

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

Thursday
April 3, 2014
6:30 p.m.

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

COMMISSIONERS PRESENT: Chair Helland, Vice Chair Swenson; Commissioners Cowan, Mach, Wang

COMMISSIONERS ABSENT: Howe and Morin

- **OTHERS PRESENT:** Paul Bucich, Asst. Director, Engineering; Pam Maloney, Utility Water Resources Planning Manager; Dave Perry, Sr. Engineering Technician; Regan Sidie, Design Services Manager; Doug Lane, Water & Wastewater Systems Engineer; Scott Taylor, Construction Services Manager; Lucy Liu, Asst, Director, Resource Management & Customer Service

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

The meeting was called to order by Chair Helland at 6:33 p.m.

2. ORAL COMMUNICATIONS

David Plummer, 14414 NE 14th Place, Bellevue, WA, stated that the meeting notice and available background information for the public meeting tonight was entirely inadequate to permit citizens to review the proposed projects and make informed inputs to the Commission and City Council. He asserted that each project sheet should include a list of references and the name of one or more staff members that can be contacted with questions. He urged the ESC to defer any decision regarding the following projects since there is no rationale for them: D-64, D-94, D-81, D-86, D-104, D-105, S-16, S-24, S-52, S-60, S-59, and S-63. Additionally, Mr. Plummer stated that the Commission should request that staff investigate and report on the possibility of reducing Bellevue's water allocation from CWA. He stated that the City pays CWA for about 35% more water than is used each year. He asserted that some of what the City doesn't use is sold to other municipalities, but he doesn't think the City should be buying so much water from CWA when it is not needed. Lastly, Mr. Plummer stated that the Commission should request the staff to develop and publish projected impacts on utility rates for all these proposed projects so that the public can truly be engaged.

3. **APPROVAL OF AGENDA**

Motion made by Commissioner Swenson, seconded by Commissioner Cowan, to approve the agenda. Motion passed unanimously (5-0).

4. **APPROVAL OF MINUTES**

March 20, 2014 Regular Meeting Minutes

Commissioner Wang referred to the list of attendees on the first page of the minutes and noted that Lucy Liu's name should be included.

Motion made by Commissioner Wang, seconded by Commissioner Swenson, to approve the minutes as amended. Motion passed unanimously (5-0).

5. **REPORTS AND SUMMARIES**

- ESC Calendar/Council Calendar

Asst. Director Bucich referred to the tentative ESC calendar and stated that he will not be here for the April 17 meeting. Joe Harbour, Operations Manager for Utilities, will be facilitating that meeting. There will also be another special meeting on the budget on May 29.

In July there will be a CIP tour, but there is a need for either a meeting following the tour or a second meeting in July just for discussion. Another option would be to have the tour on a Saturday morning. After some discussion, there was consensus to have just one meeting on July 17 with the tour first and then the meeting afterwards.

6. **NEW BUSINESS**

- Review Proposed Changes to Water CIP Investments
Pam Maloney, Water Resources Planning Manager
Regan Sidie, Design Services Manager
Dave Perry, Senior Engineering Technician
Scott Taylor, Construction Services Manager
Doug Lane, Water and Wastewater Systems Engineer

Ms. Maloney stated she would review changes from last time and then review Water projects focusing on those projects where the ESC's input is most desired. Staff will be bringing back a summary of the financial implications for the proposed changes for each utility at the next meeting on April 17.

Chair Helland asked if this was the information Mr. Plummer was concerned about. Ms. Maloney stated that it was. Chair Helland asked which projects Mr. Plummer was referring to. Ms. Maloney stated that Mr. Plummer had listed most of the projects staff has been discussing with the ESC. Chair Helland commented that it was unfortunate that Mr. Plummer had left the meeting and was not present to hear this discussion. Commissioner Wang referred to Mr. Plummer's comments about the City buying too much water and said he thought this was a contract commitment. Asst. Director Bucich concurred. Chair Helland asked if Mr. Plummer's assertion that the water gets sold to someone else is accurate. Asst. Director Bucich stated that it is not. Commissioner Wang requested that someone provide a response to Mr. Plummer. Asst. Director Bucich said staff would work on getting a response to him.

D-New Stormwater Pipeline Video Inspection Enhancement – This sheet will replace the one from last time. It states that the City will video inspect 100 miles of critical pipe over a five-year period rather than 50 miles over three years. The information is needed to determine how much money will be needed in the R&R account for replacement of the stormwater system. Staff will recommend reducing contributions to the R&R fund for the duration of this inspection program to offset it. Chair Helland expressed concern that slowing contributions to the R&R might put the City in a pinch in the future. Ms. Maloney replied that staff is planning to assess the situation after two years. Mr. Bucich said he feels this investment will give staff the right amount of information to determine how much should be put away for system replacement. He commented that the City could continue to put in what they are now and raise the rates or take a temporary break from contributions. The Commission generally agreed with the need for the program.

D-64 Storm Water System Conveyance Infrastructure Rehabilitation - Staff is proposing increasing the current budget by 5% per year to repair the anticipated increase in number of found defects in pipes (as opposed to 10% proposed last time). Ms. Maloney explained that this seems more dependable to the ratepayers until we have more data. Chair Helland asked how the budget for the out years affects current years' rates. Ms. Maloney explained that staff tries to keep the rates as smooth as possible. There was general agreement with the proposed change.

WATER

W-NEW Increase Water Pressure in Crossroads Area (Create 560 Water Pressure Zone) - Staff is recommending not including this in the proposed 2015-21 CIP. The water pressures in that area meet all regulatory requirements even though they are marginal (below 40 psi). In 2012 the City had a consultant analyze what could be done to improve the situation, which is a consequence of the elevation of storage tanks built long ago. It is not

possible to raise the pressure of the whole zone because some customers would become too high. In order to create a higher pressure zone the City would need to add new pumps and valves which would cost over \$15 million. Staff feels that the cost and the benefits need to be better fleshed out before any recommendation to move this forward.

Chair Helland asked about the level of dissatisfaction of the public. Ms. Maloney said that the Council and staff receive a few calls every year.

Commissioner Wang asked about the impacts on another project relating to the East Operating Area. Ms. Maloney commented on the difference between pressure and flow. The people in Crossroads have a lot of water and storage; it's just not at a very high pressure. This project would not materially impact W-103.

Mr. Bucich explained that if the ESC concurred with the recommendation not to pursue this project at this time, staff would have two years to continue the conversation about the results of the water system plan outcome and the new modeling. He pointed out that this project can't really be phased once the construction begins.

Ms. Maloney distributed information from a consultant study that illustrated existing pressures. Another map showed improvements that would be required to improve the pressure for the area of concern. Ms. Maloney added that a lot of the houses in that area have older galvanized plumbing. There is some risk associated with increasing the pressure with older pipes. She commented that homes that have updated their plumbing have found that they can flow more water and the situation is improved, even at 30-40 psi pressure.

There was consensus to not include this in the recommended capital projects.

W-82 Fire Hydrant Standardization - Staff is recommending accelerating the program schedule and completing the 22 remaining hydrants more quickly. The ESC concurred with the recommendation.

Ms. Maloney then summarized the ESC's recommendations for each utility.

SEWER

Ms. Maloney stated that at the last meeting the ESC agreed with staff to accelerate the pump station rehabilitation program to two stations a year beginning in 2017, discontinue the sewer extensions program, adjust the minor CIP sewer program budget to accommodate investigating the sewer extensions, add a new program to investigate inflow and infiltration and do flow monitoring in areas where there are capacity concerns, add a new program to assess the condition of pressurized sewer force mains throughout

the systems and work the replacement of those into the long-term replacement program, and focus on Lake Washington for the inline lake line sewer replacement program.

Commissioner Wang cautioned against stating that the City could eliminate any future I&I problems in such a general, conclusive way because the City can't guarantee that there will be no more I&I. Ms. Maloney concurred.

STORMWATER:

The Commission agreed to video-inspect the most critical quarter of the stormwater system over the next few years, to begin to ramp up the stormwater repair program beginning in 2017, and to reduce Bellevue's contributions to flood control program because of increased contributions from King County Flood Zone District.

WATER

The ESC agreed to continue to study the merits of the 560 water pressure zone, but not propose it at this time as a capital project. The Commission also agreed to compress the schedule to complete the replacement of non-standard hydrants into a shorter period of time to get it done.

- Open Public Meeting on CIP
Paul Bucich, P.E., Assistant Director, Engineering

Chair Helland called to order the public meeting at 7:33 p.m. He noted that all the Commissioners were in attendance except Commissioners Howe and Morin. He reviewed the purpose of the public meeting and solicited public comments. Seeing none, the public meeting was closed at 7:35 p.m.

- 2013 Year-End Fiscal Reports for Water, Sewer, and Storm and Surface Water Utilities
Lucy Liu, Assistant Director Resource Management and Customer Service

Asst. Director Liu reported that all three utilities finished the year in good fiscal condition with higher than anticipated fund balances. The reasons for this are cost containment measures and unanticipated net revenues. Also, Council adopted financial policies direct utilities to maintain operating reserves to ensure uninterrupted services through revenue fluctuations. According to these financial policies, one-time revenues and fund balances above budget are to be transferred into the R&R accounts until such time that those accounts are sufficient to meet long-term infrastructure needs. Only then can fund balances above budget levels be used for rate relief. Asst. Director Liu then reviewed the financial performance for each fund highlighting the key areas where the actual results vary from the budget.

Water Utility: Both revenues and expenditures came in higher than budgeted. The revenues above budget (are largely due to higher than anticipated water sales) resulting from the warm, dry summer in 2013. Cost savings is also a key driver. Operating reserves for the Water Fund were projected to be below target levels. The ending fund balance above budget will be used to restore operating reserves back to target levels in the Water fund.

Sewer Utility: Revenues and expenditures both came in higher than budgeted, but to a much lesser degree than Water. The ending fund balance was slightly higher than budgeted. Key variances between budget and actual results were primarily from higher service revenues and operating costs savings. The expenditures for sewage treatment costs were also higher than anticipated.

Storm & Surface Water Utility: Both revenues and expenditures ended 2013 above budget. The bulk of the ending fund balance above budget was transferred to the Renewal and Replacement (R&R) fund for future infrastructure needs. Key variances from the budget included costs savings from, operations and legal settlement proceeds. A one-time recovery transfer of R&R was made in the amount of \$1.4 million.

Commissioner Wang requested that next time a beginning fund balance be added to the presentation next time.

- Utilities 2015-2020 Early Outlook Forecast
Lucy Liu, Assistant Director, Resource Management and Customer Service

Asst. Director Liu explained that Utilities functions are primarily funded by rates. The forecast for the three pipe utilities includes funding for operations, capital programs, and asset replacement. The Early Outlook Forecast is based on a status quo budget (assuming no new programs or changes to existing programs). In developing the budget, the goal is to find the optimal mix of programs and service levels to continue quality, reliable service delivery now and into the future. Utilities will continue to seek opportunities to explore efficiencies and process improvements, and to adjust programs and service levels where appropriate.

Ms. Liu presented projected rate increases for the six-year forecast period for each utility. She explained that the total monthly utility bill for all three utility services for a typical single-family residential customer is expected to increase by 8.1% or \$11.67 in 2015 (5.7% in 2016; 4.9% in 2017; 4.9% in 2018; 4.7% in 2019; and 4.7% in 2020).

Chair Helland asked if Metro is moving to an annual adjustment on the sewer wholesale rates. Ms. Liu explained that staff is anticipating that it will remain a biennial charge in 2015 for 2015-2016. For the forecast, an annual increase is assumed for 2017-2020. She explained that the financial policies direct

staff to pass charges directly to customers in the year that the expenses occur. Chair Helland thought there might be a better way to handle this in order to smooth the rate increases. Asst. Director Liu added that adding this to the rates in the year it occurs also helps customers understand why costs are going up.

Commissioner Wang asked about including the current budget in the graphic so one can see how much rates have already increased. Ms. Liu thought that was a good idea. She reviewed increases in 2014.

Commissioner Mach asked if the City adjusts the projected rate increase based on the previous year's performance. Ms. Liu said that the City does that. For example in Water the 2013 fund balance above budget was used to restore operating reserve levels. This is in the Early Outlook Forecast. Asst. Director Bucich commented that if the operating reserves were at the target level and the R&R fund was at the target level, any extra funds could be used to bring down rate increases. Asst. Director Liu then reviewed the forecast for 2015 by expense category.

Water: Major rate drivers were reviewed. Ms. Liu explained that in 2013-14 R&R reserves were used to help mitigate the rate impacts to customers. The rate increases projected for the capital program would restore rate revenues to levels that are sufficient to meet the capital needs. Chair Helland noted that the Commission had raised concerns that the City would have to pay more later to make up those reserves. He said he would like to see how much more we are paying now because of Council's decision to reduce utility rate increases at that time.

Commissioner Wang asked about going back a couple years and listing them side-by-side to compare. Ms. Liu indicated she would keep that in mind for next time.

Chair Helland clarified that he wants to know what the cost is (including lost interest and inflation) of reducing rates previously using the R&R funds and now restoring those R&R funds.

Sewer: Major rate drivers were reviewed. The City doesn't have rates from King County for sewage treatment yet. Once those are received, the forecast will be updated.

Chair Helland requested that the ESC have a discussion about policies related to increasing rates related to wholesales costs. He suggested that on off years rates should be gradually increased in advance based on anticipated wholesale costs to smooth the rate increases. Ms. Liu noted that this would require a policy change. There was consensus to bring this back for discussion.

Storm: Major rate drivers were reviewed. The capital program including R&R is a key rate driver.

Ms. Liu explained that the new forecast she will share on May 29 will be based on proposed operating and CIP budget proposals.

Chair Helland asked that Mr. Plummer's comments be sent to the ESC. Mr. Bucich indicated staff could do that. He commented that it was a shame that Mr. Plummer couldn't come to the previous meeting where there was so much detail given, and that he didn't stay to hear the discussion about this.

Chair Helland thanked staff for putting together all the materials for the public meeting and open house tonight.

7. COMMISSIONS REPORT OUT

Chair Helland said he wasn't able to go to the Downtown Livability Meeting last month due to family responsibilities.

8. DIRECTOR'S OFFICE REPORT

Asst. Director Bucich commented that there will be a vacancy on the Commission as Commission Cowan's term is ending. The application period ends April 14.

9. CONTINUED ORAL COMMUNICATIONS

10. ADJOURNMENT

The meeting was adjourned at 8:33 p.m.