

**DRAFT**

**CITY OF SHORELINE**

**SHORELINE CITY COUNCIL  
SUMMARY MINUTES OF SPECIAL MEETING**

Monday, September 19, 2005  
6:30 p.m.

Shoreline Conference Center  
Mt. Rainier Room

**PRESENT:** Mayor Hansen, Councilmembers Chang, Fimia, Grace, Gustafson, and Ransom

**ABSENT:** Deputy Mayor Jepsen

1. **CALL TO ORDER**

The meeting was called to order at 6:32 p.m. by Mayor Hansen, who presided.

2. **FLAG SALUTE/ROLL CALL**

Mayor Hansen led the flag salute. Upon roll call by the City Clerk, all Councilmembers were present with the exception of Councilmember Chang-Deputy Mayor Jepsen, who arrived shortly thereafter. Councilmember Chang, prior to the meeting called and stated he would be arriving late.

**Upon motion by Councilmember Gustafson, seconded by Councilmember Grace and carried 5-0, Deputy Mayor Jepsen was excused.**

3. **CITY MANAGER'S REPORT**

Steve Burkett, City Manager, commented that tonight's agenda includes a revised Ordinance 400, which reduces the gambling tax on social card rooms from 11% to 10%. He reported on the success of the Employee Appreciation Picnic, noting that Bob Crozier was named Employee of the Year, and the 10<sup>th</sup> Avenue Drainage Team was named Team of the Year. He reported on the ribbon cutting ceremony for the North section of the Interurban Trail. He concluded his report by commenting on the settlement of the Aegis lawsuit against the City. The Superior Court judge found that the arguments were unsupported and upheld a motion for summary judgment in favor of the City.

4. **COUNCIL REPORTS**

Councilmember Gustafson apologized for missing the Council meeting last week. He congratulated Mr. Burkett for receiving the Award of Excellence by the Washington City Management Association (WCMA).

Councilmember Fimia apologized for not being able to attend the Employee Appreciation Picnic last week.

5. PUBLIC COMMENT

(a) Vicki Westberg, Shoreline, said there was a public meeting held at the Dimitiri's Restaurant by CNH Investment Group, L.L.C. who proposed 18 townhomes or condominiums with 36 parking spaces on three lots at 1234, 1238, and 1242 NE 148<sup>th</sup> Street. She stated the developers were unprofessional and unresponsive to the residents who attended the meeting and they are concerned about the quantity and quality of the project.

(b) Dale Wright, Shoreline, stated he has heard the City is not prudent with its money. He felt the City should continue to work toward quality projects. Aurora is an example of quality, he said, as he described the features of the Aurora project. He named the opponents of the Aurora project and concluded that changing the project plan doesn't achieve the City's goals.

(c) Marie Poster, Shoreline, inferred that the City Council allows trees to be cut down to allow multi-unit complexes to be built in neighborhoods. Currently, she said, there are three homes that will be torn down at NE 148<sup>th</sup> Avenue and NE 12<sup>th</sup> Street to make way for an 18-unit, 36 parking-stall, 50 foot high complex to be built. These units are going to be sold for \$340,000 each. There will be traffic increases and property tax increases, and there is already overcrowding in the City. In conclusion, she asked the Council to ensure neighborhood planning meetings are staffed by someone who can answer the inquiries from the residents.

(d) William Hubbell, Shoreline, appreciated the concerns of the City Council and attitudes to save the casinos in Shoreline. He said casinos are the largest private employer and taxpayer in the City and they would appreciate a vote to keep the 10% gambling tax on card rooms in place.

(e) Ken Noreen, Shoreline, stated there are many individual concerns from the residents and the City Council has done a great job to take care of the City as a whole. He outlined the 4-way test of the Rotary: Is it the truth? Is it fair to all concerned? Will it build good will and better friendship among all of us? Will it be beneficial to all concerned? He urged the Council to keep these in mind and keep doing a great job for the residents of Shoreline.

(f) Janet Way, Shoreline, commented in sympathy and solidarity for students that have spoken. She said she would like to speak for the workers, business owners, casinos, and hard-working residents of Shoreline. She appreciated the Council vote to extend the 10% gambling tax on card rooms for the casinos.

**Councilmember Fimia moved to approve the agenda. Councilmember Ransom seconded the motion, which carried 6-0, and the agenda was approved.**

**DRAFT**

6. WORKSHOP ITEMS

- (a) Ordinance No. 400, reducing the City gambling tax on social card rooms to 10% of gross receipts after September 30, 2005; and amending Shoreline Municipal Code 3.30.020.

**Councilmember Grace moved to adopt Ordinance 400. Councilmember Ransom seconded the motion.**

Councilmember Gustafson said he was not here for the meeting but is in favor of this ordinance. He suggested an annual profitability review of the casinos.

Councilmember Grace moved to direct the City staff to review the profitability of the casinos annually utilizing the casinos audited financial statements and report the results to the City Council no later than September 30, 2006. The motion died for a lack of a second.

Mayor Hansen felt that a 1% reduction, or \$240,000, in the gambling tax on social card rooms would not affect the City or the casinos. He stated, in his opinion, some of the Council may have been influenced. He asked whether any of the Council wanted to recuse themselves from voting on this Ordinance.

No Councilmember recused themselves.

Mayor Hansen asked whether or not any councilmember received any compensation, expense reimbursement, or political contribution from gambling industry elements in the last two years and if so, how much? He stated he has never received any such contribution, and the public has a right to know.

Councilmember Chang responded that he has received donations from one contributor on two occasions, in October 2004 and June 2005.

Councilmember Gustafson responded he has not received any contributions in the past two years.

Councilmember Ransom responded that he received campaign contributions two years ago, and it is a part of public record that can be viewed at the Public Disclosure Commission (PDC).

Councilmember Fimia felt the question was inappropriate. She said she had received campaign contributions two years ago. She continued and stated this question should be asked before the Council conducts any vote on any Shoreline business because that is the precedent that is being set with this item.

Mayor Hansen stated if she believed that is the precedent he would respond at any question she asked him in the future. He explained the reason he asked the question is that it was brought to his attention that there was an \$8,000 contribution from one of the gambling interests to the Aurora Improvement Council (AIC). The AIC funneled most of it to local campaigns. He felt \$8,000 was a lot of money for a business industry that claims they are having financial difficulties. He elaborated on why he will be voting against this ordinance.

Councilmember Chang conveyed that the Mayor is changing the rules and grounds for the Council. He argued that if a councilmember is voting in favor of this issue because he has received campaign contributions, there is another issue at stake. Councilmember Chang reiterated he has not received any contributions from the AIC. He concluded that each councilmember or candidate is responsible for their own actions and accepting campaign contributions is not illegal.

Mayor Hansen stated he did not suggest any illegality occurring. He stated he wanted to know what may have influenced the Council vote.

Councilmember Ransom thought the subject was inappropriate because AIC consists of up to 80 businesses. Some businesses contribute more. He asserted that the Mayor is trying to slant this issue to one business or one industry. This is unfair because the AIC is not here to respond to the Mayor's statements against an industry.

Councilmember Fimia commented that she did not understand how the Mayor's vote relates to this issue and how it relates to whether or not the Council has or has not received any contributions from the AIC. She noted that Harley O'Neil contributes thousands of dollars to campaigns for the opponents to this race. He owns Echo Lake Park, the City Hall Building, and Gateway Plaza.

Councilmember Chang expressed that the Mayor is setting the wrong precedent. He felt the Mayor was making a clear inference and somewhat of an accusation before the Council vote. He concluded that asking this type of a question before the Council takes its vote is very unfair.

Councilmember Gustafson noted that candidates receive donations from many different sources and when they are elected they must vote based on their conscience and what they believe in, regardless of where a candidate's donations come from. Every candidate makes a decision on where they receive contributions and from whom. Councilmembers must divorce themselves from the contributions and sometimes make decisions that will oppose the person or group the contribution came from. He understood the Mayor's concern, but he also preferred that the Council not address this issue in the meeting. The Council should make decisions based on study and community input. He urged the Council to drop the issue and vote.

**A vote was taken on the motion to adopt Ordinance 400, which carried 5-1, with Mayor Hansen dissenting.**

Councilmember Gustafson noted he will request a review of the profitability of the casinos next year.

Councilmember Fimia responded she was not opposed to a casino profitability review being conducted next year as long as it was not costly to the City or the casinos. She asserted if the Mayor accuses the Council of anything in the future she will move to have him removed as Chair.

7. WORKSHOP ITEMS

**There was Council consensus to take the agenda items in reverse order.**

(a) Aquatics Program Review

Lynn Cheeney, Recreation Superintendent, introduced James McCrackin, Pool Manager and Bridget O'Connell, Assistant Pool Manager. She outlined the organization of the Aquatics Division and stated the pool is a seven day a week operation which is open 105 hours each week. The Aquatics Program makes up about 20% of the entire Parks, Recreation and Cultural Services budget.

Mr. McCrackin reported that the pool is focused on the community. To stay aligned with this focus, many amenities have been added to the pool to include four tot docks, a tot and deep slide, a rope swing, removable stairs, a disabled lift, bleachers, and a poolside basketball hoop. Resurfacing of the pool occurred in 1998; 36 parking spaces were added in 1999; and the pool was renovated in 2001 which included locker room and office expansion, ADA accessibility, resurfacing floors, repairing roof, and installing a new diving board. In a survey done in 2003, the pool received a 98% "good to excellent" customer service rating. Pool staff instructs residents and employees in CPR, First Aid, water rescue, lifeguarding, and water safety instructor courses. In 2003, the City of Shoreline implemented the AED defibrillators in the workplace. The pool staff ensured that all staff members were current in their defibrillator and CPR training. Since 1999, the pool has doubled attendance in their safety classes.

Ms. O'Connell discussed the instructional programs at the pool. She stated there are instructional swim lessons for all ages and multiple time frames for the classes to meet community needs. The pool offers online registration for swim lessons and the CLASS registration software system for keeping track of patrons. The pool also has a swim and dive team to promote youth health and participation in the community. The coaches for this seven-week program are trained and compete against other local cities. Additionally, the aquatics program has a summer swim camp and a day camp. She added there are water aerobics, deep water training, and water therapy classes given by trained instructors. In conclusion, she stated the future goals for the instructional portion of the

program are to refine the lesson programs, continually invest in staff training, and continue to meet community needs by responding to customer feedback.

Mr. McCrackin concluded the presentation by thanking the City Council and communicating the importance of swimming to a waterfront community.

Mr. Burkett stated usage of the pool has increased, which means most of these new programs have been funded by user fees, not the General Fund.

#### PUBLIC COMMENT

(a) Lisa Clayton, Shoreline, shared her experiences with the Shoreline Pool staff. She praised the Shoreline pool and staff for opening their doors to her family and working with her disabled daughter. She said her daughter, Brianna, was shown kindness, patience, compassion, encouragement, and friendship by the staff at the Shoreline pool and now she knows that she is a part of the community for the very first time. Bridgett is wonderful and the staff has fulfilled a need in the community. She said she is proud to be a resident and the City has positive role models.

(b) Fay Sato-Beland, Lake Forest Park, has been a member of the pool for 5 years. She said the Shoreline pool is “a place that has heart.” This comes from the staff that works there. Her mother of 80 years has been swimming there for the past two weeks. The staff at the pool is reaching out to all. She concluded that the pool is a safe, fun, and loving place.

Councilmember Ransom inquired how much General Fund support the pool currently receives. Ms. Cheeney stated the pool is supported by 49.4% of the General Fund.

Councilmember Ransom commented on the quick action of the Shoreline pool staff that saved his daughter from a potentially fatal injury. He said the cooperation from the pool staff was excellent and their service was greatly appreciated.

Councilmember Gustafson thanked the staff. He said he has watched the pool grow over the years and agrees there is a different attitude; it has heart there. The instructors are friendly and the facility and programs are much better than they were three to five years ago. However, he expressed concerns with the age of the pool. He inquired how long the pool would last and how much will it cost to renovate it for the long-term.

Ms. Cheeney stated there is no longevity calculator for the pool. In the next several years she doesn't believe it will need any attention. She concluded that it is well-maintained by the staff and it seems to be in good shape.

Councilmember Gustafson suggested the creation of a community advisory board to possibly submit to the voters a bond for building, expanding, or renovating the facility.

Councilmember Grace appreciated the thoroughness of the report. He said it seems this place is a great workplace where the staff is focused on the community and the managers ensure that staff members attend regular training opportunities. He applauded the staff for their efforts. He closed by inquiring whether or not a new aquatic center came up with the Bond Advisory Committee.

Councilmember Gustafson responded saying it did come up, but it is just an idea. It was not discussed as a part of the current Bond Advisory Committee.

Councilmember Chang echoed the praise of the pool. He stated when the delegates from Shoreline's Sister City, Boryeong Korea, came to Shoreline they were impressed by our pool. He thanked and encouraged the pool staff to keep being community-focused and creative.

Mayor Hansen stated the Council was advised not to take over the pool from King County. He thanked everyone for their testimony and congratulated the staff for being the focal point of the success at the pool.

Councilmember Ransom supported Councilmember Gustafson's comments and shared that he hoped the Council can propose a bond in the future to expand the aquatic center.

Councilmember Fimia thanked the pool staff for their service to the citizens of Shoreline. Based on the intangibles, she said, there is a great need for this recreation facility. There is also a greater need for this type of facility on the east side of Aurora Avenue because there is a higher density of residents. Therefore, she would be in favor of having another facility on the east side. She suggested the City put more funding into the Capital Facilities Replacement Fund in anticipation of having to renovate the existing pool. She asked if there was a waiting list for usage of the pool.

Mr. McCrackin responded that there was a long waiting list for residents who want to take classes, and 17 to 20 people who have lesson programs they want to give. He said there is not enough pool space or time to accommodate all of the people who want to offer new classes.

Councilmember Fimia suggested it may be time to seriously think about adding another facility in Shoreline if the need is there.

Councilmember Gustafson concurred with Councilmember Fimia on the addition of an aquatic center in the City.

(b) North Central Interurban Trail Use Permits

Bob Olander, Deputy City Manager, stated the Council asked for more information regarding the North Central Interurban Trail. He explained that the City has received a \$1.2 million grant for a part of the trail from the Interagency Committee for Outdoor Recreation (IAC). At present, the City is halfway through the design phase for this

section of the trail. The final design will be brought to the Council in the spring of 2006 for Council review and input with the construction for the North Central section slated to begin next summer.

Continuing, he said the Council also requested information on the terms of the permits of the tenants that are on that section of the trail. At the City's request, Seattle City Light (SCL) gave the permit holders a one-year notice to vacate, which was sent to the tenants in March 2005. Most of the permits issued through SCL provided for 30 days notice. He noted that the permit holders waived relocation assistance and all permit holders are responsible for removing all physical structures and property from the SCL right-of-way upon notice. He introduced Tom Boydell, Economic Development Manager, who assumed responsibility for outreach activities to the businesses in Shoreline.

Mr. Boydell explained that at present, six businesses have already found locations outside of Shoreline to relocate; two have declined the City's assistance; and the remaining ten will be receiving expanded assistance from the City. The expanded assistance, he concluded, will involve creating a relocation assistance pamphlet, conducting a needs analysis, identifying possible relocation sites for these businesses to relocate, and holding "brown bag" information sessions.

Upon call of the Mayor, there was no one wishing to provide public comment.

Councilmember Ransom stated that businesses are very much interested in relocation assistance. In the original Aurora Corridor Plan, the City agreed to provide \$5,000 to \$10,000 per business to assist them in relocation. Now the City is denying them the funds because there was no grant money for this section of the project. He urged the Council to direct staff to assist these businesses that must relocate as it committed to do years ago.

Mr. Olander said he recalled that this allotment was a part of the original commitment to businesses as part of the Aurora Corridor Plan. The Aurora Corridor Project is covered by federal regulations, and they will only approve grants to furnish money to business owners who privately own the land from which they are being displaced. The land the businesses are being relocated from is owned by SCL, not privately-owned by the relocating businesses. He requested that Kirk McKinley, Aurora Corridor and Interurban Trail Project Manager, to comment on this issue.

Mr. Kirk McKinley, Aurora Corridor and Interurban Trail Project Manager, responded that the original policies and procedures manual for right-of-way acquisition that was adopted in 1999-2000 included \$5,000 for business assistance along Aurora Avenue if relocating within the City of Shoreline. In 2003, the provision was eliminated because federal guidelines allowed for relocation allowances of up to \$50,000 for businesses associated with a federally-funded transportation project.

Councilmember Grace inquired what type of professional services are the ten relocating businesses requesting from City staff.



Mr. Boydell stated that these ten businesses are diverse. Some of them want to grow, some want to stay in Shoreline, and some are struggling and are looking for some assistance. He went on to explain the assistance programs that pools resources and helps businesses with real estate and business planning. The City provides the information and then allows the individual businesses to choose what level of assistance they desire. Businesses can also participate in the economic development program, which involves non-profits that assists with the cost side of business, environmental issues, and translation services. Community Capital Development (CCD) is an additional program that provides training, technical assistance, business mentoring, and access to loan capital.

Councilmember Gustafson asked if leaseholders have any responsibility to help the business owners.

Mr. Boydell stated he strictly works with the business owners. A part of this relocation process, he explained, is not just assisting them into another "rental" situation but actually determining if the business owners have the capability to own the new property they occupy. If so, it will give the business owner greater stability and opportunity for growth.

Councilmember Fimia asked whether the affected businesses were told about the Council meeting tonight. She conveyed that the Council has asked in the past that all affected people be notified. She stressed that this must occur in the future. She said this relocation assistance is a step in the right direction, but the City is not doing enough. In conclusion, she requested this item be put back on the agenda on a future date with notification to the affected businesses. She questioned if there were any legal problems with the City providing funds for these businesses.

Mr. Olander replied that direct payment to businesses may constitute a gift of public funds, but more research needs to be done to determine this. The problem, he expressed, is that permit holders have explicitly waived their right to relocation assistance and that part of the lease terms include demolishing the building when the lease ends. He felt there may be some legal problems with assisting the permit holders with the cost of demolishing the building, but felt there should not be any problems with helping the sublessees or business owners with funds to assist in relocation. He stated he would have to verify this with the City Attorney.

Councilmember Fimia felt that the City is displacing these businesses for a trail, which is not a community necessity. If these businesses were profitable, she felt it would be the City's obligation to help them with relocation costs. She stated she would like to see this brought back with a motion or an ordinance to the Council.

Councilmember Chang referred to three buildings that were demolished by the SGA Corporation because the Gateway Development could not wait for business owners to demolish the buildings. He wondered who would pay for the demolition if the similar

situation occurred in which business owners could not pay for the demolition of their buildings.

Mr. Olander explained the SGA development approvals and said the permit holders would be responsible for the demolition if this occurred.

Mr. Burkett added that Gateway and Mr. Alseth negotiated on the demolition of the buildings to get the project started.

Mr. Olander did not foresee any other private developers stepping in to do private demolition. The permit holders will have the responsibility for the demolition of their buildings.

Mr. Burkett felt because the permit holders were receiving substantially lower lease rates they would comply with the terms of their leases and pay for the demolition of their prospective buildings.

Mr. Olander added that SCL could enforce the terms of the leases in court of the leaseholders ignore their agreements.

Councilmember Gustafson felt that the property owners who entered the 30-day notice leases with the SCL should know and be responsible to do the things that are asked in the lease they signed. Therefore, he concluded, the City has no obligation because they knew the terms of the lease. However, the subleases should receive some help.

Councilmember Ransom expressed concern about public relations, noting that the Council originally committed funding to help the displaced businesses. The City has received about \$11 million, most of it grant money, and supporting these businesses in finding a new location in Shoreline is good public relations. The City needs to go the extra step by paying them \$5,000 to \$10,000 for relocation. The City will lose credibility if they do not receive monetary assistance. He urged the Council to allocate funds for these businesses.

Councilmember Chang questioned whether or not these businesses would stay in Shoreline if they received monetary assistance from the City.

Mr. Boydell stated he was not sure whether \$5,000-\$10,000 would make any difference or keep the businesses in Shoreline. The City needs to look at the problems and the entire relocation and what the goals and capabilities are for the relocating businesses.

Mr. Olander said whether or not a business stays in the City is based on the individual business and several factors which are going to be determined by the business owner. These businesses will not be able to find another low-rent option they experienced on Aurora Avenue.

Councilmember Chang agreed with Councilmember Ransom that a commitment was made by the Council to help these businesses years ago and the Council should abide by it.

Mr. Boydell offered an alternative solution to provide additional capital through the Community Capital Program (CCP). The City could also wait until the consultants have worked with them and see what needs are identified.

Councilmember Grace said he prefers a more flexible approach. A fixed dollar amount is not applicable because there is a wide range of businesses. He believed if a business needed more than \$10,000 for assistance then the Council should be notified.

Mr. Boydell outlined the funding sources available for this effort. There is \$8,500 committed to one direct service contractor, and the two pilot programs that have been established have been allocated \$15,000 for a five month pilot. A sum of \$10,000 is allocated in the Economic Development Program. These programs are to cover all of the small businesses in Shoreline as an additional resource.

Mayor Hansen advised that leases work the same way everywhere, so this is not a unique situation. He said the Council has no obligation to assist, but would like to retain businesses in Shoreline.

**There was Council consensus to direct staff to provide follow-up information on the progress of the relocating businesses and the Interurban Project at a future meeting.**

Mr. Boydell stated he can return in eight weeks with a report and he will provide notice to businesses and permit holders of the next meeting discussing this issue.

Councilmember Fimia outlined the various amounts being spent on economic development and asked why Forward Shoreline is not involved in business retention. She noted the City is spending over \$100,000 in economic development, with a large proportion (\$25,000) being contracted with Forward Shoreline.

Mr. Boydell responded that \$100,000 is a small amount to invest on economic development compared to other jurisdictions.

Councilmember Fimia felt that City staff is making decisions and signing contracts without the consent of the Council. She asserted that the Council should be making these decisions. Businesses are being displaced and it appears the decision to compensate them will be made by City staff. The Council has the final responsibility to establish how these funds get spent and it was given to the Council by the voters. The Council has established a development group which has not made any decisions.

Mr. Boydell commented that the amount of money allocated is small. The City and the Council will be looking at ways to use the money more creatively and effectively. There are some ideas for the 2006 budget and they are being tested with this budget. The

recommendations, once the Economic Development Task Force prepares them, will be presented to the Council for consideration.

(c) Preliminary 2006 Budget Briefing

Ms. Debbie Tarry, Finance Director, introduced this item and stated she will review the budget calendar and give a status on what has been done. She outlined the 2006 Budget Schedule and reminded the Council of the budget policies that were adopted for the City. She communicated that as of now the City has a \$500,000 budget surplus without adding any new revenue or any enhanced services sources for 2006. In April, she stated the City estimated there would be about a \$235,000 budget surplus. Since April, the sales tax trends appear stronger and the utility tax trend is increasing. She reviewed expenditure projections and revenue projections for the budget. Specifically, she outlined that General Fund operating revenues are expected to increase by 4.6%. The largest source, property taxes, she said would increase by 1.8%. Sales tax revenue based on the projections would increase 1.5%. She stated the gambling tax revenues would drop by 2% and the Community Development Block Grant Program could drop by 5%. As it stands right now the projection for the end of 2005 is that reserves will equal 35% of General Fund revenues. There will be a drop reflected in the reserves, but that is based on taking \$4 million dollars out of reserves and allocating it to the City Hall project. She concluded that the City remains in good financial position, that reserves continue to meet or exceed required levels, and that the 2006 Budget will meet Council financial policies and goals. Staff will produce a balanced budget for the Council's consideration on October 17<sup>th</sup>.

Upon call of the Mayor, there was no one wishing to provide public comments.

Mayor Hansen advised the City to be cautious in predicting increases in investment income because he felt interest rates would either stay the same or decrease.

Ms. Tarry agreed and said based on the investment policies established by the Council, the City invested in some two year investment vehicles that have better interest rates than the State Investment Pool. Therefore, there should be increases.

Councilmember Chang questioned whether there were any initiatives on the ballot that would affect the 2006 budget.

Ms. Tarry responded that Initiative 912, the new gas tax, would affect the 2006 budget because the City anticipates monies from the gas tax.

Councilmember Ransom inquired if a fire district levy increase to \$1.50 per thousand assesses value would affect the City's ability to raise the property tax levy.

Ms. Tarry stated a fire district levy would not directly impact the City's ability to levy taxes, but the real issue is how much property taxes are taxpayers willing to pay.

She added that the only way property taxes are raised is by proposing a levy lid lift on the ballot and having the voters approve it.

Mr. Burkett calculated that a levy lid lift to \$1.60 represents a total of \$6.5 million dollars in revenue.

Councilmember Ransom commented that the budget per capita numbers look very stable. If the information is accurate, it seems the City has grown more than what is reflected in the numbers.

Ms. Tarry explained the information was in cost and dollars so inflation information is included with it. This was done to “level the playing field” and make it an “apples-to-apples” comparison. The City has also eliminated large, one-time expenditures and interfund operating transfers. She said when preparing the budget the focus is on the operating budget and ways to keep costs down. By doing this, she concluded, City staff has learned how to do more with the same or less.

Councilmember Ransom questioned the 17% rate increase in utility tax as represented in the projected revenues. Ms. Tarry replied that the 17% did not represent a rate increase. The rates have held steady. This represents an increase of funds collected over what was projected. Cellular phone usage has increased, but the only increases were on natural gas rates.

Councilmember Fimia stated she does not want to see the cost per capita reduced, but wants to see a reduction in overhead costs. Statistics show 19% of the City living in poverty, and there is a growing number of residents on fixed incomes. She noted that incremental increases in utility taxes greatly affect low and fixed income people. She asked for more detailed information on the police contract, and asked the reason for the contract increase. She also asked for 10-year projections for the City’s general reserves. She asked staff to examine King County’s incentive-based health care program to see what the City can do to decrease benefit costs. She opposed increasing the number of full-time employees (FTEs) because the City already spends considerable funds on outside contracts. She requested comparisons with other cities of how much the City spends on per capita legal fees. Lastly, she inquired about the purpose of the proposed Echo Lake Special Study Area and how much will be spent on it.

Ms. Tarry responded that the City does have a low-income/seniors exemption program for utility tax through King County.

Councilmember Fimia asked if the threshold for the exemption could be reported to the Council. She assumed it would be low and most people would not qualify for the program. She concluded that \$4 million dollars comes from the public in utility taxes.

Councilmember Grace said it is important to look at comparable employers on a regular basis and keep salaries competitive. The Small Business Impact Program and the Green

Street Tree Initiative are of interest to the Council and will be reviewed. Finally, he asked about the revenues in the City Service Fund.

Councilmember Gustafson thanked Ms. Tarry for the thoroughness of her report.

Mayor Hansen expressed concern that the 10-year projection would not be meaningful and would include too many assumptions. He stated he did not want to see a lot of information after year six of the report.

Ms. Tarry concurred that a 10-year projection would simply extend current assumptions.

Mr. Burkett added the goal of the City staff is to keep the reserves between 15 – 20 percent, including adjusting to changing economic situations. The revenues the City receives have a direct correlation with the level of service the residents receive. The largest increase in the \$7 million dollar police contract is in health care costs. Overall, City staff is fortunate to be able to recommend a balanced budget with some enhancements, as opposed to significant reductions.

Councilmember Fimia noted that the property tax lid reduced the City budget, not Initiative 695.

Mr. Burkett responded that the property tax lid reduced the rate of growth in property tax revenues.

Ms. Tarry concluded the City lost the sales tax equalization which was funded by the \$3.5 million in motor vehicle excise taxes.

8. ADJOURNMENT

At 9:47 p.m., Mayor Hansen declared the meeting adjourned.

---

Scott Passey, City Clerk