

CITY OF SHORELINE
SHORELINE CITY COUNCIL
SUMMARY MINUTES OF SPECIAL MEETING

Monday, May 21, 2007 - 6:30 PM
Shoreline Conference Center
Mt. Rainier Room

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

ABSENT: Councilmember Gustafson

1. CALL TO ORDER

At 6:42 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 with the exception of Councilmember Gustafson.

(a) Proclamation of "Bicycle Awareness Month"

Mayor Ransom read the proclamation declaring the month of May as "Bike Awareness Month" in the City of Shoreline. David Hiller, Advocacy Director of the Cascade Bicycle Club, accepted the proclamation and spoke briefly about the benefits of bicycling.

3. CITY MANAGER'S REPORT AND FUTURE AGENDAS

Julie Modrzejewski, Assistant City Manager, provided the City Manager's report. She reported on the success of the Shoreline Bike-To-Work Station, as well as four Arterial Speed Study Community Meetings to be held on May 22, May 23, May 29, and May 31. The next 2010 Speaker Series will feature a discussion on Community Gathering Places by Ron Sher, founder of Third Place Books, on Thursday, May 24. A Cromwell Park Community Meeting will be held May 24, and a Boeing Creek Park Community Meeting and Self-Guided Site Tour will be held on Thursday, May 31. The next meeting of the Comprehensive Housing Strategy Citizen Advisory Committee will be Tuesday, May 22, and the next meeting of the Aurora Business and Community (ABC) Team will be Wednesday, May 23. The next regular meeting of the Parks Board will be on Thursday, May 24. On Monday, May 28, all City offices will be closed in observance of Memorial Day. In lieu of a regular City Council meeting, on Tuesday, May 29, the City will be

hosting a dinner meeting with our sister city delegation from Boryeong, Korea focusing on fostering our business and community relations. The next regularly scheduled City Council meeting will be held Monday, June 4.

Councilmember McGlashan moved to excuse Councilmember Gustafson.

Councilmember Hansen seconded the motion, which carried 6-0.

4. COMMUNITY PRESENTATION

(a) TeenHope Shelter

Henry Della Chiaie, Executive Director, TeenHope, began his presentation by outlining his background and experience working with at-risk youth. He discussed the services provided by TeenHope and gave statistics on participation and resources. He noted that TeenHope serves 160 youth per year and turns away approximately 85 youth per year; the primary reason for turning them away is because the facility is full. TeenHope is a clean and sober shelter, and the primary goal is to get the kids the tools they need to succeed. TeenHope has a family mediation program as well as an active outreach program, although most calls come from schools and the police department. TeenHope's mission is to promote healthier individuals and families by providing services and shelter. TeenHope's long-term goals include increasing annual funding by 15%, establishing a transitional home, and transitional shelters within five years. Mr. Della Chiaie concluded that working to acquire state, local and federal grants is an ongoing effort at TeenHope.

Councilmember Way asked if TeenHope refers youth to other resources if they are unable to help, and if TeenHope accepts donations. Mr. Della Chiaie responded that they can refer youth to over 25 other resources and agencies, and they do accept donations. He provided the following contact information for the facility: 915 N 199th, Shoreline, WA 98133, (206) 546-1010.

Councilmember Ryu pointed out that the services TeenHope provides is a better alternative to going to jail or trying to survive on the street. She asked about the shelter's success rate. Mr. Della Chiaie stated that 73% of teens staying longer than two weeks are placed in positive housing within 90 days.

Councilmember McGlashan inquired about the grants and potential funding sources the shelter is pursuing. He also asked if the kids are required to leave the shelter early in the morning, and what services are available for a child/parent situation.

Mr. Della Chiaie said there are several drug and alcohol prevention grants, as well as a Comcast grant, that are available. Youth staying in the shelter have to leave by 7:30 a.m. He noted that several transitional housing services could accommodate the child/parent situation, but there are no transitional homes in Shoreline.

Mr. Della Chiaie then outlined TeenHope's new program called Safe Place. As part of this program, TeenHope partners with participating businesses, which serve as a first-stage

refuge for when teens first become homeless. When they reach a Safe Place business, they can then call TeenHope for additional assistance.

Deputy Mayor Fimia asked how Safe Place businesses are identified and when the program is scheduled to commence. She also asked where the at-risk youth are primarily coming from, and what the City could do in terms of prevention and intervention. Mr. Della Chiaie said that yellow and black signs in the windows of participating businesses identify them as a Safe Place. He said the program is 75% funded and should be ready to launch in the next few months. He noted that 52% of the kids come from King County, with the remainder mainly coming from Snohomish County. He said cities can promote drug and alcohol education and help schools and agencies recognize the warning signs. Deputy Mayor Fimia was glad that TeenHope is a clean and sober home, because otherwise it's just enabling their problems.

Responding to Councilmember Way, Mr. Della Chiaie said the usual places they go to do outreach include Kenmore Lanes, the Everett bus station, Westlake Mall, and Broadway, and sometimes the skate park during the day.

Councilmember Ryu noted that most of the kids at Shorewood and Shorecrest high schools are good, and positive peer pressure can make a big difference.

5. GENERAL PUBLIC COMMENT

(a) Steve Dunn, Shoreline, thanked the Council for discussing the new YMCA project, noting that Councilmembers have been to YMCA events and support their mission. He clarified the YMCA request for \$1 million in City funding over 20 years to help support youth and family programs. He noted that the YMCA will serve over 10,000 kids annually, and there are many kids and families who need help. He said the YMCA has raised \$3.9 million of its \$5.7 million goal. He urged the Council's support of this "once-in-a-lifetime" opportunity.

(b) Dale Wright, Shoreline, said the Mayor questioned the validity of his statement last week that Aurora Corridor Phase 1 is actually 1.2 miles. He noted that information provided by CH2MHill in response to a Shoreline Merchants Association letter clarifies that the project was extended to 1.2 miles. He said he used \$300/linear foot as the estimate for sidewalk construction costs, which he felt was conservative. He clarified that the City of Shoreline cost for Phase 1 is \$2.9 million out of a total project cost of \$31.7 million, and it is not the City's responsibility to reimburse utilities.

Deputy Mayor Fimia clarified that last week she asked if a portion of the utility costs will be borne by rate payers, and the City Manager confirmed that they will be.

(c) Judy Parsons, Shoreline, speaking as a member of Vision Aurora, said Vision Aurora advocated that the same design principles in Phase 1 be used for the next phases of the Aurora Corridor. She said the next phases should include the same pedestrian safety

improvements and a 4-foot amenity zone. She gave examples of how the lack of an amenity zone is dangerous and inconvenient for pedestrians. She urged the Council to select one of the 110-foot-width alternatives.

(d) Harley O'Neil, Shoreline, on behalf of the Innis Arden community, presented Henry Della Chiaie, of TeenHope, with a check for \$1,000 as a donation to help TeenHope programs. He said Spin Alley Bowling would be happy to participate in the Safe Place program.

(e) Beth O'Neill, Shoreline, said that Deputy Mayor Fimia abused her position when she made false statements about her during two Council meetings, which led her to file a lawsuit against her. This lawsuit was mentioned by Deputy Mayor Fimia and Councilmember Ryu at last Monday's Council meeting. She provided the background and events leading up to the lawsuit, noting that public documents requested of Deputy Mayor Fimia have not been provided. She said even though a private citizen was able to confirm that the Deputy Mayor made a false statement, she has not issued an apology.

(f) Mary Fox, Shoreline, continued reading the statement of Ms. O'Neill, noting that the Deputy Mayor erased the e-mail that was the subject of a their repeated public disclosure requests. She commented that the Deputy Mayor contacted people involved in the underlying land use question because of her political ties, and that Councilmembers Ryu and Way tried to squelch public comment on this issue for the same reason. She urged the public to speak up during Council meetings, noting that the public has nothing to fear as long as they speak the truth. She said this information will be posted on a website called www.wakeupshoreline.com.

(g) Charlotte Haines, Shoreline, commented that the three-lane configuration on 15th Avenue NE from NE 150th Street to NE 172nd Street was not just a sample piece, but was the configuration that was originally approved by the City Council and was to include the business district. However, political pressure from the Door Store changed the three-lane configuration to four lanes. She noted that the Door Store frequently uses the City street and sidewalks to unload lumber without concern for traffic interruption or safety. She said business has increased for some under the three-lane configuration, and continued development will bring new customers and more revenues to the City. She urged the Council to extend the three-lane configuration through the business district.

(h) Sally Granger, Shoreline, noted that pedestrian safety is the first priority of the City of Seattle Traffic Engineering Department, and it has completed six road lane reductions. She pointed out that one Councilmember said she doesn't feel safe as a pedestrian in the North City Business District, but that's because that section still has four lanes. She said as a 45-year resident of Shoreline just one street off 15th Avenue NE, she finally feels safe driving 15th Avenue because of the 3-lane configuration.

(i) Fran Lilliness, Shoreline, commended the City for the successful completion of Aurora Corridor Phase 1, noting that the beauty and amenities of the project make her proud to

be a Shoreline citizen. She noted that traffic is calmer and pedestrian safety is improved. She thanked the Council for a "mission accomplished."

(j) Judy Allen, Shoreline, commented on the management contract that was produced prior to the December 12, 2005 Council meeting. She said the document stated that Robert Ransom was Mayor, but Scott Jepsen was the Mayor at that point (Mayor Hansen had resigned). She asked why Councilmember Ryu, who was not on the City Council at that time, was included in Council correspondence and decisions. She also asked who wrote the press release announcing George Mauer as the new City manager.

Mayor Ransom clarified that he was not challenging Mr. Wright's statement; he simply asked the City Manager to respond to his question about the actual length of Aurora Phase 1, but he has not received a response yet.

Councilmember Ryu wished to ensure that the Council receives a copy of the letter by Ms. O'Neill and Ms. Fox.

Deputy Mayor Fimia said her phone number is 368-0814, and she would be happy to talk to anyone regarding the statements of Ms. O'Neill and Ms. Fox.

Councilmember Hansen noted that he drove the Aurora Corridor to see if he would notice any difference after project completion, and he was surprised at how nice the corridor turned out.

Councilmember Way reported on her participation in the beach walk sponsored by the Seattle Aquarium, noting that the month of June has the lowest tides of the year. She spoke in support of improving habitat and connections to the Puget Sound.

6. STUDY ITEMS

(a) Economic Development Advisory Board

Tom Boydell, Economic Development Manager, stated that this item responds to Council direction to return with a draft plan to form a permanent economic development advisory committee. He provided an overview of the proposal, which would create a permanent advisory board composed of a minimum of 12 people that would broadly represent the interests of the community. He pointed out that this committee would rely on existing resources, as there is no staffing or additional budget resources available. The intent is that committee members would serve limited-length terms, since it is often difficult for business people to make long-term commitments.

Mayor Ransom called for public comment.

(a) Chris Eggen, Shoreline, supported this proposal, noting that this would provide the small business community a forum for making their needs and problems known to the City Council. He said that due to some business problems along 15th Avenue NE, it

would be advantageous if the Ridgcrest neighborhood had a permanent presence on the committee.

Deputy Mayor Fimia proposed some changes to the proposal to help clarify the goals and purpose of the committee. She noted that the City has a good economic development plan, but it just needs some additional community help to implement, since the City has only one employee devoted to economic development. She proposed that committee members be diverse in terms of geography, age, and ethnicity, adding that this committee is a good opportunity for business people to become stakeholders. She also proposed that the committee's work include developing performance measures, reviewing and recommending updates to the Economic Development Plan, and reviewing City legislation that has potential impacts on economic development in Shoreline. Her proposal also included recommendations on the frequency of meetings and the composition of the committee. She suggested up to 16 members representing a broad cross-section of the community, with at least three representing Aurora Avenue businesses. She also suggested that the chairperson be selected by the committee rather than by the City Council.

Ms. Modrzejewski responded that Mr. Olander, City Manager, concurred with Deputy Mayor Fimia's suggestions. She noted that the proposal was originally put together with staff workload considerations in mind. Mr. Boydell added that the work plan should be driven by the committee, and that staff would strive to accommodate the business community's needs and its work plan.

Mayor Ransom agreed with the suggestion to reserve three positions for Aurora Avenue businesses but suggested specifying the general locations of those businesses along Aurora Avenue. He also felt that the five at-large positions should be specified, and that the City Council, rather than staff, should select the five at-large members. He said this is because they would be serving four-year terms, and this is consistent with other advisory committees appointed by the Council.

Deputy Mayor Fimia felt that staff could select the at-large members, since they got a good cross-section doing it on the Comprehensive Housing Strategy Citizen Advisory Committee. She noted that the staff recommendations ultimately come before the Council for approval anyway.

Councilmember Ryu pointed out that a 4-year commitment for a small business owner is huge amount of time; therefore, some flexibility should be expected. She said making the expectations clear will help people in the application process.

Councilmember Way suggested that allowing for substitutes or alternates within the same business might provide the flexibility needed. Staff responded that it wants the committee to succeed, and it can be difficult to decide what is best at this particular point.

Councilmember Way also suggested seeking out home business owners, possibly group homes, and formulating additional application questions such as: "Are you a Shoreline business owner? Do you work for or represent a Shoreline business? Are you affiliated

with other organizations which might have an interest in economic development in Shoreline?"

Councilmember McGlashan expressed concerns about the staff resources needed to support this committee. He wondered whether the City needs to allocate more resources in order to have a successful economic development program. He pointed out that even though crime has declined and people feel safer, the Council hired an additional street crimes officer, which seems to be an unnecessary expense. He said since time is valuable for small business owners, perhaps the City should do a survey to gauge if there is enough interest.

Ms. Modrzejewski commented on the success of the Aurora Business and Community Team (ABC Team) and the Economic Development Task Force Advisory Committee, despite the fact that some members couldn't make long-term commitments. She pointed out that the application process for the Economic Development Committee could serve as a type of survey and will help the City measure the level of interest.

Councilmember McGlashan noted the frequency of meetings in the City and wondered if we are "burning people out." He noted there are a lot of demands on Mr. Boydell and wondered if the City is developing the Economic Development Program correctly.

Councilmember Hansen felt that the proposed changes largely amount to "wordsmithing" and don't significantly change the overall proposal. He supported leaving the appointments to the City Manager's officer rather than the City Council and suggested starting small, with perhaps 12 members. He emphasized the importance of getting the committee "off the ground" to see how it works, and then perhaps making changes later. He supported flexibility and advised against developing too many conditions, since stating specific parameters could hinder the committee and set it up for a temporary failure.

Deputy Mayor Fimia suggested having between 2-4 at-large members, noting that this is just an advisory group to help implement the Economic Development Plan. He felt this would actually lessen Mr. Boydell's workload since it would provide a forum for him to talk to these groups at one time, and it would hopefully get the Chamber of Commerce and others moving. She liked the idea of including group homes and agreed that it should be flexible. She felt that appointees could designate who their alternate would be in the event they cannot attend, but maintained that the committee should be comprised of 16 members.

Councilmember Ryu supported the proposal, noting that one benefit of the committee is that it would serve as a type of "information clearinghouse" for businesses. She felt it would lead to efficiencies in information-sharing, and she concurred with the idea of self-designated alternates.

Councilmember Way said she does not oppose additional staff time if it's something we can manage, but that can't be substituted for the street crimes officer.

Mayor Ransom noted that the committee really needs five at-large members, since not everyone shows up and a minimum number is needed in order to be effective. Mr. Boydell concurred, noting that attendance began to diminish on the Economic Development Task Force as it went into the final weeks of its work.

Deputy Mayor Fimia suggested revising the questionnaire to evoke a response from the applicants as to how they can help implement their area of interest in support of the City's goals.

Mayor Ransom suggested that this committee will require additional secretarial support in order to be effective.

Mr. Boydell confirmed the Council's expectation that the meetings of this committee will be open to the public.

Deputy Mayor Fimia suggested that staff seek volunteers, possibly retirees, to provide assistance to the committee.

RECESS

At 8:56 p.m., Mayor Ransom called for a five minute recess. The Council meeting reconvened at 9:05 p.m.

(b) Cascade Cities Agenda and Green City Partnership Programs

Joe Tovar, Planning and Development Services Director, introduced Leslie Baton, Alison Van Gorp, and Jeff Aiken, representing the Cascade Land Conservancy (CLC). He noted that the Cascade Cities Agenda was presented to the Council previously, and CLC staff is here tonight to answer any questions the Council might have. He reminded the Council that the Cascade Agenda is a long-term sustainability plan that looks 100 years into the future. He said the Council's goals mirror those of the CLC, and for this reason it is proposed that the Council adopt a resolution expressing the intent to become a Cascade Agenda City. He commented on the partnership possibilities as a Cascade Agenda City and that this program responds to the Governor's bill calling for creative ways to do transfer of property rights.

Ms. Van Gorp outlined the Cascade Agenda Cities program, noting that CLC partners with cities in achieving a threefold objective -- to make great public places, quality neighborhoods, and a successful region. She said these partnerships are vital in helping achieve the regional goals of the CLC.

Ms. Baton, speaking on behalf of the Green Cities Program (GCP), said the GCP has learned through other partnerships that there are many areas needing a level of support and care that they're not receiving. The GCP encourages people and cities to get involved and help preserve open space. In particular, the GCP helps to prevent "ivy deserts" that have been occurring in some areas. She said the GCP has seen a loss of the forest canopy

in several places, and a strong community stewardship program is needed to reverse this trend. She noted that the City of Shoreline has 300 acres of substantial open space.

Mayor Ransom called for public comment.

(a) Charles Brown, Shoreline, noted that the City received a 70% vote in favor of preserving the South Woods as part of the Parks Bond, and South Woods turned out to be the most expensive bond issue item. He said South Woods is evidence that there is strong support for community stewardship programs in Shoreline. He displayed a "weed wrench" and demonstrated its use, noting that holly is a significant invasive weed that is becoming as big a problem as scotch broom. He urged more citizen involvement in removing invasive plants in Shoreline's urban forests.

Ms. Modrzejewski commented on the "Ivy OUT" projects conducted through the City Parks Department as well as the City's Sustainability Team, which is addressing these issues.

(b) Wendy DiPeso, Shoreline, said the Cascade Cities Agenda is very exciting, and inclusivity is essential to achieve success. She noted that the Council has done a lot to open these issues up to the public, including community meetings about development in Shoreline. She said she is seeing revitalization of some community groups, but there is still much more to do. She announced that forums on urban sustainability would be held on May 30 and June 26, featuring Jan Spencer, which will change the way we think about communities.

Councilmember Hansen commented favorably on the Cascade Cities Agenda, noting that the general policies meet the first seven goals the City adopted. He said it is a great way to improve the local environment. He commented that one potential problem for some urban forests is the lack of diversity in habitat. He noted that some tree species, such as Douglas fir, are susceptible to the spruce beetle, so if an urban forest is composed primarily of this one species, it could be problematic. He noted that South Woods is an urban forest comprised primarily of one species, so diversity of habitat should also be a principle of the preservation goal.

Councilmember Way supported the Cascade Cities Agenda and GCP, noting that Shoreline needs to work together with adjacent jurisdictions since ivy doesn't stop at the city limits. She commented on her interest in promoting an Open Space Plan (OSP), noting that although it should start with an inventory of publicly owned areas, it should be expanded to include private areas as well.

Ms. Baton noted that partnerships with other cities began with an analysis of publicly owned areas, but that focus was expanded to include the full spectrum of lands.

Mr. Tovar commented that the Parks Plan is a start, but the City has to look at everything collectively, including private land, public land, right-of-way, etc. He noted that a large part of the impact is not within the purview of the City, so in most cases the City needs

"buy-in" and support on an individual level, which requires public outreach and environmental education. He said the City can address the Open Space Plan through the Sustainability Team, which will be studying the 2005 Parks Open Space Plan and work with the CLC to identify priorities. He noted that the Council resolution is simply a statement of intent that the Council is interested in pursuing this partnership.

Councilmember Way emphasized the need to include fish and wildlife corridors as elements of the Open Space Plan, noting that other cities have plans that can serve as a model for enhancing wildlife corridors. She noted that transfer of development rights can be done through conservation easements, which the CLC can help facilitate, or they can be accomplished within an existing property. She also emphasized the need to focus on the nearshore environment and improve connections between the Puget Sound and the creeks/wetlands. She asked if any of the groups were working with Burlington Northern Santa Fe (BNSF) in this regard.

Ms. Baton said GCP has worked with some properties on the nearshore regarding feasibility and potential acquisition. Ms. Van Gorp said CLC has identified BNSF as an area of potential partnership in terms of conservation and preservation.

Councilmember Way pointed out the need for more help from the community on these stewardship programs. She listed Earth Corps, King County Waterworks, and the City's newly established environmental mini-grant program as potential resources that could help accomplish these conservation goals.

Responding to Councilmember McGlashan, Ms. Baton explained that on most cases, holly is considered an invasive species. Councilmember McGlashan pointed out that in Shoreline's urban forests, one of the biggest problems is the thick canopy, which can lead to a loss of underbrush and new tree starts. He inquired if thinning could be done without making the trees susceptible to wind.

Ms. Baton said the GCP could work with the City to explore ways to thin forests in an ecological way that would create the needed canopy gaps as well as get the required stratification.

Councilmember Ryu supported the proposed resolution, noting that it is an inexpensive way to get expert help and focus our attention. She pointed out the need to consider the right-of-way (ROW), noting that it consists of up to 20% of the City's total land mass. She expressed concern about potential ROW maintenance costs and hoped the City could pursue inexpensive ways to maintain the ROW, possibly through natural vegetation.

Mr. Tovar noted that there are lots of implications of the ROW, including habitat, storm water, and utilities, so the City is missing a lot if it ignores the ROW.

Noting the costs of maintaining lawns and fields as well as the propagation of weeds such as dandelions, Councilmember Ryu asked if schools have any alternatives to lawn in the natural cycle of re-landscaping.

Ms. Baton said her organization looks at school properties as potential natural restoration areas, where sustainable plants, flowers, trees could be substituted for sod.

Deputy Mayor Fimia noted that the Cascade Cities Agenda also fits in with Council Goals #8 and #10, since Fircrest is a large site with redevelopment potential. She asked where the Cascade Agenda fits in with Puget Sound Regional Council's Vision 2040.

Ms. Van Gorp noted that while the Cascade Agenda takes a 100-year perspective, it also looks at quality of life factors such as open space and natural areas.

Deputy Mayor Fimia stated that while she supports growth management in concept, the region is not dealing with existing transportation problems, which begs the question, "Why would we take more growth?" She said the 30-year projections estimate there will be enormous growth in congestion and vehicle trips, but reasonable alternatives are not being proposed.

Ms. Van Gorp replied that this issue should be discussed on a regional level, since she frequently hears about how to meet citizens' needs as we assume this growth. She said her organization is committed to working with the state legislature to address these issues.

Deputy Mayor Fimia suggested that the CLC and other groups partner together to look at the costs and benefits, since there are limited tax revenues and every tax dollar needs to bring a benefit.

Mr. Tovar emphasized the need to pay attention to the legislative agenda and ask the legislature to provide some of the necessary tools. He said there might be some kinds of enhanced revenues that will be made available to those cities that are doing a good job, perhaps Cascade Agenda cities.

Mayor Ransom expressed general support for the resolution and asked for clarification of the transfer of development rights and how those would relate to the South Aurora Triangle (SAT) and building heights, as included on page 21 of the Council packet.

Mr. Tovar noted that the City is obligated to accommodate some growth as part of the Growth Management Act, and while transferring development rights from rural to urban areas is difficult to accomplish in a practical way, the SAT was identified as a potential area for accommodating growth. He said there are still many more details to work out, and the Council will ultimately make a decision following a lengthy process in the Planning Commission and in the Council. He pointed out that becoming a Cascade Agenda city doesn't commit the City to become a receiving area for growth.

Mayor Ransom summarized Council consensus to direct staff to move forward with a resolution.

MEETING EXTENSION

At 10:00 p.m., Councilmember Way moved to extend the meeting until 10:30 p.m. Deputy Mayor Fimia seconded the motion, which carried 6-0.

Councilmember Hansen noted that Ordinance No. 471 is a required reading, so he recommended that item 6(d) be considered next. There was Council consensus to do so.

(d) Ordinance No. 471 Extending the Seattle Public Utilities Water Franchise

Ian Sievers, City Attorney, explained that this would typically go on a Consent Calendar, but state law requires that franchise agreements not be adopted at the same meeting in which it is introduced, so it requires two readings. He said the terms of the contract are set forth in Ordinance No. 214, which passed in 1999, and it has been extended several times since then. The proposed two-year extension would expire on June 30 2009. The franchise contains the usual franchise terms, including a 6% franchise fee. He said staff would like to place this on the June 4 Consent Calendar, since the Council cannot pass it tonight.

There was Council consensus to place this on the June 4 Consent Calendar.

(c) Reserve Policies

Debbie Tarry, Finance Director, provided the staff report and explained that operating reserves are maintained to provide a buffer for unexpected economic changes and provide flexibility for unexpected expenditures. Reserves also help manage the City's cash flow needs and provide resources to pay for the City's insurance deductibles in the case of unexpected damage. She explained the City's current reserve policy, which includes a General Reserve Fund; this has a legal cap on the amount of funds that can be accumulated. Staff is recommending that Council eliminate this fund and instead, establish a "Revenue Stabilization Fund". The purpose of the fund would be to set aside adequate reserves to cover revenue shortfalls over a recessionary period and basically serve as an "emergency savings account" for the City. The City currently has operating reserves in excess of the recommended policy revisions by approximately \$952,000. If the Council allocates any of the excess reserves for expenditures it should be for one-time items, as per the City's financial policies. Staff recommends that the Council give direction to staff to revise the City's financial policies for reserves/funds balance to include the following:

- Establish a Revenue Stabilization Fund equal to a three-year level of 10% of economically sensitive operating revenues.
- Establish a policy to require a \$3 million General Fund Operating Reserve for cash flow purposes.
- Continue to require an insurance contingency and a budget contingency reserve within the General Fund equal to \$805,000.
- Establish a policy to maintain the City Street Fund Reserve equal to 20% of operating revenues.

- Include language to provide reserve levels for bond covenants, enterprise funds, equipment replacement, and other City fund.

Mayor Ransom called for public comment. There was no one in the audience wishing to provide public comment on this item.

Councilmember Ryu agreed with this approach, noting that the first mile of Aurora Avenue caused higher than expected vacancy rates and decreased the amount of revenues coming into the City. She said defining the policy will create more certainty and allow more open discussions as to why certain amounts are there. She pointed out that the amenities along Aurora Avenue, including the plantings, will increase the City's operating costs, so having the reserves defined in this way will be useful for future planning.

Councilmember McGlashan questioned the need for the new policy if the policy is what enabled the City to have adequate reserve levels. Ms. Tarry clarified that Council's intent all along has been to accumulate reserves to meet the needs of the citizens, and while it has done this, the policy needs to be updated to accurately reflect what has occurred.

Ms. Modrzejewski pointed out that staff regularly under spends and accumulates surpluses, which then go into reserves. However, this is taxpayer money, and it calls into question the need for keeping this amount of money in reserves. She said the new policy ties these funds to economic cycles and allows the City to be more strategic and develop a formula that makes sense.

Councilmember Way asked staff to clarify the difference between a surplus and revenues, noting that someone asked her why we have a \$10 million surplus. Ms. Tarry said the reserves essentially amount to the City's savings account to be used for unexpected emergencies and to respond to economic shifts. The City wants to maintain its level of service during these times so that services are consistently provided. Councilmember Way asked how we can explain to people the need for these reserves. Ms. Tarry noted that although we have short-term budget gaps, there are actually long-term financial issues that the City must deal with, and the reserves play a part in that. Councilmember Way expressed support for the policy as stated.

Mayor Ransom noted that most governments maintain an amount equal to three-months cash reserves, but the amount that staff recommends equates to approximately six weeks. He pointed out that the School District's cash reserves were reduced to approximately four weeks and it created a terrible bind for them, so he was concerned about only maintaining a six-week contingency. He noted that the City accumulated funds for the City Hall project because people generally didn't support a bond issue for this project; the City was able to save a substantial amount so it could buy the property and still have some left over for the building. He said while he doesn't object to the policy changes, he is more comfortable with a larger budget contingency.

Deputy Mayor Fimia asked about the intent of the state law governing reserves and if the proposed policy changes are consistent with that intent. Ms. Tarry responded that she

would have to go back and research the intent of the state law; however, there is no legal limitation on the General Fund reserve -- this is separate fund the City can establish. Deputy Mayor Fimia wished to ensure that adequate funds are maintained for the roads capital fund, pointing out that it doesn't appear to be fully funded in future years. She asked for a staff-recommended range of reserves and one-time expenditures that could be used to address both short-term and long-term needs. Ms. Tarry said the proposed policy is what staff considers being a minimum range and good fiscal policy. She said while the reserve amount may look like a lot of money, in really isn't, given the long-term economic forecast. Deputy Mayor Fimia noted that we all have both fixed costs and variable costs in our personal lives, so a true accounting of the City's fixed and variable costs would be helpful in understanding the overall financial picture.

Councilmember Hansen said he strongly felt that the proposed reserves are not too high, and that the funds are continually working for the City's benefit. He said adequate reserve levels allow the City to reduce the level of taxation in future periods. He asked for an accounting of the gambling tax collections for the first quarter. Ms. Tarry said that overall, gambling revenues were down 2% for the first quarter compared with the same time period in 2006. Councilmember Hansen said because gambling revenues are unstable, the City's reserve fund should not be reduced. He said it is nice to know the City had an \$838,000 surplus in 2006, noting that these savings are put into capital projects. He pointed out that there are many more capital projects out there than the City can ever fund. He said flexibility is the key to a good fiscal policy, and this reserve policy accomplishes that.

Mayor Ransom suggested that Councilmembers submit any additional questions to staff in writing.

7. ADJOURNMENT

At 10:45 p.m., the Council meeting was adjourned.

Scott Passey, City Clerk