

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

June 14, 2010
6:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:04 p.m., with Mayor Davidson presiding. There was no Executive Session.

2. Oral Communications

- (a) Brian Parks, speaking as Phantom Lake's official SMP (Shoreline Master Program) representative, expressed concerns regarding the designation of Bellevue's FEMA floodplain as a critical area in the City's 2006 Critical Areas Ordinance. Mr. Parks said the state judiciary declared this designation invalid and temporary until Bellevue's SMP update is completed. He said this appears to allow the critical areas designation to bypass the SMP process. Mr. Parks noted Agenda Item 3(e), and read from Land Use Code amendment, 20.25H.175, regarding critical areas and FEMA's policies. The staff report indicates that the City has several code provisions that go beyond federal requirements.

Mr. Parks said the FEMA map shows the floodplain as four feet above the current surface level of Phantom Lake for the past few weeks. He said that is 220 feet into his shoreline, and it would put much of Lake Hills under water. He said this is an unrealistic number that needs to be revised. The result is that flood insurance is required in many areas where it should not be, as there is no recorded history of such levels.

Mr. Parks said the average elevation of residential Phantom Lake has been gradually on the rise over years. The City's Utilities and Planning Departments have allowed increased storm and surface water to flow into Phantom Lake over time, mainly via the I-90 Business Park, without compensation or routine maintenance on the main outlet. The playfields in the Airfield Park proposal add significantly to this as well. What used to be

the high water elevation is now a typical water elevation on the lake, according to existing records. Mr. Parks said he has submitted data on this issue to the Planning Commission, and he has additional requests for information pending with the City. Mr. Parks said the releases of water are creating wetland where they did not previously exist, and it thereby expands the proposed SMP overlay district.

Mr. Parks referred to page 3-40 of the meeting packet, which lists four recommended amendments to the Land Use Code to achieve consistency with FEMA policies. He expressed concern regarding the additional amendments proposed by City staff, which go beyond FEMA requirements to amend performance standards for new construction. He is concerned that this affects properties that are already grandfathered into existing requirements.

Mr. Parks suggested that any Land Use Code amendments pertinent to the SMP update process should be put on hold and handled later as part of that process. If the FEMA amendment is passed tonight, Mr. Parks is concerned that this could affect the SMP process, and that the amendments could not be reversed. He requested that the critical areas designations be removed from the proposed amendment language for now, as it could be added later during the SMP update. He suggested that a roundtable discussion about FEMA designations and SMP policies between the Council, Commissioners, interested parties, and City staff would be appropriate at this time.

City Manager Steve Sarkozy requested a copy of the report mentioned by Mr. Parks.

- (b) Kevin Austin said he has a boat at Dock 1 at the Bellevue Marina, and he and his wife have the closest residence to the marina. He has been following the Meydenbauer Bay Park and Land Use Plan process since 2007. He said there is a waiting list of individuals wanting to dock their boats at the marina. Mr. Austin encouraged the City to maintain all three docks at the marina, as it is the only community dock and public moorage in Bellevue.
- (c) John Roehr said he has been a tenant at the Bellevue Marina since before the big snow storm of December 1996. While he has had the opportunity to move his boat to the Meydenbauer Bay Yacht Club, and would save in costs by doing so, he has stayed at the Bellevue Marina because the dock design and construction is safer and better suited to boat storage over the winter. His boat is at Pier 2 which is safe, dry, and clean. Mr. Roehr said it would be a travesty to tear down portions of such a modern facility, and he encouraged the City to retain all three docks. He noted that the parking proposed under the new plan is not adequate to support a marina facility.
- (d) David Hoffman, Master Builders Association, spoke to the new International Residential Code, asking the Council to not adopt a mandatory sprinkler requirement for new single-family homes, primarily due to the additional costs in providing housing. Mr. Hoffman noted that builders are already facing low-impact development mandates and energy code requirements. He said the Governor has deferred action on the energy code because she

recognizes that the housing industry is not yet recovering from the recession. Mr. Hoffman said the Master Builders Association estimates that the costs associated with new mandates will be approximately \$10,000 per home for low impact development regulations, \$10,000 per home for energy code provisions, and \$5,000-10,000 per home if sprinklers are required. Mr. Hoffman said these issues are addressed in a white paper which he understands is included in Council's meeting packet.

3. Study Session

(a) Council Business and New Initiatives

Councilmember Robertson commended the Bellevue School District for having every high school listed in Newsweek's top 100 schools.

Mayor Davidson introduced his recommendations for appointment to the Environmental Services Commission.

- As recommended, Councilmember Degginger moved to approve the appointment of Randy Cowan and Calvin Wang to the Environmental Services Commission. Councilmember Robertson seconded the motion.
- The motion for appointments to the Environmental Services Commission carried by a vote of 7-0.

(b) Interlocal Mutual Aid Agreement Opportunity with Washington Water/Wastewater Agency Response Network (WARN)

City Manager Steve Sarkozy opened discussion regarding an opportunity for Bellevue to join the Washington Water/Wastewater Agency Response Network (Washington WARN).

Mike Jackman, Assistant Director of Utilities, described the opportunity for Bellevue to join Washington WARN, a mutual aid organization formed in 2009 to facilitate the sharing of resources between water, wastewater, and stormwater utilities during major emergencies and natural disasters. The City signed a similar Public Works Emergency Response Mutual Aid agreement in 1998, which shares resources related to streets and roadways but not piped utilities. That agreement includes 32 counties, 114 cities, and the Washington State Department of Transportation (WSDOT). A web site is maintained by WSDOT.

Washington WARN provides the opportunity for Bellevue to access mutual aid resources that would aid in the recovery of the City's water, sewer, and storm drainage systems. Bellevue staff participated in founding the Washington WARN organization and had input into the language of the interlocal agreement. There are WARN agreements in more than 40 states, including Oregon.

Mr. Jackman said there are no membership fees associated with WARN. The City may provide resources to another community if it has the capacity to do so, and it may recall them at any time.

Washington WARN hosts training and exercises to maintain readiness, and FEMA is looking to expand this mutual aid concept to the interstate level. The interlocal agreement addresses the terms for reimbursement, liability and indemnification, workers compensation, dispute resolution, and withdrawal procedures.

Mr. Jackman requested Council direction to prepare an Ordinance for June 21 approving the City's participation in the Washington WARN interlocal agreement.

Councilmember Degginger said he supports participation but he is concerned about the language in the agreement related to indemnification. He cautioned that the scope of the indemnification provision is too broad, and that the agreement restricts members to arbitration to resolve claims and disputes. He recalled that the City has received reimbursement from the federal government in past emergencies, and he questioned how this would be handled and distributed in a mutual aid scenario. Mr. Degginger said he likes the mission of the organization, but he is reluctant to support the agreement.

Mr. Jackman said staff will come back with answers to the legal questions raised.

Mayor Davidson questioned whether the interlocal agreement could be changed.

Jean Shaffer, Utilities Program Manager, said the agreement follows a national model promoted by Federal Emergency Management Agency (FEMA) and the American Water Works Association (AWWA). At this point staff has been working on the agreement. Elections are scheduled for a meeting later this month to establish regional committees, and until the committees are established there is no body to propose potential amendments to the agreement. Ms. Shaffer suggested that Bellevue could join in the agreement, and then participate in discussions to modify the wording. With regard to how federal monies would be disbursed, the group is working on developing a draft operations plan.

Councilmember Balducci expressed support for interlocal coordination. With regard to Mr. Degginger's concern, she suggested looking at how indemnification is addressed in the 1998 Public Works Emergency Response Mutual Aid Agreement, as well as in the City's fire services mutual aid agreements. Responding to Ms. Balducci, Ms. Shaffer said signatories to the agreement include Seattle Public Utilities, Covington, Mercer Island, Everett, Highline Water District, Lakewood, Sammamish Plateau Water and Sewer District, Shoreline, Skagit County, Snohomish County, Spanaway, and additional King County water districts.

Deputy Mayor Lee said he also agrees with the mission of the proposed interlocal agreement, but he feels a number of questions need to be answered. Responding to Mr. Lee, Mr. Jackman said WARN is a new entity based on a federal model in place in approximately 40 states. The Washington State Department of Health has a staff person who would serve as the central facilitator and coordinator. The four different regions in the state would each have their elected bodies who would work together as the state committee to develop the operational plan. The formalization of this group is just beginning, and many questions will be answered as the committees start working together.

Responding to Deputy Mayor Lee, Mr. Jackman said the overall benefit for Bellevue will be the ability to request outside assistance during major emergency events. However, he recalled past wind and snow storms for which Bellevue was well prepared to respond. Mr. Lee expressed support for the establishment of the WARN organization, but suggested holding off on entering into a formal agreement until more questions can be answered.

Councilmember Chelminiak recalled when the construction crane collapsed in Bellevue a few years earlier and surrounding jurisdictions provided assistance. He would like to proceed with the WARN agreement as soon as questions can be answered to the Council's satisfaction.

Councilmember Wallace expressed support for the mutual aid organization, but observed that the agreement does not appear to be legally binding.

Mayor Davidson stated that he is hearing general Council support for the concept, although there are some questions and concerns. Following brief discussion, Mayor Davidson suggested bringing the item back to a Study Session.

(c) Update on Electric Vehicle Infrastructure Efforts

Mr. Sarkozy opened discussion regarding the City's efforts to support and encourage electric vehicle usage.

Sheida Sahandy, Assistant to the City Manager, reviewed the City's intent of not being a barrier to the increased usage of electric vehicles. The City is leveraging outside resources and representing Bellevue's interests in national and regional dialogue and decisions.

Ms. Sahandy reviewed the types of electric and electric-gas vehicles, all of which have a limited range when running solely on the battery. The vehicles have different voltage requirements and time required to charge the battery. Ms. Sahandy described the types of residential and public charging stations, and the anxiety of drivers if they are not able to recharge their vehicles within a certain range. It is anticipated that 10 to 12 electric vehicle models will be available by 2012. State law now encourages the transition to electric vehicle use and the establishment of related infrastructure (i.e., public charging stations).

Ms. Sahandy said two large federal grants are focused on providing electric vehicle infrastructure, and Bellevue is a test region for both of the grant programs. She noted that transportation is responsible for approximately 43 percent of Bellevue's greenhouse gas emissions. Emerging issues related to electric vehicle technology include electric supply and distribution, charging station applications (e.g., commercial, single-family residential, multifamily, on-street/right-of-way), codes and regulations, and implications for the City in terms of its fleet, right-of-way issues, and employee charging infrastructure.

Initial estimates from Puget Sound Energy indicate that the electrical supply will be sufficient in the short term. However, overall capacity of the distribution network will need to be examined as

the usage of electric vehicles becomes more widespread. Some jurisdictions are implementing requirements for electrical capacity in new residential buildings to support future electric vehicle usage. Issues to be addressed include requirements for installing charging stations in the right-of-way and providing a regional network of charging stations. The State is initiating a program to provide charging stations along the I-5 corridor.

Jim Billmaier, Coulomb/Charge Point, provided a demonstration of a charging station, which has an attached billing system priced by the hour. He described the different types of stations and voltage requirements.

Responding to Councilmember Degginger, Ms. Sahandy said people can currently get a permit for the residential installation of a charging station at City Hall or online. For commercial applications, an inspection might be necessary to determine the electrical capacity of the building. The City is working to streamline this process and to be prepared to support electric vehicles as more are introduced at the end of this year. Ms. Sahandy said the cost of residential installation ranges from approximately \$1,000-\$2,500.

Responding to Mayor Davidson, Ms. Sahandy said Puget Sound Energy is involved in addressing this infrastructure demand.

Mayor Davidson expressed concern about what the ultimate overall costs might be for providing the infrastructure. Mr. Sarkozy said local utilities have been working with the Bonneville Power Authority in planning for the increased demand on the regional power distribution system, as well as the issue of providing retail charging stations. Mayor Davidson expressed further concern that electric vehicle usage will increase before the electrical grid is fully ready to handle the capacity demands.

Steve Marshall, Puget Sound Energy, said the cost of providing an adequate circuit is not a major concern for utilities providers. The bigger issue is the potential for high demand within a given neighborhood, with residents all coming home and plugging into their charging stations at approximately the same time. There are currently areas where the transformers and other equipment are not adequate to handle this type of load.

Councilmember Wallace expressed support for the energy-conserving aspect of electric vehicles. However, he noted testimony during oral communications regarding the impact of energy codes on the ability to provide affordable housing. He questioned the consistency of imposing energy codes to conserve electricity, while simultaneously encouraging technology that expands the usage of electricity. Mr. Wallace is concerned about discouraging affordable housing through energy conservation requirements, while encouraging other electrical technology.

Mr. Marshall said if energy efficiency is measured by BTUs, it is more efficient to use electricity than gasoline to power cars, even if electricity is generated by oil. He noted that there are a number of emerging regulatory issues related to the different utilities technologies, however.

Councilmember Wallace suggested that rather than imposing mandates on new construction regarding electric vehicle usage, government agencies should work to educate builders about the issues and potentially provide incentives. He observed that as the use of electric vehicles expands, developers will be interested in providing this capability as a marketing opportunity.

Ms. Sahandy commented on the issues related to the proper distribution of charging stations, including the appropriate roles of government and the private sector and whether users will be charged for the electricity. Part of the federal grant work is focused on these issues.

Deputy Mayor Lee expressed support for the technology, but shares the concerns expressed by Councilmember Wallace. He wants to ensure that the infrastructure is market driven, while government can help to facilitate its proliferation through the regulatory approach. He does not want this to generate cost burdens for government or unnecessary regulations for private interests. Mr. Lee is excited about the potential business opportunities presented by the expanded use of electric vehicles.

Councilmember Balducci said the regional transportation plan relies heavily on the increased conversion to electric vehicles to meet transportation and greenhouse gas emission goals. Electric vehicle usage is also consistent with the City's policies and state law related to greenhouse gases. Part of the rationale for the City's support of this technology is the benefit in terms of public health, clean air, clean water, reduced greenhouse gas emissions, and job creation. Ms. Balducci noted that the Eastside is a key market for electric cars.

Responding to Ms. Balducci, Ms. Sahandy said Puget Sound Energy is working on developing model codes and ordinances to provide guidance to local governments. These should be completed within the next month or so. In addition, there is a regional ad hoc group with representatives from the State, Seattle, King County, Bellevue, and the Puget Sound Clean Air Agency that is working on developing regulations.

Councilmember Balducci concurred with comments by Deputy Mayor Lee and Councilmember Wallace that this is an emerging market, and that market demand will dictate the placement of charging stations. However, she does feel the City has a role in terms of setting a good example, providing education, and not layering mandates onto businesses and citizens. She encouraged the City to expand its own usage of electric and hybrid vehicle technology.

Councilmember Chelminiak said it is appropriate for the City to be involved in providing incentives for the private sector with this market. He questioned the concept of the smart grid and how electric vehicles are incorporated into it.

Mr. Billmaier said the Department of Energy and Pacific National Labs have concluded that the country can support 180 million electric vehicles by charging them during off-peak periods. The grid already has a lot of capacity, and 10 million cars add approximately 0.8 percent impact to the grid, even during peak hours.

Mr. Marshall commented on the importance of providing a structure that will encourage a reduction in the dependence on fossil fuels, which involves a number of technology and utilities issues that are being addressed on the national level.

Councilmember Chelminiak said one study indicates that 70 percent of vehicles in the United States can be converted to electricity without requiring any new power plant.

Councilmember Degginger said he appreciate the concept of the City being a leader in this area.

At 7:54 p.m., Mayor Davidson recessed for a short break.

(d) Planning Commission Recommendation on Electric Vehicle Infrastructure Land Use Codes

The meeting resumed at 8:00 p.m.

Catherine Drews, Legal Planner, opened discussion regarding the Planning Commission's recommendations on Land Use Code amendments related to electric vehicle infrastructure. The proposed amendments are targeted at removing barriers to electric vehicle implementation, pursuant to 2009 state legislation encouraging electric vehicles. SSHB 1481 does not require the development of electric vehicle infrastructure. However, it requires the City to amend its use charts to allow electric vehicle infrastructure as a use in all zones except residential districts and critical areas. It does not prohibit home charging stations. The deadline for adopting the amendments to two land use charts is July 1.

Responding to Deputy Mayor Lee, Ms. Drews said the deadline is defined in state law.

Responding to Councilmember Wallace, Ms. Drews said the rationale behind not requiring infrastructure in residential areas is to avoid extensive commercial charging stations in neighborhoods. The law does not prohibit the installation of charging stations in homes and multifamily developments, and the City's code amendments explicitly allow charging stations for private use.

Councilmember Wallace questioned whether a charging station in a multifamily building would be considered a private use. Ms. Drews said she will get back to the Council with more information on this issue.

Councilmember Chelminiak said he envisions a scenario in which a multifamily resident might pay a fee to use an on-site charging station. He questioned whether this would be a commercial use and thereby prohibited, or whether this use might be treated in the same way that paid parking is handled for certain public and commercial buildings. He supports the proposed LUCAs to meet the July 1 deadline, but is interested in more information on the implications of this technology as discussions move forward.

Councilmember Balducci questioned the code language that refers to this use as “other automobile services except for repair and wash,” and then limits that to refer only to electric vehicle infrastructure. Ms. Drews said the general nature of the language goes back to the standard Land Use Code classification system used by the City. However, she did not want to leave the category open to other, unanticipated automobile uses. Ms. Balducci concurred that she had the same concern, should individuals not notice the footnote that more specifically defines the category. Ms. Drews said it is possible to change the label to electric vehicle infrastructure to avoid confusion.

Responding to Councilmember Robertson, Ms. Drews said that City staff worked with the State and the Puget Sound Regional Council in drafting the proposed Land Use Code amendments. Ms. Drews said the purpose of the proposed amendments is to comply with state law. Staff will continue working with the Council in the future to develop City policies related to electric vehicle infrastructure. In further response, Ms. Drews said the State is studying the environmental issues associated with batteries and battery exchange locations. Battery facilities will need to meet state regulations regarding the storage, transport and disposal of batteries.

Councilmember Robertson compared battery exchange facilities to a gas station or oil change business, and questioned which land use districts would allow this use. She supports the technology and is in favor of removing barriers, but she is concerned about the implications of future code revisions. In addition, she questioned what charging and battery exchange stations might look like and whether they will be compatible with certain areas. Ms. Drews said detailed policies and regulations continue to be developed. Until more specific codes for electric vehicle infrastructure are adopted, a permit request would be subject to current electrical codes.

Councilmember Robertson said she would like a better understanding of the implications of allowing this type of infrastructure before developing more detailed policies and regulations.

Mayor Davidson summarized the Council’s interest in removing barriers to electric vehicles and amending the code terminology to explicitly identify this use. He questioned the consequences of not meeting the State’s deadline.

Councilmember Degginger asked whether the City risks losing any type of funding if the deadline is not met.

Ms. Drews said the concern is that the Land Use Code amendments amend the State’s Growth Management Act. While the risk is probably low, it would leave the City susceptible to a challenge on non-compliance before the Growth Management Hearings Board.

Mayor Davidson invited Council feedback about meeting the deadline versus clarifying the LUCAs before they are adopted.

Councilmember Wallace said he concurs with Councilmember Balducci’s comments. He sees no harm in complying with state law, and then working with the Planning Commission to develop more specific code provisions.

Responding to Councilmember Chelminiak, Ms. Drews said there is still time to meet the July 1 deadline if Council action is taken on June 21.

Councilmember Robertson would like to have the Council's questions answered before adopting the Land Use Code amendments, even if it means missing the July 1 deadline.

Staff agreed to return with additional information and clarification.

- (e) Planning Commission Recommendations on the consistency between Federal Emergency Management Agency (FEMA) Policies and Proposed Land Use Code Amendments

Mr. Sarkozy opened discussion regarding the Planning Commission's recommendations on the consistency of City Land Use Code amendments with Federal Emergency Management Agency (FEMA) policies.

Ms. Drews said the proposed Land Use Code amendments are intended to enhance the consistency between the City's current floodplain management standards and federal and state requirements. The City has participated in FEMA's National Flood Insurance Program since 1972. The State Department of Ecology reviewed the City's floodplain management code and identified inconsistencies related to changing the references to the flood study, amending and updating definitions, and adding the definition of development applicable only to areas of special flood hazards.

Following review by the DOE and Planning Commission, Ms. Drews said that City staff added recommendations to: 1) Add the federal requirement for document retention and access to public records, and 2) Ensure that development allowed under the City's reasonable use exception to its critical areas code (i.e., applicable to properties encumbered by 90-percent critical areas) is subject to the same opening requirements (e.g., doors and windows that water can flow through) for both new and existing construction. The code currently has this requirement, but clarifying language is needed.

Responding to Councilmember Degginger, Stormwater Systems Engineer Brian Ward explained how Bellevue's floodplain map was prepared. The portrayal of a floodplain on a map starts out with an engineering calculation of the extent of flooding during a 100-year rain event, which determines the amount of water. The second half of the calculation is determining how deep the water will be in certain locations. Once the engineering work is finished, the data is transferred to mapping experts who use topographic data to develop a depiction of the floodplain boundary based on the engineering calculations.

Responding to Mayor Davidson, Mr. Ward said the floodplain elevation for Phantom Lake was calculated in the original flood insurance study done for Bellevue in 1978. That value has been displayed on maps since that time. Recalculating the flood elevation at Phantom Lake would require a basin-scale study of the Phantom Lake drainage basin. This would involve applying

current land use conditions to engineering models to calculate the runoff from a 100-year storm, along with a second engineering calculation to determine the depth of the flooding.

Responding to Mayor Davidson, Mr. Ward said Mr. Parks, who spoke during oral communications, has been engaged with staff in making requests for data and records.

Responding to Councilmember Degginger, Mr. Ward said Mr. Parks wrote that the FEMA map shows an elevation of 261 as compared to what it has been for the past few weeks, which is four feet higher. Mr. Ward explained that the lake's condition on a daily basis is a different number than what is used in the engineering calculations. FEMA set that elevation as the 100-year regulatory storm event, and that calculation should be much higher than daily lake levels.

Mayor Davidson expressed concern about the effect of the FEMA threshold on flood insurance.

Mr. Ward said 232 Bellevue residents hold flood insurance, and the FEMA insurance policies are available only to those in the floodplain. The Planning Commission's recommendations are necessary to maintain the availability of the National Flood Insurance Program in Bellevue. Mr. Ward said the location within or outside of a floodplain affects individual insurance rates.

Responding to Councilmember Degginger, Mr. Ward said flood insurance is not restricted to structures. However, if land is in the floodplain but a structure is not, flood insurance is not necessary. Mr. Degginger noted his understanding that Mr. Parks has land located within the floodplain, but not a structure.

Deputy Mayor Lee noted that Mr. Parks indicated that he had communicated with the Planning Commission, but not staff, on this issue. Mr. Ward confirmed that he has responded to requests for data, but he has not spoken with Mr. Parks.

Regarding Mr. Parks comments about the treatment of critical areas, Ms. Drews said that recent state legislation was intended to resolve an apparent conflict between the Growth Management Act and Shoreline Management Act. The legislation clarifies that until a jurisdiction updates its Shoreline Master Program, critical areas regulations apply regardless of where the critical areas are located. Ms. Drews said the City is not designating the floodplain as a critical area, as Mr. Parks believes. The City's floodplain has been defined since 1978 and has been subject to sensitive areas regulations and the Critical Areas Ordinance since that time. The currently proposed amendments do not change that definition. They adopt technical amendments to ensure that Bellevue's floodplain management program meets federal requirements for continued participation in FEMA's flood insurance program.

Responding to Councilmember Robertson, Ms. Drews said the proposed Ordinance contains one change recommended by staff that affects requirements for property owners. The one substantive issue applies only to those allowed to build under a "reasonable use exception," which is very limited. When such individuals build a new structure, they are required to provide the same openings (i.e. doors and windows) as someone developing or redeveloping without a reasonable

use exception. This allows flood water to flow through a structure, which has the potential for reducing damage.

In further response to Ms. Robertson, Mr. Ward said he has been administering Bellevue's floodplain for 10 years and there has been only one development, involving three lots, for which the reasonable use exception was applied.

Deputy Mayor Lee asked staff to speak with Mr. Parks about his concerns. Mr. Sarkozy said staff will address any additional concerns from Mr. Parks with the Council.

Responding to Councilmember Balducci, Ms. Drews said federal loans and mortgages for properties within the floodplain require flood insurance.

Councilmember Balducci said there appears to be continued confusion about development regulations, pending the completion of the City's update to its Shoreline Master Program. She wants to ensure that isolated actions are not prejudging the outcome of the SMP update.

Ms. Drews said that shoreline regulations are separate from floodplain management regulations. The FEMA consistency Land Use Code amendments will not impede the work on the Shoreline Master Program.

Responding to Ms. Balducci, Ms. Drews said the City has a visit from the Department of Ecology scheduled for June 24, and staff would like to have the proposed code amendments in place before that visit, if possible.

Councilmember Balducci noted the volume and technical complexity of proposed code amendments for tonight's meeting. She is concerned that she is not receiving adequate background information to be able to assess the implications of code decisions. For the future, she asked staff to enhance its focus on providing this type of information and helping the Council to sort out the ramifications and possible unintended consequences of code changes.

Councilmember Wallace suggested that perhaps it would be easier to address both shoreline and floodplain issues in the Shoreline Master Program.

Ms. Drews said the two sets of regulations have different requirements. The SMP is not the key driver in regulating the floodplain.

Responding to Mr. Wallace, Ms. Drews explained that the reasonable use exception is intended to allow a property owner to develop property that is highly constrained by critical areas. Mr. Wallace observed that the section of the proposed Ordinance amending LUC 20.25H.175 seems to imply that anything within the floodplain is a critical area.

Responding to Mayor Davidson, Ms. Drews confirmed that floodplains are, and always have been, critical areas.

Mike Brennan, Director of Development Services, acknowledged that adequate information was not provided to the Council for this discussion. He suggested that staff take the time to prepare responses to Council's questions and to return with more information to clarify the approach to floodplain and shoreline regulations.

Councilmember Wallace noted the following questions - What is the impact on pre-existing properties that would violate the code as changed? In other words, if development is already within the critical areas buffer but not above the floodplain, what happens to that property owner? He asked staff to provide the text of LUC 20.25H.055. As an additional question, Mr. Wallace noted that if a property is flagged as a critical area, certain requirements apply. One is to build over the existing grade of the flood hazard, while another is to maintain the existing vegetation of the area of special flood hazard in a healthy condition. He questioned the rationale underlying this requirement.

Councilmember Degginger noted that Bellevue receives revenue from the Flood Control District levy, and perhaps updated mapping would be appropriate for the future use of those funds.

Responding to Councilmember Robertson, Mr. Ward said the April 2005 map referenced in the proposed Ordinance is changed from the 1978 map. In 2005, the City conducted a re-study in the Kelsey basin initiated by property owners at the former K-Mart site on 148th Avenue. The re-study showed that the floodplain as originally mapped in 1978 was depicted as covering the entire property. Staff recalculated the floodplain and acknowledged the size of the culvert under the parking lot, and was able to demonstrate that the floodplain was fully contained within the culvert. This made the property available for redevelopment. The study extended upstream from the K-Mart site to the Phantom Lake area. A couple of years later, the Utilities Department funded a basin study downstream throughout the Kelsey Creek system. The Kelsey Creek basin is the only area with an updated floodplain map.

Councilmember Robertson said she wants to be sure that Mr. Parks receives this information, if he has not already.

(f) Additional Discussion on Updating Building and Fire Codes

Mike Brennan, Director of Development Services, introduced staff's presentation regarding proposed amendments to update the building and fire codes. The codes are updated every three years.

Gregg Schrader, Building Official, said the proposed amendments to International Codes are required by the State, but can be made more restrictive by local jurisdictions. He noted that the implementation of amendments to the energy code has been suspended for an additional 120 days by the Governor, to allow for further study and additional hearings. An emergency mechanical code change is being considered by the State Building Code Council related to parking garage exhaust, and this amendment is consistent with Bellevue's current ordinance on that issue.

Mr. Schrader referenced page 3-125 of the meeting packet and noted that staff proposes removing the language referring to automatic sprinkler systems from that section of the Ordinance.

Mr. Schrader said staff proposes adopting the model code language drafted by the State. The types of amendments included in the current update include administrative provisions that allow Bellevue to enforce State codes, amendments which the State or model code has intended for local determination, and amendments that provide clarification or implement additional requirements. Mr. Schrader and Fire Marshal Ken Carlson described examples of the types of code amendments.

Marshal Carlson said the purpose of tonight's agenda item is to respond to any additional questions from the Council, and to request direction regarding the proposed code amendments and whether to pursue a single-family residence sprinkler requirement.

Councilmember Degginger questioned the minimum 20-foot access width requirement for Fire vehicles as it relates to the Lewis Creek Phase 2 project, noting that the Fire Station is across the street from the park. Mr. Carlson said the 20-foot width is needed to allow vehicle access as well as sufficient room to work and set up the apparatus. However, if a proposed development identifies access width as a challenge, the City is willing to take look at the situation and to provide alternatives when appropriate. Councilmember Degginger said the applicant is the City, and he questioned whether the Parks and Fire Departments can work together to resolve the issue of access to Lewis Creek Park. Marshal Carlson said he was unaware of this issue, but he will be sure that the appropriate discussion occurs between department staff to review the situation.

Mayor Davidson invited discussion regarding whether or not to require single-family sprinklers.

Councilmember Robertson said she is not in favor of adding regulatory burdens to new construction. She reported that Bellevue had three fire-related fatalities in four years, and there were no working smoke detectors in all three cases.

Deputy Mayor Lee does not support a sprinkler requirement for new single-family homes. He emphasized the importance of smoke detectors, which have had a significant impact on reducing fire fatalities. He noted testimony by the Master Builders Association about the impact of sprinkler requirements on housing development and costs.

Councilmember Wallace referred to page 3-63 and noted Bellevue's 367 applications in 2007 for the construction of new single-family homes. Of these, 148 required the installation of automatic sprinkler systems to mitigate inadequate fire flow or fire access. He asked whether individuals are aware of this requirement at the time they apply for their building permits.

Mr. Carlson said the issue of adequate fire flow is often not known until the exact building structure and location is determined and analyzed. If the fire flow is not adequate, a remedy is to require sprinklers inside the structure. The second issue of access typically applies to situations

in which a property or development is located too far from the main road, or where access is perhaps too narrow or too steep.

Councilmember Wallace stated his position that government cannot continue to add building costs that do not add to the market value of the structure. While there might be some incremental value in a sprinkler system, he feels it is not enough to recover the cost of installation. He cannot support a proposal to require sprinklers in single-family homes.

Councilmember Balducci said she is troubled when officials who are tasked with ensuring the safety of the community are telling us that a specific measure would make people safer and reduce the likelihood of deaths. However, there are a number of fireproofing measures that could be required and are not, due largely to the lack of a clear benefit to justify the costs. She said this is not an easy decision, and she hopes the City and building industry can continue to look at ways to encourage residential sprinklers without requiring them.

Councilmember Degginger concurred that this is a challenging issue and noted Bellevue's success in containing fires to the room of origin. Even if a sprinkler requirement were approved, much of Bellevue's housing stock would not be subject to the regulation. He encouraged continued community outreach efforts related to smoke detectors.

Councilmember Chelminiak said that as a member of the State Building Code Council, he wanted cities to have the opportunity to make a choice about residential sprinkler requirements. He noted that roughly 40 percent of new homes constructed in 2007 required sprinklers due to the issues already reviewed by Marshal Carlson. He referred to page 3-188 of the meeting packet, which has a list of the perceived barriers to the voluntary installation of residential fire sprinkler systems. He would like the City to take a look at these barriers and to consider ways to encourage voluntary sprinklers. However, he is not in favor of waiving permit fees.

Mayor Davidson noted a Council consensus opposed to requiring fire sprinklers in the construction of new single-family homes.

(g) Budget One: Process Update and Response to Previous Questions Raised by Council

Nav Otal, Budget One Project Manager, briefly reviewed the budget process to date, as well as the schedule through budget adoption on December 6. She noted that all of staff's budget proposals are available online for the Council's review.

Jan Hawn, Finance Director, recalled previous Council sessions addressing the budget, including a discussion in April regarding 2009-2015 Capital Improvement Program (CIP) resources. At that time, the Council requested information on the Other Resources portion (29 percent) of the CIP budget. This category of revenues includes grants, motor vehicle fuel tax collections, the Parks and Natural Areas Levy, impact fees, rental income, the sale of assets, and short-term borrowing in the form of a line of credit. Ms. Hawn reviewed information on local property taxes, noting that Bellevue has the lowest property tax levy rate when compared to its neighbors.

Ms. Hawn recalled Council's request for information on the total property tax burden on homeowners in Bellevue and neighboring jurisdictions, including levies for municipal government, schools, King County, the Port of Seattle, and other purposes (e.g., hospital, library). Bellevue's total tax burden is the lowest in the area, along with Mercer Island. The difference in rates between jurisdictions is due primarily to school levy rates.

Ms. Hawn compared the tax burden for small, medium, and large businesses in Bellevue and surrounding cities, based on total business tax and license fees, utilities taxes, and the property tax. She reviewed projections of revenue that would be generated if the City were to increase the property tax by the one percent allowed per year, or if it were to maintain the current millage rate but assumed growth.

Ms. Hawn described additional scenarios for increasing revenue through a number of different taxes and mechanisms (e.g., utilities taxes, impact fees). She compared cities in terms of their mix of stable versus economically sensitive revenue sources. She compared data on impact fees, noting that Bellevue's fees are quite low compared to other jurisdictions, but they are scheduled to increase over time.

Ms. Hawn responded to questions of clarification regarding the tax data. She explained that Seattle does not have impact fees but it does require SEPA agreements for new development, which assess fees related to transportation infrastructure.

Responding to Councilmember Wallace, Planning Director Dan Stroh explained that Seattle uses State Environmental Policy Act (SEPA) agreements to address capacity mitigation. Bellevue uses its impact fees to address transportation capacity, when system improvements are needed to respond to the impacts of development. Mr. Stroh said SEPA mitigation fees are more difficult to predict than impact fees. Bellevue achieves frontage improvements through its development standards, while the City's impact fees address capacity needs.

Councilmember Wallace feels that the most appropriate comparison for Bellevue is Seattle, as it is the only other city with buildings taller than 20 stories. He noted that Seattle's SEPA mitigation fee is proportional while Bellevue's impact fee is more of a fixed fee. Mr. Wallace stated his understanding that state law requires impact fees to be roughly proportionate to the impacts. He questioned whether Bellevue's impact fees are spent to address the specific impacts of the corresponding development. He questioned whether an impact fee could be assessed for a project in Newport Hills, for example, if there are no nearby transportation projects.

Responding to Councilmember Chelminiak, Capital Programming Manager Eric Miller confirmed that impact fees provide approximately 2.6 percent of the 2009-2015 CIP Plan. However, the CIP budget has not been revised since impact fees were updated.

Mr. Chelminiak said it would be interesting to see a comparison between cities of the percentage of capital budget revenue that is generated by impact fees.

Councilmember Wallace expressed concern that impact fees can discourage development, which results in reduced tax revenue for the City as well. He would like to take a fresh look at this issue based on the current economy.

Councilmember Chelminiak questioned whether having the lowest impact fee puts a city at an advantage or a disadvantage in terms of getting development to occur when the market is ready for the development to occur.

→ At 10:00 p.m., Councilmember Balducci moved to extend the meeting until 10:30 p.m. Councilmember Wallace seconded the motion.

→ The motion to extend the meeting to 10:30 p.m. carried by a vote of 7-0.

Councilmember Balducci said she appreciates suggestions to look at alternate revenue streams. However, she recalled that the Council adopted impact fees as part of an overall finance plan for the Mobility and Infrastructure Initiative. If impact fees are lowered, the plan will need to be modified by either replacing the funding or reducing the generation of trips (i.e., limiting development).

Ms. Balducci said that as funding elements are removed from the Mobility and Infrastructure plan, the Council is making a statement that it is not willing to provide the necessary infrastructure to support growth. In staff's analysis of impact fees, she would like to also see the impact in terms of how many trips the City can no longer serve if fees are reduced.

Councilmember Degginger noted that many factors go into a development decision, and he has not heard that impact fees have been a sole deterrent to development. However, he is open to examining other mechanisms that might provide a better way of attaching fees to projects and/or the trips that are generated.

Councilmember Wallace asked staff to provide data on what the impact fee would have been last year for PACE (Performing Arts Center Eastside), and what it will be in future years.

Ms. Hawn moved on to describe reserves, which are held to respond to natural catastrophes, counter-cyclical growth, cash flow needs, future obligations, mandated requirements, and asset replacement. The City's reserve levels are based on the best practices recommended by Government Finance Officers Association (GFOA) policies and research.

Responding to Councilmember Degginger, Chief Information Officer Toni Cramer said the City buys its personal computers, because an evaluation comparing leasing versus buying concluded that there was no financial benefit to leasing computers. She will provide the analysis to the Council.

Continuing, Ms. Hawn described the types of reserves and their recommended and actual levels. The City contributes approximately \$300,000 annually to its LEOFF 1 (Law Enforcement Officers Fire Fighters) Medical Reserve. Ms. Hawn said medical expenses are outpacing the

City's contributions to the fund, however, and current funds are projected to be depleted around 2020. At that point, the City will likely continue on a pay-as-you-go basis, as is the practice for nearly all other jurisdictions.

Councilmember Balducci asked staff to provide the information on medical reserves to Paula Dillon for her to distribute to the LEOFF I Disability Board members.

Ms. Hawn reviewed the split of sales tax revenues between the operating and capital budgets. The current split is 74 percent to the operating budget and 26 percent to the capital budget. If the City changes its handling of maintenance and operations costs, an immediate transition to funding M&O costs in the operating budget, instead of the capital budget, would result in a split of 57 percent sales tax revenues to the operating budget and 43 percent to the capital budget. This would create an additional \$8 million shortfall in the 2011-2012 budget.

Councilmember Chelminiak said he has been mentioning this issue for several years and has asked staff to develop a policy recommendation for dealing with it.

Ms. Hawn responded that she expects to see some reduction in overall M&O expenses with the new Budget One process. Staff is examining the base budget from the bottom up. Responding to Mr. Chelminiak, Ms. Hawn said staff is not proposing a change in the current revenue split unless directed to do so by the Council.

City Manager Sarkozy said the simple way of correcting the M&O offset is to transfer sales tax revenue to the General Fund to pay for operations, given that it is a prudent policy to maintain the facilities built by the City. This would also present an opportunity to look at maintenance costs in the General Fund and in the CIP Plan together, to try to find savings. Mr. Sarkozy said the financial effect is neutral.

Councilmember Chelminiak opined that this does not adequately address the issue.

Mayor Davidson said that if a policy is established to transfer M&O costs for new projects from the capital budget to the operating budget, as more CIP funds are spent in the future to create capital projects, more M&O obligations will also be created.

Councilmember Degginger opined that M&O costs should be allocated within the operating budget, because the capital and operating budgets are treated somewhat differently. He acknowledged that the result is the operating budget will get bigger and the capital budget will become smaller.

Councilmember Chelminiak said the City's resistance to change is probably the biggest issue for him. He would like to see, with the exception of the roadway overlay program, what would happen if M&O costs for CIP projects were transferred to the operating budget after 10 years, and the corresponding CIP revenues were returned to the ongoing CIP. Mr. Chelminiak feels this will make the City be smarter in managing the operating budget and force some issues dealing with maintenance.

Mr. Sarkozy observed that the Council is asking for two things which are inconsistent. One is the proper maintenance over the life of a capital asset, and the other is clarity and truth in reporting in terms of how the revenues are allocated and expended. Allocating the revenues to the General Fund for M&O costs makes sense in terms of clarity. However, this does not seem to recognize the long-term operating obligations and maintenance implications associated with facilities.

Councilmember Chelminiak said he recognizes the long-term maintenance obligation. However, this approach provides no motivation to change operations and maintenance schedules, and no incentive for competition. At some point in time, the City will need to transfer all of the sales tax that could be going to the CIP to the General Fund. He does not think this will be a good outcome.

Ms. Hawn recalled a prior presentation in April related to CIP options for changing the handling of M&O expenses. She suggested that the Council review these options again to determine which will achieve the desired objectives.

Councilmember Robertson said she supports this change as well.

Councilmember Balducci said the challenge of this issue is the challenge of the entire budget. Changing the policy does not increase the amount of money available in the budget. A commitment to building facilities implies a commitment to ongoing maintenance and operations. One appropriate issue to consider is whether the City is perhaps building facilities that require too much in maintenance and operations.

Ms. Hawn reviewed additional slides showing the breakdown of M&O costs by major program areas. She moved on to present information about the City's debt levels, interest rates, and comparable data for other jurisdictions. The appropriate uses of long-term debt include large construction projects, matching the cost of capital improvements that benefit users of an asset (i.e., local improvement district/LID), and achieving inter-generational equity.

Ms. Hawn reviewed the debt service schedules for the Bellevue Convention Center Authority, and referred to additional information in the meeting packet. Two of the bonds have a condition that prevents them from being refunded/refinanced. Ms. Hawn described the City's debt funding sources, debt as a percentage of revenues and per capita since 2005, and debt compared to the City of Seattle.

Councilmember Wallace requested information on the Meydenbauer Bay Bellevue Marina bonds.

- Councilmember Balducci moved to extend the meeting by 10 minutes, and Councilmember Degginger seconded the motion.
- The motion to extend the meeting carried by a vote of 7-0.

Ms. Hawn wrapped up the presentation on debt.

Councilmember Balducci stated that at some point in discussions about annexation, she would like to see what the debt service would look like if it were spread over all of Bellevue's potential annexation areas (PAAs).

Planning Director Dan Stroh reviewed the debt service needs to build the NE 4th Street project in the Wilburton area. This is a critical infrastructure project to support continued growth and economic activity in the Wilburton and Bel-Red areas.

Ms. Hawn addressed questions previously raised about health benefits costs. The average annual increase in health benefit costs since 2002 has been 12 percent nationally and 10 percent for Bellevue. She reviewed the City's cost containment efforts in this area over the past several years, including vendor changes for prescription drugs, stop loss coverage, and third party administration. Past plan design changes increased employees' prescription and emergency room co-pays.

At 10:36 p.m., Mayor Davidson declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

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