

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

Thursday
July 11, 2024

City Hall & Remote
6:30 p.m.

1. CALL TO ORDER:

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

ROLL CALL

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

COMMISSIONER ATTENDING REMOTELY: None

COUNCIL LIAISON: Conrad Lee

COMMISSIONERS ABSENT: None

OTHERS PRESENT: Lucy Liu, Director; Linda De Boldt, Utility Engineering Assistant Director; Joe Harbour, Deputy Director; Scott Edwards, Deputy Director; John Resha, Chief Financial Officer/ Director, Finance and Asset Management; Evan Phillips, Director of Financial Strategy and Performance; Eric LaFrance, Utilities Planning Manager; Scott Pickard, Acting Utilities Finance Manager; Astri Niederkorn, Utilities Engineer; Lorissa Warren, Senior Administrative Assistant; and Laurie Hugdahl, Minutes Taker

2. APPROVAL OF THE AGENDA

Motion made by Commissioner Wan, seconded by Commissioner Lutterman, to approve the agenda. The agenda was approved unanimously.

3. ORAL AND WRITTEN COMMUNICATION

Alex Tsimerman, 14150 NE 20th Street, Bellevue, WA, expressed concern about the Commission expenses.

Fay Hou, expressed concern about environmental damage due to trees being removed.

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

Councilmember Lee spoke regarding the 4th of July celebrations. There was an update at the last Council meeting by the Finance Department. The Council appreciates the thorough and transparent work that staff has done. He spoke in support of continuing the prudent financial policies.

5. STAFF REPORTS

None.

6. APPROVAL OF MINUTES

A) JUNE 6, 2024 MINUTES

A correction was noted on item 8 under New Business. The vote for Vice Chair should reflect that one yay for Commissioner Lutterman was given by Chair Knezevic.

Motion made by Commissioner Lutterman, seconded by Commissioner Hajnosz, to approve the 6/6/24 minutes as amended. Upon a voice vote, the motion passed unanimously (7-0).

7. UNFINISHED BUSINESS

None

8. NEW BUSINESS

a) City of Bellevue Comprehensive Financial Policies

Deputy Director Scott Edwards introduced this item. Director Liu made comments on the debt policy and staff's recommendation to be able to use debt when it is prudent to do so. This would only be in in certain circumstances such as financing a major project like the sewer lake lines. John Resha, Chief Financial Officer/ Director, Finance and Asset Management discussed the financial policies and proposed updates.

Commissioner Margolis asked how these compare to Bellevue's neighbors' financial policies. CFO Resha explained that Bellevue's neighbors look to Bellevue as a model for financial policies. He spoke to the prudent use of debt and the suggestion to have it available for certain situations.

Councilmember Lee commented on the City's prudent strategies. This change would give them nimbleness and flexibility to seize on things that are needed for growth. They will need to continue to be diligent and careful with the use of debt.

Commissioner Dupertuis spoke in support of the creative use of debt. He cautioned that the analysis they are talking about is difficult, but there has to be a way to quantify what the risk is. He spoke to the need to understand financial implications to the governance that they are proposing. CFO Resha agreed that there is a lot of hard work associated with this. They are working very diligently to meet the standards for the state auditor and city code. Commissioner Dupertuis said he would be very interested in seeing how they are doing that analysis and any accounting implications associated with the governance being proposed. CFO Resha commented that the dollars aren't being handled any differently; this is just bringing the policies together to one document. Utilities revenues can still only be used for utility purposes. The ESC will still have to be accountable to the City Council to protect the funds and make sure they are accounted for appropriately. CFO Resha spoke to the ESC's role and staff's role in this process.

Commissioner Hajnosz wondered about adjusting the debt service coverage ratio. CFO Resha commented on the current debt service ratio and stressed that they want to make sure that the City's overall bond rating stays healthy.

Councilmember Lee praised CFO Resha's work and spoke in support of exploring this tool.

Council recessed for 11 minutes from 7:24 until 7:35 p.m. to work out technical difficulties.

b) Utilities 2025-2026 Budget and Rates Recommendation

Deputy Director Scott Edwards presented the 2025-2026 Budget Rates Recommendation. He gave a recap of the budget review calendar; budget and rates roles and responsibilities; and key budget challenges. The 2025-2026 Utilities Budget was reviewed including the Total Operating Budget of \$426.1M (Wholesale, Taxes, Support Services, CIP Support, and Local Operations). For the 2025-2034 Utilities CIP Budget, aging infrastructure is the primary driver, accounting for over 82% of the total investment. Currently, Water is in active replacement while Sewer and Storm are both still ramping up. The combined early outlook rates forecast for Water, Sewer and Storm were reviewed. The proposed typical residential

combined monthly bill is projected to increase by 7.4% in 2025 and 6.8% in 2026. Details of the proposed increases were reviewed.

Commissioner Dupertuis referred to uncertainty in wholesale costs. The CIP of the wholesale provider may not be fully accounted for in the rates forecast; however, the uncertainty in that is quantifiable. He would like to know what percent of the increase is due to the uncertainty. It is important to communicate that these wholesale costs are entirely out of the City's control.

Commissioner Lutterman asked if either of the wholesale providers have given definitive projections for their rates next year. Deputy Director Edwards did not think either one would be changing their projected rates next year. He noted that Bellevue's rates are based on what is known at the time. The City advocates for a longer-term view to help better inform and mitigate those uncertainties. Commissioner Dupertuis asked about the confidence the City has in the 10-year forecast. Where they do and do not have confidence should be clearly identifiable. Director Liu commented that for the two-year biennium they have a pretty good idea of what the costs will be, but the outer years are less certain. Staff is asking the wholesale providers to do a longer look so the City has better information. Commissioner Dupertuis noted that if the City needs to put pressure on the wholesale providers to improve their capabilities around supply and demand forecasting, he will support sending that message.

Councilmember Lee remarked that there is reasonable certainty for the next couple years. Beyond that the whole region is working hard to get some certainty. Deputy Director Edwards highlighted Bellevue's competitive utility rates with its neighbors and discussed key takeaways concerning Utilities Operating and Capital Budgets. Commissioner Dupertuis stressed that he wants to make sure that they are fully funded, especially with regard to cybersecurity.

Next steps were reviewed. It may be necessary to schedule an additional September meeting (maybe September 12).

Commissioner Wan referred to the lake lines and the huge replacement cost. He asked if there is any component of the budget allocated towards this. Director Liu commented that there is a range of potential costs for the lake lines with the lower end of that range allocated in the R&R forecast. Staff is anticipating that they will need a combination of strategies including rates, low interest loans, and debt.

Asst. Director De Boldt explained that in the 10-year CIP there are some initial projects scheduled for the highest priority service areas. She

reiterated that they are anticipating that they will need a combination of strategies. They are also moving forward with financial and operational strategies to manage this very important and large project. Commissioner Wan asked if a strategy for replacement has been identified. Asst. Director De Boldt explained that the report identifies a preferred strategy for each service area.

Commissioners discussed the proposed rate increase.

Motion made by Commissioner Wan, seconded by Commissioner Margolis, to recommend the 2025-2026 Budget and Utility rates to the City Manager. Upon a roll call vote, the motion passed unanimously (7-0).

c) Emergency Well Siting Study Update

Planning Manager Eric LaFrance gave an informational briefing on the background of the 2016 Water system plan and the recently adopted Emergency Water Supply Master Plan (EWSMP).

Recommendations:

- Resilient supply: install emergency wells; continue to work with Cascade/SPU to coordinate on efforts to improve resiliency of the regional supply
- Backbone piping: Provide resilient pipe to key points in the city
- Distribution System R&R: Continue watermain replacements; prioritize pump stations and reservoirs along backbone routes.

Mr. LaFrance explained that the purpose of the Emergency Well Siting Study was to evaluate existing wells and develop criteria for siting future wells. He discussed existing wells and the recommendation to redrill those to make them more earthquake resistant. He reviewed evaluation criteria for siting new wells including seismic backbone pipe routes; critical customers; streets and accessibility; customer density; groundwater and surface contamination; equity (car ownership); fire department drafting sites; water pressure zones; and seismic fault zones. He also discussed the analysis and weighting process and results showing downtown and Crossroads areas as having the highest priority for siting wells based on the evaluation criteria. Questions and answers followed related to the need to buy land, critical customers, water rights, accounting for other utilities, and how to transport water to different areas.

9. REVIEW OF COMMISSION AND COUNCIL CALENDARS

Deputy Director Harbour reviewed the ESC calendar The next meeting will be September 5. Staff will work with commissioners on an additional September date.

10. **ADJOURNMENT**

Motion made by Commissioner Margolis, seconded by Commissioner Lutterman, to adjourn the meeting. Upon a voice vote, the motion passed unanimously (7-0).

The meeting was adjourned at 8:52 p.m.

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