

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

Thursday
May 3, 2018
6:30 p.m.

Conference Room 1E-113

Bellevue, Washington

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

COMMISSIONERS ABSENT: None

OTHERS PRESENT: Andrew Lee, Deputy Director; Doug Lane, Sr. Engineer; Joe Harbour, Assistant Director – Operations and Maintenance; Lucy Liu, Assistant Director – Resource Management and Customer Service; Martin Chaw, Fiscal Manager; Jared Nieuwenhuis, Council Liaison, Alex Chen, Seattle Public Utilities

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

The meeting was called to order by Chair Strom at 6:34 p.m.

2. APPROVAL OF AGENDA

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

3. ORAL AND WRITTEN COMMUNICATIONS

David Plummer, 14414 NE 14th Place, Bellevue, WA, expressed concern and requested clarification about a discrepancy in the CIP budget proposal total values in some of the documents.

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

Councilmember Nieuwenhuis had the following comments:

- Council was briefed about the Shoreline Master Program. The City will undertake another update in another 8 years. Council and staff have been working on this for quite some time.
- Council has had one workshop on the budget process and will have another one soon.
- Council reviewed plans recently about the bike share program which may

start in May or June. He explained how this is different than the Seattle program.

- Council approved a feasibility study to explore the possibility of a new aquatic facility.
- Council is in the midst of reviewing the LUCA (Land Use Code Amendment) for a homeless shelter.

5 STAFF REPORTS

Assistant Director Lucy Liu gave an update on the recycling situation. The City has decided to extend the landfill of non-marketable paper until the end of May as the China market has remained essentially closed. Republic Services has refined its sorting processes and is continuing to search for more other markets. Utility staff is taking part in a regional task force that has recently formed around this issue. Asst. Director Liu explained steps that the City is doing including improving messaging about recycling and sharing with customers what they can do to help with the situation. The City is also helping customers learn how to reduce paper waste by reducing junk mail. Commissioner Kumar asked if the City could play more of an active role in the reduction of junk mail. Asst. Director Liu explained that right now the City provides information for the customers to take action, but staff could explore if there are other viable options.

6. APPROVAL OF MINUTES

April 5, 2018 Regular Meeting Minutes

Motion made by Kumar, seconded by Commissioner Morin, approve the minutes as presented. Motion passed unanimously (6-0).

7. UNFINISHED BUSINESS

None

8. NEW BUSINESS

- Seattle Public Utilities Water Resiliency
Presenter: Alex Chen, Seattle Public Utilities, Division Director

Mr. Chen reviewed the Seattle regional water supply system. Seattle Public Utilities (SPU) has been working on a draft resiliency framework which addresses: climate change, economy and affordability, disaster preparedness, marketplace, regional and city investment priorities, technological advancements, and workforce availability and capabilities. Mr. Chen reviewed disaster preparedness and seismic hazards considerations such as ground shaking, fault rupture, landslides, and liquefaction. He discussed some recent earthquakes and associated water

system impacts in California, Japan, New Zealand and Japan. SPU has initiated a Water System Seismic Study to assess seismic hazards, facility and pipelines vulnerability assessments, overall system performance analysis, develop performance goals and pipeline standards, balance performance goals against cost of upgrades, develop short-term (20-year) and long-term (50+ year) plans, and integrate those plans into the Capital Improvement Program.

Next steps are to confirm proposed mitigation measures such as isolated valves throughout the system to prevent large quantities of water lost to leaks in the system; upgrading critical locations on the transmission lines; upgrading to earthquake-resistant pipes in areas that go through hazard zones; and improving emergency preparedness plans and supplies. The next steps for the seismic study is to make sure the mitigation options fit within the capital and O&M plans with the city, share the results with stakeholders, get the study finalized and start implementing some of the recommendations.

Chair Strom asked for more information about what the water study will encompass. Mr. Chen reviewed a map showing the area and facilities.

Commissioner Morin asked what would happen if pipes from both the Tolt and the Cedar would be cut off in one event. Mr. Chen replied that Seattle has some wells down by the airport, but these only provide about 1/10th of the overall supply need. The City would also need to supplement with stored water and alternate water supplies such as wells or interties from neighboring agencies.

- Emergency Water Supply Review
Presenter: Doug Lane, Sr. Engineer

Mr. Lane gave a status update on the Emergency Water Supply Master Plan. To date, the project has included documenting existing well conditions, coordination with critical customers, assessment of customer needs following a disaster, evaluation of economic impacts from a water supply disruption, and assessment of groundwater chemistry and treatment needs. Upcoming work will include conceptual site layouts and preliminary cost estimates, engagement with Washington Department of Ecology regarding water rights, and drafting of an Emergency Water Supply Master Plan.

The water quality evaluation is pretty much wrapped up. A brief summary of the recommendations include measures to address taste and odor issues, but no concerns related to the quality. He discussed the potential of a

drive-up site in the event of a serious disaster. Upcoming tasks include conceptual site layouts; desktop review of aquifer conditions; finishing the engineering report, and completing the draft Master Plan Update.

Commissioner Howe asked how many well sites Bellevue has. Mr. Lane replied that two well sites (four wells total) are owned by the City and can be used now. There are also some other historical wells. If there were an emergency the City's water rights are less than half of the system's anticipated post-disaster demands, and there currently is not infrastructure to pump, treat or deliver the water.

Chair Strom commented that most of the wells are in East Bellevue. She asked if there will be other locations spread out throughout the City. Mr. Lane replied that staff isn't doing specific site studies yet (only conceptual site layouts) because Council should first be informed and public outreach conducted, but logically it would make sense to spread the wells out.

Commissioner Knezevic asked how critical customers were identified. Mr. Lane replied that this referred to life safety critical needs such as hospitals and first responders, but there is no formal list at this time. There was some discussion about who these critical customers would include. Commissioner Knezevic expressed concern about King County Public Health not being considered as a critical customer because this organization serves a different and underserved population.

Chair Strom commented that the public engagement piece seems like it is farther down the road. Mr. Lane concurred.

Commissioner Kumar asked if it is reasonable to expect that the distribution lines would be functional in the event of an earthquake. Deputy Director Lee replied that staff expects that there would be some leaks and possible breaks, but there are improvements that can be made to make sure that water is available if the City decides to go with that option. Commissioner Kumar asked if the options are to either create a new well near the critical area(s) or strengthen distribution from an existing well to the critical areas. Staff affirmed that those are the options. Discussion followed about the pros and cons of the subject options.

Commissioner Morin suggested that AMI could inform this work by showing in real time where issues are. Mr. Lane agreed that in a post-emergency scenario AMI could provide useful information about leaks.

- **Operations and Maintenance Facilities Master Plan**
Presenter: Joe Harbour, Assistant Director – Operations and Maintenance

Assistant Director Harbour reviewed the project background including the 2015 Study of Eastgate Yard (EGY) showing that sizable investment is needed to improve inefficiencies, Bellevue Service Center which is outgrowing space at this facility, and Emergency Response capability which is inefficient given the current dispatch and yard locations. He discussed strengths and challenges of the current sites.

The goals of the project are to complete the study to determine recommendations and property acquisition options for optimizing operations and supporting long-term growth. Another goal is to inform the 2019-20 budget for land acquisition. The project scope includes: Utilities Sections (Operations Support, Operations, Surface Water, Wastewater, Water, and Water Quality) and Transportation Sections (Signals and Lighting and Streets). Asst. Director Harbor discussed guiding principles and associated performance measures.

Assistant Director Harbour then reviewed the following alternative concepts as well as benefits of each one:

- Baseline – This is the current situation
- Alternative 1 (consolidated) assumes there is a new central operations facility with additional yard functions added. The BSC would be vacated by both Utilities and the Transportation sections. The alternative assumes EGY would be surplus.
- Alternative 2 (evenly distributed) would have two new operations facilities with yard functions added. The BSC would be vacated by Utilities and Transportation and EGY would be surplus.
- Alternative 3 (augmented) would have a new central operations facility with yard functions added. The BSC would be retained. A north yard near the BSC would be added and the EGY is surplus.

Benefits of each alternative were reviewed including travel time, sizing, and resilience. Risk assessments were reviewed including the ability to purchase land, the impact of facilities on the neighborhood, and customer perception. Cost was also factored in to each alternative. Commissioners asked general questions about details of the various alternatives. After analysis, alternative 3 was identified as the preferred alternative. Assistant Director Harbour reviewed the steps going forward. The City is still working with Makers and will be submitting a 2019-20 budget line item to fund property acquisition for \$8 million. The draft O&M Facilities Plan will be completed in June with a final plan completed in September 2018.

- Water Rate Structure Review
Presenter(s): Lucy Liu, Assistant Director – Resource Management and Customer Service
Martin Chaw, Fiscal Manger

Asst. Director Liu explained that staff was seeking the ESC's recommendation to City Council on whether an evaluation of the water rate structure is needed to ensure customer equity. The most recent water cost of service study was completed in 2014 and prior to that was in 2004. She reviewed the rate structure policies.

Commissioner Schreiner asked about the City's policy billing new customers. Asst. Director Liu explained that water bills are based on current usage whereas sewer bills are based on the previous year's winter average. For new customers, the City will use a citywide typical winter average for billing. Once the customer establishes a winter history, their billing will be based on that. If customers notice there is a significant difference in the amount they actually use versus the typical citywide average, they can call the City to have it adjusted. Commissioner Schreiner commented that this happened to someone who contacted her and was upset it wasn't adjusted automatically. Commissioner Knezevic expressed concern that customers are not aware that it how the billing is set and may not know that they can call to ask for a refund. Asst. Director Liu explained that she would look into this.

Asst. Director Liu explained that the 2014 water cost-of-service study findings showed that the prior structure was out of alignment with the cost of providing service to the different customer groups. That study indicated that single family customers were paying more than their fair share while the commercial and multifamily customers were paying less than their fair share. To ensure equity, the new water rate design was calibrated to take that into consideration. The new rate design also increased the fixed meter charge to better reflect the fixed nature of utility expenses for all classes.

For commercial customers, the study recommended maintaining the existing summer/winter seasonal rate structure. For multifamily customers, the recommendation was to simplify the rate structure from a tiered structure to a summer/winter structure, to mirror commercial customers. For single family customers the study recommended staying with the existing four-block structure but modifying the consumption break points to reflect how this customer class uses water during the year. Asst. Director Liu presented examples of sample bills for the different categories. She summarized that the current structure, which was adopted in 2015, reflects the recommendations of the 2014 study, complies with the rate structure policies, is consistent with industry practices, and achieves the financial objectives of revenue stability and conservation pricing. She explained that Councilmember Robinson questioned whether the current rate structure is punitive to large families. Asst. Director Liu stated that it did not and illustrated her point with an example that showed that the water bill increases proportionately as consumption increases and

that the unit cost of water consumed actually decreases with the increased consumption, reflecting the nature of the fixed bi-monthly charges.

Asst. Director Liu solicited guidance from the Commissioner regarding three options for moving forward. These options included:

1. Arbitrarily change the rate structure to reduce the cost for higher water consumers. This would result in increasing the cost for lower water consumers.
2. Redoing the 2014 cost of service study to determine if rate structure changes are needed at this time. Such a study would cost about \$60,000, be time intensive, and likely yield similar results.
3. Retain the current rate structure which complies with Council-adopted rate structure policies, is consistent with industry practices, and aligns with current customer demographics.

Commissioner Kumar asked how the rate structure could be seen as punitive on single family customers. There was discussion about how the rate structure equitably accounts for usage.

Commissioner Morin commented on the recent unprecedented growth in the Bellevue in both commercial and multifamily. He suggested that there might be a good likelihood that single family customers are paying a disproportionately higher share of water utility costs. Asst. Director Liu stated that industry best practices call for periodic cost of service studies once every 7 to 10 years. She agreed that recent growth in commercial and multifamily customers might warrant not waiting 10 years to do another rate study. She stated that staff is recommending Option 3 which is to retain the current rate structure and conduct another study in 7 to 10 years.

Commissioner Schreiner commented that utility bills are often a topic of conversation with her neighbors and online. She can imagine that the Council receives a lot of pressure about this also. She recommended taking a look at doing a cost of service study on the rate structure sooner than the average 10 years given the growth of the city. Commissioner Kumar asked about the justification for this recommendation as the current rate structure does not appear to be punitive to large families, which was the original concern by Councilmember Robertson. Commissioner Morin replied that due to the unprecedented growth in the area it would be a good idea to reassess the rate structure earlier than planned. Commissioner Kumar reminded the Commission that the original concern was only the question of whether the rates were punitive for larger families, not all single family customers. Commissioner Morin agreed that another study is not needed because of the perceived different impact to larger families; however, in having looked at this further he agreed with the recommendation that an update to the 2014 cost of service study should be done after seven years' time from the last one.

Motion made by Commissioner Morin, seconded by Commissioner Schreiner, that the City not do a rate study at this time, but with an amendment that a rate study be done seven years from the last one. Motion passed unanimously (6-0)

Staff indicated they will work with Chair Strom to draft a memo to Council summarizing the Commission's discussion, recommendation, and motion.

Motion made by Chair Strom, seconded by Commissioner Knezevic, to extend the meeting until 9:25 p.m. Motion passed unanimously (6-0).¹

- Utilities CIP Budget Proposals Review
Presenter(s): Lucy Liu, Assistant Director – Resource Management and Customer Service
Martin Chaw, Fiscal Manager

Fiscal Manager Chaw reviewed the 2019-2025 Utilities Budget and Budget Review Schedule. Fiscal Manager Chaw stated one new project is proposed to be added to the CIP, O&M Facility Land Acquisition (#140.70), with a proposed budget of \$8.0M in 2019, and as summarized by Assistant Director Harbour earlier in the meeting.

Fiscal Manager Chaw presented the revised 2019-2025 Utilities CIP, which was updated to include the aforementioned new project. Fiscal Manager Chaw then overviewed the proposed Utilities CIP Budget and funding strategy by year over the 2019-2025 planning period. Fiscal Manager Chaw concluded his presentation and asked if there were questions. The commission had no comments or questions. Asst. Director Liu thanked the commission and indicated staff would proceed with updating and including the aforementioned one new project, O&M Facility Land Acquisition, in the revised CIP budget proposal.

9. ORAL AND WRITTEN COMMUNICATIONS

None

10. REVIEW OF ESC CALENDAR/COUNCIL CALENDAR

Deputy Director Lee reviewed the ESC Calendar, Council Calendar, and the Conservation & Outreach Events & Volunteer Opportunities

¹ Commissioner Kumar and Councilmember Nieuwenhuis left the meeting at 9:07 p.m.

11. ADJOURNMENT

Motion made by Commissioner Schreiner, seconded by Commissioner Strom, to adjourn the meeting at 9:20 p.m. Motion passed unanimously (6-0).

The meeting was adjourned at 9:20 p.m.