

DRAFT

July 8, 2002

CITY OF SHORELINE

SHORELINE CITY COUNCIL

SUMMARY MINUTES OF REGULAR MEETING

Monday, July 8, 2002
7:30 p.m.

Shoreline Conference Center
Mt. Rainier Room

PRESENT: Mayor Jepsen, Deputy Mayor Grossman, Councilmembers Chang, Hansen, Montgomery and Ransom

ABSENT: Councilmember Gustafson

1. CALL TO ORDER

The meeting was called to order at 7:32 p.m. by Mayor Jepsen, who presided.

2. FLAG SALUTE/ROLL CALL

Upon roll call by the City Clerk, all Councilmembers were present with the exception of Councilmember Gustafson.

Upon motion by Deputy Mayor Grossman, seconded by Councilmember Montgomery, and unanimously carried, Councilmember Gustafson was excused.

3. CITY MANAGER'S REPORT

City Manager Steve Burkett reported that the Aurora Corridor Project Draft Environmental Impact Statement (DEIS) and Environmental Assessment is now available. He provided a tentative schedule for the environmental review of the project, including an hour-and-a-half open house on August 6th, followed by a public hearing for the Planning Commission to learn about the DEIS. He stated the City will continue to accept written comments until August 15th. After all the comments have been reviewed, the City Council will make a decision on the preferred alternative.

He said 4th of July activities were generally quiet, and that the police chief reported few public complaints, allowing the department to release overtime officers from duty. Lastly, he announced the 11:00 a.m. grand opening of Shoreview Park on Saturday, July 12th.

4. REPORTS FROM BOARDS OR COMMISSIONS: none

DRAFT

July 8, 2002

5. PUBLIC COMMENT: none

6. APPROVAL OF THE AGENDA

Councilmember Ransom moved approval of the agenda, substituting the order of Item 9(a) and Item 8(a). Councilmember Montgomery seconded the motion, which carried unanimously, and the agenda was approved as amended.

7. CONSENT CALENDAR

Councilmember Ransom moved approval of the consent calendar. Deputy Mayor Grossman seconded the motion, which carried 6-0, and the following items were approved:

**Minutes of Dinner Meeting of June 24, 2002
Minutes of Regular Meeting of June 24, 2002**

**Approval of expenses and payroll as of June 28, 2002 in the amount of
\$571,360.12**

9. NEW BUSINESS

(a) Alternative Revenue Sources

Mr. Burkett explained that long-range financial projections show a growing gap between revenues and expenditures. He said staff is bringing forward alternative revenue sources that were identified at the City Council Retreat, and requested Council feedback on those alternatives. He said the first projections for 2003 budget show a \$700,000 gap between projected revenues and expenses. Additionally, over the next six years, that gap is shown to be increasing. Revenue is projected to increase about 1% per year with expenses projected at 2%. He said that revenue and expenditure increases have averaged 6-7% over the past seven years. He said the local and national economies have had a large impact on revenue sources, and attributed the City's \$2.5 million revenue loss to the State Legislature's abolishment of the motor vehicle excise tax (MVET). He added that the lost revenue was replaced by the utility tax, but that further elimination of the MVET backfill funding will result in revenue loss to both capital and operation budgets. He assured the Council of the City's relatively good financial situation.

Debby Tarry, Finance Director, reviewed the issues involved with, and limitations on, several new revenue sources:

Hotel/motel tax

She said the first five proposals would have an impact on the General Fund, and the last two would affect the Surface Water Management Plan and the Development Services Fund respectively. She said a 1% maximum rate on hotel/motel taxes would yield approximately \$6,700 in annual revenue, but that money can only be used for tourism

promotion or acquisition/ operation of a tourism-related facility. She added that a tax advisory committee would need to be established, comprised of citizens/stakeholders and potential recipients of the tax money.

Regulatory Business License Fee

Ms. Tarry said a regulatory business license fee is limited because the revenue generated from the fee cannot exceed the cost of implementing the program. She estimated that there are approximately 2500 businesses in Shoreline that have reported \$25 in annual sales tax revenue, but others may exist that are not accounted for. She said a license program would represent a new cost to businesses, who are already concerned about staffing and rising costs.

Cardroom gambling tax rate increase

Ms. Tarry said the current 11% tax on cardroom gambling could be raised to as much as 20%, the State legal limit. She added that most cities tax at a rate of 10-11%. She estimated that each additional 1% would create about \$170,000 in annual revenue, assuming no change in cardroom activity. She said the gambling tax is reserved for enforcement of gambling laws, but any remaining funds can be used for general government purposes. She said she would anticipate complaints from the gambling establishment due to a reduced net income.

B&O Tax

Ms. Tarry said the maximum rate a city can assess on a B&O tax is .2%, but such a tax would require a referendum procedure. She reported that 13 cities in the Puget Sound region currently assess a B&O tax, and that the State assesses its own B&O tax. She estimated that a B&O tax could generate up to \$1.5 million, and that for a rate of .1% the cost of a \$100 transaction would be 10 cents. She noted the increased costs associated with implementing a B&O tax, such as staff, audit administration, and direct cost to businesses and consumers.

Property tax lid lift

Ms. Tarry reported that a property tax lid lift could not exceed \$1.60 per \$1000 assessed valuation and would require voter approval. She said the projected 2003 property tax rate is \$1.40, and increasing the lid lift to \$1.60 would yield an estimated \$900,000 in additional annual revenue.

Mr. Burkett said that most residents and businesses look at the total property tax rate as opposed to the city tax rate. He asked Ms. Tarry to explain Shoreline's share of the property tax. Ms. Tarry replied that the City's portion is about 10% of the overall rate. The major part of the property tax goes to schools.

Surface Water rate increase

Ms. Tarry said that King County has assessed a surface water rate increase to both residential and commercial customers. She said if the City follows the same rate structure as King County, it could expect approximately \$400,000 in additional annual revenue that could be used for capital and operations budgets. She identified a number of

related issues, including the Surface Water Master Plan, Endangered Species Act, and legal requirements for the Clean Water Act.

Appeal fee change

Finally, Ms. Tarry identified the land use appeal fee as a potential source of increased revenue. She reported that the current fee is a flat \$364, but that actual costs range from \$4,000 to \$12,000. She said some cities use a flat fee, while some assess the actual cost of the appeal, which can be exorbitant. She addressed the possibility of implementing a system using an hourly rate with a ceiling.

Mr. Burkett stressed the long-term implications of the decisions Council makes and asked Councilmembers for their analysis of the alternatives.

Mayor Jepsen called for public comment.

(a) Mark Mitchell, Seattle, stated his concerns about increasing the gambling tax. He said Ms. Tarry received misinformation from the City of Federal Way about the extent of the cardroom bankruptcies, and that many casinos are going broke because of increased gambling taxes. He said the average tax rate around the state is 8.2%.

(b) Greg Olsen, Shoreline Chamber of Commerce, asked the Council to carefully consider the impact of business tax increases. He was not opposed to a business license fee per se, but the B&O and other proposed taxes could severely hurt the business community.

(c) Dennis Lee, Shoreline, asked the Council to evaluate the true impacts of an appeal fee increase.

(d) Anthony Poland, Shoreline, opposed all the alternative revenue sources and favored a decrease in spending. He said any increase in taxes constitutes a mismanagement of public funds.

(e) Michael Preston, Seattle, opposed an increase in the gambling tax, because even a 1% increase would drive many cardrooms out of business. He said the City would not receive any increased revenues because there would be no businesses on which to levy the tax.

Councilmember Ransom opposed imposition of a hotel/motel tax, but remained open to the regulatory business license fee, suggesting perhaps \$50 for regular businesses and \$25 for home businesses. He said such a fee could be used to encourage group homes to register. He opposed the B&O tax and had mixed feelings about the property tax lid lift, adding that there is a lot of tension surrounding the property tax. He supported an increase in the Surface Water fee and opposed any increase that attempts to recover the actual cost of appeals. He mentioned new revenue that will come in from increased casino business. He stressed that both Houses voted to lower the gambling tax, which suggests that the legislators feel the tax is already quite high. He agreed with those who

DRAFT

stated that the casinos cannot afford a higher tax and stay in business. Rather than an increase in the gambling tax, he recommended slowing down some of the capital projects that are being financed from the General Fund.

Councilmember Montgomery favored an approach that reduces expenses and controls costs. She also opposed the hotel/motel tax, favored a business registration fee, opposed the B&O tax, and had mixed feelings about the property tax lid lift. She said surface water management is not only a huge need but a capital investment that cannot be cut back. She was undecided about the appeal fee, and favored further information about the impacts of gambling taxes.

Deputy Mayor Grossman felt only three items on the list provide a cost-benefit to the public. He favored the business registration fee and said it should be minimized to cover only the direct cost of administering the program. He supported the Surface Water Management fee increase because of increasing costs and needs. He suggested that the appeal fees be scaled to the size or cost of the project.

Councilmember Chang expressed his general opposition to all of the alternatives. He supported a belt-tightening approach of keeping expenditures to a minimum. He said the City should hold off on the gateways project and take a strategic and proactive stand in attracting business investment. He supported a business registration fee if the Council can show a clear benefit to the businesses in the community. He concurred with a scaled appeal fee. He concluded by saying he would support the Surface Water Management fee if it related to specific projects.

Mayor Jepsen opposed a hotel/motel tax because of the high cost of implementation. He expressed moderate opposition to the business registration fee, although he was open to persuasion. On the question of increasing gambling taxes, he asked for more information on gambling revenues and the impact of a fee increase to operations. He opposed the B&O tax and property tax lid lift. He said he is moderately opposed to the Surface Water Management fee increase, at least until the needs assessment is completed. He favored Deputy Mayor Grossman's idea of scaling the appeal fee to the size of the project.

Councilmember Hansen said he was leaning against the hotel/motel tax and the business registration fee. He felt it was foolish to create "red tape" that would only generate enough income to recover the cost of the red tape. He also opposed a cardroom gambling tax increase and strenuously opposed a B&O tax. He felt the property tax levy lid lift is the logical revenue source to consider because voters can decide whether or not to raise their own taxes. He noted that the Surface Water Management fee has been the same per parcel of property for at least the last ten years. He supported raising this because it goes to a dedicated purpose that is a very high need for some citizens. He said the appeal fee increase is a possibility and that the fee should be fair to both parties.

Mayor Jepsen then summarized the Council's views on each of the revenue sources as follows:

July 8, 2002

- No one supported the hotel/motel tax.
- There were various opinions on a business registration program and enough interest for staff to explore this further.
- There was little interest in raising the gambling tax.
- There was no interest in a B&O tax.
- The Council was split on the property tax lid lift, so it will not be rejected until Councilmember Gustafson has had an opportunity to provide input.
- There was support for raising the Surface Water Management fee.
- There was some support for having a sliding appeal fee scaled to the size or cost of the project.

Mr. Burkett concluded that consideration must be given to the amount of money going into the capital budget from the General Fund. He said the possibility of a bond issue for capital projects will be discussed next week. He concluded that staff will look at the expenditure side as well as the revenue side in analyzing the 2003 budget.

8. UNFINISHED BUSINESS

(a) Discussion of the Capital Improvement Program

Mr. Burkett reviewed the CIP adoption schedule and the policy issues before the Council, including:

- using a portion of the Real Estate Excise Tax (REET) for City Hall debt service;
- municipal art funding;
- Council Goal #7, a bond issue;
- General Fund contribution for capital projects;
- annual road service maintenance program;
- Referendum 51 (State gas tax increase); and
- increase in Surface Water Management Fees.

Mr. Burkett followed his review with a handout outlining past expenditures on various projects. He recommended that the Council consider reprioritizing and updating park master plans based on projected revenue.

Parks, Recreation and Cultural Services Director Wendy Barry highlighted some deficiencies of the current Parks, Recreation and Open Space Plan, stating that there has been little, if any, analysis of City facilities and inventory of recreational services in the community. She said that the current plan does not include demographic data, a necessary component for good long-term planning. She emphasized the importance of establishing target levels of service and participation rates in various uses. She said that information is the basic structural foundation for bond issues, and that by seeking partnerships and defining the City's vision, the City will be in a much less reactive position.

Mr. Burkett said it is important to determine the levels of services in order to find out what the community is willing to pay for in terms of new facilities.

Ms. Barry noted there are four master plans in the current CIP. She said that in the past master plans provided only a general vision. The goal is now to have a process whereby substantial work is done and public feedback is solicited. There was a brief discussion of possibilities of what will happen at Richmond Beach Saltwater Park. Ms. Barry said the master plan will determine this.

Regarding whether long-term maintenance of the pool should be counted as a capital or operational cost, Ms. Tarry said the major issue is whether roof replacement of the facility represents a capital or operational cost. Staff believes it is important to plan for the replacement of major facilities, which has not been included in past CIPs.

Paul Haines, Public Works Director, discussed the Facilities Management Plan (FMP) and emphasized the need to anticipate specific improvements and upgrades to assist in long-term planning. He said facilities have grown from 4,000 square feet in 1995 to 60,000 square feet today, and that it is important to look ahead and anticipate departmental costs to maintain facilities. He compared master planning costs in various cities to justify the \$150,000 allocation.

Deputy Mayor Grossman compared the FMP to his experience in the private sector, noting his concern about whether the \$150,000 was an efficient use of funds. Mr. Burkett said he would flag this item.

Regarding the retaining wall on 175th Street, Mr. Haines stated that staff noticed a bulge in the wall and that the money in the CIP is to determine the magnitude of problem and provide information on anticipated costs and a repair schedule.

Mr. Haines then addressed the question of whether the \$700,000 in the Road Service Maintenance Program is an adequate amount. He noted that an earlier study of road conditions predicted an annual investment of approximately \$700,000 to maintain roadways. He said by the end of the year he will be able to assess whether the figure is a valid estimate.

Mr. Burkett then introduced the Gateways project, noting that it is a new Council goal requiring a review of the projected costs. Ms. Barry then addressed the question of park sign deterioration and expressed her desire to tie the theme of replaced signs into the Gateways project to build an identity in all of Shoreline's public spaces. She expected that this project would come out of the Neighborhood Parks Repair & Replacement Fund.

Mr. Burkett introduced the City Hall project and said they are looking at a smaller vision than previously conceived. He said that leasing space at \$700,000 per year is the most expensive option, and that staff will bring a project management contract for the Council to consider. He anticipated the architectural plan and design will take two years, with construction following in 2004 and 2005.

July 8, 2002

Mayor Jepsen inquired about how project expenditures are being accounted for, and how capital staff fit into administrative costs versus consultant costs. Ms. Tarry explained that the project manager's salary is spread across both identified projects and general CIP costs that are not specified in a particular project. She added that all costs are included in the appropriate department, but perhaps that level of detail is not clearly visible.

Councilmember Chang inquired about the need for using a consultant for locating City Hall and suggested a citizens advisory committee. Mr. Burkett said it will be important to get experienced advice due to the technical nature of the work involved. The contract should be coming forward in August.

In response to Councilmember Chang's comment, Councilmember Hansen remarked that it is often difficult to find people with technical expertise, and it is better to use a consultant than to hire a project manager as permanent staff.

Mr. Burkett introduced the Facilities Management Plan, the cost of which was flagged by Deputy Mayor Grossman. Mayor Jepsen suggested it might be prudent to leave some excess capital in the CIP to ensure there is funding for projects that are currently unfunded. Ms. Tarry pointed out that there is some funding left at the end of each year, so that every last dollar has not been programmed.

Mr. Haines said that staff will continue to work to find financing for projects that are currently unfunded. Mr. Burkett emphasized the importance of master planning and reiterated the Council's duties of prioritization and decision-making with regard to all the needed projects. He also noted that the funding amounts for near-term years are much more clearly defined than those in the latter years of the CIP.

Continuing, Mr. Burkett said that improvements need to be made to police station security, not due to maintenance issues but in response to 9-11 issues. He projected the costs at \$36,000 this year and \$26,000 next year.

Ms. Barry hoped to bring design information on the Spartan Gym upgrades to the Council by late summer/early fall. Construction of the upgrades should be completed by the end of 2003. She added that the School District indicated interest in having the City set aside any surplus funds to reimburse improvements made for locker rooms and some offices. She said that the School District recently requested that \$120,000 be reserved for the District to construct a separate arts facility to be used by the Advanced Placement art programs as well as the Arts Council and community recreation programs. The City is still evaluating this proposal in the preliminary design phase, but first wants to ensure the Spartan Gym upgrades will be completed.

MEETING EXTENSION

At 10:00 p.m. Councilmember Ransom moved to extend the meeting for 10 minutes to accommodate public comment. Councilmember Hansen seconded the motion, which carried 5-1, with Councilmember Montgomery dissenting.

9. CONTINUED PUBLIC COMMENT

(a) Anthony Poland, Shoreline, expressed displeasure about the quiet nature of July 4th in Shoreline due to the fireworks ban. He also suggested cutting many of the CIP projects to balance the budget, including gateways, Richmond Beach Master Plan, and municipal arts funding.

(b) Dennis Lee, Shoreline, asked for a more detailed explanation of the real estate acquisition proposal for City Hall.

(c) Richard Johnsen, Shoreline, said that traffic improvements to 175th near the future Top Foods should be a priority project. He noted the section of 175th between Ashworth and Midvale as an area of particular concern, and suggested generating a fund to lower that section of road.

(d) Edsel Hammond, Shoreline, opposed the way the Aurora Project has been conducted. He said that many good people in the Planning Department could be used instead of squandering money on consultants.

(e) Dan Mann, Shoreline, believed the City is on the wrong side of the Aegis lawsuit, which could have been avoided if the parties had talked with one another. He suggested the same will occur on the Aurora Project unless the City works cooperatively with all interested parties during the upcoming EIS hearings.

MEETING EXTENSION

At 10:10 p.m. Councilmember Ransom moved to extend the meeting until 10:20 p.m. Councilmember Hansen seconded the motion, which carried unanimously.

(f) Walt Hagen, Shoreline, recommended that the City cut expenses, not public services. He opposed increasing the cost of appeals and asked the Council to consider the possibility of reduced tax revenues as a result of the Aurora Corridor Project.

10. Adjournment

At 10:15 p.m. Mayor Jepsen declared the meeting adjourned.

Sharon Mattioli, CMC
City Clerk