

Agenda

ENVIRONMENTAL SERVICES COMMISSION MEETING

450 - 110th Avenue NE (City Hall)
Conference Room 1E-113
Thursday 6:30PM
April 7, 2016
Regular Meeting

		<u>Page</u>	<u>Action</u>
Commissioners:	1. Call to Order – Keith Swenson, Chair		
<i>Keith Swenson</i> <i>Chair</i>	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> <i>Vice Chair</i>			
<i>Anne Howe</i>	3. Approval of Agenda *	1	X
<i>Ticson Mach</i>	4. Approval of Minutes *		
<i>Aaron Morin</i>	• Regular Meeting Minutes March 3, 2016	2-12	X
<i>Lisa Shin</i>	5. Reports & Summaries		
<i>Diann Strom</i>	• ESC Calendar/Council Calendar *	13-14	
	• Conservation & Outreach Events & Volunteer Opportunities	15	
	6. New Business		
City Council Liaison:	• Summary of on-line Open House & Request Commission concurrence of proposed CIP <i>Presenter: Pam Maloney, P.E., Water Resources Planning Manager – Engr. Division</i>	16-17	
<i>Vandana Slatter</i> <i>Councilmember</i>	• 2015 Year End Financial Report <i>Presenter(s): Lucy Liu, Assistant Director – Resource Mgmt. & Customer Svc. and Martin Chaw, Fiscal Manager – Resource Mgmt. & Customer Svc.</i>	18-25	
Staff Contact:	• Early Outlook Forecast <i>Presenter(s): Lucy Liu, Assistant Director – Resource Mgmt. & Customer Svc. and Martin Chaw, Fiscal Manager – Resource Mgmt. & Customer Svc.</i>	26	
<i>Andrew Lee</i> <i>425-452-7675</i>			
Staff Support:			
<i>Katie LaFree</i> <i>425-452-4497</i>			
	7. Commission Report		
	8. Director's Office Report		
	9. City Council Communications		
	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
March 3, 2015
6:30 p.m.

Conference Room 1E-112
Bellevue City Hall
Bellevue, Washington

COMMISSIONERS PRESENT: Chair Swenson, Commissioners Howe, Mach, Morin, Strom, and Wang

COMMISSIONERS ABSENT: Shin

OTHERS PRESENT: Andrew Lee, Deputy Director; Pam Maloney, Water Resources Planning Manager - Engineering; Lucy Liu, Assistant Director – Resource Mgmt. & Customer Service; Martin Chaw, Fiscal Manager – Resource Mgmt. & Customer Service; Councilmember Vandana Slatter

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

The meeting was called to order by Chair Swenson at 6:35 p.m. who welcomed Councilmember Vandana Slatter, the Council liaison, to the ESC.

2. ORAL COMMUNICATIONS

Betsy Hummer, 14541 SE 26th Street, Bellevue, WA, representing the East Bellevue Community Council (EBCC), spoke regarding the East Bellevue Community Council's disapproval of a PSE application for a conditional land use permit and shoreline conditional use permit. The East Bellevue Community Council found that it violated a number of ordinances and city policies, especially the Urban Boulevards Initiative. PSE argued that the EBCC doesn't have jurisdiction over shorelines. Ms. Hummer argued that the EBCC is very interested in the shorelines as well as protecting the area's wetlands and park areas. Ms. Hummer stated she is happy that the City will be improving Kelsey Creek. She asked that Utilities staff and the ESC keep the East Bellevue Community Council informed and in the loop. Ideally, she would prefer a courtesy public hearing on the topic.

Commissioner Wang asked about the latest on the appeal by PSE. Ms. Hummer stated that a vote was necessary, but said she wasn't able to say much more than that.

3. APPROVAL OF AGENDA

Motion made by Commissioner Morin, seconded by Commissioner Howe, to approve the agenda as presented. Motion passed unanimously (6-0)

4. APPROVAL OF MINUTES

- **February 4, 2016**

Motion made by Commissioner Howe, seconded by Commissioner Strom, to approve the minutes. Motion passed unanimously (6-0)

5. REPORTS & SUMMARIES

- **ESC Calendar/Council Calendar**

Deputy Director Lee reviewed the ESC Calendar. He noted that today there would be a couple presentations on the budget, the CIP (Capital Investment Program), financial policies, and Advanced Metering Infrastructure. The meeting next month will primarily focus on the budget. He then referred to the Tentative Council Calendar and noted that the Water System Plan adoption item has been delayed until April.

- **Conservation & Outreach Events & Volunteer Opportunities**

Deputy Director Lee reviewed the Conservation & Outreach Events & Volunteer Opportunities.

6. NEW BUSINESS

- **Utility CIP Update**
Presenter: Pam Maloney, P.E., Water Resources Planning Manager – Engineering Division

Ms. Maloney reviewed the proposed changes to the Utility CIP. She noted that the open house would be online between mid-March and April 1st in hopes that more people will participate than usual. Staff will not be holding the standard 1-hour open house. Chair Swenson asked if the online open house would be interactive. Ms. Maloney stated that people would have the opportunity to leave comments or questions, and staff will respond. Commissioner Strom requested that the City post it on www.nextdoor.com.

Ms. Maloney reviewed a proposed change to S-58 which is the project to assess the condition of the sewer lakeline that runs along the shoreline of Lake Washington. The City is proposing to add \$150,000 to that budget so that

there is enough money to do a high level analysis of replacement needs. This change should be added to those proposed last month.

Water

Ms. Maloney then oriented the Commission to the other spreadsheets she had distributed covering the 2017-23 Utilities CIP and reviewed highlights of the proposed Water CIP.

Councilmember Slatter referred to the difference between the adopted budget and the proposed changes. She asked if the variance is a typical variance. Ms. Maloney explained that staff knows generally how much will be needed for the budget and tries to estimate it accurately over the years. However, as it gets closer to the actual project sometimes costs go down, and sometimes they go up. She explained that Utilities has an asset management system which staff is utilizing to have more accurate forecasts.

Commissioner Morin referred to the AMI and asked about the urgency. Deputy Director Lee explained that rapid deployment is seen as a business opportunity to realize the economic benefit. He offered to discuss this more during his presentation later in the meeting.

Sewer

Ms. Maloney pointed out the proposed changes to the CIP totaling about \$2.9 million is for existing projects. The biggest change is for S-66 (\$2.7 million), the Sewer Pipeline Replacement Program, because a couple of really big pipeline problems have been discovered that need to be addressed. This program will need to grow like the AC Water Main Replacement Program has been growing over the last decade. The Asset Management program is looking at what will be the appropriate levels for the next several years, and will likely bring that forward in the next budget cycle.

Chair Swenson commented that Seattle is facing issues with failing concrete pipes on side sewers, but in Seattle private individuals are responsible for the maintaining the pipes running from their house to the connection with the city main sewer, even under sidewalks and city streets. Ms. Maloney agreed, and mentioned that Bellevue has a program called S-67 which is for investigation of inflow and infiltration into the sewer system. A lot of time excess flow is from leaky side sewers. If so, the City investigates the responsible way to get that water out. This may be a private ownership issues or it may be a public ownership issue. Deputy Director Lee commented that side sewers often age sooner than the sewer mains. The fact that the City of Bellevue owns the part of the sewer that is under the right-of-way under the concrete road is hugely beneficial to Bellevue property owners.

Ms. Maloney continued to explain that there are \$18.9 million in proposed new investments to Sewer. This is for 50% of the AMI project and a third of the property acquisition for the North End Yard.

Commissioner Wang asked why Sewer would be responsible for paying for AMI. Deputy Director Lee explained that sewer charges for rate payers are also based on water consumption with the assumption that the majority of water being used is actually going down the drain. Therefore, the water metering costs are split 50/50 between Sewer and Water.

Storm

Ms. Maloney reviewed the fairly modest increase of \$1.5 million for existing projects for the Minor Storm CIP Program and to respond to stream mitigation requirements to satisfy Permit requirements associated with the Alcove Creek culvert. Spending will also begin on money set aside for Stream Restoration for the Mobility & Infrastructure Initiative as a result of development, in the Bel-Red corridor.

Commissioner Mach referred to the Fish Passage Improvement Program and said he thought the City already did work in Alcove Creek. Ms. Maloney agreed and said the Alcove Creek project was done because of the condition of the culvert. Initially the City was required to make this a fish passable culvert, but the creek didn't go anywhere so it made more sense to do the mitigation somewhere else. Muckleshoot Tribes supported that position. Therefore, the Fish Passage Improvement Program is a new project to benefit fish passage. It is mitigation for Alcove Creek, but it is not on Alcove Creek.

Ms. Maloney then reviewed new investments in Storm Water including Storm Water Quality Retrofit in Kelsey Creek to try to clean up storm water runoff coming off high traffic streets for \$340,000. Staff expects this to be grant eligible. The other new investment is the one-third of Land Acquisition for North End Yard.

Commissioner Mach referred to his earlier comment and asked for clarification about the mitigation project being an "increase". Deputy Director Lee commented that the overall mitigation cost would increase due to the mitigation being done at another site. Additionally, there was not money set aside for the mitigation previously because the City didn't know it needed to be done. Overall, this will cost less than trying to make the Alcove Creek culvert fish passable. Commissioner Mach suggested that this could be explained a little better in the comments.

Commissioner Strom asked if Kelsey Creek is fish passable. Ms. Maloney replied that it is for much of its length, and the City wants to keep it that way. The problem with Kelsey Creek is not always a physical barrier, but the water

quality as a result of street runoff. Deputy Director Lee clarified that there are portions of Kelsey Creek where there are culverts or other barriers that pose some constraints, but fish can still get up them under certain conditions. Some of those culverts will be replaced to facilitate improved fish passage.

Chair Swenson asked if street runoff in this situation refers to the whole combination of urban runoff. Deputy Director Lee explained it is the whole cocktail of chemicals coming from public and private lands running off into creeks.

For the sake of perspective, Ms. Maloney summarized that if Storm rates were raised 1% in 2017 it would generate about \$200,000 per year. If Sewer rates were raised 1% it would generate about \$545,000 a year. A 1% increase in Water rates would generate about \$390,000 per year. In response to a previous question by a commissioner, Ms. Maloney explained that the inflation forecast that is being used is WSDOT's hybrid model which is about 2% per year.

Commissioner Wang asked about a precedent for having online open houses. Ms. Maloney explained that other agencies have done it. She noted that the City would send out emails, provide notices on Facebook and other social media, and use other methods for advertising the online open house. Commissioner Strom commented that she has hosted many online open houses and they tend to be very popular. Commissioner Mach suggested working with the school district to advertise the open house through their emails.

- 2017-2018 Budget Process Overview
Presenters: Lucy Liu, Assistant Director – Resource Mgmt. & Customer Service & Martin Chaw, Fiscal Manager – Resource Mgmt. & Customer Service

Asst. Director Lucy Liu and Fiscal Manager Martin Chaw introduced the topic of the budget process, the role that the Commission plays in reviewing the Utilities budget and rates, and the budget review schedule.

Martin Chaw explained that the budget process for the 2017-18 will very closely follow the Budget One process that the City has gone through in previous years and will utilize six budget outcomes. The budget process also includes the use of Results Teams which are made up of interdepartmental representatives who are designated to evaluate and rank all the budget proposals. The makeup of the membership of the Results Teams changes with each budget cycle. Asst. Director Liu explained that the Results Teams' job is to wear a citizen's hat. Councilmember Slatter spoke in support of the Results Teams process.

Mr. Chaw further reviewed the Results Teams process. He explained that the Results Teams describe the desired outcome, factors that contribute to outcome, strategies that influence outcomes, and performance indicators to gauge if results are achieved.

The budget proposals will include capital and operating costs; a clear relationship with outcome; and costs and benefits of each proposal. During this process the role of the ESC will be to receive preliminary briefings, review proposed CIP programs and projects; review operating and capital proposals; provide proposal recommendations to the Results Teams; review the budget and rate proposals; hold a public hearing; and provide budget and rate recommendations to Council. He reviewed the overall budget calendar and pointed out that during the spring and early summer the ESC will complete review of the budget proposals and prepare recommendations for the Results Teams. In the summer and fall the ESC will have the opportunity to hold a public hearing, and then make a recommendation to the Council who will adopt the budget in December.

Commissioner Wang asked if staff will hold an online hearing for the budget. Assistant Director Liu explained that for the budget the plan is to have a traditional hearing, but the City may end up having both if there is meaningful involvement with the online CIP public hearing. Commissioner Wang was skeptical that the online public hearing would be useful due to the delay in response time. Asst. Director Liu explained that staff will try the online open house for the CIP and see how it works and then use that to inform the next process. Deputy Director Lee suggested that staff may hold an online hearing in addition to the physical hearing if there is a good response with the CIP online hearing.

Councilmember Slatter acknowledged that there would be a difference in comfort levels with an online hearing between different demographic groups. She added that a third option at some point might be a telephone town hall type meeting.

- Waterworks Financial Policies

Presenters: Lucy Liu, Assistant Director – Resource Mgmt. & Customer Service & Martin Chaw, Fiscal Manager – Resource Mgmt. & Customer Service

Assistant Director Liu explained that the City needs financial policies because Utilities operates as a business enterprise within the City structure. Each utility is required to be financially self-sufficient. In addition, there is a very long financial planning horizon. Three categories of financial policies are rates, reserves, and capital investments. Utilities is primarily funded by rates (90%). The other 10% includes other revenues like connection fees or interest

on reserves. Without rate increases there would be a growing gap between revenues and expenditures.

Mr. Chaw reviewed the key financial policies. He explained that one of the key policies is around rates and rates management. Financial policies dictate that rates and rate levels are based on current and future expenses; that rates are gradual and uniform; that rates include a pass-through of wholesale costs; and how savings/one-time revenues are used. Financial policies related to rate management include consideration of the frequency of rate increases, periodic review of rate structure-cost of services, rate equity, rate uniformity, and rate assistance.

Councilmember Slatter asked about the difference between *rate equity* and *rate uniformity*. Assistant Director Liu explained that the concept of rate equity is to make sure rates are equitable across different classes of customers based on the cost of providing service to them. Rate uniformity says that the City will charge customers within the same class the same rate for the same level of service.

Commissioner Morin asked about the meaning of *gradual and uniform*. Assistant Director Liu explained that the City tries to make its local portion of the rates predictable to avoid rate spikes.

Mr. Chaw reviewed the 2016 Budgeted Year End Reserves. He discussed the different types of reserves and the purpose of each. Chair Swenson asked how much of the increase in rates is actually attributable to Cascade Water Alliance and Metro. Assistant Director Liu explained that those are pretty significant drivers. In 2015 there was a 5.2% rate increase in Water. Of that 1.8% was driven by Cascade's wholesale costs. In 2015 the Sewer rate increase was 6.5% and 4.8% of that was driven by increases for wastewater treatment.

- AMI Feasibility Study
Presenter: Andrew Lee, Deputy Director – Utilities

Deputy Director Lee reviewed the background on Advanced Metering Infrastructure (AMI) 2016 Feasibility Study. He noted that Bellevue City Council has adopted a vision statement embracing the Smart City concept. Staff has been tasked to develop a Smart City strategy. Bellevue's drivers for becoming a Smart City are livability, sustainability, and resiliency. Water fits into this Smart City Vision. AMI will allow the City to communicate data to customers more effectively. The existing meter reading program is completely manual. Five FTE's spend 55% of their time meter reading. The meter reading accuracy is excellent. Meter reads are stored in data loggers which are downloaded into the City's system. Each meter is read once every two months.

He then reviewed challenges with current meter reading program. There currently is no real-time meter reading data so there is a potential for long periods before leak detection resulting in high water bills. A significant increase in labor would be necessary to modify billing frequency. Customers are unable to self-monitor meter information. Aging meters actually reduce the amount of flow recorded over time. This can result in inequity for customers.

Electronic meters transmit water consumption readings throughout the day. Receiving stations collect data and transmit readings to the billing system computer servers. The data is stored in the cloud where it can be viewed by customer service representatives or customers.

CH2M Hill was retained to perform a comprehensive Feasibility Study and economic evaluation on current AMI technologies. It included a functional assessment, a technology white paper, a financial and non-financial costs and benefits summary, and a report which will be coming. Deputy Director Lee reviewed the four different options being considered including: base case, a standard AMI solution, a high-powered AMI solution, and a cellular AMI solution. Benefits of AMI are additional revenue and cost savings.

Commissioner Morin asked how those would be appealing to the user as opposed to just the City. Deputy Director Lee commented that more equitable rates could be more appealing. Also, other costs savings to the City would result in cost savings to customers which would have otherwise been passed on.

Commissioner Strom asked if the 20-year lifespan of the AMI meters includes the technology. Deputy Director Lee replied that the technology is designed to last 20 years. The key failure mechanism is usually the battery life.

Commissioner Morin commented that it sounds like the lifespan isn't actually better than the traditional meters because they both stop working well after 20 years. Deputy Director Lee explained the traditional meters degrade over time that degradation maxes out around 7-9%. Even after ten years you will see some reduction in the volume that it is capturing. At 20 years it will be even more. He explained there are a couple different new meters the City is considering. One is mechanical and has moving parts which will wear out and slow down over time. The other is completely electronic with no moving parts, but has a battery that can fail. Those devices never slow down. They also capture very low flows.

Deputy Director Lee summarized the business case results. He explained that the standard AMI solution came out to a positive \$3 million benefit to the City over the 20-year life even though there would be an initial capital outlay of close to \$24 million. The high-powered AMI solution is slightly more costly,

but the benefits are approximately the same at \$1.6 million net positive. The cellular AMI solution has higher costs, especially network costs. This resulted in a net cost to the City and its ratepayers of \$4.2 million.

Commissioner Morin asked questions about the costs of traditional versus AMI meters. He asked if increasing the amount of traditional meter replacement had also been considered. Deputy Director Lee replied it had not been considered. Commissioner Wang commented that new standard meters with non-movable parts would also be an improvement. Deputy Director Lee concurred. He noted those would cost about \$30 more per meter. Commissioner Strom asked what other cities have switched to AMI. Deputy Director Lee replied Sammamish plateau is currently replacing their meters with AMI. Renton has done an AMI replacement over five years. Woodinville Water District recently replaced all their meters with AMI. The cities all calculated positive net present values. It's a technology that is growing in this immediate area. All those cities installed either the standard AMI or the high-powered AMI solution.

Deputy Director Lee explained that the initial capital outlay in the 20-year operational cost would be funded by an approximate 1.8% water rate increase and a 1.3% sewer rate increase which is equivalent to about \$1.50 per month. Eventually, it would be a net benefit to the customer because the City would have reduced costs.

Commissioner Morin also asked about the number of major water leaks experienced by the City per year. Assistant Director Liu said she didn't have the total number, but staff generally only hears about the large ones. Staff doesn't hear about low flow/slow leak situations as often because many customers aren't aware that they're having that issue. Chair Swenson said he has had three leaks in 13 years with significant costs. He thinks having the information available by AMI would have saved him a lot of money.

Commissioner Morin asked if the City would notify the customers of unusual usage. Deputy Director Lee affirmed that the City would be able to notify customers of unusual activity. When other cities have implemented AMI it has turned out that 10% of customers have had low level leaks. Commissioner Strom asked if there is an opt-out feature for people that might not want AMI. Deputy Director Lee replied that has not been decided.

Councilmember Slatter asked about the implementation schedule. Deputy Director Lee said staff is proposing a six-month pilot program where they would install a portion and then implement the remainder of the system over a 12-month period. There would be a certain period where there would be a mixed system.

Deputy Director Lee reviewed what the customer gets for \$1.50 a month. Meter replacements will lead to more equitable payments. New metering technology can improve measurement of low flow leaks. AMI can be used for system-wide leak detection. AMI can also enable new rate structures such as time-of-use rates, seasonal rates, tiered rates, or “cell phone” type plans. AMI data can be integrated with other data collected by the City to optimize operations and facilitate smarter decision-making. The data can provide other Smart City benefits.

Staff is recommending implementation of AMI in 2018-2019 which means procuring a contractor in 2017, beginning integration and AMI deployment in 2018, and completing deployment in 2019. The budget and rate impact is something staff will be submitting to the ESC and the Results Teams. Deputy Director Lee reiterated that the estimated rate impact is a 1.8% water rate increase and a 1.3% sewer rate increase. The net impact on each customer is approximately \$1.50 increase per month.

Commissioner Mach recommended more discussion on this topic. He commented he didn't recall making a decision about the implementation of the AMI action.

Commissioner Morin asked if the white paper is already available online. Deputy Director replied it is and offered to send the link to the ESC.

Councilmember Slatter said she was interested in what the options are and what the benefits are of acting now versus the cost of waiting. She commented that the Council will be asked for a lot in this budget.

7. COMMISSION REPORT

None

8. DIRECTOR'S OFFICE REPORT

Deputy Director Lee commented on discussions happening about Bellevue's water rates. This is the result of a publication called *Food and Water Watch* publishing incorrect information stating that Bellevue's water rates are the second highest in the nation. The story was caught by CNN and shared. *Food and Water Watch* corrected their publication, but CNN has not responded.

9. CITY COUNCIL COMMUNICATIONS

Councilmember Slatter said she was happy to be part of the Commission as the liaison to the Council. She invited commissioners to share their concerns with her.

10. CONTINUED ORAL COMMUNICATIONS

David Plummer, 14414 NE 14th Place, Bellevue, commented on the AMI study. He asked the ESC to table any discussion on this program. He expressed concern that no information was provided to the public on this and no public input has been received. He asked if the \$1.50 applies to all three classes of customers in the City. He asked if the \$1.50 covers the volume requirement, the meter costs, and the taxes. If the City wants to put up towers will there be a requirement for an Environmental Impact Study? He expressed frustration and said he is very disappointed that the Utility department has not provided substantive information for the ESC to use to make its decision.

Commissioner Wang asked about the issue between PSE and the East Bellevue Community Council which was brought up by Ms. Hummer during Oral Communications. Chair Swenson commented that this is mainly a land use issue and not a matter for the ESC to be involved in. Councilmember Slatter stated this is under litigation and the City provides legal counsel. Chair Swenson asked staff to inform the Commission if there is something they need to be aware of.

Commissioner Strom asked if the \$1.50 would cover the three classes. Deputy Director Lee stated it only covered the residential class. It is not for commercial or multifamily.

11. ADJOURNMENT

The meeting was adjourned at 9:08 p.m.

2016 Council Calendar

March 16

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April

4 Study Session: Feasibility Study of Advanced Metering Infrastructure

18 Consent: Motion to award Horizon View #1 Reservoir/ Pump Station (Regan/Paul)

May

23 Study Session 2016 Water system Plan (Pam/Doug/ Paul)

June

6 Consent: Resolution 2016 Water System Plan (Paul/ Pam/Doug)

September 16

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2016 ESC Calendar

March 16

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August 16

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April

- 7 2015 Year End Financial Report (Lucy Liu/Martin Chaw)
Early Outlook Forecast (Lucy Liu/Martin Chaw)

May

- 5 Stream Team Annual Overview (Laurie Devereaux)
Utilities Budget Proposals (Lucy Liu/Martin Chaw)
19 Tentative If Needed - 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)

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)

September 16

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November 16

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December 16

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January 17

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February 17

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26	27	28				

Utilities' Environmental Communications & Outreach Events and Volunteer Opportunities

April

- 1. Waterwise Garden Volunteer Work Party**
Location: Bellevue Botanical Garden
Date: April 6th & 20th, 1 pm to 3 pm
Staff: Patricia Burgess, x4127, pburgess@bellevuewa.gov
Karren Gratt, x6166, kgratt@bellevuewa.gov
- 2. Bennett Science Fair**
Location: Bennett Elementary School
Date: April 20th, 5:30 pm to 8 pm
Staff: Laurie Devereaux, x5200, ldevereaux@bellevuewa.gov
Jennifer Goodhart, x6197, jgoodhart@bellevuewa.gov
- 3. Spirit Ridge Science Fair**
Location: Spiritridge Elementary School
Date: April 26th, 6:30 pm to 8 pm
Staff: Laurie Devereaux, x5200, ldevereaux@bellevuewa.gov
Karren Gratt, x6166, kgratt@bellevuewa.gov



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: March 29, 2016

TO: Environmental Services Commission

FROM: Pamela Maloney, P.E. Utilities Water Resources Planning Manager
(425) 452-4625 pmaloney@bellevuewa.gov

SUBJECT: Utility CIP Update 2017-2023

Action Required at this Time

The Commission does not need to take any action at this time other than to provide any additional comments on the information presented over the past four months and the changes to be discussed tonight. Utility budget proposals will be reviewed with the ESC in May and June at the end of which Utilities will request approval of the entire budget package. The ESC's final budget recommendation for the CIP will be included in the overall Utility budget recommendation to the City Council later this year.

Background:

Since January, staff have presented the adopted Utilities CIP, discussed proposed changes to existing projects, and proposed new investments that would further the Utilities' Mission and the Council's Vision for Bellevue. In particular, Utilities capital investments support a Healthy and Sustainable Environment, one of the Council's desired budget outcomes.

The Utilities CIP is a significant investment to deliver water, wastewater, and storm drainage services as cost effectively as possible. These investments repair and replace existing infrastructure, build utility capacity to accommodate planned growth, protect or enhance the environment, and comply with regulatory mandates. CIP investments reduce risk, allow us to maintain delivery of acceptable utility services at the lowest cost over the long run.

Staff have continued to refine cost estimates and project scopes, and considering proposed capital investments along with the total budget requests that you'll be reviewing over the next several months. That review has resulted in a number of changes that will be shared with you before asking for your approval. The most significant changes are bulleted here:

- The proposal to set aside \$20 million for acquisition of property for a north end yard has been withdrawn, pending the outcome of a proposed 2017 analysis to quantify the need for and requirements of such a facility.
- The proposed project to replace AC Main in W. Lake Sammamish Parkway will be folded into W-16 (AC Main Replacement), rather than funded separately. This will result in delaying some other programmed main replacements, however staff believe the risk to the delays is reasonable.
- Schedule changes to W-82 (Fire Hydrant Standardization) and W-67 (PRV Rehabilitation) will help offset the sharp spending peak in Water in 2019 that will assist in balancing rates.

A revised summary spreadsheet detailing the adjustments will be provided in your desk packets.

Public Input:

The Commission has welcomed public comment at ESC meetings on January 21, February 4, and March 3, and will do so again on April 7. This year, for the first time, staff held an Online Open House to reach more customers over a longer period of time, and provide more opportunity to comment on proposed investments.

The Open House consisted of a web site that included descriptions of the types of capital investments their utility bill pays for, a short survey to assess the perceived value of the investments, and detailed budget and scope information about proposed project and program (as was shared with the ESC over the past several months.) An email address was provided to submit questions or comments. The Open House was live from March 15 through April 1, 2016.

The site was advertised via email outreach to 1554 subscribers to city news releases, and 1240 people who subscribe to Utility news, as well as Commissioners and Council members. Periodic sponsored posts on Facebook encouraged Bellevue Facebook users to visit the site. One or more citizens shared the open house link on Nextdoor.

Based on collected metrics, as of March 29 over 12,000 people were reached via Facebook. At the Open House website, 44 people took the survey, and 2 people submitted comments via email. A summary of survey results, comments received, Facebook comments posted, and updated statistics about the number of people reached, will be provided on April 7.

Please bring your 3-ring CIP Update binders to the meeting.



MEMORANDUM

 Action
 X Discussion
 X Information

DATE: March 29, 2016

TO: Environmental Services Commission

FROM: Nav Ota, Utilities Director *Nav*
Lucy Liu, Assistant Director – Resource Management and Customer Service
Martin Chaw, Utilities Fiscal Manager *MC* *JA*

SUBJECT: 2015 Year-End Fiscal Reports for Water, Sewer, and Storm & Surface Water Utilities

Action Required

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

Background

The purpose of this report is to provide the Environmental Services Commission a summary of the financial performance for each utility as of the end of 2015.

The Water, Sewer, and Storm & Surface Water Utility Funds ended 2015 with greater ending fund balances than budgeted largely due to increased water sales and cost savings as a result of continued focus on operational efficiencies. All funds are well positioned entering into 2016 and on track to meet biennial financial expectations. Following are key highlights for each utility:

- **Water** ended 2015 with a larger fund balance than budget due to strong summer water sales. Operating revenues were sufficient to meet operating expenses. While there was a regional water curtailment advisory, the timing of the advisory negatively affected water service revenues only towards the last quarter of 2015. Regional snowpack conditions have returned to normal levels due to high levels of snowfall during the winter. At this time, no drought or water shortage concerns are identified for 2016.

- **Sewer** ended 2015 with revenues exceeding budgeted levels.
- **Storm and Surface Water** ended 2015 with operating revenues sufficient to meet operating expenses.

Consistent with city financial policies, an assessment of each utility’s ending 2016 operating condition will be made to determine the amount of excess fund balance (if any) relative to budget and levels for 2017-2018 budget planning for transfer to each utility’s renewal and replacement account for long-term infrastructure replacement.

Individual Utility Financial Performance

Following is a detailed evaluation of the financial performance of each utility.

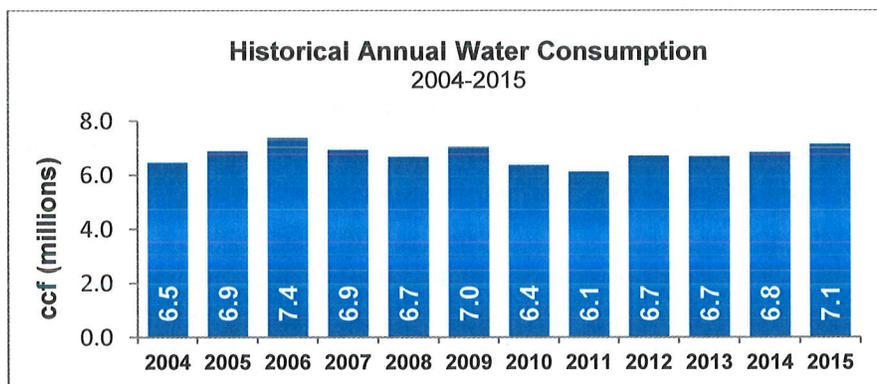
WATER UTILITY

The Water Utility finished 2015 in positive financial condition, ending the year with \$7.9 million above the budgeted ending fund balance.

Revenue Highlights

Water revenues were \$8 million or 15.7% above budgeted levels.

- Water service revenues exceeded budget by \$7.8 million as a result of an unseasonably warm summer. While the water curtailment advisory at the end of July affected water service revenues during the last quarter of the year, overall revenues were sufficient to support expenditures. Staff discussions with regional utilities staff indicate that mountain snowpack conditions are at normal levels due to heavy winter snowfall. Water availability in 2016 is expected to be sufficient unless we experience another unseasonably warm summer.



Source: Utility billing records.

- Regional capital facilities charges (RCFCs) are collected and passed through to the Cascade Water Alliance. RCFC collections were \$282,000 above budget due to development activity; corresponding RCFC payments to the Cascade Water Alliance were slightly under budget due to the timing of payments at year end. There is no net impact from this item.

Expenditure Highlights

Water operating expenses were \$518,000 or 1% above budgeted levels.

- Tax expenses were \$989,000 above budget due to increased water sales.
- Personnel costs were \$360,000 below budget as a result of vacancies.

**Water Utility Fund
2015 Year End Results (\$000)**

	Budget	Year End Actuals*	Variance Dollars	Variance Percent
Beginning Fund Balance	\$ 10,758	\$ 11,163	\$ 406	3.8%
Revenues				
Water Service	44,042	51,859	7,817	17.7%
Developer	806	599	(208)	-25.7%
Fire Flow	2,406	2,406	-	0.0%
RCFCs	2,000	2,282	282	14.1%
Other	1,683	1,805	122	7.3%
Total	50,937	58,950	8,013	15.7%
Expenses				
Wholesale	18,918	18,907	(11)	-0.1%
Personnel	7,737	7,376	(360)	-4.7%
CIP	9,971	9,971	-	0.0%
R&R	-	-	-	-
Taxes	6,492	7,481	989	15.2%
RCFCs	2,000	1,952	(48)	-2.4%
Interfunds	2,766	2,701	(65)	-2.3%
M&O	2,938	2,951	13	0.4%
Total	50,822	51,340	518	1.0%
Ending Fund Balance	\$ 10,872	\$ 18,774	\$ 7,901	72.7%
Less: Reserve for equipment replacement		(2,578)		
Net remaining		16,196		
Budgeted 2016 beginning operating reserves		8,294		
Target 2016 beginning operating reserves		8,842		

*Year End actuals as of 3/16/2016.

SEWER UTILITY

The Sewer Utility finished 2015 in positive financial condition, ending the year with \$148,000 above the budgeted ending fund balance.

Revenue Highlights

Sewer revenues were \$641,000 or 1.1% above budgeted levels.

- Sewer service revenues were \$921,000 above budget due to higher sewer volumes. Customers are billed for sewer service based on water consumption. The unseasonably warm summer weather drove higher water consumption which resulted in higher sewer volumes.
- Other revenues were \$280,000 below budget due to lower than anticipated development activity and interfund service revenues.

Expenditure Highlights

Sewer operating expenses were \$531,000 or 0.9% above budgeted levels.

- Wastewater treatment costs were \$880,000 over budget due to higher than anticipated sewer volumes.
- Personnel expenses were \$100,000 over budget, reflecting higher than budgeted overtime and temporary help expenses.
- The higher than anticipated expenditures discussed above were offset by \$449,000 in general operating savings in taxes and maintenance and operation expenses.

**Sewer Utility Fund
2015 Year End Results (\$000)**

	Budget	Year End Actuals*	Variance Dollars	Variance Percent
Beginning Fund Balance	6,924	6,961	37	0.5%
Revenues				
Sewer Service	55,109	56,030	921	1.7%
Developer	391	314	(77)	-19.6%
Other	2,122	1,919	(203)	-9.6%
Total	57,622	58,263	641	1.1%
Expenses				
Wholesale	32,450	33,330	880	2.7%
Personnel	6,223	6,323	100	1.6%
CIP	11,069	11,069	-	0.0%
R&R	-	-	-	-
Taxes	3,751	3,469	(282)	-7.5%
Interfunds	2,209	2,123	(86)	-3.9%
M&O	2,554	2,472	(81)	-3.2%
Total	58,256	58,786	531	0.9%
Ending Fund Balance	6,290	6,438	148	2.3%
Less: Reserve for equipment replacement		(2,192)		
Net remaining		4,246		
Budgeted 2016 beginning operating reserves		4,098		
Target 2016 beginning operating reserves		3,727		

*Year End actuals as of 3/16/2016

STORM AND SURFACE WATER UTILITY

The Utilities Storm and Surface Water Utility finished 2015 in positive financial condition, ending the year with \$681,000 above the budgeted ending fund balance.

Revenue Highlights

Storm and surface water revenues were \$157,000 or 0.7% above budgeted levels.

- Storm and surface water service revenues were approximately at budgeted levels. Rate revenues for this utility are relatively stable and not impacted by weather fluctuations.
- Other revenues were \$189,000 above budget primarily due to higher than anticipated development fees.

Expenditure Highlights

Operating expenses were \$496,000 or 2.3% below budgeted levels.

- Personnel expenses were \$121,000 below budget due to vacancies.
- Other expenses were \$376,000 below budget reflecting general operating savings in taxes and maintenance and operation expenses.

**Storm and Surface Water Utility Fund
2015 Year End Results (\$000)**

	Budget	Year End Actuals*	Variance Dollars	Variance Percent
Beginning Fund Balance	4,037	4,065	28	0.7%
Revenues				
Storm and Surface Water Service	20,547	20,515	(32)	-0.2%
Developer	273	632	359	131.3%
Other	1,260	1,090	(170)	-13.5%
Total	22,081	22,238	157	0.7%
Expenses				
Personnel	5,864	5,743	(121)	-2.1%
CIP	7,662	7,662	0	0.0%
R&R	2,072	2,072	-	0.0%
Taxes	1,457	1,277	(181)	-12.4%
Interfunds	2,435	2,363	(73)	-3.0%
M&O	2,340	2,218	(122)	-5.2%
Total	21,831	21,335	(496)	-2.3%
Ending Fund Balance	4,287	4,968	681	15.9%
Less: Reserve for equipment replacement		(2,936)		
Net remaining		2,032		
Budgeted 2016 beginning operating reserves		1,351		
Target 2016 beginning operating reserves		1,363		

*Year End actuals as of 3/16/2016



MEMORANDUM

- Action
 Discussion
 Information

Date: March 28, 2016

To: Environmental Services Commission

From: Nav Ota, Utilities Director *Nav*
Lucy Liu, Assistant Utilities Director – Resource Management & Customer Service *LL*
Martin Chaw, Utilities Fiscal Manager *MC*

Re: Early Outlook Financial Forecast – 2017-2022

Action Required

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

Background

Staff will provide an overview of the Utility's Early Outlook Financial Forecast for the period 2017 - 2022. The purpose of the Early Outlook Financial Forecast is to provide an estimate of the rate adjustments needed to fund forecasted financial obligations during the subject planning period.

Rates are Utilities primary source of funding. Utility rates are determined based on Council adopted financial policies. This is a status quo forecast and the rates reflect the re-costed capital program, funding for investment in advanced metering, and inflationary operational costs.