

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

Thursday
June 20, 2024

City Hall & Remote
6:30 p.m.

1. CALL TO ORDER:

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

ROLL CALL

COMMISSIONERS PRESENT: Ken Wan (Vice Chair), Andy Dupertuis, Ann Hajnosz, Gabby Lacson, Kurt Lutterman,

COMMISSIONER ATTENDING REMOTELY: Michael Margolis

COMMISSIONERS ABSENT: Vanja Knezevic (Chair)

COUNCIL LIAISON: None

OTHERS PRESENT: Lucy Liu, Director; Linda De Boldt, Utility Engineering Assistant Director; Joe Harbour, Deputy Director; Chad Beck, Asst. Director, Operations and Maintenance; Scott Edwards, Deputy Director; Scott Pickard, Acting Utilities Finance Manager; Lorissa Warren, Senior Administrative Assistant; Andrew Williams, Sr. Administrative Assistant

2. APPROVAL OF THE AGENDA

Motion made by Commissioner Lutterman, seconded by Commissioner Hajnosz, to approve the agenda. The agenda was approved unanimously (6-0).

3. ORAL AND WRITTEN COMMUNICATION

None

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

None

5. STAFF REPORTS

None

6. APPROVAL OF MINUTES

None

7. UNFINISHED BUSINESS

None

8. NEW BUSINESS

a) 2025-2026 Operating Budget Proposals

Director Liu introduced the team, provided some background on the presentation, and reviewed the budget review calendar. Deputy Director Edwards introduced the format of budget proposals and gave an overview of how the 2025-2026 budget compares to the current budget. The total operating budget is increasing by 8.2% in 2025 and 4.4% in 2026. Rate drivers include inflationary pressures, aging infrastructure, local operations, and one-time costs.

2025-2026 Operating Budget Highlights:

Budget by Proposal Type:

Wholesale	\$145.5M
Taxes & Support Services	\$ 65.2M
CIP Support	\$150.8M
<u>Local Operations</u>	<u>\$ 64.6M</u>
Total Operating Budget	\$426.1M

Deputy Director Edwards, Asst. Director Chad Beck, and Asst. Director De Boldt reviewed details of the following proposals as contained in the ESC packet:

- Wholesale Costs, Taxes, Support Services: Budget: \$210.7M; Staff: 0.0 – includes Water Supply Purchase & Sewerage; Interfunds; Taxes & Franchise Fees, and RCFCs
 - Vice Chair Wan asked if any of the proposals include services to make sure that our systems are protected against cyber-attacks. Director Liu explained that security is always a consideration across all of their systems and is a component of the budget. Vice Chair Wan asked if the City has started work that the EPA is requiring. Director Liu explained staff is always looking at that and strives to continually perform to those standards. Deputy Director Edwards commented that the interfunds are the primary funding

- mechanism for the majority of the cybersecurity protections. He explained that the City has already started to incorporate things the EPA recommends even though they aren't required. They also comply with the mandates of the Safe Water Drinking Act.
- Vice Chair Wan asked if the City has any input on the water quality coming in, particular PFAS. Staff explained this would be covered later in the presentation.
- Local Operations: Budget \$64.6M; Staff: 135.5 – includes Operations & Maintenance (Storm Maintenance & Repair, Water Maintenance & Repair, Sewer Maintenance & Repair; Water Quality & Pollution Prevention); Customer Service & Outreach (Customer-Facing Service Programs, Utilities Rate Relief Programs; Solid Waste Management & Environmental Outreach); Department Management and Support; and Development Services (Information Delivery; Policy, Code & Consulting Services; Review Services; Inspection Services)
 - Commissioner Dupertuis asked when the new billing system comes online and when monthly billing will be implemented. Deputy Director Edwards explained the new billing system came online Tuesday, but was paused as staff is working through some technical issues. Staff is planning on transitioning to monthly billing in 2025.
 - Commissioner Dupertuis asked about merchant fee recovery. Director Liu explained that would be effective when the new billing system is back online next week.
 - Commissioner Hajnosz asked about the impact of the increase in forecasted applications for the Utilities Rate Relief Program. Since they are expecting more applications, does that mean there will be less money for each applicant? Director Liu explained there is no cap on the rate assistance programs and reviewed components of the program. Utilities staff is in the process of encouraging more participation and has planned for that. Also, the prior budget was not fully utilized.
 - Commissioner Dupertuis asked about prioritization of maintenance needs. Asst. Director Beck described tools they use to evaluate repair and maintenance needs across the entire system. Commissioner Dupertuis suggested conveying the difficulty of this process in community process, especially in light of the need to maintain service levels.
 - Local Operations CIP Support – includes Operating Transfer to CIP; Operating Transfer to R&R; Capital Project Delivery and Asset Management (Utility System Planning; Asset Management; CIP Project and Program Delivery; CIP Portfolio and Budget Management).
 - Proposed Utilities staff changes were reviewed.

- Commissioner Lacson asked about the current number of vacancies. Asst. Director De Boldt stated they would need to follow up with that. There was some discussion about proposed staff changes and cost savings due to using FTEs instead of consulting resources.
- Commissioner Hajnosz asked about salary levels of utilities engineers. Director Liu explained that the City recently completed a compensation study with the goal of making sure that Bellevue's salaries are competitive.

Key Takeaways: the 2025-2026 Operating Budget of \$426.1M. 49% of the budget is for external drivers (wholesale costs). 35% is for investing in aging infrastructure (10-year CIP and long-term R&R). 15% is committed to Local Operations. The budget is aligned with Council direction and city financial policy. It promotes regulatory compliance and business sustainability. It maintains existing services with strategic enhancements such as replacement of aging and obsolete equipment; increased staffing; Solid Waste contract competitive solicitation; Solid Waste and Water Quality outreach; process improvements; and Utility billing practices to promote service equity. Next steps were reviewed.

Director Liu noted invited commissioners to email any questions they have to staff. Deputy Director Harbour noted that there is an opportunity to meet with one or two commissioners at a time if there are in-depth questions.

Commissioner Margolis asked how staff would trim the budget if it was necessary. Director Liu explained that staff has done their best to develop a budget that is prudent to take forward. If there are questions about levels of service or other items it could warrant changes. Staff has tried to only ask for the things that are necessary. Vice Chair Wan asked what the lowest priority things are in the budget that would be trimmed if trimming was necessary. Director Liu explained that things related to regulatory compliance are essential. One thing they could do if needed is delay certain projects or look at discretionary items.

Commissioner Dupertuis noted that as the Asset Management Plan evolves over time, eventually they will be able to communicate the investment necessary to get to a certain service level and the related tradeoffs if they cut that investment. This also allows them to look at the impacts of investments over time.

Commissioner Hajnosz asked how the Council looks at the Utilities budget relative to the rest of the city's budget since it is an enterprise fund and pretty much self-sufficient. Are their comments mainly related to the level of rate increase? Director Liu noted that the Council is very concerned about the affordability of the rates.

Asst. Director De Boldt responded to a question that came up at the June 6 meeting where they were looking at the level of risk in asset management decisions. She spoke with Asset Manager Jaclyn Knoth about this who shared that she and former Fiscal Manager Andy Baker looked hard at the probability of failure and the consequences of failure of all of the assets that went into the Asset Management Plan. Also, it is important to note that in developing the rate projections, they estimated on the low side rather than the high side, because of the affordability issue. The City has accepted some risk because of those decisions and prudent analysis.

Director Liu added that staff has done its best to project what the cost will be for things they are confident about using their best judgement. The lakeline project will be a very expensive project, and the cost could vary depending on the design. Staff is doing more work on the lakeline replacement program and strategy; they will also be looking at funding strategies. They are assuming the lower end of the cost range until they have more information, and then they will adjust it if needed. There was further discussion about the City's decision to accept some risk in overall asset management, particularly in the stormwater and sewer fund where they are still collecting condition assessment information.

Commissioner Dupertuis summarized that it is a judgement call. The risk is that there could be large shifts in the rates in the future. His preference is to go a little higher with the estimates to minimize the risk of large rate fluctuations. If they do that, the likelihood that they will have to raise rates dramatically is lower. He would be interested in community input to see how they value uncertainty. Would the community prefer a lower number now understanding there is unknown volatility for the future, or would they prefer a higher number now with a possibility that it would be reduced? Staff commented on the challenging balancing act that this analysis requires. They are continuing to learn how to ask these hard questions as they go through the community engagement process. Commissioner Dupertuis spoke to the value of that community engagement.

9. REVIEW OF COMMISSION

Deputy Director Harbour reviewed the Commission calendar. Questions and answers followed.

10. ADJOURNMENT

Motion made by Commissioner Hajnosz, seconded by Commissioner Lutterman, to adjourn the meeting. Upon a voice vote, the motion passed unanimously (6-0).

The meeting was adjourned at 8:13 p.m.