

CITY OF SHORELINE

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

Monday, September 21, 2009 – 6:30 p.m.
Shoreline Conference Center
Mt. Rainier Room

PRESENT: Mayor Ryu, Deputy Mayor Scott, Councilmember Eggen, Councilmember Hansen, Councilmember McConnell, Councilmember McGlashan, and Councilmember Way

ABSENT: None

1. CALL TO ORDER

At 6:30 p.m. the meeting was called to order by Mayor Ryu, who presided.

2. FLAG SALUTE/ROLL CALL

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

(a) Proclamation of Emergency Preparedness Month

Mayor Ryu read the proclamation declaring the month of September as "Emergency Preparedness Month" in the City of Shoreline. Gail Marsh, Emergency Management Coordinator, accepted the proclamation and discussed the importance of preparing for emergencies.

3. CITY MANAGER'S REPORT AND FUTURE AGENDAS

Bob Olander, City Manager, provided reports and updates on various City meetings, projects, and events.

Councilmember Eggen reported on the Suburban Cities Association Policy Issues Committee (PIC) meeting. He stated that there is a critical budget cycle in King County and there was discussion about whether there would be cuts or suspensions in the transit budget. He noted that some preferred that the cuts be restored proportionately and some, including King Councilmember Ferguson, favored treating them as "suspensions." Therefore, he said there will be a lot of discussion about this subject in the future. Mayor Ryu clarified that suspension is more desirable because it means there will be full restoration of funds. Councilmember Eggen commented that they also passed a recommendation that the King Conservation District keep the current funding allocation,

which means that cities receive 20% of funds that are raised within the cities. Additionally, he noted that the PIC voted to oppose Initiative 1033. He added that the committee will also be deciding on other recommendations next month, and he would like the Council to weigh in. These issues include the support of a tax neutral shift of property tax from the ferry district to Metro. Additionally, they have recommended that the King County Council review the budget in light of state mandated services. This is critical, he explained, because human services are not mandated so this could have some impact on human services recommended by the Council that are funded by King County. He also noted that the PIC recommended that King County minimize urban services to urban unincorporated areas and will vote on the reclaimed water planning process. He requested the Council's feedback by the first week of October.

4. COMMUNITY GROUP PRESENTATION

(a) Friends of Fircrest

Jim Hardman and Maria Walsh, representing the Friends of Fircrest, provided a Powerpoint presentation of the Fircrest Habilitation Facility. They showed pictures and described the living conditions and lifestyles of several Fircrest residents. Ms. Walsh stated that the slides are an attempt to show the Council how they live, the facility, the closures, and the threats of future closures. She noted that the Institutional Closure Commission is considering how they can reduce the facility further. She noted that residents will still require the same intensity of care, regardless of where they are moved. She requested that the City Council protest service cost shifting and move to keep the Fircrest campus open for its residents and the Fircrest School. She added that Friends of Fircrest is not opposed to using some extra land for human services, training facilities, a health clinic, etc.

Councilmember Way said she is very proud that Fircrest is in the community and asked Ms. Walsh to explain the difference Fircrest has made in her family. Ms. Walsh explained that her family cared for her son for 17 years and established a group home in Lake Forest Park for 6 years, but outgrew it. Fircrest was the only place that would take him without any preconditions and it has helped her family.

Councilmember Way explained that respite care is important. Ms. Walsh discussed the feasibility survey and said the consensus is that this Residential Habilitation Center (RHC) cannot close because it is a necessary safety net. Mayor Ryu asked if Friends of Fircrest (FOF) recognizes the diverse modes of housing and taking care of the needy in the community. Ms. Walsh responded affirmatively, however, she said the care at Fircrest is so intense that its services cannot be duplicated in the community. She said there is an assumption that if the RHCs close, the savings will go back into the community; however, this will not happen.

Mr. Olander pointed out that several years ago DSHS and the legislature did a study concerning the impacts of reducing the number of RHCs. Mr. Hardman replied that the current study involves closing or consolidating existing RHCs, specifically the statewide

initiative is to remove 250 beds across the RHC system. Ms. Walsh added that the feasibility study includes juvenile beds and beds in other facilities, not just RHCs. She noted that some consolidation is needed, but it is the wrong time to cut.

Councilmember Eggen noted that this means that there would be a cost shift because Fircrest keeps staff on site for any contingency and it is better to have a larger pool of people paying this cost rather than a single community bearing the burden. Mr. Hardman communicated that there are a lot of behavior issues that are dealt with on campus and the cost of operating Fircrest is split between the federal and state government.

Councilmember Eggen said that Fircrest also reimburses the school district for providing instruction. Mr. Hardman replied that the state provides for special needs funding but he isn't sure how much. Councilmember Eggen reiterated that the obligation for Fircrest is borne by the state and federal governments, not local communities.

Councilmember McGlashan discussed the age of the building and said it is expensive to maintain. He noted that the City hasn't had an update on the Fircrest Master Plan. Ms. Walsh responded that there are five open-wide buildings and one in reserve. She said there has been a lot of money spent on maintenance and upkeep. She noted that the 1510 Court address, next to the Public Health Building, has been vacant. She added that FOF has tried to contact DSHS about that building but they will not respond. Mayor Ryu verified that there is no deferred maintenance. Mr. Hardman also noted that there have been significant upgrades to the electrical system.

Councilmember McGlashan discussed the 250 bed reductions system-wide and highlighted that each of the institutions are running at about 50% capacity. Mr. Hardman added that there are several measurements of capacity; physical, licensed, and budgeted. He pointed out that Fircrest is full and all of the other RHCs are at or near capacity depending on the measurement. Councilmember McGlashan pointed out that with Mr. Hardman's closure scenario and his assumption, the costs and resources couldn't be handled by the local community. Mr. Hardman agreed and said some of the patients would have to be relocated outside of City limits.

Deputy Mayor Scott questioned if Fircrest is taking any new or younger residents. He also asked if there are any studies comparing the quality of care in state institutions versus group homes or adult family homes. Mr. Hardman replied that it is very difficult to get those numbers on private care versus state facilities. Historically, he stated, the most capable people moved out into the community and 80% of the people in state facilities are in the category of severe/profound mental retardation. Deputy Mayor Scott commented that the age of Fircrest residents indicate that they've been there a while and inquired if there are any comparisons with similar facilities in the community. Ms. Walsh replied that regardless of where they live the costs balance out because they still need the intensity of service and RHCs have the quality of care advantage. There is a 95% staff turnover in private care, she noted. Mr. Hardman also noted that the state provides support in private homes up to age 21.

Councilmember Way commented that there was a time when Fircrest wasn't admitting anyone new or younger. Mr. Hardman highlighted that from 1989 there was a freeze on admissions at all the RHCs, and then Fircrest saw an increase in admissions in 1992 when Interlake in Spokane was closed. Mayor Ryu noted that crisis admissions are those cases in which people cannot receive the proper care at home or nursing homes. Mr. Hardman communicated that those cases would be in hospitals, juvenile centers, or in the worst case, jails. Councilmember McGlashan verified that there are five RHCs statewide. Mr. Olander communicated that the City will forward any additional questions from the Council to FOF.

5. GENERAL PUBLIC COMMENT

a) Max Vekich, candidate for Port of Seattle Commission, said the Port Commissioner position is voted on by all residents of King County and it is important to reconnect all the cities in the County. He said he is a former four-term state legislator. He commented that the Port is the big job engine and he would like to build relationships with cities.

b) Stacy Gillett, Shoreline, highlighted that her sister is a former resident of Fircrest. She said Washington is out of step with the rest of country and ranks 38th in the nation. Currently, she said there are 970 individuals in five institutions and this has put an increasing resource demand on school districts. She felt that families and community agencies can provide the necessary care and there is no good reason for keeping RHCs open.

Deputy Mayor Scott inquired if there are any comparison studies of the quality of life and cost differences between the states. He said he is trying to get a sense if there a cost reduction or a quality of life change when RHCs close. Ms. Gillett responded that the University of Washington did a study when Interlake closed and so did the University of Indiana. She communicated that the cost of care is less and there is cost shifting. She also noted that the quality of life is measurable in those studies and said she would get the Council more information.

Councilmember McConnell questioned Ms. Gillett if she made the choice to move her sister or found a better alternative for her care. Ms. Gillett replied that she was in crisis, as there were several violations at Fircrest at that time, and the state was forced to provide her care in the community. Now, she receives a Community Opportunities and Recovery (COR) waiver.

Councilmember Eggen expressed concern about the statistic reported by Ms. Walsh that there is a 95% turnover rate in private community care. He inquired if the closing of a private institution has the same impact as Fircrest if it was closed. Ms. Gillett replied that school services provided now are intended to be transitory in nature. Councilmember Eggen further confirmed that the state pays something to the school district. However, school districts with RHCs need more funding because they are more costly.

Mayor Ryu said that the congregating happened because of Fodor Homes. Obviously, she said Ms. Gillett determined that Fircrest did not work out for her family, so wouldn't it make sense if there were diverse care options. Ms. Gillett replied that Fircrest was the only option for her family, and the point she wants to make is that care can be provided in other ways.

c) John Thull, Shoreline, commented that he heard how the master planning process for Kruckeberg will happen. He said there are people from diverse parts of community, City staff, police, and the Kruckeberg board has noticed that there is a severe safety hazard at the garden when parking is heavy. He added that there are no safe pedestrian crossings and a blind hilltop. He felt that it is only a matter of time before someone gets hit. He wanted to know who is responsible for the area.

d) Tom Callahan, Shoreline, neighbor of Kruckeberg Garden, stated that he voted for the parks bond and wants to see the Garden preserved, but he didn't vote for the neighborhood disruption. He said the increased traffic has caused significant parking problems and added congestion across the marginal walkway and blind intersection. He felt that the 15 mile per hour speed limit is never enforced, and he urged the City to place strong emphasis on the neighborhood.

e) Michael Polowitz, Shoreline, said he worked in a state institution and has also worked in a private home system, Parkview Homes. He pointed out that it is great to have a choice in life. However, when taxpayers are paying for this and their funds are limited, the City needs to be careful about the choices. He pointed out that it costs \$545 per day for a resident at Fircrest, not including the millions in capital expenses. He stated that there are between 12,000 - 15,000 developmentally disabled people receiving little or no service in this state. He added that the last time he checked, union workers get 52% more than the state contracted employees. Additionally, administration costs are large when they include efficiency. He also noted that there is no police or fire department at Fircrest. He felt that whether you live in Shoreline or Seattle, it would be cheaper if Fircrest was closed or downsized. Many of the facts have been misstated, he said. Specifically, the information about 95% turnover and the residents being medically fragile is totally inaccurate. He urged the residents and Council to weigh in on the facts rather than emotion.

Deputy Mayor Scott stated that the real story will be the comparison of costs and quality of care. He noted that the City has felt the impact of group homes and wanted to know what the numbers are concerning the costs and care in the private sector. Mr. Pollowitz replied that in the fifty homes that Parkview owned the costs did not exceed \$250 per day. He added that most non-profit agencies budgets are staff driven and if union workers are making 52% more than community workers, there is a substantial financial difference. When the \$30 million in capital costs are factored into the daily rate the average is very high. He noted that DSHS also provides all the daily rates. Mayor Ryu inquired if there were any homes within the Shoreline Fire District. Mr. Pollowitz replied that there were about 15 homes in Shoreline and there have been 911 calls made from them that are medical-related, not fire-related. There was a point several years ago that

through a policy revision the Division of Development Disability (DDD) required their contractors to call 911. He concluded that the Department of Justice (DOJ) investigation of Fircrest halted their admissions.

f) Laethan Wene, Shoreline, spoke on behalf of the residents of the Linden Highlands Apartments. He stated there was a robbery on Sunday morning, and he thanked the police department for their work.

g) Wendy DiPeso, Shoreline, announced that people can sign up for tours of Fircrest. She added that there is a high turnover rate in private home health aids and good quality care has to be paid for. The difference in the cost of care is a human rights issue, she said. She said she understands the intent of the Advocacy for the Rights of Citizens (ARC) of the United States wanting to close all of the institutions and their work with the Institutional Closure Commission. However, she suggested an alternative and thought it would be best to add services that would add revenue such as teaching dentists and doctors how to work with this population, having care for veterans, and developing a small portion of the campus for other tenants. She said there are always creative ways of making things work. She added that when the attempt was made to close Fircrest in the past, the residents that were transferred passed away.

6. STUDY ITEMS

(a) 2010 Budget Update

Debbie Tarry, Finance Director, provided a status report of the budget, the adoption schedule, and the policy issues associated with the 2010 budget. She reviewed the budget calendar and highlighted the financial policies that guide the budget decisions. She announced that the 2010 budget is balanced with the use of \$980,000 from the Revenue Stabilization Fund (RSF).

Deputy Mayor Scott asked how the \$980,000 compares to previous years. Ms. Tarry explained that 2009 is the first year the City would be utilizing some RSF funds. Mr. Olander added that the RSF was about \$6.2 million and there will still be a substantial balance after this usage. He also stated that the recommended expenditure reductions will also be incorporated. Ms. Tarry outlined those reductions and changes since May 2009.

Councilmember Hansen inquired if the \$600,000 Motor Vehicle Excise Tax (MVET) will be included in the 2010 budget. Debbie responded that the Transportation Benefit District (TBD) authorized the \$20 vehicle license fee in February 2010 and it is being allocated to the Pavement Management Program. Also, fuel tax revenues will be shifted to operations and maintenance. She continued her presentation, stating that the development revenue has declined and the projections have been decreased. She noted that investment revenue continues to decline. She noted that in 2007 the City generated over \$500,000 in investment interest, but the projection is about \$160,000 for 2010.

Councilmember Eggen asked if the City is getting less than 1% interest is because of short-term maturities. He noted that some banks are giving 2.4%. Debbie responded that that is the State Investment Pool rate, and that the City doesn't have all of its money there; some is in longer term investments. She noted that the state is very strict on what the City can invest in, adding that safety and liquidity come before return on investment. She noted that there are also certain depository requirements.

Councilmember Hansen noted that banks have been risky in the past few years. Ms. Tarry agreed and said she is trying to maximize funds and fit within the parameters of the state requirements.

Debbie explained the outside factors impacting the City's budget, noting that a key 2010 budget issue is property taxes because assessed valuations have fallen 15 - 20%. However, she did note that the 2010 tax rate will increase to \$1.11 but it doesn't mean property taxes will increase. Mr. Olander explained that it will end up being a 0% tax rate increase because the value of homes has declined. He noted that the King County valuation declined 16 - 18% and \$1.11 is still below the statutory limit of \$1.60, but it's a different trend for us. Ms. Tarry announced that the sales tax revenue projections are at \$6.2 million and have remained flat since the decrease from 2007 to 2008.

Mayor Ryu inquired when the City would see the revenue from the "cash for clunkers" program. Ms. Tarry replied that the revenue from that program should be realized in September or October 2010. Regarding personnel, she noted that there will be no COLA raises this year and that there are two positions that have been eliminated and one position has been transferred to the capital budget. Additionally, all extra help positions have been eliminated. Ms. Tarry noted that some funds have been set aside for the King County jail contract but the costs aren't known at this time. Councilmember McGlashan verified that police services would increase 5%.

Ms. Tarry noted that the City staff will bring a balanced budget to the Council by utilizing some of the RSF with staff reductions and shifting. As the economy recovers the City will need to restore the RSF to a balance of \$6.2M. Mr. Olander warned that Initiative 1033 might have some impacts to the City's financial condition.

Councilmember Way asked how the RSF is replenished. Ms. Tarry replied that policy calls for maintaining the RSF at 30% of our economically sensitive revenues which are sales tax, development revenue, some utility tax revenue, and some recreation fees. Mr. Olander noted this was established years ago because the Council determined the revenues that would be reduced during a recession while still providing basic services until the recession ended.

Ms. Tarry stated that the City has been talking about the long-term structural problem with the budget and the recession has exacerbated things. She noted that the Long Term Financial Planning Citizen Advisory Committee has had ongoing discussions and have come up with some recommendations for the Council. One of those recommendations was the property tax levy lid lift in the future, but that may have to be postponed because

of the recession. She summarized that the City is fortunate to have the RSF to allow the City to continue basic services during the recession. She added that the 2010 budget will be balanced.

Mayor Ryu called for public comment. There was no one wishing to provide public comment.

Councilmember Eggen questioned if the 35% reduction in PERS was an action of the state legislature. Ms. Tarry replied that it was and it had more to do with balancing the state budget. She said the legislature looked at options and made different assumptions. Councilmember Eggen confirmed with Ms. Tarry that the state is another billion dollars short in revenue.

Councilmember McGlashan thanked the City staff for recommending and working on policies to address this economic situation.

(b) Discussion of Initiative 1033

Debbie Tarry, Finance Director, provided a briefing on the expected impacts of Initiative 1033 on the City of Shoreline. She read the summary statement and noted that special districts aren't subject to the Initiative. Mr. Olander added that school districts aren't directly impacted, but they will be indirectly impacted through the state because the state wouldn't have the same level of funding available for the school districts. Ms. Tarry communicated that the impacts of I-1033 are somewhat theoretical because it reduces the amount of property taxes individuals pay, but it could put more strain on it because other revenues have a limit on how much can be used. Councilmember Hansen noted that it has to be approved by a vote of the people. Councilmember Way inquired if the limit would be on the growth in the revenues or the rate. Ms. Tarry replied that it limits the amount of revenues and it would be adjusted each year based on growth in inflation and population. Additionally, she explained that the proposed initiative excludes voter approved revenue increases. She said there is still a lot to work out with this initiative. The Office of Finance Management has issued an estimate of impacts. OFM estimated that state revenues would be reduced by \$5.9 billion by 2015, county revenues would be reduced by \$694 million, and city revenues would be reduced by \$2.1 billion in 2015. She pointed out that these fiscal impacts are magnified during a recession. She stated that if this is adopted in November 2009, it will make it more difficult to restore \$4 million into the City's RSF.

Councilmember Eggen verified that this does not apply to enterprise funds, only the General Fund. Mr. Olander noted that even increasing fees to cover the shortfalls would potentially throw the City into the excess revenue category.

Ms. Tarry reviewed the impacts on other local governments and said that a similar initiative in Colorado was suspended in 2003 due to financial impacts; it provided an opportunity for cities to opt-out, but I-1033 does not. She noted that if this passes it will be a struggle at the legislative level on how this gets implemented. She noted that it is

important that the only 10% of the property tax funds paid by our residents come to the City of Shoreline and 10% goes to King County and the rest goes to education to include local and state run schools. This initiative will impact Shoreline revenues, she said. She displayed a slide showing the projected revenue growth compared to the projected consumer price index. She added that cities are already projecting budget gaps without I-1033 and they will grow larger with I-1033. She summarized that I-1033 limits the revenue available for the City to provide basic services. She stated that there is a public hearing on September 28. Mr. Olander stated that the City staff has included attachments from both sides of the issue.

Mayor Ryu called for public comment. There was no one wishing to provide public comment on this item.

Deputy Mayor Scott said that the information provided makes it clear what would happen to City budgets and the services citizens rely on. He said although the intent is to protect taxpayers, the potential negative impacts to citizens could be substantial.

Councilmember Eggen noted that the average citizen's wages have not increased 4 - 5% annually over the last 10 years. He stated that to some extent this keeps the cost of government from going up. However, somehow we must have a formula to limit these costs, but he did not think I-1033 was the answer.

Councilmember McGlashan agreed with Deputy Mayor Scott and said citizens need to be educated on this. He highlighted that residents are unaware that the City only gets 10% of the property taxes and the initiative actually sounds pretty good on paper, but he opposed the measure.

Councilmember McConnell opposed the initiative. She said it is very important to educate the public on the impacts.

Mayor Ryu stated that the City managed the impact of I-747 well. She noted that the City has been keeping the budget in check and the unintended consequences from I-1033 would be severe. Additionally, she noted that smaller cities will also be severely impacted.

7. ADJOURNMENT

At 9:20 p.m. Mayor Ryu declared the meeting adjourned.

Scott Passey, City Clerk

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