission held a public hearing on November 2 and no one came forward to comment. Mr. Vidmar noted the Commission's letter to Council recommending approval of the proposed budget and rates [Page 3-29 of meeting packet].

Mr. Vidmar explained that sewage treatment (Metro) and water purchase (Cascade Water Alliance) costs are wholesale costs, which are passed on to customers in accordance with Council-adopted financial policies. The automated meter reading feasibility study proposed in the budget will cost \$40,000 and is not a significant rate driver in the budget. Investment in automated meter reading beyond current levels could affect future budgets and rates however.

Mr. Vidmar reviewed new CIP projects:

- Water – Improvements to Bel-Red water inlet to meet projected downtown development water demands and to defer the need for more significant capacity improvements until approximately 2017.
- Sewer – The Bellefield Sewer Pump Station and West Central Business District trunkline capacity improvements are both also necessary to accommodate projected downtown growth. The West CBD trunkline project is not needed until after 2014 and is therefore not included in the upcoming seven-year CIP Plan. It might not be needed until 2015, depending on actual growth.
- Water – The pressure-reducing valve rehabilitation enhancement projects involves the rehabilitation or replacement of old, deteriorating, and unsafe water system vaults and pressure-reducing valves throughout the city. Funding to date has been sufficient to replace three to four PRVs per year. The new proposal supplements the existing program with sufficient funds to replace over a period of three years 40 PRVs that are more than 35 years old.

Mr. Vidmar said the two sewer projects total approximately \$9 million. Although one of the projects is beyond the next CIP Plan, it is important that the City begin setting aside money in

the next budget to avoid rate spikes later. The water projects carry no water rate impact because staff proposes funding them with one-time revenue from the upcoming sale of the surplus Meydenbauer Reservoir property.

Mr. Vidmar reviewed the rate impact on a typical customer's bill. For the Water Fund, Cascade Water Alliance's wholesale water purchase costs are expected to increase 5% in 2007 and 5% in 2008. Local reserves have been used to mitigate local rate increases over a 7-year forecast period, and therefore no local rate increase is needed in 2007 and a 1.4% increase is needed in 2008. This results in total rate increases of 5% in 2007 and 6.4% in 2008.

For the Sewer Fund, wholesale sewage treatment charges from Metro will increase 9.2% in 2007, due primarily to higher debt service from increased capital costs, including the Brightwater Treatment Plant. The resulting increase to Bellevue customers is 7% in 2007 and no increase in 2008. The local increase is 1.1% in 2007 and 1.6% in 2008. Capacity projects reflect increases of 1.4% in 2007 and 0.9% in 2008. Total rate increases are 9.5% in 2007 and 2.5% in 2008.

Proposed rate increases for the Storm and Surface Water Fund are 5.5% in 2007 and 5.0% in 2008.

Mr. Vidmar reviewed the typical monthly bill for residents in 2006, 2007, and 2008. The average monthly bill increase is 7.3% in 2007 and 4.4% in 2008. He compared Bellevue's typical monthly bills with neighboring communities. Bellevue's typical water and sewer bills appear in the bottom third of the comparison with Mercer Island, Redmond, Renton, Seattle, Kirkland, and Issaquah. Bellevue's storm and surface water charges are at approximately the 80th percentile compared to neighboring cities. These rates are cost-based (i.e., a property's contribution to runoff). All customer classes are treated equally. Bellevue's method for allocating costs is fundamentally different than other jurisdictions, which use a flat rate for residential properties and recover remaining costs from other customer classes.

- (f) Resolution No. 7460 authorizing execution of a Real Estate Purchase and Sale Agreement and all documents necessary to sell a remnant parcel to Schnitzer Northwest (SNW), and to accommodate construction adjacent to the Convention Center. (*Discussed with Council on October 30, 2006.*)

Deputy City Attorney Kate Berens said one issue remains to be resolved between the Bellevue Convention Center Authority (BCCA) and Schnitzer Northwest related to the document called the Single Site Agreement for the West Property Line. This is the document to be executed by all parties upon the closing of the sale of the remnant parcel to Schnitzer NW. Therefore there is time to finalize this document. The BCCA Board approved the documents to which the BCCA is a party and recommends the City Council proceed with the transaction.

Responding to Councilmember Lee, Planning and Community Development Director Matt Terry said the transaction has been structured to reflect no out-of-pocket construction costs for either the City or the BCCA. The City has incurred legal costs for the time spent by Ms. Berens to review the documents.

- Deputy Mayor Chelminiak moved to approve Resolution No. 7460, and Mr. Lee seconded the motion.
- The motion to approve Resolution No. 7460 carried by a vote of 7-0.

(g) Briefing on Environmental Stewardship Initiative

Mr. Sarkozy opened discussion of a cross-departmental Environmental Stewardship Initiative (ESI) under development by staff. A work plan will be presented to Council on December 11.

Sheida Sahandy, Assistant to the City Manager, noted the U.S. Mayors' Climate Protection Agreement Climate Action Handbook distributed to the Council. The agreement addresses the community-wide impacts of greenhouse gas emissions, in contrast to the broader perspective proposed in the Environmental Stewardship Initiative. Ms. Sahandy requested direction about whether Council would like to consider adoption of the agreement or an amended version or to take no action on the agreement but to incorporate emission reduction goals into the ESI work plan.

Councilmember Marshall noted Council's ongoing request for a Critical Areas programmatic proposal, which has not yet been presented to Council. She feels the ESI is premature to consideration of the Critical Areas programmatic approach.

In terms of the U.S. Mayors' Climate Protection Agreement, Mrs. Marshall said she is not willing to take action on it without knowing the estimated costs of conducting a baseline inventory of global warming pollutants, developing a local climate action plan, providing bonuses and incentives to developers, and other actions recommended in the agreement handbook. Mrs. Marshall noted the numerous budget items under consideration by the Council and is not ready to address activities proposed in this agreement until other priorities are finalized. She reiterated her interest in further discussion of a Critical Areas programmatic process.

Ms. Sahandy clarified that the list of actions in the handbook are potential measures a city could implement but is not intended to be prescriptive.

Mrs. Marshall said she would need to know the costs and benefits of proposed measures before making any decision about whether to proceed. She feels it is not fair to prioritize these new proposals over longstanding budget needs and priorities.

Mayor Degginger noted Bellevue's leadership position in environmental stewardship. He supports scheduling a future Council discussion about the climate protection agreement. He noted that many of the suggested activities in the agreement are already being done by Bellevue.

Deputy Mayor Chelminiak supports moving ahead with this effort, which he said should be combined with the Environmental Stewardship Initiative process. He feels environmental

stewardship complements economic development and the region's interest in promoting the clean technology sector. He noted the benefits of inexpensive and simple measures such as ensuring car tires are filled to the correct pressure to improve gas mileage.

Councilmember Noble said it is unclear as to what the City and Council are being asked to do. He prefers to defer discussion to the December 4 and 11 Council meetings. While he agrees in general with the environmental principles presented, he concurs with Mrs. Marshall's hesitancy in committing to the goals of the agreement without knowing the cost implications.

Councilmember Balducci supports the general concepts of the agreement. However, she would like a better understanding of what the Council's endorsement would imply. She is not eager to support the political positions of the agreement but does support positive actions to improve air quality. Ms. Balducci noted the need to also discuss what actions the City could take to influence or encourage practices that are beneficial to air quality.

Councilmember Lee recalled that environmental stewardship has been of ongoing interest to the Council. He concurs with Mrs. Marshall's concerns regarding the timing of this topic and potential fiscal impacts. He agrees with Ms. Balducci that Bellevue should focus on its own policies and practices without necessarily endorsing the political position of the agreement.

Mrs. Marshall clarified her interest in the ESI as well as her interest in knowing the cost implications.

Dr. Davidson supports the ESI concept and perhaps considering the development of a local climate protection resolution in the future, after cost and policy implications are better understood.

Ms. Sahandy noted considerable community interest in the City's endorsement of the climate protection agreement.

(h) Continuation of Budget Discussion

Councilmember Davidson reviewed the serious issues confronting the Council: 1) Balancing a large budget and considering expansion of the budget, 2) Restructuring how M&O costs are funded (i.e., Removing from the CIP Plan budget), and 3) Whether or not to raise property taxes without a vote of the people or whether to consider bond issues. He suggested more time to review all of the issues and to then prepare to amend the CIP Plan at the appropriate time.

Mr. Lee concurred with Dr. Davidson. Mr. Lee spoke in favor of approving the base budget and deferring consideration of the numerous new requests as more information and time for discussion is available. He noted the need to provide this information to the public as well as it is developed and discussed.

Mayor Degginger summarized the key questions for Council consideration. Does the Council want to consider alternatives for accelerating the delivery of projects as presented by staff earlier

in the meeting? How much more money would the Council wish to raise? What are the spending priorities?

Ms. Balducci is in favor of implementing funding alternatives for accelerating projects.

- Deputy Mayor Chelminiak moved to extend the meeting by 20 minutes, and Ms. Balducci seconded the motion.
- The motion to extend the meeting by 20 minutes carried by a vote of 7-0.

Continuing, Ms. Balducci expressed concern that some projects long in the planning process might never be fully funded and completed. One example is the West Lake Sammamish Parkway project. In terms of priorities, Ms. Balducci said there are many plans in all program areas for future expenditures. If a flat property tax levy were to be approved, she suggests fully funding plans already identified before considering new budget items, which perhaps could be funded through a voted bond. Ms. Balducci further suggested prioritizing projects based in part on the consequences of deferring funding for specific items. She favors funding the extra \$255,000 requested by the Human Services Commission for the next budget cycle.

Councilmember Marshall would like to accelerate projects. She expressed concern about plans that have been developed for projects, often with extensive community involvement, which then have not been funded for implementation. She suggests not initiating further planning processes if project funding is not realistic or likely to be provided. Mrs. Marshall agrees with the need for more discussion regarding priorities and funding alternatives.

Mr. Noble noted needs presented by staff earlier this year that are not funded in the budget, including a concurrency methodology study, ADA (Americans with Disabilities Act) transition plan, and high-capacity transit planning. He supports looking at alternative funding sources as soon as possible. As discussed recently, the creation of a municipal court is likely on the horizon in the near future and funding must be provided for this initiative. Mr. Noble said there are overall operating costs, as well as capital costs, that need to be funded and are not.

Mayor Degginger agrees with the need to fully fund projects already identified, with a priority on transportation projects that will improve mobility and continue to protect neighborhoods. He feels there is an urgent need for a Parks bond measure to continue the City's longstanding tradition of park and open space acquisition and development.

Deputy Mayor Chelminiak feels maintenance and operations funds should be in the operating budget rather than the capital budget. This would require a tax increase but it would also provide more funds for capital projects. He noted a Parks bond will be paid off in 2008. He suggested asking residents whether they would like to continue funding through a new bond measure or forego continuation of the tax.

Mayor Degginger requested a second Council meeting the week of November 27 for further budget discussion.

November 13, 2006 Extended Study Session

At 10:20 p.m., Mayor Degginger declared the meeting adjourned.

Myrna L. Basich
City Clerk

kaw