

AGREEMENT DYNAMICS, INC.

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TO: Members of the Mercer Island City Council
FROM: Rhonda Hilyer, Agreement Dynamics, Inc.
RE: 2002 City Council Retreat Summary
DATE: March 20, 2002

It was a pleasure facilitating your March 1-3, 2002 retreat. This Council, in the opinion of one who has facilitated many such retreats, excelled at: spirited, open debate; respect for each other and the democratic process; disagreement without rancor; listening and willingness to be influenced; hard work and in-depth focus on complex issues; clear direction to staff; and sense of humor. These behaviors are especially noteworthy given the diverse views and ideologies of the individual Council Members.

From advance interviews with each of the Council Members, the retreat was designed to accomplish the following objectives:

- Review 2001's accomplishments and priorities and develop 2002's work plan priorities;
- Discuss the Luther Burbank Park acquisition and provide direction to staff on how to proceed;
- Check-in on the community facilities planning process and provide direction to staff and committees;
- Discuss the Sound Transit Park and Ride proposal;
- Get an update on and discuss strategy regarding I-90;
- Review the capital reserve fund and discuss what to do about it;
- Discuss ways to improve the budget process from the Council Members' perspective.

During the retreat, the Council discussed and provided direction with respect to all of these objectives.

FRIDAY, MARCH 1, 2002

GUIDELINES AND AGENDA

The Council reviewed the recommended discussion guidelines suggested by the facilitator as well as the retreat agenda.

CITIZEN OF THE YEAR

After discussing the criteria for "Citizen of the Year," the Council unanimously selected Gene Ferguson to be named Citizen of the Year 2001.

COMMUNICATION STYLES

The Council participated in a workshop to enhance effective communication and discussed their styles and preferences.

SATURDAY, MARCH 1, 2002

WHAT WOULD MAKE A SUCCESSFUL RETREAT?

At the facilitator's request, each Council Member described what would be a successful retreat for them. Comments included: allocating 100 percent of the capital reserve; prioritizing the work plan for 2002; developing a firm concept of how we'll reach resolution of major issues; getting a better understanding of how biennial budget process works and agreement on budget process changes; prioritizing the major issues the City needs to deal with now and in the future; reach agreement on how the plan is adjusted or changed; and to be able to have everyone afterwards say that this was a successful retreat for the first time in three years.

RETREAT AGENDA

The Council discussed (when on the agenda) their priorities should be developed and whether the agenda had been approved as is. They decided to discuss 2002 priorities at the end of the day or on Sunday morning.

ACQUISITION OF LUTHER BURBANK PARK

The Issue: Should the City of Mercer Island acquire Luther Burbank Park and Mary Wayte Pool from King County, and if so, under what conditions?

King County is facing a major budget shortfall, estimated at upwards of \$100 million for the biennium. One of the ways the County is dealing with this deficit is to deed over the ownership and operation of county-owned parks and facilities that exist in incorporated areas like Luther Burbank. Last summer the County approached Mercer Island with this proposal, and the Council asked staff to research the issues and continue discussing the proposal with the County. Because the County has deferred maintenance on the property, it is estimated that Mercer Island would need to spend \$2.1 million to repair the property. In addition, it is estimated that it would cost \$422,000/year to operate and maintain the park at Mercer Island "level A" standards (\$334,000 for minimum "level B"). If a tax were levied to pay for the O&M, it would mean about \$37/year in new taxes for a home assessed at \$500,000.

The Mary Wayte Pool also needs repairs, estimated at \$400,000 after a contribution from the County. The annual expense of operating and maintaining the pool is estimated at \$234,000.

The Council asked questions of staff and the group debated the pros and cons of Mercer Island park ownership, financing options, revenue generating possibilities at the park to help pay for its operation, as well as restrictions mandated by the park's initial purchase with King County Forward Thrust bonds and historical preservation laws. None of the Council or staff were interested in owning and operating the pool, given their strategy on joint community facilities planning.

Council and staff reviewed the potential disadvantages of waiting longer to acquire Luther Burbank. Staff reiterated that they have been in discussions with King County for nearly eight months about the park, and the revenue projections for the County continue to worsen. The City Manager stated that he was certain they would receive no money from the County for repair or operations, and that if they waited until next year, the property's condition would continue to deteriorate. Some speculated that if they waited longer, the County might try to sell the park to Mercer Island (instead of giving it to them), or the County might create a new government structure specifically for taxing and maintaining these parks. The group stressed the importance of control of the park (and its destiny) and concerns that it could become a derelict property if the County closed it altogether.

The group talked about potential uses for the Park, including adding a marina, water-front restaurant, siting the Community Center, Mercer Island only commuter parking, or leaving the park just the way it is. It was suggested that the detached southern portion of the Park might be a site for potential affordable housing, if King County could facilitate a land swap that fulfills the Forward Thrust bond conditions.

The group also evaluated the pros and cons of continuing to rent the facilities at Luther Burbank that are currently housing the King County Park's Department.

AGREEMENT:

Unanimously, the Council agreed to accept the transfer of Luther Burbank Park under the following conditions:

- a) Mercer Island doesn't have to acquire the Mary Wayte Pool.
- b) The King County Historical Designation on Luther Burbank Park is removed.
- c) That Forward Thrust bond conditions not impede the possible use of the southern part of the park for a potential affordable housing site.
- d) King County indemnifies Mercer Island from future liabilities associated with an oil tank on the property or removes it (subject to level 2 environmental review).
- e) The agreement contains all the normal terms and conditions of a standard purchase/sale agreement with environmental protections.
- f) King County will support (or not oppose) Mercer Island's vision for the park.
- g) No unit of the County government would have control over the uses of the park.
- h) King County compliance with environmental rules and conditions.

The Council also needs to discuss the other conditions under which they will operate and develop Luther Burbank Park. That discussion, to take place at another meeting, will include developing a clear vision for the source of maintenance and operations funding.

JOINT FACILITIES PLANNING PROCESS

The Issue: What is the possibility for partnering with other public and private facilities providers on Mercer Island to benefit all residents?

The Deputy City Manger updated the Council on the progress of discussions made by the Community Facilities Steering Committee in their January and February meetings. She provided an overview of the facility needs of four entities and how they related to the overall needs of other Mercer Island residents: Mercer Island School District, the Boys and Girls Club, the Stroum Jewish Community Center, and the French-American School of Puget Sound. She then walked the Council through some possible collaborations that have been discussed thus far. Those examples included:

- The City swaps the Mercer View site for the School District's North Mercer site.
- The City could use the North Mercer site for some community center functions and a teen center.
- The Mercer View site could be developed to include both a MISD Elementary School and the French-American School (FAS), with possible funding assistance from the FAS.
- Joint development of an aquatics center with the City and the Jewish Community Center; additional playfield space through acquisition of private property and incorporation of space between maintenance building and city hall.
- Boys and Girls Club proposed building an addition to their existing East Seattle School building with \$3 million contribution from the City of Mercer Island.

The Council then recalled their overall objectives of joint facilities planning, how that relates to improving all facilities for the residents of Mercer Island, and that the Community Center is the number one driving force for the City's joint facilities planning. The Council also conversed over the coincidence of timing with respect to the JCC and the B&G proposals, the importance of programming for the underserved teen population on Mercer Island, the B&G's need for segregation of elementary age children from teens, the downtown "Connection" pilot project that was eventually dropped, City scheduling of various facilities, and the City staying out of the commercial kitchen business. Some members also expressed concern about time and money spent on consultants.

The Council Members then declared their preferred site for a community center:

Mercer View: Council Members Goldmanis, Jahncke, Cairns

North Mercer: Council Member Grausz

Luther Burbank: Mayor Merkle (shared with a scaled back Mercer View)

Council Members Blake and Pearman: **Any of the above**

Council Members and staff reiterated the inherent difficulty of joint planning for resource use and they congratulated the Committee members and staff for their productive efforts thus far. The Mayor pointed out that Mercer Island is the only community he knows of who is attempting to do joint facilities planning at this broad of level. He expressed appreciation to the Council for their efforts to serve all Mercer Island residents in a cost-effective manner.

AGREEMENT:

The Council rejected the \$3 million proposal from the Mercer Island Boys and Girls Club for partial use of new multi-purpose rooms. The Council asked staff to continue good faith negotiating with the Club in an effort to achieve mutually beneficial, shared facilities.

AGREEMENT:

The Council directed staff to continue exploring a public-private partnership for an aquatics center with the Jewish Community Center.

AGREEMENT:

The Council directed staff and Council liaisons to continue discussions with the school district regarding land swaps of Mercer View and North Mercer.

SOUND TRANSIT PARK AND RIDE

The Issue: Which option(s) does Mercer Island wish to pursue for its commuter park and ride lot?

The City Manager updated the Council on three possible Sound Transit Park and Ride options before the Council. City Staff and Sound Transit have reviewed up to six possible alternative sites and negotiated over possible size, location, and funding options. At this time, the City Manager requested a “read of the Council” on their preferred option(s) so that staff could further develop strategies prior to a full Council vote, which is scheduled to take place in April.

One of the options the Council considered was Sound Transit’s proposal to build a three-story, 600-space parking structure expansion of the Park and Ride site north of I-90. The Council outlined community opposition to this site because of increased traffic, potential view obstruction, decreased property values, etc. Council Members inquired as to the right to enforce island-only parking at the Sound Transit Park and Ride. The group also discussed fewer parking stalls at this site, but Sound Transit’s position is that it needs to maximize spaces to maintain an average unit cost of about \$16,000/space. The group also analyzed the option of paying Sound Transit not to build such a large structure, perhaps two floors instead, in order to relieve neighborhood concerns.

Another option the Council analyzed was a private-public partnership of underground parking using funding from Sound Transit. This option, in downtown Mercer Island, would be built as part of a new development proposed by SECO Development on land owned by Ron Cohen. Under this proposal, the developer would build an additional floor (below grade) for commuter parking. This would add 200 spaces in downtown at a cost of approximately \$30,000/space. While Sound Transit does not build underground parking, they would be willing to contribute to this option at a level equal to the average unit cost for parking above ground, which is \$14,000/stall. Sound Transit would also pay some of the soft cost expenses at this site—street mitigation and design engineering. The City Manager reviewed the costs of this option: 200 spaces at this site would cost approximately \$6 million with nearly half of the cost being borne by Sound Transit (\$3.2 million). The Council acknowledged that while any use of Sound Transit funds for parking prohibits them from making “island-only” parking, at this site the likelihood that off-islanders would park at this downtown site was considerably less. The group also talked about the possibility of an agreement with Sound Transit for a future buy-out clause on the commuter parking sites that would ensure Mercer Island-only parking.

The group also discussed the use of a site along Sunset Highway. The right-of-way that is owned by the City, which would need to be approved by the state to return the property to parking, would generate 70 spaces south of the downtown area. The group emphasized the importance of maintaining this site for Mercer Island residents only.

The Council debated the various aspects of each option, including lack of current need and maintaining the status quo. If Mercer Island passes on Sound Transit funding now, it’s not likely that any will be available in the future because this money would be allocated elsewhere on the Eastside. The Council emphasized the importance of dedicated spaces

for Mercer Island commuter residents. The Council also praised the success of the newly enforced restrictive parking rules on the north end of the Island. Some Council Members encouraged amortizing the cost over the next 20 years when considering this decision. Some Council Members also suggested there might be ways to cut the cost of the underground parking at the Cohn site in exchange for certain development rights. The Council then posed three options.

Option 1: Southside \$6 million, 3-way partnership with City, Sound Transit, and private developer (Mercer Island's share would be \$2.8 million);

Option 2: Through a buy-back program of 200 spaces, have Sound Transit build a smaller, 400-space parking structure;

Option 3: Mercer Island rejects Sound Transit monies and pursues its own parking for its own residents when needs are identified;

While the Council will review the options and vote in open session in April, Options 1 and 3 held the most Council favor.

CAPITAL RESERVE FUND

Issue: What does the Council wish to do with the budget surplus?

The City Manager explained the causes of this year's budget surplus as sales tax, B&O, utility taxes, licenses, permits, and zoning fees generating substantially more revenue than projected. He explained that of all of these income streams, sales tax revenue was exceptionally high due to a few substantial--yet unanticipated-- purchases and sales by Mercer Island residents and by an unusually high level of residential construction in recent years. The City Manager then asked the Council for guidance over the disposition of this Fund, currently estimated to be \$6.4 million.

The Council then debated their philosophical views on use of this fund. Opinions ranged from using the funds for major capital expenditures to preserving the funds and using them for budget deficits predicted in the biennium. Some Council Members suggested returning the proceeds of the fund to the taxpayers in the form of taxpayer relief or, at least by not raising taxes when there is a budget surplus. Council Members stressed the need to hang onto the Capital Reserve Fund until the City decides what it is going to do about renovating its community center.

The Council discussed a number of projects of interest for this fund, including an I-90 litigation fund, a Park and Ride project in downtown, maintenance and operations for Luther Burbank, construction of a community center, open space acquisition in downtown Mercer Island and/or throughout the island.

The Council then recommended using Capital Reserve Funds for the Mercer Island High School stadium \$1.6 million upgrade to artificial turf. The Council reviewed a number of financing proposals provided by the School District, ranging from full City funding to a one-third/two-thirds funding arrangement with the School District. The Council talked about

different uses of the stadium, how it fits into the joint facilities planning process, and City scheduling for the benefit of the whole community.

The City Manager asked for a “read of the Council” on this issue—to be voted on later in Council session--and after discussion the Council recommended \$500,000 be reallocated from 2001’s school ball field budget to help pay for this resurfacing project. The Council also wanted to handle scheduling of the stadium’s uses to complement other needs and uses throughout the Island.

AGREEMENT:

The Council agreed that the Capital Reserve Fund would not be used to balance the City’s budget for this biennium.

AGREEMENT:

The Council agreed that for the short-term (and until a long-term solution is agreed upon), the newly acquired Luther Burbank Park’s maintenance and operations budget would be allocated from the Capital Reserve Fund (approximately \$400,000).

SUNDAY, MARCH 3, 2002

PREVIOUS WORK PLAN REVIEW AND 2002 WORK PLAN DEVELOPMENT

The Council reviewed their Work plan for 2001 and noted that some projects were ongoing in 2002. These included:

- Veteran’s Memorial
- Homestead Field
- Tree Maintenance
- First Hill Housing Scale
- Design Guidelines
- Northend Parking

The council reconfirmed the importance of these ongoing projects and included them in their Work plan for 2002. During their discussion of 2001 and 2002, one Council member felt it was extremely important to restate as a priority some of the ongoing mandatory functions of the City, including public safety, the DARE program, police collective bargaining, streets maintenance, and budget development. The Council then developed an additional “to-do list” and prioritized it into the following work plan for 2002.

1. Community center/facilities significant decisions made by 2003 (pool/aquatics)
2. Luther Burbank
3. Affordable housing-April workshop
4. Open space acquisition—regular check-ins on certain properties

5. Park & Ride decision behind us
6. Protect Mercer Island interests on I-90
7. Because things have changed in downtown, take a look at downtown vision—retain some public feature for downtown

I-90 STRATEGY

*Issue: What strategy will Mercer Island employ for **the I-90 Roadway Alternatives EIS process now underway?***

On Sunday, the Deputy City Manager briefed the Council on updates to the I-90 Roadway Alternatives Environmental Impact Statement (EIS) process. The co-leads of the I-90 Steering Committee, having reviewed more than 400 comments on the draft EIS, are now suggesting that additional alternatives and hybrids of alternatives be studied. These additional alternatives include blends of R-2B and R-8A. The Steering Committee acknowledges that these changes would delay the process as much as two years, but are considering ways to speed up the schedule.

The Council then elaborated on Mercer Island's interests in the I-90 project and the interests of the greater Eastside, bicycle enthusiasts, and Sound Transit. Council Members recognized the need for the Council to stay abreast of the new alternatives coming forth and the importance of rallying state and national legislative support at key moments.

THE BUDGET PROCESS

Issue: Council Members are concerned over a range of issues related to the budget process.

The facilitator explained that during her interviews, most Council Members raised concerns over the budget process. The City Manager explained the budget timeline and development starting from the Council's planning retreat. Once the Council sets priorities for the year, the staff begins developing the Management and Budget Policy section of the budget (covering operations and capital expenditures) based on these priorities. This policy part of the budget drives operational aspects of city government is reviewed from April to June. In July through August the utilities and capital improvement programs are brought to the Council for review. Throughout the budget development process, staff is checking in with Council to ensure the budget is aligned with Council priorities. Then in October through December, the Council reviews, deliberates, and votes on the budget.

The City Manager described the spectrum of budget philosophies as a "line-item approach" on one end of the scale to the "program approach" on the other. He explained that the City of Mercer Island has been using a budgeting approach that is much closer to the "program" philosophy (which is outcomes focused) than the "line-tem" philosophy (which is input driven). The Council affirmed their support for the more programmatic approach.

The facilitator then asked the council to share their process concerns with City staff who would then draft proposed changes for the Council's consideration. The Council's concerns and suggested changes included:

- It is difficult to find specific information on allocated items (e.g., Sister City).
- There needs to be a better way to navigate through the budget.
- We need to understand program outcomes at various funding levels using hard numbers developed by the departments, and engage early in discussions of appropriateness of levels of service.
- Let's deal with hard issues as the process is going along so there aren't any last-minute budget surprises.
- We need a way to understand the basis of value judgments (e.g., "fat");
- We need to clarify along the way where we are in the process and the fiscal impacts of various decisions.
- It's a long process and we look at it piece-by-piece until the end when it's voted on. We need a way to give specific direction as we go through the process.
- We do an excellent job on evaluating the expense side but a poor job on evaluating the revenue side; we need a quarterly revenue update that we possibly take action on.
- Let's look at changes in revenue and expense projections throughout the year and address the situation as we go along.
- We need time to make adjustments in the budget and clarification on when the appropriate time is to make these adjustments.
- If our approach is policy driven, we need to streamline the process. Or, if we're going to look at the numbers in detail, we need a tool to validate the numbers and understand the tradeoff implications.
- We shouldn't micromanage or use the line item approach; we need a mechanism to look at project items.
- We should be driven by policy perspective in making budget decisions.

COUNCIL OPERATIONS

The Council and staff engaged in self-evaluation on time management issues. Overall there was concern about some Council meetings becoming less and less efficient due to lengthy debate. The Council, though, acknowledged that there were divergent opinions on important issues and that discussion was important in make informed choices. The Mayor suggested that staff assume the Council has read the materials in their packets and make their presentations to Council no more than 10 minutes in length. The Council also discussed past meeting cancellations due to staffing issues. The Mayor stressed the importance of staying on track with their priorities and not diverting staff time and attention from those priorities. The Council reiterated their role as policy makers and reaffirmed the importance of not functioning in an administrative capacity or individually directing staff or resources.

RETREAT EVALUATIONS

The Council evaluated the retreat with the following commentaries:

- Good airing of issues;
- Some frustration about the agenda order on Saturday morning;
- Very satisfied;
- Frustration that the retreat wasn't about decision making;
- Liked the tools provided Friday night;
- Impressed with the interaction;
- Excited about the year to come;
- Impressed with staff;
- Liked the spirited debate;
- Appreciated the flexibility to follow the issues through rather than stop at the time designated on the agenda.

COUNCIL RETREAT ADJOURNMENT

At approximately noon on Sunday, the Mayor adjourned the Council retreat by thanking Council Members and staff for their participation in what most participants viewed as a successful retreat.