

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

July 31, 2006
6:00 p.m.

Council Conference Room
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

Deputy Mayor Chelminiak opened the meeting at 6:02 p.m. and announced recess to Executive Session for approximately one hour to discuss labor strategy, two items of potential litigation, and one personnel matter.

The meeting resumed at 7:05 p.m. with Mayor Degginger presiding.

2. Study Session

- (a) Construction Management Agreement with WSDOT for NE 10th Street Extension Project

City Manager Steve Sarkozy asked staff to provide an update on the construction management agreement with the Washington State Department of Transportation (WSDOT) for the NE 10th Street Extension Project.

David Berg, Transportation Assistant Director for Capital Projects, reported that the NE 10th Street project contract will be advertised for bids in August. He recalled that Stage 1 of the project, covered by the construction management agreement discussed tonight, extends NE 10th Street from the east side of I-405 to 116th Avenue NE, between the expansion to Overlake Hospital Medical Center and the new Group Health Cooperative site. The project includes frontage improvements along 116th as well.

Stage 2 extends NE 10th Street from 112th Avenue NE across I-405 to the east side of the freeway. That stage will be managed by WSDOT, and design is underway. WSDOT anticipates construction will begin in late 2007 and continue for two years.

Mr. Berg explained that this project has required extensive and close cooperation between the City, WSDOT, Overlake Hospital Medical Center, and Group Health Cooperative. Significant milestones include:

- The City worked hard to complete approvals and permits supporting continuation of development activities.
- The City secured \$10.7 million in federal grants for construction.
- Entered into a Memorandum of Understanding (MOU) with Overlake Hospital Medical Center and Group Health for coordinated design and construction.
- Completed right-of-way negotiations for Stage 1 approximately two weeks ago.
- Executed a Cost Sharing Agreement with WSDOT to ensure the City's share of project costs remains fixed, transfer the federal grant money to WSDOT for construction, transfer right-of-way to WSDOT, and to stipulate that WSDOT pay the City for the City's contributions to the project in excess of the City's share. This has resulted in a reimbursement to the City of approximately \$4.1 million, which has been temporarily designated as unallocated CIP funding.

Mr. Berg reviewed the project schedule which involves ongoing coordination and communication between the City, WSDOT, and the two hospitals. Currently a critical effort is certifying the right-of-way, which is a process in which the City must demonstrate to the State and the Federal Highway Administration that all state and federal rules and regulations were followed in acquiring the property. Final certification is expected by late August. The construction contract will then be advertised for bid, and award of the contract is anticipated by early October. Completion of construction is projected for May 2008.

The construction agreement is patterned after the Access Downtown project agreement. It provides that Bellevue act as agent for WSDOT, defines roles and responsibilities, directs appropriate coordination and approvals on elements that WSDOT will own following contract completion, and identifies procedures for the approval process of change orders and claims. WSDOT is to pay for all direct and indirect costs associated with the contract including inspection, staff time for invoicing, materials testing, and making construction payments to the contractor. WSDOT is to pay for any project cost increases, including change orders and claims.

Mr. Berg reviewed next steps for the project. The construction agreement and cost sharing agreement amendment will be presented for Council action on August 7. Future actions relate to the demolition of the 1011 building and award of the construction contract.

Responding to Councilmember Lee, Mr. Berg confirmed that WSDOT will be responsible for administrative costs for both Stage 1 and Stage 2 of the project.

Responding to Councilmember Balducci, Mr. Berg said WSDOT will ultimately own the portion of NE 10th Street from 112th Avenue NE and east across I-405 to the intersection within the medical campus (west of 116th Avenue NE). Mr. Berg said the design of features along the State's right-of-way (concrete roadway, lights, etc.) has been coordinated with the City and the hospitals.

(b) Final Closeout MACC Amendment and Amendment for NCH Finance Plan

Planning and Community Development Director Matt Terry referred to the agenda memo beginning on page SS 2-7 of the meeting packet outlining the actions remaining to close out the New City Hall project's construction costs. Final billing has been received from the contractor and reflects the City's remaining obligation of \$9.861 million. Mr. Terry said staff is requesting Council action to close out the project and direction regarding the financing of the City's construction cost obligation.

Referring to page SS 2-8 of the packet, Mr. Terry said total construction costs, after Lease Crutcher Lewis' contribution through the settlement agreement, are \$87 million. A settlement contribution of \$5.375 million from the architect and another vendor as well as adjustments to the project budget leave a balance of \$9.8 million.

Jonathan Swift, Budget Manager, described three financing alternatives:

- Use of existing CIP funds.
- One-time funding sources.
- Long-term debt.

He noted any combination of the three alternatives could be used as well. Mr. Swift said the City's debt capacity is \$1.6 billion. He noted that City Hall is a 50-year building and the use of debt is consistent with generational equity in terms of covering project costs over time.

Mr. Terry said staff recommends approving close out of the GC/CM (General Contractor/Construction Management) contract in the amount of \$9,861,508 and approving a MACC (maximum allowable construction cost) amendment and necessary budget adjustments to reconcile final project accounting. Staff further recommends funding the City's construction cost obligation with unallocated project funds and new debt of approximately \$6,163,508.

Responding to Councilmember Noble, Mr. Swift said that, of the items listed in the table on page SS 2-9 of the packet, Council is not required to allocate excess reserves, interest earnings, or proceeds from the sale of Fire Station #3 to the City Hall project.

Mrs. Marshall said she would prefer using one-time unallocated resources to satisfy the obligation.

Noting the City's favorable bond rating and large debt capacity, Mr. Noble prefers to use debt to finance the balance of construction costs.

Mayor Degginger is pleased the City was able to reduce a potential obligation of approximately \$20 to the current amount. He agrees with Mr. Noble's reasoning that the building will be used for a long time and debt is therefore appropriate. Mr. Degginger suggested a combination of debt and available cash to fund the obligation. He suggested it makes sense to use at least a portion of proceeds from the sale of the major public open space (MPOS) since this transaction was generated by the City Hall project.

Deputy Mayor Chelminiak favors paying a portion of the obligation now and using debt for the remainder. He supports staff's recommendation.

Responding to Councilmember Marshall, Mr. Swift said the amount of reserve money borrowed (approximately \$9 million) to begin the City Hall project will peak in 2019. The City's policy requires the use of a limited amount of over-collection per year to repay the reserves. Mrs. Marshall feels it is important to remember this obligation associated with the new City Hall as well.

Mr. Lee stated his ongoing reluctance to incur debt. He is willing to consider debt, however, within the bigger picture of the overall 2007-2008 budget.

Ms. Balducci supports the use of debt because the project was originally funded primarily with debt, combined with a portion of available cash. She supports staff's recommended approach.

Mayor Degginger confirmed that at least four Councilmembers are willing to consider debt.

Responding to Dr. Davidson, Mr. Swift explained that the majority of excess reserves are associated with the LID Guarantee Fund. The fund of up to 20 projects has decreased to six or seven projects over the past few years.

- Deputy Mayor Chelminiak moved to direct staff to draft a funding proposal consistent with staff's recommendation in the meeting packet [Page SS 2-9] and to provide an option for Council consideration next week regarding the use of excess reserves and interest earnings. Mayor Degginger seconded the motion.
- The motion to direct staff to draft a funding proposal consistent with staff's recommendation in the meeting packet [Page SS 2-9], and to provide an option for Council consideration next week regarding the use of excess reserves and interest earnings, carried by a vote of 6-1 with Councilmember Marshall opposed.

(c) Council Business [Regular Session Agenda Item 6]

Mr. Noble reported that the Puget Sound Regional Council (PSRC) Executive Board met last week. PSRC has control over a portion of federal funding, which is distributed to jurisdictions following a ranking process. One of two funding requests from Bellevue, widening NE 8th Street, has been approved for slightly more than \$2 million. A funding request for the West Lake Sammamish Parkway project was not approved. Mr. Noble further reported that the King County Committee to End Homelessness passed two resolutions – one encouraging coordination between agencies of funding and funding cycles for homeless programs and services and the other to encourage funding for full responses to needs instead of fragmented programs.

Dr. Davidson attended meetings of the Cascade Water Alliance, Puget Sound Salmon Recovery Council (formerly Shared Strategies group), and Puget Sound Regional Council (PSRC) BNSF railway corridor advisory group.

Mr. Lee met with Kim Becklund, Bellevue's Transportation Policy Advisor, regarding the Regional Transit Committee and King County's *Transit Now* proposal.

Responding to Mr. Degginger, Mr. Noble said Eastside Transportation Partnership has not yet adopted a position regarding *Transit Now*.

Ms. Balducci noted her involvement, as part of her new job with King County, with the King County Regional Law, Safety and Justice Committee. She noted that while Bellevue does not have an official seat on the committee, a City representative is welcome to attend the meetings.

Ms. Balducci attended the first Lake Hills Blueberry Festival and was pleased with the number of vendors and citizen participation. She thanked Chantel Allen for organizing the event and Lake Hills Elementary School for hosting the event. She acknowledged the City's support as well through the Wrap-Around Services Project.

Mr. Chelminiak said he and Councilmembers Balducci and Lee attended a fundraiser for the Chinese Information Service Center.

Mayor Degginger attended the first EMS (emergency medical services) levy stakeholders meeting and a presentation and tour regarding development activity in Bellevue.

At 8:04 p.m., Mayor Degginger declared recess to the Regular Session.

Myrna L. Basich
City Clerk

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