

**REDMOND CITY COUNCIL
STUDY SESSION**

August 10, 2010

Mayor

John Marchione

Members of the Council

Richard Cole, Council President
Pat Vache, Council Vice-president
Kim Allen
David Carson
Hank Margeson
Hank Myers
John Stilin

Staff

Rob Odle, Planning and Land Use Director
Bill Campbell, Public Works Director
Ron Grant, Deputy Public Works Director
Steven Fischer, Principal Planner
Cathy Beam, Principal Planner
Kelley Cochran, Public Works Management Analyst
Scott Thomasson, Water/Wastewater Engineering Mgr.
Lori Peckol, Planning Policy and Comp Plan Manager
Sarah Stiteler, Senior Planner
Colleen Kelly, Human Services Manager
Michelle M. McGehee, CMC, City Clerk

MEETING SUMMARY

Convened: 7:10 p.m.

Adjourned: 10:10 p.m.

Mayor Marchione opened the study session with an interview for the Design Review Board. Members of the Council questioned and received responses from Mr. Craig Krueger. At the conclusion of the interview, Members of the Council informed Mr. Krueger that his confirmation would be scheduled for the August 17, 2010, regular Council meeting for consideration.

Joint City Council and Planning Commission Study Session

Mayor Marchione opened the meeting and members of both bodies introduced themselves for the record. Conversation consisted of an update from the Planning Commission regarding their work with the Comprehensive Plan amendment. Members of the Commission were interested in hearing from the Council regarding the incorporation of ‘sustainability’ into the Comprehensive Plan. Timelines for the amendment were also discussed, with a completion goal of December 2011.

Members of the Council voiced the following requests/concerns:

- Councilmember Myers:
 - stated the vision of sustainability should not be limited;
 - believes the definition of sustainability works for him;
 - would like to see the best proven science considered along with sustainable community consideration;
 - would like to see sustainability incorporated into the Comprehensive Plan;
 - would like to see the City of Redmond be an example regarding sustainability practices;

- cautioned regarding placement of materials in the Comprehensive Plan that will become outdated;
- opined that encouraging sustainability is one of the most important things the City can do;
- would like to see sustainable elements for retrofitting and re-development incorporated into the plan;
- Councilmember Stilin:
 - noted that he liked the three legs of the stool approach; the challenge is looking at what the City can do to keep the balance;
 - opined that ‘sustainability’ is not all environmental, and that each issue should be reviewed from all three perspectives;
 - stated that the City needs to look at how the City is rezoned with regard to sustainability; different land uses change, what is revenue producing land and what is expense producing land?;
- Councilmember Vache:
 - advised that the ‘stool’ analogy is similar to another he found that used ‘pillars’; where the balance occurs and sustainability happens is the point at which the pillars merge;
 - opined that the key is understanding that decisions made today impact generations into the future;
 - would not like to see a section titled ‘sustainability’, but rather, would like to see sustainable elements incorporated into the plan;
- Councilmember Margeson:
 - stated that it is important to ascertain how we, as a City, can sustain ideas and opportunities; and
- Councilmember Cole:
 - stated that reusing items/resources is the definition of sustainability to him;
 - opined that dirt is good, and that it should be saved during development;
 - would like to see more focus on hydroelectric energy;
 - cautioned regarding government getting too big regarding social justice; he is concerned with the costs associated with it and, perhaps, it is not a good time to incorporate this aspect;
 - stated that the City should identify what types of businesses we want to attract;
 - would like to see service vehicles also taken into consideration when addressing freight mobility.

Mayor Marchione recognized the need for an opening statement of the Comprehensive Plan that addresses building and land use as one of the biggest impacts to the environment and is interwoven throughout the plan. He noted the importance of having a policy goal as opposed to prescriptive regulations in order to allow for broad and inventive techniques. For example, the City of Redmond has a fair amount of manufacturing land; is that the sustainable economic model, or has Redmond become a different City through time?

Discussion ensued regarding manufacturing and how the definition of that has changed over the years with the advent of technology and different types of manufacturing and the need for education surrounding sustainability.

Commissioner Hinman concluded that he has heard the need for placement of a statement regarding the incorporation of sustainability elements into the Comprehensive Plan. The Planning Commission will come back to the City Council with statement options and another briefing in approximately six months.

City Council Study Session

Water/Sewer Rate Update

Councilmember Cole noted that Councilmember Margeson would be leading the discussion on the City's water/sewer rate update. Ms. Kelley Cochran, Public Works Management Analyst, and Mr. Ed Cebron of the FCS group provided a presentation to the Mayor and Members of the Council regarding:

- purpose of the study;
 - to identify financial requirements in the 2011/12 budget biennium
 - to determine revenue requirement projected for 2011/12
 - City service area
 - Novelty Hill service area
 - to analyze utility fiscal policies and practices
- overview of key utility financial elements;
 - utility revenues are set to fully recover costs
 - City and Novelty Hill are separate enterprises
 - depreciation funding for capital reinvestment
 - meet financial performance objectives
- prior policy and rate structure modifications;
 - separated the water and sewer capital funds
 - established the debt service reserve
 - established the rate stabilization reserve
 - reduced operating reserves from 15 percent to 12 percent
 - established phasing strategy to fully fund depreciation reserve for the Novelty Hill service area
 - established a phasing strategy to decrease the water usage threshold for non-single-family sewer volume charges
- 2009/10 water and wastewater revenues - combined with City and Novelty Hill service areas;
- utility responses to revenue losses;
 - actions taken during the 2009/10 biennial budget
 - Development Review – staff reduction and reassignments
 - Utilitywide – emphasis on reducing expenditures and vacate FTEs unfilled
- projected utility expenditure increases – combined with City and Novelty Hill service areas;
- other factors to consider;
 - new budget requests to results teams are included in the projected expenditures
 - an additional FTE for Wastewater Operations Division with a vehicle
 - increased supplemental employees for wastewater operations
 - replacement of utility billing software

- Cascade Water Alliance needs to finalize its budget and rate proposal and incorporate member feedback
- King County Metro is increasing the 2011/12 wastewater treatment rate by 13.2 percent to \$36.10 per month
- financial performance: the “Three Tests”;
 - positive net income
 - ensures operating revenues are sufficient to cover operating expenses
 - positive cash flow
 - ensures the utility is able to generate sufficient revenue to meet cash obligations
 - compliance with bond coverage requirements
 - ensures revenues will equal cash operating expenses plus 1.2 times the revenue bond debt service
- 2011/12 revenue requirements;
 - general revenue increase needed; does not translate to specific rate and bill increases
 - Mayor-proposed operating budget has not been incorporated
- options for managing revenue requirement increase;
 - relax sufficiency tests
 - use fund balances to manage increases
 - slow phasing strategy for funding depreciation reserve in Novelty Hill service area
 - extend summer rates through October billings
- summer volume charge – commercial and multi-family; and
 - recommendation is to extend defined ‘summer’ period so that summer volume charges apply to usage billed in October
- next steps;
 - refine revenue requirement assumptions
 - reflect Mayor-proposed operating budget
 - reflect Council direction on options for managing revenue requirement increases
 - develop rate recommendations
 - update cost allocations and evaluate rate equity between customer classes
 - reflect Council direction on the definition of ‘summer’ for commercial and multi-family water rates
 - continue reduction in the threshold for non-single-family sewer volume charges
 - reflect Council direction on slowing the phasing for funding depreciation in the Novelty Hill service area
 - return on September 28, 2010, with rate recommendations.

City Council discussion was held with staff, which resulted in the following requests:

- Councilmember Carson requested ‘actuals’;
- Councilmember Vache queried if there is a way to calculate the amount of depreciation transfer included in the 12 percent increase;
- Councilmember Margeson queried regarding how much of the fund balance could be used to offset one-time costs, and the impact it would have on the revenue requirements;

- Councilmember Cole stated he is in favor of extending the summer period, but does not support the other options proposed;
- Councilmember Myers stated that he is not in favor of relaxing the sufficiency tests;
- Councilmember Carson stated that he is as well in favor of extending the summer period;
- Councilmember Vache also noted that he is not in favor of relaxing sufficiency tests during the biennium; and
- Councilmember Margeson cautioned regarding relaxing the sufficiency tests and stated that he would be in favor of extending the summer period.

Members of the Council agreed to extend the summer period to include October, while relaxing the sufficiency tests with cautiousness. Staff will return with rate recommendations at a study session to be scheduled.

Councilmember Cole concluded that he would like to see simulated bills across the different categories. Councilmember Margeson added that he would like to see that include the King County's charges for water/wastewater.

Council Talk Time

Councilmember Cole advised that the November 2, 2010, regular Council meeting has been moved to November 1, 2010, due to Election Night.

Members of the Council:

- discussed ballot propositions on the upcoming November ballot and agreed to support facts regarding the propositions, as opposed to advocating for or against them; and
- reported regarding comments they received during National Night Out; Mr. Jim Bove, Police Program Coordinator, will be providing a summary report of all comments.