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March 23, 1998

Memorandum

To: Mercer Island City Council
From: Steve Forman, Retreat Facilitator
Re: Retreat Follow-up and Summary

I want to tell you again how much I enjoyed working with each of you at the March retreat. It is a privilege to be part of your work.

This memo summarizes our retreat discussions and agreements. A number of presentations were supported by written summaries, and I have included these as attachments to this report. Your vision statements are included as Attachment #1.

I. The Council looks back on last year's retreat outcomes and reviews progress in 1997. (Saturday morning)

Capital Projects Manager White reviewed the status of capital projects identified at the Council's 1997 retreat.

Transit Station. The City's engineering study of the proposed Transit Station was completed in July 1997, and the Regional Transit Authority (RTA) has now taken the lead in the project. RTA has reached agreement with Dames and Moore on a \$2.26 million contract which will be forwarded to the RTA Board for ratification on April 9.

Council members expressed concern about the size of and content of the contract. Pressure to move the transit station development forward quickly to make up for lost time may make it difficult for City concerns to be heard.

AGREEMENT #1: Staff will take the following steps regarding Council concerns about the Dames and Moore contract:
a) Staff will present information to the Council about the contract between RTA and Dames and Moore before the April 9, 1998 RTA board meeting

- b) Staff will communicate immediately with RTA staff about Council concerns
- c) Staff will draft a letter as soon as possible to the RTA board to present City concerns and propose alternatives to reduce the cost of the contract

Staff recommend re-convening the so-called “Big Thinkers” group to meet with local real estate professionals to identify some alternative strategies for development of the station in coordination with surrounding land use. The group represents diverse expertise in development and transportation, and may have thoughts, ideas, comments and observations about integration of the station into downtown in a way that is responsive to the needs of the community.

This “Big Thinkers” group is not appointed by the Council, but has evolved out of staff need for more points of view and expertise on issues affecting transit station planning.

Fire Station. Review of alternate sites and site selection was completed in January 1998. Staff will present a preliminary schematic design for Council review at its March 16 meeting. The project is on schedule for construction to begin in August 1998 and for the new facility to open in February 1999.

Community Center. The Ad Hoc Community Center Task Force began work in June 1997 and completed Phase I, guided by the Council’s direction, in December 1997. The Task Force decided to continue its work beyond its March 1998 term, through completion of schematic design in August 1998. The project is on target to present as a bond issue to the voters in November 1998.

Project Management and Financing. The project management and financing scheme is conceptually complete for the fire station and community center.

Overall, the Council concluded that its work in 1997 was done well and with integrity. Sufficient attention was paid to processes for selection of the Fire Station and Community Center sites, although public discussion might have been started earlier in the year.

Council member Clibborn noted that more citizens “found City Hall” and became involved in public discussion, which was a positive outcome even though the Council had to deal with controversy. Council members also commended City staff response to slide problems on the island and its attention to ongoing basic services, especially maintenance of City parks.

II. The Council deliberates its policy responsibility at this point in time in guiding the design team as it begins its work on the Community Center at Mercer View. (Saturday morning)

Capital Projects Manager White reviewed the work program and presented first round development budget figures for the Community Center at Mercer View (CCMV). She noted that the first neighborhood meeting to hear community concerns about traffic and parking will take place on Thursday, March 19, with a subsequent meeting to involve the architect and design team.

The Task Force chartered by the Council in 1997 has completed the first phase of its work, and on April 6 will present its recommendations to the Council regarding program and building options that require Council policy decisions.

The preliminary cost estimate for a new facility, including an increase in square footage from 34,000 to roughly 52,000 feet, is between \$5 and \$10 million for the building, with an additional \$3 million for site work and \$3.2 million for land acquisition, (plus 35%) with an additional \$3 million for site work and \$3.2 million for land acquisition. The preliminary figures include a dedicated performing arts facility and a pool. Remodeling the existing facility would cost roughly 10% less than new construction.

The Council identified issues that will affect policy decisions on the project and asked staff to return with more information. Decisions affecting operations may be made by staff and reported to the Council, or may be presented in a separate Council meeting.

- AGREEMENT #2: At the April 6, 1998 meeting Staff will present information to the City Council on the following issues affecting CCMV program and facility design:
- a) Dollar budget?
 - b) Percentage of subsidization of operating and maintenance costs?
 - c) Remodel vs. new construction?
 - d) Increase in square footage?
 - e) Dedicated performing arts center (permanent sloped floor and seating)?
 - f) Pool? (warm water vs. lap pool)
 - g) Acquire more land?
 - h) Scope of private fundraising?

III. The Council hears an overview of concepts behind the proposed Regional Governance and Finance (RG&F) package. (Saturday morning)

City Manager Conrad presented an overview of the proposed RG&F package. Components of the plan include the following:

- Currently 15% of city Sales Tax revenues is returned to King County. Of this, \$31.1 million per year is designated as an Urban Subsidy. An estimated \$19.9 million of the Urban Subsidy funds services to unincorporated areas in King County, and up to \$11.2 million funds rural services.
- Under the RG&F proposal, the County would take over delivery of certain services under county regional services contracts.
- The County would ultimately reduce the “urban subsidy” shift to zero as the population shifts to cities, and would redirect subsidy dollars to rural support and countywide regional services.

The following discussions outlined the impact on Mercer Island of changes under the RG&F package. The plan must ultimately be ratified by 30% of cities representing 70% of the King County population.

IV. The Council reviews its options for operation of the Mary Wayte Pool.

(Saturday morning)

City Manager Conrad noted that under the RG&F package, King County would transfer to suburban cities ownership and operation of 10 pools financed under the Forward Thrust Bond issue in the 1970's.

Cities would guarantee operation of the pools for at least three years. The County would provide \$525,000 each in transition funding over three years to fund operating and maintenance costs, for renovation or for expenses associated with construction of a new facility.

Conrad presented information about the Mary Wayte pool, which was built in 1973 with Forward Thrust funds. This is Attachment #2. Capital improvement needs have been identified amounting to just over \$200,000, and limitations on fees would make it difficult to generate sufficient revenue to break even on operations.

The consensus among the Council was that the City would ultimately be required to take over ownership and operation of the Mary Wayte pool.

However, the Council will need to decide whether to continue operating the pool after the initial three-year period required by the County. There is interest in the possibility of a smaller warm-water pool at the new Community Center as opposed to a lap pool such as the Mary Wayte pool and the Council would like to see more information about that option.

AGREEMENT #3:

- The Mary Wayte Pool will be a part of the City's near term operation if the Regional Governance & Finance package ratifies:
- a) The City will accept the Mary Wayte Pool from King County.
 - b) The Council will consider short-term improvements to permit operation with minimal operating subsidy and capital investment.
 - c) During the three-year transition period the Council will position itself to decide whether to continue operating the pool over the long term, including what capital improvements may be required (with the understanding that the City will make a good faith effort to make the pool work).
 - d) The City will clarify the legal ramifications of taking over ownership of the pool and subsequently closing the pool, including indemnification by the County.
 - e) The City will engage the Mercer Island School District early on to communicate plans and issues regarding its use of the pool.

V. The Council reviews potential policy adjustments with respect to Human Services in light of the RG&F package. (Saturday afternoon)

Youth and Family Services Department Director Morgan reported on the RG&F proposal to shift responsibility for human services to the County. She noted that Mercer Island is the only city in King County that provides direct services, and would continue to deliver services under contract with the County for nine categories of basic services.

The first two years would be a transition period with no qualitative differences in services. After that the agreement would need to be developed in the Eastside Sub-regional Forum. Mercer Island is part of the Forum with Bellevue, Bothell, Remond and Kirkland.

Initially, the City will see an increase in total revenue under the proposal. However Mercer Island would need to compete under an RFP process for regional service contracts after the transition period and this increase in revenue might fall off. Potential risks include the effect on local service delivery of a demand for services from off-Island citizens who encounter long waitlists elsewhere, and increased staff support required to participate in sub-regional planning.

Councilmember Clibborn noted that the Human Services proposal went forward out of the GMPC Oversight Committee on March 13 for a 90-day review. She asked that the Council advise her as a representative to the GMPC of City concerns to communicate.

- AGREEMENT #4 The Council affirms its support of the RG&F proposal for Human Services, noting:
- a) A preference for increasing the percentage of Urban Subsidy dollars to support Human Services
 - b) A preference that the City be the human services provider on Mercer Island
 - c) A recognition that the City may need to deal with decisions that come out of the Sub-regional Forum

VI. The Council reviews potential policy adjustments with respect to District Courts in light of the RG&F package. (Saturday afternoon)

City Manager Conrad reported that under the existing system the City is part of the District Court, Bellevue Division, with a session one day per week in Mercer Island and all local revenues going to the City and filing fees to the County.

Presently, cities do not share in capital costs. Under the RG&F proposal, the County would continue to provide District Court services to suburban cities under long-term contracts (10 years or longer) with no filing fees, 75% revenue retention by the County and shared responsibility for capital costs. The issue of shared capital costs is potentially of concern in light of plans for a new Regional Justice Center in Bellevue.

In 1997, Mercer Island recorded \$98,000 in filing fees and \$220,000 in local revenues. The effect of the RG&F proposal would be a net loss in revenue to the City of approximately \$65,000 per year. Under state law, Mercer Island can opt out of District Court services, but would have to establish its own municipal court.

VII. The Council reviews the six-year financial forecast. (Saturday afternoon)

Finance Director Sylvis reported on the six-year financial forecast noting different assumptions:

- a. "Realistic" -- conservative projections based on averages from the past 10 years;
- b. "Cautious" -- based on a downturn in the economy affecting local property tax and sales tax rates.

The City ended 1997 with a surplus for the second year in a row. Projections based on a realistic scenario show revenues exceeding expenses over the next six years, while the cautious scenario shows expenses exceeding revenues in 2002.

Sylvis said her recommendation is that the City monitor the budget and make adjustments as required, but otherwise no policy changes are necessary. Under either scenario, the City appears to have the capacity to absorb roughly \$200,000 per year in new initiatives.

Sylvis presented an analysis of the effect of a 20-year bond issue on property tax rates (Attachment #3). She cited the potential effects of new initiatives, noting the following:

- *RG&F proposal*: Whether the proposal is ratified or rejected will have little effect on the bottom line.
- *Community Center at Mercer View*: Assuming a facility larger than 35,000 square feet, operating and maintenance costs and subsidy costs will increase.

Staff presented a forecast of Capital Improvement Program (CIP) projects (Attachment #4). All discretionary capital funds are committed to land acquisition for the Community Center at Mercer View. However, if the acquisition is financed through a successful November bond measure, these discretionary funds can be used for other CIP projects.

VIII. The Council deliberates strategy and values as they guide decisions on growth, staffing and other issues. (Saturday afternoon)

Staff have historically operated on a fiscally conservative, "pay-as-you-go" basis, initiating new projects only as revenues are available. However, changes in the regional climate (RG&F) pose new challenges that may call for new approaches.

After Council discussion, City Manager Conrad noted his perception that certain guidelines that staff had treated as hard and fast are now open to question, and that staff may come to the Council with questions about additions to operating expenses such as new core staff.

The Council confirmed that they expect sound fiscal management, but that as needs arise that call for additional staffing or other resources, these should be made known to the Council.

AGREEMENT #5: The Council confirms that the City Manager is authorized resource issues as needed to respond to changing program and service needs.

IX. The Council deliberates on the direction of customer service with respect to development and land use. (Sunday morning)

Assistant City Manager Symmonds presented an overview of the customer service philosophy and environment within which City staff respond to land use and development issues as they relate to permitting, inspections, response to community concerns, and public education.

Response to community requests in this context may range on a continuum from a “customer service” model that seeks to cooperate with developers and emphasize education and outreach, to a “by the book” model that emphasizes compliance and enforcement.

These actions are carried out in a context of fewer and increasingly difficult building sites, increasing property values, and a more litigious environment. Within all this, staff attempt to give equitable treatment, consistency and flexibility with common sense.

Symmonds noted that the overview was intended as a “conversation starter” about what approach the City should take to such issues as land clearing, siting cellular towers, drainage, ADU’s, and Critical Areas. Staff has prepared an issue paper on Land Clearing Code (LCC) that addresses a variety of areas beginning with the history of the legislative underpinnings of the LCC in 1972, and it has raised the issues of whether the City’s priority should focus on land clearing or tree preservation. Staff’s view is that the LCC is insufficient in today’s complex development climate.

The Council discussed the difficulty of balancing the value of preservation with respect for private property rights, but agreed that enforcement of existing codes is critical and that staff should be free to do so. Council member Orser and City Manager Conrad recommended re-convening the Development Advisory Council (DAC) to get builders involved and begin dialogue about the need for the City to shift toward stricter enforcement.

- AGREEMENT #6:
1. The Council affirms the need for enforcement:
 - a) City staff will enforce clear and unambiguous codes.
 - b) The staff will communicate the shift in City enforcement to developers within the context of the DAC.
 - c) Staff will return with recommendations for more resources as needed.
 2. The LCC issue paper will be presented to the Council, with copies of the customer service philosophy/overview and the City of Redmond ordinance:
 - a) The Council will begin its review of the issue paper in one or more study sessions.
 - b) The Council recognizes the sensitivity of the issue.

X. The Council deliberates on the relationship between the City and the School District. (Sunday morning)

City Manager Conrad and Assistant City Manager Symmonds reported that after a meeting with the Mercer Island School District Superintendent, the City and the School District attempted to convene a collaborative group to address issues of mutual concern. They discovered that the perceived priorities differed widely between the two groups, whose missions are fundamentally different, and thus it became difficult to sustain discussions.

Moreover, emerging issues pertaining to classroom portables and life safety code compliance at the high school stopped discussion and strained relations. The question becomes one of how to reopen discussions and resolve issues, especially since construction of the new high school involves pressure on the City for permitting, inspections and certifications.

Council members emphasized that discussions must begin immediately. Regarding the high school, the City should remind the School District about code requirements and offer assistance now to prevent last-minute conflicts between the School District and the City about compliance.

This is an opportunity to identify unresolved issues and lay the groundwork to work on them cooperatively, and to update the School District on larger issues facing the City with respect to pool ownership and the November bond issue. It should be made clear that the City cannot compromise on life safety or health code compliance in the new high school, but the City may be as flexible as possible otherwise to ensure the high school project is a success.

- AGREEMENT #7: The Council affirms the need to re-establish contact immediately with the Mercer Island School District:
- a) Adopt a near-term supportive and conciliatory stance.
 - b) Articulate the overall big picture, especially over the next three years.
 - c) Create opportunities for informal social meetings between the Council and the School Board.

Caveats to this include:

- a) Clearly communicate the need to ultimately work through existing issues.
- b) Be very clear and specific (with a detailed list, both objective and subjective) about life safety and health code requirements.
 - Implement monthly monitoring and documentation of progress.
 - Clarify to the Building Code Official that the City Council and City Manager will support his judgment if he must deny occupancy.
 - Present these to the Mercer Island School District as tools to help with construction requirements and the contractor.
 - Send the message to the School District that the City has confidence in the Building Code Official's judgment.

XI. The Council confirms its selection for Citizen of the Year. (Sunday morning)

The Council confirmed its selection of Pat Braman as Citizen of the Year.

List of Retreat Participants

Gordy Edberg	Mayor
Bryan Cairns	Council Member
David Clancy	Council Member
Judy Clibborn	Council Member
Alan Merkle	Council Member
John Nelson	Council Member
Peter Orser	Council Member
City Staff:	
Rich Conrad	City Manager
Deb Symmonds	Assistant City Manager
Joanne Sylvis	Finance Director
Diane White	Capital Projects Manager
Gary Feroglia	Parks and Recreation Department Director
Peg Morgan	Youth and Family Services Department Director
Consultant	Steve Forman
Assistant	Gretchen Reade