

Agenda

ENVIRONMENTAL SERVICES COMMISSION MEETING

450 - 110th Avenue NE (City Hall)
 Conference Room 1E-113
 Thursday 6:30PM
 May 5, 2016
 Regular Meeting

		<u>Page</u>	<u>Action</u>
Commissioners:	1. Call to Order – Keith Swenson, Chair		
<i>Keith Swenson</i> Chair	2. Oral Communications Note: Three-minute limit per person, maximum of three persons for each side of topic. Additional comments may be heard at Agenda Item 10.		
<i>Calvin Wang</i> Vice Chair			
<i>Anne Howe</i>	3. Approval of Agenda *	1	X
<i>Ticson Mach</i>	4. Approval of Minutes *		
<i>Aaron Morin</i>	• April 7, 2016 Regular Meeting Minutes	2 – 8	X
<i>Lisa Shin</i>	5. Reports & Summaries		
<i>Diann Strom</i>	• ESC Calendar/Council Calendar *	9 – 10	
	• Conservation & Outreach Events & Volunteer Opportunities *	11	
City Council Liaison:	6. New Business		
<i>Vandana Slatter</i> Councilmember	• Utilities 2017-2018 Operating & Capital Budget Proposals Presenter(s): Nav Ota, Utilities Director Lucy Liu, Asst. Director – Resource Mgmt. & Customer Svc. Martin Chaw, Fiscal Mgr – Resource Mgmt. & Customer Svc	12	
Staff Contact:	7. Commission Report		
<i>Andrew Lee</i> 425-452-7675	8. Director’s Office Report		
Staff Support:	9. City Council Communications		
<i>Katie LaFree</i> 425-452-4497	10. Continued Oral Communications		
	11. Adjournment		

* Materials included in packet
 # Materials separate from packet

Wheelchair accessible. American Sign Language (ASL) interpretation available upon request by calling (425) 452-6466 (v) at least 48 hours in advance. Assistance for the hearing-impaired: Dial 711.

**CITY OF BELLEVUE
ENVIRONMENTAL SERVICES COMMISSION
MEETING MINUTES**

Thursday
April 7, 2016
6:30 p.m.

Conference Room 1E-113
Bellevue City Hall
Bellevue, Washington

COMMISSIONERS PRESENT: Chair Swenson, Commissioners Howe, Shin, and Strom

COMMISSIONERS ABSENT: Commissioners Morin, Mach, Wang

OTHERS PRESENT: Councilmember Vandana Slatter; Lucy Liu, Assistant Director – Resource Management & Customer Service; Martin Chaw, Fiscal Manager – Resource Management & Customer Service; Pam Maloney, P.E., Water Resources Planning Manager – Engineering

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

The meeting was called to order by Chair Swenson at 6:38 p.m.

2. ORAL COMMUNICATIONS

None

3. APPROVAL OF AGENDA

Motion made by Commissioner Howe, seconded by Commissioner Strom, to approve the agenda as presented. Motion passed unanimously (4-0).

4. APPROVAL OF MINUTES

March 3, 2016 Regular Meeting Minutes

Motion made by Howe, seconded by Commissioner Shin, to approve the minutes as presented. Motion passed unanimously (4-0).

5. REPORTS & SUMMARIES

- ESC Calendar/Council Calendar

Ms. Liu reviewed the items on the Council Calendar for April, May, and June. She noted that in April the Advanced Metering Infrastructure (AMI) was presented to Council.

Commissioner Strom asked if the AMI presentation varied greatly from the presentation that the Commission heard last month. Ms. Liu noted it was similar. Commissioner Howe asked how it was received by the Council. Ms. Liu stated there were some questions, and Council gave direction for staff to move forward with submitting a budget proposal for AMI so that it could be considered as part of the budget process. Staff is also planning to conduct customer outreach as part of the budget process. Commissioner Strom asked if the Council specified which option was preferred. Ms. Liu replied there was not specific guidance on that. Staff's recommendation at this point is the standard AMI option with solid state meters, but all options would be evaluated as part of the request for proposal.

Councilmember Slater added that although the two presentations were similar, the Council received a little more detail. Also, at the end of the presentation the feasibility and options were presented in a slightly different way, but were helpful for the Council to make its decision. One of the things that was also discussed was the possibility of having synergies with other departments with the wireless system.

- Conservation & Outreach Events & Volunteer Opportunities

There were no comments or questions regarding this item.

6. NEW BUSINESS

- Summary of On-line Open House & Request Commission concurrence of proposed CIP
Presenter: Pam Maloney, P.E., Water Resources Planning Manager – Engineering

Ms. Maloney stated she was not requesting action, but would be soliciting questions and comments. She recapped the on-line open house which staff felt went well. The web page was up for two weeks. Facebook, Twitter, and emails were used to get people's interest and point them to the web page. As a result there were at least 143 visits to the web page, but likely even more. At least 44 different people responded to the survey on the webpage. Six emails were received, two of which were from commissioners, and the rest were from Mr. Plummer. On Facebook 12,000 people had a chance to see the information. 1240 Utility News subscribers and 1554 City News subscribers had the information sent to them. 1-2% of those people actually clicked and went to visit the website.

Survey Results - There was a lot of support from the public for replacing aging infrastructure before it fails. There was a little less, but still strong support, for projects to support the environment. The least support of the three categories presented was for projects to increase water and sewer system capacity. There were a number of questions about specific CIP projects. Responses to each of those were included in the Summary.

Commissioner Strom commented that it wasn't clear on the website when the survey was closing. It would be helpful to make sure that is noted next time. She also recommended reminding people to take the survey the first time they click on it.

Ms. Maloney mentioned a couple of changes to projects from what she presented earlier. The first change is that the proposal to set aside \$20 million for the acquisition of the North End yard has been pulled. The decision was made to move forward with a study of exactly what's needed and where before requesting budget for acquisition. The second change was to incorporate the replacement of 11,000 feet of AC main in West Lake Sammamish Parkway into the programmed Water Main Replacement Program rather than having two projects.

There were no additional comments or questions.

- 2015-Year End Financial Report
*Presenter: Lucy Liu, Assistant Director – Resource Mgmt. & Customer Svc.
And Martin Chaw, Fiscal manager – Resource Mgmt. & Customer Svc.*

Ms. Liu and Mr. Chaw reviewed the Year End Financial Report for the Water, Sewer, and Storm and Surface Water Utilities. Ms. Liu noted that each utility is treated as a self-supporting enterprise fund. Staff recognizes that the needs of Utilities is very long-term. The City puts aside reserves to achieve financial stability, to have gradual and predictable rate increases over time, and to help protect customers from service interruptions that might otherwise result from unforeseen circumstances or emergency events.

All three utilities ended 2015 in positive financial condition. Consistent with Council-adopted Financial Policies, at the end of 2015-2016 biennium, fund balances that are greater than anticipated will be transferred to the R&R account until the projected R&R account funds are adequate to meet long-term needs. In 2016, staff will continue to focus on using rate revenues in a prudent manner and to operate efficiently. The cost containment measures that were initiated in 2013 remain in place. Staff will continue to focus on identifying and implementing operational efficiency.

Mr. Chaw then reviewed the financial performance of each utility.

Water Utility: There were sufficient operating revenues to meet operating expenses. The ending fund balance ended above budget levels. This was mainly due to service revenues higher than anticipated because of the very warm summer and the resulting higher water sales. Mr. Chaw reviewed a chart showing budgeted versus actual revenues and expenses. Actual revenues exceeded budgeted revenues by about \$8 million. Actual expenses exceeded budgeted expenses by about \$500,000 because of higher taxes the City paid as a result of the higher water sales. In terms of the ending fund balance, the Water Utility ended the year with about \$18.8 million. \$2.6 million is earmarked for the Equipment Replacement Reserve program. The balance

represents Operating Reserves. There will be an assessment to see how much of that can be moved to the R&R program at the end of 2016.

Sewer Utility: The ending fund balance ended slightly higher than budgeted, and service revenues were higher than anticipated. Actual revenues exceeded budgeted revenues slightly because of the additional sewer volumes. Actual expenses were slightly higher than budgeted expenses due to a higher payment to the King County Wastewater Metro program because of the higher amount of wastewater conveyed to that system. The Sewer Utility ended the year with about \$6.4 million in the ending fund balance. The Equipment Replacement Reserve program represented \$2.2 million of that. The remaining \$4.2 million is the Ending Operating Reserves amount.

Councilmember Slatter asked if the Equipment Replacement Reserve would go into R&R. Ms. Liu responded that it would not, but staff will look at the Operating Reserves at the end of the biennium. Any amount above target Operating Reserve levels would be transferred to R&R for long-term capital projects.

Storm Utility: This utility ended with a fund balance above budgeted levels. Revenues ended approximately on budget, and expenditures were slightly under budget due to operational savings. Of the three utilities, this one is the most stable in terms of revenues. The Storm Utility ended the year with about \$5 million in ending fund balance. \$3 million of that is earmarked for the Equipment Replacement Reserve, and \$2 million is remaining for the Operating Reserves.

Mr. Chaw concluded that all three utilities ended the year in a strong financial position. The City is compliant with all Financial Policies with ending fund balances at or above target levels. Staff will continue to focus on operational efficiencies to ensure that resources are being used wisely. There were no additional comments or questions.

- Early Outlook Forecast
Presenter: Lucy Liu, Assistant Director – Resource Mgmt. & Customer Svc. And Martin Chaw, Fiscal Manager – Resource Mgmt. & Customer Svc.

Ms. Liu explained that the Early Outlook Forecast represents a status quo forecast of the rate adjustments that are needed to fund both capital and operational needs for the next six years. The forecasted rates represent the increases that are needed to fund the projected wholesale cost increases. It includes the cost of the capital program Pam Maloney has reviewed with the Commission. It also includes inflationary increases for operations. The rate impact of the Issaquah assumption and the funding needed for the one new initiative (AMI) are also included. The rates will be adjusted to reflect the budget proposals that staff is in the process of developing. Ms. Liu presented the rates projected in 2017 and 2018 for each utility. The typical monthly residential bill for all three utilities is expected to increase by 5.7% or \$8.95 in

2017 and by 4.9% or another \$8.11 in 2018. She explained that the rate is a little higher than previously projected in the 2015 and 2016 budget because of the proposed investment in AMI, the Issaquah Assumption, and higher costs associated with the capital program.

Mr. Chaw then reviewed details of the rate increases for each utility and discussed the rate drivers for each adjustment. The first rate driver is the Issaquah Assumption. The second item is the CIP program. Increases are needed to support the planned CIP. AMI will require a 2% adjustment in water and a 0.7% adjustment for sewer. The next adjustment is for Cascade purchased water wholesales costs which represents about 40% of total costs for the Water Utility. Cascade is forecasting an increase in their costs which will require retail rate increases of about 1.6% in 2017 and 1.7% in 2018. For sewer, King County Metro wastewater treatment expenses represents about 50% of expenditures. King County has forecast an increase in their rates which will require retail rate increases of about 3.4% in 2017 and 3.3% in 2019. In the stormwater program, there is a 1.5% increase in both 2017 and 2018 for the Mobility Infrastructure Initiative. Mr. Chaw reiterated that the overall increase is about 5.7% increase in 2017 and 4.9% in 2018. Ms. Liu noted that aside from the capital program, the increases for the local program are relatively modest. Mr. Chaw noted that the Finance Department has forecast an inflation increase of approximately 2.5% per year.

He then reviewed the impact to typical single-family residential customers. For Water, the increase translates to about \$3.27 in 2017 and \$4.88 in 2018. For Sewer, the increase translates to \$4.67 in 2017 and \$2.08 in 2018. For Storm and Surface Water, the increase translates to \$1.01 in 2017 and \$1.15 in 2018. He then showed the relative position of Bellevue's combined monthly bill for residential, multi-family, and commercial compared to other cities. He pointed out that the billings for the other jurisdictions are presented in 2016 rates as published on their websites while Bellevue's rates are the 2017 amounts. Most likely the other municipalities will also be looking at adjusting their rates in 2017.

Commissioner Strom asked why Bellevue's residential water rates are higher than some of the other neighboring cities. Ms. Liu replied that there is a combination of reasons. Bellevue is in active replacement of its infrastructure. The types of materials in Bellevue's pipes and the age of the system may differ from other jurisdictions. Bellevue also has R&R funds for future infrastructure replacement which will help the rates be even more competitive in the future. Mr. Chaw added that Bellevue purchases its water from Cascade Water Alliance. Some of the other cities do, but some also have their own wells.

Councilmember Slatter commented that Bellevue purchases a block of water from Cascade. She noted that if Bellevue uses less water relative to other cities its costs could be less. She asked if projected savings from the AMI implementation have been incorporated into the rate forecast. Ms. Liu stated

that the impacts of AMI have not been incorporated yet, but those will be evaluated in the next forecast.

Councilmember Slatter asked why the Issaquah Assumption is only noted as a driver for one year. Ms. Liu explained that the revenue impact will be a permanent impact, but once the rate is increased it will continue to cover that impact.

Councilmember Slatter asked what the total monthly rate increase would be for all utilities for the average residential customer. Ms. Liu noted that it would be \$8.95 a month in 2017 or about \$107 a year. Councilmember Slatter stated that it would be helpful for the Council to have the AMI savings information included.

Ms. Liu stated this forecast was shared with Council in March as part of a budget workshop. Council indicated an interest in looking at some optional rate increase scenarios to smooth rate increases even further within the six-year forecast period including looking at options of borrowing from R&R. Staff will be developing some different rate options for Council to consider and will be sharing those with the Commission. She reiterated that staff has received direction from Council to move forward with the AMI budget proposal.

Commissioner Strom asked what the purpose of the customer outreach is. Ms. Liu stated that AMI is a big investment, so the City wants to do outreach to customers. Councilmember Slatter stated she had recommended outreach because she thought it would be valuable for ratepayers to be educated on AMI. She solicited Commission feedback to take back to the Council. Commissioner Shin agreed it was important to educate the public on the reason for the increases since they are so significant. Commissioner Swenson suggested creating some sort of demonstration showing the costs and benefits in a graphic manner. Ms. Strom agreed and suggested presenting this at fairs and festivals so people can visualize it. There was also discussion about presenting this at shopping centers, farmers markets, Rotary, and neighborhood associations also. Ms. Liu commented that these were great suggestions. Councilmember Slatter asked about getting schools involved. Commissioner Shin noted that science fairs might be a good way to get involved. Councilmember Slatter suggested that it might be helpful to contact other cities that have AMI to find out how they did it and what questions they encountered. Commissioner Strom suggested a Facebook posting like the City did for the open house. Ms. Liu thanked the Commission for the suggestions.

Ms. Liu explained that staff's next step is to develop budget proposals. She reviewed the 2017-2018 Budget Review Schedule. She asked the Commission to consider having a second meeting May in order to stay on track with the schedule. If so, the meetings would be on May 5 and May 19. Commissioner Shin indicated she will already be gone for the next two meetings. If there is a second meeting in May she will end up missing three meetings.

Commissioners Howe, Strom, and Swenson all indicated they would be available if needed. Ms. Liu stated staff would go ahead and put both May meetings on the ESC calendar.

7. COMMISSION REPORTS

None

8. DIRECTOR'S OFFICE REPORT

None

9. CITY COUNCIL COMMUNICATIONS

Councilmember Slatter welcomed comments from Commission on the budget process. She emphasized that the Council will be balancing a lot of important items on the budget this year. The more understanding that she has and can relay to Council, the more helpful it will be to help the Council find the best budget possible.

10. CONTINUED ORAL COMMUNICATIONS

None

11. ADJOURNMENT

Motion made by Commissioner Howe, seconded by Commissioner Shin, to adjourn the meeting at 7:48 p.m. Motion passed unanimously (4-0).

The meeting was adjourned at 7:48 p.m.

2016 Environmental Services Commission Calendar

April 16

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May

- 5 Utilities Budget Proposals
(Lucy Liu/Martin Chaw)
- 19 Utilities Budget Proposals
(Lucy Liu/Martin Chaw)

June

- 2 BSC Tour & location for meeting at BSC
ESC Budget Proposal Recommendations to Results Teams (Lucy Liu/Martin Chaw)

July

- 7 CIP Tour

August

- 4 Recess

September

- 1 Preliminary Rates Forecast
(Lucy Liu/Martin Chaw)
Rate & Tax Relief Program Overview (Susan/Patricia)

October

- 6 Asset Management Update
(Andrew/Andy)
Stream Team Annual Overview (Laurie Devereaux)

November

- 3 ESC Budget/Rate Recommendations to Council (Lucy Liu/Martin Chaw)
Public Hearing on Proposed Utilities Budget (Lucy Liu/Martin Chaw)

December

- 1 Retreat

January

- 5 Recap final Council adopted Budget & Rates (Lucy Liu)

October 16

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2016 Council Calendar

April 16

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May

- 16** Consent: Motion to award AC Main Replacement 2016 Phase 1 (Regan/Paul)
 Consent: Resolution authorizing Execution of CHS Construction Contract for Storm Trenchless Repair 2016 (Regan/Paul)
 Study Session 2016 Water system Plan (Pam/Doug/ Paul)
 Utilities Field Mobility - Interloc Contract (Joe)

- 23** Water Utilities Update (Nav)

June

- 6** Consent: Motion to award Meydenbauer Bay Park Sewer Line Replacement & Grange PS Insp Contract (Regan/Paul)
 Consent: Resolution 2016 Water System Plan (Paul/Pam/Doug)

July

- 25** Regional Issues: Cascade Presentation Water Resiliency, Budget & Rates (Alison)

November

- 14** Tentative Utility Budget & Rates (Lucy/Nav)

October 16

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Utilities' Environmental Communications & Outreach Events and Volunteer Opportunities

May

- 1. Waterwise Garden Volunteer Work Party**
Location: Bellevue Botanical Garden
Date: May 4th & 18th, 1 pm to 3 pm
Staff: Patricia Burgess, x4127, pburgess@bellevuewa.gov
Karren Gratt, x6166, kgratt@bellevuewa.gov
- 2. Spring Special Recycling Collection Event**
Location: Bellevue Presbyterian Church, 1717 Bellevue Way NE
Date: May 7th, 9 am to 3 pm
Staff: Elaine Borjeson, x7103, eborjeson@bellevuewa.gov



June

- 1. Waterwise Garden Volunteer Work Party**
Location: Bellevue Botanical Garden
Date: June 1st & 15th, 1 pm to 3 pm
Staff: Patricia Burgess, x4127, pburgess@bellevuewa.gov
Karren Gratt, x6166, kgratt@bellevuewa.gov





- Action
 Discussion
 Information

Date: April 28, 2016

To: Environmental Services Commission

From: Nav Ota, Utilities Director
Lucy Liu, Assistant Utilities Director – Resource Management and Customer Service
Martin Chaw, Fiscal Manager – Resource Management and Customer Service

Re: **2017-2018 Utilities Biennial Budget Proposals**

Action Required

No action by the Commission is required at this time. This is an informational briefing.

Background

On May 5, staff will review with the Commission the following items:

- Utilities proposed 2017-2018 Operating budget proposals and proposed 2017-2023 CIP budget proposals.

Copies of the above will be provided under separate cover prior to the May 5 meeting.