

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

Thursday
March 1, 2018
6:30 p.m.

Conference Room 1E-113

Bellevue, Washington

COMMISSIONERS PRESENT: Diann Strom (Chair), Sanjay Kumar (Vice Chair), Vanja Knezevic, Aaron Morin, Lisa Schreiner

COMMISSIONERS ABSENT: Anne Howe, Gregg Takamura

OTHERS PRESENT: Andrew Lee, Deputy Director; Paul Bucich, Water Resources Planning Manager Don McQuilliams, Regulatory Compliance Manager; Jared Nieuwenhuis, Council Liaison; Lucy Liu, Assistant Director – Resource Management & Customer Service; Martin Chaw, Fiscal Manager

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

The meeting was called to order by Chair Strom at 6:30 p.m.

2. APPROVAL OF AGENDA

The agenda was approved unanimously.

3. ORAL AND WRITTEN COMMUNICATIONS

None

4. COMMUNICATIONS FROM CITY COUNCIL, COMMUNITY COUNCIL, BOARDS AND COMMISSIONS

Councilmember Jared Nieuwenhuis gave an update of key topics from the last City Council meeting including:

- An update regarding the Neighborhood Safety, Connectivity, and Condition Levy
- Acquisition of Fire Station 10 property
- Update from Police Chief on gun violence, mental health, and school safety

5. STAFF REPORTS

Deputy Director Lee had the following comments:

- Staff is fully involved in the budget process. More about that will continue to come to the ESC.
- He gave a brief report on the Intelligent Water Summit that he attended in Washington D.C. which was put on by the Water Research Foundation.
- There are two large projects which will be starting soon – NE 8th Street Culvert Replacement Project and the Coal Creek Culvert Replacement.

6. APPROVAL OF MINUTES

February 1, 2018 Regular Meeting Minutes

Motion made by Morin, seconded by Commissioner Kumar, approve the minutes as presented. Motion passed unanimously (5-0).

7. REPORTS & SUMMARIES

Deputy Director Lee directed attention to the information in the Commission packet covering conservation and outreach events and volunteer opportunities.

8. UNFINISHED BUSINESS

None

9. NEW BUSINESS

- Emergency Planning Response Program
Presenter(s): Don McQuilliams, Operations Manager

Mr. McQuilliams introduced the Emergency Planning and Response Program. He explained that staff is seeking feedback on the structure of the project. He distributed samples of the Emergency Response Plan (AKA “The Redbook”) – Volumes 1 – a handbook for staff that addresses where and how to respond to an emergency, roles and responsibilities, staff contact and equipment lists, and maps; and Volume 2 – Scenario response plans for major events. The heightened level of effort is due to recent disasters, an internal review of tabletop exercises, and increased responsibility and expectations.

Project Elements include:

- Training – one time, ongoing, and tabletop exercises
- Emergency response Plan (Redbook) updates
- Communication during a response sized for event

- Utilities Emergency Management Team – review of roles and responsibilities
- Mutual Aide Agreements – with other entities and using vendors

Mr. McQuilliams gave an update on the current status of the project. The project charter has been approved; the Project Management Plan has been prepared; and the workload breakdown structure has been prepared. The project team has been meeting. Additionally, the SharePoint site is up and running. Over the next couple months the team will develop their portions of the program. Staff hopes to come back to the ESC in the fall. He reviewed a handout of the Work Breakdown Structure for each element.

Questions/Comments: None

- Utilities Finances 101
Presenter(s): Lucy Liu, Assistant Director – Resource Management & Customer Service
Martin Chaw, Fiscal Manager

Assistant Director Liu and Mr. Chaw reviewed sources of revenue, how utility rates are made, and uses of utility revenues. Some key challenges of utilities business are that utility services are “out of sight, out of mind”; services are not scalable; fixed costs; long-term operating horizon; and the need for competitive rates. Utilities is an enterprise function. By law each utility must be financially self-supporting with rates being the primary source of funding.

Rates are developed to provide sufficient funding for operational and capital infrastructure needs in order to continue service delivery. Examples of operational costs include: sewage treatment, water supply, field crew, customer service & billing functions, taxes, and support service payments. Capital oi costs include construction and maintenance of infrastructure such as: pipes, reservoirs, pump stations, pressure zones, storm drains, and manholes. Council-adopted policies guide rates. The key financial policies include taking care of what we have by setting rate levels sufficient to fund current and future expenses, passing through wholesale costs so local programs are not degraded, gradual and uniform rate increases, and saving for future infrastructure needs.

Mr. Chaw reviewed Water, Sewer and Stormwater revenues in 2017 by customer class. He also explained that utility rates pay for protecting the infrastructure (28%), maintaining and operating the utility (19%) and financial obligations such as taxes/support services, purchased water, and wastewater treatment (53%).

Factors that can drive up costs include wholesale cost increases, system failures, new regulations, water quality requirements, inflation, growth, customer expectations and demographics, and catastrophic events. Cost trends from 2007-2018 show that wholesale METRO wastewater treatment costs increase on average about 4.3% per year. Costs from Cascade Water Alliance have increased on average about 5.4% per year. Operations have increased on average about 4.7% per year. The Taxes and Interfunds costs have increased on average about 4.2% per year. CIP costs have increased on average about 10.1 % per year. Rate increases are necessary to keep pace with increasing business costs.

Commissioner Kumar asked for benchmarks associated with the increasing volume in the number of residents in the area. Mr. Chaw explained that customer growth is very small. Most of the cost increase is due to increases in service needs such as infrastructure or general cost inflation. Over this 2007-2018 period inflation averaged about 2.5% per year. In 2017 it was about 3%. Assistant Director Liu added that Bellevue invests in its system. The City is actively replacing infrastructure and trying to put away funds for future infrastructure replacement.

Commissioner Morin asked if the City is replacing infrastructure as quickly as it is aging or if it is falling behind. Mr. Chaw replied that for Water system the City is reaching a sustainable rate of replacement of about five miles a year. For Sewer and Storm the replacement level is much lower at about a mile a year for Sewer and we've not started systematic replacement in Storm. Deputy Director Lee added that construction inflation has averaged about 8% per year which is faster than the general inflation rate.

Commissioner Kumar asked if the rate of increase for the wholesale costs is expected to continue. Assistant Director Liu stated wholesale costs are expected to continue. A more significant increase is expected from Cascade in the next two years. Beyond that, Cascade is forecasting about a 3% increase per year. Metro is forecasting a 3.7% increase for 2019.

2017-2018 Adopted Utility Rates were reviewed. Mr. Chaw emphasized that Bellevue's rates are competitive with other local jurisdictions such as Seattle, Mercer Island, Kirkland, Issaquah, Redmond, and Renton. Since Bellevue is putting money away for future expenses, it is expected that rates will remain competitive into the future. The City is conducting cost of service studies for the sewer and storm utilities right now and will bring those results back to the ESC later in the year.

- CIP Update 2019-2025: Review Proposed Changes & Additions to the CIP

Presenter(s): Martin Chaw, Utilities Fiscal Manager

Paul Bucich, P.E. – Water Resources & Planning Manager

Mr. Bucich reviewed proposed changes to the CIP along with the drivers for those changes. There are no major policy changes this year. He reviewed the role of the ESC in the CIP update process. He explained that the ESC would review capital and operating budget proposals, review budget notebooks with rate proposals, hold a public hearing, and provide budget and rate recommendation to the Council. He reviewed the tentative 2019-2020 Budget Review Schedule. The intention is to hold an online open house from March 15-31.

Chair Strom asked staff to make sure that the notice about the open house is posted on Next Door and that it is also provided to the Bellevue Diversity Advisory Network. Mr. Bucich affirmed that it would.

Major change drivers include: schedule changes, revised estimates, scope changes, and new projects.

Water CIP

- W-16: AC Main Replacement – added design/construction funds to Phase 3 2023 program; added design funds to Phase 2 2023 program; and added new projects in 2024 and 2025
- W-67: PRV Replacement – eliminated PRV replacement in 2019, eliminated PRV replacement design and construction in 2019/2020, and added projects in 2024 and 2025
- W-69: Minor Capital Improvements – shifted work on service lines to balance workload; increased funding to install PRV's to increase three pressure zones to satisfy health department and customer concerns; dropped two projects no longer needed, added costs to expand pressure zone on WL Sammamish 2019; and initiated valve replacement project starting in 2021
- W-82: Fire Hydrant Standardization – accelerated/shifted work to 2019 from 2020 for cost efficiencies; reassessed costs to complete work and shifted work from 2020 to 2019; added overlay work in 2020. This will finish replacement of 14 two-port hydrants.
- W-85: Reservoir Rehab or Replacement – moved Somerset 1 to allow more time for design/permitting; delayed Pikes Peak to accelerate Cherry Creek Pump Station; delayed start of reservoir rehab sites 2 and 3 to balance workload, recosted Pikes Peak reservoir based on alternatives analysis; added new future reservoir; added coating of reservoirs, one per year

Chair Strom asked about the timing on the new future reservoir. Mr. Bucich replied it would be in 2024-25. Chair Strom asked what area it would serve. Deputy Director Lee explained it would be replacing an existing reservoir, but staff was not sure which one yet. That will be determined in the future through a prioritization process. The outcome of the seismic study which is currently being conducted will impact that prioritization.

- W-91: Water Pump Station Rehab –accelerated two pump stations, delayed two pump stations, added infrastructure improvements necessary to accomplish selected solution to Pikes Peak Reservoir/Pump Station work; recosted all solutions; incorporated recommendations from 2016 MSA PS evaluation; added NE 40th 670 PS starting in 2024
- W-98: Large Commercial Meter Vault Replacement – reduced number of commercial meter replacements based on number remaining, down from four to one per year; design costs for 2020-23 covered by 2018; added new design dollars in 2023/2024 and construction dollars in 2024 and 2025
- W-99: Service Line and Saddle Replacement – reduced the budget in 2019 to balance work load and added new projects in 2024 and 2025
- W-103: Reservoir Storage for Downtown – NE 8th Street transmission main costs were increased to account for upsizing of pipe to 16”
- W-110: NE 40th and Enatai Inlet – recosting based on alternatives evaluation work

Major changes in the Water CIP:

- Cherry Crest Pump Station
- Pikes Peak Pump Station and Reservoir
- Enatai Inlet Station
- NE 40th Street Inlet Station
- Increased costs for NE 8th Street Transmission Main Improvements
- Shift to CIP on reservoir recoating projects
- Expand pressure zone along West Lake Sammamish

Sewer CIP

- S-16: Sewage Pump Station Improvements – 2015 MSA report resulted in revised costs estimates for 15 pump stations and different priorities for rehabilitation based on site assessment; added four stations to 2024 and 2025
- S-24: Sewer System Trunk Rehab – scheduled design work in 2018 was cancelled along with attendant construction costs in 2019 to balance workload; added new sewer rehab projects in 2024 and 2025

- S-32: Minor Capital Improvements – shifted two projects from 2017/18 to 2019/20; added new budget for future minor projects in 2024 and 2025
- S-59: On Site Power – program has been evaluated for alternative management strategies; assessment resulted in elimination of permanent on-site power generation; program is no longer needed after 2018
- S-61: MidLakes Pump Station – delayed construction due to evaluation/engineering; recosting based on final design and engineers estimate; added \$10K per year 2020-2024 for minor vegetation monitoring
- S-66: Sewer System Pipeline Replacement Program – major changes surround additional engineering evaluations on sensitive sites; delays due to permitting, increased costs based on site constraints; final selection of alternative to system serving Newport Shores; opportunistic addition of forcemain replacement in West Lake Sammamish Parkway, added new future projects in 2024 and 2025 as placeholders
- S-71: Sewer Lake Lines – The City has been conducting an assessment of the condition of the sewer lakelines. The lakeline around Medina was identified as being in poor shape and needing replacement.

Commissioner Morin asked when the lakelines were built. Staff indicated that the portion under discussion was built in the early 60's. Commissioner Morin asked if it is generally expected that the lakelines have a shorter lifespan than other sewer pipes. Staff indicated that it depends on the type of material used and the specific location details.

Misc. Sewer Program Changes – minor changes

- S-58: Sewer Lake Line Replacement – added funding to expand public outreach during investigation
- S-60: Wilburton Sewer Capacity Upgrade – recosting of monitoring costs
- S-67: I&I Investigations and Flow Monitoring – shifted work from 2020 to 2019

Major Changes for Sewer CIP

- Alignment of sewer pump station work and costs based on consultant evaluation work
- Add funds to complete Lake Washington Lakeline Replacement Study
- MidLakes Pump Station
- Newport Shores Sewer Line improvements

- Lake Hills Pump Station 12 Forcemain
- Lakeline Replacement Assessment Evergreen Point Area

Stormwater CIP

- D-59: Minor Stormwater Capital Improvements – Shifted two projects to 2020/21 and increased costs based on assessment; increased costs to repair project and to account for monitoring costs; added new future projects in 2024/2025
- D-64: Infrastructure Rehab – Minor changes to projects delivery schedules and funding; added projects for 2024/2025
- D-81: Fish Passage Improvements – shifted projects in time to account for Stream Initiative; increased monitoring costs as needed; shifted future project into 2025/2025
- D-86: Stream channel Modification – delayed four habitat improvement projects – Stream Initiative; increased monitoring costs based on permit requirements; recosted Glendale GCC; added investigative study for Ardmore Creek erosion issues (2019/2020); added funds for monitoring in 2024/2025; added new project start in 2025
- D-94: Flood Control Program – shifted Valley Creek at NE 21st to 2021/2023; eliminated three projects that were not needed; reduced three projects to studies only; budgeted for future projects
- D-106: Lower Coal Creek Flood Hazard Reduction Phase 1- increased costs based on site investigations and planned work; added costs for monitoring of all five sites – increased monitoring
- D-109: Stormwater Quality Retrofit – increased scope for 2nd pilot project construction; cost recovery from KC waterworks grant; added monitoring funds in 2020

Misc. Program Changes – minor changes:

- D-103 Replace Coal Creek Parkway Culvert
- D-104 and D-104B, Stream Restoration for M&I – recosting monitoring costs for regional pond restoration
- D-105 Replace NE 8th Street Culvert at Kelsey Creek – recosting for long-term monitoring

Questions:

Chair Strom asked if the “new projects” listed under some of the items have been identified. Mr. Bucich explained they are currently placeholders, but they will be identified. Chair Strom asked about the status of AMI. Deputy Director Lee explained they are still in the midst of contract negotiations.

10. CONTINUED ORAL AND WRITTEN COMMUNICATIONS

David Plummer, 14414 NE 14th Place, Bellevue, WA 98007, had the following comments:

- He requested that staff distribute the handouts well in advance of the meetings so the public can have time to prepare coherent comments.
- He referred to one of the charts regarding the utility rates and pointed out that for 9 out of 16 years the City's revenues exceeded expenses in the Utility Department. He suggested that this indicates the rates are too high.
- He asked where the capital recovery and connection charges are shown as an income stream.
- He asked the Commission to ask the staff to develop a detailed discussion or report showing what items cost and how the rates are actually computed.
- He asked why the AMI system wasn't included in the CIP presentation.
- He asked for more information about the escalation and inflation rates.
- He suggested that the Commission ask staff for some options to reduce the growth in the CIP budget.

11. REVIEW OF ESC CALENDAR/COUNCIL CALENDAR

Deputy Director Lee reviewed the ESC and Council Calendar. He noted that the AMI topic continues to slide because staff is still in contract negotiations. In April the City will hold the online CIP open house.

He responded to some of Mr. Plummer's comments regarding inflation and escalation. He also explained that the recovery and connection charges are part of the revenue stream. He offered to have Assistant Director Liu come back to discuss that when she comes back with the rate proposals. He also discussed how Utilities approaches creating a responsible budget and rates. Regarding revenues exceeding expenses, he explained that the excesses are captured as reserves and taken into account for the new set of rates.

12. ADJOURNMENT

Motion made by Commissioner Morin, seconded by Commissioner Schreiner, to adjourn the meeting at 8:47 p.m. Motion passed unanimously (5-0).

The meeting was adjourned at 8:47 p.m.