

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

August 4, 2014
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Balducci, Deputy Mayor Wallace, and Councilmembers Chelminiak, Lee, Robertson, Robinson, and Stokes

ABSENT: None.

1. Executive Session

Deputy Mayor Wallace called the meeting to order at 6:01 p.m., and declared recess to Executive Session for approximately 20 minutes to discuss two items of pending litigation.

The meeting resumed at 6:30 p.m., with Mayor Balducci presiding.

Mayor Balducci welcomed special guest Congressman Adam Smith, who provided an update on federal legislative issues. Mr. Smith acknowledged that Congress has been gridlocked on a number of issues. He said improvements to the Veterans Administration have been approved and the number of veterans eligible for VA services has doubled since 2001.

Mr. Smith said Congress faces nine more years of across-the-board budget cuts which impact housing, education, transportation, and defense funding. He hopes the House and Senate will be able to work out another two-year budget deal as they did for 2014-2015. He believes there is a need for comprehensive immigration reform, including an effective way to deal with the large number of unaccompanied minors arriving at the U.S. border fleeing violence in Honduras, Guatemala, and El Salvador. He said the Senate passed an immigration reform bill 14 months ago but it has not been addressed in the House.

Congressman Smith said local schools will begin to see the impact of not updating the Elementary and Secondary Education Act (i.e., No Child Left Behind) since it lapsed five years ago. He commented on the critical need for transportation and infrastructure funding. When he first began serving in Congress, there were regular six-year authorizations for transportation and infrastructure spending. That has not occurred for some time. Following the end of an 18-month funding package, transportation funding is nearly month to month at this point. He said most

infrastructure in the country was built during the decades following World War II and it needs to be updated or replaced.

Congressman Smith said the State Legislature also has not been able to agree on a transportation package. He complimented the City of Bellevue for its smart planning and for partnering with the federal government and others to fund needed transportation projects.

Mr. Smith acknowledged that the Energize Eastside project is controversial and needs to be discussed. He observed that energy needs and demands have grown and this must be addressed in some way.

Deputy Mayor Wallace questioned the status of the Main Street Fairness Act which would collect sales tax on internet sales. Congressman Smith said the topic is still bogged down in the House. He observed that a strong anti-tax sentiment will prevent it from going forward. He acknowledged the significant negative impact on state and local governments due to the loss of this sales tax revenue.

Councilmember Lee asked Congressman Smith how the City Council can be of help. Mr. Smith said it is important to communicate Bellevue's priorities. He observed that there is a strong focus on creating technology, innovation, and educational opportunities. Mr. Smith said he has worked with a number of technology companies across the country on different issues, and he would be happy to work with Bellevue in that area.

Councilmember Robinson thanked Congressman Smith for being accessible to the public. She recalled that, when The Bellevue Network on Aging approached him, Mr. Smith supported the Improving Access to Medicare Coverage Act of 2013 which helps seniors in the community. Ms. Robinson thanked him for his work on controlling gun violence, support of the campaign finance reform, and his work to equalize workforce opportunities for every worker. Councilmember Robinson invited Congressman Smith to help Bellevue create a marketplace for startups. Mr. Smith commented that gun violence involves mental health issues as well. He supports the right to bear arms but believes sensible regulation is appropriate.

Mayor Balducci noted that Congressman Smith is the ranking member of the Armed Services Committee. She described a local effort to fund improvements to the City's World War I monument in Downtown Park. She asked Congressman Smith to consider any way he could help in that partnership. Mayor Balducci thanked him and his staff for attending.

2. Study Session

(a) East Link Project Update

City Manager Brad Miyake opened the East Link light rail project update. He introduced Mike Harbour, Acting CEO of Sound Transit, who was present in the audience.

Transportation Director Dave Berg noted that Attachment A [Page 5] in the meeting packet provides more details on the work program and cost estimating work. With regard to design, the project packages continue to move forward with planning for utilities relocations.

Mr. Berg provided an update on Sound Transit's Eastside Operations and Maintenance Satellite Facility (OMSF). On July 24, the Sound Transit Board selected the BNSF site in the Bel-Red Corridor as its preferred site for the facility. The final decision is slated for late 2015. The motion selecting the site included an amendment to take into consideration the City's vision for the Bel-Red area, the ULI (Urban Land Institute) Panel work, the potential for maximizing transit-oriented development (TOD), and a robust stakeholder process.

Mr. Berg said a motion by Mayor Balducci was approved to set up a City-Sound Transit elected officials team focused on resolving issues of concern about both the OMSF and the overall East Link project.

Mr. Berg said staff will begin working to create a framework for the elected official group and to develop the stakeholder outreach plan. Staff will return with more information in September on those items and to begin the discussion about how to keep Bellevue moving and functioning during construction.

Mayor Balducci acknowledged that the City Council is disappointed by the decision of the Sound Transit Board to locate the OMSF in Bellevue. She noted that the elected officials group provides a process for moving forward to work through key issues. From the Council's perspective, Mayor Balducci said the decision on the OMSF reframes the overall view of the East Link project and its impacts. The City needs to fully assess impacts and possible solutions to ensure that the objectives for the Bel-Red Corridor and for the East Link project are realized. The Council and the community have invested time, energy, passion and knowledge into both planning efforts over several years.

Speaking as a Sound Transit Board Member, Mayor Balducci said Sound Transit strongly supports TOD and the concept of leveraging the development potential and benefits presented by the light rail system. She believes the City and agency have common objectives for working toward satisfactory solutions.

Ron Lewis, Executive Project Director for Sound Transit, provided an overview of the East Link project. The project budget through final design, including property acquisitions, is \$798.3 million. Mr. Lewis highlighted the project schedule. He said Sound Transit has reached the end of the early property acquisition period and will begin the broader acquisitions for construction, operations, and maintenance.

With regard to final design activities in the I-90 corridor, Mr. Lewis said Sound Transit has been engaged with the Washington State Department of Transportation (WSDOT) on schedule coordination for the completion of the R&A (Stage 3) project. This will complete the HOV lanes on the I-90 outer roadway from Mercer Island to Seattle. The project was advertised earlier in the

day and the procurement process is underway. By the time the outside HOV lanes are completed, East Link will be ready to go with construction in the center roadway.

Mr. Lewis said additional I-90 activities include station, guideway and systems design; third-party agreements and permitting; advancing the art program; community outreach; Independent Review Team (IRT) issues to resolve; tunnel ventilation and power sharing; stray current mitigation; track attachment testing program; seismic analysis; and I-90 transit system integration.

Mr. Lewis said the Bellevue segments are ahead of the I-90 segment. All segments have completed 60-percent design, and station, trackway and support facilities are pushing toward 90-percent. Three key permit activities are the Redmond Master Development Plan, Bel-Red corridor design and mitigation permits, and Bellevue shoreline permits. The art program for stations is moving forward and community outreach will continue to address 90-percent design.

Mr. Lewis said Sound Transit's recent community outreach has focused on the I-90 corridor. An I-90 transit integration open house is scheduled for August 12. A public meeting will be held in late September upon completion of 90-percent design for the Bel-Red 130th Avenue Station, and a meeting on the South Bellevue 90-percent design will be held during the fourth quarter. Sound Transit is also using its web site and social media to distribute information.

Mr. Lewis provided an update on real property acquisitions. The Sound Transit Board has authorized 230 parcels to date for the East Link Extension; 87 offers have been made (including residential properties on 112th Avenue SE in Bellevue) and 49 signed agreements or closings have been completed. Property acquisitions in the Bel-Red corridor are primarily commercial properties and are underway.

Mr. Lewis described pre-construction services as well as project issues and challenges. The latter include upward cost pressure on the civil final design contracts, IRT issues (i.e., I-90 track attachments, seismic analysis, wind/wave analysis), property acquisitions, competitiveness in the construction market, and preparing for Bellevue Memorandum of Understanding (MOU) confirmation and project baselining. Mr. Lewis acknowledged that the OMSF and East Link project will be discussed jointly going forward.

Mayor Balducci thanked staff for the update.

(b) Regional Issues - Cascade Water Alliance Update

City Manager Brad Miyake introduced an update on the Cascade Water Alliance's activities.

Joyce Nichols, Director of Intergovernmental Relations, said no formal action is requested tonight. However, the Council may wish to provide feedback before the Cascade Board takes action on its proposed 2015 Budget and rates in late September.

Chuck Clarke, Cascade Water Alliance CEO, presented a status report on the organization. Key messages include continued cost containment, ongoing condition assessment and related improvements, keeping forecasted rates at or below inflation, continued focus on environmental goals, and maintaining flexibility in contracts to meeting changing demand and supply scenarios. Administrative costs will be reduced by approximately 10 percent through the 2015-2016 Budget cycle, and conservation program costs have been reduced by 28 percent. Cost increases are related to purchasing water, which will increase rates.

Mr. Clarke said Cascade issued debt in 2013 for repair and maintenance and for the contracts with Seattle and Tacoma. He anticipates that operations costs will be flat to slightly down over the next five to 10 years. Cascade's peak staffing was in 2011-2012 and it has decreased from 13 to 11 staff since that time.

Mr. Clarke said that one major current program is assessing the condition of Lake Tapps and related assets. Cascade forecasts that rates over the next 10 years will remain at or slightly below inflation. He highlighted aspects of the conservation program. Mr. Clarke said Cascade will continue to purchase water from Seattle and Tacoma as long as it remains cost-effective.

Mr. Clarke highlighted major actions during the past two years including water sales to Bonney Lake and Auburn, White River condition assessments and improvements, efforts of the Regional Resiliency Working Group (Seattle, Tacoma, Everett, and Cascade) to negotiate the long-term use of water for the region, and refunding of the 2006 Revenue Bond. Mr. Clarke described factors causing a decrease in demand trends.

Mr. Clarke described Cascade's 2015 Budget totaling \$52 million. The 2015 administrative cost of \$3 million equals 8.3 percent of Cascade Member charges. Mr. Clarke described Cascade revenues versus operating expenditures. Approximately 19 percent of revenue comes from connection charges and has increased significantly over the past 12-15 months.

Mr. Clarke presented the rate forecast history which demonstrates that rates have decreased in recent years. The 2015 Cascade rate increase is 3 percent which is driven by Seattle water costs, operating/administrative expenses, conservation, rate-funded repair and replacements, increased debt service, and rate smoothing. Mr. Clarke presented the summary table of individual Cascade Member charges. Bellevue's 2015 charge is \$18,954,621, which is a 3.3-percent increase over 2014.

Councilmember Stokes said he has enjoyed serving on the Cascade Board and working with Mr. Clarke and the member cities. He said the Board, its three committees, and staff meet monthly and are intensively involved in vetting issues and decisions. Mr. Stokes believes that Bellevue is well prepared for the future with regard to water supply and rates. He thanked Mr. Clarke and his staff for their work.

Mr. Clarke observed that the Cascade governance model is extremely efficient and effective, and it has been duplicated by other counties and jurisdictions.

Councilmember Robinson observed that the low water rates are due in part to conservation. She asked what Cascade will do to maintain this conservation ethic with Bellevue customers.

Mr. Clarke said the education and outreach programs will continue. However, due to a number of factors, water demand has decreased steadily over the past 25 years.

Deputy Mayor Wallace asked Mr. Clarke to comment on Cascade's ability to adopt lower rate increases in recent years than had been originally forecast since approximately 2011. Mr. Wallace noted former Mayor Davidson's positive contribution through his involvement with Cascade.

Mr. Clarke acknowledged that some have questioned the purchase of Lake Tapps. He said the benefit is a guaranteed water supply for the next 100 years and, more importantly, it provided negotiating leverage with the Cities of Seattle and Tacoma. He said Dr. Davidson always had a vision of a regional utility, and Cascade is a move in that direction.

Mr. Wallace credited Cascade with efforts from which Bellevue residents are benefitting.

Councilmember Lee said this is a complex and political issue, and Cascade has done a good job. He questioned future plans for Lake Tapps, which has not yet been needed as anticipated.

Mr. Clarke said Cascade is providing ongoing condition assessment and maintenance of Lake Tapps to keep the asset fully functioning. Investments made now are preparing it for the future. However, Cascade is being careful to not over-invest now in case it is not needed for 30 or more years.

Mayor Balducci said she and her family recently took a tour of the Cedar River Watershed which provided fascinating history and information.

Ms. Nichols thanked Cascade staff for their work with Alison Bennett, the City's Utilities Policy Advisor.

Mayor Balducci concurred that Bellevue is well represented at the staff and Council level. She thanked Councilmember Stokes for his involvement.

At 8:00 p.m., Mayor Balducci declared recess to Regular Session.

Myrna L. Basich, MMC
City Clerk

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