

# DRAFT

## CITY OF SHORELINE

### SHORELINE CITY COUNCIL SUMMARY MINUTES OF REGULAR MEETING

Monday, November 10, 2003  
7:30 p.m.

Shoreline Conference Center  
Mt. Rainier Room

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

ABSENT: none

1. CALL TO ORDER

The meeting was called to order at 7:30 p.m. by Mayor Jepsen, who presided.

2. FLAG SALUTE/ROLL CALL

Mayor Jepsen led the flag salute. Upon roll call by the Deputy City Clerk, all Councilmembers were present.

(a) Commendation for Nick Louie

Mayor Jepsen presented Shorecrest High School student Nick Louie with a commendation for his efforts in organizing Skate Jam 2003, a skateboard competition. This was his senior project. Mr. Louie accepted the commendation and thanked all those who helped make the event such a success.

3. CITY MANAGER'S REPORT

Steve Burkett, City Manager, noted that a revised Ordinance No. 339 is on tonight's consent calendar.

4. REPORTS OF BOARDS AND COMMISSIONS: none

5. PUBLIC COMMENT

(a) David Townsend, Shoreline, expressed concern about the potential loss of a grant for a traffic solution on 15<sup>th</sup> Avenue NE. He commented on the proposed changes to 15<sup>th</sup> Avenue NE and said traffic simulations suggest there will be overflow traffic onto 10<sup>th</sup> Avenue NE. He asserted that 10<sup>th</sup> is not a collector-arterial even though the City designates it as such. He emphasized that a traffic count must be completed for 10<sup>th</sup> Avenue NE before changes are implemented on 15<sup>th</sup> Avenue NE. He said he received

# DRAFT

many letters from elementary school students who describe their pedestrian safety activities.

(b) Janet Way, Shoreline, congratulated Councilmembers and citizens for their involvement in the recent election. On another topic, she said Shoreline citizens want the City budget spent on real needs, such as neighborhood traffic safety. She concurred with Mr. Townsend's comment that cut-through traffic is of great concern to the neighborhoods, and urged the Council to do something to address the problem. She thought it odd that the City mailed out an expensive brochure on the Aurora Corridor project shortly before the election. She said she would likely seek elected office in the future.

(c) Cindy Ryu, Shoreline, thanked the citizens who turned out to vote in the election, and congratulated Councilmembers Gustafson and Ransom. On another topic, she appreciated the fact that proposed Ordinance No. 339 includes a clause for full appraisal values. She preferred that it also contain a provision for public hearings by the City Council instead of Planning Commissioners, who are not elected by the people. She also recommended that the petition method for street vacations include appraisals from both the buyer and the seller in order to prevent inaccurate appraisals.

Responding to Mayor Jepsen, Mr. Burkett confirmed that the grant for a pedestrian traffic solution on 15<sup>th</sup> Avenue NE expires in the fall of 2004. Since 15<sup>th</sup> Avenue NE will be reconfigured from four to three lanes, further analysis will be required to determine the best use for the grant. He said staff will provide Council with a recommendation in enough time to utilize the grant funding. He noted that 10<sup>th</sup> Avenue NE has been evaluated as part of the project, and that mitigation funds are available to address any potential problems that may arise.

Responding to Councilmember Ransom, Mr. Burkett confirmed that traffic volume data has been collected for 10<sup>th</sup> Avenue NE, which will be compared with measurements after the project is completed. Mr. Burkett explained that under a street vacation scenario, the petitioner would pay for the appraisal and the City would hire the appraiser.

Mayor Jepsen expressed interest in getting copies of the student letters from Mr. Townsend.

Paul Haines, Public Works Director, clarified that staff will bring back a proposal early next year so the City does not lose the funding for a crossing improvement. He noted that the existing in-pavement flashers would need to be eliminated if a pedestrian-activated signal or other solution is installed at or near the intersection at NE 170<sup>th</sup> Street.

Councilmember Ransom asked for staff response to Ms. Ryu's request that the City Council conduct public hearings on right-of-way/street vacation issues in addition to, or instead of, the Planning Commission. He thought the Planning Commission was established as the only hearing body for such issues.

# DRAFT

City Attorney Ian Sievers concurred, noting that the Planning Commission was given jurisdiction for hearings in certain areas of land-use. He said the reason largely has to do with long-range transportation planning that the Planning Commission should have input on. The City's normal practice is to have only one open-record hearing conducted by the Planning Commission, which is then transmitted to the decision-making authority, the City Council. He pointed out that state law contemplates that city councils can delegate the hearing authority to subcommittees.

6. APPROVAL OF THE AGENDA

**Councilmember Gustafson moved approval of the agenda, adding item 9(b) to the Consent Calendar. Councilmember Montgomery seconded the motion, which carried unanimously, and the agenda was approved as amended.**

7. CONSENT CALENDAR

**Councilmember Montgomery moved approval of the consent calendar as amended. Councilmember Hansen seconded the motion, which carried 7-0, and the following items were approved:**

**Minutes of Workshop Meeting of October 20, 2003  
Minutes of Dinner Meeting of October 27, 2003  
Minutes of Regular Meeting of October 27, 2003**

**Approval of expenses and payroll as of October 31, 2003 in the amount of \$2,124,713.07**

**Motion to authorize the City Manager to execute a contract with Vinson Brothers Corporation for the sum of \$328,937.00 for annual maintenance services with the option of renewal in an annual basis for three years**

**Ordinance No. 339 amending regulations controlling use of the City right-of-way and recodifying right-of-way use permits and street vacation regulations from Title 20 to Title 12 of the municipal code**

**Motion to authorize the City Manager to execute a Construction contract for the Interurban Trail North Section (N 192<sup>nd</sup> Street to N 200<sup>th</sup> Street)**

8. ACTION ITEMS: PUBLIC HEARING

# DRAFT

- (a) Public hearing to solicit citizens comments on the proposed 2004 budget, including the 2004 proposed property tax levy and other budget resources

Debbie Tarry, Finance Director, outlined the remaining budget schedule and gave a brief presentation on 2004 revenue sources. She said the budget, which is balanced, reflects conservative revenue projections and shows reduced expenditures in the areas of health insurance benefits, jail costs and janitorial services. The budget does contain a recommendation to increase right-of-way maintenance services.

Continuing, she explained the various revenue sources for the City budget, noting that Grants and Loans make up the largest portion at 23%. Other revenue sources are as follows: Property Tax 11%; Sales Tax 11%; Utility & Franchise Fees 8%; Gambling Tax 4%; Other taxes 2%; Fees & Charges 8%; Internal Transfers 12%; Intergovernmental 3%; Miscellaneous 2%. The Fund Balance (Reserves) makes up 16% of the total budget. Other budget details are as follows:

- The Supreme Court ruling on Initiative 776 equates to a net loss of \$500,000 in the City's Street Fund, which will limit the City's ability to provide services unless new revenue sources are found.
- Property tax revenue for 2004 is budgeted at about \$6.6 million and represents the largest source of operating budget revenue.
- The proposed budget includes a 1% property tax rate, which the limitation mandated by voter-approved Initiative 747. The property tax levy rate is actually declining due to higher assessed valuations. Estimates suggest the typical Shoreline homeowner can expect to pay approximately \$6 more in property taxes in 2004.
- The City of Shoreline is only one of the taxing agencies that collect property taxes from local residents. The City of Shoreline receives approximately 10%; the Shoreline School District receives the largest portion at 35.4%.
- Capital projects comprise 44.5% of the City's expenditures; about 53% is used for operations.
- The City's operating fund expenditures decreased \$5 million, or 14%, from 2003 to 2004, while the capital expenditures are projected to increase by \$12.1 million, or 82.9%. The increase in capital expenditures is related to the construction of a City Hall and moving forward with transportation-related projects.
- The City and its employees are jointly sharing the burden of skyrocketing health insurance premiums. While costs are projected to increase about 25%, the budget proposed that the City's portion be held to 8%.
- The proposed budget includes recommendations for some fee adjustments in land use and non-building permit fees and recreation fees in response to market and inflationary factors.

Ms. Tarry explained that internal transfers make up 12% of the total budget and reflect money that is transferred from one accounting entity to another. Although internal

# DRAFT

transfers are neither true revenues nor expenditures, they are a part of generally accepted accounting principles.

## **Mayor Jepsen opened the public hearing.**

(a) Cindy Ryu, Shoreline, pointed out a typographical error on page 62 of the Council packet relating to hourly recreation fees. She wondered if the proposed increase in recreation fees is warranted, given that Shoreline's pool facility does not directly compare with other jurisdictions. She said rental fees may have to be adjusted to reflect the differences in facilities. She suggested that the City could increase revenues by increasing usage rather than increasing fees. She proposed that the City implement a two-tier fee structure for residents and non-residents, since residents have already been paying for upgrades to the pool.

(b) Councilmember-elect Maggie Fimia, Shoreline, noted that increased pool fees will only create a small amount of revenue, but it can significantly impact low-income families and seniors. She said results of the various Parks and citizen surveys suggest that people are least satisfied with sidewalks, street repair, street lighting, and police patrols. She asserted that the Capital Improvement Program (CIP) does not reflect what the people want. She pointed out that the CIP reflects that there are 30 miles of Shoreline arterials that do not have sidewalks. She suggested that Council reprioritize the capital budget and reconsider major capital projects such as Aurora Avenue, City Hall, and 15<sup>th</sup> Avenue NE.

(c) Janet Way, Shoreline, agreed with previous speakers that the Council should revise its budget according to public priorities. She urged the Council to analyze the potential of using Fircrest School facilities for recreation programs. She wondered how much the Aurora Corridor brochure cost to produce and mail. She said there are many unaddressed environmental needs in Shoreline, including stormwater runoff. She asserted that the Aurora Corridor Project could be designed to have no negative impacts on streams.

## **Upon motion by Councilmember Hansen, seconded by Deputy Mayor Grossman and unanimously carried, the public hearing was closed.**

Councilmember Ransom thought that recent changes in pool programming provided more recreation opportunities for the public.

Dick Deal, Interim Parks, Recreation and Cultural Services Superintendent, pointed out that activity at the pool is high and that participation in swim classes has more than doubled in the last two years. He commented on the high costs associated with pool operations and explained that the fee increase is comparable to other pools. He said the question about a two-tier fee structure would be a policy issue for Council to consider.

Mayor Jepsen recalled that the agreement with King County prohibited Shoreline from establishing a two-tier fee structure.

# DRAFT

Bob Olander, Deputy City Manger, concurred. He recalled that bond covenants, which accompanied the pool transfer, prohibited differential rates. Mr. Burkett noted that staff would follow up on that issue.

Mayor Jepsen said there is a great deal of competition for the pool, and that underutilization never seems to be a problem.

Councilmember Gustafson felt the Council should explore the possibility of a two-tier fee structure, not only for the pool but for the Spartan Gym. However, he opposed raising fees for children, seniors, and the disabled. He favored further discussion of the possibilities.

Councilmember Ransom noted that the adequacy of sidewalks around elementary schools was a major issue of concern in the Bond Advisory Committee. He said he also heard about this public need in his campaign.

Councilmember Chang suggested that the City undertake a much more aggressive economic stimulus program for the City. He felt that increasing sales tax is the only realistic area the Council can work on to raise revenues. He suggested the City form a citizen task force on economic development in order to attract businesses and sales to Shoreline.

## 9. UNFINISHED BUSINESS

### (a) 2004 Budget Discussion

Ms. Tarry continued the department presentations beginning with the Planning and Development Services (PDS) budget. She explained that the majority of PDS revenues come from three primary funds: Permits (61%); Code abatement (3%); and Code Enforcement (4.5%). The PDS budget includes a decrease of nearly 12% (\$389,000) due to carryover items and one-time funding in 2003. The 2004 budget also reflects a new interlocal agreement with the Fire District and the addition of plumbing review and inspection services supported by fees.

Tim Stewart, Planning and Development Services Director, described the department's key objectives and highlighted the major activities it would undertake in 2004. Projects include: 1) update of the Comprehensive Plan with environmental elements, surface water, transportation, and the Parks, Recreation and Open Space Plan; 2) support of King County's proposed improvements to the 1<sup>st</sup> NE Transfer Station; 3) implementation of the Gateway Master Plan; 4) implementation of the permit process improvement program to enhance customer service; 5) adoption of the International Building Code; and 6) establishment of the Central Shoreline Demonstration Sites.

Councilmember Ransom asked if the International Building Code is significantly different from the Uniform Building Code.

# DRAFT

Mr. Stewart explained that the IBC is mandated by state law and provides for improved quality and integration of a number of codes that were previously separated. He said staff needs to evaluate whether some exemptions in current codes would be carried forward, such as permitting for replacement of residential roofing. He noted that many of the changes are technical and will require additional staff training.

Councilmember Ransom brought up the issue of potential changes to smoke detector standards. He also asked what the City's efforts are with regard to redevelopment of sites such as Aurora Square.

Mr. Stewart said the Central Shoreline Demonstration Sites program includes analysis of the two "wedges" located south and north of 175<sup>th</sup> between Aurora Avenue and Ronald Place. Staff will study these sites to see if there is consensus about how they should be redeveloped.

Councilmember Ransom hoped the program will include analysis of options for relocating businesses that are forced to move.

Responding to Councilmember Hansen, Mr. Stewart said staff expects to return to Council in the spring with a detailed report outlining the changes in the IBC. He noted that most other jurisdictions are moving forward with adoption in 2004. Councilmember Hansen characterized adoption of the IBC as an "unfunded mandate" by the state.

Councilmember Chang asked staff about the trend they see for permit activity.

Mr. Stewart said although staff predicted decreased activity for 2003, there has been a rebound and revenues will likely surpass projections. He attributed the increase to lower interest rates on refinanced homes and residential remodels.

Responding to Mayor Jepsen, Mr. Stewart affirmed that the Development Services Reserve Fund is used to close out permits for pending projects.

There was additional discussion of the PDS fund balance. Responding to Mayor Jepsen, Mr. Stewart anticipated that the year-end balance will be higher than projections due to the increased permit activity.

Mayor Jepsen wondered if cost recovery could be a feasible measure of performance in the area of permits.

Ms. Tarry said the department is at 100% recovery if direct costs are compared to direct revenues. However, the cost recovery rate decreases when allocations for overhead to the permit fund are factored in. She said it would either take a substantial increase in fees to achieve 100% recovery or a change in Council policy.

Mr. Stewart pointed out that some permits (appeals and temporary use permits) are so expensive to administrate that it is impossible to achieve cost recovery. He described the labor-intensive process staff used in issuing the temporary use permit for Tent City.

Mr. Stewart furnished Councilmembers with a handout detailing 2003 revenue projections by month.

Responding to Mayor Jepsen, Ms. Tarry explained that Interfund Payments for Service is an overhead cost allocation that is charged to departments outside the General Fund. Mayor Jepsen wished to get more information on this budget item.

Ms. Tarry outlined changes in the Economic Development budget, noting that the overall decrease of 2.65% (\$4,161) is due to carry-overs for customer survey work.

Mr. Burkett pointed out that one of the Council goals is to increase sales taxes through economic development strategies. He reported that Aurora Village generates \$1.2 million in sales taxes annually compared to \$254,000 at Aurora Square. He said Sears, which generates the most revenue at Aurora Square, is in the midst of doing its own strategic planning and not ready to develop its site. He noted that auto dealers generate \$820,000 of the \$1.7 million in sales taxes collected from Aurora Corridor businesses. He agreed that making the Aurora Corridor more attractive for businesses is a primary economic development strategy.

Jan Knudson, Economic Development Coordinator, updated the Council on various department programs and activities, including the Central Subarea Plan and the North City project. She reported on the retail analysis of Aurora Square that was completed earlier this year. Her office will also work with PDS to explore redevelopment options for properties in the "wedge."

Councilmember Ransom expressed concern that the Economic Development department has not been very successful in attracting new businesses to Shoreline. He questioned the efficacy of the department's economic development efforts.

Mr. Burkett felt there are many more factors that affect retail businesses, including the local economy and market forces. He noted that developers have recently expressed an interest in Shoreline.

Ms. Knudson said one of the major obstacles to development is that Shoreline's highly-developed land base is not ideal for retail development. She said although the Aurora Corridor is a good commercial district, the lots are small and not exactly what developers look for.

Mr. Burkett pointed out that Shoreline does not have large, five-acre lots as Lynnwood does. He estimated that one automobile dealership in Lynnwood generates in the neighborhood of \$400,000 in sales taxes.



Councilmember Chang suggested that a commission or citizen advisory committee could be used to promote the efforts of the Economic Development Department. He felt such a committee could explore the reasons why Shoreline consumers spend money in other jurisdictions. He felt the City should work with existing businesses to encourage growth and local sales.

Ms. Knudson noted that the Chamber of Commerce and the North City Business Association have been helpful in communicating with the business community. She described the outreach effort and said that many business forums and workshops have been conducted to provide training to local businesses.

Mr. Burkett noted that other jurisdictions have developed business improvement districts to allow local businesses to organize and support economic development themselves.

Mayor Jepsen summarized a memo regarding how much revenue is created from Aurora Corridor businesses. He noted that Aurora Village and Aurora Square generate 30% of the total taxes collected by the City. He encouraged Councilmembers to read the memo.

Ms. Tarry provided an overview of Public Works budget, which is comprised of the following funds: General Fund; Street Fund; Surface Water Management (SWM) Fund; and Capital Fund. The 2004 budget is characterized by an overall decrease of \$1,448,818 (18.51%) primarily due to carryovers and one-time funding in 2003. Transfers from SWM Operations to SWM Capital are not proposed for 2004 due to the impending Surface Water Master Plan process. Monies will remain in reserves until the Master Plan is completed. The 2004 budget includes a recommendation to include two FTE's to provide CIP support, which will be funded by a reduction in CIP professional services. She concluded by outlining other changes relating to Street and SWM Engineering Services, overhead allocations, and enhanced right-of-way vegetation management.

Mr. Haines outlined the workload the department anticipates in the coming years. He noted that the number of grants the City is presently managing (14) will grow to 24 in 2004. He summarized the department objectives, which include: 1) completion of design and ROW acquisition for Aurora Project 145<sup>th</sup> to 165<sup>th</sup>; 2) completion of the Transportation Master Plan; and 3) other objectives relating to the City goals and critical success factors.

Councilmember Ransom expressed concern about having adequate staffing for the City's major capital projects. He wondered if an additional project manager would help prevent delays and keep projects on-budget and on-time.

Mr. Haines responded by saying that although the City's list of projects are numerous and complex, he feels the two additional positions for 2004 will be adequate.

Responding to Councilmember Chang, Mr. Haines explained that the Washington State Department of Transportation is responsible for maintaining the vegetation at its median planting project. He said the 2004 budget provides for maintaining arterials three times a

# DRAFT

year. The CIP includes operations funds to maintain new planting areas resulting from the Aurora Corridor and Interurban Trail projects.

Ms. Tarry clarified that estimated maintenance funding was included in the long-term financial projections. She noted that the 2004 budget includes monies for Interurban Trail maintenance.

Mr. Haines commented on the amount of work involved in putting together a budget that considers maintenance costs for the Aurora and Interurban Trail projects. He said much of the work is under warranty by the contractor initially.

Mayor Jepsen had a number of questions relating to the Recycling Program. Ms. Tarry clarified that there are extra help and overtime monies associated with the salaried part-time position.

Mayor Jepsen asked for clarification on the Traffic Services program.

Mr. Haines described the Traffic services program, which is comprised of a traffic engineer, a technician, and an intern in the Neighborhood Traffic Safety Program. He said this program was created by transferring funds from street operations to a separate department overseen by the traffic engineer. He felt this program creates higher accountability and enhanced service tracking since the traffic engineer prioritizes differently than a street superintendent.

Responding to Mayor Jepsen, Mr. Haines clarified that the \$30,000 recommended for ROW vegetation management is an increase to that activity, although there is zero budget impact due to cost savings in janitorial services. The recommended allocation reflects a 50% increase in ROW services.

Ms. Tarry continued her budget presentation, noting that projected 2004 ending reserves total \$24.5 million. The three areas of reserve include: 1) Unreserved/undesigned (General Fund and General Fund Reserves) (31%); 2) Designated (equipment replacement and maintenance, public art)(6%); and 3) Reserved (Capital Funds, Permit Fund, SWM) (63%).

Turning to the health benefits policy, Ms. Tarry explained the proposal for keeping the rate of increase of health insurance premiums to a minimum. Although health insurance premiums are projected to increase 26%, the proposed plan assumes that both employer and employee will share the burden of skyrocketing costs. The proposed plan maintains the City's burden at 8%, and results in significant savings over what health benefits could have cost.

She said the proposed 2004 budget includes a recommended market adjustment of 1.2% in salaries. However, staff is now recommending an adjustment of 1.53%, which is based on the current median of comparable jurisdictions.

# DRAFT

## MEETING EXTENSION

**At 10:00 p.m. Councilmember Hansen moved to extend the meeting until 10:15 p.m. Councilmember Ransom seconded the motion, which carried unanimously.**

Ms. Tarry discussed the ramifications of the State Supreme Court ruling on Initiative 776. She explained that the ruling results in a net loss of \$485,000 in dedicated transportation revenue, although the 2004 budget contains a one-time allocation of \$200,000 to bring pavement management funding up to the \$700,000 level. She said Council must make policy choices if it wants to continue maintaining the pavement management program at the recommended level (\$700,000/year). She clarified that the proposed 2004 budget assumes the City would not receive transportation revenues in 2004. She outlined three outstanding policy issues for the Council to consider: 1) Sister Cities funding; 2) "Showmobile" funding; and 3) a proposed increase of \$100,000 for Human Services.

Councilmember Ransom asked about the possibility of replacing lost transportation revenues with other sources of funding. Mr. Burkett did not rule out the possibility of a countywide proposal, although the City will continue to plan conservatively.

Responding to Mayor Jepsen, Ms. Tarry clarified that the payment in lieu of sidewalk program is maintained in the Roads Capital Fund balance.

Councilmember Ransom asked that staff look into the issue of using biodegradable herbicides. He noticed that the classifications of Planning Manager and Building Official do not appear on the salary schedule. Ms. Tarry said a new salary schedule is attached to the market adjustment memo that Council received.

Mayor Jepsen expressed support for providing the Sister City program with matching funds up to \$10,000. He also expressed support for funding the outdoor theater (Showmobile). He was inclined to maintain Human Services funding at the present level. He reiterated his concern that the Technology Plan is being significantly reduced without a commensurate reduction in staff.

Mr. Burkett noted that tonight's packet contains additional information related to the technology plan.

Mayor Jepsen said he would like to consider a comparative analysis of a combined overlay/slurry seal program totaling \$500,000. He felt the City cannot continue funding the Street Program at the \$700,000 level when dedicated transportation funding is no longer available.

Councilmember Hansen expressed support for the adjustment in recreation fees, noting that Shoreline's rates are generally lower than surrounding jurisdictions' rates. He also agreed with the Mayor's proposal of matching funds for the Sister Cities program.

# DRAFT

Mr. Burkett outlined the remaining schedule for budget review and adoption. He concluded by saying that staff will bring back a revised budget on November 24<sup>th</sup> for Council adoption.

10. ADJOURNMENT

At 10:13 p.m., Mayor Jepsen declared the meeting adjourned.

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Carol Shenk, Deputy City Clerk