



Utilities Department 2019-2020 Proposed Budget

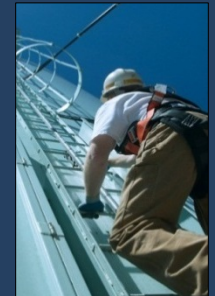
Bellevue City Council
November 13, 2018

Nav Otal, Utilities Director
Lucy Liu, Assistant Utilities Director



Agenda

- Proposed budget highlights
- Proposed rates
- ESC budget recommendation



“Invisible Systems, Visible Benefits”

Delivering daily essential services:

- *Water – a life critical resource*
- *Sewer – protecting public health*
- *Storm & Surface Water – protecting the environment*
- *Solid Waste Services – encouraging sustainability*

*in a manner that is environmentally responsible
and cost-competitive*



Unique Challenges

- Out of sight, out of mind
- Capital intensive
- Services are not scalable
- Rates are primary source of revenue
- Competitive rates



Strong Financial Policies

➤ High quality, sustainable services through long-range planning

- Funding for current and future expenses
- Pass wholesale costs through to customers
- Predictable, gradual and uniform rates
- Adequate reserves
- Capital investment - long range planning



Fiscal Stewardship

Budget and rates development involves multiple layers of review:

- Utilities Department leadership
- City Leadership Team
- City Manager's Office
- Environmental Services Commission

Community Engagement:

- CIP online open house
- Neighborhood leaders
- Bellevue Chamber of Commerce
- BOMA

➤ *Our methodology for determining budget and rates is rigorous*

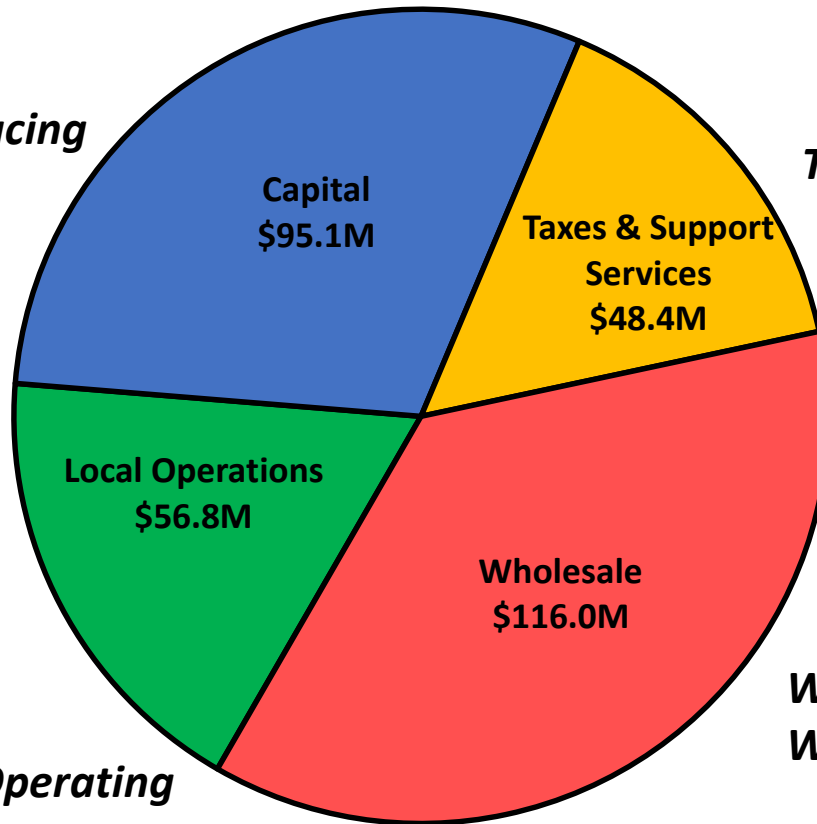




Proposed 2019-2020 Utilities Operating Budget \$316.3M

30%
*Renewing & Replacing
Infrastructure*

15%
Taxes / Support Services



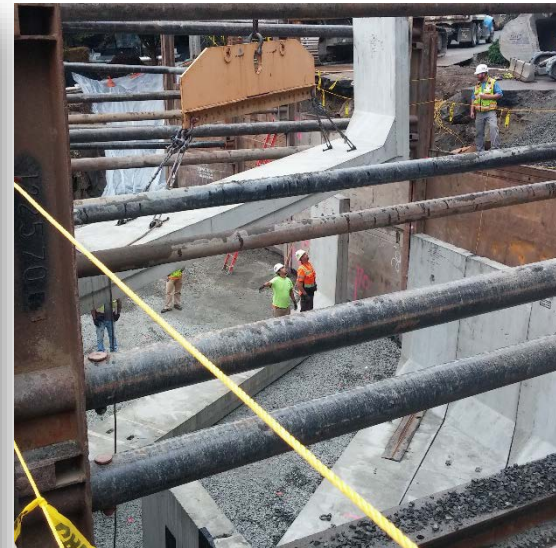
18%
*Maintaining and Operating
the Utility*

37%
*Water Purchase
Wastewater Treatment*

Excludes operating reserves

Managing Aging Infrastructure

Not too soon. Not too late.



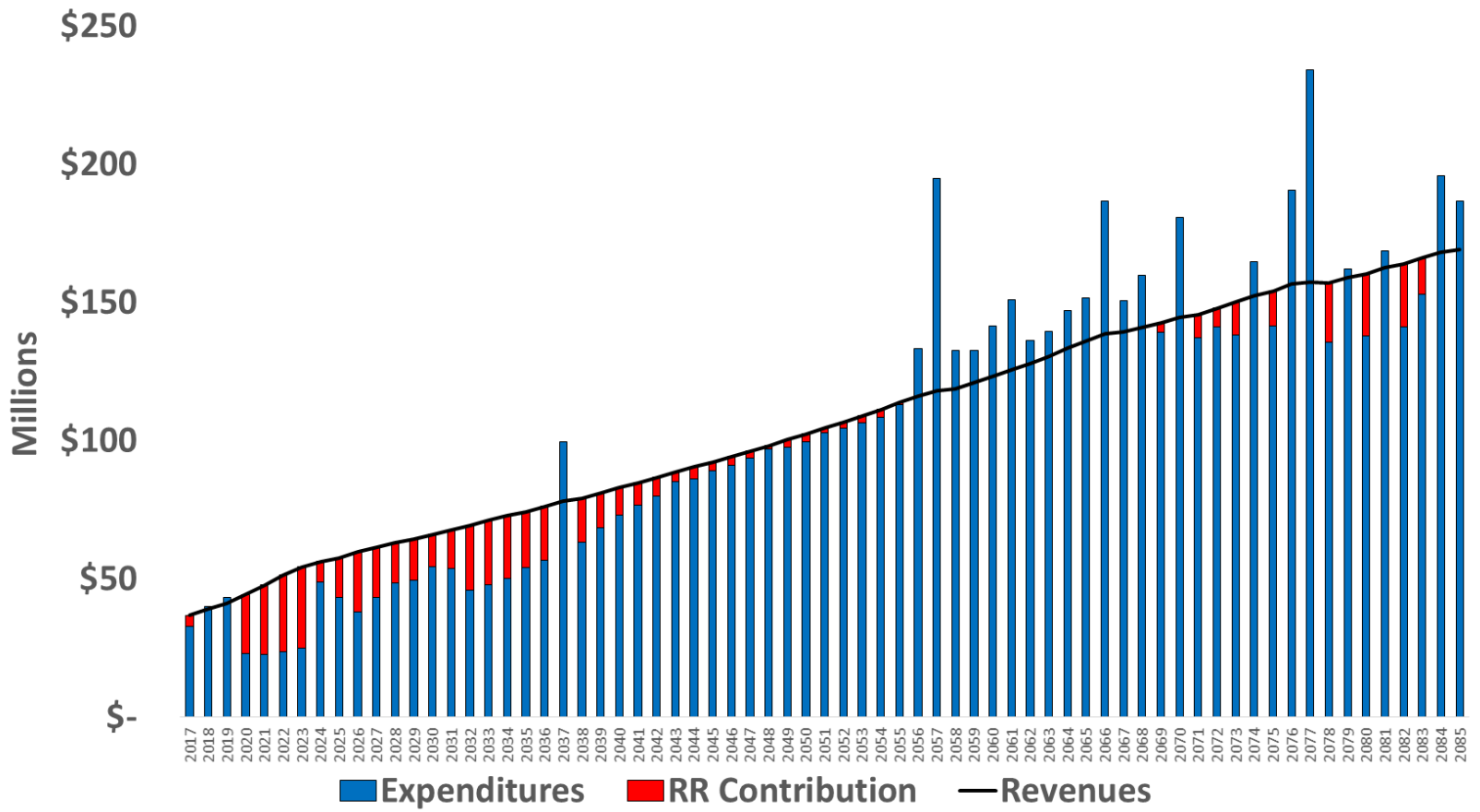
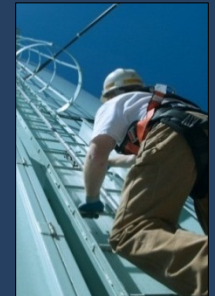
Responsible Management of Infrastructure Utilities 2019-2025 CIP: \$225M

- Aging infrastructure (77%)
- Capacity to accommodate growth (5%)
- Environmental preservation & regulatory (8%)
- Service enhancements (10%)

Aging Infrastructure \$173.5M	Capacity for Growth \$10.3M	Environmental Preservation \$18.5M	Service Enhancements \$22.7M
<ul style="list-style-type: none"> • Small diameter water main replacement (\$79.2M) • Water Pump station rehab (\$18.5M) • Reservoir rehab (\$16.6M) • Sewer pipeline major system repairs (\$14.5M) • Sewer system trunk rehab (\$11.5M) • Storm infrastructure rehab (\$10.5M) 	<ul style="list-style-type: none"> • Midlakes Pump Station improvements (\$3.4M) • Water supply for West Bellevue (\$2.3M) • Reservoir storage for downtown (\$1.6M) 	<ul style="list-style-type: none"> • Lower Coal Creek flood hazard reduction (\$6.1M) • Flood control program (\$5.8M) • Stream channel modification (\$3.6M) • Fish passage improvements (\$2.5M) 	<ul style="list-style-type: none"> • AMI implementation (\$14.7) • M&O yard land acquisition (\$8.0M)

Water Sewer Storm Water/Sewer

75-Year Infrastructure Replacement and Funding Strategy



Lean Operating Budget

- **Local operating cost increases within inflation**

New investments

One-Time

- CCUD reservoir maintenance: \$750K – funded by reserves
- AMI support (8 LTEs) – funded by CIP

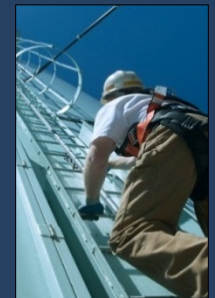
On-Going

- Maintain customer service (0.25FTE): \$18K/yr.
- Enhance storm video inspection program : \$73K/yr.

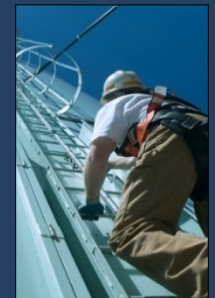


Proposed 2019-2020 Combined Water, Sewer, and Storm Utility Rates

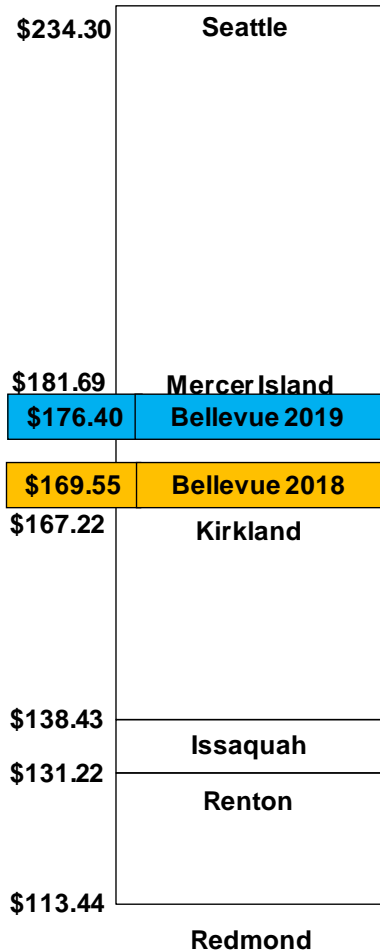
	2019	2020
Wholesale Costs	1.4%	0.8%
CIP/R&R	1.0%	1.8%
Taxes/Interfunds	0.6%	0.5%
Operations	<u>1.0%</u>	<u>0.7%</u>
Total	4.0%	3.8%



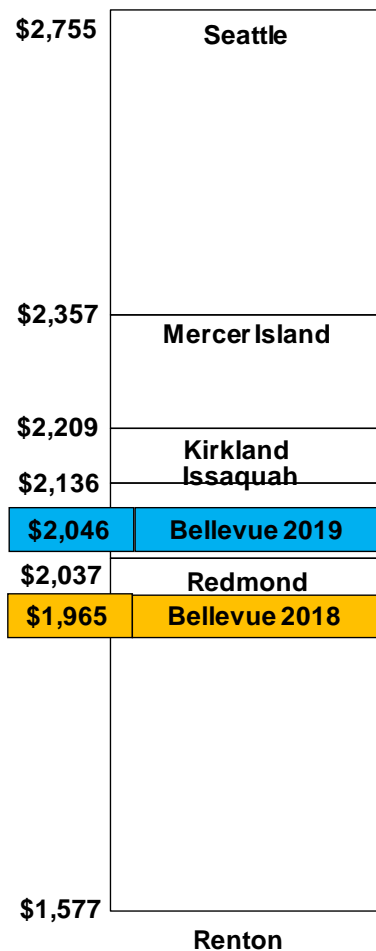
Competitive Utility Rates with our Neighbors – 2018 Combined Water, Sewer & Storm Monthly Bill *(Proposed 2019 Bill for Bellevue Only)*



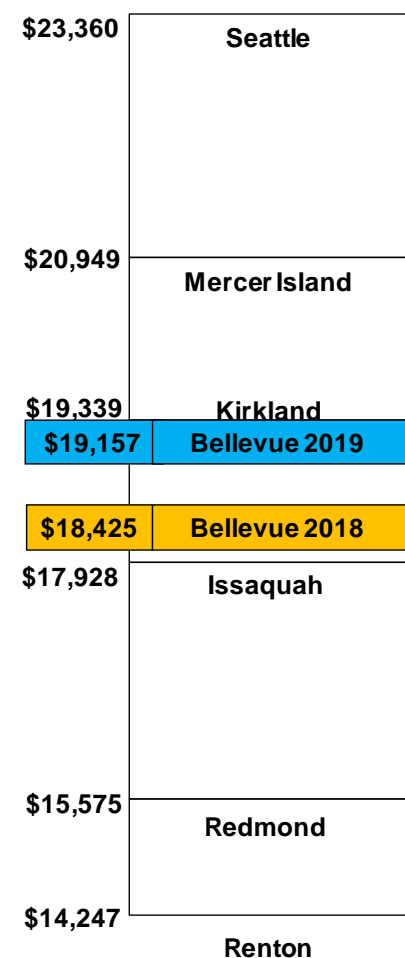
Residential



Multi-Family



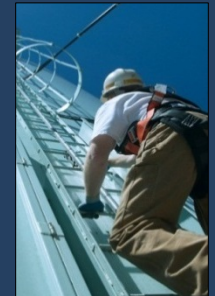
Commercial



Attributes of a Well-Managed Utility

- High Customer Satisfaction Rating
 - 87% Customer Satisfaction
- Solid Financial Management
 - High Bond Rating – Aa1
 - No Debt
- National Standards of Excellence
 - APWA Accreditation
 - AMWA Platinum Award
 - AMWA Sustainable Water Utility Management Award

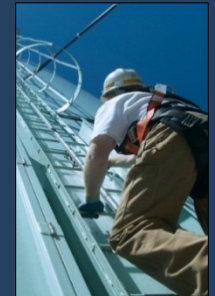




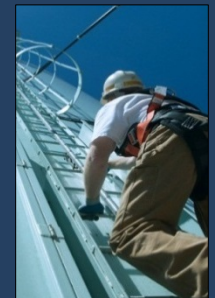
Environmental Services Commission (ESC) Budget Recommendation

Diann Strom, ESC Chair

2019-2020 Budget

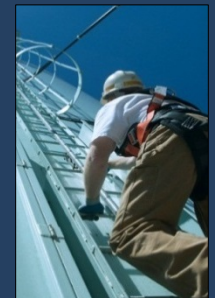


Typical Residential Combined Water, Sewer, & Storm Utility Monthly Bill Rate Drivers



	2019 Bill		2020 Bill	
Prior Year Monthly Bill		\$169.55		\$176.40
Wholesale costs	1.4%	\$2.35	0.8%	\$1.33
Local				
CIP/R&R	1.0%	\$1.62	1.8%	\$3.22
Taxes and Interfunds	0.6%	\$1.03	0.5%	\$0.83
Operations	1.0%	\$1.85	0.7%	\$1.30
Total Local	2.6%	\$4.50	3.0%	\$5.35
Total Increase	4.0%	\$6.85	3.8%	\$6.68
New Monthly Bill		\$176.40		\$183.08

Competitive Utility Rates with our Neighbors – 2018 Water Monthly Bill (Proposed 2019 Bill for Bellevue Only)



Residential

\$66.45	BELLEVUE 2019
\$64.08	BELLEVUE 2018
\$62.14	Seattle
\$60.41	Mercer Island
\$59.05	Kirkland
\$56.07	Issaquah
\$42.24	Renton
\$38.51	Redmond

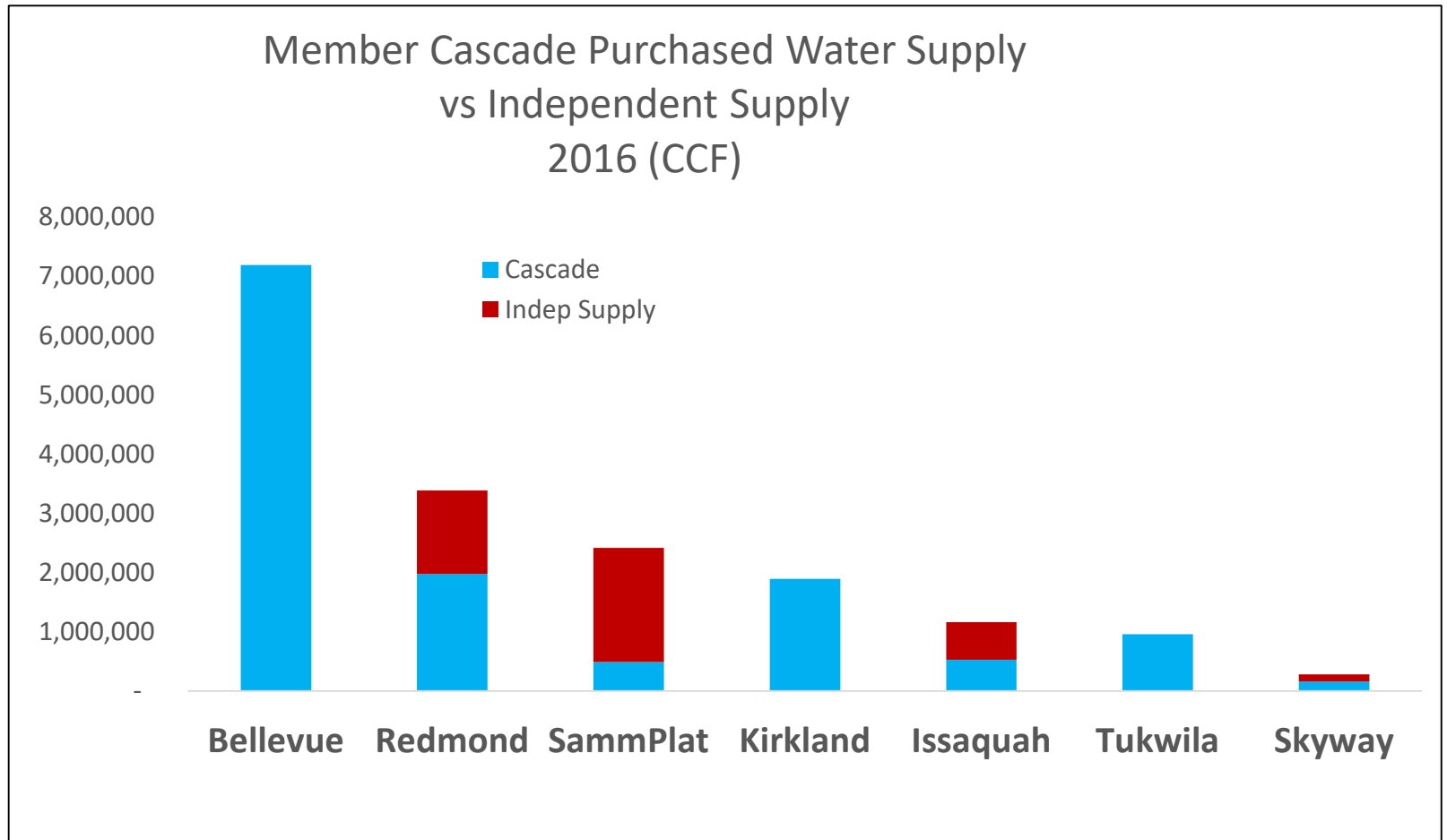
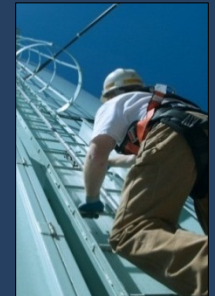
Multi-Family

\$678	BELLEVUE 2019
\$676	Mercer Island
\$654	BELLEVUE 2018
\$623	Issaquah
\$606	Kirkland
\$592	Seattle
\$396	Renton
\$369	Redmond

Commercial

\$6,399	BELLEVUE 2019
\$6,383	Issaquah
\$6,171	BELLEVUE 2018
\$5,911	Mercer Island
\$5,872	Kirkland
\$5,813	Seattle
\$3,811	Renton
\$3,361	Redmond

Water Supply – CWA Members



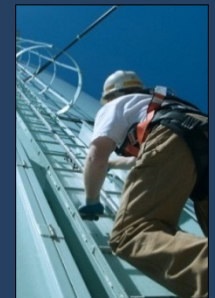
Water CIP per Capita

Jurisdiction	Average Annual Water CIP (\$M)	2017 Residential Population	Average Annual Water CIP per Capita
Bellevue	\$19.4	140,700	\$138
Mercer Island	\$3.3	24,210	\$136
Seattle	\$92.8	713,700	\$130
Issaquah	\$4.5	36,030	\$125
Renton	\$9.5	102,700	\$93
Redmond	\$2.9	62,110	\$47
Kirkland	\$1.6	86,080	\$19

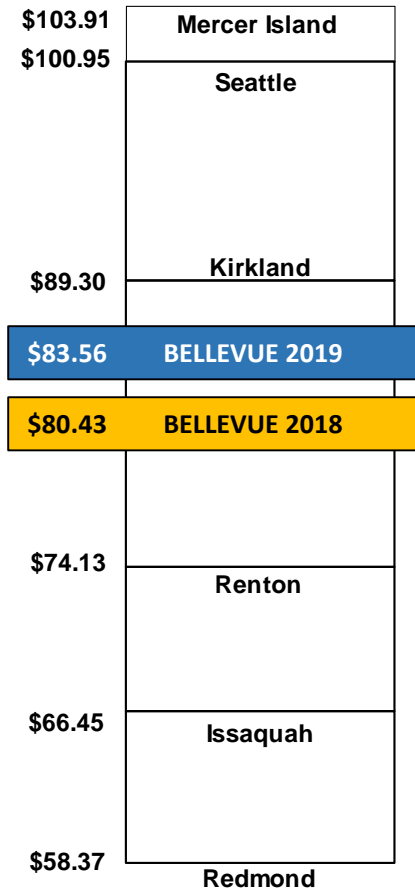
Source: Jurisdiction adopted CIP budgets; Wa. State OFM April 2017 Official Population Estimates. Bellevue data includes the planned contribution to the renewal and replacement fund for the future replacement of water utility infrastructure.



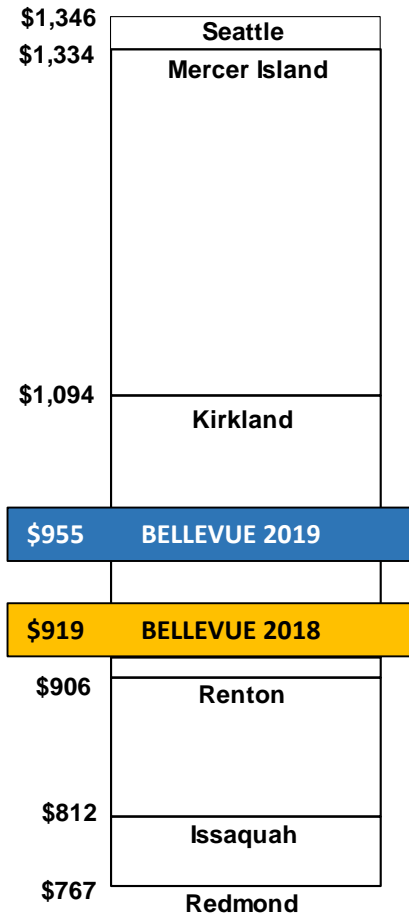
Competitive Utility Rates with our Neighbors – 2018 Sewer Monthly Bill (Proposed 2019 Bill for Bellevue Only)



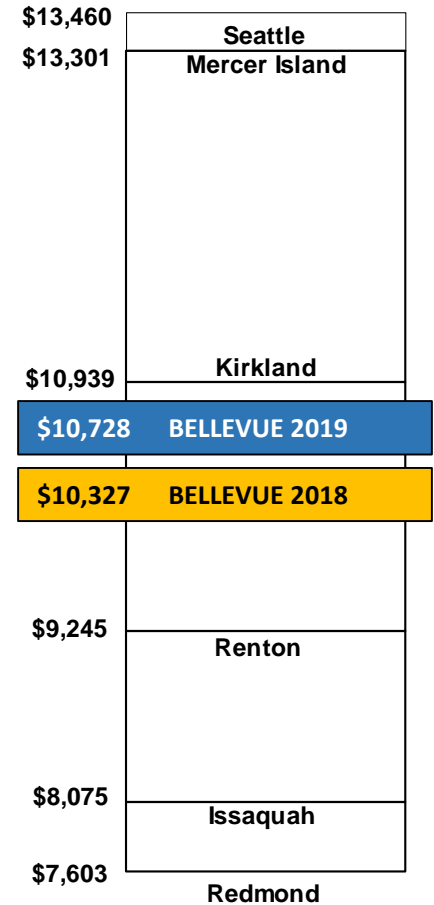
Residential



Multi-Family



Commercial

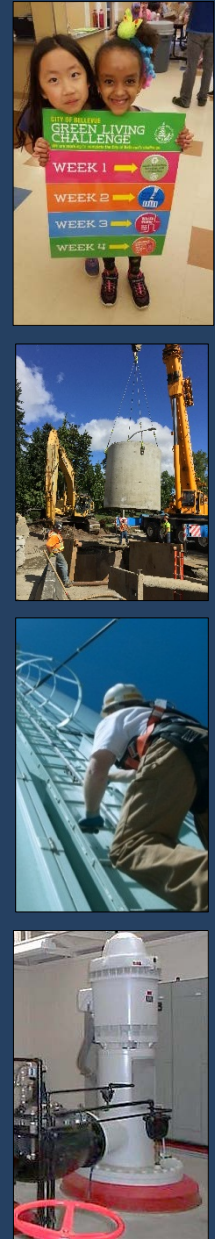
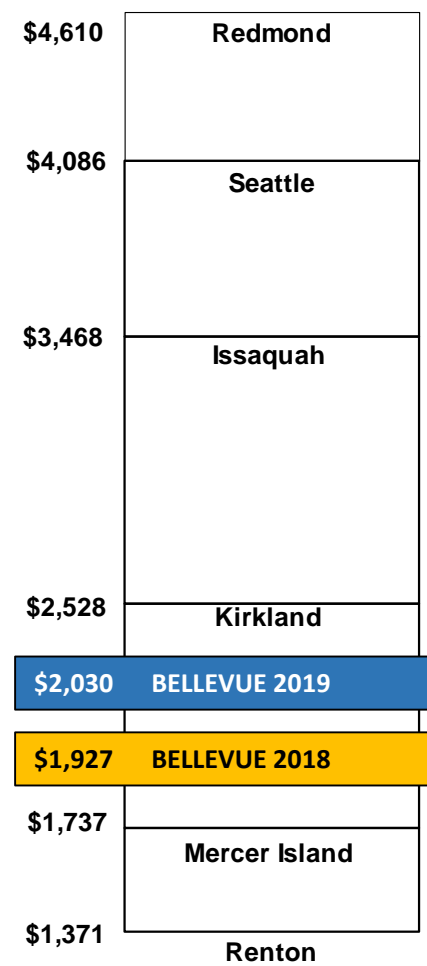
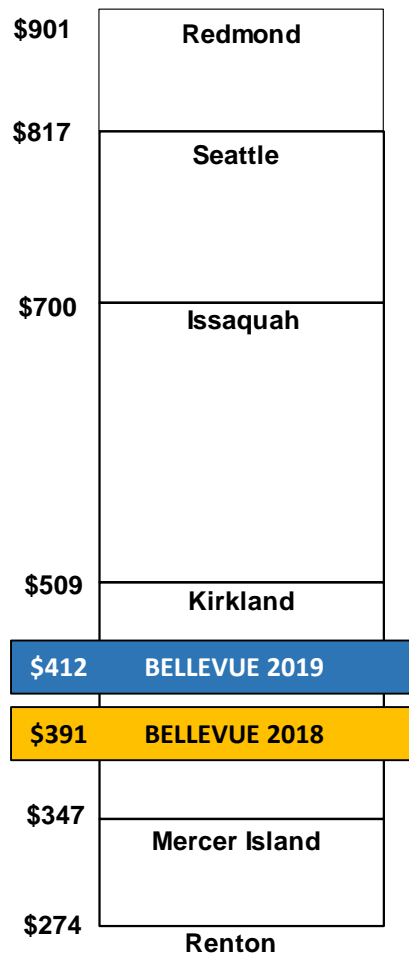
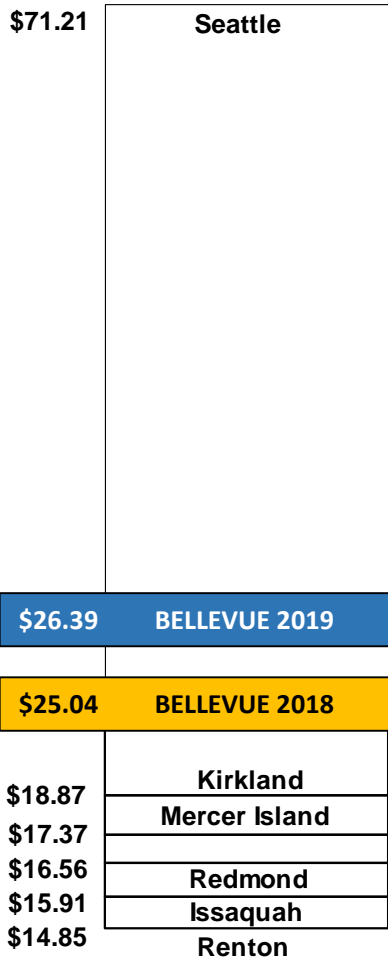


Competitive Utility Rates with our Neighbors – 2018 Storm Monthly Bill (Proposed 2019 Bill for Bellevue Only)

Residential

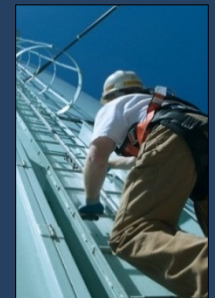
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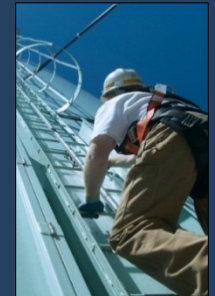


2019-2024 Combined Utility Rates Forecast Provides Predictability and Certainty

	2019	2020	2021	2022	2023	2024
<i>Early Outlook</i>	4.9%	3.8%	4.2%	4.3%	4.1%	4.0%
Proposed	4.0%	3.8%	5.0%	3.7%	4.4%	4.4%



2019-2020 Budget



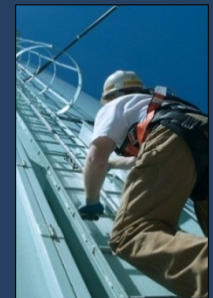
Key Capital Budget Changes

Major Project Changes

- West Lake Sammamish Parkway AC watermain replacement scope change – \$5M increase
- I-405 Widening emergent project - \$2M
- Cherry Crest pump station replacement - \$5M increase

New Investment

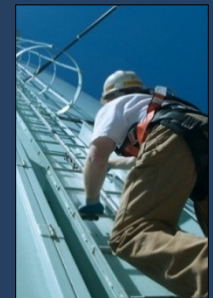
- Operational yard land acquisition - \$8M



Wholesale Costs

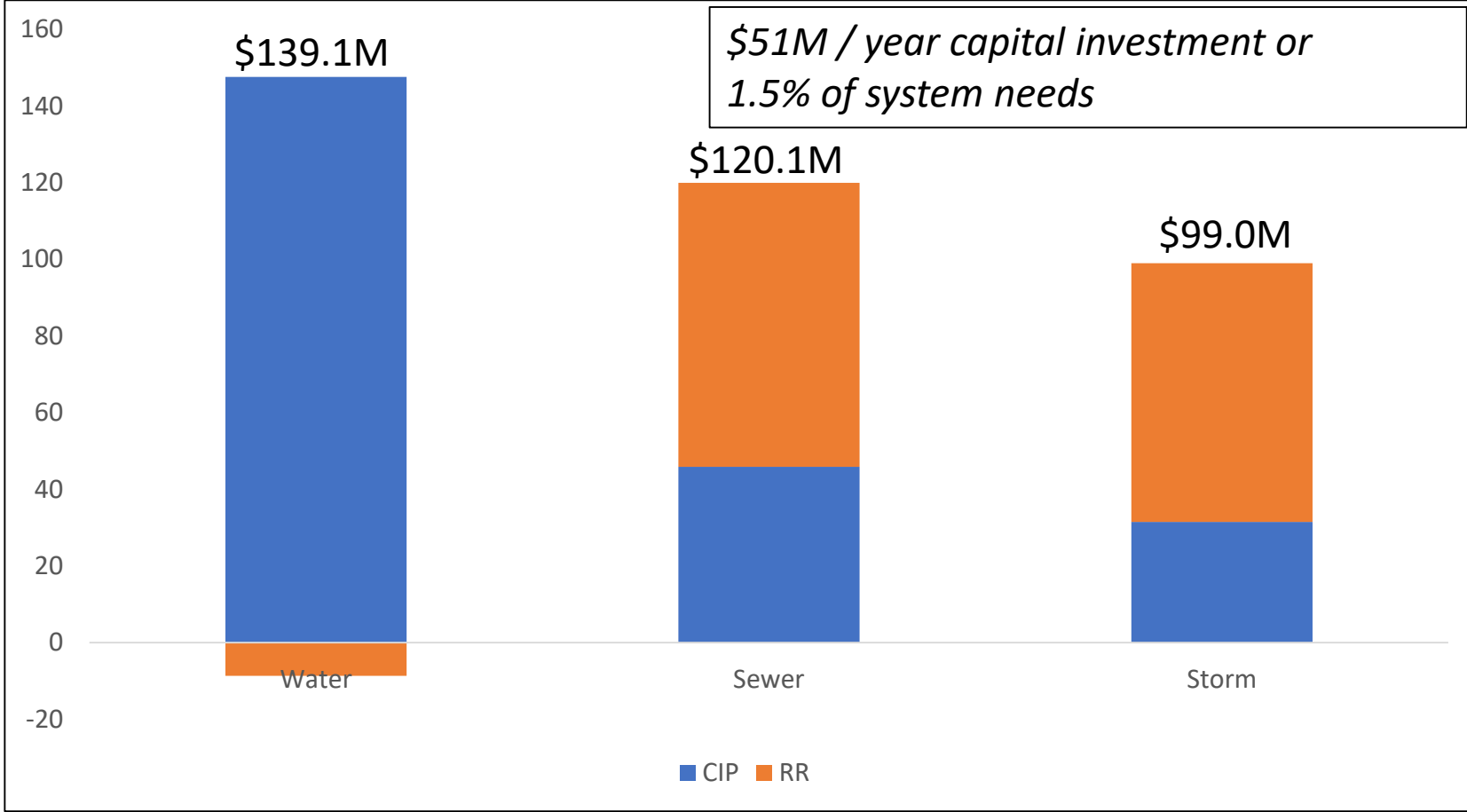
	2019	2020
Water Supply	\$0.8M	\$0.7M
Wastewater Treatment	\$0.9M	-
Total	\$1.7M	\$0.7M
% Increase to Total Utility Bill	1.4%	0.8%
\$ Impact to Total Utility Bill*	\$2.35	\$1.33

*Impact to typical residential monthly bill for water, sewer, and stormwater services



Infrastructure Funding From Rates

2019-2025 CIP/RR: \$358.2M



New Investment: Operational Yard Space Land Acquisition

Benefits

- Reduce crew travel time
- Address operational facility deficiencies
- Improve ability to serve customers
- Improve emergency response capabilities

Budgeted Cost: \$8 million

Funding Source: Reserves

