

DRAFT

CITY OF SHORELINE

**SHORELINE CITY COUNCIL
SUMMARY MINUTES OF STUDY SESSION**

Monday, March 5, 2007

6:30 PM

Shoreline Conference Center

Mt. Rainier Room

PRESENT: Mayor Ransom, Deputy Mayor Fimia, Councilmember Gustafson, Councilmember Hansen, Councilmember McGlashan, Councilmember Ryu, and Councilmember Way.

ABSENT: None.

1. CALL TO ORDER

At 6:36 p.m. the meeting was called to order by Mayor Ransom, who presided.

2. FLAG SALUTE/ROLL CALL

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

3. CITY MANAGER'S REPORT AND FUTURE AGENDAS

Mr. Olander provided an update of the second Ridgcrest Neighborhood Visioning Workshop and commented on the closure of the Shoreline Pool for annual maintenance. He outlined upcoming meetings of the Aurora Business and Community (ABC) Team, the Library Board, Planning Commission, and the Comprehensive Housing Strategy Citizen Advisory Committee. There will be no Council meeting on March 12; the next City Council meeting will be held March 19.

4. COUNCIL REPORTS

Councilmember Way reported on her tour of the Brightwater Treatment facility in Woodinville. She said there are many opportunities to take a tour and recommended that members of the public avail themselves of the opportunity.

Deputy Mayor Fimia reported on her attendance at the Citizen Advisory Committee meeting, which featured Arthur Sullivan, who gave a presentation on affordable housing. She recommended that he provide a presentation to Council. She requested a discussion at the end of the meeting regarding the possibility of broadcasting some of the performances of the School District's "History Day" event, which will be held March 21.

Councilmember Gustafson reported on his attendance at the Suburban Cities Association meeting, where Puget Sound Energy and Seattle City Light reported about the power outages during the windstorm of 2006.

Mayor Ransom noted that the discussion at the North end Mayor's meeting involved the North King County Economic Engine Survey Summit, sponsored by Forward Shoreline and King County Councilmember Bob Ferguson. He said he and other mayors questioned the statistics, because it only counted 1,154 employees in the 29 government agencies in Shoreline. However, there are at least 3,500 employees when considering Shoreline School District, Shoreline Community College, City of Shoreline, Washington State Department of Transportation, and Fircrest Habilitation Center. He said as of yet it is undecided whether they will rehire the firm that provided the survey statistics.

Councilmember Gustafson felt that Channel 26 would be the ideal venue for showing the History Day performances. He said it would behoove the School District to broadcast them.

5. GENERAL PUBLIC COMMENT

(a) Gloria Bryce, Shoreline, thanked the Council for awarding the Highland Terrace Neighborhood with the mini-grant that is allowing them to improve the Fremont Trail area. They worked with the Native Plant Society and Kruckeberg Gardens on the landscape design, as well as to remove invasive species. She invited the public to participate in a work party on Saturday, March 10 to help plant the native plants at the site. The site is located on Fremont Avenue just off 160th Street.

(b) Tim Crawford, Shoreline, provided a copy of the Washington Department of Fish and Wildlife (WDFW) letter regarding the Ronald Bog project. He said some Councilmembers gave him assurances that they would protect the creek, but the Council went ahead and approved the flawed project anyway. He read the WDFW letter which stated that a project of this size requires removal of the fish barriers, which would require daylighting of the stream. He concluded that he will be appealing the SEPA determination for the project.

(c) Patty Crawford, Shoreline, noted that the Ronald Bog Project will increase flooding on her property, and that the Surface Water Department doesn't know the extent of the illegal pipe system. She expressed concern that the SEPA comment period was only extended for an additional week. She said it is clear from the Surface Water Master Plan that staff is worried about the long-term classification of the creek. She suggested creating a citizen action panel, because they weren't notified the project was being transformed into a second project.

Councilmember Way said that her understanding of the Ronald Bog Project is that it is a "work in progress" and only at 30% design. She said the plan can still be amended and she encouraged citizens to send in their comments.

Councilmember Ryu wondered if the Ronald Bog project warrants consideration by a City Council committee.

Mr. Olander noted that the project has been in development for 8 years, and many smaller projects have been completed in the Ronald Bog basin to address flooding. He said there have been significant improvements and increased maintenance efforts which have resulted in successful reduction of inflow into that basin. He noted that the neighborhood supports the pipe replacement and opposes daylighting the stream in the middle of the road. He felt that the WDFW letter was a somewhat impractical approach to this issue.

Jesus Sanchez, Public Works Operations Manager, said staff will be meeting with WDFW staff and will be conducting a second walk-through of the project site. He clarified that the project entails pipe replacement and should be viewed as maintenance rather than as a redevelopment project.

Deputy Mayor Fimia pointed out that the two major issues seem to be: 1) flooding on the Crawford property; and 2) daylighting of the stream. She also noted that there is great resistance to daylighting by the neighbors. She stressed the importance of balancing competing needs and interests.

Mr. Sanchez stated that WSDOT gave the City permission to inspect the flow restrictor, and he is committed to preventing additional downstream flows. Regarding daylighting, he said whether the flows are daylighted or in the pipe, the real issue is considering the overall system capacity.

Councilmember Way said this is the first time she has seen the WDFW letter, but she would like us to work with Crawford's and look for opportunities to improve upstream capacity to help alleviate flooding, which the City is legally required to do.

6. STUDY ITEMS

(a) Boryeong Trip Report and Future Sister Cities Activities

Mr. Olander reported briefly on the Sister Cities trip to Boryeong, Korea, noting that he has a better appreciation of the value of the Sister City relationship. Others in attendance who participated in the trip included John Chang, Shoreline Sister Cities Association President, Dan Mann, Shoreline School Board Member, and Stuart Trippel, Vice President of Administrative Services, Shoreline Community College.

Mr. Trippel thanked the City for the opportunity to participate, noting that the City's participation made the trip possible for everyone else. He reported that the trip was very rewarding for the College in terms of future student prospects. He outlined the financial benefits the College and the City receives from international students, adding that they contribute approximately \$12 million to the local economy each year. He noted that President Lee Lambert signed a Memorandum of Understanding with Boryeong's Aju

Motor College, which will likely lead to further faculty, student, and technology exchanges with Shoreline Community College's automotive school.

Mr. Mann reported on the success of the trip and the many contacts that were made. He noted that the trip opened many real opportunities for continued educational exchanges as well as commercial exchanges. He commented on their hospitality and graciousness and said that Boryeong has a sincere desire to enhance the relationship with the City. He noted that the trade relationship and the large native Korean population in Shoreline is a basis for furthering the relationship. He concluded that the relationship can become a substantial benefit, but it is a long-term investment in time and effort.

Mr. Olander noted that a significant part of the trip was the effort to let Boryeong know what educational resources we have. Promoting the educational opportunities that Boryeong students have both in Shoreline specifically and in the United States in general was a primary goal of the trip.

Councilmember Ryu asked Mr. Trippel to let the automotive program know that the Chamber of Commerce is offering scholarships to the automotive program at the College.

Mr. Chang reported on the success of the trip and thanked City staff for their help in coordinating the effort. He noted that the Sister Cities Association is very vibrant and active, thanks to the solid foundation laid by former President Cheryl Lee. He commented on the value of cultivating human-to-human relationships and gaining friends abroad. He said although there is still much work to do, the relationship is progressing very well. He reported on the recent visit to Shoreline by a delegation of Boryeong students, noting the future educational exchange opportunities that might arise from that visit. He announced that a Boryeong government delegation is planning to visit Shoreline the week of May 28-June 1, 2007.

Mr. Olander displayed the various articles given to the Shoreline delegation to demonstrate Boryeong's culture, arts, and industries. He noted that Boryeong's economy is largely based on tourism, agriculture, fishing, education, and mud cosmetic products. He commented on the potential for commercial trade opportunities.

Mayor Ransom reported on his impressions of the Korean people and of the City of Boryeong, noting that the relationship is very encouraging. He described aspects of the trip, the many formal speeches and meals offered, and the visits to the local sites. He said they are very interested in enhancing trade relations and their impression is that Shoreline is a Korea-friendly city. He said their hope for the May 28-June 1 visit is to tour Boeing, the West Sewage Treatment facility, the Shoreline Chamber of Commerce, Shoreline Community College, University of Washington, and the Port of Seattle. He concluded it is very encouraging that we are developing a wonderful relationship.

Mr. Olander commented on Boryeong's high level of hospitality and said that in order to reciprocate, a strong Sister Cities Association is vital. He encouraged the public to join the

Association, noting that the relationship is only as effective as the community that supports it.

Councilmember McGlashan was pleased to hear that the Association is organized and running effectively. He thanked staff for the presentation.

Councilmember Hansen noted that Aju Motor College was part of Taechon College back in 2004 when he visited Boryeong. Mr. Trippel noted that Aju Motor College has a relationship with Taechon College, but has since reorganized its facility.

Mayor Ransom noted that the Aju Motor College now provides a four-year degree program. He asked about the possibility of offering a four-year program in automotive technology at Shoreline Community College. Mr. Trippel said that although the opportunity appears limited, it is a subject being explored in the Higher Education Coordinating Board.

Councilmember Gustafson asked about the composition of the public schools in Boryeong, and if they were all segregated. It was noted that the elite high schools are segregated, but other high schools are not, and they also have co-ed vocational schools. There are a total of six high schools in the Boryeong district.

Deputy Mayor Fimia commented on the generous hospitality she received as part of a King County Council delegation that traveled to Seoul. She said while it is impossible to match the Korean level of hosting, it is important that Shoreline demonstrate the same planning and organization when Boryeong visits Shoreline. She emphasized the need for goal-setting and long-term planning and on the need for public involvement. She pointed out that the City cannot shoulder the entire relationship alone.

Mr. Olander was confident that by sharing the responsibility among the Community College, the Chamber of Commerce, the City, and the Sister Cities Association, Shoreline could put together a "first class" itinerary for the upcoming visit.

Councilmember Way thanked Mr. Chang for his help in reviving the Sister Cities Association. She wondered if Boryeong had corporate sponsors to help fund their sister city activities.

Mr. Chang explained that Boryeong has three sister cities, and the activities are mostly funded by the City itself. However, they do have a citizen group similar to the Shoreline Sister Cities Association, and they are interested in learning our system.

Councilmember Way suggested ways to fund and promote the organization such as using web site resources, inviting corporate sponsorships, and encouraging membership growth.

Mr. Chang concluded that despite the challenges, we have great intentions for the sister city relationship as well as pride in Shoreline, and if the citizens come together we can really show Boryeong what Shoreline is all about.

RECESS

At 8:06 p.m., Mayor Ransom called for a five minute recess. At 8:15 p.m. the recess concluded and the Council meeting reconvened.

(b) Long Range Financial Strategy Implementation Study

Debbie Tarry, Finance Director, described the City's current financial condition and the revenue and expenditure forecasts for coming years. She outlined the City's long-term financial projections, which indicate budget gaps starting in 2008 and continuing into future years. In order to continue providing the same level of essential services to the Shoreline community it will be necessary to implement new revenue sources. Her presentation included the following points:

- During the last few years the forecasts have shown that the City would experience budget gaps as expenditure growth outpaces revenue growth. The last few years the City has been able to close any projected gaps as a result of unexpected revenues (i.e., correction in how the water contract payment from Seattle Public Utilities was calculated), efficiencies and service delivery changes (e.g., jail contract with Yakima, change in employee health benefits, change in method for police canine services), or base budget reductions. If the City is going to provide the same level of services on an on-going basis it is necessary to implement new revenue resources.
- Revenues: The projected long-term budget gaps are a result of revenues not keeping pace with the cost of base expenditures such as fuel, supplies, jail contract, cost of living adjustments, etc.
- The City's four primary sources of revenue to support the City's operating budget include: 1) Property Tax; 2) Sales Tax (Local Sales Tax and Criminal Justice Per Capita Sales Tax); 3) Utility Revenues (Utility Tax, Franchise Fees, and Utility Contract Payments); and 4) Gambling Tax. In addition to these revenue sources there are various fees and charges that are collected for specific services such as recreational activities and building and development related revenues. Also the City receives some revenues on a per capita basis from the State of Washington (liquor profits, liquor excise tax, and fuel taxes) and investment interest.
- A review of the four primary operating revenue sources shows that most of these revenue sources have either grown at a low rate or have experienced declines as a result of market conditions. The four primary revenues comprise over 80% of the revenues used to provide on-going operational services to the Shoreline community. The City's 2007-2012 financial forecast projects overall operating revenue to grow on average at 2.33% for the next five years.
- Expenditures: The City's three primary operating type expenditures include: 1) Personnel: Salary and benefit costs for the City's employees; 2) Intergovernmental: Although this category would include any contracts with other governmental agencies it primarily represents the costs for jail services and the City's contract with King County for police services; and 3) Services and Charges:

Includes a variety of expenditures such as utilities (electricity, water, natural gas, street lights, telephone), contributions to agencies to provide human services, maintenance services such as landscape maintenance and janitorial services, liability insurance, lease and debt service costs for City Hall and other facilities, printing, postage, memberships and dues to both city-wide organizations (i.e., Association of Washington Cities, Puget Sound Regional Council, Suburban Cities Association, etc.) and professional organizations, training and costs related to training such as travel and registrations.

- The three categories of expenditures represent approximately 97% of the City's operating expenditures. Overall expenditures are projected to increase annually by 4.24%. This is approximately 2% more than the annual change in revenues.
- Reserves: The City has three types of reserves: 1) Reserves that are legally restricted for a specific purpose; 2) Reserves that are designated for a specific purpose; and 3) Unreserved/undesignated operating reserves. Staff is recommending that Council consider revising the policy to focus on the need to establish a revenue stabilization reserve "rainy day account", a minimum reserve to manage cash-flow, and a budget contingency reserve component. It is anticipated that the total reserve to meet these needs will be between \$9 and \$9.5 million. Staff will bring a recommended policy to Council in late March or early April.
- Despite several ideas explored at the Long-Term Financial Strategy Retreat on January 29, 2007, there was general consensus among the Council that closing the gap strictly with expenditures reductions would not be the recommended option. In examining the possibilities to close the projected budget gap for both the short-term and the long-term there was consensus to pursue the following:

Short-Term

Increase the cable utility tax rate from 1% to 6%

Implement the Seattle City Light distribution contract payment at 3% in 2008 and an additional 3% in 2009

Reduce the General Fund contribution to capital

Review the existing budget for any further cost savings

Provide opportunities for employees and citizens to identify additional budget efficiencies

Develop a citizen communication plan regarding the City's long-term financial strategy

Long-Term

Pursue with a citizen committee the possibility of a levy lid lift (election in 2009)

Implement the business registration program

Review the possibility of impact fees

- As staff and Council have discussed the most likely options for the short-term (2008-2009) are an increase in the cable utility tax rate from 1% to 6% and the

implementation of a 3% contract payment on the distribution portion electric revenues in 2008 and an additional 3% in 2009. In addition to this staff is recommending approximately \$125,000 in base budget changes as a result of both expenditure reductions and fee increases.

Deputy Mayor Fimia asked staff to respond to the charge that the Council was favoring only one sector of the business community, the gambling establishment, by reducing the gambling tax.

Ms. Tarry explained that the casinos are the only businesses that pay a cardroom tax, which is similar to a Business & Occupation (B&O) tax, and there are no other businesses that pay such tax. So in this sense they are unique among businesses in Shoreline.

Mr. Olander commented on the unstable nature of the economy and the fact that we experience recessionary periods approximately every eight years. He said although the City has implicitly used the General Fund Reserves as a "rainy day" fund to maintain basic levels of service, the proposal would establish this practice more explicitly.

Councilmember Hansen noted that when the Council implemented the 10% General Fund Reserve, it was intended to serve as a separate fund and not part of the system of carryovers and reserves to balance the budget.

Mayor Ransom concurred, adding that the original intent was to put 10% aside every year for capital projects.

Deputy Mayor Fimia asked if there was a minimum reserves limit established by the state. She also asked staff to respond to the charge that the budget amendments proposed by Councilmembers during the 2007 budget deliberations would cause deficits.

Ms. Tarry noted that the state limit, which is based on property valuation, is relatively small and not nearly enough to serve as a "rainy day" cash management fund. She clarified that the Council adopted a balanced budget and the proposed amendments related to the use of excess funds, so they did not have bearing on deficits.

Councilmember Way asked how much additional revenue would be generated by the proposed recreation fee increases. Ms. Tarry noted that the fee increase would apply mainly to adult recreation/facility rentals and totaled approximately \$30,000. Councilmember Way pointed out that there is a limit to what people can pay, especially in the case of specialized services for the disabled. Mr. Olander added that because the fee structure is market-based, there is a practical limit on how much the City can raise fees.

Councilmember Ryu agreed that if fees are raised, some people may choose not to participate. She speculated whether promoting a healthy lifestyle and more physical activity on the part of residents would lead to reductions in jail costs, since there would be

more crime awareness and monitoring in the community. She favored a financial approach that maximizes short-term resources in order to reduce long-term court and jail expenses.

Mr. Olander noted the City has some flexibility to increase adult recreation rates and still be competitive with surrounding jurisdictions.

Councilmember Hansen favored staff bringing back the proposed ordinances for future consideration.

Councilmember Ryu said that although the Council discussed these proposals at its January 29 Retreat, there were only three members of the public present. Therefore, she considers tonight's discussion a "first reading" and favors taking more time to discuss and finalize the financial strategy.

Mr. Olander said that such an approach is perfectly appropriate. He added that the City continues to advertise the financial strategy, and the Shoreline Enterprise ran a fairly good article about the City's financial projections.

There were no members of audience wishing to speak on this agenda item.

Councilmember Way concurred with Councilmember Ryu and suggested using all available resources to publish the financial proposals. She asked for clarification on the City's increasing fuel costs as described on page 5 of the Council packet.

Ms. Tarry explained that although the City does not have a large fleet, 2007 fuel costs are budgeted at \$74,000, compared with \$43,000 in 2006. She noted that while fuel and jail costs are increasing, the actual inflation rate is decreasing. Jail costs are primarily driven by usage and secondarily by rate changes.

Councilmember Way asked if the number of misdemeanants increased because the police are apprehending more suspects. Mayor Ransom pointed out that judges are issuing longer sentences, and Ms. Tarry added that the City is maximizing jail days using the Yakima contract, which helps keep the costs down. Councilmember Way was interested in hearing more about the juvenile diversion program, to which Mr. Olander responded that County staff could be asked to provide a detailed briefing on that program.

Councilmember Gustafson thanked staff for the detailed information and said he will provide the bulk of his questions in writing. He asked about potential grant opportunities as well as the status of the dispute with Seattle City Light regarding street lights. He also asked about the status of the dispute regarding fire hydrants.

Mr. Olander said staff is currently working on the street light issue, and a decision is expected this week on the fire hydrant dispute.

Councilmember Hansen noted that the Enterprise article might have created some misconceptions regarding the permit services department. He said the implication was that

King County has a self-sustaining program, but that we use General Funds to run our program.

Ms. Tarry clarified that the permit services program is partially funded by fees and partially funded by tax subsidies. She added that permit fees cover most of the direct costs, but some indirect costs on some of the smaller development permits are not covered. She said the philosophy is that there is some general community benefit that results from helping people through the permit process. She said the 2007 permit services budget is about 53% tax supported, but the building and inspection services are 100% supported by fees.

Councilmember Hansen said there is a perception in the citizen's mind that developers are not paying their share of the permitting costs, however, he does not agree that's true.

Mr. Olander said that developers are paying their fair share, and while the City still subsidizes smaller projects, he is comfortable with the current fee structure. He noted the department is keeping closer track of the hours spent on projects. He added that permit fees also need to be competitive because the City has a strong policy of encouraging economic development.

Councilmember McGlashan noted that the Council did not approve the business licensing program, yet the financial strategy implied \$90,000 in revenues from this source.

Ms. Tarry clarified that the anticipated business licensing program was not a revenue-generating program, so the \$90,000 was removed from the revenue side of the budget equation. She also confirmed that the utility tax would impact both residential and commercial customers, and it is still cheaper to use the Yakima jail contract, even when considering transportation costs.

Deputy Mayor Fimia thanked staff for the clear and straightforward explanation of the City's financial outlook. She pointed out that during the 2007 budget discussions she proposed hiring an additional street crimes officer due to recent police activity. She used this example to illustrate that the public would be more supportive of tax increases if there is a visible increase in service levels. She reminded the Council that she also suggested cutting travel, dues, and registration line items rather than reducing overtime for traffic safety. She requested information on the cumulative impacts of all the different taxes that residents pay. She questioned what Shoreline residents are getting in return for their Sound Transit tax dollars, and requested permit fee information from other jurisdictions. She preferred looking at development fees for additional revenue rather than considering recreation fee increases.

Mayor Ransom was pleased with the thoroughness of the report and agreed that the Council should have a full public process before approving any financial strategies or any new taxes. He pointed out that the City functions with fewer employees because they are well-trained, and this is the advantage to having travel and training funds. He summarized Council consensus to proceed with a public hearing and discussion on March 19.

Deputy Mayor Fimia and Councilmember Way clarified that people can continue to send comments by phone, e-mail, and during the public comment periods at the Council meetings.

Councilmember Ryu also requested an analysis of the cumulative impacts of the various taxes on Shoreline residents. She noted that she vigorously objected to the Seattle City Light increase and she felt that the cable tax is regressive. She said with all the major tax and ballot issues, the cumulative tax impacts should be considered. Mr. Olander indicated that staff could provide some approximations.

(c) Arterial Speed Limit Study Update

Mark Relph, Public Works Director, provided a brief introduction and explained the proposal to proceed with a public process to get input on the short list of streets proposed for speed limit adjustments. He emphasized that it will take a balancing of public input with engineering, education, and police resources.

Rich Meredith, Traffic Engineer, further explained the proposal to move forward with a community process. He said the intent is to collect data over the next few months and present it in a number of forums for public review. He noted that changing the speed limit can be a very emotional issue, so staff wants to ensure the process is complete. He provided a handout to the Council and noted that streets highlighted in blue will be disregarded because they do not warrant further consideration at this time.

There was no one in the audience wishing to provide public comment on this agenda item.

Councilmember Gustafson agreed that it's important to bring the public into the process. He asked if the City is working with the police department in developing the final list. Mr. Meredith said that as staff collects the traffic speed/volume data for each roadway, they will consult with the police department. Mr. Meredith affirmed that both City and police staff agreed that citations would be considered in the plan. He said he hopes to start the public participation process in early summer.

Councilmember McGlashan noted that he would forward some questions to staff regarding speed limits on Richmond Beach Road as well as Innis Arden Drive. He said some Shorewood Hills residents have expressed concerns about the proposed speed limit reduction to Innis Arden Drive.

Councilmember Way thanked staff for being so responsive to the concerns of the Council and the public, especially regarding NE 152nd Street and 10th Avenue NE. She pointed out that despite the budget proposal to reduce police overtime, the residents of North City actually want more traffic enforcement, not less. She suggested starting the public process before school gets out because the typical pattern of traffic and driving occurs during the school year.

Deputy Mayor Fimia agreed with starting the public process earlier and advertising it in Currents and on the City web site. She recommended erring on the side of lower speed limits rather than higher speed limits. She wondered about the effect of reducing the speed limits on Aurora Avenue and 15th Avenue NE. She also asked for public input on her suggestion to reduce the speed limit on residential streets from 25 MPH to 20 MPH. She said she would like Shoreline to have a strong reputation for traffic enforcement.

Councilmember Gustafson noted that Aurora Avenue is included on the list of streets to be considered.

7. ADJOURNMENT

Upon motion by Councilmember Gustafson, seconded by Deputy Mayor Fimia and unanimously carried, the meeting was adjourned at 10:02 p.m.

Scott Passey, CMC
City Clerk