



Bellevue Utilities

Environmental Services Commission

2021-2022 Budget Review Notebook

Water, Sewer, Storm & Surface Water, and Solid Waste



October 2020

TABLE OF CONTENTS



SECTION 1 – TRANSMITTAL 1

SECTION 2 – OVERVIEW 13

Mission & Strategic Priorities 14

Organization Chart 15

Utility Overview 16

Accomplishments & Goals 19

Department Key Performance Indicators 23

SECTION 3 – OPERATING BUDGET PROPOSALS 25

SECTION 4 – CAPITAL BUDGET PROPOSALS 120

SECTION 5 – ESC RECOMMENDATIONS 126

SECTION 6 – FINANCIAL FORECAST 129

SECTION 7 – MONTHLY BILL COMPARISONS 138

Combined Monthly Bill Comparison 139

Water Monthly Bill Comparison 140

Sewer Monthly Bill Comparison 141

Storm and Surface Water Monthly Bill Comparison 142

SECTION 8 – RATE SCHEDULES 143

Water Rate Schedule 144

Sewer Rate Schedule 147

Storm and Surface Water Rate Schedule 148

SECTION 9 – ENABLING ORDINANCES 149

Water 2019-2020 Adopted Rate Ordinance 150

Sewer 2019-2020 Adopted Rate Ordinance 156

Storm and Surface Water 2019-2020 Adopted Rate Ordinance 160

SECTION 10 – FINANCIAL POLICIES 165

Waterworks Utility Financial Policies 166

Solid Waste Fund Reserve Policy 194

SECTION 1.



Transmittal

DATE: October 07, 2020

TO: Environmental Services Commission

FROM: Nav Ota, Director
Brian Bartle, Deputy Director
Lucy Liu, Assistant Director
Jolie Liu, Fiscal Manager
Utilities Department

SUBJECT: Utilities Department Proposed 2021-2022 Budget and Rates

This notebook is a culmination of the 2021-2022 Utilities budget information the Environmental Services Commission (Commission) has reviewed between January and August to serve as a reference document. We have compiled the following documents:

- 2021-2022 Utilities operating budget proposals
- 2021-2027 Utilities CIP proposals
- 2021-2026 utility rates forecast
- Monthly utility bill comparisons
- Waterworks Utility Financial Policies

The Commission reviewed the budget incrementally over the last nine months. This notebook contains the latest information. There are no changes to the Utilities Department proposed operating and capital budget and rates information the Commission previously reviewed, except for the following:

- Operating Budget: An update to reflect tax cost projections in the latest utility rates forecast reviewed by the Commission on August 20.
- Waterworks Utility Financial Policies: An update to reflect the frequency of Water System Plan updates required by state law. This is the only proposed policy change. Administrative edits to reflect updated information and provide clarity are also included.

SUMMARY

The 2021-2022 Utilities Department proposed budget is a representation of the strategies and policies that the Department is recommending to address key financial and operational challenges over the next biennium. The Utilities Department operates as a business enterprise within the City structure. As a business, rates are the primary source of funding for utility functions.

COVID-19 is anticipated to impact utility revenues in 2021-2022. Recognizing that COVID-19 is a dynamic situation, the Utilities Department's goal is to address these impacts by containing costs that are within its control and using available reserves. To mitigate customer impacts, the Department is not proposing rate increases for local operations and have lowered planned contributions to the capital infrastructure renewal and replacement (R&R) account in the 2021-2022 biennium.

In addition to the financial impacts of COVID-19 in the upcoming biennium, the Utilities Department continues to face the following challenges which serve as the backdrop for the Department's budget formulation:

- Increase in wholesale water supply and wastewater treatment costs;
- Aging infrastructure and the need to maintain and adequately fund renewals and replacements in a timely and cost-effective manner that minimizes overall costs and risk of expensive emergency repairs;

- Utility infrastructure capacity needed to accommodate population growth and support economic development; and
- Regulatory requirements, and mandated projects and programs.

With this as context, the proposed 2021-2022 budget was prepared with a watchful eye towards competitive rates, now and into the future, and to capitalize on opportunities to improve business processes and leverage efficiencies where possible to ensure value to the ratepayer.

COUNCIL STRATEGIC DIRECTION AND KEY COUNCIL-ADOPTED POLICIES GUIDING BUDGET DEVELOPMENT

Development of the proposed 2021-2022 Utilities Department budget was guided by Council strategic direction and Council-adopted policies:

Council strategic direction: Utilities proposed budget supports Council strategic direction by:

- Supporting the city's economic development.
- Protecting, renewing, and enhancing utility infrastructure and natural resources, as part of the City's high quality built and natural environment.
- Continuing to be a high performing organization by leveraging innovation and technology to enhance customer service, improve service delivery, and achieve cost efficiencies.
- Achieving human potential by offering rate relief programs, as allowed by state law, to assist low-income residents in paying for utility services.

Council-approved policies: The Waterworks Utility Financial Policies serve as the foundation for development of the Utilities Department budget and rates. A copy of these policies is included in section 10. Adherence to these policies have enabled the Department to be recognized as a leader in the industry, provide competitive utility rates, and achieve financial sustainability. Consistent with Council-adopted policies, the proposed budget is based on:

- The full cost of providing utility services now and in the future.
- Sufficient reserves to protect the solvency of the utility funds.
- Investment in capital infrastructure and/or deposit of funds in an infrastructure R&R account to ensure that current and future customers that use the utility system pay their equitable share of system costs.
- Predictable, smooth and uniform rates.

BUDGET REVIEWED BY ENVIRONMENTAL SERVICES COMMISSION

The Commission advises the City Council on water, wastewater, storm and surface water, and solid waste utility programs in the areas of planning, budgeting, ratemaking, CIP financing, and policies. The Commission is comprised of seven members, appointed by the Mayor with the concurrence of Council, who reside within the Bellevue Utilities Department's service area. In this role, the Commission embodies the interests of utility ratepayers throughout the service area, including Bellevue, Beaux Arts, Clyde Hill, Hunts Points, Medina, Yarrow Point, and sections of the City of Kirkland. The Commission's responsibilities include evaluation of policy, budget, and planning issues that culminate in utility rate recommendations to Council.

The Commission has met six times and is scheduled to meet two additional times to review the proposed Utilities 2021-2022 operating budget and 2021-2027 CIP as follows:

- January 16: Utilities 2021-2027 CIP Budget Development Process Overview
- February 6: 2021-2022 Budget Planning Overview, and Utilities Finances Overview
- June 23: Proposed 2021-2027 CIP

- July 23: Utility Rates Forecast, 2019 Financial Performance, and CIP Open House Results
- August 6: Operating and CIP Budget Proposals
- August 20: Utilities Proposed 2021-2022 Operating and 2021-2027 CIP Budgets Follow-Up, and ESC Budget Recommendation to City Manager
- October 7: Budget and Rates Update and Public Hearing
- October 22: Finalize Budget and Rates Recommendation to City Council
- November 9 (tentative): Chair Delivers Budget and Rates Recommendation to City Council

Included under section 5 is the Commission’s recommendation to the City Manager on Utilities’ 2021-2022 operating and 2021-2027 capital budget proposals.

KEY PRINCIPLES GUIDING BUDGET DEVELOPMENT

2021-2022 Proposed Utilities Operating Budget

Development of the Department’s 2021-2022 operating budget was guided by the following principles:

Lean local operations: A lean budget is proposed to maintain current service levels, implement strategies from prior budget decisions, fund external financial obligations, and meet regulatory requirements. Fiscal stewardship through operational efficiency and prudent management of utility financial resources is a high priority for Utilities leadership. As a result of cost containment efforts, no rate increases are proposed in this biennium to support local operations of the water, sewer, and storm and surface water utilities.

Staffing changes are proposed to meet business needs. One new staff is proposed to implement a Source Control program as mandated by the National Pollutant Discharge Elimination System (NPDES) permit. Additionally, staffing reductions are proposed due to advanced metering infrastructure (AMI) implementation. Nine LTEs were previously added to support AMI implementation. Five of the LTEs will be eliminated in this biennium and four will be eliminated in 2023 when the project is completed. In addition to LTEs, two meter reader FTE positions will be eliminated in this biennium. The following table summarizes the staffing changes included in the proposed 2021-2022 budget.

Table 1: Proposed Staffing Changes

	FTEs	LTEs
Senior Engineering Technician (NPDES)	1.00	--
AMI Implementation	(2.0)	(5.0)
Total Change	(1.00)	(5.0)

Fully fund wholesale costs: Consistent with Council-adopted policies, the proposed budget fully funds wholesale cost increases, in order to ensure that local operations are not degraded and there is continuity of service delivery to the community. Wholesale costs for 2021-2022 total \$123.2 million and represent approximately 38% of the Utilities Department’s proposed budget. Wholesale costs include payments to the Cascade Water Alliance for water supply and regional capital facility charges, and payments to King County for wastewater treatment.

2021 - 2027 Proposed Utilities CIP Budget

The following are the key principles guiding development of the Department’s capital budget:

Infrastructure preservation: The City’s utility infrastructure is aging, and increased maintenance and capital investments are inevitable. System failures are on the rise. The future capital program will focus largely on renewal and replacement of this aging infrastructure. Over the 2021-2027 planning period, the City’s investment in the proposed Utilities CIP totals \$235.6 million. Operating expenses in support of the CIP

total \$95.1 million and 32.9 staff. This includes \$74.2 million in transfers to the CIP fund, \$16.3 million in transfers to the R&R fund, and \$4.6 million for capital project delivery.

The following tables provide a summary of projected CIP expenditures by year and utility for the 7-year CIP period.

Table 2: 2021-2027 CIP Expenditures (\$000's)

	2021	2022	2023	2024	2025	2026	2027	Total
Water CIP	\$16,730	\$18,000	\$17,723	\$20,834	\$17,260	\$20,090	\$24,440	\$135,077
Sewer CIP	\$12,740	\$6,200	\$9,136	\$9,267	\$7,720	\$6,720	\$6,250	\$58,033
Storm CIP	\$12,970	\$10,640	\$4,590	\$2,530	\$3,310	\$4,440	\$3,960	\$42,440
Total – Utility CIP	\$42,440	\$34,840	\$31,450	\$32,630	\$28,290	\$31,250	\$34,650	\$235,550

The proposed Utilities 2021-2027 CIP includes the following investments:

- **Aging infrastructure:** \$192.9 million, or 82% of the proposed CIP, is for investments to address aging infrastructure needs. Examples of projects include small diameter water main replacements (\$81.3 million), water reservoir rehabilitation (\$23.4 million), sewer system pipeline major repairs (\$25.7 million), sewer pump station improvements (\$15.3 million), sewer pipeline replacements (\$5.7 million), and storm system conveyance repairs and replacements (\$13.1 million).
- **Environmental preservation:** \$27.7 million, or 12% of the proposed CIP, is for environmental preservation and flood protection projects. Example projects include the storm system flood control program (\$9.5 million), and Factoria Blvd. stormwater conveyance improvement project (\$9.3 million).
- **Capacity for growth:** \$7.0 million, or 3% of the proposed CIP, is to increase utility system capacity to accommodate growth. Example projects include water storage availability for downtown (\$4.1 million), and new water facilities for the NE Spring Blvd. Corridor (\$2.9 million).
- **Maintain service delivery:** \$8.0 million, or 3% of the proposed CIP, is funding to build an additional operational facility to maintain service delivery to the community.

Long-range infrastructure renewal and replacement (R&R) planning: Bellevue Utilities is better prepared than most utilities to meet increasing infrastructure resource requirements due to the Council's foresight to establish the R&R account and the use of long-term infrastructure financial planning to accumulate funds necessary to replace Utilities infrastructure as it ages. This allows Utilities to amortize major pending liabilities over a long-time span, while maintaining current service levels, keep rate increases gradual and uniform, and maintain intergenerational equity.

Water is currently in active replacement and thus, does not require as high reserves. Sewer and storm infrastructure, while facing similar challenges, is in very early stages of repair and replacement and will require significant investment in the future.

Table 3: Renewal/Replacement Account Ending Fund Balance (\$000's)

	2021	2022	2023	2024	2025	2026	2027
Water	\$29,480	\$31,164	\$35,843	\$38,722	\$46,538	\$52,968	\$56,972
Sewer	\$95,847	\$106,637	\$115,815	\$126,256	\$139,493	\$155,323	\$173,165
Storm	\$70,079	\$75,927	\$87,103	\$101,242	115,706	\$130,051	\$145,768
Total	\$195,406	\$213,728	\$238,761	\$266,220	\$301,737	\$338,342	\$375,905

UTILITY RATES

The following table summarizes the rate adjustments in 2021 and 2022 that are necessary to support the Utility Department's proposed budget, as well as forecasted annual rate adjustments for the period 2023 to 2026. Details of the 2021-2026 Utility Rates Forecast for the water, sewer, and storm and surface water utilities are provided in section 6. The proposed 2021-2022 utility rates for the water, sewer, and storm and surface water utilities are detailed in section 8.

Table 4: Proposed and Projected Utility Rate Increases 2021-2026

	Water Utility	Sewer Utility	Storm Utility	Combined Utility
2021 Proposed	3.5%	4.1%	3.5%	3.8%
2022 Proposed	3.5%	4.5%	3.3%	3.9%
2023 Projected	4.3%	7.6%	4.3%	5.9%
2024 Projected	4.3%	2.3%	4.5%	3.4%
2025 Projected	4.5%	7.8%	4.5%	6.1%
2026 Projected	5.1%	2.9%	5.2%	4.1%

Key rate drivers in proposed 2021-2022 Budget:

As with any business enterprise, changes in the cost to deliver services must be evaluated and incorporated into the budget. The drivers for rate increases in the 2021-2022 biennium are: 1) external financial obligations including regional wholesale costs, and payments for taxes and support services from the General Fund, and 2) investments in the city's utility infrastructure. Maintaining the integrity of the utility infrastructure is critical to the Department's ability to continue quality service delivery to the community. Operating and maintaining Bellevue's utility systems is not a rate driver in this biennium. The cost drivers for the proposed 2021-2022 water, sewer, and storm rate increases are detailed by utility below:

Water:

- Wholesale costs are the single largest cost center for the Water Utility, accounting for approximately 37% of annual expenditures. The City is a member of the Cascade Water Alliance (Cascade), which serves to provide water supply for Cascade members. Other member jurisdictions include the cities of Issaquah, Kirkland, Redmond, Tukwila, Sammamish Plateau Water and Sewer District, and the Skyway Water and Sewer District. Water supply costs are established by Cascade. Payments to Cascade for purchased water totaled \$21.4 million in 2020 and is expected to increase to \$22.0 million in 2021 and \$22.4 million in 2022. This translates into rate increases to Bellevue customers of 1.7% in 2021 and 0.9% in 2022.
- Additional rate increases of 1.8% in 2021 and 2.6% in 2022 are needed for critical capital infrastructure needs, and increases in payments for support services and taxes. As a result of cost containment, no rate increases are proposed for local operations and maintenance functions.

The following table summarizes the water utility rate drivers for 2021 and 2022.

Table 5: Water Utility Rate Drivers

Category	2021	2022
Wholesale Rate Driver	1.7%	0.9%
Local Rate Drivers		
CIP / R&R	0.0%	2.1%
Taxes / Interfunds	1.8%	0.5%
Operations	<u>0.0%</u>	<u>0.0%</u>
Total Local Rate Drivers	1.8%	2.6%
Total Increase	3.5%	3.5%

Sewer:

- Wholesale costs are the single largest cost center for the Sewer Utility, accounting for approximately 56% of annual expenditures. King County provides wastewater treatment services to 34 local cities and sewer utilities in the King, Snohomish and Pierce County region. Bellevue contracts with King County for wastewater treatment. Wastewater treatment costs are established by King County. Payments to King County totaled \$34.5 million in 2020 and is expected to increase to \$36.1 million in 2021 and \$37.8 million in 2022. This translates into rate increases to Bellevue customers of 3.2% in 2021 and 3.0% in 2022.
- Additional rate increases of 0.9% in 2021 and 1.5% in 2022 are needed for critical capital infrastructure needs, now and in the future, and increases in tax payments. As a result of cost containment, no rate increases are proposed for local operations and maintenance functions.

The following table summarizes the sewer utility rate drivers for 2021 and 2022.

Table 6: Sewer Utility Rate Drivers

Category	2021	2022
Wholesale Rate Driver	3.2%	3.0%
Local Rate Drivers		
CIP / R&R	0.6%	1.3%
Taxes / Interfunds	0.3%	0.2%
Operations	<u>0.0%</u>	<u>0.0%</u>
Total Local Rate Drivers	0.9%	1.5%
Total Increase	4.1%	4.5%

Storm & Surface Water:

- Annual rate increases of 3.5% in 2021 and 3.3% in 2022 are necessary for critical capital infrastructure needs, now and in the future, and increases in payments for support services and taxes. The storm and surface water fund does not have a wholesale component. All functions of storm and surface water management are performed locally by the City of Bellevue. The following table summarizes the storm utility rate drivers for 2021 and 2022.

Table 7: Storm Utility Rate Drivers

Category	2021	2022
Local Rate Drivers		
CIP / R&R	2.0%	2.9%
Taxes / Interfunds	1.5%	0.4%
Operations	<u>0.0%</u>	<u>0.0%</u>
Total Local Rate Drivers	3.5%	3.3%
Total Increase	3.5%	3.3%

Total Utilities Rate Impact to Customer

The total monthly utility bill for the typical single-family residential customer for water, sewer, and storm and surface water services is \$183.05 in 2020. With the above proposed rate increases, the total monthly bill for the typical single-family resident would increase by 3.8% or \$6.91 in 2021 and 3.9% or \$7.48 in 2022. Bellevue's utility rates are competitive and will continue to be competitive in the future with the Council-adopted policy to proactively plan and prepare for infrastructure replacement and renewal. Sample monthly bills for selected types of Utility customers can be found in section 7.

Solid Waste:

- The City contracts with Republic Services for garbage, recycling, and organics collection services. This contract includes an annual adjustment to Bellevue solid waste customer rates based on two elements. One element is driven by changes in the King County solid waste disposal fee as applied to the disposal portion of customer rates. The second element is driven by changes in the consumer price index as applied to the collection portion of customer rates to reflect the normal cost increase of doing business. Effective January 1, 2021, the monthly rate for a typical single-family residential customer¹ will increase by 0.79% or \$0.19 consistent with the provisions of Republic Services' contract with the City.

STRATEGIC TARGET AREAS

The 2021-2022 Utilities Department proposed budget is based on a budgeting for Strategic Areas approach adopted by the City. The approach focuses on services that deliver strategic outcomes that are important to the community and aligns departmental priorities to these strategic outcomes, reflecting the values of the community and important community-wide priorities recognized by the City Council. A summary of each of the Utilities Department operating and capital budget proposals can be found under sections 3 and 4.

¹ Assumes 32-gallon size.

Attachment A
Utilities Proposed 2021-2022 Operating Budget

The following tables provide a summary of operating expenses and personnel requirement by fund for 2021 and 2022, respectively, broken down by major category.

Table 1: Proposed 2021 Operating Budget (\$000's)

	Water	Sewer	Stormwater	Solid Waste	Total
Beginning Fund Balance					
Operating Reserves	\$11,105	\$5,747	\$1,797	\$2,321	\$20,970
Asset Repl. Reserves	\$4,509	\$2,895	\$4,206	--	\$11,610
Subtotal	\$15,614	\$8,642	\$6,003	\$2,321	\$32,580
Revenues					
Service Charges	\$56,757	\$63,496	\$27,237	--	\$147,490
Interfund Services	\$3,235	\$135	\$174	--	\$3,544
Developer Fees	\$912	\$515	\$825	--	\$2,252
RCFCs	\$2,293	--	--	--	\$2,293
Admin Revenues	--	--	--	\$811	\$811
Grants	--	--	--	\$297	\$297
Interest	\$327	\$104	\$18	\$42	\$491
Other	\$300	\$266	\$32	\$17	\$615
Subtotal	\$63,824	\$64,516	\$28,286	\$1,167	\$157,793
TOTAL SOURCES	\$79,438	\$73,158	\$34,289	\$3,488	\$190,373
Expenses					
Wholesale	\$24,489	\$36,117	--	--	\$60,605
Capital Program	\$16,877	\$13,944	\$14,452	--	\$45,272
Taxes/Interfunds	\$12,029	\$7,129	\$4,550	\$588	\$24,296
Personnel	\$7,333	\$5,811	\$5,339	--	\$18,483
Other M&O	\$3,043	\$1,936	\$2,775	\$728	\$8,483
Subtotal	\$63,771	\$64,936	\$27,116	\$1,316	\$157,139
Ending Fund Balance					
Operating Reserves	\$10,532	\$4,439	\$2,311	\$2,171	\$19,453
Asset Repl. Reserves	\$5,136	\$3,783	\$4,862	--	\$13,781
Subtotal	\$15,668	\$8,222	\$7,173	\$2,171	\$33,234
TOTAL USES	\$79,439	\$73,158	\$34,289	\$3,487	\$190,373
FTEs	71	52	50	1	174
LTEs	8	--	--	--	8
Total FTEs/LTEs	79	52	50	1	182

Minor differences may exist due to rounding

Table 2: Proposed 2022 Operating Budget (\$000's)

	Water	Sewer	Stormwater	Solid Waste	Total
Beginning Fund Balance					
Operating Reserves	\$10,532	\$4,439	\$2,311	\$2,171	\$19,453
Asset Repl. Reserves	\$5,136	\$3,783	\$4,862	--	\$13,781
Subtotal	\$15,668	\$8,222	\$7,173	\$2,171	\$33,234
Revenues					
Service Charges	\$59,598	\$67,991	\$28,136	--	\$155,725
Interfund Services	\$3,441	\$139	\$180	--	\$3,760
Developer Fees	\$933	\$531	\$850	--	\$2,314
RCFCs	\$2,306	--	--	--	\$2,306
Admin Revenues	--	--	--	\$831	\$831
Grants	--	--	--	\$304	\$304
Interest	\$328	\$118	\$35	\$45	\$526
Other	\$306	\$273	\$34	\$17	\$630
Subtotal	\$66,912	\$69,052	\$29,235	\$1,197	\$166,396
TOTAL SOURCES	\$82,580	\$77,274	\$36,408	\$3,368	\$199,630
Expenses					
Wholesale	\$24,850	\$37,760	\$0	\$0	\$62,610
Capital Program	\$19,123	\$15,056	\$15,668	\$0	\$49,847
Taxes/Interfunds	\$12,502	\$7,307	\$4,692	\$604	\$25,105
Personnel	\$7,380	\$5,647	\$5,589	\$0	\$18,616
Other M&O	\$3,256	\$1,997	\$2,491	\$744	\$8,488
Subtotal	\$67,111	\$67,767	\$28,440	\$1,348	\$164,666
Ending Fund Balance					
Operating Reserves	\$10,333	\$4,802	\$2,413	\$2,020	\$19,568
Asset Repl. Reserves	\$5,136	\$4,706	\$5,554	\$0	\$15,396
Subtotal	\$15,469	\$9,508	\$7,967	\$2,020	\$34,964
TOTAL USES	\$82,580	\$77,275	\$36,407	\$3,368	\$199,630
FTEs	69	52	51	1	173
LTEs	4	--	--	--	4
Total FTEs/LTEs	73	52	51	1	177

Minor differences may exist due to rounding

Attachment B
Utilities Proposed 2021-2027 CIP Budget

The following tables provide a summary of the proposed Utilities CIP revenues and expenses by fund, for each year 2021 through 2027.

Table 1: Water Utility CIP (\$000's)

	2021	2022	2023	2024	2025	2026	2027	Total
Revenues								
Transfer-in from Ops for CIP	\$15,630	\$18,000	\$17,724	\$20,833	\$17,260	\$20,090	\$24,440	\$133,977
Use of R&R	<u>\$1,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$1,100</u>
Total Sources	\$16,730	\$18,000	\$17,724	\$20,833	\$17,260	\$20,090	\$24,440	\$135,077
Expenses								
Replace Aging Infrastructure	\$15,630	\$17,810	\$16,390	\$17,900	\$16,010	\$18,920	\$22,820	\$125,480
Capacity for Growth	1,100	190	-	-	-	\$1,170	\$1,620	\$4,080
NE Spring Blvd Expenses	-	-	-	\$1,600	\$1,250	-	-	\$2,850
Funding for Ops Maint. Yard	<u>-</u>	<u>-</u>	<u>\$1,334</u>	<u>\$1,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$2,667</u>
Total Uses	\$16,730	\$18,000	\$17,724	\$20,833	\$17,260	\$20,090	\$24,440	\$135,077

Minor differences may exist due to rounding

Table 2: Sewer Utility CIP (\$000's)

	2021	2022	2023	2024	2025	2026	2027	Total
Revenues								
Transfer-in from Operations	\$12,740	\$6,200	\$9,137	\$9,266	\$7,720	\$6,720	\$6,250	\$58,033
Use of R&R for CIP	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Sources	\$12,740	\$6,200	\$9,137	\$9,266	\$7,720	\$6,720	\$6,250	\$58,033
Expenses								
Replace Aging Infrastructure	\$12,690	\$6,180	\$6,470	\$6,600	\$7,720	\$6,720	\$6,250	\$52,630
Capacity for Growth	\$50	\$20	-	-	-	-	-	\$70
Funding for Ops Maint. Yard	<u>-</u>	<u>-</u>	<u>\$2,667</u>	<u>\$2,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$5,333</u>
Total Uses	\$12,740	\$6,200	\$9,137	\$9,266	\$7,720	\$6,720	\$6,250	\$58,033

Minor differences may exist due to rounding

Table 3: Storm Utility CIP (\$000's)

	2021	2022	2023	2024	2025	2026	2027	Total
Revenues								
Transfer-in from Operations	\$8,469	\$7,918	\$3,890	\$2,010	\$2,810	\$3,940	\$3,460	\$32,497
KC Flood Control Grants	<u>\$4,501</u>	<u>\$2,722</u>	<u>\$700</u>	<u>\$520</u>	<u>\$500</u>	<u>\$500</u>	<u>\$500</u>	<u>\$9,943</u>
Total Sources	\$12,970	\$10,640	\$4,590	\$2,530	\$3,310	\$4,440	\$3,960	\$42,440
Expenses								
Replace Aging Infrastructure	\$2,600	\$2,020	\$1,730	\$1,660	\$2,010	\$2,680	\$2,090	\$14,790
Environmental Preservation	<u>\$10,370</u>	<u>\$8,620</u>	<u>\$2,860</u>	<u>\$870</u>	<u>\$1,300</u>	<u>\$1,760</u>	<u>\$1,870</u>	<u>\$27,650</u>
Total Uses	\$12,970	\$10,640	\$4,590	\$2,530	\$3,310	\$4,440	\$3,960	\$42,440

Minor differences may exist due to rounding

SECTION 2.



Overview

MISSION & STRATEGIC PRIORITIES

Utilities' Mission

Deliver high quality, reliable drinking water, wastewater, storm and surface water, and solid waste services in a manner that is environmentally responsible and cost-competitive.

Utilities' Strategic Priorities

Business Sustainability: Make decisions that are sustainable under changing economic, social, and environmental conditions.

Customer Value: Provide excellent service and value to the community.

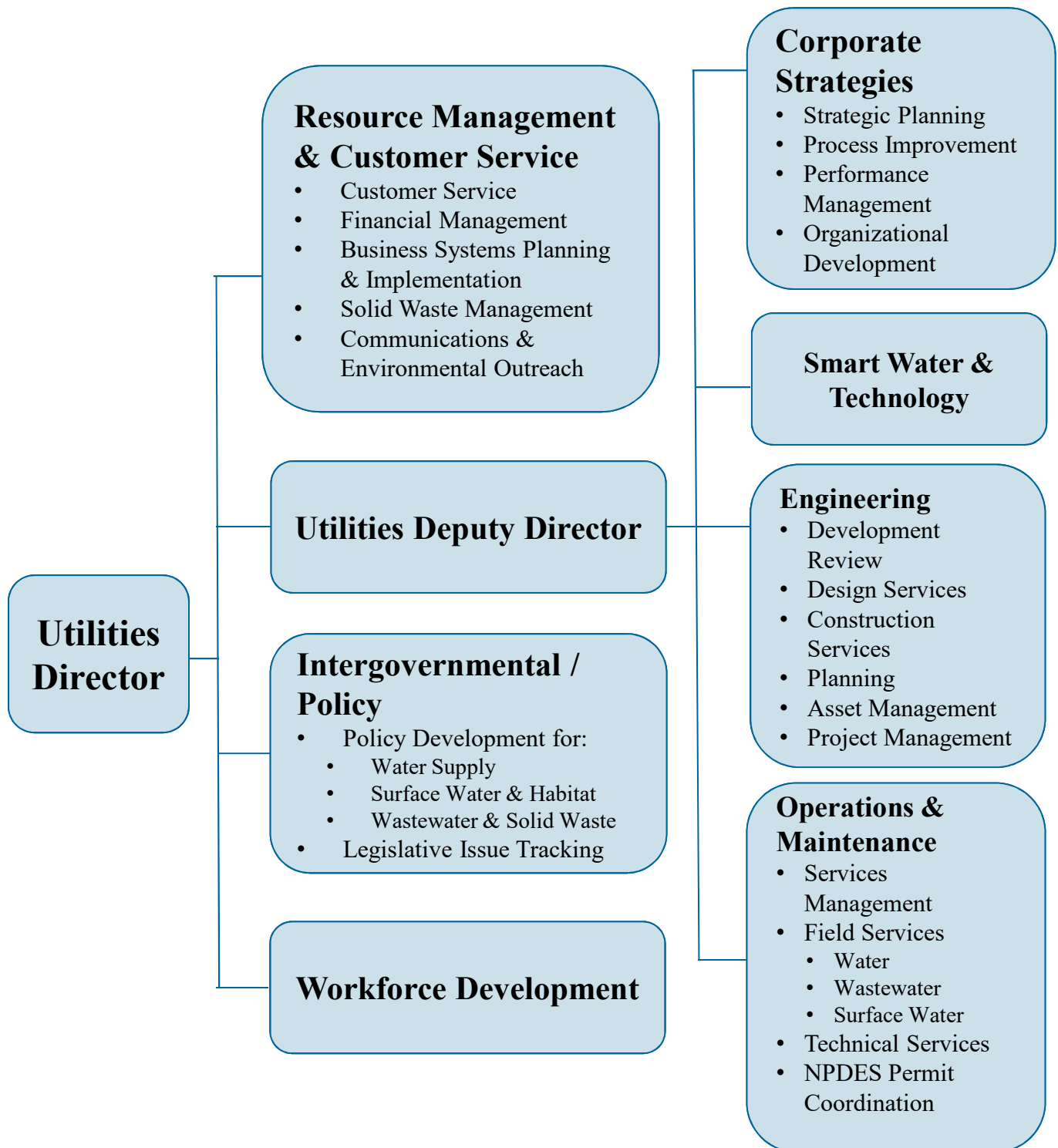
Employee Development: Recruit, develop, and retain a workforce that is equipped to meet current and future business needs.

Environmental Stewardship and Compliance: Promote environmental stewardship and regulatory compliance by protecting and restoring the natural environment.

Utility Systems Integrity: Apply best practices in Asset Management to ensure that utility systems are maintained, constructed, and operated at the lowest life cycle cost.

Capital Delivery: Ensure cost-effective and efficient delivery of new capital projects.

Utilities Department 2021-2022



Water Utility Overview

Mission Statement

Provide a reliable supply of safe, secure, high-quality drinking water that meets all the community's water needs in an environmentally responsible manner.

Major Issues

- Utilities drinking water infrastructure is aging and most of the system is well past its midlife. Utilities has a strategic asset management plan in place to repair or replace failing components that includes a 75-year financial plan and rate model to minimize system failures and mitigate future rate spikes.
- Approximately 40 percent of the water main is asbestos cement (AC) pipe, generally the oldest pipe in Bellevue's water system and the type that wears out the fastest. Ductile and cast iron pipe comprise approximately 60 percent of the system. Whereas ductile iron pipe failures often start out as small leaks that can be detected before much damage is done, AC pipe fails "catastrophically" without warning. Replacing AC pipe is the focus of Utilities replacement program.
- Although the water system will not need to expand very much because the city is essentially built out geographically, two areas of the city have been rezoned for higher density development – downtown and the Bel-Red Corridor. Because these two areas are experiencing significant growth and we expect growth will continue in the future, new water system infrastructure with increased capacity (pipes and reservoir storage) is needed to meet this growth.
- Drinking water for the City of Bellevue is purchase from the Cascade Water Alliance (Cascade). Water supply costs are established by Cascade. The cost of water supply is the single largest cost center for the water utility.
- State and federal water quality mandates are increasing.

Service Area

The City of Bellevue's drinking water utility serves about 37,000 customer accounts, and the service area covers approximately 37 square miles, including the adjacent communities of Clyde Hill, Hunts Point, Medina, Yarrow Point, and sections of the city of Kirkland.

Sewer Utility Overview

Mission Statement

Provide a reliable wastewater disposal system that ensures public health and safety, and protects the environment.

Major Issues

- Utilities wastewater infrastructure is aging, and most of the system is well past its midlife. Utilities has a strategic asset management plan in place to repair or replace failing components that includes a 75-year financial plan and rate model, to minimize system failures and mitigate future rate spikes.
- For the sewer system, replacement of pipeline infrastructure is only just beginning. In many cases, repair of pipe defects has been and will continue to be a cost-effective way to extend the life of sewer pipes. However, to continue to deliver safe, reliable sewer service, a significant increase in capital investment for pipeline replacement will be necessary. Pipes that convey sewage along the shores of Lake Washington and Lake Sammamish (lake lines) will be particularly difficult and expensive to replace.

- The City of Bellevue contracts with King County for treatment and disposal of wastewater. The cost of wastewater treatment services is established by King County. These costs are the single largest cost center for the sewer utility.

Service Area

The City of Bellevue's wastewater utility serves approximately 35,000 customer accounts, and the service area covers approximately 37 square miles, including the adjacent communities of Beaux Arts, Clyde Hill, Hunts Point, Medina, and Yarrow Point.

Storm and Surface Water Utility Overview

Mission Statement

Provide a storm and surface water system that controls damage from storms, protects surface water quality, supports fish and wildlife habitat, and protects the environment.

Major Issues

- Utilities storm and surface water infrastructure is aging and most of the system is well past its midlife. Utilities has a strategic asset management plan in place to repair or replace failing components that includes a 75-year financial plan and rate model to minimize system failures and mitigate future rate spikes.
- Unlike the water and wastewater systems, the storm and surface water system is a combination of private and public systems. These systems, over half of which are private, work together to convey stormwater, control flooding, and protect water quality. Utilities establishes the standards for private property owners to develop and manage their stormwater systems to comply with local, state and federal regulations and to protect surface water.
- Compliance with the city's National Pollutant Discharge Elimination System (NPDES) Municipal Stormwater Permit, a Federal Clean Water Act mandate that affects programs citywide, will have significant long-term impacts on the way the city does business, on city expenses, and on private development costs.

Service Area

Bellevue Utilities provides storm and surface water utility service to all properties in the City of Bellevue, (approx. 33,000 customer accounts). There are approximately 26 drainage basins in the city, most with year-round streams.

Solid Waste Utility Overview

Mission Statement

Provide a convenient, unobtrusive solid waste collection system that contributes to a healthy and pleasing cityscape in an environmentally sensitive way.

The city contracts with Republic Services to provide solid waste services to residents and businesses.

Major Issues

- Bellevue will work to promote waste prevention, reuse, and recycling strategies in its service area – and throughout the region – to extend the life of Cedar Hills Regional Landfill.

- Bellevue will work with King County to maintain a geographically balanced system of solid waste transfer and disposal facilities.
- Bellevue will work with its partners to ensure the proper handling and disposal of hazardous household products and the use of non-toxic alternatives.

Utilities Department, City of Bellevue

2019-20 Accomplishments and 2021-22 Goals & Initiatives

This document describes the significant accomplishments of the Utilities Department during the past two years (2019-20) and the major goals/initiatives of the department for the next two years (2021-22). Consistent with the attributes of an effectively managed utility, these accomplishments and goals cover key areas such as workforce management, operations, infrastructure maintenance, regulatory compliance, and financial performance.



















2019-2020 Accomplishments	2021-2022 Goals & Initiatives
<ul style="list-style-type: none"> • Invested \$89.8 million in the delivery of capital improvement projects for the Water, Sewer, and Stormwater Utilities. Notable projects include: <ul style="list-style-type: none"> ○ Watermain Replacement Projects ○ Somerset Pressure Reducing Valve (PRV) Station ○ Newport Hills PRV Station ○ Cougar Mountain 3 Pump Station Rehabilitation ○ Cherry Crest Reservoir Emergency Relining ○ Cherry Crest Pump Station and Offsite Watermains ○ Newport Shores Sewer Basin Capacity Improvements ○ Midlakes Sewer Pump Station ○ Vuecrest Sanitary Sewer Rehabilitation ○ Lower Coal Creek Flood Hazard Mitigation – Phases 1, 2, & 3 ○ Kelsey Creek Culvert Replacement ○ Lewis Vuemont Detention Outlet ○ Stormwater Dig and Repair 2019 ○ West Lake Sammamish Parkway Slope & Sinkhole Emergency Repair • Operated and maintained over 1,600 miles of pipeline, 24 water reservoirs, 68 pump stations, and 62 pressure zones to maintain high quality, essential utility services to customers. • Maintained operating reserves at or above target levels through prudent fiscal stewardship to ensure financial sustainability of the utility funds. 	<ul style="list-style-type: none"> • Invest \$77.3 million in the Capital Improvement Program. This includes water, wastewater and stormwater infrastructure projects to construct. Notable projects include: <ul style="list-style-type: none"> ○ Watermain Replacement Projects ○ West Lake Sammamish Parkway Watermain Replacement ○ Pikes Peak Reservoir Replacement ○ Somerset #1 Reservoir Decommissioning ○ Horizon #2 Reservoir Replacement ○ Horizon #2 Pump Station Replacement ○ Parksite Reservoir Recoating ○ NE. 8th St. Transmission Main & 136th Inlet Station Project ○ Factoria Boulevard/Richards Creek Flood Mitigation ○ Storm Water Quality Retrofit ○ Lower Coal Creek Flood Hazard Mitigation – Phase 4 ○ Lake Heights Sewer Pump Station ○ Wilburton Sewer Pump Station ○ Wastewater Pump Station Program ○ Sewer Pipeline Rehab/Replacement Projects • Operate and maintain over 1,600 miles of pipeline, 24 water reservoirs, 68 pump stations, and 62 pressure zones to maintain high quality, essential utility services to customers. • Maintain operating reserves at or above target levels through prudent fiscal stewardship to ensure financial sustainability of the utility funds.

2019-2020 Accomplishments	2021-2022 Goals & Initiatives
<ul style="list-style-type: none"> Advanced Metering Infrastructure (AMI) Program: Adapted AMI communication technology to cellular, amended contract to reflect cellular technology, completed back-end system integration, and began installation of commercial meters. COVID-19 has had impact on manufacturing of key components which will result in delay of final implementation. Received APWA Accreditation by successfully completing the re-accreditation process; Utilities Department standard operating procedures were found to meet and exceed rigorous APWA standards. Initiated critical engineering infrastructure & environmental studies: (1) Water System Seismic Vulnerability Assessment, (2) Emergency Water Supply Master Plan, (3) Lake Washington Sewer Lakeline Study, (4) Sewer Infiltration & Inflow Program, (5) Watershed Management Plan. Began selection process for new customer portal to replace customer online bill payment system. Developed a Strategic Asset Management Plan and initiated the implementation of key Asset Management initiatives. Streamlined procurement process for professional services by executing 5 new on-call professional services contracts for delivery of the Utility CIP. Implemented streamlined private development permitting processes, including paperless permitting, improved information to developers and system improvements. Reviewed, provided comments and renewed the national pollutant discharge elimination system (NPDES) water quality permit. 	<ul style="list-style-type: none"> Advanced Metering Infrastructure (AMI) Program: Complete meter installations and begin conversion to AMI. Complete critical engineering infrastructure & environmental studies: (1) Water System Seismic Vulnerability Assessment, (2) Emergency Water Supply Master Plan, (3) Sewer Infiltration & Inflow Program, (4) Lake Washington Sewer Lakeline Study, (5) Watershed Management Plan. Continue implementation of the Utilities IT Strategic Plan, including implementation of the Supervisory Control and Data Acquisition (SCADA) Master Plan and new customer portal. Improve asset management practices by: <ul style="list-style-type: none"> Initiating the implementation of the Strategic Asset Management Plan including: (1) use of computerized asset life cycle cost models to inform the renewal & replacement strategy, (2) improve use of Maximo & GIS for asset management analyses (3) develop data and system standards and governance requirements. Continue to gather more data on water, sewer, and stormwater system condition. Implement process improvement initiatives, including: <ul style="list-style-type: none"> Implement an enhanced Utilities Emergency Planning and Response Program. Complete implementation of the Project Management Initiative, including enhanced methods for programmatic monitoring and control of costs, schedules, risks and quality.

2019-2020 Accomplishments	2021-2022 Goals & Initiatives
<ul style="list-style-type: none"> • Completed Supervisory Control and Data Acquisition (SCADA) Master Plan development. Began the SCADA Master Plan Implementation, including the ability for Utility infrastructure to communicate via cellular devices. • Implemented new Emergency Assistance Program to provide temporary Utility bill relief to low income residents experiencing financial shocks such as job loss resulting from COVID-19. • Successfully adapted Utility operations to provide seamless delivery of Utility services during COVID-19: <ul style="list-style-type: none"> ○ Ensured field crew safety by utilizing social distancing by separating staff with shifts, locations, and vehicles, and the use of personal protective equipment. ○ Rate Relief Program - provided 100% electronic application process to serve residents. ○ Implemented new billing practices, including halting water shutoffs for nonpayment and waiving late fees during the crisis. ○ Transitioned environmental education efforts to virtual formats to continue serving resident needs. • Process Improvement Initiatives, including, but not limited to: <ul style="list-style-type: none"> ○ Implemented trenchless technology innovation, or cured in place pipe methods, to rehabilitate sewer and stormwater pipelines. New method causes less damage to roads, saves money, and reduces traffic impact to residents and businesses. ○ Reduced Rate Relief program application processing time significantly (49 to 6 days). ○ Modified stormwater catch basin and manhole repairs to use a “Grout Sprayer”. New process reduces staff labor time by 85% and adds 	<ul style="list-style-type: none"> • Continue providing construction inspection of utility infrastructure for Sound Transit construction projects. • Develop the Local Source Control Program elements required under the NPDES Permit. • Update Utilities Emergency Management and Preparedness/Response Plan and implement Utilities Emergency Management training and exercise plan.

2019-2020 Accomplishments	2021-2022 Goals & Initiatives
<p>predicted 20+ years to the lifespan of the structure.</p> <ul style="list-style-type: none"> ○ Implemented root foaming (Vaporooter) which has proven effective in minimizing wastewater pipe blockages while prolonging the useful life of pipes. ○ Conducted seismic studies of our water system and identified pipelines with high vulnerability for seismic impacts due to pipe age and type, soil conditions and slope conditions. Implemented these findings on the West Lake Sammamish Parkway Project by using earthquake resistant pipe to mitigate this risk. This is more expensive but it is better in the long term to maintain water service to the community, and reduces damage to roads and residents after an earthquake. 	

Utilities Key Performance Indicators

Top 7 Performance Category	Performance Measure	Data Reported As Of	Traffic Light Icon	Current Value	Current Target	Value Vs Target	Value Vs Target (%)
Solid Waste Management	140.0433 Utilities: Achieve overall recycling rate of 50% for contracted solid waste services	Cumulative result for 2020 as of Q2 2020		47.68%	50%	-2.32%	-4.64%
	140.0435 Utilities: Achieve minimum satisfaction score on all survey questions for single family customers	2019 result		No	Yes	No	0.00%
	140.0436 Utilities: Achieve minimum satisfaction score on all survey questions for multifamily/commercial customers	2019 result		No	Yes	No	0.00%
Financial Stability	140.0183f Utilities: Percent of total CIP expended vs budgeted	2019 result		37.40%	85%	-47.60%	-56.00%
	140.0420 Utilities: Percentage to target: Operating Reserves balance	Latest result for 2020 as of Q2 2020		130.74%	100%	30.74%	30.74%
	140.0421 Utilities: Percentage to targeted Renewal & Replacement contribution	Cumulative result for 2020 as of Q2 2020		100%	100%	0%	0%
Workforce Management	140.0114f Utilities: Percent of Public Works contracts completed within 10% of the original Bid	2019 result		85.71%	90%	-4.29%	-4.77%
	140.0306 Utilities: Utilities services customer satisfaction survey – (Citywide citizen survey)	2019 result		85%	85%	0%	0.00%
	140.0422 Utilities: Percent of CIP projects completed within 3 months of estimated completion date	2019 result		81.48%	80%	1.48%	1.85%
Water System Integrity	140.0215 Utilities: Water distribution system – water loss percentage (most recent year)	2019 result		7.10%	6%	1.1%	18.33%
	140.0212f Utilities: Unplanned water service interruptions per 1,000 customer accounts	Cumulative result for 2020 as of Q2 2020		0.77	1.5	-73%	-48.67%
	140.0378 Utilities: Total cost of Water claims paid	Cumulative result for 2020 as of Q2 2020		\$19,055	\$100,000	(\$80,945)	-80.95%
Wastewater System Integrity	140.0379 Utilities: Total cost of Wastewater claims paid	Cumulative result for 2020 as of Q2 2020		\$194,069	\$30,000	\$164,069	546.90%
	140.0430f Utilities: Wastewater overflow events per 100 miles of pipe	Cumulative result for 2020 as of Q2 2020		1.102	2	(\$0.9)	-44.90%
Storm System Integrity	140.0305 Utilities: Structural flooding occurrences for storms less than a 100 year storm event (Storm Water)	Cumulative result for 2020 as of Q2 2020		0	1.25	(\$1.3)	-100.00%
	140.0380 Utilities: Total cost of Storm and Surface Water claims paid	Cumulative result for 2020 as of Q2 2020		\$42,414	\$12,500	\$29,914.0	239.31%
Regulatory Compliance	140.0264 Utilities: Percentage of days per year in compliance with state and federal drinking water regulations	Latest result for 2020 as of Q2 2020		100%	100%	0%	100%
	140.0019 Utilities: Compliant with citywide NPDES permit requirements	Latest result for 2020 as of Q2 2020		Yes	Yes	Yes	100%

Utilities Key Performance Indicators

Top 7 Performance Category		Historical Data							
		2016		2017		2018		2019	
		Value	Target	Value	Target	Value	Target	Value	Target
Solid Waste Management	140.0433 Utilities: Achieve overall recycling rate of 50% for contracted solid waste services	41.34%	50%	40.56%	50%	39.78%	50%	38.38%	50%
	140.0435 Utilities: Achieve minimum satisfaction score on all survey questions for single family customers	No	Yes	No	Yes	No	Yes	No	Yes
	140.0436 Utilities: Achieve minimum satisfaction score on all survey questions for multifamily/commercial customers	No	Yes	Yes	Yes	No	Yes	No	Yes
Financial Stability	140.0183f Utilities: Percent of total CIP expended vs budgeted	67.19%	85%	60.54%	90%	38.64%	90%	37.40%	85%
	140.0420 Utilities: Percentage to target: Operating Reserves balance	110.86%	100%	146.02%	100%	131.44%	100%	155.83%	100%
	140.0421 Utilities: Percentage to targeted Renewal & Replacement contribution	100%	100%	98%	100%	100%	100%	100%	100%
Workforce Management	140.0114f Utilities: Percent of Public Works contracts completed within 10% of the original Bid	79%	90%	77%	90%	77%	90%	86%	90%
	140.0306 Utilities: Utilities services customer satisfaction survey – (Citywide citizen survey)	93%	85%	87%	85%	83%	85%	85%	85%
	140.0422 Utilities: Percent of CIP projects completed within 3 months of estimated completion date	63%	80%	75%	80%	79%	80%	81%	80%
Water System Integrity	140.0215 Utilities: Water distribution system water loss percentage (most recent year)	4.00%	6%	7.80%	6%	4.90%	6%	7.10%	6%
	140.0212f Utilities: Unplanned water service interruptions per 1,000 customer accounts	1.83	3	1.81	3	1.75	3	2.34	3
	140.0378 Utilities: Total cost of Water claims paid	\$105,570	\$200,000	\$217,349	\$200,000	\$75,629	\$200,000	\$263,056	\$200,000
Wastewater System Integrity	140.0379 Utilities: Total cost of Wastewater claims paid	\$53,538	\$60,000	\$112,320	\$60,000	\$516,069	\$60,000	\$122,416	\$60,000
	140.0430f Utilities: Wastewater overflow events per 100 miles of pipe	3.97	4	4.51	4	2.97	4	3.31	4
Storm System Integrity	140.0305 Utilities: Structural flooding occurrences for storms less than a 100 year storm event (Storm Water)	0	5	6	5	0	5	12	5
	140.0380 Utilities: Total cost of Storm and Surface Water claims paid	\$0	\$25,000	\$29,525	\$25,000	\$33,933	\$25,000	\$61,881	\$25,000
Regulatory Compliance	140.0264 Utilities: Percentage of days per year in compliance with state and federal drinking water regulations	100%	100%	100%	100%	100%	100%	100%	100%
	140.0019 Utilities: Compliant with citywide NPDES permit requirements	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

SECTION 3.



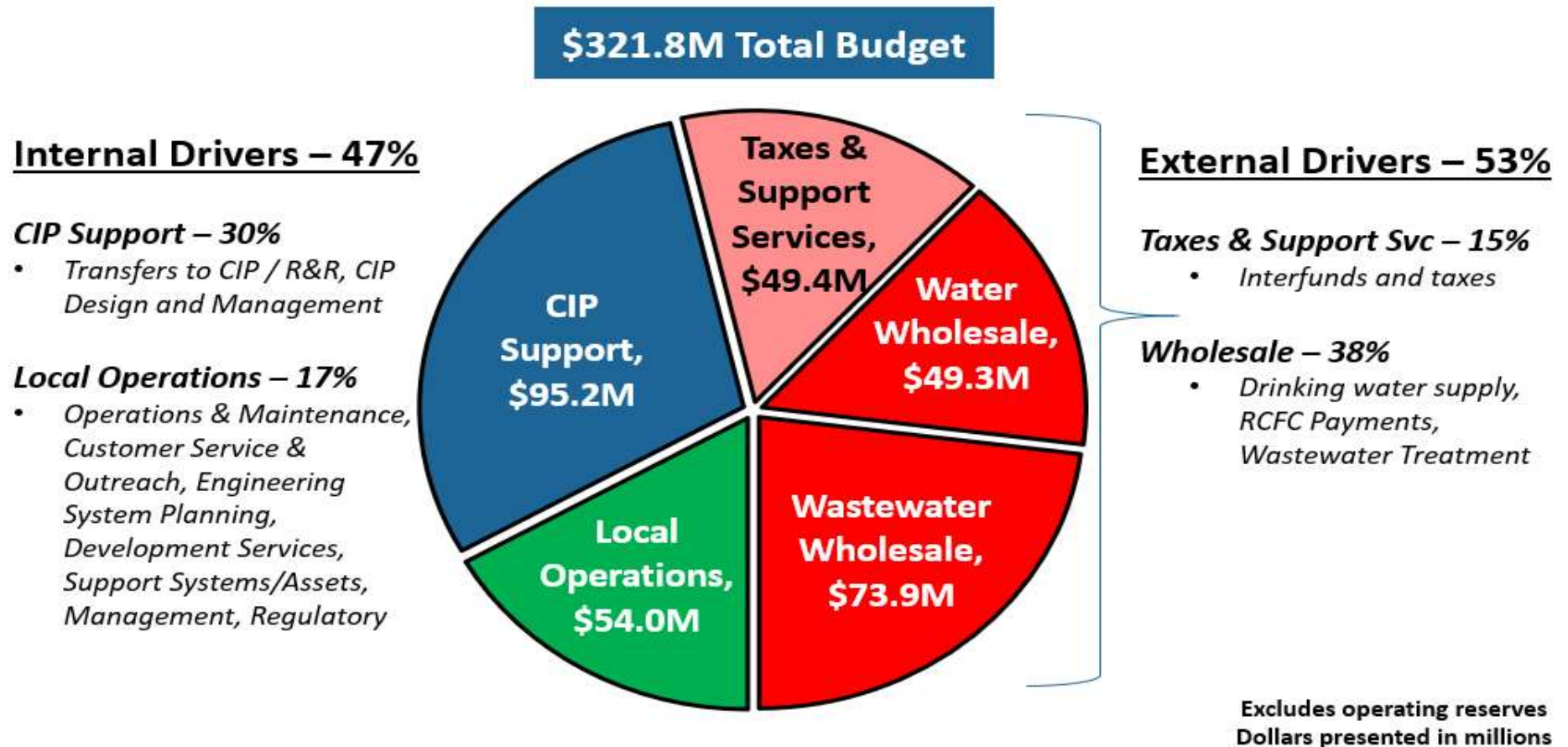
Operating Budget Proposals

**CITY OF BELLEVUE
UTILITIES DEPARTMENT
PROPOSED 2021-2022 BUDGET
OPERATING BUDGET PROPOSALS**

**DATE: Oct 7, 2020
PRESENTED TO ESC**

THIS PAGE INTENTIONALLY LEFT BLANK

2021-2022 Utilities Proposed Operating Budget



Utilities Department

2021-2022 Operating Budget Proposals

Category / Proposal # and Title	Amended 2019-2020	Proposed 2021-2022	2020 FTEs/LTEs	2022 FTEs/LTEs
CIP RELATED OPERATING PROPOSALS				
Capital Related Operating Budget Proposals				
140.01NA Capital Project Delivery ^{1 2}	5,309,421	4,637,702	35.91	32.91
140.39DA Operating Transfer to CIP	55,732,929	74,225,334	-	-
140.48DA Operating Transfer to R&R	29,215,502	16,255,670	-	-
	\$ 90,257,852	\$ 95,118,706	35.91	32.91
Subtotal - Capital Related	\$ 90,257,852	\$ 95,118,706	35.91	32.91

¹ 2019-2020 Budget adjusted for internal reorganization of staffing to better align existing resources to departmental service delivery.

² 2019-2020 Budget data for Capital Project Delivery adjusted to reflect consolidation of additional CIP Project Delivery Proposal.

Utilities Department

2021-2022 Operating Budget Proposals

Category / Proposal # and Title	Amended 2019-2020	Proposed 2021-2022	2020 FTEs/LTEs	2022 FTEs/LTEs
FINANCIAL OBLIGATIONS				
1. Wholesale and RCFC Payments				
140.37NA Cascade Regional Capital Facility Charges	4,558,115	4,599,014	-	-
140.61NA Utilities Water Supply Purchase and Sewage Disposal	111,480,076	118,616,475	0.50	0.50
	\$ 116,038,191	\$ 123,215,489	0.50	0.50
2. Taxes and Franchise Fees				
140.34NA Utility Taxes and Franchise Fees	30,543,281	29,918,380	-	-
3. Payments to General Fund (Interfunds)				
999.01NA Interfunds BSAs	1,876,798	1,822,632	-	-
999.02NA Copy Center/Satellite Copiers Rates	169,534	169,627	-	-
999.03NA Indirect Overhead	5,538,171	6,341,262	-	-
999.12NA ECS Maintenance	144,143	136,207	-	-
999.13NA Motor Pool	126,953	134,359	-	-
999.14NA ERF Asset Management	206,478	202,133	-	-
999.15NA Fleet Maintenance	1,678,509	1,631,094	-	-
999.16NA Fuel	511,337	525,151	-	-
999.20NA Facilities Rent	2,027,819	1,924,913	-	-
999.30NA ITD Operations	3,457,945	3,811,563	-	-
999.31NA ITD Replacement	370,007	445,405	-	-
999.40NA General Self Insurance	1,745,000	2,337,000	-	-
999.xxNA Interfund Payments	\$ 17,852,694	\$ 19,481,346	-	-
4. Operating Reserves				
140.40PA Operating Reserves	31,356,503	34,964,741	-	-
Subtotal - Financial Obligations	\$ 195,790,669	\$ 207,579,956	0.50	0.50

Utilities Department

2021-2022 Operating Budget Proposals

Category / Proposal # and Title	Amended 2019-2020	Proposed 2021-2022	2020 FTEs/LTEs	2022 FTEs/LTEs
LOCAL OPERATIONS				
5. Customer Service / Outreach				
140.29NA Utilities Rate Relief Program ¹	1,423,237	1,488,590	0.95	0.95
140.30NA Solid Waste Management Waste Prevention and Recycling	2,036,972	2,001,643	3.30	3.30
140.31DA Storm and Surface Water Pollution Prevention	786,963	797,700	1.55	1.55
140.32NA Water Systems and Conservation	236,359	255,593	0.25	0.25
140.33NA Utilities Customer Service and Billing	3,369,319	3,524,323	8.75	8.75
140.45DA Utility Water Meter Reading	1,240,149	1,064,114	9.00	5.00
	\$ 9,092,999	\$ 9,131,963	23.80	19.80
6. Engineering - Development Services				
110.01NA Development Services Information Delivery	858,764	878,921	3.45	3.45
110.02NA Policy Implementation Code Amendments & Consulting Service	484,479	493,856	1.58	1.58
110.03NA Development Services Review Services	1,206,872	1,212,833	4.60	4.60
110.04NA Development Services Inspection Services	1,758,496	1,699,125	5.27	5.27
	\$ 4,308,611	\$ 4,284,735	14.90	14.90
7. Engineering - Utility System Planning				
140.11NA Utility Asset Management Program	1,382,694	1,532,358	5.00	5.00
140.63NA Utility Planning and Systems Analysis	2,720,725	2,760,688	6.09	6.09
	\$ 4,103,419	\$ 4,293,046	11.09	11.09

¹ 2019-2020 Budget adjusted for internal reorganization of staffing to better align existing resources to departmental service delivery.

Utilities Department

2021-2022 Operating Budget Proposals

Category / Proposal # and Title	Amended 2019-2020	Proposed 2021-2022	2020 FTEs/LTEs	2022 FTEs/LTEs
LOCAL OPERATIONS (continued)				
8. Operations and Maintenance - Water				
140.13NA Water Mains and Service Lines Repair Program	3,579,343	3,882,552	10.65	10.65
140.14NA Water Distribution System Preventive Maintenance Program	1,735,720	1,801,630	6.85	6.85
140.15NA Water Pump Station Reservoir and PRV Maintenance Program	2,928,546	2,424,030	3.70	3.70
140.16NA Water Meter Repair and Replacement Program	913,423	570,037	2.25	2.25
140.17NA Water Service Installation and Upgrade Program	591,161	599,143	1.00	1.00
	\$ 9,748,193	\$ 9,277,392	24.45	24.45
9. Operations and Maintenance - Sewer				
140.18NA Sewer Mains Laterals and Manhole Repair Program	2,208,197	2,158,995	7.00	7.00
140.19NA Sewer Condition Assessment Program	1,251,062	1,247,397	4.45	4.45
140.20NA Sewer Mainline Preventive Maintenance Program	2,255,963	2,330,076	8.30	8.30
140.21NA Sewer Pump Station Maintenance Operations and Repair Program	2,108,779	2,171,291	5.95	5.95
	\$ 7,824,001	\$ 7,907,759	25.70	25.70
10. Operations and Maintenance - Surface Water				
140.22NA Storm and Surface Water Repair and Installation Program	2,064,438	2,116,708	4.65	4.65
140.23NA Storm and Surface Water Infrastructure Condition Assessment	763,067	831,588	1.20	1.20
140.24NA Storm & Surface Water Preventive Maintenance Program	4,082,620	3,907,647	11.75	11.75
	\$ 6,910,125	\$ 6,855,943	17.60	17.60
11. Regulatory				
140.26PA Water Quality Regulatory Compliance and Monitoring Programs	1,684,102	1,735,169	3.30	3.30
140.27DA Private Utility Systems Maintenance Programs	1,364,090	1,449,894	4.55	5.55
140.44NA Utility Locates Program	759,378	912,279	3.40	3.40
	\$ 3,807,570	\$ 4,097,342	11.25	12.25

Utilities Department 2021-2022 Operating Budget Proposals

Category / Proposal # and Title	Amended 2019-2020	Proposed 2021-2022	2020 FTEs/LTEs	2022 FTEs/LTEs
LOCAL OPERATIONS (continued)				
12. Support Systems / Assets				
140.25NA Utilities Telemetry and Security Systems	1,427,035	1,775,696	3.80	3.80
140.47DA Asset Replacement	2,912,794	293,416	-	-
140.49NA Fiscal Management	1,639,639	1,658,124	5.50	5.50
140.60NA Utilities Computer and Systems Support ¹	2,591,759	2,712,374	4.50	4.50
	\$ 8,571,227	\$ 6,439,610	13.80	13.80
13. Department Management				
140.42NA Utilities Department Management and Support ¹	1,800,412	1,780,750	4.00	4.00
	\$ 1,800,412	\$ 1,780,750	4.00	4.00
Subtotal - Local Operations	\$ 56,166,557	\$ 54,068,540	146.59	143.59
Grand Total (includes reserves)	\$ 342,215,078	\$ 356,767,202	183.00	177.00
<i>Grand Total (excludes reserves)</i>	<i>\$ 310,858,575</i>	<i>\$ 321,802,461</i>	<i>183.00</i>	<i>177.00</i>

¹ 2019-2020 Budget adjusted for internal reorganization of staffing to better align existing resources to departmental service delivery.

THIS PAGE INTENTIONALLY LEFT BLANK

CAPITAL RELATED BUDGET PROPOSALS

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Capital Project Delivery
Proposal Number	140.01NA
Proposal Budget (2021-2022)	\$4,637,702 29.91 FTEs/3.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

The Capital Project Delivery proposal funds the internal labor resources for development and implementation of cost-effective capital investment projects necessary to accomplish the City's \$236 million 2021-2027 Utility Capital Investment Program (CIP). Utility CIP projects are necessary to continue to provide utility services to Bellevue's citizens including providing drinking water, removing wastewater, managing surface water runoff, and protecting and enhancing the health of Bellevue's streams, lakes, and wetlands.

Description of change over previous biennium

This proposal now includes LTEs that were assigned to the AMI Implementation Proposal in the previous Biennium. There is a reduction of LTEs in 2021 (1) and 2022 (2) due to the planned completion of the AMI CIP Project that reduces personnel costs for the biennium.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Capital Project Delivery

Proposal Number 140.01NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019*	2020*	Total 2019-2020*	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 2,652,771	\$ 2,656,650	\$ 5,309,421	\$ 2,401,388	\$ 2,236,314	\$ 4,637,702	\$ (671,719)	-12.7%
<i>Y/Y % Change</i>		<i>0.1%</i>		<i>-9.6%</i>	<i>-6.9%</i>			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019*	2020*	2021	2022
Total FTEs	28.91	29.91	29.91	29.91
Total LTEs	6.00	6.00	5.00	3.00

** 2019-2020 Budget data reflects an accounting technical adjustment with a net zero impact to the fund and addition of LTEs from the AMI Implementation Proposal.*

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0422: Percent of CIP projects completed within 3 months of estimated completion date	81.48%	80%	80%	80%
140.0114f: Percent of Public Works contracts where the Final Adjusted Contract Amount is less than the Original Bid.	85.71%	100%	100%	100%
140.0183f: Percent of total CIP expended vs budgeted	37.4%	90%	90%	90%
140.0111f: Percent of Public Work contracts requiring warranty repair	0%	5%	5%	5%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Operating Transfer to CIP
Proposal Number	140.39DA
Proposal Budget (2021-2022)	\$74,225,334 0 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

The objective of financial planning for long-term capital investment is grounded on the principles of smooth rate transitions, maintaining high credit ratings, providing for financial flexibility and achieving inter-generational equity (Waterworks Utility Financial Policy II.A). Consistent with this policy, the vast majority of funding for Utilities' capital projects is provided by monthly transfer of rate revenues to the Utility Capital Investment Program. The amount of funding is determined by projecting the capital program's long-term cash flow requirements in a manner that result in smooth annual rate transitions while addressing short- and long-term rate impacts. This proposal establishes the annual transfers to the CIP in accordance with this policy.

Description of change over previous biennium

Rate revenues are the primary source of funding for: 1) the proposed CIP, and 2) long-term capital funding needs through the Utility Capital Facilities Renewal and Replacement (R&R) account. Both transfers work in tandem to provide a comprehensive source of funding for the City's current and long-term CIP needs. This proposal is consistent with City financial management policies. No changes to this historical approach to funding the CIP is anticipated as part of this proposal.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Operating Transfer to CIP

Proposal Number 140.39DA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 30,976,325	\$ 24,756,604	\$ 55,732,929	\$ 39,473,167	\$ 34,752,167	\$ 74,225,334	\$ 18,492,405	33.2%
<i>Y/Y % Change</i>		-20.1%		59.4%	-12.0%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	-	-	-	-
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0346: Percentage to target: Operating transfer to CIP account	100.0%	100.0%	100.0%	100.0%
140.0183f: Percent of total CIP expended vs budgeted	37.4%	90.0%	90.0%	90.0%
140.0117: CIP Actual Expenditures versus Budget - Water	40.3%	90.0%	90.0%	90.0%
140.0118: CIP Actual Expenditures versus Budget - Wastewater	29.0%	90.0%	90.0%	90.0%
140.0119: CIP Actual Expenditures versus Budget - Storm Water	40.1%	90.0%	90.0%	90.0%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Operating Transfer to R&R
Proposal Number	140.48DA
Proposal Budget (2021-2022)	\$16,255,670 0 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

Established by the City Council in 1995, and memorialized in the Waterworks Utility Financial Policy II.D, the Utility Capital Facilities Renewals and Replacements (R&R) account proactively sets aside funds each year to replace the City's utility infrastructure as it ages, thereby avoiding the need for large rate spikes and ensuring that each generation of ratepayers pays its fair share of the burden of replacing these systems. Bellevue Utilities has infrastructure with a replacement value of about \$3.5 billion. This proposal represents the annual transfer of rate revenue to fund future capital renewals and replacements consistent with this financial policy.

Description of change over previous biennium

Rate revenues are the primary source of funding for: 1) the proposed CIP, and 2) long-term capital funding needs through the Utility Capital Facilities Renewal and Replacement (R&R) account. Both transfers work in tandem to provide a comprehensive source of funding for the City's current and long-term CIP needs. This proposal is consistent with City financial management policies. No changes to this historical approach to funding the CIP is anticipated as part of this proposal.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Operating Transfer to R&R

Proposal Number 140.48DA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 10,430,583	\$ 18,784,919	\$ 29,215,502	\$ 3,397,937	\$ 12,857,733	\$ 16,255,670	\$(12,959,832)	-44.4%
<i>Y/Y % Change</i>		80.1%		-81.9%	278.4%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	-	-	-	-
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0123: Percentage to target: Renewal & Replacement contribution for Water	100%	100%	100%	100%
140.0122: Percentage to target: Renewal & Replacement contribution for Sewer	100%	100%	100%	100%
140.0121: Percentage to target: Renewal & Replacement contribution for Storm	100%	100%	100%	100%

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL OBLIGATIONS BUDGET PROPOSALS

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Cascade Regional Capital Facility Charges
Proposal Number	140.37NA
Proposal Budget (2021-2022)	\$4,599,014 0 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

The City's wholesale water supplier, Cascade Water Alliance (CWA), establishes rates to cover the cost of providing water to its members. Bellevue is a member of the CWA. One component of these rates is a fee assessed on each new connection for the equitable recovery of growth-related costs pertaining to Cascade's water supply system. RCFCs are collected and paid as outlined in an interlocal contract with the Cascade Water Alliance (December 15, 2004). The City has a policy of ensuring that "growth pays for growth" (Waterworks Utility Financial Policy III.A). Under this policy it is the responsibility of the party seeking Utility service to make and pay for any extensions and/or upgrades to the Utility systems that are needed to provide service to their property; Bellevue Utilities passes these charges directly through to customers connecting to the water system.

Description of change over previous biennium

This is a pass-through expense to the CWA and does not have an impact to water utility rates.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Cascade Regional Capital Facility Charges

Proposal Number 140.37NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 2,245,665	\$ 2,312,450	\$ 4,558,115	\$ 2,292,898	\$ 2,306,116	\$ 4,599,014	\$ 40,899	0.9%
<i>Y/Y % Change</i>		3.0%		-0.8%	0.6%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	-	-	-	-
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0354: Percent of Monthly Regional Capital Facility Charge (RCFC) reports submitted by due date	33.33%	100%	100%	100%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Utilities Water Supply Purchase and Sewage Disposal
Proposal Number	140.61NA
Proposal Budget (2021-2022)	\$118,616,475 0.5 FTEs/0.00 LTEs
Outcome	High Performance Government

Executive Summary

This proposal provides for the purchase of clean drinking water from the Cascade Water Alliance and the conveyance and treatment of wastewater by King County Metro. The purchase of wholesale water supply from the Cascade Water Alliance allows Bellevue Utilities to provide water service to over 40,000 service connections in the Bellevue Utilities service area, which includes Clyde Hill, Medina, Yarrow Point, and Hunts Point. The City of Bellevue provides sewage collection and transmission services for customers within its service area but does not provide treatment. The purchase of wholesale sewage treatment and disposal services from King County Metro allows Bellevue Utilities to provide sewer service to over 38,000 service connections in the City of Bellevue and surrounding jurisdictions.

Description of change over previous biennium

Drinking water for the City of Bellevue is purchased from the Cascade Water Alliance (Cascade). Water supply costs are established by Cascade. Cascade's wholesale costs to the City of Bellevue is projected to increase by 3.4% in 2021 and 3% in 2022. Wholesale wastewater treatment costs are established by the King County Wastewater Treatment Division. King County wholesale costs to Bellevue Utilities are projected to increase by 4.5% in 2021 and 4.5% in 2022.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utilities Water Supply Purchase and Sewage Disposal

Proposal Number 140.61NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 55,364,257	\$ 56,115,819	\$ 111,480,076	\$ 58,312,253	\$ 60,304,222	\$ 118,616,475	\$ 7,136,399	6.4%
<i>Y/Y % Change</i>		1.4%		3.9%	3.4%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	0.50	0.50	0.50	0.50
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0412: Number of years for which projected water supply is sufficient to meet future water demand	50	50	50	50
140.0413: Number of years projected wastewater disposal needs are secured	17	16	15	14

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Utility Taxes and Franchise Fees
Proposal Number	140.34NA
Proposal Budget (2021-2022)	\$29,918,380 0 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

Bellevue Utilities is required to pay State Utility and Business and Occupation (B&O) taxes (RCW 82.04.220 and 82.16.020), City of Bellevue Utility Taxes (BCC 4.10.025), and a franchise fee to neighboring communities that have a franchise agreement with the City to provide water and wastewater services in their jurisdiction. These payments are required by State and Local laws and binding agreements with neighboring jurisdictions. These taxes and fees are passed through directly to utility rate payers and are included in their bi-monthly utility bills.

Description of change over previous biennium

The value of this request is a function of anticipated utility rate revenues. The increased budget over the previous biennium reflects the additional amount of taxes as a result of the proposed rate increases in 2021 and 2022. No changes to the City of Bellevue's tax rates, or franchise fee rates are anticipated. State Public Utility Tax rates remain unchanged but the State Business & Occupation tax rate has increased from 1.5% to 1.75%.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utility Taxes and Franchise Fees

Proposal Number 140.34NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 14,945,696	\$ 15,597,585	\$ 30,543,281	\$ 14,606,732	\$ 15,311,648	\$ 29,918,380	\$ (624,901)	-2.0%
<i>Y/Y % Change</i>		4.4%		-6.4%	4.8%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	-	-	-	-
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0352: Percentage of Utility Tax & Franchise Fee payments made by applicable due date	100%	100%	100%	100%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Interfund Payments
Proposal Number	999.xxNA
Proposal Budget (2021-2022)	\$19,481,346 0 FTEs/0.00 LTEs
Outcome	Interfunds

Executive Summary

Interfund transactions represent the payment for services provided by other areas of City government to the Utilities Department. Examples of these services include City Attorney, Finance, Human Resources, and Civic Services. These central administrative services support utility functions.

Description of change over previous biennium

No significant change in level of service is proposed. Expenses in this proposal are determined by other Funds within the City and are based on the allocation of projected costs to each Fund/Department receiving the service. Significant increases to Indirect Overhead, General Self Insurance costs, and Information Technology Operations are the primary drivers.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Interfund Payments

Proposal Number 999.xxNA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 8,814,270	\$ 9,038,424	\$ 17,852,694	\$ 9,689,003	\$ 9,792,343	\$ 19,481,346	\$ 1,628,652	9.1%
<i>Y/Y % Change</i>		2.5%		7.2%	1.1%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	-	-	-	-
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Operating Reserves
Proposal Number	140.40PA
Proposal Budget (2021-2022)	\$34,964,741 0 FTEs/0.00 LTEs
Outcome	Reserves

Executive Summary

Operating reserves provide the foundational strength for Utilities to provide water, sewer, and storm drainage services that are critical to the health and safety of the community in both normal and emergency situations. These reserves help ensure continued financial and rate stability, help maintain our Aa1 bond rating and protect utility customers from service disruptions that might otherwise result from unforeseen economic or emergency events. This proposal funds Utilities' operating reserves, including working capital, operating contingencies, and plant (utilities systems) emergency reserves, as well as asset (equipment) replacement reserves (Waterworks Utility Financial Policy V)

Description of change over previous biennium

No changes to existing policies are proposed. Target reserve levels are increasing due to rising expenses. In addition, there is an increase in the 2021-2022 biennium as a result of the 7-year plan to provide smooth and equitable rates.

2021-2022 ESC BUDGET NOTEBOOK

Performance Measures and Targets	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0134: Percentage to target: Operating Reserves balance for Water Utility	173.8%	100.0%	100.0%	100.0%
140.0135: Percentage to target: Operating Reserves balance for Sewer Utility	122.9%	100.0%	100.0%	100.0%
140.0136: Percentage to target: Operating Reserves balance for Storm Utility	117.9%	100.0%	100.0%	100.0%

THIS PAGE INTENTIONALLY LEFT BLANK

LOCAL OPERATIONS BUDGET PROPOSALS

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Utilities Rate Relief Program	
Proposal Number	140.29NA	
Proposal Budget (2021-2022)	\$1,488,590	0.95 FTEs/0.00 LTEs
Outcome	Achieving Human Potential	

Executive Summary

A vibrant and caring community includes a diverse population where there are opportunities for all generations to live well in an environment that is supportive -- one where all residents can strive for a high quality of life. The Utilities Rate Relief Program directly supports these values, providing a safety net for low income senior and permanently disabled customers, as well as low-income customers suffering from a temporary financial shock. The Program provides much-needed utilities rate relief to about 1,100 customers annually. Qualified customers may receive a 70% discount off utilities charges (either as a discount or rebate) or receive up to four months of basic utility charges waived (in the case of financial shock). This program provides approximately \$1 million in assistance to customers.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utilities Rate Relief Program

Proposal Number 140.29NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 702,693	\$ 720,544	\$ 1,423,237	\$ 727,967	\$ 760,623	\$ 1,488,590	\$ 65,353	4.6%
<i>Y/Y % Change</i>		2.5%		1.0%	4.5%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	0.95	0.95	0.95	0.95
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0001f: Rate relief program coverage of eligible customers	15.96%	20%	20%	20%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Solid Waste Management, Waste Prevention, and Recycling	
Proposal Number	140.30NA	
Proposal Budget (2021-2022)	\$2,001,643	3.3 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment	

Executive Summary

City customers generate approximately 121,000 tons of solid waste annually, 72,000 tons of which is garbage being hauled to the local landfill. Efficient, effective, and responsible management of solid waste (i.e., garbage, recyclables, and organic waste) is critical to ensuring public health and the protection of the environment, maintaining the appearance of the City, contributing to the City's continued economic viability, and contributing to sustainability at the local, regional, and global level. This proposal provides for the management and oversight of the solid waste collection contract with Republic Services, the continuation of many of the City's successful waste prevention and recycling outreach, education, and technical assistance programs and the management of grants that fund many of the City's solid waste-related programs.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Solid Waste Management, Waste Prevention, and Recycling

Proposal Number 140.30NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,005,616	\$ 1,031,356	\$ 2,036,972	\$ 972,438	\$ 1,029,205	\$ 2,001,643	\$ (35,329)	-1.7%
<i>Y/Y % Change</i>		2.6%		-5.7%	5.8%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	3.30	3.30	3.30	3.30
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0437: Number of Solid Waste Contractor Missed Collections Subject to Performance Fees	207	0	0	0
140.0435: Achieve minimum satisfaction score on all survey questions for single family customers	No	Yes	Yes	Yes
140.0433: Achieve overall recycling rate goal of 50% for contracted solid waste services.	38.38%	50%	50%	50%
140.0438: Republic on-time delivery rate of requested carts and drop-boxes	99.77	100	100	100
140.0436: Achieve minimum satisfaction score on all survey questions for multifamily/commercial customers	No	Yes	Yes	Yes

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Storm and Surface Water Pollution Prevention		
Proposal Number	140.31DA		
Proposal Budget (2021-2022)	\$797,700	1.55 FTEs/0.00 LTEs	
Outcome	High Quality Built and Natural Environment		

Executive Summary

Storm and surface water pollution prevention programs are a key element to achieving Utilities' mission to actively support a healthy and sustainable environment. On an average day, tens of thousands of pounds of toxic chemicals enter Puget Sound's waterways, most of which is carried by storm and surface water that runs off roads, driveways, rooftops, yards, and other developed land. Most people are not aware water flowing into storm drains in Bellevue flows untreated directly into our local streams, lakes, and wetlands. Under this proposal, staff provides mandated residential public education and outreach as required by the National Pollutant Discharge Elimination System (NPDES) Phase II Permit, increasing understanding of storm and surface water issues, and promoting behaviors that prevent pollution locally and regionally. In addition, staff manages and oversees storm and surface water pollution prevention volunteer programs and provides pollution prevention technical support.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Storm and Surface Water Pollution Prevention

Proposal Number 140.31DA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 388,318	\$ 398,645	\$ 786,963	\$ 394,351	\$ 403,349	\$ 797,700	\$ 10,737	1.4%
<i>Y/Y % Change</i>		2.7%		-1.1%	2.3%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	1.55	1.55	1.55	1.55
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0019: Compliant with NPDES permit outreach requirements	Yes	Yes	Yes	Yes
140.0342: Percentage of Bellevue School District 6th Graders that attend the Powerful Choices curriculum.	86.08%	80%	80%	80%
140.0018: Number of students reached by "Be the Solution" and "Blue Team" curriculum	466	450	450	450

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Water Systems and Conservation	
Proposal Number	140.32NA	
Proposal Budget (2021-2022)	\$255,593	0.25 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment	

Executive Summary

Conserving and promoting the efficient use of water resources to ensure an adequate supply of clean and safe drinking water into the future is a key element to achieving Utilities' mission to actively support a healthy and sustainable environment that is critical to human health, the City's continued economic viability, and the sustainability of both the local and global environment. The City leverages resources by looking to the Cascade Water Alliance for primary water conservation and efficiency program delivery, and supplements Cascade's programs through local programs such as the Waterwise Demonstration Garden, Natural Yard Care programs, and Powerful Choices for the Environment Program, all of which promote the wise use of water and elimination of waste in order meet the City's water use efficiency goals.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Systems and Conservation

Proposal Number 140.32NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 116,639	\$ 119,720	\$ 236,359	\$ 126,264	\$ 129,329	\$ 255,593	\$ 19,234	8.1%
<i>Y/Y % Change</i>		2.6%		5.5%	2.4%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	0.25	0.25	0.25	0.25
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0342: Percentage of Bellevue School District 6th Graders that attend the Powerful Choices curriculum.	86.08%	80%	80%	80%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Utilities Customer Service and Billing	
Proposal Number	140.33NA	
Proposal Budget (2021-2022)	\$3,524,323	8.75 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment	

Executive Summary

The Customer Service and Billing unit is responsible for issuing bi-monthly water, sewer, and stormwater utility billings to approximately 36,000 residential accounts, plus 2,000 commercial and multifamily accounts. This generates revenue of approximately \$136 million for Utilities and Utility taxes of over \$10 million for the General Fund. The Utilities Customer Service and Billing unit mails 5,000 bills each week. In addition, the unit receives up to 125 calls per day, processes 90 moves per week, makes up to 50 reminder (late pay) calls per week, handles an average of 140 pending water disconnects per week and coordinates with field staff for an average of 15 water disconnections/reconnections per week.

Description of change over previous biennium

The annual budget for this program is increased to reflect additional fees from anticipated higher use of bank cards by customers for bill payment.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utilities Customer Service and Billing

Proposal Number 140.33NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,622,753	\$ 1,746,566	\$ 3,369,319	\$ 1,701,157	\$ 1,823,166	\$ 3,524,323	\$ 155,004	4.6%
<i>Y/Y % Change</i>		7.6%		-2.6%	7.2%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	8.75	8.75	8.75	8.75
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0025: Customer Calls Abandoned	2.8%	7%	7%	7%
140.0026: Average Customer Hold Time (in seconds)	25.25	35	35	35
140.0027f: Customer satisfaction survey (weekly Customer Service & Billing)	96.5%	80%	80%	80%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Utility Water Meter Reading
Proposal Number	140.45DA
Proposal Budget (2021-2022)	\$1,064,114 4 FTEs/1.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

This proposal provides services to read customer meters for all residential and commercial accounts in the water utility service area that includes the City of Bellevue, adjacent communities of Clyde Hill, Hunts Point, Medina, and Yarrow Point. Meter reading is essential to maintaining water and wastewater revenue flow and equity among ratepayers. Other services are provided directly to property owners at their home or business, to include assistance in locating leaks and meter turn-offs.

Description of change over previous biennium

LTEs were hired to provide flexibility in workforce management during AMI Implementation. As this project comes to a close, 2 LTEs and 2 FTEs will be eliminated in the 2021-2022 biennium.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utility Water Meter Reading

Proposal Number 140.45DA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 608,854	\$ 631,295	\$ 1,240,149	\$ 626,291	\$ 437,823	\$ 1,064,114	\$ (176,035)	-14.2%
<i>Y/Y % Change</i>		3.7%		-0.8%	-30.1%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	6.00	6.00	6.00	4.00
Total LTEs	3.00	3.00	3.00	1.00

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0254f: Meter reading accuracy	99.98%	99.75%	99.75%	99.75%
140.0316f: Meter reading productivity in meter reads per hour	46	43	43	43
140.0401f: Total cost per meter read	\$0.90	\$1.30	\$1.30	\$1.30

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Development Services Information Delivery

Proposal Number 110.01NA

Proposal Budget (2021-2022) \$878,921 3.45 FTEs/0.00 LTEs

Outcome High Performance Government

Executive Summary

The Development Services (DS) Information Delivery function supports the High Performance Government strategic target by providing customers broad access to development services information regarding properties, public and private development projects, development and construction codes and standards, and inspection services. This proposal supports the delivery of information regarding code enforcement procedures, access to public records, permit processes and timelines, and permit fees. The DS Information Delivery function delivers services consistent with customer-driven and City of Bellevue expectations that focus on quality, customer experience, timeliness and predictability. This proposal supports the delivery of information in a variety of formats intended to provide equitable access to city government functions within DS. The DS Information Delivery function supports the Development Services Review Services proposal by encouraging and facilitating quality permit applications.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Development Services Information Delivery

Proposal Number 110.01NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 423,640	\$ 435,124	\$ 858,764	\$ 434,682	\$ 444,239	\$ 878,921	\$ 20,157	2.3%
<i>Y/Y % Change</i>		2.7%		-0.1%	2.2%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	-	-	3.45	3.45
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Policy Implementation Code Amendments & Consulting Service

Proposal Number 110.02NA

Proposal Budget (2021-2022) \$493,856 1.58 FTEs/0.00 LTEs

Outcome High Performance Government

Executive Summary

The Policy Development function of Development Services (DS) supports the High Performance Government outcome by implementing adopted City plans (e.g., East Main, Downtown Livability) and state and federal mandates (e.g., WA Urban Housing Supply legislation, I-Codes update, floodplain regulations update) through amendments to codes, standards, and procedures. It aligns regional plans (e.g., Eastlink, I-405 access, Eastrail) with the Community Vision and Values by providing development-related consulting advice. Delivering on Policy Development commitments (e.g., Affordable Housing Strategy, Economic Development Strategy) to respond to community priorities maintains public trust and ensures delivery of customer-focused service. This proposal includes internal staff time, outside professional services (as needed), and code and policy implementation.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Policy Implementation Code Amendments & Consulting Service

Proposal Number 110.02NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 238,978	\$ 245,501	\$ 484,479	\$ 244,351	\$ 249,505	\$ 493,856	\$ 9,377	1.9%
<i>Y/Y % Change</i>		2.7%		-0.5%	2.1%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	1.58	1.58	1.58	1.58
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Development Services Review Services
Proposal Number	110.03NA
Proposal Budget (2021-2022)	\$1,212,833 4.6 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

Development Services (DS) reviews designs and applications for private and public development projects for conformance with adopted local, state, and national codes. DS issues 14,000 to 16,000 permits per year that contribute to the economic prosperity of the City. The goals of development review are to ensure that buildings are safe, land uses and project designs are consistent with the community vision, the environment is protected, traffic impacts are managed, and developer-built utilities and other infrastructure meet the city's standards. DS strives to be a regional leader by providing clear, predictable comprehensive and innovative services for our customers to create safe buildings and a thriving community.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Development Services Review Services

Proposal Number 110.03NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 595,313	\$ 611,559	\$ 1,206,872	\$ 600,209	\$ 612,624	\$ 1,212,833	\$ 5,961	0.5%
<i>Y/Y % Change</i>		2.7%		-1.9%	2.1%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	4.60	4.60	4.60	4.60
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Development Services Inspection Services	
Proposal Number	110.04NA	
Proposal Budget (2021-2022)	\$1,699,125	5.27 FTEs/0.00 LTEs
Outcome	High Performance Government	

Executive Summary

This proposal provides for a quality built environment supported by cross-departmental inspection services of all development related construction activity to provide safe buildings, appropriate construction of turnkey public infrastructure, protection of property and the environment while supporting economic development and competitiveness. Inspection service levels are sustained through development cycles by adjusting staffing levels based on demand for services and supporting permit fee revenue. DS performed +/- 92.5k inspections in 2018 and 92.5k in 2019. Permits issued in 2018 - 2019 have been consistent at +/- 15k per year. Inspections in the first quarter of 2020 are on track meet or exceed the same time frames of 2018 and 2019. Development will continue to impact inspection services functions in 2021-2022.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Development Services Inspection Services

Proposal Number 110.04NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 871,261	\$ 887,235	\$ 1,758,496	\$ 840,101	\$ 859,024	\$ 1,699,125	\$ (59,371)	-3.4%
<i>Y/Y % Change</i>		1.8%		-5.3%	2.3%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	5.27	5.27	5.27	5.27
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Utility Asset Management Program
Proposal Number	140.11NA
Proposal Budget (2021-2022)	\$1,532,358 5 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

This proposal funds the implementation of the Utilities Strategic Asset Management Plan. Implementation of this plan is focused to strategically develop and implement leading asset management practices necessary to operate, repair, maintain and the eventual replacement or rehabilitation of the Utilities infrastructure. The estimated replacement cost of these assets; such as pipelines, pump stations and reservoirs is valued at \$3.5 Billion. As assets age they continue to deteriorate; maintenance, repair, rehabilitation and replacement costs increase, making it even more critical that resources are managed effectively. More than 50% of the Utilities assets are at least halfway through their useful life. Therefore, it is imperative that Utilities capitalizes on employing the strategies and tactics necessary to proactively manage asset condition and performance so that the level of service expected by customers and required by state and federal regulations is provided at the lowest cost.

Description of change over previous biennium

This proposal includes \$125k for implementation of key elements of the Utilities' Strategic Asset Management Plan (SAMP), including systems development and integration to support our updated Asset Management strategy.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utility Asset Management Program

Proposal Number 140.11NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 681,443	\$ 701,251	\$ 1,382,694	\$ 771,915	\$ 760,443	\$ 1,532,358	\$ 149,664	10.8%
<i>Y/Y % Change</i>		2.9%		10.1%	-1.5%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	5.00	5.00	5.00	5.00
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0097: Drainage system pipeline failures	0	5	5	5
140.0092f: Percentage of sewer pump stations rehabilitated within their useful life (25 years)	70.27%	65%	65%	65%
140.0430f: Wastewater overflow events per 100 miles of pipe	3.31	4	4	4
140.0085f: Percentage of water pump stations rehabilitated within their useful life (25 years)	40.91%	76%	76%	76%
140.0082f: Condition related water main failures per 100 miles of water main	1.64	5	5	5

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Utility Planning and Systems Analysis
Proposal Number	140.63NA
Proposal Budget (2021-2022)	\$2,760,688 6.09 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

This proposal supports utility planning and analysis for the water, wastewater, and stormwater systems. Demand for Utility services changes over time, necessitating periodic assessment of infrastructure capacity and integrity, impacts on the natural environment, and requirements for rehabilitation/improvements.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utility Planning and Systems Analysis

Proposal Number 140.63NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,442,328	\$ 1,278,397	\$ 2,720,725	\$ 1,432,515	\$ 1,328,173	\$ 2,760,688	\$ 39,963	1.5%
<i>Y/Y % Change</i>		-11.4%		12.1%	-7.3%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	6.09	6.09	6.09	6.09
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0414: Has lack of system capacity restricted or prevented any new development or redevelopment (System Capacity Planning)	No	No	No	No
140.0305: Structural flooding occurrences for storms less than a 100 year storm event (Storm Water)	12	1.25	0	0
140.0307f: Percent of requests for fire flow data provided within 2 weeks (Water)	90.88%	90%	90%	90%
140.0104f: Percent of requests for available wastewater capacity completed within 2 weeks	81.58%	90%	90%	90%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Water Mains and Service Lines Repair Program	
Proposal Number	140.13NA	
Proposal Budget (2021-2022)	\$3,882,552	10.65 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment	

Executive Summary

Bellevue Utilities provides water service to Bellevue, Clyde Hill, Medina, Yarrow Point, and Hunts Point. The water repair program's primary objective is to fix system breaks, stop leaks, protect drinking water quality, restore water service to customers, and mitigate environmental damage. The City benefits financially from efficient repairs that minimize revenue loss and claims for damages. Failure of the water system infrastructure can have catastrophic consequences, including damaged property, roadways, the natural environment and water service interruption to homes and businesses. While Utilities has sound water maintenance and capital improvement programs, main breaks can occur at any time and increase as infrastructure ages. Examples of services included in this proposal include leak detection services and repairs to broken, leaking or malfunctioning water mains, service lines, fire hydrants, and control valves.

Description of change over previous biennium

Costs associated with Asphalt Restoration have increased over the prior biennium due to more work being performed and the cost of Transportation required Grind & Overlay work trending up.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Mains and Service Lines Repair Program

Proposal Number 140.13NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,762,904	\$ 1,816,439	\$ 3,579,343	\$ 1,914,708	\$ 1,967,844	\$ 3,882,552	\$ 303,209	8.5%
<i>Y/Y % Change</i>		3.0%		5.4%	2.8%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	10.65	10.65	10.65	10.65
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0246: Number of water service repairs	206	200	200	200
140.0212f: Unplanned water service interruptions per 1,000 customer accounts	2.34	3	3	3
140.0247: Number of water main repairs	25	30	30	30
140.0215: Water distribution system - water loss percentage (most recent year)	7.1%	6%	6%	6%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Distribution System Preventive Maintenance Program

Proposal Number 140.14NA

Proposal Budget (2021-2022) \$1,801,630 6.85 FTEs/0.00 LTEs

Outcome High Quality Built and Natural Environment

Executive Summary

Water is required to sustain life, convey waste, protect against fire and to keep our parks and open spaces green and healthy. This proposal funds preventive maintenance of the drinking water infrastructure. Bellevue's water system is a network of components that deliver almost 6 billion gallons of drinking water a year. Preventive maintenance ensures the ongoing safety and operational integrity of the distribution system. Services include annual inspection and maintenance of fire hydrants, isolation valves, and other important components to the water system. These programs are critical for system function and reliability, and maintain safe, high-quality drinking water for residents and businesses. Lack of adequate water system maintenance impacts the ability to quickly repair water main breaks, increases the chance of waterborne disease and other water quality concerns. It could also result in fire hydrants and valves not working when needed for firefighting or other emergencies.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Distribution System Preventive Maintenance Program

Proposal Number 140.14NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 853,513	\$ 882,207	\$ 1,735,720	\$ 888,881	\$ 912,749	\$ 1,801,630	\$ 65,910	3.8%
<i>Y/Y % Change</i>		3.4%		0.8%	2.7%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	6.85	6.85	6.85	6.85
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0257: Number of water claims paid due to system failure	11	5	5	5
140.0258: Number of water claims paid greater than \$20,000 due to system failure	2	0	0	0
140.0220f: Percentage of fire hydrants inspected	59.6%	50%	50%	50%
140.0223f: Percentage of water system isolation valves inspected	56.41%	50%	50%	50%
140.0216: Number of fire hydrants that fail fireflow delivery at time of inspection	5	0	0	0
140.0378: Total cost of Water claims paid	\$263,056	\$200,000	\$200,000	\$200,000

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Pump Station, Reservoir and PRV Maintenance Program

Proposal Number 140.15NA

Proposal Budget (2021-2022) \$2,424,030 3.7 FTEs/0.00 LTEs

Outcome High Quality Built and Natural Environment

Executive Summary

Water is required to sustain life, convey waste, protect against fire and to keep our parks and open spaces green and healthy. This proposal provides necessary preventive maintenance and repair of water pump stations, reservoirs and pressure regulating valves (PRVs) throughout the public drinking water system. These services extend the useful life of assets, avoid costs associated with catastrophic failures and increase system reliability while maintaining drinking water quality. Bellevue's unique topography (with elevations ranging from sea level to 1,440 feet) requires a complicated system of reservoirs, pump stations, and PRVs to provide safe water and adequate fire flow throughout the service area. Due to the likelihood and high consequences of failure if preventive maintenance services are not provided, this proposal supports the goals for reliability and performance of the drinking water storage and delivery system.

Description of change over previous biennium

This proposal included a large one-time Reservoir Coating project for \$750K in the last biennium.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Pump Station, Reservoir and PRV Maintenance Program

Proposal Number 140.15NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,823,436	\$ 1,105,110	\$ 2,928,546	\$ 1,197,204	\$ 1,226,826	\$ 2,424,030	\$ (504,516)	-17.2%
<i>Y/Y % Change</i>		-39.4%		8.3%	2.5%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	3.70	3.70	3.70	3.70
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0226: Number of Water System Pressure Reducing Valve failures per year	2	0	0	0
140.0232f: Percent of reservoirs cleaned	12%	20%	20%	20%
140.0227: Number of water pump failures per year	1	0	0	0
140.0228: Number of reservoirs taken out of service as a result of drinking water quality concerns	0	0	0	0
140.0229f: Percent of Water System Pressure Reducing Valves maintained	17.95%	20%	20%	20%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Meter Repair and Replacement Program

Proposal Number 140.16NA

Proposal Budget (2021-2022) \$570,037 2.25 FTEs/0.00 LTEs

Outcome High Quality Built and Natural Environment

Executive Summary

This proposal provides for regular testing, calibration, repair and replacement of City-owned water meters at established intervals to ensure meter accuracy for water and sewer revenue collection, equitable billing and rates, early leak detection for the customer, and to promote water conservation. Meter box maintenance activities are included to ensure safe access for meter reading and to shut off the water service in the event of an emergency.

Description of change over previous biennium

Material costs for meter replacement in 2021-2022 has been significantly reduced as a result of the Advanced Metering Infrastructure (AMI) CIP Project that is currently being implemented.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Meter Repair and Replacement Program

Proposal Number 140.16NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 449,951	\$ 463,472	\$ 913,423	\$ 281,174	\$ 288,863	\$ 570,037	\$ (343,386)	-37.6%
<i>Y/Y % Change</i>		3.0%		-39.3%	2.7%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	2.25	2.25	2.25	2.25
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0235f: Percent of commercial meters that meet accuracy standards at the time of the test	100%	85%	85%	85%
140.0238f: Percent of commercial meters tested annually	2.45%	20%	20%	20%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Service Installation and Upgrade Program

Proposal Number 140.17NA

Proposal Budget (2021-2022) \$599,143 1 FTEs/0.00 LTEs

Outcome High Quality Built and Natural Environment

Executive Summary

This proposal provides resources for the installation of drinking water service for new homes and for businesses to obtain occupancy permits without costly delays to the property owner or contractor. Utilities perform water main shutdowns, water main condition assessments, and pipe work to install new water services. Asphalt cuts and excavations needed for installation are completed by private contractors under the right-of-way (ROW) use permit process. This hybrid Utility/contractor approach to water service installations provides timely installation of new services for developers and condition assessment data critical for asset management. Additionally, it minimizes customer service impacts of water shutdowns and assures consistent quality control and sanitation while supporting economic development.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Service Installation and Upgrade Program

Proposal Number 140.17NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 292,132	\$ 299,029	\$ 591,161	\$ 296,589	\$ 302,554	\$ 599,143	\$ 7,982	1.4%
<i>Y/Y % Change</i>		2.4%		-0.8%	2.0%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	1.00	1.00	1.00	1.00
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0242f: Percent of water service installations completed within four weeks of request	95.59%	100%	100%	100%
140.0245: Number of water service installations	94	90	90	90

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Sewer Mains, Laterals and Manhole Repair Program
Proposal Number	140.18NA
Proposal Budget (2021-2022)	\$2,158,995 7 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

Wastewater is responsible for operation, maintenance, and repair of approximately 643 miles of pipe and approximately 14,000 manholes and cleanouts (maintenance access structures) within its service territory. This proposal provides repair services for the sewer collection system. These repairs correct deficiencies predominantly due to aging infrastructure and allow the City to get the most use out of each pipe and manhole over the life of the asset for the least long-term cost. Raw sewage contains viruses, bacteria, chemicals and other pathogens that are an extreme threat to public health and the environment when not managed and contained within the sewer collection system. Broken or defective sewer mains and connections result in blockages and overflows of sewage that can flood and contaminate customer's homes, businesses or the environment, create public health issues and result in costly liability claims to the City.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Sewer Mains, Laterals and Manhole Repair Program

Proposal Number 140.18NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,087,736	\$ 1,120,461	\$ 2,208,197	\$ 1,067,178	\$ 1,091,817	\$ 2,158,995	\$ (49,202)	-2.2%
<i>Y/Y % Change</i>		3.0%		-4.8%	2.3%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	7.00	7.00	7.00	7.00
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0338: Number of new wastewater pipe defects identified for repair or replacement	143	100	100	100
140.0187: Number of identified wastewater pipe defects requiring repair within 5 years	848	200	200	200
140.0188: Number of wastewater in-house pipe repairs completed annually	80	100	100	100

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Sewer Condition Assessment Program
Proposal Number	140.19NA
Proposal Budget (2021-2022)	\$1,247,397 4.45 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

The Sewer Condition Assessment Program uses Closed Circuit TV (CCTV) equipment to provide digital images of the inside of sewer pipes and service stubs in the right-of-way (ROW) to identify and evaluate pipe defects that need repair and document less severe defects that need regular maintenance. Sewer pipe defects can cause catastrophic failures resulting in blockages, backups and sewer overflows which impact customers, public health, and the environment. In addition, identifying and repairing sewer defects prior to road overlay activities minimizes pavement impacts and lowers restoration costs.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Sewer Condition Assessment Program

Proposal Number 140.19NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 615,468	\$ 635,594	\$ 1,251,062	\$ 615,857	\$ 631,540	\$ 1,247,397	\$ (3,665)	-0.3%
<i>Y/Y % Change</i>		3.3%		-3.1%	2.5%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	4.45	4.45	4.45	4.45
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0195: Linear feet of wastewater condition assessment performed	269,758	275,000	275,000	275,000
140.0336f: Percent of wastewater system video inspected	8.03%	8%	8%	8%
140.0338: Number of new wastewater pipe defects identified for repair or replacement	143	100	100	100

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Sewer Mainline Preventive Maintenance Program
Proposal Number	140.20NA
Proposal Budget (2021-2022)	\$2,330,076 8.3 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment

Executive Summary

This proposal provides preventive maintenance cleaning services on the sewer collection system to keep the lines clear. Preventive maintenance lowers service interruptions due to blockages, the associated claims due to backups, and minimizes overflows which impact the environment and public health. This preventive maintenance program allows us to maximize the life of the sewer system for the lowest long-term cost.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Sewer Mainline Preventive Maintenance Program

Proposal Number 140.20NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,110,558	\$ 1,145,405	\$ 2,255,963	\$ 1,150,959	\$ 1,179,117	\$ 2,330,076	\$ 74,113	3.3%
<i>Y/Y % Change</i>		3.1%		0.5%	2.4%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	8.30	8.30	8.30	8.30
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0379: Total cost of Wastewater claims paid	\$122,416	\$60,000	\$60,000	\$60,000
140.0211: Number of wastewater claims paid due to system failure	21	10	10	10
140.0315: Number of wastewater claims paid greater than \$20,000 due to system failure	2	1	1	1
140.0430f: Wastewater overflow events per 100 miles of pipe	3.31	4	4	4
140.0199f: Percent of wastewater pipe cleaned	19.26%	20%	20%	20%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Sewer Pump Station Maintenance, Operations and Repair Program		
Proposal Number	140.21NA		
Proposal Budget (2021-2022)	\$2,171,291	5.95 FTEs/0.00 LTEs	
Outcome	High Quality Built and Natural Environment		

Executive Summary

This proposal provides sewer pump station maintenance and repairs to help minimize failures that cause sewer backups and overflows to the environment. Overflows can result in beach closures and surface water quality concerns. In addition, sewer backups can require a homeowner to move out or a business to close until cleanup is completed. Bellevue's unique topography, with elevations ranging from sea level to 1,440 feet, requires a diverse and complicated system of pump stations to provide continual service 24 hours a day, 365 days a year. This proposal provides staff, vehicles, tools, equipment, and supplies for the maintenance, operations, and repair of 46 sewer pump stations in the sewer collection system. These services ensure sewer pump stations, predominately located along Lake Washington and Lake Sammamish, are operated and maintained to minimize sewer blockages and overflows which impact customers, public health, and the environment.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Sewer Pump Station Maintenance, Operations and Repair Program

Proposal Number 140.21NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,038,085	\$ 1,070,694	\$ 2,108,779	\$ 1,071,653	\$ 1,099,638	\$ 2,171,291	\$ 62,512	3.0%
<i>Y/Y % Change</i>		3.1%		0.1%	2.6%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	5.95	5.95	5.95	5.95
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0205f: Weather related wastewater pump station overflows per 1,000 customer accounts (value of 0.027 represents 1 overflow)	0.03	0	0	0
140.0202f: Non-weather related pump station overflows per 1,000 wastewater customer accounts (value of 0.027 represent 1 overflow)	0	0	0	0
140.0208f: Percent of wastewater pump station inspections completed as planned	93.92%	100%	100%	100%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Storm and Surface Water Repair and Installation Program

Proposal Number 140.22NA

Proposal Budget (2021-2022) \$2,116,708 4.65 FTEs/0.00 LTEs

Outcome High Quality Built and Natural Environment

Executive Summary

The Storm and Surface Water System within the City of Bellevue is comprised of a network of public and privately-owned pipes, open channels, catch basins, manholes, streams and detention facilities both above and below ground. This proposal provides repair and installation services for publicly owned drainage system components to ensure that the municipal storm drainage system functions as designed. This aids in protecting life, property, and the environment during major storm and flooding events, as well as reducing pollution entering streams and lakes. Much of the repair work surrounding the storm & surface water system is mandated under the National Pollution Discharge and Elimination System permit (NPDES).

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Storm and Surface Water Repair and Installation Program

Proposal Number 140.22NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,017,010	\$ 1,047,428	\$ 2,064,438	\$ 1,075,718	\$ 1,040,990	\$ 2,116,708	\$ 52,270	2.5%
<i>Y/Y % Change</i>		3.0%		2.7%	-3.2%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	4.65	4.65	4.65	4.65
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0291f: Percentage of Surface Water repairs completed	68.67%	100%	100%	100%
140.0371f: Labor hours per catch basin/manhole repair	1.82	2.5	2.5	2.5

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Storm and Surface Water Infrastructure Condition Assessment

Proposal Number 140.23NA

Proposal Budget (2021-2022) \$831,588 1.2 FTEs/0.00 LTEs

Outcome High Quality Built and Natural Environment

Executive Summary

The Storm and Surface Water Condition Assessment program performs video inspection of underground stormwater pipe to determine condition and maintenance or repair needs. The overall goal of this program is to locate and repair defects within pipes before failures occur and to also assess the system for long-term repair and replacement needs. Condition assessment provides valuable asset management information for the Utilities repair and replacement program by identifying and documenting overall trends in pipe condition. This is essential information when developing long-term replacement funding strategies for aging infrastructure. This program currently inspects an average of 20.7 miles of underground pipe annually with a 20-year ongoing inspection cycle for the Storm and Surface Water system.

Description of change over previous biennium

No significant change in level of service is proposed. Costs are increasing above inflationary levels due to rising costs of backfill materials needed to improve access for planned pond rehabilitation projects.

2021-2022 ESC BUDGET NOTEBOOK

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Storm & Surface Water Preventive Maintenance Program		
Proposal Number	140.24NA		
Proposal Budget (2021-2022)	\$3,907,647	11.75 FTEs/0.00 LTEs	
Outcome	High Quality Built and Natural Environment		

Executive Summary

The resources in this proposal fund preventive maintenance activities related to the City's storm and surface water system. For the drainage system to function correctly and provide adequate flood control, it must be kept free of excessive debris and sediment. These can cause blockages of catch basins and pipes during heavy rains leading to flooding, property damage claims, and environmental degradation. Sediment is also a pollutant. The drainage system contains a variety of water quality facilities that trap oils and other pollutants from roadways and allow for their removal during maintenance. Because the final discharge for all drainage in Bellevue is the City's streams and lakes, system maintenance is essential to keep them free of the sediment and pollutants generated from roadways and other impervious surfaces. The majority of maintenance activities funded by this proposal are mandated under the Federal National Pollutant Discharge Elimination System Permit (NPDES).

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Storm & Surface Water Preventive Maintenance Program

Proposal Number 140.24NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 2,010,017	\$ 2,072,603	\$ 4,082,620	\$ 1,951,712	\$ 1,955,935	\$ 3,907,647	\$ (174,973)	-4.3%
<i>Y/Y % Change</i>		3.1%		-5.8%	0.2%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	11.75	11.75	11.75	11.75
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0380: Total cost of Storm and Surface Water claims paid	\$61,881	\$25,000	\$25,000	\$25,000
140.0289: Number of surface water claims paid due to system failure	4	0	0	0
140.0290: Number of surface water claims paid greater than \$20,000 due to system failure	1	0	0	0

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Water Quality Regulatory Compliance and Monitoring Programs		
Proposal Number	140.26PA		
Proposal Budget (2021-2022)	\$1,735,169	3.3 FTEs/0.00 LTEs	
Outcome	High Quality Built and Natural Environment		

Executive Summary

This proposal provides Water Quality Regulatory Compliance for Bellevue Utilities. This proposal outlines overall management of the Water Quality/Regulatory Compliance section and establishes the framework for developing programs for field testing, inspection and response to meet requirements set forth by Agencies: SAFE DRINKING WATER ACT outlining sampling, monitoring and reporting requirements for our Drinking water within Bellevue. CLEAN WATER ACT driving the City's National Pollutant Discharge Elimination System (NPDES) permit and establishes requirements for inspection, maintenance, outreach and reporting of Citywide efforts to manage storm and surface water. CITY LAND USE, SEPA determinations and Clear and Grade permits necessary to achieve the project related tasks for daily operations. ENDANGERED SPECIES ACT Regional Road Maintenance Program establishing guidelines for working near sensitive areas.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Water Quality Regulatory Compliance and Monitoring Programs

Proposal Number 140.26PA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 831,320	\$ 852,782	\$ 1,684,102	\$ 839,967	\$ 895,202	\$ 1,735,169	\$ 51,067	3.0%
<i>Y/Y % Change</i>		2.6%		-1.5%	6.6%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	3.30	3.30	3.30	3.30
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0264: Percentage of days per year in compliance with state and federal drinking water regulations	100%	100%	100%	100%
140.0270: Compliant with all Surface Water Regulatory Requirements	Yes	Yes	Yes	Yes
140.0265f: Number of drinking water quality complaints per 1,000 water service connections	2.25	2	2	2

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Private Utility Systems Maintenance Programs	
Proposal Number	140.27DA	
Proposal Budget (2021-2022)	\$1,449,894	5.55 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment	

Executive Summary

This proposal provides funding for Private Utility System Maintenance Program in which City Water Quality inspectors visit private business and residences to inspect private Utility infrastructure to ensure components are working correctly. Staff provide recommendations if maintenance is needed, and follow up to make sure the maintenance was correctly performed. This minimizes the risk to the public drinking water system from potential contamination, our streams and lakes from pollutants and the wastewater system from blockages.

This proposal protects public health by preventing drinking water from cross contamination, reduces pollutants in surface water, and funds the Fats, Oils and Grease program to reduce sewer blockages. These programs are mandated by the FEDERAL SAFE DRINKING WATER ACT, CLEAN WATER ACT, and the King County Industrial Waste Program.

Description of change over previous biennium

The 2019-2024 NPDES permit was recently issued by the Department of Ecology and includes implementation of a new Source Control program that will add one FTE to the Water Quality section in 2022 for the implementation of this new 'Source Control' program. This program will look at how businesses manage materials that have the potential to impact water quality of streams and lakes should a spill/leak occur. The FTE will manage the Source Control program which includes inspection, compliance, education and enforcement should the need arise.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Private Utility Systems Maintenance Programs

Proposal Number 140.27DA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 672,950	\$ 691,140	\$ 1,364,090	\$ 656,729	\$ 793,165	\$ 1,449,894	\$ 85,804	6.3%
<i>Y/Y % Change</i>		2.7%		-5.0%	20.8%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	4.55	4.55	4.55	5.55
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0272f: Percent of Fat, Oil, Grease removal devices compliant with maintenance requirements	10.88%	50%	50%	50%
140.0278: Number of documented drinking water system backflow events	0	0	0	0
140.0319f: Percent of planned private drainage inspections performed	75.93%	100%	100%	100%
140.0281: Number of backflow assemblies tested annually	12,325	14,900	14,900	14,900

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Utility Locates Program	
Proposal Number	140.44NA	
Proposal Budget (2021-2022)	\$912,279	3.4 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment	

Executive Summary

Locators are required by Washington State law to mark underground City-owned utilities. This proposal provides resources for Utilities to protect underground City-owned and operated utility infrastructure. The Utility Locate program safeguards approximately 1500 miles of City owned underground utility pipelines for the delivery of drinking water and conveyance of surface runoff and sewer pipes by accurately marking utility locations prior to construction excavation in support of development, CIP and franchise utility renewal and repair.

Description of change over previous biennium

No change in level of service is proposed. Increased operating expense due higher personnel costs and costs associated with mobile workforce data requirements.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utility Locates Program

Proposal Number 140.44NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 373,129	\$ 386,249	\$ 759,378	\$ 450,163	\$ 462,116	\$ 912,279	\$ 152,901	20.1%
<i>Y/Y % Change</i>		3.5%		16.5%	2.7%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	3.40	3.40	3.40	3.40
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0248f: Percent of locates performed within mandated deadlines	99.92%	100%	100%	100%
140.0251: Dollar value of claims paid due to mis-locates	\$0.00	\$0.00	\$0.00	\$0.00
140.0252: Number of damaged assets due to mis-locates	0	0	0	0
140.0253: Number of locates received	41,495	42,000	46,000	50,000

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Utilities Telemetry and Security Systems	
Proposal Number	140.25NA	
Proposal Budget (2021-2022)	\$1,775,696	3.8 FTEs/0.00 LTEs
Outcome	High Quality Built and Natural Environment	

Executive Summary

Telemetry and SCADA (Supervisory Control & Data Acquisition) equipment provide continuous automated monitoring and control of utility systems (such as reservoirs and pump stations), significantly reducing the need for on-site staff. This proposal provides for operation, maintenance, and repair of telemetry (remote monitoring and control), providing reservoir levels, water pressures, sewage station levels, storm retention pond levels, and transmission of data to a central SCADA system. Security systems monitor facilities for intrusion and notify of breaches. These systems work to maintain water quality and supply, avoid sewer overflows, and manage regional storm facilities. Ongoing installation, maintenance, and repair is required to ensure equipment performance. Service levels balance the need for reliable delivery of drinking water, removal of sewage, and storm water management with the costs to provide telemetry, SCADA and security.

Description of change over previous biennium

Increased expense in this proposal is due to the migration of pump stations (particularly water sites) to the City enterprise security camera system. This is an upgrade from taking a portable dvd player out to sites in order to review security camera footage. The cost is approximately \$20K per site.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utilities Telemetry and Security Systems

Proposal Number 140.25NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 703,923	\$ 723,112	\$ 1,427,035	\$ 877,336	\$ 898,360	\$ 1,775,696	\$ 348,661	24.4%
<i>Y/Y % Change</i>		2.7%		21.3%	2.4%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	3.80	3.80	3.80	3.80
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0261f: Percent of planned preventive maintenance activities completed at telemetry sites	99.5%	100%	100%	100%
140.0260: Number of security breaches discovered but not detected at the time of the intrusion	0	0	0	0
140.0317: Number of water or sewer pump station failures caused by SCADA/Telemetry failures	0	0	0	0
140.0259: Number of water/sewer service interruptions caused by SCADA/Telemetry system	0	0	0	0

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Asset Replacement	
Proposal Number	140.47DA	
Proposal Budget (2021-2022)	\$293,416	0 FTEs/0.00 LTEs
Outcome	Reserves	

Executive Summary

Consistent financial management policy dictates systematic Utility funding to replace vehicles, other work equipment and major technology systems that have reached the end of their useful lives (Waterworks Utility Financial Policy V.C). Asset Replacement is the Utilities' equivalent of the Equipment Rental Fund and Information Technology Replacement programs. The utility vehicles, other equipment and major technology systems scheduled to be replaced are needed to enable crews, inspectors, and other staff to perform services identified in other Utilities proposals. This proposal is funded from asset replacement reserves created specifically for this purpose, so there is no utility rate impact to customers.

Description of change over previous biennium

The type and cost of assets scheduled for replacement vary from year to year which will drive increases and decreases from biennium to biennium. There are a total of 7 assets to be replaced as part of the 2021-2022 budget, compared to 16 in the 2019-2020 budget.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Asset Replacement							
Proposal Number	140.47DA							
Proposal Financial Summary								
	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,553,886	\$ 1,358,908	\$ 2,912,794	\$ 163,023	\$ 130,393	\$ 293,416	\$ (2,619,378)	-89.9%
Y/Y % Change		-12.5%		-88.0%	-20.0%			

Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
2019	2020	2021	2022
Total FTEs	-	-	-
Total LTEs	-	-	-

Performance Measures and Targets	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0358: Percentage to target: Asset Replacement Account balance	112.82%	100%	100%	100%
140.0360: Percent Variance: Actual Capital Asset expenditures versus Budgeted Capital Asset expenditures	22.65%	100%	100%	100%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title	Fiscal Management
Proposal Number	140.49NA
Proposal Budget (2021-2022)	\$1,658,124 5.5 FTEs/0.00 LTEs
Outcome	High Performance Government

Executive Summary

The Fiscal Management Team operates as an internal support function and supports the daily financial operations of the Utilities Department by monitoring, developing, and reporting on the Utilities financial condition, conducting rate evaluations to ensure financial sustainability, protecting the City's investment by maintaining adequate operating reserves, and acting in the best interest of the ratepayers. Financial management of the Utilities are dictated by financial policies per the City's Waterworks Utility Financial Policies. By adhering to these financial policies, taking a long-term approach to financial planning, and practicing vigilant financial monitoring and management, Bellevue Utilities is in a good financial position to meet both operational and infrastructure replacement needs.

Description of change over previous biennium

No significant change in operating expenditures or level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Fiscal Management

Proposal Number 140.49NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 808,214	\$ 831,425	\$ 1,639,639	\$ 821,351	\$ 836,773	\$ 1,658,124	\$ 18,485	1.1%
<i>Y/Y % Change</i>		2.9%		-1.2%	1.9%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	5.50	5.50	5.50	5.50
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0128f: Operating expenditures vs. amount budgeted	98.49%	100%	100%	100%
140.0471: Percentage of monthly financial reports distributed to BUD within 30 days of reporting period end	100%	100%	100%	100%
140.0470: Percentage of monthly financial reports distributed to workgroup managers within 10 days of reporting period end	100%	100%	100%	100%
140.0472: Percentage of quarterly financial reports distributed to the Budget Office within 45 days of the end of the quarter	100%	100%	100%	100%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utilities Computer and Systems Support

Proposal Number 140.60NA

Proposal Budget (2021-2022) \$2,712,374 4.5 FTEs/0.00 LTEs

Outcome High Performance Government

Executive Summary

The Computer and Systems Support proposal supports delivery of efficient and cost effective utility services through leveraged technology solutions. Utilities mail 5,000 utility bills weekly, collects over \$146 million in service revenues annually and delivers services to over 145,000 customers daily in a network of 619 miles of water and 525 miles of sewer pipe, 81 miles of rivers and streams, and 47 water reservoirs and pump stations. This proposal funds all the Utilities' software, hardware, vendor support, professional services, and department personnel who provide business automation support. Systems maintained by this group include billing, work/asset management, field worker mobility, sewer/storm condition assessment video systems, water meter reading, engineering design, and water modelling. System support include automation short and long-range planning, implementation, testing, training, process improvement analysis, and reporting.

Description of change over previous biennium

No significant change in level of service is proposed.

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utilities Computer and Systems Support

Proposal Number 140.60NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 1,333,381	\$ 1,258,378	\$ 2,591,759	\$ 1,366,668	\$ 1,345,706	\$ 2,712,374	\$ 120,615	4.7%
<i>Y/Y % Change</i>		-5.6%		8.6%	-1.5%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	5.50	4.50	4.50	4.50
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0339: Percentage of Business Systems user assistance requests completed	100%	80%	80%	80%
140.0155f: Business Systems Project Completion Rate	66.67%	80%	80%	80%

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utilities Department Management and Support

Proposal Number 140.42NA

Proposal Budget (2021-2022) \$1,780,750 4 FTEs/0.00 LTEs

Outcome High Quality Built and Natural Environment

Executive Summary

Utilities is a self-supporting enterprise operating within the City of Bellevue, dedicated to actively supporting public health and safety, the environment, a sustainable economy, and neighborhood livability now and into the future. It does so by effectively and efficiently managing four distinct business lines (drinking water, wastewater, storm and surface water systems, and solid waste collection), with a current biennial operating budget of \$316M (2019-2020), capital budget of \$225M (2019-2025), and 183 FTEs/LTEs. Each line of business has its own unique operational and capital requirements. Because of the long lives of utility systems, Utilities' planning horizon extends 75-100 years. With its diverse service portfolio, this large and complex department requires strong leadership, strategic vision, clear guidance, and thoughtful management.

Description of change over previous biennium

No significant changes are proposed over the previous biennium

2021-2022 Utility Operating Budget Proposals

2021-2022 ESC BUDGET NOTEBOOK

Proposal Title Utilities Department Management and Support

Proposal Number 140.42NA

Proposal Financial Summary

	Amended 2019-2020 Budget			Proposed 2021-2022 Budget			Biennium Change	
	2019	2020	Total 2019-2020	2021	2022	Total 2021-2022	Dollar Change	Percent Change
Total	\$ 888,141	\$ 912,271	\$ 1,800,412	\$ 935,972	\$ 844,778	\$ 1,780,750	\$ (19,662)	-1.1%
<i>Y/Y % Change</i>		2.7%		2.6%	-9.7%			

Proposal Staffing Summary

	Amended 2019-2020 Budget		Proposed 2021-2022 Budget	
	2019	2020	2021	2022
Total FTEs	4.00	4.00	4.00	4.00
Total LTEs	-	-	-	-

Performance Measures and Targets

	2019-2020 Budget		2021-2022 Budget	
	2019 Actual	2020 Target	2021 Target	2022 Target
140.0418: Percentage of Utilities customers rating Bellevue Utilities Department services as good value for the money.	85%	90%	90%	90%
140.0306: Utilities services customer satisfaction survey - (Citywide citizen survey)	85%	85%	85%	85%
140.0056: Employee job engagement score (Annual City Employee Survey)	1.24	2	2	2
140.0417: Is the Bellevue Utilities Department an Accredited Agency?	Yes	Yes	Yes	Yes

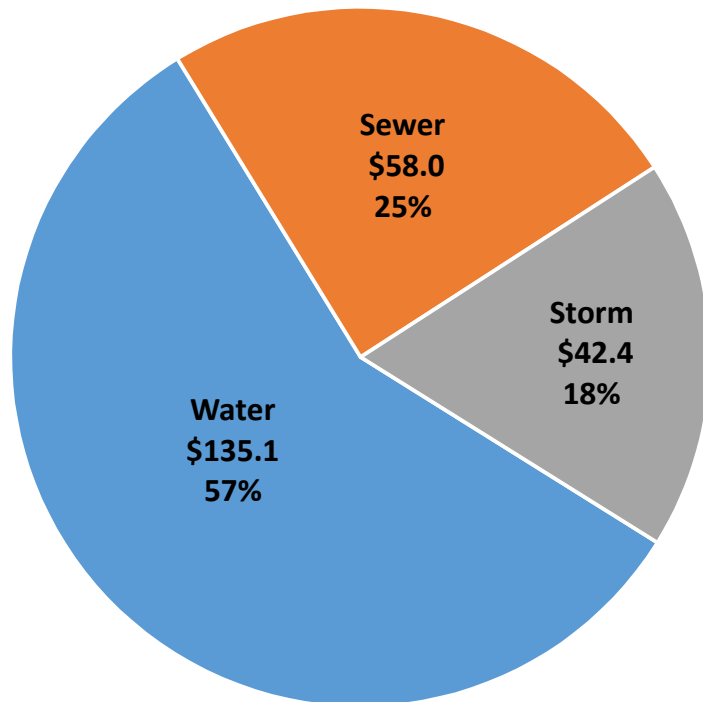
SECTION 4.



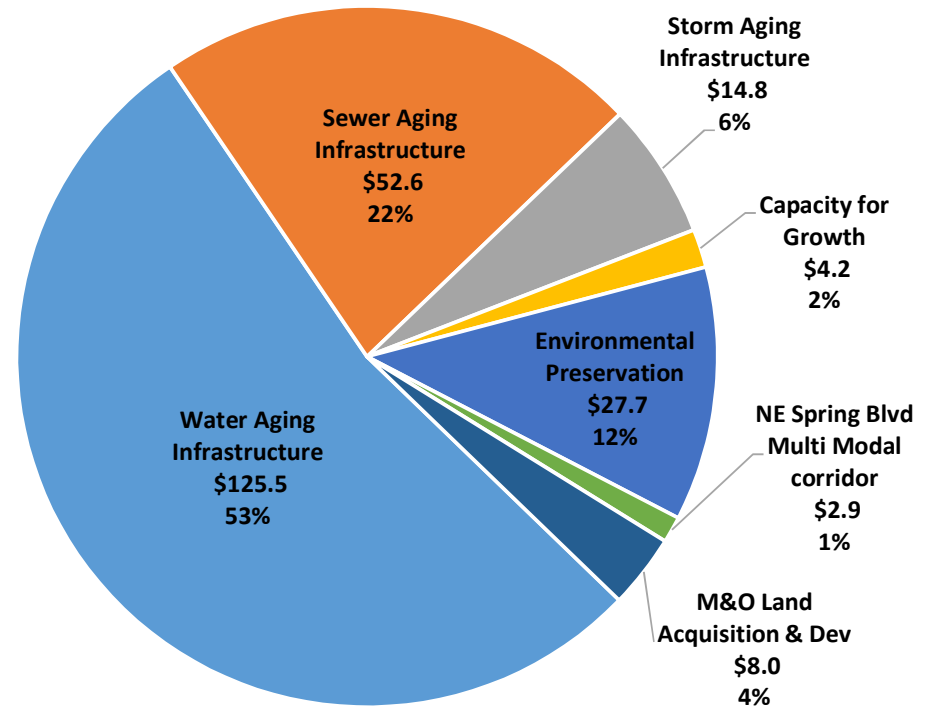
Capital Budget Proposals

**2021-2027 Proposed Capital Investment Program
\$235.6M**

By Utility



By Area of Investment



City of Bellevue Utilities Department
2021-2027 Proposed Capital Investment Program
Proposal Descriptions

Proposal: #140.02. Replacement of Aging Water Infrastructure

Description: This proposal funds replacement or rehabilitation of drinking water system infrastructure. Bellevue's water system is a complex network of pipes, reservoirs, pump stations, supply inlets, valves and meters that together deliver roughly 6 billion gallons of drinking water to our customers annually. System replacement value is estimated at \$1.6 billion construction cost plus engineering and administration, and most of the system is more than halfway through its useful life. Failure trends and obsolete equipment provides evidence that system components are rapidly approaching the end of their service life and must be replaced. This proposal implements Utilities' long term water system renewal and replacement strategy by funding CIP programs for each major type of water system component, right-sized for proactive, sustainable water system management, to maintain acceptable service levels at the lowest life-cycle cost.

Plan #	Plan Description	2021	2022	2023	2024	2025	2026	2027	2021-2027
									Total
W-16	Asbestos Cement Wtr Main Repla	6,320,000	12,820,000	9,860,000	12,680,000	12,730,000	12,770,000	14,110,000	81,290,000
W-67	Press Reduc Valve	430,000	240,000	350,000	790,000	1,000,000	1,790,000	1,400,000	6,000,000
W-69	Minor Capital Improvement Proj	700,000	270,000	130,000	-	-	-	190,000	1,290,000
W-85	Reservoir Rehab or Replacement	7,680,000	3,250,000	2,570,000	890,000	600,000	2,880,000	5,510,000	23,380,000
W-91	Wtr Pump Stat Rehab or Replace	-	-	1,460,000	2,780,000	980,000	790,000	1,030,000	7,040,000
W-98	Large Commercial Meter Vault Replacement	40,000	340,000	570,000	430,000	700,000	690,000	580,000	3,350,000
W-99	Service Lines & Saddle Replcmt	240,000	280,000	120,000	-	-	-	-	640,000
W-115	SCADA Upgrade - Water	-	80,000	1,000,000	330,000	-	-	-	1,410,000
W-117	170th PI Pressure Improvements	220,000	530,000	330,000	-	-	-	-	1,080,000
140.02NA Total		15,630,000	17,810,000	16,390,000	17,900,000	16,010,000	18,920,000	22,820,000	125,480,000

Proposal: #140.03. Replacement of Aging Sewer Infrastructure

Description: This proposal funds replacement or rehabilitation of sanitary sewer system infrastructure. Bellevue's wastewater system is comprised of pipes and pump stations that remove 11 million gallons of sewage from homes and businesses every day, and convey it safely to King County's regional system for treatment and disposal. System replacement value is estimated at \$1.4 Billion, and most of the system is more than halfway through its useful life. Ongoing inspection of sewer asset condition and claims experience trends provide evidence that much of the system requires significant repair or will soon need to be replaced. This proposal implements Utilities' long term sanitary sewer renewal and replacement strategy by funding CIP programs for each type of major sewer system component, each right-sized for proactive, sustainable wastewater system management to maintain acceptable service levels at the lowest life-cycle cost.

Plan #	Plan Description	2021	2022	2023	2024	2025	2026	2027	2021-2027
									Total
S-16	Sewage Pump Station Improv	5,260,000	2,010,000	600,000	1,800,000	3,340,000	1,230,000	1,060,000	15,300,000
S-24	Sewer System Trunk Rehab	2,720,000	3,310,000	3,480,000	3,310,000	3,180,000	4,540,000	5,170,000	25,710,000
S-32	Minor Capital Improvement Proj	40,000	-	-	-	-	-	20,000	60,000
S-58	Sewer Lake Line Replcemt Progm	250,000	-	-	-	-	-	-	250,000
S-66	Sewer System Pipeline Repl Pgm	2,920,000	650,000	1,030,000	1,120,000	-	-	-	5,720,000
S-67	I&I Investigations and Flow Mo	-	-	-	-	-	-	-	-
S-112	Sewer Planning Program	-	-	360,000	370,000	-	-	-	730,000
S-115	SCADA Upgrade - Sewer	1,500,000	210,000	1,000,000	-	1,200,000	950,000	-	4,860,000
140.03NA Total		12,690,000	6,180,000	6,470,000	6,600,000	7,720,000	6,720,000	6,250,000	52,630,000

City of Bellevue Utilities Department
2021-2027 Proposed Capital Investment Program
Proposal Descriptions

Proposal: #140.04. Replacement of Aging Storm Infrastructure

Description: This proposal funds replacement or rehabilitation of aging stormwater system infrastructure. Bellevue's stormwater system is comprised of regional detention facilities, pipes, culverts and open streams that convey stormwater runoff to eventual outfall into Lake Washington or Lake Sammamish. The constructed portions of the system, estimated replacement value \$1 Billion, are managed to prevent failures that cause flooding, erosion and traffic disruption, and to protect streams, lakes and wetlands as much as practicable from high velocity, erosive stream flows and pollution. Replacement of infrastructure prior to failure precludes property and environmental damage. This proposal implements Utilities' long term stormwater management strategy by funding CIP programs for the replacement and rehabilitation of Storm infrastructure at the least life-cycle cost, while maintaining acceptable service levels, for sustainable storm system management.

Plan #	Plan Description	2021	2022	2023	2024	2025	2026	2027	2021-2027
									Total
D-59	Minor Capital Improvement Proj	190,000	-	-	-	-	-	-	190,000
D-64	Infrastructure Rehab Program (2,360,000	1,420,000	1,530,000	1,640,000	2,010,000	2,050,000	2,090,000	13,100,000
D-103	Repl. Coal Creek Pkwy Culvert	50,000	-	-	-	-	-	-	50,000
D-105	Replace NE 8th St Culvert at K	-	-	-	-	-	-	-	-
D-107	Storm Water Video Inspection E	-	-	-	-	-	-	-	-
D-115	SCADA Upgrade - Storm	-	600,000	200,000	20,000	-	630,000	-	1,450,000
140.04NA Total		2,600,000	2,020,000	1,730,000	1,660,000	2,010,000	2,680,000	2,090,000	14,790,000

Proposal: #140.05. Utility Capacity for Growth

Description: This proposal funds construction of additional utility system capacity so that development and re-development projects are not delayed. Planned population growth of residents and workers in downtown, the Bel-Red Corridor, and the Wilburton Area will require more drinking water storage, more water from our regional system supplier, more sewer pump station capacity, and added water and sewer pipe capacity to meet state minimum requirements. Existing facilities are at or near capacity to serve the current population. The initial cost of growth-driven projects will be recovered via capital recovery charges and via direct facilities connection charges to benefited properties.

Plan #	Plan Description	2021	2022	2023	2024	2025	2026	2027	2021-2027
									Total
S-60	Wilburton Sewer Capacity Upgrad	-	20,000	-	-	-	-	-	20,000
S-61	Midlakes Pump Station Impvs	50,000	-	-	-	-	-	-	50,000
W-103	Reservoir Storage for Dwntrn	1,100,000	190,000	-	-	-	1,170,000	1,620,000	4,080,000
140.05NA Total		1,150,000	210,000	-	-	-	1,170,000	1,620,000	4,150,000

City of Bellevue Utilities Department
2021-2027 Proposed Capital Investment Program
Proposal Descriptions

Proposal: #140.08. Environmental Preservation

Description: This proposal funds Utility CIP projects focused on environmental preservation or restoration. It includes on-going programs and one-time projects intended to restore stream health and environmental habitat, or to prevent pollution of stream and habitat resources. These projects guard against harmful environmental impacts from City operations or repair environmental damage on public lands or lands with public responsibilities.

Plan #	Plan Description	2021	2022	2023	2024	2025	2026	2027	2021-2027 Total
D-81	Fish Passage Improvement Proj	-	350,000	100,000	190,000	610,000	500,000	50,000	1,800,000
D-86	Stream Channel Modific Prog	1,390,000	160,000	180,000	-	80,000	440,000	990,000	3,240,000
D-94	Flood Control Program	2,950,000	2,450,000	2,070,000	520,000	500,000	500,000	500,000	9,490,000
D-104	Stream Restoration for M & I	-	-	-	-	-	-	-	-
D-106	Lower Coal Creek Flood Hazard	-	-	-	-	-	-	-	-
D-109	Strm Wtr Qlty Retroft Klsy Crk	-	750,000	-	-	-	-	-	750,000
D-112	Storm & Surface Water Planning Program	590,000	600,000	240,000	-	-	280,000	290,000	2,000,000
D-114	Factoria Blvd Conveyance Improvement	5,220,000	4,100,000	-	-	-	-	-	9,320,000
D-116	Post Construction Compliance Monitoring & Maintenar	220,000	210,000	270,000	160,000	110,000	40,000	40,000	1,050,000
140.08NA Total		10,370,000	8,620,000	2,860,000	870,000	1,300,000	1,760,000	1,870,000	27,650,000

Proposal: #140.54. Water Facilities for NE Spring Blvd Multi-Modal Corridor

Description: This proposal is for design and construction of new water pipes under the new NE Spring Boulevard Multi Modal Corridor, to provide water service for the redevelopment of the Bel-Red Corridor. This proposal is required as a result of Transportation's ongoing, phased development of the Spring Blvd right-of-way. No new sewer pipes are needed in this section of the corridor.

Plan #	Plan Description	2021	2022	2023	2024	2025	2026	2027	2021-2027 Total
W-105	NE 15th Multi Modal Corridor	-	-	-	1,600,000	1,250,000	-	-	2,850,000
140.54DA Total		-	-	-	1,600,000	1,250,000	-	-	2,850,000

City of Bellevue Utilities Department
2021-2027 Proposed Capital Investment Program
Proposal Descriptions

Proposal: #140.70. Maintenance and Operations Facility Land Acquisition and Development

Description: As the City of Bellevue continues to grow, there is a critical need for long range operational facilities planning to ensure that the Utilities Department (Utilities) can meet the community's current and future needs in an efficient and timely manner. The current service locations are functioning at or near capacity, and there is significant risk that they will not be sufficient to meet Utilities' growing operational needs. To address this, Utilities initiated the development of a long-range Operations and Maintenance (O&M) Facilities Plan.

Based on the alternatives analysis within the O&M Facilities Plan, property acquisition and site development is being recommended in the 2021-2027 CIP for the maintenance facility.

Plan #	Plan Description	2021	2022	2023	2024	2025	2026	2027	2021-2027 Total
W-111	Maintenance and Operations Facility Land Acquisition a	-	-	1,333,500	1,333,500	-	-	-	2,667,000
S-111	Maintenance and Operations Facility Land Acquisition a	-	-	2,666,500	2,666,500	-	-	-	5,333,000
140.69NA Total		-	-	4,000,000	4,000,000	-	-	-	8,000,000

Grand Total		42,440,000	34,840,000	31,450,000	32,630,000	28,290,000	31,250,000	34,650,000	235,550,000
<i>Totals by Utility</i>									
<i>Water utility subtotal</i>		<i>16,730,000</i>	<i>18,000,000</i>	<i>17,723,500</i>	<i>20,833,500</i>	<i>17,260,000</i>	<i>20,090,000</i>	<i>24,440,000</i>	<i>135,077,000</i>
<i>Sewer utility subtotal</i>		<i>12,740,000</i>	<i>6,200,000</i>	<i>9,136,500</i>	<i>9,266,500</i>	<i>7,720,000</i>	<i>6,720,000</i>	<i>6,250,000</i>	<i>58,033,000</i>
<i>Storm utility subtotal</i>		<i>12,970,000</i>	<i>10,640,000</i>	<i>4,590,000</i>	<i>2,530,000</i>	<i>3,310,000</i>	<i>4,440,000</i>	<i>3,960,000</i>	<i>42,440,000</i>
<i>Total</i>		<i>42,440,000</i>	<i>34,840,000</i>	<i>31,450,000</i>	<i>32,630,000</i>	<i>28,290,000</i>	<i>31,250,000</i>	<i>34,650,000</i>	<i>235,550,000</i>

SECTION 5.



ESC Recommendations



MEMORANDUM

Date: September 29, 2020

To: Brad Miyake, City Manager

From: Vanja Knezevic, Chair, Environmental Services Commission 

Subject: **Utilities Department 2021-2027 Capital and 2021-2022 Operating Budget Recommendation**

As part of the Environmental Services Commission's charge, over the past 8 months, the Commission has conducted a detailed review of the Utilities Department's proposed capital investment program (CIP), capital and operating budget proposals, relevant policies, and the preliminary projected rate increases to implement the proposed budgets. The Commission recognizes the impacts of COVID-19 on utility ratepayers and appreciates the Department proposing a responsible budget that mitigates customer rate impacts while sustaining current levels of service to the community . **The Commission fully supports the Utilities Department capital and operating budget proposals submitted by staff for the 2021-2022 biennium.**

Background

Established by ordinance in 1991, the Environmental Services Commission (Commission) advises City Council on water, wastewater, storm and surface water, and solid waste utility programs in the areas of planning, budgeting, ratemaking, CIP financing, and policies. The Commission is comprised of seven members, appointed by the Mayor with the concurrence of Council, who reside within the Bellevue Utilities Department's service area. In this role, the Commission embodies the interests of Utility ratepayers throughout the service area, including Bellevue, Beaux Arts, Clyde Hill, Hunts Point, Medina, Yarrow Point, and the sections of the City of Kirkland. The Commission's responsibilities include evaluation of policy, budget, and planning issues that culminate in the utility budget and rate recommendations to City Council.

Utilities Budget Challenges

The impacts of COVID-19 to utility revenues is a new challenge for the Utilities Department and these impacts are expected to linger into the next biennium. To mitigate customer impacts and recognizing that COVID-19 is a dynamic situation, the Utilities Department's goal is to address the COVID-19 financial impacts by containing costs in areas within its control, and using available reserves where appropriate.

In addition to the financial impacts of COVID-19, the Utilities Department continues to face the following challenges for the upcoming biennium. These challenges serve as the backdrop in the Department's budget formulation:

- Increase in wholesale water and wastewater costs;
- Aging infrastructure and the need to maintain and adequately fund renewals and replacements in a timely and cost-effective manner that minimizes overall costs and risk of expensive emergency repairs;
- Utility infrastructure capacity needed to accommodate population growth and support economic development; and
- Regulatory requirements, and mandated projects and programs.

Commission Recommendations

The Commission supports the key budget priorities used to guide development of the Utilities Department proposed budget. The proposed budget supports the City Council's strategic direction by:

- Supporting the City's economic development;
- Protecting the built and natural environment; and
- Being a high performance government by:
 - Maintaining a long-term view;
 - Leveraging innovation and technology;
 - Minimizing impacts to customers;
 - Preserving Utilities' financial sustainability; and
 - Addressing COVID-19 financial impacts in a manner that minimizes impacts to Utilities' customers and service delivery.

On August 20, the Commission voted 7-0 (7 yays, 0 nays) in favor of the Utilities Department proposed 2021-2027 CIP and 2021-2022 operating budgets which support these budget priorities. The commissioners expressed full support of the capital and operating budget proposals submitted by staff, and the projected rate increases needed to implement the proposed budgets.

The Commission takes the responsibility assigned by the City Council very seriously. The Commission has closely scrutinized the proposed budgets and preliminary rates in detail. Commissioners, as Bellevue ratepayers, are sensitive to the impact of rate increases on customers, especially with the recent COVID-19 pandemic. We know this is difficult financial time for many residents and businesses, and it is not easy for the Commission to consider rate increases at this time. Unfortunately, external costs, including regional wholesale costs, tax obligations, and support service costs from the General Fund are increasing. These costs are not within the Utilities Department's control and will require rate increases.

The Commission has expressed concerns about rate increases and staff has responded by containing costs that are within Utilities' control, specifically, local operational costs. As a result, no rate increases are proposed for local operational costs in the next two years. To further mitigate customer impacts, the Department is proposing lower than previously planned contributions to the infrastructure renewal and replacement (R&R) account in the next biennium. The Commission supports the proposed capital investments and R&R contributions in order to sustain current levels of service delivery to the community now and into the future.

The proposed budgets and rates represent a prudent and lean budget that is designed to enable the City to continue to provide high quality utility services. We appreciate staff's stewardship of ratepayer dollars, focus on customer impacts, and continued focus on operational efficiencies.

Next Steps

The Commission will conduct its final review of the Utilities proposed budget and rates, hold a public hearing, and make its recommendation to Council.

The Commission appreciates the opportunity to analyze the Utilities budget and provide this recommendation to the City Manager for consideration in developing the city-wide 2021-2022 budget.

SECTION 6.



Financial Forecast

2021-2026 Utility Rates Forecast Utilities Funds

Water, Sewer, and Storm & Surface Water Funds

Executive Summary:

The Utilities Department operates as an enterprise within the City structure and functions much like a private business entity.

- *This forecast supports a prudent, balanced, and responsible budget to sustain high-quality utility services to the community through continued responsible management of infrastructure assets, leveraging efficiencies, and cost containment.*
- *Rates are the primary source of funding for utility functions. The proposed rates are designed to generate sufficient revenues to fund Utilities 2021-2022 budget, including funding for operations, asset replacements (e.g., vehicles), capital investment programs (CIP), and long-term infrastructure renewal and replacement (R&R) requirements.*
- *COVID-19 is anticipated to impact utility revenues in 2021-2022. The Department's goal is to address these impacts by containing costs that are within its control and using R&R reserves to fund a portion of CIP needs. To mitigate customer impacts, no rate increases are proposed for local operations in this biennium.*
- *Key drivers for rate increase in the 2021-2022 biennium are regional cost increases for water supply and wastewater treatment, and investments in the City's critical utility infrastructure.*

The Utilities Department faces the following key challenges and constraints in the 2021-2022 biennium:

1. Key Challenges

- a. COVID-19 Financial Impact. COVID-19 is anticipated to impact utility revenues in this biennium. Recognizing that COVID-19 is a dynamic situation, the Utilities Department's goal is to address these impacts by containing costs that are within its control and using available reserves. To mitigate customer impacts, the Department is not proposing rate increases for local operations and have lowered planned contributions to the capital infrastructure R&R account in the 2021-2022 biennium.
- b. Aging Capital Infrastructure. Utilities operates a highly capital-intensive business, and the Department's ability to deliver quality services to its customers is dependent on the ability of each system to function on demand, every day of the year.
- c. Supporting Economic Growth. Additional utility infrastructure is needed to support development and economic growth.
- d. Operational Efficiency: We are mindful of the need to operate efficiently and

2021-2026 Utility Rates Forecast Utilities Funds

continually evaluate business processes to seek opportunities to effectively deliver services in the most cost-effective manner.

2. Constraints

- a. External Financial Obligations. Half of Utilities' operating costs represent legal and contractual financial obligations, including wholesale costs for water supply and wastewater treatment, tax payments to the State and cities, and support service charges from the General Fund.
- b. Legal Mandates. Utilities must comply with State and Federal mandates, such as the National Pollution Discharge Elimination System (NPDES) Municipal Stormwater Permit, to protect drinking water and surface water quality.

Within this context, the proposed 2021-2022 Utilities budget was prepared with the following guiding principles to support City Council strategic direction by:

1. Supporting the City's economic development;
2. Protecting the built and natural environment; and
3. Being a high performance government by:
 - a. Complying with Council-adopted financial policies;
 - b. Maintaining a long-term view;
 - c. Leveraging innovation and technology to achieve efficiencies;
 - d. Minimizing impacts to customers;
 - e. Preserving Utilities' financial sustainability; and
 - f. Addressing COVID-19 financial impacts in a manner that minimizes impacts to Utilities' customers and service delivery.

PROPOSED 2021-2022 UTILITY RATES

The following table summarizes the rate adjustments necessary to support the proposed 2021-2022 budget for the water, sewer, and storm and surface water utilities by rate drivers.

	<u>WATER</u>		<u>SEWER</u>		<u>STORM</u>		<u>TOTAL</u>	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Wholesale	1.7%	0.9%	3.2%	3.0%	0.0%	0.0%	2.2%	1.8%
Local								
CIP/R&R	0.0%	2.1%	0.6%	1.3%	2.0%	2.9%	0.6%	1.7%
Taxes/Interfunds	1.8%	0.5%	0.3%	0.2%	1.5%	0.4%	1.0%	0.4%
Operations	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Local subtotal	1.8%	2.6%	0.9%	1.5%	3.5%	3.3%	1.6%	2.1%
Total Rate Increase	<u>3.5%</u>	<u>3.5%</u>	<u>4.1%</u>	<u>4.5%</u>	<u>3.5%</u>	<u>3.3%</u>	<u>3.8%</u>	<u>3.9%</u>



2021-2026 Utility Rates Forecast Utilities Funds

The total monthly utility bill for the typical single-family residential customer for water, sewer, and storm and surface water services is \$183.05 in 2020. With the above proposed rate increases, the total monthly utility bill for the typical single-family resident would increase by 3.8% or \$6.91 in 2021 and 3.9% or \$7.48 in 2022. See Attachment A (*2021-2022 Utilities Rates Forecast - Typical Residential Monthly Utility Bill Rate Drivers*) for additional information.

The following section provides further detail on the key rate drivers for the proposed 2021-2022 Utilities budget.

Payments to External Service Providers

Wholesale Costs

The single largest cost center for the Utilities Department is wholesale costs, which include payments to the Cascade Water Alliance (Cascade) for water supply and regional capital facility charges, and payments to King County for wastewater treatment. Combined, these expenses total \$123.2 million for the 2021-2022 biennium, or approximately 38% of the total Utilities Department budget.

Payments to Cascade for water supply are projected to increase from \$21.4 million in 2020 to \$22.0 million in 2021 and \$22.4 million in 2022. This translates into rate increases of 1.7% and 0.9% for Bellevue customers in 2021 and 2022, respectively.

Payments to King County for wastewater treatment are projected to increase from \$34.5 million in 2020 to \$36.1 million in 2021 and \$37.8 million in 2022. This translates into rate increases of 3.2% and 3.0% for Bellevue customers in 2021 and 2022, respectively.

To ensure local operations and the CIP are not degraded, consistent with Council-adopted financial policy, wholesale cost increases are passed through to the customer.

Local Costs

CIP / R&R

Outside of wholesale costs, the next largest cost driver for the Utilities Department is the CIP and the cost to renew and replace infrastructure in the future. These investments total approximately \$95.2 million for the 2021-2022 biennium, or 30% of the total Utilities Department budget. Utilities infrastructure has a replacement value of over \$3.5 billion, and most of the systems are well past mid-life. As a result, the systems used to deliver water, convey wastewater, and manage stormwater runoff are experiencing more failures, and the cost to maintain, operate, rehabilitate, and replace this infrastructure is increasing. To minimize costs and optimize system integrity, the Utilities Department has a strategic 75-year asset management plan to systematically fund the renewal and replacement of these assets. Consistent with Council-adopted financial policy, this long-term funding strategy is designed to smooth future rate increases and achieve intergenerational equity.

2021-2026 Utility Rates Forecast

Utilities Funds

The proposed Utilities 2021-2027 CIP includes the following investments:

- **Aging infrastructure:** \$192.9 million, or 82% of the proposed CIP, is for investments to renew and replace aged infrastructure such as pipes, reservoirs, and pump stations. Examples of projects include small diameter water main replacements (\$81.3 million), water reservoir rehabilitation (\$23.4 million), sewer system pipeline major repairs (\$25.7 million), sewer pump station improvements (\$15.3 million), sewer pipeline replacements (\$5.7 million), and storm system conveyance repairs and replacements (\$13.1 million).
- **Environmental preservation:** \$27.7 million, or 12% of the proposed CIP, is for environmental preservation and flood protection projects. Example projects include the storm system flood control program (\$9.5 million), and Factoria Blvd. stormwater conveyance improvement project (\$9.3 million).
- **Capacity for growth:** \$7.0 million, or 3% of the proposed CIP, is to increase utility system capacity to accommodate growth. Example projects include water storage availability for downtown (\$4.1 million), and new water facilities for the NE Spring Blvd. Corridor (\$2.9 million).
- **Maintain service delivery:** \$8.0 million, or 3% of the proposed CIP, is funding to build an additional operational facility to maintain service delivery to the community.

Total funding for current and future capital infrastructure needs will require rate increases of 0.6% and 2.0% in 2021 in the sewer and storm utilities, respectively, and no rate increase is proposed for the water utility. In 2022, rate increases of 2.1%, 1.3% and 2.9% are required in the water, sewer, and storm utilities, respectively.

Taxes/Internal Service Provider Payments

As an enterprise fund, Bellevue Utilities pays state and city taxes, and pays the general fund for support services. Taxes and interfund payments for support services total approximately \$49.4 million for the 2021-2022 biennium, or 15% of the total Utilities Department budget. Tax payments are based upon the amount of revenue collected and the tax rates assessed by the state and cities. No changes to the state and city tax rates are assumed in the proposed budget, except for an increase in the state B&O tax rate. Cost increases in taxes and interfund payments will require rate increases of 1.8%, 0.3% and 1.5% in 2021 in the water, sewer, and storm utilities, respectively. In 2022, rate increases of less than 1% are required in each utility.



2021-2026 Utility Rates Forecast Utilities Funds

Operations

Operating costs include personnel, supplies, professional services, and other costs necessary to carry out the daily functions of maintaining and operating the water, sewer, and storm and surface water utilities. Operating costs total approximately \$54.0 million for the 2021-2022 biennium, or 17% of the total Utilities Department budget. Fiscal stewardship through operational efficiency and prudent management of utility financial resources is a high priority for Utilities leadership. As a result, no rate increases are proposed in this biennium to support local operations in each utility.

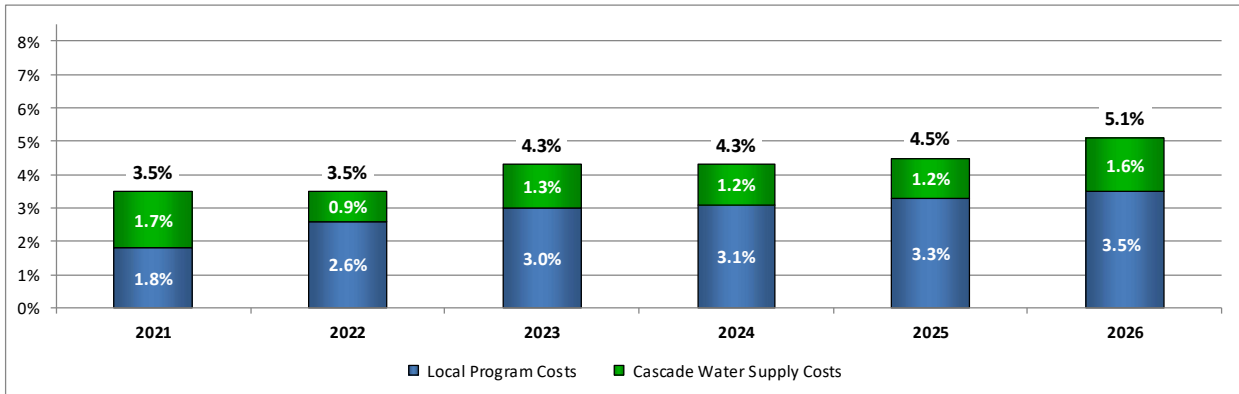
2021-2026 Rates Forecast

The following pages provide a more in-depth discussion of the individual rate drivers and forecasted rate adjustments through the year 2026 for the water, sewer, and stormwater utilities.

2021-2026 Utility Rates Forecast Utilities Funds

WATER UTILITY FUND 2021 - 2026 Utilities Rates Forecast

PROJECTED RATE INCREASES



Impact to Monthly Bill for a Typical Residential Customer						
	2021	2022	2023	2024	2025	2026
Prior Year Bill	\$69.77	\$72.21	\$74.74	\$77.95	\$81.30	\$84.96
Increase:						
Cascade Wholesale Purchased Water	1.19	0.65	0.97	0.94	0.98	1.36
Local	1.25	1.88	2.24	2.41	2.68	2.97
Total	\$2.44	\$2.53	\$3.21	\$3.35	\$3.66	\$4.33
Projected Bill	\$72.21	\$74.74	\$77.95	\$81.30	\$84.96	\$89.29

Minor differences may exist due to rounding

Key Rate Drivers

• Wholesale Costs

Drinking water for Bellevue is purchased from the Cascade Water Alliance (Cascade). The cost for water supply is established by Cascade. Cascade's wholesale costs to the City of Bellevue is projected to increase by 3.0% in 2021 and 1.6% in 2022. This translates into rate increases of 1.7% and 0.9% for Bellevue customers in 2021 and 2022, respectively. The monthly bill for a typical residential customer will increase by \$1.19 in 2021 and \$0.65 in 2022 to pay for water supply costs from Cascade. Per council-adopted policy, increases in the cost of purchased water are passed directly through to the ratepayer. Beyond 2022, the rate impact to Bellevue customers will average 1.3% per year for 2023 through 2026.

• Capital Program

The projected 2021-2027 water CIP includes \$135.1M to proactively construct, maintain, and replace system assets. The water utility is in active system replacement and the majority of the projected capital program (\$125.5M) will be invested to replace existing aging infrastructure. Key CIP projects include water main replacement and reservoir rehabilitations. In order to minimize impacts to customers, the water utility is planning to use R&R reserves to fund a portion of CIP needs in 2021. As a result, no rate increase is proposed in 2021. An increase of 2.1% is required in 2022 to maintain steady investments in critical water infrastructure. The monthly bill for a typical residential customer will increase by \$1.52 in 2022 to pay for capital investment needs. Beyond 2022, the rate impact to Bellevue customers will average 1.7% per year for 2023 through 2026.

• Taxes/Interfunds

As an enterprise fund, Bellevue Utilities pays city and state taxes, and pays the general fund for support services. Rate increases of 1.8% in 2021 and 0.5% in 2022 are needed to fund these costs. The monthly bill for a typical residential customer will increase by \$1.25 in 2021 and \$0.36 in 2022 to pay for taxes and support services. Beyond 2022, the rate impact to Bellevue customers will average 0.8% per year for 2023 through 2026.

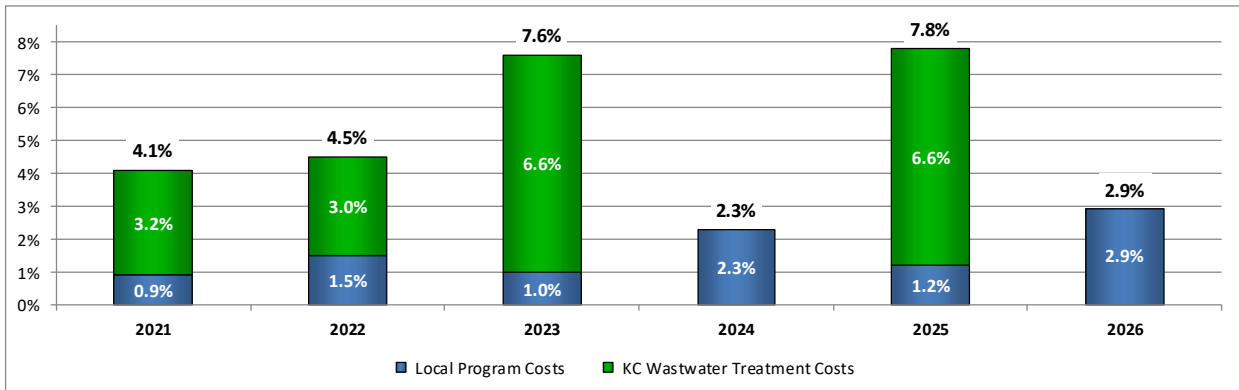
• Operations

Operating costs include personnel, supplies, professional services, and other costs necessary to operate and maintain the utility. Due to cost containment measures, no rate increases are proposed for local operations in 2021 and 2022. Beyond 2022, rate increases of approximately 0.7% per year are needed to fund local operations for 2023 through 2026.

2021-2026 Utility Rates Forecast Utilities Funds

SEWER UTILITY FUND 2021 - 2026 Utilities Rates Forecast

PROJECTED RATE INCREASES



Impact to Monthly Bill for a Typical Residential Customer

	2021	2022	2023	2024	2025	2026
Prior Year Bill	\$85.47	\$88.97	\$92.97	\$100.04	\$102.34	\$110.32
Increase:						
KC Wastewater Treatment	2.74	2.67	6.14	0.00	6.75	0.00
Local	0.76	1.33	0.93	2.30	1.23	3.20
Total	\$3.50	\$4.00	\$7.07	\$2.30	\$7.98	\$3.20
Projected Bill	\$88.97	\$92.97	\$100.04	\$102.34	\$110.32	\$113.52

Minor differences may exist due to rounding

Key Rate Drivers

• Wholesale Costs

Wastewater treatment services for Bellevue are purchased from King County. The wholesale wastewater treatment rate is established by the County. King County wholesale costs to the City of Bellevue is projected to increase by 4.5% in 2021 and 4.5% in 2022. This translates into rate increases of 3.2% and 3.0% for Bellevue customers in 2021 and 2022, respectively. The monthly bill for a typical residential customer will increase by \$2.74 in 2021 and \$2.67 in 2022 to pay for wastewater treatment costs from King County. Per council-adopted policy, increases in the cost of wastewater treatment are passed directly through to the ratepayer. Beyond 2022, the rate impact to Bellevue customers will average 3.3% per year for 2023 through 2026.

• Capital Program

The projected 2021-2027 sewer CIP includes \$58.0M in investments. Unlike the water utility, the sewer utility is just beginning systematic asset replacement. Most of the projected capital program (\$52.6M) will be invested to replace existing aging infrastructure. Key CIP projects include sewer pipeline major repairs and replacements, and sewer pump station improvements. Rate increases of 0.6% and 1.3% are required in 2021 and 2022, respectively, to maintain steady investments in critical sewer infrastructure. The monthly bill for a typical residential customer will increase by \$0.51 in 2021 and \$1.15 in 2022 to pay for capital investment needs. Beyond 2022, the rate impact to Bellevue customers will average 1.2% per year for 2023 through 2026.

• Taxes/Interfunds

As an enterprise fund, Bellevue Utilities pays city and state taxes, and pays the general fund for support services. Rate increases of 0.3% in 2021 and 0.2% in 2022 are needed to fund these costs. The monthly bill for a typical residential customer will increase by \$0.25 in 2021 and \$0.18 in 2022 to pay for taxes and support services. Beyond 2022, the rate impact to Bellevue customers will average 0.3% per year for 2023 through 2026.

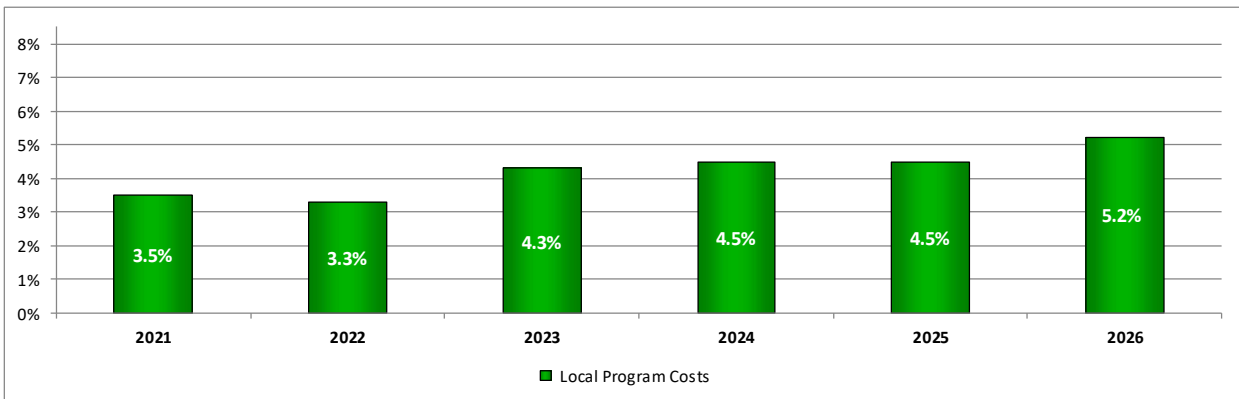
• Operations

Operating costs include personnel, supplies, professional services, and other costs necessary to operate and maintain the utility. Due to cost containment measures, no rate increases are proposed for local operations in 2021 and 2022. Beyond 2022, rate increases of approximately 0.4% per year are needed to fund local operations for 2023 through 2026.

2021-2026 Utility Rates Forecast Utilities Funds

STORM AND SURFACE WATER UTILITY FUND 2021 - 2026 Utilities Rates Forecast

PROJECTED RATE INCREASES



Impact to Monthly Bill for a Typical Residential Customer

	2021	2022	2023	2024	2025	2026
Prior Year Bill	\$27.81	\$28.78	\$29.73	\$31.01	\$32.41	\$33.87
Increase	\$0.97	\$0.95	\$1.28	\$1.40	\$1.46	\$1.76
Projected Bill	\$28.78	\$29.73	\$31.01	\$32.41	\$33.87	\$35.63

Minor differences may exist due to rounding

Key Rate Drivers

• Wholesale Costs

The storm and surface water fund does not have a wholesale component. All functions of storm and surface water management are performed locally by the City of Bellevue.

• Capital Program

The projected 2021-2027 stormwater CIP includes \$42.4M in investments. Of this amount, \$27.7M is for environmental preservation, including projects to mitigate flood hazards, provide fish passage, and improve streams. The remaining stormwater CIP is for aging infrastructure needs. Rate increases of 2.0% and 2.9% are required in 2021 and 2022, respectively, to maintain steady investments in critical stormwater infrastructure. The monthly bill for a typical residential customer will increase by \$0.56 in 2021 and \$0.83 in 2022 to pay for capital investment needs. Beyond 2022, the rate impact to Bellevue customers will average 2.4% per year for 2023 through 2026.

• Taxes/Interfunds

As an enterprise fund, Bellevue Utilities pays city and state taxes, and pays the general fund for support services. Rate increases of 1.5% in 2021 and 0.4% in 2022 are needed to fund these costs. The monthly bill for a typical residential customer will increase by \$0.41 in 2021 and \$0.12 in 2022 to pay for taxes and support services. Beyond 2022, the rate impact to Bellevue customers will average 0.6% per year for 2023 through 2026.

• Operations

Operating costs include personnel, supplies, professional services, and other costs necessary to operate and maintain the utility. Due to cost containment measures, no rate increases are proposed for local operations in 2021 and 2022. Beyond 2022, rate increases of approximately 1.6% per year are needed to fund local operations for 2023 through 2026.

SECTION 7.



Monthly Bill Comparisons

SECTION 7
WATER, SEWER AND STORM & SURFACE WATER UTILITIES
2020 COMBINED MONTHLY BILL COMPARISON
WITH 2021 PROPOSED BELLEVUE RATES

Residential

\$264.48	Seattle
\$204.67	Mercer Island
\$189.96	Bellevue 2021
\$183.05	Bellevue 2020
\$177.97	Kirkland
\$148.82	Issaquah
\$134.07	Renton
\$115.33	Redmond

Multi-Family

\$3,113	Seattle
\$2,601	Mercer Island
\$2,257	Issaquah
\$2,251	Kirkland
\$2,204	Bellevue 2021
\$2,124	Bellevue 2020
\$2,111	Redmond
\$1,612	Renton

Commercial

\$26,310	Seattle
\$23,159	Mercer Island
\$20,601	Bellevue 2021
\$19,833	Bellevue 2020
\$19,633	Kirkland
\$18,893	Issaquah
\$16,269	Redmond
\$14,749	Renton

**SECTION 7
WATER UTILITY
2020 MONTHLY BILL COMPARISON
WITH 2021 PROPOSED BELLEVUE RATES**

Residential

\$72.21	Bellevue 2021
\$69.77	Bellevue 2020
\$68.50	Mercer Island
\$66.30	Seattle
\$62.56	Kirkland
\$61.21	Issaquah
\$43.08	Renton
\$39.29	Redmond

Multi-Family

\$766	Mercer Island
\$737	Bellevue 2021
\$712	Bellevue 2020
\$680	Issaquah
\$618	Seattle
\$606	Kirkland
\$405	Renton
\$402	Redmond

Commercial

\$6,966	Issaquah
\$6,963	Bellevue 2021
\$6,724	Bellevue 2020
\$6,705	Mercer Island
\$6,059	Seattle
\$5,872	Kirkland
\$3,887	Renton
\$3,657	Redmond

1. Residential: A single-family dwelling with 3/4-inch meter and monthly consumption of 850 cubic feet.
2. Multi-family: A 12 unit multi-family building with a single 1 1/2-inch meter and monthly consumption of 10,000 cubic feet.
3. Commercial: A commercial/industrial user with a 4-inch meter and monthly consumption of 100,000 cubic feet.

**SECTION 7
SEWER UTILITY
2020 MONTHLY BILL COMPARISON
WITH 2021 PROPOSED BELLEVUE RATES**

Residential		Multi-Family		Commercial	
\$117.68	Mercer Island	\$1,555	Seattle	\$15,550	Seattle
\$116.63	Seattle	\$1,465	Mercer Island	\$14,605	Mercer Island
\$95.59	Kirkland				
\$88.97	Bellevue 2021			\$11,424	Bellevue 2021
\$85.47	Bellevue 2020			\$11,105	Kirkland
		\$1,110	Kirkland	\$10,971	Bellevue 2020
\$75.84	Renton	\$1,018	Bellevue 2021		
\$70.65	Issaquah	\$978	Bellevue 2020		
				\$9,463	Renton
\$59.48	Redmond	\$927	Renton		
				\$8,229	Issaquah
		\$831	Issaquah	\$8,002	Redmond
		\$808	Redmond		

1. Residential: Either a flat rate or metered service with monthly consumption of 750 cubic feet.
2. Multi-family: A 12 unit multi-family building with a single 1 1/2-inch meter and monthly consumption of 10,000 cubic feet.
3. Commercial: A commercial/industrial user with a 4-inch meter and monthly consumption of 100,000 cubic feet.

**SECTION 7
STORM & SURFACE WATER UTILITY
2020 MONTHLY BILL COMPARISON
WITH 2021 PROPOSED BELLEVUE RATES**

Residential		Multi-Family		Commercial	
\$81.55	Seattle	\$940	Seattle	\$4,701	Seattle
		\$901	Redmond	\$4,610	Redmond
		\$746	Issaquah	\$3,697	Issaquah
		\$535	Kirkland	\$2,656	Kirkland
\$28.78	Bellevue 2021	\$450	Bellevue 2021	\$2,214	Bellevue 2021
\$27.81	Bellevue 2020	\$434	Bellevue 2020	\$2,139	Bellevue 2020
\$19.82	Kirkland				
\$18.49	Mercer Island	\$370	Mercer Island	\$1,849	Mercer Island
\$16.96	Issaquah				
\$16.56	Redmond				
\$15.15	Renton	\$280	Renton	\$1,399	Renton

1. Residential: Flat rate for single family dwelling on individual lot, or on 10,000 square foot moderately developed lot.
2. Multi-family: Rate for a 10 unit multi-family building on a 2 acre site with 80% impervious surface. (very heavy development)
3. Commercial: Rate for a commercial/industrial site of 10 acres with 80% impervious surface. (very heavy development)

SECTION 8.



Rate Schedules

SECTION 8
WATER UTILITY
2020-2022 RATE COMPARISONS
Bimonthly Basic Charges (Excluding City Tax)
Ordinance # _____

Basic Charges	2020 Rates	2021 Rates	% Increase *	2022 Rates	% Increase *
<u>Domestic Meters</u>					
5/8" or 3/4"	\$50.52	\$52.29	3.5%	\$54.12	3.5%
1"	\$89.39	\$92.52	3.5%	\$95.76	3.5%
1-1/2 "	\$151.22	\$156.51	3.5%	\$161.99	3.5%
2"	\$232.42	\$240.55	3.5%	\$248.97	3.5%
3"	\$507.74	\$525.51	3.5%	\$543.90	3.5%
4"	\$748.05	\$774.23	3.5%	\$801.33	3.5%
6"	\$1,400.22	\$1,449.23	3.5%	\$1,499.95	3.5%
8"	\$2,178.31	\$2,254.55	3.5%	\$2,333.46	3.5%
10"	\$3,059.45	\$3,166.53	3.5%	\$3,277.36	3.5%
<u>Domestic/ Fire Combo Meter</u>					
1"	\$54.18	\$56.08	3.5%	\$58.04	3.5%
1 1/2"	\$59.63	\$61.72	3.5%	\$63.88	3.5%
2"	\$83.50	\$86.42	3.5%	\$89.44	3.5%
<u>Irrigation Meters</u>					
5/8" or 3/4"	\$50.52	\$52.29	3.5%	\$54.12	3.5%
1"	\$89.39	\$92.52	3.5%	\$95.76	3.5%
1-1/2 "	\$151.22	\$156.51	3.5%	\$161.99	3.5%
2"	\$232.42	\$240.55	3.5%	\$248.97	3.5%
3"	\$507.74	\$525.51	3.5%	\$543.90	3.5%
4"	\$748.05	\$774.23	3.5%	\$801.33	3.5%
6"	\$1,400.22	\$1,449.23	3.5%	\$1,499.95	3.5%
8"	\$2,178.31	\$2,254.55	3.5%	\$2,333.46	3.5%
10"	\$3,059.45	\$3,166.53	3.5%	\$3,277.36	3.5%
<u>Service Charge For Private Fire Protection</u>					
5/8" or 3/4"	\$27.66	\$28.63	3.5%	\$29.63	3.5%
1"	\$32.12	\$33.24	3.5%	\$34.40	3.5%
1-1/2 "	\$36.71	\$37.99	3.5%	\$39.32	3.5%
2"	\$49.25	\$50.97	3.5%	\$52.75	3.5%
3"	\$141.45	\$146.40	3.5%	\$151.52	3.5%
4"	\$175.59	\$181.74	3.5%	\$188.10	3.5%
6"	\$255.32	\$264.26	3.5%	\$273.51	3.5%
8"	\$346.34	\$358.46	3.5%	\$371.01	3.5%
10"	\$426.07	\$440.98	3.5%	\$456.41	3.5%

* Minor differences may exist due to rounding.

WATER UTILITY
2020-2022 RATE COMPARISONS
Bimonthly Volume Charges (Excluding City Tax)
Ordinance # _____

	2020 Rates	2021 Rates	% Increase *	2022 Rates	% Increase *
Customer Type					
VOLUME CHARGES (Per ccf)					
<u>Single Family</u>					
0 - 11 ccf	\$3.96	\$4.10	3.5%	\$4.24	3.4%
12 - 17 ccf	\$5.03	\$5.21	3.6%	\$5.39	3.5%
18 - 45 ccf	\$6.60	\$6.83	3.5%	\$7.07	3.5%
Over 46 ccf	\$9.43	\$9.76	3.5%	\$10.10	3.5%
<u>Multi-Family</u>					
Winter	\$4.98	\$5.15	3.4%	\$5.33	3.5%
Summer	\$6.80	\$7.04	3.5%	\$7.29	3.6%
<u>Non-Residential</u>					
Winter	\$5.00	\$5.18	3.6%	\$5.36	3.5%
Summer	\$6.84	\$7.08	3.5%	\$7.33	3.5%
Irrigation	\$9.28	\$9.60	3.4%	\$9.94	3.5%

* Minor differences may exist due to rounding.

WATER UTILITY
2020-2022 MONTHLY RATE COMPARISONS
(Including City Taxes)
Ordinance # _____

Customer Type	2020 Rates	2021 Rates	% Increase *	2022 Rates	% Increase*
<u>Single Family</u>					
0 CCF Per Month	\$28.36	\$29.36	3.5%	\$30.39	3.5%
5 CCF Per Month	\$50.59	\$52.38	3.5%	\$54.20	3.5%
8.5 CCF Per Month	\$69.77	\$72.21	3.5%	\$74.74	3.5%
10 CCF Per Month	\$80.87	\$83.74	3.5%	\$86.65	3.5%
15 CCF Per Month	\$117.92	\$122.09	3.5%	\$126.34	3.5%
20 CCF Per Month	\$154.97	\$160.44	3.5%	\$166.04	3.5%
25 CCF Per Month	\$199.96	\$207.02	3.5%	\$214.24	3.5%
<u>Multi-Family</u>					
<u>Small (5 units)</u>					
Winter - (12.5ccf Monthly Usage)	\$120.07	\$124.24	3.5%	\$128.59	3.5%
Summer - (15ccf Monthly Usage)	\$164.70	\$170.54	3.5%	\$176.57	3.5%
<u>Medium (25 units)</u>					
Winter - (125ccf Monthly Usage, 5ccf Irr)	\$1,055.83	\$1,092.40	3.5%	\$1,130.63	3.5%
Summer - (150ccf Monthly Usage, 50ccf Irr)	\$1,875.51	\$1,941.65	3.5%	\$2,010.40	3.5%
<u>Large (128 units)</u>					
Winter - (500ccf Monthly Usage)	\$3,317.43	\$3,431.92	3.5%	\$3,551.90	3.5%
Summer - (750ccf Monthly Usage)	\$5,896.51	\$6,105.90	3.6%	\$6,322.46	3.5%
<u>Non-Residential</u>					
<u>Small Business</u>					
Winter - (2.5ccf Monthly Usage)	\$42.40	\$43.91	3.5%	\$45.44	3.5%
Summer - (2.5ccf Monthly Usage)	\$47.56	\$49.24	3.5%	\$50.97	3.5%
<u>Medium Office</u>					
Winter - (250ccf Monthly Usage)	\$1,677.18	\$1,737.70	3.6%	\$1,798.15	3.5%
Summer - (250ccf Monthly Usage)	\$2,193.63	\$2,271.11	3.5%	\$2,351.22	3.5%
<u>Large Commercial</u>					
Winter - (2,500ccf Monthly Usage)	\$15,593.20	\$16,156.81	3.6%	\$16,718.67	3.5%
Summer - (2,750ccf Monthly Usage)	\$22,677.49	\$23,478.60	3.5%	\$24,307.17	3.5%

* Minor differences may exist due to rounding.

**SECTION 8
SEWER UTILITY
2020-2022 RATE COMPARISONS
Bimonthly Basic Charges (Excluding City Tax)
Ordinance # _____**

Customer Type	2020 Rates	2021 Rates	% Increase*	2022 Rates	% Increase*
<u>Single Family</u>					
Metro Base Charge - (per unit)	\$90.66	\$94.74	4.5%	\$99.00	4.5%
Volume Charge (per ccf)					
0 - 50 ccf	\$4.76	\$4.93	3.6%	\$5.15	4.5%
Over 50 ccf	\$6.14	\$6.36	3.6%	\$6.65	4.6%
<u>Multi-Family</u>					
Base Charge per unit (Includes 11 ccf)	\$105.26	\$109.58	4.1%	\$114.51	4.5%
Volume Charge (per ccf)					
Over 11 ccf	\$8.68	\$9.04	4.1%	\$9.45	4.5%
<u>Non-Residential</u>					
Minimum Charge	\$161.84	\$168.48	4.1%	\$176.06	4.5%
Volume Charge (per ccf)	\$10.40	\$10.83	4.1%	\$11.32	4.5%

* Minor differences may exist due to rounding.

**SEWER UTILITY
2020-2022 MONTHLY BILL COMPARISONS
(Including City Tax)**

Customer Type	2020 Billing	2021 Billing	% Increase*	2022 Billing	% Increase*
<u>Single Family</u>					
2.5 ccf	\$60.37	\$62.97	4.3%	\$65.80	4.5%
5 ccf	\$72.92	\$75.97	4.2%	\$79.38	4.5%
7.5 ccf	\$85.47	\$88.97	4.1%	\$92.97	4.5%
10 ccf	\$98.03	\$101.98	4.0%	\$106.54	4.5%
25 ccf	\$173.35	\$179.98	3.8%	\$188.03	4.5%
<u>Multi-Family (per unit)</u>					
3.5 ccf	\$55.52	\$57.80	4.1%	\$60.40	4.5%
5 ccf	\$55.52	\$57.80	4.1%	\$60.40	4.5%
6.5 ccf	\$64.68	\$67.33	4.1%	\$70.37	4.5%
8 ccf	\$78.41	\$81.64	4.1%	\$85.32	4.5%
<u>Non-Residential</u>					
5 ccf	\$54.86	\$57.12	4.1%	\$59.71	4.5%
7.5 ccf	\$82.28	\$85.68	4.1%	\$89.56	4.5%
50 ccf	\$548.53	\$571.21	4.1%	\$597.05	4.5%
750 ccf	\$8,227.88	\$8,568.07	4.1%	\$8,955.73	4.5%

SECTION 8
STORM & SURFACE WATER UTILITY
2020-2022 RATE COMPARISONS
Bimonthly Basic Charges (Excluding City Tax)
Ordinance # _____

Development Category	2020 Rates	2021 Rates	% Increase*	2022 Rates	% Increase*
BILLING CHARGE	\$6.20	\$6.42	3.5%	\$6.63	3.3%
Square Footage Charge (per 2000 sq ft)					
Wetlands	\$0.00	\$0.00		\$0.00	
Undeveloped (0%)	\$1.03	\$1.07	3.9%	\$1.11	3.7%
Lightly Developed (To 20%)	\$7.46	\$7.72	3.5%	\$7.97	3.2%
Moderately Developed (To 40%)	\$9.32	\$9.65	3.5%	\$9.97	3.3%
Heavily Developed (To 70%)	\$13.98	\$14.47	3.5%	\$14.95	3.3%
Very Heavily Developed (Over 70%)	\$18.60	\$19.25	3.5%	\$19.89	3.3%

* Minor differences may exist due to rounding.

STORM & SURFACE WATER UTILITY
2020-2022 MONTHLY BILL COMPARISON
(Including City Tax)

Development Category	2020 Billing	2021 Billing	% Increase	2022 Billing	% Increase
<u>Single Family</u>	\$27.81	\$28.78	3.5%	\$29.74	3.3%
<u>Multi-Family</u>					
Small (5 units) Heavily Developed	\$62.18	\$64.37	3.5%	\$66.50	3.3%
Medium (25 units) Lightly Developed	\$164.38	\$170.13	3.5%	\$175.65	3.2%
Large (100 units) Heavily Developed	\$1,321.39	\$1,367.89	3.5%	\$1,413.26	3.3%
<u>Non-Residential</u>					
Medium Office Very Heavily Developed	\$130.63	\$135.22	3.5%	\$139.71	3.3%
Medium/Large Office Heavily Developed	\$805.92	\$834.28	3.5%	\$861.96	3.3%
Large Retail Very Heavily Developed	\$6,518.49	\$6,747.20	3.5%	\$6,971.53	3.3%

SECTION 9.



Enabling Ordinances

CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. 6440

AN ORDINANCE establishing revised charges for water service, water consumption, and water standby capacity; repealing Ordinance No. 6329; providing for severability; and establishing an effective date.

WHEREAS, the Environmental Services Commission has reviewed the Water Utility budget and rate proposal, held a public hearing thereon and recommended approval of the proposal; and

WHEREAS, it is in the public interest to provide for the following schedule of revised charges for water service, water consumption and water standby capacity for the Water Utility of the City of Bellevue; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Charges Established. The charges set forth herein for water service, water consumption, and water standby capacity are hereby established and shall be collected from each user of water services provided by the Water Utility of the City of Bellevue.

Section 2. Meter Service Charges.

A. Meter Service Charges – General. The meter service charges per bimonthly billing period for each user of water service shall be as follows:

<u>Domestic Meter Size</u>	<u>Bimonthly Service Charge Per Meter in Operation</u>	
	<u>2019</u>	<u>2020</u>
5/8" or 3/4"	\$48.11	\$50.52
1"	\$85.13	\$89.39
1½"	\$144.02	\$151.22
2"	\$221.35	\$232.42
3"	\$483.56	\$507.74
4"	\$712.43	\$748.05
6"	\$1,333.54	\$1,400.22
8"	\$2,074.58	\$2,178.31
10"	\$2,913.76	\$3,059.45

B. Residential Combo Meters - Oversized domestic meters required in designated residential structures to provide fire sprinkler capability.

Combo Meter
Size

Bimonthly Service Charge
Per Meter in Operation

	<u>2019</u>	<u>2020</u>
1"	\$51.60	\$54.18
1½"	\$56.79	\$59.63
2"	\$79.52	\$83.50

C. Irrigation meters - City-owned meters that are used for measuring water used strictly for outside irrigation.

Irrigation
Meter
Size

Bimonthly Service Charge
Per Meter in Operation

	<u>2019</u>	<u>2020</u>
5/8" or ¾"	\$48.11	\$50.52
1"	\$85.13	\$89.39
1½"	\$144.02	\$151.22
2"	\$221.35	\$232.42
3"	\$483.56	\$507.74
4"	\$712.43	\$748.05
6"	\$1,333.54	\$1,400.22
8"	\$2,074.58	\$2,178.31
10"	\$2,913.76	\$3,059.45

Section 3. Water Consumption Charges. The water consumption charges per bimonthly billing period for each user of water service shall be as follows:

A. Single Family Residential

Cubic Feet Consumed Charge Per Hundred
Cubic Feet of Water

	<u>2019</u>	<u>2020</u>
0 to 1,100	\$3.77	\$3.96
1,101 to 1,700	\$4.79	\$5.03
1,701 to 4,500	\$6.29	\$6.60
4,501 and over	\$8.98	\$9.43

B. Multifamily Residential Structure or Facility

<u>Consumption</u>	<u>Charge Per Hundred Cubic Feet of Water</u>	
	<u>2019</u>	<u>2020</u>
All non-summer consumption	\$4.74	\$4.98
All summer consumption	\$6.48	\$6.80
Where summer consumption is defined in Subsection 1 below.		

1. For purposes of these charges, summer consumption shall mean that volume recorded on two normal bimonthly meter readings during the months of July through October or readings during this period for other billing purposes, such as, but not limited to, customer changes.

For purposes of these charges, a "multifamily residential structure or facility" shall mean any residential structure or facility containing two or more dwelling units, including, but not limited to, duplexes, triplexes, apartment buildings, condominiums, and parcels containing two or more separate dwelling units served through a single meter, but shall not include hotels, motels or trailer parks. Mixed use structures that include both multi-family dwelling units and commercial non-residential units and that are served by one water meter shall be billed as multi-family.

C. Non-Residential

<u>Consumption</u>	<u>Charge Per Hundred Cubic Feet of Water</u>	
	<u>2019</u>	<u>2020</u>
All non-summer consumption	\$4.76	\$5.00
All summer consumption	\$6.51	\$6.84
Where summer consumption is defined in Subsection 1 below.		

1. For purposes of these charges, summer consumption shall mean that volume recorded on two normal bimonthly meter readings during the months of July through October or readings during this period for other billing purposes, such as, but not limited to, customer changes.

D. Irrigation Water Consumption.

For volumes measured by irrigation meters or other meter arrangements that can be used for measuring water used strictly for outside irrigation.

<u>Consumption</u>	<u>Charge Per Hundred Cubic Feet of Water</u>	
	<u>2019</u>	<u>2020</u>
All irrigation consumption	\$8.84	\$9.28

Section 4. Service Charges for Water Standby Capacity for Private Fire Protection. The service charges for water standby capacity for private fire protection per bimonthly billing period shall be as follows:

<u>Line Size</u>	<u>Bimonthly Service Charge</u>	
	<u>2019</u>	<u>2020</u>
5/8" or 3/4"	\$26.34	\$27.66
1"	\$30.59	\$32.12
1½"	\$34.96	\$36.71
2"	\$46.90	\$49.25
3"	\$134.71	\$141.45
4"	\$167.23	\$175.59
6"	\$243.16	\$255.32
8"	\$329.85	\$346.34
10"	\$405.78	\$426.07

Section 5. User Charges. The charges for each water service user shall be the sum of the meter service charge in Section 2 plus the appropriate water service charge or charges in Section 3 plus the water standby capacity charges in Section 4, all multiplied by the percentage indicated below for that city or town:

<u>City or Town</u>	<u>Percentage</u>
Bellevue	112.2974%
Clyde Hill	125.6712%
Hunts Point	121.6470%
Medina	127.3565%
Yarrow Point	119.3538%
Kirkland	112.2974%
Issaquah	112.2974%
Unincorporated King County	112.2974%

provided that the percentages set forth above may be administratively adjusted by the Utilities Department Director to reflect any increase or decrease in any franchise fee required to be paid to such city or town by the Utility.

Section 6. The Utilities Department Director shall have authority under this ordinance to adopt procedures necessary for the efficient and equitable administration of the water rate structure.

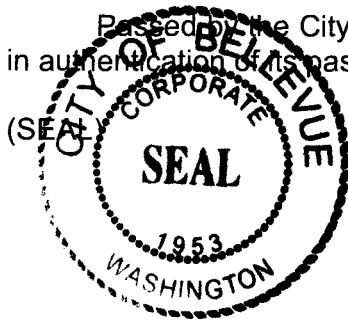
Section 7. Severability. If any section of this ordinance or any portion of any section of this ordinance, or its application to any person or circumstances is held invalid, the remainder of the ordinance or the application of the provision to other persons and circumstances, shall not be affected.

Section 8. Repeal. Ordinance No. 6329 is repealed effective January 1, 2019 provided, however, that any charges made for water service under Ordinance No. 6329 is not invalidated by the repeal of that ordinance.

Section 9. Effective Date. Sections 1-8 of this ordinance shall take effect on January 1, 2019, shall apply to service provided on and after that date and shall supersede all existing schedules of charges as of that date. The specific water service charges for 2019 shall take effect on January 1, 2019 and shall remain in effect through and including December 31, 2019. The specific water charges for 2020, as hereinbefore indicated, shall take effect on January 1, 2020 and shall remain in effect until amended by the City Council.

Section 10. This ordinance shall take effect and be in force five days after its passage and legal publication.

Passed by the City Council this 3rd day of December, 2018, and signed
in authentication of its passage this 3rd day of December, 2018.



John F. Chelminiak
John Chelminiak, Mayor

Approved as to form:

Nicholas Melissinos, Interim City Attorney

Catherine Drews
Catherine Drews, Assistant City Attorney

Attest:

Kyle Stannert
Kyle Stannert, City Clerk

Published December 6, 2018

CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. 6441

AN ORDINANCE establishing revised sewerage service charges; repealing Ordinance No. 6330; providing for severability; and establishing an effective date.

WHEREAS, the Environmental Services Commission has reviewed the Sewer Utility budget and rate proposal, held a public hearing thereon and recommended approval of the proposal; and

WHEREAS, it is in the public interest to establish the following amended schedule of rates and charges for the sewerage service area for the Sewer Utility of the City of Bellevue; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Charges Established. There are hereby established and shall be collected from each user in the sewerage service area for the Sewer Utility of the City of Bellevue sewerage service charges as hereinafter provided.

Section 2. Single Family Residential Structures.

A. The service charge for single-family residential units shall be \$90.66 per bimonthly billing period in 2019 and \$90.66 per bimonthly billing period in 2020, plus a volume charge based on the bimonthly winter-average water consumption for the structure, as follows:

<u>Winter-Average Cubic Feet Consumed</u>	<u>Charge Per Hundred Cubic Feet of Water</u>	
	<u>2019</u>	<u>2020</u>
0 to 5,000	\$4.52	\$4.76
Over 5,000	\$5.83	\$6.14

B. For purposes of these charges, winter-average consumption is the average bimonthly water volume recorded on three normal meter readings during the period of December 15 through June 15 of the preceding year. Winter-average consumption for each residence will be recomputed before the start of each year and that volume will be used to compute the bimonthly sewer volume charge for the residence for the entire calendar year.

C. For those residences that are not Bellevue water customers, actual meter reading data necessary to compute the residence's winter-average water

consumption will be obtained from the customer's water district, whenever possible. Where that data is unavailable and for new structures where water consumption data necessary to compute actual winter-average consumption has not been recorded, bimonthly sewer volume charges for the residence will be based on Bellevue's system-wide winter-average residential consumption of 1,500 cubic feet for a two-month period.

Section 3. Multifamily Residential Structures or Facilities.

The service charge for each multifamily residential structure or facility shall be \$102.89 for 2019, and \$105.26 for 2020 per bimonthly billing period for each dwelling unit, plus \$8.48 for 2019 and \$8.68 for 2020 per 100 cubic feet of water consumed by such structure or facility in excess of 1,100 cubic feet per dwelling unit during each bimonthly billing period.

For the purposes of this Section 3, "multifamily residential structure or facility" shall mean any residential structure or facility containing two or more dwelling units, including but not limited to duplexes, triplexes, apartment buildings, condominiums, and parcels containing two or more separate dwelling units, but shall not include hotels, motels or trailer parks. Mixed-use structures that include both multi-family dwelling units and commercial non-residential units and that are served by one water meter shall be billed as multi-family.

Section 4. Non-residential Structures or Facilities.

A. The service charge for non-residential structures or facilities shall be based on water consumption by each structure or facility and shall be computed as follows:

\$10.17 for 2019, and \$10.40 for 2020 per 100 cubic feet of water consumption per bimonthly billing period.

Provided, there shall be a minimum charge of \$158.20 for 2019 and \$161.84 for 2020 per bimonthly billing period.

For purposes of this Section 4, "non-residential structure or facilities" shall mean any structure or facility not governed by Section 2 or Section 3 of this ordinance and shall include, but not be limited to, any commercial, industrial, business, trade, school or municipal structure or facility.

Section 5. King County/METRO Charges. In addition to these rates and charges for sewerage service established in this ordinance, or otherwise established by the City, the following King County/METRO charges are imposed to ensure compliance with Section 1284 of the Clean Water Act (33 U.S.C. 1251 et. seq.) and 40 CFR Part 35, Ch. I Subchapter B (Grants for Construction of Treatment Works):

A. A "surcharge" in an amount to be determined as provided in Title 28 of the King County Code, Chapter 28.84.060, as now constituted or hereafter amended, said charge to be added to the customer's regular bill.

B. An "Industrial Cost Recovery (ICR)" charge in an amount to be determined as provided in Title 28 of the King County Code, Chapter 28.84.060, as now constituted or hereafter amended, said charge to be billed separately to qualifying industrial customers on an annual basis.

C. An administrative charge of \$17.11 shall be added to each customer bill that contains a King County/METRO "surcharge" or "ICR charge."

D. The City of Bellevue, in cooperation with King County/METRO, shall maintain such records as are necessary to document that its sewerage charges comply with the above-cited federal laws and regulations and King County/METRO regulations.

Section 6. User Charges. The charges for each user shall be the sum of any applicable charges under Sections 2, 3, 4 and 5 multiplied by the percentage indicated below for that city or town:

Bellevue	105.4856%
Clyde Hill	110.3273%
Hunts Point	107.2506%
Medina	111.6079%
Yarrow Point	105.4856%
All Other	100.0000%

provided that the percentages set forth above may be administratively adjusted by the Utilities Department Director to reflect any increase or decrease in any franchise fee required to be paid to such city or town by the Utility.

Section 7. The Utilities Department Director shall have authority under this ordinance to adopt procedures necessary for the efficient and equitable administration of the sewer rate structure.

Section 8. Severability. If any section of this ordinance, or any portion of any section of this ordinance, or its application to any person or circumstance, is held invalid, the remainder of the ordinance or the application of the provision to other persons or circumstances, shall not be affected.

Section 9. Repeal. Ordinance No. 6330 is repealed as of January 1, 2019; provided, however, that any charges made for sewerage service under Ordinance No. 6330 are not invalidated by the repeal of that ordinance.

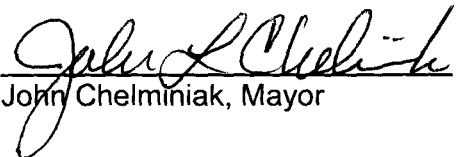
Section 10. Effective Date. Sections 1-9 of this ordinance shall take effect on January 1, 2019, shall apply to service provided on and after that date and shall

supercede all existing schedules of charges as of that date. The specific sewerage service charges for 2019, as hereinbefore indicated, shall take effect on January 1, 2019 and shall remain in effect through and including December 31, 2019. The specific sewage service charges for 2020, as hereinbefore indicated, shall take effect on January 1, 2020, and shall remain in effect until amended by the City Council.

Section 11. This ordinance shall take effect and be in force five (5) days after its passage and legal publication.

Passed by the City Council this 3rd day of December, 2018, and signed in authentication of its passage this 3rd day of December, 2018.




John Chelminiak, Mayor

Nicholas Melissinos, Interim City Attorney


Catherine Drews, Assistant City Attorney

Attest:


Kyle Stannert, City Clerk

Published December 1, 2018

CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. 6442

AN ORDINANCE establishing revised storm and surface water drainage rates and charges for the Storm & Surface Water Utility of the City of Bellevue; repealing Ordinance No. 6331; providing for severability; and establishing an effective date.

WHEREAS, the Environmental Services Commission has reviewed the Storm & Surface Water Utility budget and rate proposal, held a public hearing thereon and recommended approval of the proposal, and

WHEREAS, it is in the public interest to establish the following amended schedule of rates and charges for the Storm and Surface Water Utility of the City of Bellevue; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Definitions. The following words when used herein shall have the meanings indicated, unless the context clearly indicates otherwise:

- a. Hydrologic Response – The manner and means by which storm water collects upon real property and is conveyed from real property, and which is a function dependent upon a number of interacting factors, including, but not limited to, topography, vegetation, surficial geologic conditions, antecedent soil moisture conditions and ground water conditions. The principle measures of the hydrological system may be stated in terms of total runoff volume, as a percentage of total precipitation which runs off, or in terms of the peak rate of flow generated in the event of a storm of given duration and intensity, or statistical interval of return (frequency).
- b. Total Flow – The accumulative volume of water discharged from a property, basin, or water shed. The total flow is quantified in measures such as cubic feet or gallons of water.
- c. Peak Flow – The highest momentary rate of water flow, measured or estimated in cubic feet of water per second or gallons of water per minute. It is differentiated from total flow volume by the introduction of a unit of time measure during which the maximum rate of flow is measured, calculated, or estimated.
- d. Contributors of Drainage Waters – Shall include all real properties within the City from which flows storm or surface waters, or waters supplied by

Municipal or private sources which exit the property as surface flows and/or enter the storm and surface water utility system of the City of Bellevue.

- e. Beneficiaries of Drainage Service – Shall include all real properties within the City of Bellevue which benefit by the provision, maintenance, operation and improvement of the storm and surface water control system by the City of Bellevue, regardless of how that system may be constituted. Such benefits may include, but are not limited to, the provision of adequate systems of collection, conveyance, detention, treatment and release of storm water, the reduction of hazard to property and life resulting from storm water runoff, improvement in the general health and welfare through the reduction of undesirable storm water conditions, improvements in the water quality in the storm and surface water system and its receiving waters, and the limitation of potentially harmful land uses and land alteration activities which might otherwise negatively impact the storm and surface water system.
- f. Impervious Surfaces – Those hard surfaced areas which either prevent or retard the entry of water into the soil mantle, as it entered under natural conditions pre-existent to development, and/or cause water to run off the surface in greater quantities or at an increased rate of flow from that present under natural conditions pre-existent to development. Common impervious surfaces include, but are not limited to, rooftops, concrete or asphalt sidewalks and paving, walkways, patio areas, driveways, parking lots or storage areas and gravel, oiled, macadam or other surfaces which similarly impact the natural infiltration or runoff patterns which existed prior to development.

Section 2. Classification of Property. All real property in the City of Bellevue shall be classified by the Storm and Surface Water Utility according to the square footage of area of the property and the intensity of the development set forth below:

- a. Wetlands – Real property or a portion of real property that has been designated as “wetlands” pursuant to City of Bellevue Land Use Code (LUC) Ch. 20.25H. Such property shall continue to be charged under its existing classification until it has been specifically designated as “wetlands” pursuant to LUC Ch. 20.25H, now or as hereafter amended.
- b. Undeveloped – Real property which is undeveloped and unaltered by buildings, roads, or impervious surfaces which significantly change the hydrology of the property from its natural state.
- c. Light Development – Developed real property which has impervious surfaces of less than 20% of the total square footage area of the property.

- d. Moderate Development – Developed real property which has impervious surfaces of less than 40% of the total square footage area of the property.
- e. Heavy Development – Developed real property which has impervious surfaces between 40% and 70% of the total square footage area of the property.
- f. Very Heavy Development – Developed real property which has impervious surfaces of more than 70% of the total square footage area of the property.

Section 3. Reclassification and Combined Classification. The Storm and Surface Water Utility may reclassify an individual parcel of property to the next lower classification of intensity than would be indicated by its percentage of impervious surfaces based on hydrological data to be submitted by the property owner or his agent to the Utility, which demonstrates a hydrological response substantially similar to that of a parcel of property of such lower classification of intensity.

The City Council finds that, in the case of some parcels of property of more than 35,000 square feet in size, in addition to the conditions set forth in paragraph 1 of this section, there may be intensities of development on portions of such parcels of property which differ significantly from other portions of such property in terms of hydrologic response. To provide for consideration of the variation in intensity of development which may be present on such parcels of property, the Storm and Surface Water Utility may classify portions of such parcels of property in any of the classifications defined in Section 2 on the basis of hydrological response. Provided, however, that at least 35,000 square feet shall be classified in the most intense classification appropriate to a portion of the parcel of property.

The City Council further finds that the total area subject to the “combined” calculation for large lots may, at the option of the property owner, be capped at 66,000 square feet (excluding wetlands) for properties with no more than 35,000 square feet of developed area in the “light” or “moderate” intensity categories. The charges for the remaining undeveloped land may be deferred, at the option of the property owner, to the date of development of the property or to the date of closing on the sale of the property, whichever is earlier, and collected by the Utility, with interest accruing from the initial date of deferral at the prevailing interest rate for City bonded indebtedness. The Utilities Department Director is authorized to develop and adopt procedures for the implementation of the capping option and deferred charges, including recording of a notice of such deferred charges on the title of such property.

The City Council further finds that those properties that qualify under this section may have a lesser impact on storm water quantity. Where the owner demonstrates that the hydrological response of the property is further mitigated through natural conditions, on-site facilities or actions of the property owner that

reduce the City's costs in providing surface water quantity or quality services, the property owner may apply for a credit against the surface water charge otherwise applying to the property. The Utilities Department Director is authorized to develop and adopt procedures for the implementation of the provision of such credits.

Section 4. Charges Established. There is hereby levied upon all real property within the City of Bellevue which contributes drainage water to or which benefits from the function of the Storm and Surface Water Utility of the City of Bellevue, and there shall be collected from the owners thereof, bimonthly service charges based on the square footage of the properties and on the appropriate intensity of development classification(s) of such properties, such that for each 2,000 square feet of area or increments thereof, the property shall be charged a bimonthly amount for 2019 and 2020 as follows:

<u>Year</u>	<u>Wetland</u>	<u>Undeveloped</u>	<u>Light Development</u>	<u>Moderate Development</u>	<u>Heavy Development</u>	<u>Very Heavy Development</u>
	<u>d</u>	<u>d</u>	<u>t</u>	<u>t</u>	<u>t</u>	<u>t</u>
2019	\$0.00	\$0.98	\$7.08	\$8.84	\$13.26	\$17.65
2020	\$0.00	\$1.03	\$7.46	\$9.32	\$13.98	\$18.60

and each account shall be charged an additional bimonthly customer charge in the amount of \$5.88 per billing in 2019 and \$6.20 per billing in 2020.

Section 5. User Charges. The charges for each user inside the city limits of Bellevue shall be the sum of the charges in Section 4, all multiplied by 105.3476%.

Section 6. The Utilities Department Director shall have authority under this ordinance to adopt procedures necessary for the efficient and equitable administration of the storm and surface water rate structure.

Section 7. Severability. If any section of this ordinance, or any portion of any section of this ordinance, or its application to any person or circumstance, is held invalid, the remainder of the ordinance or the application of the provision to other persons or circumstances, shall not be affected.

Section 8. Repeal. Ordinance No. 6331 is repealed as of January 1, 2019; provided, however, that any charges made under Ordinance No. 6331 are not invalidated by the repeal of those ordinances.

Section 9. Effective Date. The revised bimonthly service charges and bimonthly customer charges established in Section 4 of this ordinance and the user charges established in Section 5 of this ordinance shall take effect on January 1, 2019, shall apply to service provided on and after that date, and shall supercede all existing schedules of charges as of that date. The specific charges for 2019, as hereinbefore indicated, shall take effect on January 1, 2019 and shall remain in effect through and including December 31, 2019. The specific charges for 2020, as

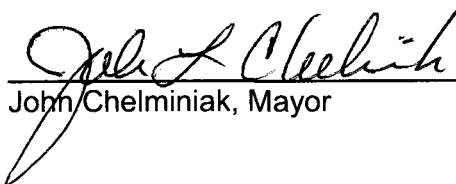
hereinbefore indicated, shall take effect on January 1, 2020 and remain in effect until amended by the City Council.

Section 10. This ordinance shall take effect and be in force five (5) days after its passage and legal publication.


PASSED by the City Council this 3rd day of December, 2018, and signed in authentication of its passage this 3rd day of December, 2018.



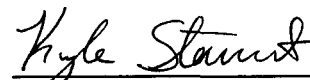
Approved as to form:


John Chelminiak, Mayor

Nicholas Melissinos, Interim City Attorney


Catherine Drews, Assistant City Attorney

Attest:


Kyle Stannert, City Clerk

Published December 6, 2018

SECTION 10.



Financial Policies

2021-2022 Budget

Proposed Revisions 9/25/2020

Waterworks Utility

Financial Policies

TABLE OF CONTENTS

INTRODUCTION	10-3
I. GENERAL POLICIES.....	10-3
A. Fiscal Stewardship	10-3
B. Self-sufficient Funding	10-4
C. Comprehensive Planning Policies.....	10-4
II. CAPITAL INVESTMENT PROGRAM POLICIES.....	10-7
A. General Scope.....	10-7
B. Funding Levels	10-10
C. Use of Debt.....	10-11
D. Capital Facilities Renewal & Replacement (R&R) Account.....	10-14
III. SYSTEM EXPANSION AND CONNECTION POLICIES.....	10-15
A. Responsibilities	10-15
B. Cost Recovery.....	10-15
C. Use of Revenues.....	10-16
D. Affordable Housing Consideration.....	10-16
IV. RATE POLICIES	10-17
A. Rate Levels.....	10-17
B. Debt Coverage Requirements.....	10-18
C. Frequency of Rate Increases	10-18
D. Rate Structure - Sewer	10-18
E. Rate Structure - Storm & Surface Water.....	10-19
F. Rate Structures - Water	10-19
G. Rate Equity.....	10-20
H. Rate Uniformity.....	10-21
I. Rate Assistance.....	10-21
V. OPERATING RESERVE POLICIES.....	10-22
A. Operating Reserve Levels	10-22
B. Management of Operating Reserves	10-26
C. Asset Replacement Reserves	10-28

INTRODUCTION

The Waterworks Utility is the financial consolidation of the Sewer, Storm & Surface Water and Water Utilities of the City of Bellevue for debt rating and coverage purposes as established in Ordinance No.'s 2169, 2845, 3158 and 4568. It pledges the strengths and revenues of the three separate Utilities for the common financial good while keeping each Utility financially separate for budgeting, rate-setting, revenues, expenditures, debt and accounting.

These "Financial Policies" apply uniformly to the Sewer, Storm & Surface Water and Water Utilities with few, unique exceptions which are identified separately. This update reflects changes consistent with current long-range financial planning, particularly with regard to renewal and replacement funding, the use of debt and rate policies. They supersede the Financial Policies, which were adopted under Resolution No. 5967 in 1995.

These policies do not stand-alone. They must be taken in context with the other major City and Utilities documents and processes. For instance, each Utility has its own System Plan, which documents its unique objectives, planning, operations and capital needs. These System Plans have historically had a 20-year planning horizon. Future System Plans will need to evaluate long term renewal and replacement of aging facilities, much of which were constructed in the 1950's and 1960's during periods of high growth rates and are approaching the end of their useful life. Life cycle costs should be considered in planning the future capital facilities and infrastructure needs.

The UtilityCity has a seven-year ~~City-wide~~ Capital Investment Program (CIP) Plan which is updated with each biennial budget cycle. ~~All major City capital projects are included. These CIP programs include specific near-term capital projects that are consistent with each Utility System Plan and are developed in response to system needs for renewal and rehabilitation, system capacity to accommodate growth, and other system needs.~~ Generally, ~~they~~capital projects are described as over \$25100,000, involving ~~development of~~ new physical ~~infrastructure construction~~, reconstruction ~~of existing infrastructure or replacement~~, ~~acquisition of land or existing facilities~~, and involving City funding ~~or other agency funding when project implementation is the responsibility of the City.~~ The CIP identifies the level and source of funding for each project. ~~The CIP includes specific sections for each Utility which identify near-term capital projects consistent with each current Utility System Plan and several projects of general scope including renewal and rehabilitation, capital upgrades, response to growth and other system needs.~~

I. GENERAL POLICIES

A. Fiscal Stewardship

The Waterworks Utility funds and resources shall be managed in a professional manner in accordance with applicable laws, standards, City financial practices and these Financial Policies.

Discussion:

It is incumbent on Utility management to provide professional fiscal management of utility funds and resources. This requires thorough knowledge of and conformance with the City financial management processes and systems as well as applicable laws and standards. It also requires on-going monitoring of revenues and expenses in order to make decisions and report to City officials, as needed, regarding the status of Utilities financing. Independent financial review, analysis and recommendations should be undertaken as needed.

B. Self-sufficient Funding

Each Utility shall remain a self-supporting enterprise fund.

Discussion:

The revenues to each Utility primarily come from customer charges dependent on established rates. State law requires that utility funds be used only for utility purposes. Since each Utility has somewhat differing service areas, it is essential for ratepayer equity that they be kept financially separate and accountable. The City's General Fund can legally contribute to the Utility funds but does not. The City budgeting process includes a balanced and controlled biennial Utility budget. This requires careful preparation of expense and revenue projections that will be reviewed by City management, the Environmental Services Commission, the general public and the City Council prior to approval of any change in Utility rates.

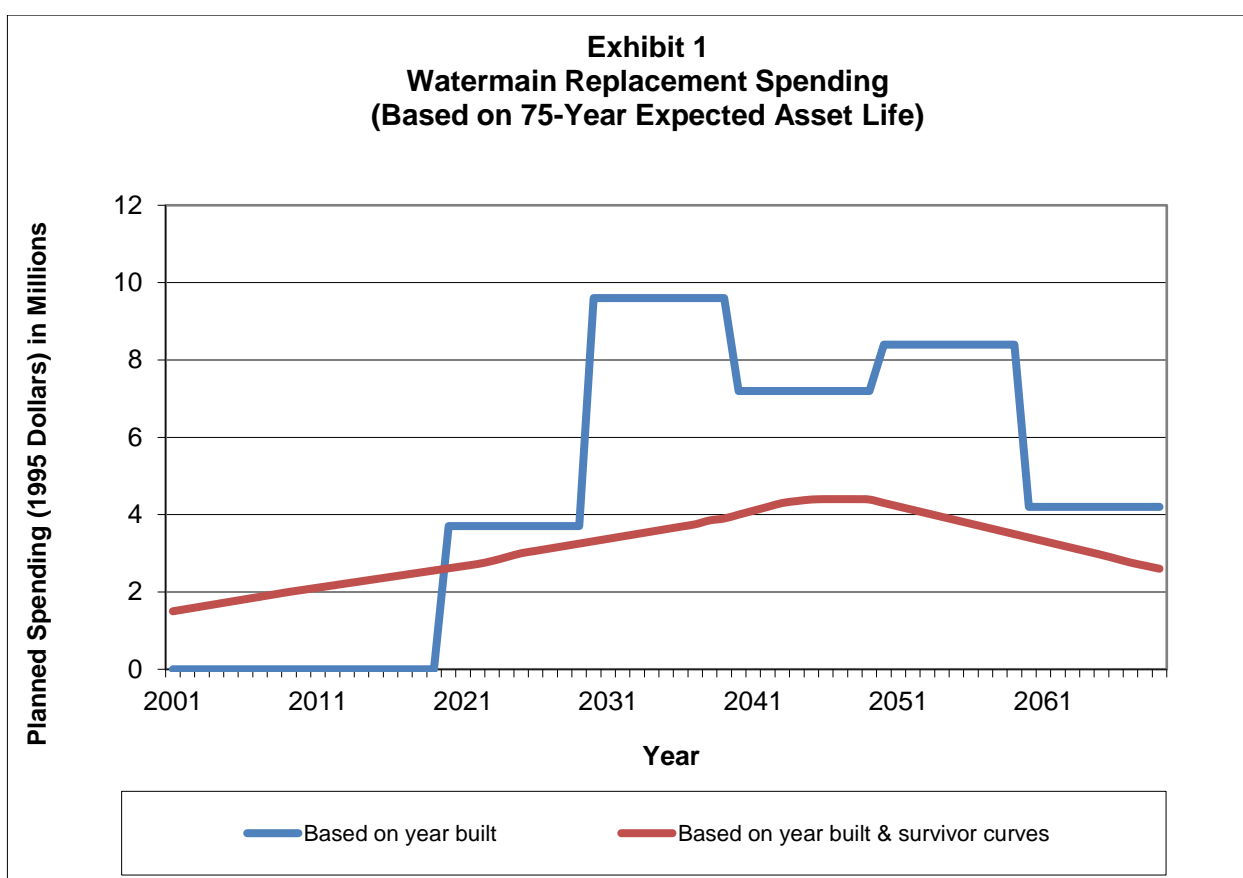
C. Comprehensive Planning Policies

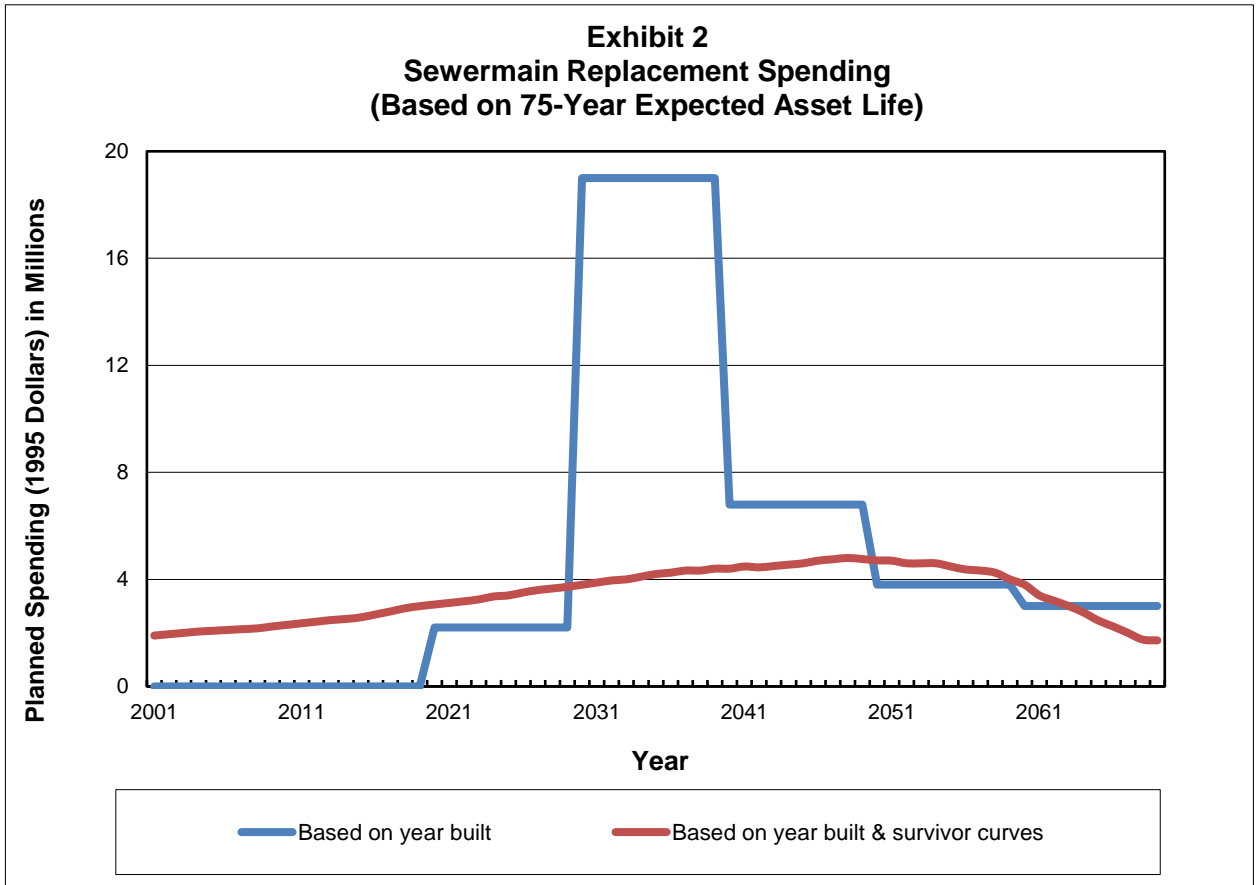
The Water Utility System Plan shall be updated every ~~sixteen~~ years as required by state statute; the Wastewater and Storm & Surface Water System Plans shall be updated as required by changed conditions or ~~regulatory requirements~~~~state statute~~, between every six to ten years. All Utility system plans shall use a 20-year planning horizon or greater, and shall consider life cycle costs to identify funding needs. Studies to analyze specific geographic areas or issues, such as Storm & Surface Water sub-basin plans, Wastewater capacity and flow studies, or Water pressure zone studies and seismic impact will be completed as required using similar criteria for planning infrastructure needs.

Substantial portions of the City utility systems were constructed in the 1950's and 1960's. These systems are approaching the end of their useful life as illustrated on the following Exhibit 1 - Watermain Replacement Spending and Exhibit 2 - Sewermain Replacement Spending. The storm & surface water infrastructure is of similar age but has not ~~yet~~ been graphed. It most likely has a relatively shorter expected life span. Asset assessment for all utility systems is an ongoing work priority. The Utility is implementing an asset management strategy that results in an infrastructure ~~The object is to determine and follow a survivor curve~~ replacement schedule based upon age, condition, and the risk and consequence of failure, rather than ~~at the~~ replacement schedule based on age alone. Assumptions for survivor curves and useful lives are revisited periodically. These were assessed in 2004 and updated for the most recent engineering and financial findings. Significant changes include the adjustment of replacement costs to current price levels, categorization of pipe assets based on expected useful lives, and replacement of major non-pipe Utility assets such as pump stations and reservoirs. The Exhibits illustrate an example survival replacement curve based on preliminary estimates only. As real needs are determined, they will replace the estimated curves. Renewal and/or replacement will require substantial reinvestment in the future and have major rate impacts if large portions of the systems have to be replaced in relatively short periods of time. The actual useful life of underground utilities is difficult to determine and the best available data is needed to be able to plan for the orderly and timely renewal and/or replacement. For this purpose, the comprehensive plans need to have at least 20 year planning horizons and must address the aging of the Utility systems.

Long term system planning for the Utility systems is required in order to assure that future financial needs are anticipated and equitable funding plans can be developed. In order to keep funding plans current, utility system plans need to be updated between six and ten years. State law requires ~~tensix~~ years for water system plans. Wastewater system plans are not mandated to

be updated on a ~~six-year~~ prescribed cycle, however updating them between six and ten years is the common standard of practice. Stormwater system plans similarly have no state or federal mandate for updating, however with the implementation of the NPDES General Permit, it is reasonable to expect significant changes within two 5-year permit terms to warrant a system plan update. Depending on the significance of the changes, the Storm system plan may require updating sooner than after two 5-year permit cycles. These Financial Policies will be reviewed and updated as needed.





II. CAPITAL INVESTMENT PROGRAM POLICIES

A. *General Scope*

The Utilities Capital Investment Program (CIP) will provide sufficient funds from a variety of sources for implementation of both short- and long-term capital projects identified in each Utility System Plan and the City-wide Capital Investment Program as approved by the City Council.

Financial planning for long-term capital investment shall be based on principles that result in smooth rate transitions, maintain high credit ratings, provide for financial flexibility and achieve inter-generational equity.

Discussion:

These near-term capital projects are ~~supported by~~~~usually identified in~~ each Utility system plan which ~~also provides~~ guidance for prioritizing which projects to include in the 7-year CIP.~~the criteria and prioritization for determining which projects will be constructed.~~ Several ~~programs~~~~projects~~ of general scope are also included to allow for on-going projects that are less specifically identified due to their consistent scope within the program~~more inclusive nature.~~

In addition to these near-term projects, funding should be provided for long-term capital reinvestment in the system to help minimize large rate impacts as the systems near the end of their useful life and have to be renewed or replaced. Ordinance No. 4783 established a Capital Facilities Renewal & Replacement (R&R) Account for each Utility to provide a funding source for this purpose. Other policies describe how this Account is to be funded and expended.

A reinvestment policy by itself, without some form of planned and needed expenditure, could lead to excessive or unneeded expenditures, or conversely unnecessary accumulations of cash reserves. The reinvestment policy needs to tie the planned expenditures over time with a solid, long-term financial plan that is consistent with these policies.

The actual needs for the renewal/replacement expenditures should relate to the on-going need to minimize system maintenance and operating costs consistent with providing safe and reliable service, the age and condition of the system components, and any regulatory or technical ~~drivers~~~~obsolescence~~. In essence, infrastructure~~plant~~ should be replaced when it is needed and before it fails. As such, the goal setting measure of how much is an appropriate annual or periodic reinvestment in renewals and replacement of existing assets should be compatible with the age and condition of the infrastructure and its particular circumstances.

WP0459C-ORD
06/27/95

ORIGINAL

CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. 4783

AN ORDINANCE creating utility capital replacement accounts for the Water, Sewer and Storm and Surface Water Utilities within the Utility Capital Investment Fund for the purpose of accumulating funding for long term replacement of utility facilities.

WHEREAS, the Utilities 1995 Cost Containment Study prepared by Financial Consulting Solutions Group, Inc. (FCSG) recommends that current utility rates recover from the ratepayers amounts which at a minimum are equal to the depreciated value of the original cost of utility facilities and at a maximum are amounts equal to the replacement value of utility infrastructure; and

WHEREAS, FCSG recommends that utility funds not needed for current expenditure be placed in a replacement account to be used in the future in combination with current revenues and/or debt financing to replace capital facilities nearing the end of their useful life; and

WHEREAS, implementation of FCSG's recommendations would promote intergenerational rate equity and provide more stable rates to customers over the long term; and

WHEREAS, the Council desires to make an initial, 1995 deposit of \$600,000 in savings from the Water Fund into the new capital replacement account for the Water Utility; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES
ORDAIN AS FOLLOWS:

Section 1. The purpose of this ordinance is to establish capital facilities replacement accounts within the Utility Capital Investment Fund in order to assure a future funding source for replacement of utility facilities nearing the end of their useful life. The City Council will determine each year, as part of the adoption of the utilities operating budgets, how much, if any, utility revenue during the upcoming year shall be designated for transfer to a replacement account. The City Council may also authorize the receipt of other funds directly into these capital facility replacement accounts. Once deposited the funds will accumulate with interest. The decision regarding when and how to utilize such accumulated funds for the replacement of utility facilities will be made as part of the Utility Comprehensive Plans and Utility Capital Investment Program approval process.

ORIGINAL

WP0459C-ORD
06/27/95

Section 2. The following new accounts are established in the Utility Capital Investment Fund:


Capital Facilities Replacement Account - Sewer
Capital Facilities Replacement Account - Water
Capital Facilities Replacement Account - Storm and Surface Water

Section 3. There is hereby authorized the 1995 transfer from the Water Utility Operating Fund to the Capital Facilities Replacement Account - Water the amount of \$600,000.

Section 4. This ordinance shall take effect and be in force five days after its passage and legal publication.

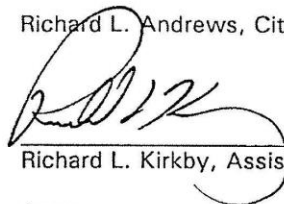
PASSED by the City Council this 24th day of July, 1995, and signed in authentication of its passage this 24th day of July, 1995.

(SEAL)


Donald S. Davidson, DDS, Mayor

Approved as to form:

Richard L. Andrews, City Attorney


Richard L. Kirkby, Assistant City Attorney

Attest:


Myrna L. Basich, City Clerk

Published July 28, 1995

B. Funding Levels

Funding for capital investments shall be sustained at a level sufficient to meet the projected 20 year (or longer) capital program costs.

Funding from rate revenues shall fund current construction and engineering costs, contributions to the Capital Facilities Renewal and Replacement (R&R) Account, and debt service, if any.

Inter-generational equity will be assured by making contributions to and withdrawals from the R&R Account in a manner which produces smooth rate transitions over a 20 year (or longer) planning period.

On an annual basis, funding should not fall below the current depreciation of assets expressed in terms of historical costs less any debt principal payments.

Discussion:

These policies are based on the experience gained by developing a long-term Capital Replacement Funding Plan. In absence of such a plan, the range of capital investment funding should fall between the following minimum and maximum levels:

The minimum annual rate funding level would be based on the current depreciation of assets expressed in terms of historical costs, less any debt principal payments.

The maximum annual rate funding level would be based on the current depreciation of assets expressed in terms of today's replacement costs, less any debt principal payments.

The minimum level based on historical cost depreciation approximates the depletion of asset value. Some of the cost may already be in the rates in the form of debt service. Depreciation less debt principal repayment provides a minimum estimate of the cost of assets used. Any funding level below this amount defers costs to future rate payers and erodes the Utility's equity position, which puts the Utility's financial strength and viability at risk.

The maximum level based on replacement cost depreciation represents full compensation to the utility, in terms of today's value, for the depletion of assets. The replacement cost depreciation, again less debt principal repayment, provides a ceiling to an equitable definition of "cost of service".

The purpose of long-term capital reinvestment planning is to establish a target funding level which is based on need and to assure that funds will be available for projected capital costs in an equitable manner. The best projection of the needed capital reinvestment is based on a "survival curve" approach, approximating the timing and cost of replacing the entire system. This defines the projected financial needs and allows determination of equitable rate levels, funding levels for current capital construction and engineering, contributions to and withdrawals from the R&R Account, and the use of debt, if any. It also provides a means to project depreciation on both historical cost and replacement cost basis which are used to calculate minimum and maximum funding levels, debt to fixed asset ratios, and debt coverage levels, if debt is used. These later measures can be used to assure that the financial plan meets conventional standards.

C. Use of Debt

The Utilities should fund capital investment from rates and other revenue sources and should not plan to use debt except to provide rate stability in the event of significantly changed circumstances, such as disasters or external mandates.

Resolution No. 5759 states that the City Council will establish utility rates/charges and appropriations in a manner intended to achieve a debt service coverage ratio (adjusted by including City taxes as an expense item) of approximately 2.00". Please note that the Moody's Investor Services rating should be Aa2 (not Aa as stated in Resolution No. 5759).

Discussion:

The Utilities are in a strong financial position and have been funding the Utility Capital Investment Program from current revenues for a number of years. The current 20 year and 75 year capital funding plans conclude that the entire long-term renewal and replacement program can be funded without the use of debt if rates are planned and implemented uniformly over a sufficient period. Customers will pay less over the long-term if debt is avoided, unless it becomes truly necessary due to unforeseen circumstances such as a disaster or due to changes in external mandates. Having long-term rate stability also assures inter-generational equity without the use of debt because the rate pattern is similar to that achieved by debt service.

Use of low interest rate debt such as the Public Works Trust Fund loans, by offering repayment terms below market rates, investment earnings or even inflation, should be viewed as a form of grant funding. When available or approved, such sources should be preferred over other forms of rate or debt funding, including use of available resources. Since such reserves would generate more interest earnings than the cost of the loan, the City's customers would be assured to benefit from incurring such debt.

WP0254C-RES
03/03/94

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 5759

A RESOLUTION relating to financial policy for the Waterworks Utility and adopting a debt service coverage policy for the Waterworks Utility

WHEREAS, the City of Bellevue is consistently recognized for its prudent financial management; and

WHEREAS, the City of Bellevue's Water and Sewer Bonds are currently rated Aa by Moody's Investor Services and AA- by Standard & Poor's Corporation, which are considered to be excellent ratings; and

WHEREAS, these excellent ratings result in lower interest costs on the City's Water and Sewer bonds, which, in turn, may result in lower water, sewer and storm drainage costs; and

WHEREAS, it is important to the rating agencies and to the financial community that the City articulate its financial goals for its Waterworks Utility; and

WHEREAS, a desirable debt service coverage ratio, the ratio of revenues available for debt service to the annual debt service requirement, positively affects the Utility's bond ratings; and

WHEREAS, the City Council deems it in the City's best interest to establish a debt service coverage policy target for the purpose of protecting its current bond rating and to allow for the development of financial projections, NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES
RESOLVE AS FOLLOWS:

Section 1. The City Council hereby adopts the following debt service coverage policy for the bonds issued by the City's Waterworks Utility.

The City Council will establish utility rates/charges and appropriations in a manner intended to achieve a debt service coverage ratio (adjusted by including City taxes as an expense item) of approximately 2.00. The City Council authorizes the Waterworks Utility to utilize this policy in development of pro

WP0254C-RES
03/03/94

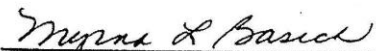
forma projections which will be disseminated to the bond rating agencies and to the financial community generally.

PASSED by the City Council this 7th day of March, 1994, and signed in authentication of its passage this 8th day of March, 1994.

(SEAL)


Donald S. Davidson, DDS, Mayor

Attest:


Myrna L. Basich, City Clerk

D. Capital Facilities Renewal & Replacement (R&R) Account

1. Sources of Funds

Revenues to the R&R Account may include planned and one-time transfers from the operating funds, transfers from the CIP Funds above current capital needs, unplanned revenues from other sources, Capital Recovery Charges, Direct Facility Connection Charges and interest earned on the R&R Account.

2. Use of Funds

Funds from the R&R Account shall be used for system renewal and replacement as identified in the CIP. Because these funds are invested, they may be loaned for other purposes provided repayment is made consistent with the need for these funds and at appropriate interest rates. Under favorable conditions, these funds may be loaned to call or decrease outstanding debt.

3. Accumulation of Funds

The R&R Account will accumulate high levels of funds in advance of major expenses. These funds will provide rate stability over the long-term when used for this purpose and should not be used for rate relief.

Discussion:

Revenues from Capital Recovery Charges, Direct Facility Connection Charges and interest earned on the R&R Account are deposited directly into the R&R Account. Other transfers are dependent on the long-term financial forecast, current revenues and expenses, and CIP cash flows. The long-term financial forecast projects a certain funding level for the transfers to the CIP and the R&R Accounts. Rates should be established consistent with this long-term financial plan and will generate the funds for such transfers. Setting rates at lower levels may result in current rate payers contributing less than their fair share for long-term equity.

R&R Account funds must only be used for the purpose intended; that is, the long-term renewal and replacement of the utility systems. They may be used for other purposes if it is treated as a loan, which is repaid with appropriate interest in time for actual R&R needs for those funds.

These accounts are each projected to accumulate tens of millions of dollars in order to meet the anticipated costs for the actual projects at the time of construction. It is the intent of these policies that these reserve funds will not be used for other purposes or to provide rate relief because that would defeat the long-term equity and could lead to the need for the use of debt to fund the actual needs when they occur.

III. SYSTEM EXPANSION AND CONNECTION POLICIES

A. *Responsibilities*

Those seeking or who are required to have Utility service are responsible for extending and/or upgrading the existing Utility systems prior to connecting.

Discussion:

It is the responsibility of the party seeking Utility service to make and pay for any extensions and/or upgrades to the Utility systems that are needed to provide service to their property. The extensions or upgrades must be constructed to City standards and requirements. This is typically accomplished through a Developer Extension Agreement with the City wherein requirements are documented, standards are established, plans are reviewed and construction is inspected and approved. Service will not be provided until these requirements are met.

The philosophical underpinning of this policy is that “growth pays for growth”. Historically, developers constructed much of the City’s utility infrastructure. If the infrastructure eventually would benefit more than the initial developer, the Utility signed a Latecomer Agreement to reimburse the original financier from charges to those connecting and receiving benefit at a later point in time. When the cost to extend and/or upgrade the system to accommodate development or redevelopment is beyond the means of a single developer, the Utility has employed a variety of methods to assist in the construction of the necessary infrastructure. Local Improvement Districts (LID’s) historically have been used to provide financing for infrastructure for new development, with the debt paid over time by the property owners. Most of the older Utilities infrastructure was financed by this method.

The Utility has in some cases up-fronted the infrastructure construction for new development or redevelopment from rate revenues which are later reimbursed with interest, in whole or in part, by subsequent development through direct facility connection charges (see Cost Recovery Policy). Examples are the water and sewer infrastructure for Cougar Mountain housing development and Central Business District (CBD) redevelopment. Another example is the use of the Utility’s debt capacity to provide for development infrastructure whereby the City sells bonds at lower interest rates than can private development, constructs the infrastructure, and collects a rate surcharge from the benefited area to pay off the bonds. Examples of this type of financing include the Lakemont development drainage infrastructure and the Meydenbauer Drainage Pipeline in the CBD.

B. *Cost Recovery*

The Utility shall establish fees and charges to recover Utility costs related to: (1) development services, and (2) capital facilities that provide services to the property.

The Utility may enter into Latecomer Agreements with developers for recovery of their costs for capital improvements, which benefit other properties in accordance with State law. The Utility will add an administrative charge for this service.

Discussion:

In general, Utility costs related to development services are recovered through a variety of fees

and charges. There are fixed rates for some routine services based on historical costs and inflation. There are fixed plus direct cost charges and applicable overhead for developer extension projects to cover the lengthy but variable level of development review and inspection typically required to implement these projects. These rates are reviewed periodically to ensure that the cost recovery is appropriate.

When the means of providing the infrastructure to serve a new development or redevelopment are beyond the means of a single developer, the Utility may elect to assist the developer by using: LID's, Latecomer Agreements, special debt (to be paid by special rate surcharges), up-fronting the costs from Utility rate revenues (to be reimbursed by future developers with interest through direct facility connection charges), or other lawful means. It is the intent of this policy to fully recover these costs, including interest, so as to reimburse the general rate payer.

Latecomer charges allow cost recovery for developers and private parties, for facilities constructed at their own expense and transferred to the Utility for general operation. Properties subsequently connecting to those systems will pay a connection charge that will be forwarded to the original individual or developer or the current owner depending on the terms of the Latecomer Agreement. The Utility collects an overhead fee on this charge for processing the agreements and repayments.

C. *Use of Revenues*

All capital-related revenues such as Capital Recovery Charges and Direct Facility Connection Charges should be deposited in the Capital Facilities Renewal & Replacement Accounts.

Discussion:

Capital Recovery Charges are collected from all newly developed properties in the form of monthly rate surcharges over a ten year period to reimburse the Utility for historical costs that have been incurred by the general rate base to provide the necessary facilities throughout the service area. These Capital Recovery Charges should be deposited in the Capital Facilities Renewal & Replacement Accounts.

Direct Facility Connection Charges are collected for capital improvements funded by the City as described above in Section 2 under Cost Recovery. The total cost of the improvement is allocated to the area of benefit and distributed on an equitable basis such as per residential equivalent unit. Interest is collected in accordance with State law.

D. *Affordable Housing Consideration*

The Utility shall base connection charges on the number of units allowed under the basic zoning. Only incremental cost increases will be charged to affordable housing units.

Discussion:

The City has adopted bonus density incentives for developers to build units specifically for affordable housing. Under historical practices these additional units would have been charged the same connection fee as all other units, resulting in a lower cost per unit for all units. While this is fair, it does not create any incentive to develop affordable housing. By charging only the incremental increased facility cost to the affordable housing units, all developers who include an

affordable housing component will experience no increase in cost because of the affordable bonus density units. The cost per unit for affordable units is thereby reduced. The cost per unit for all other units, based on underlying land use zoning, remains unchanged.

IV. RATE POLICIES

A. Rate Levels

Rates shall be set at a level sufficient to cover current and future expenses and maintain reserves consistent with these policies and long-term financial forecasts.

Changes in rate levels should be gradual and uniform to the extent that costs (including CIP and R&R transfers) can be forecast.

Cost increases or decreases for wholesale services shall be passed directly through to Bellevue customers.

Local and/or national inflation indices such as the Consumer Price Index (CPI) shall be used as a basis for evaluating rate increases.

At the end of the budget cycle, fund balances that are greater than anticipated and other one-time revenues should be transferred to the R&R account until it is shown that projected R&R account funds will be adequate to meet long-term needs, and only then used for rate relief.

Discussion:

A variety of factors including rate stability, revenue stability, the encouragement of practices consistent with Utility objectives and these Waterworks Utility Financial Policies are considered in developing Utility rates. The general goal is to set rates as low as possible to accomplish the on-going operations, maintenance, repair, long-term renewal and replacement, capital improvements, debt obligations, reserves and the general business of the Utility.

Long-range financial forecast models have been developed for each of the Utilities, which include estimated operating, capital and renewal/replacement costs for a 75 year period in order to plan for funding long-term costs. Operating costs are assumed to remain at the same level of service and don't include impacts of potential changes due to internal, regional or federal requirements. Capital costs, including renewal/replacement, are projected based on existing CIP costs and approximated survival curves for the infrastructure. The models are used to project rate levels that will support the long-term costs and to spread rate increases uniformly over the period. This is consistent with the above policy that changes in rate levels should be gradual and uniform. Uniform rate increases help ensure that each generation of customers bears their fair share of costs for the long-term use and renewal/replacement of the systems.

The biennial budget process provides an opportunity to add to or cut current service levels and programs. The final budget, with the total authorized expenses including transfers to the CIP Fund and the R&R Account, establishes the amount of revenue required to balance the expenses. A balanced budget is required. The budgeted customer service revenue determines the level of new rates. For example, if the current rates do not provide sufficient revenues to meet the projected expenses, the costs have to be reduced or the rates are increased to make up the shortfall.

For purposes of these policies, wholesale costs are defined as costs to the Utilities from other regional agencies such as the Seattle Public Utilities and/or the Cascade Water Alliance (CWA), and King County Department of Natural Resources for sewer treatment and any agreed upon Storm & Surface Water programs. Costs which are directly based on the Utilities' revenues or budgets such as taxes, franchise fees and reserve levels that increase proportionally to the wholesale increases are included within the definition of wholesale costs.

B. *Debt Coverage Requirements*

Utility rates shall be maintained at a level necessary to meet minimum debt coverage levels established in the bond covenants and to comply with Resolution No. 5759 which establishes a target coverage ratio of 2.00.

Discussion:

In 1994, Council adopted Resolution No. 5759 that established a policy, which mandates the Utilities to maintain a target combined debt coverage ratio of approximately 2.00, to further protect the City's historically favorable Utility revenue bond ratings.

C. *Frequency of Rate Increases*

Utility rates shall be evaluated annually and adjusted as necessary to meet budgeted expenses including wholesale cost increases and to achieve financial policy objectives.

Discussion:

In 1996, the City changed to a biennial budget process and adopted a two-year Utilities budget including separate rates for 1997 and 1998. This practice will continue on a biennial basis. However, Utility rates will be evaluated on an annual basis and adjusted as necessary to ensure that they are effectively managed to achieve current and future financial policy objectives. Annual rate reviews will include preparation of forecasts covering a twenty-year period for Utility revenues, expenditures, reserve balances and analysis of the impact of various budgetary elements (i.e. CIP transfers, R&R Account transfers, debt service costs, debt coverage levels, operating expenses, and reserves) on both current and future rate requirements.

D. *Rate Structure - Sewer*

The Sewer Utility rate structure will be based on a financial analysis considering cost-of-service and other policy objectives, and will provide for equity between customers based on use of the system and services provided.

Discussion:

In 1993, a Sewer Rate Study was performed that resulted in Council approval of a two-step, volume-based rate structure for single-family customers based on winter average metered water volumes instead of the traditional flat rate structure. Flat rate structures were seen as inequitable to low-volume customers who paid the same amount as high volume customers. Rates are based on the level of service used, rather than the availability of service. The revenue requirements are based on the "average" single-family winter average volume

calculated annually from the billing database. The charge for an individual customer is based on their winter average and then charged at that level each bill for the entire year to avoid charging for irrigation use. The customer's winter average is based upon the prior year's three winter bills because the current year's bills include winter months, which would result in the average constantly changing. Customers without prior winter averages to use for a basis are charged at the "average" volume until they establish a "winter-average" or sufficient evidence that their use is significantly different than the "average".

E. Rate Structure - Storm & Surface Water

The Storm & Surface Water Utility rate structure will be based on a financial analysis considering cost-of-service and other policy objectives, and will provide adjustments for actions taken under approved City standards to reduce related service impacts.

Discussion:

In the existing Storm & Surface Water rate structure, customer classes are defined by categories of development intensity, i.e., *undeveloped, lightly developed, moderately developed, heavily developed* and *very heavily developed*. Based on theoretical run-off coefficients for each of these categories, higher rates are charged for increasing degrees of development to reflect higher run-off resulting from that development. Under this structure, billings for both residential and non-residential customers are determined by total property area and rates assigned to applicable categories of development intensity. Customers providing on-site detention to mitigate the quantity of run-off from their property receive a credit equal to a reduction of one rate level from their actual development intensity. Property classified as "wetlands" is exempt from Storm & Surface Water service charges.

Large properties, over 35,000 square feet, with significantly different levels of intensity of development may be subdivided for rate purposes in accordance with Ordinance No. 4947. In addition, properties with no more than 35,000 square feet of developed area in the light and moderate intensity categories may, at the option of the owner, defer charges for that portion of the property in excess of 66,000 square feet. The property owner may apply for a credit against the Storm & Surface Water charge when they can demonstrate that the hydrologic response of the property is further mitigated through natural conditions, on-site facilities, or actions of the property owner that reduce the City's costs in providing Storm & Surface Water quantity or quality services.

Future design of a water quality rate component will also use cost-of-service principles to assign defined water quality costs to customer classes, according to their proportionate contribution to Utility service demand. It is anticipated that these rate structure revisions will also provide financial incentives to customers taking approved actions to mitigate related water quality impacts.

F. Rate Structures - Water

The water rate structure will be based on a financial analysis considering cost-of service and other policy objectives, and shall support water conservation and wise use of water resources.

Discussion:

The water rate structure consists of fixed monthly charges based on the size of the customer's water meter and volume charges, which vary according to customer class and the actual amount of water that the customer uses. There are three different meter rate classifications: domestic, irrigation and fire standby. The different charges are based on a cost-of-service study.

State law and the wholesale water supply contract require the Utility to encourage water conservation and wise use of water resources. Seattle first established a seasonal water volume rate structure for this purpose in 1989 with higher rates in the summer than in the winter. In 1990, based on a water rate study and the desire to provide a conservation-pricing signal to our customers, the City adopted an increasing block rate structure for local volume rates. The rate structure was revised in 1991 to pass through an increase in wholesale water costs, which also included a higher seasonal water rate for summer periods. The block water rate structure was revised again in 1997 and in 2015, to incorporate new cost-of-service results.

An increasing block rate structure, charges higher unit rates for successively higher water volumes used by the customer. The current rate structure has four rate steps for single-family customers, based on metered water volumes. All irrigation-metered water is charged at a separate, higher rate. Because multi-family and commercial classes do not fit well in an increasing block rate approach due to wide variations in their size and typical water use requirements, seasonal rates, with and without irrigation, were established for these customers. This rate structure will be thoroughly reviewed, as more historical information is available on the effect of the increasing block and seasonal rate structure.

In 1997, an additional category of fire protection charges was added for structures and facilities that benefit from the City water system but are not otherwise being charged for water service. For example, a number of homes are on private wells but are near a City-provided fire hydrant and enjoy the additional benefit of fire protection yet didn't pay for the benefit on a water bill. The charge is based on an equivalent meter size that would normally serve the facility. It also applies to facilities that have terminated water service but still stand and require fire protection, such as homes or buildings that are not occupied.

G. Rate Equity

The rate structure shall fairly allocate costs between the different customer classes. Funding of the long-term Capital Investment Program also provides for rates that fairly spread costs over current and future customers.

Discussion:

As required under State law, Utility rates will provide equity in the rates charged to different customer classes. In general, rates by customer class are designed to reflect the contribution by a customer group to system-wide service demand, as determined by cost-of-service analysis. The RCW also authorizes utility rates to be designed to accomplish "any other matters, which present a reasonable difference as a ground for distinction". For example, increasing water rates for irrigation and higher levels of use is allowed to encourage the wise use and conservation of a valuable resource. Formal rate studies are periodically conducted to assure ongoing rate equity between customer classes and guide any future rate modifications necessary to support changing Utility program or policy objectives.

Contributions from current rates to the R&R Account also provide equity between generations of rate payers by assuring that each user pays their fair share of capital improvements, including

renewal and replacement, over the long-term. (See sections B and D under the Capital Investment Program Policies).

H. *Rate Uniformity*

Rates shall be uniform for all utility customers of the same class and level of service throughout the service area. However, special rates or surcharges may be established for specific areas, which require extraordinary capital investments and/or maintenance costs. Revenues from such special rates or surcharges and expenses from capital investments and/or extraordinary maintenance shall be accounted for in a manner to assure that they are used for the intended purposes.

Discussion:

The City Water and Sewer Utilities originally formed by assuming ownership of three separate operating water districts and two sewer districts. In the assumption agreements, each included a provision that requires the Utility to uniformly charge all customers of the same class throughout the entire service area. The basic rates are set for all customers, inside and outside of the City, except for local utility taxes in Bellevue and Medina, and franchise fees in Clyde Hill, Hunts Point, Medina, and Yarrow Point. Unlike the Water and Sewer Utilities, the Storm & Surface Water Utility only serves areas within the City limits.

Under state law, Utilities are required to charge uniform rates to all customers in a given customer class, regardless of property location within the service area. The only exception permitted is for certain low-income customers (see below).

However, when conditions in particular service areas require extraordinary capital improvement or maintenance costs to be incurred, special rates or surcharges may be adopted to recover those costs directly from properties contributing to the specific service demand, instead of assigning that cost burden to the general Utility rate base. This will only apply for costs above and beyond normal operations, maintenance and capital improvements. For example, rate surcharges were used to recover debt service costs for capital facilities in Lakemont and the CBD. An additional rate surcharge for Lakemont properties was collected for extraordinary maintenance costs of the storm water treatment facility.

I. *Rate Assistance*

Rate assistance programs shall be provided for specific low-income customers as permitted by State law.

Discussion:

Continual increases in all utility rates have had a significant impact on low-income customers. The City has adopted a rate discount or rebate program for disabled customers and senior citizens over 62 years old and with income below certain levels as permitted under State law and defined in Ordinance No. ~~44586~~451. ~~It has two levels, one discounting Utility rates by 470 percent and the other level by 75 percent, based on the customer's income level, with the discount capped at a basic service level.~~ Customers that indirectly pay for Utility charges through their rent can obtain a rebate for the prior year's Utility charges on the same criteria. The City also has an Emergency Assistance Program for low-income, direct-billed customers experiencing a financial shock and who are not otherwise qualified for the discount program offered to disabled

~~customers and senior citizens rebates 100 percent of the Utility Tax for these customers. The cost of these programs is absorbed in the overall Utility expenses and is recovered through the rate base. The City also offers a Utility Occupation Tax rebate, provided by the General Fund, to all low-income citizens who live in the Bellevue Utilities service area provides for the Utility tax relief.~~

~~There are other low-income customers who are less than 62 years old and currently receive no Utility rate relief. However, the City has instituted a separate rebate of Utility taxes for qualified low-income citizens.~~

V. OPERATING RESERVE POLICIES

A. *Operating Reserve Levels*

The Utilities' biennial budget and rate recommendations shall provide funding for working capital, operating contingency, and plant emergency reserve components on a consolidated basis in accordance with the attached Summary of Recommended Consolidated Reserve Levels table and as subsequently updated.

Discussion:

Utility resources not spent for operations remain in the fund and are referred to as reserves. At the end of each year, these funds are carried forward to the next year's budget and become a revenue source for funding future programs and operations. Under the terms of this policy, the Utility budget is targeted to include a balance of funds for the specific purposes stated above. While included in the total operating budget, these reserves will only be available for use pursuant to these reserve policies. Setting aside these budget resources in the reserve balance will help to ensure continued financial rate stability in future Utility operations and protect Utility customers from service disruptions that might otherwise result from unforeseen economic or emergency events.

The working capital reserve is maintained to accommodate normal cyclical fluctuations within the two month billing cycle and during the budget year. These are higher for Water than for Sewer and Storm & Surface Water due to more variable revenues and expenditures. They are described in terms of a number of days of working capital as a percentage of a full-year's budget.

The operating contingency reserve protects against adverse financial performance or budget performance due to variations in revenues or expenses. Again, the Water Utility is most susceptible to year-to-year variations in water demand. They are described in terms of percentages of budgeted wholesale costs and operations and maintenance (O&M) costs.

The plant emergency contingency reserve provides protection against a system failure at some reasonable level. The Storm & Surface Water Utility requires the largest reserve due to the risk of major flood damage to Utility facilities. Water and Sewer Utilities protect against the cost of a major main break or failure. These do not protect against the loss of facilities that are covered by the City's Self-Insurance to which the Utilities pay annual premiums nor are they sufficient to respond to a major disaster, such as a major earthquake.

The reserves of the three utilities have historically been treated separately. This protects against cross-subsidy, thereby retaining rate equity for each utility, each of which has different customers.

However, it results in higher reserve targets, with more funds retained than otherwise may be needed. Sharing risks among utilities can reduce reserves. This does not require that reserves actually be consolidated into a single fund, but simply that individual reserve targets reflect the strength provided by the availability of cross-utility support. Under the "consolidated" scenario, cash shortfalls in one reserve could be funded through inter-utility loans, to be repaid from future rates. The likelihood that a serious shortfall would occur in more than one fund at the same time is slight and the benefits of lower overall reserve levels will benefit rate payers. Also, the rate policies and the debt coverage policy will ensure that there will be a strong financial response to any significant shortfall. The risk is considered a prudent financial policy.

City of Bellevue

Summary of Recommended Consolidated Reserve Levels*

Type of Reserve	Water		Wastewater		Storm Drainage	
	Basis	Level	Basis	Level	Basis	Level
Working Capital – Reserves against revenue and expense fluctuations within the 2 month billing cycle and during the budget year.	48 days of budgeted O&M costs (excludes debt service, capital funding).	\$6,086,500	30 days of Metro costs and 20 days of City O&M costs (excludes debt service, capital funding).	\$3,700,600	29 days of budgeted O&M costs (excludes debt service, capital funding).	\$1,050,000
Operating Contingency – Reserves against annual budget shortfalls due to poor financial performance.	7.5% of water purchase costs and 11.0% of other water O&M costs.	\$4,368,500	2.0% of Metro costs and 5.0% of other wastewater O&M costs.	\$1,477,800	2.5% of O&M costs.	\$330,400
Plant Emergency Contingency – Reserves against failure of a major facility or piece of equipment.	Cost for repair of water main break.	\$100,000	Cost of repair for wastewater main break.	\$100,000	Based on potential net cost of flood damage.	\$500,000
Less: Allowance for duplicating or offsetting reserves	None.	\$0	Working Capital and Operating Contingency include offsetting reserves equal to 2.0% of all O&M.	(\$1,005,500)	None.	\$0
Less: Allowance for consolidating reserves	2.5% of O&M expenses for interfund charges between utilities.	(\$640,900)	1.0% City O&M for interfund charges between utilities.	(\$157,400)	1.0% of City O&M for interfund charges between utilities.	(\$132,100)
	Share of reduced plant emergency reserve.	(\$15,000)	Share of reduced plant emergency reserve.	(\$15,000)	Share of reduced plant emergency reserve.	(\$70,000)
	Lesser of min. working capital or plant emergency reserves.	(\$85,000)	Lesser of min. working capital or plant emergency reserves.	(\$85,000)	Lesser of min. working capital or plant emergency reserves.	(\$220,000)
Total		\$9,814,100		\$4,015,500		\$1,458,300

* - Reserve levels based on proposed 2019 Utility budgets.

City of Bellevue

Summary of Recommended Consolidated Reserve Levels*

Type of Reserve	Water		Wastewater		Storm Drainage	
	Basis	Level	Basis	Level	Basis	Level
Working Capital – Reserves against revenue and expense fluctuations within the 2 month billing cycle and during the budget year.	48 days of budgeted O&M costs (excludes debt service; capital funding).	\$5,978,100	30 days of Metro costs and 20 days of City O&M costs (excludes debt service; capital funding).	\$3,807,200	29 days of budgeted O&M costs (excludes debt service; capital funding).	\$1,046,400
Operating Contingency – Reserves against annual budget shortfalls due to poor financial performance.	7.5% of water purchase costs and 11.0% of other water O&M costs.	\$4,230,300	2.0% of Metro costs and 5.0% of other wastewater O&M costs.	\$1,487,600	2.5% of O&M costs.	\$329,300
Plant Emergency Contingency – Reserves against failure of a major facility or piece of equipment.	Cost for repair of water main break.	\$100,000	Cost of repair for wastewater main break.	\$100,000	Based on potential net cost of flood damage.	\$500,000
Less: Allowance for duplicating or offsetting reserves	None.	\$0	Working Capital and Operating Contingency include offsetting reserves equal to 2.0% of all O&M.	(\$1,028,400)	None.	\$0
Less: Allowance for consolidating reserves	2.5% of O&M expenses for interfund charges between utilities.	(\$586,400)	1.0% City O&M for interfund charges between utilities.	(\$153,100)	1.0% of City O&M for interfund charges between utilities.	(\$131,700)
	Share of reduced plant emergency reserve.	(\$15,000)	Share of reduced plant emergency reserve.	(\$15,000)	Share of reduced plant emergency reserve.	(\$70,000)
	Lesser of min. working capital or plant emergency reserves.	(\$85,000)	Lesser of min. working capital or plant emergency reserves.	(\$85,000)	Lesser of min. working capital or plant emergency reserves.	(\$220,000)
Total		\$9,622,000		\$4,113,300		\$1,454,000

* - Reserve levels based on proposed 2021 Utility budgets.

For this purpose, O&M costs are the entire annual operating budget of the Utility less the annual debt service, Capital Investment Program transfers and R&R Account transfers. Independent reserve levels are the levels that would be required by an individual Utility Fund (Water, Sewer and Storm & Surface Water) at any point in time to cover financial obligations if any one of the three reserve components were called for; i.e., working capital, operating contingency or plant emergency. At any single time, the full independent reserve levels should be available for the individual stated purpose, again because it is unlikely that all three components would be called for at once. For example, the Water Utility needs \$100,000 available for an emergency repair but it is not likely that the Sewer Utility will need \$100,000 and the Storm & Surface Water Utility will need \$500,000 all at the same point in time.

The consolidated basis is for budget and rate setting purposes only, to reduce the total revenue requirement by considering the reserve risk shared between the three utilities. The dual reserve levels should be considered as circumstances evolve.

In 2004, the Financial Consulting Solution Group (FCSG) performed an analysis of recommended changes to the Water Utility's working capital and operating contingency reserves to reflect the new wholesale water contract with CWA and to update reserve levels for current conditions. Under the new contract, billing practices for wholesale costs have changed as follows:

1. CWA payment occurs before the associated revenues are collected, resulting in a greater lag between wholesale expense and when revenues are collected.
2. CWA payments are distributed over the whole year based on predetermined percentages and not based on actual consumption during the year. Due to seasonal revenue variation, there is an accumulative deficit in revenues prior to the peak revenue period.

In addition, the total costs to Bellevue are now largely fixed for the year due to the "take or pay" nature of the contract between CWA and Seattle Public Utilities. This shifts the risk during a poor water sales year to the City since there will not be a corresponding reduction in water purchase costs when water sales are down.

Changes in both billing practices as well as the fixed nature of the wholesale costs will result in an increase in required reserves for working capital and operating contingency for the Water Fund.

As part of their 2004 analysis, FCSG recommended increasing working capital operating reserve requirements for the Water fund from 48 days of budgeted O&M costs (excluding debt service and capital funding) to 70 days. The change was primarily related to an expected increase in seasonal revenue variation resulting from Cascade's fixed monthly billing percentages. However, our experience has been that since implementing the change in 2005 there has been essentially no increase in seasonal revenue variation. As a result, beginning in 2011, working capital operating reserve requirements for the Water fund will be reduced from 70 days of budgeted O&M costs (excluding debt service and capital funding) to the original level of 48 days.

B. *Management of Operating Reserves*

Related to the recommended target reserve levels, a working range of reserves is established with minimum and target levels. Management of reserves will be based on the level of reserves with respect to these thresholds, as follows:

Above target - Reserve levels will be reduced back to the target level by transferring

excess funds to the R&R Accounts in a manner consistent with the long-range financial plan.

Between Minimum and Target - Rate increases would be imposed sufficient to ensure that: 1) reserves would not fall below the minimum in an adverse year; and 2) reserves would recover 50% of the shortfall from target levels in a normal year. Depending on the specific circumstances, either of these may be the constraint, which defines the rate increase needed.

Below Minimum - Rate increases would be imposed sufficient to ensure that even with adverse financial performance, reserves would return at least to the minimum at the end of the following year. To meet this "worst case" standard, a year of normal performance would be likely to recover reserve levels rapidly toward target levels.

Negative Balance - Reserves would be borrowed from another utility to meet working capital needs. Similar to the "below minimum" scenario, rate increases would be imposed sufficient to ensure that even with adverse financial performance, reserves would return from the negative balance to at least the minimum target at the end of the following year, which would allow for loan repayment within that time frame.

Discussion:

"Adverse financial performance" or "worst case" are defined by the 95% confidence interval based on historical patterns. The worst case year is currently defined as a year with sales volumes 15% below the sales volume for a normal year. This was determined by using statistical measurements of sales volumes for 18 years with a 95% confidence interval. That is, in any given year there is only a 5% chance that the worst case year would be more than 15% below the normal year. Another way to say the same thing is that in 19 out of 20 years the worst case year would not be more than 15% below the normal year.

Maintaining the 95% confidence interval, as more and more data becomes available, a worst case year could change upward or downward from the 15% variation from a normal year.

The recommended reserve policies are premised on the vital expectation that reserves are to be used and reserve-levels will fluctuate. Although budget and rate planning are expected to use the target reserve number, reserve levels planned to remain static are by definition unnecessary. It is therefore important to plan for managing the reserves within a working range between the minimum and target levels as stated in the above policies. There may be situations in short-range financial planning where reserves are maintained above target levels to overcome peaks in actual expenses.

In the event of an inter-utility loan, the balance for the borrowing utility would essentially be any cash balance less the amount owed. The lending utility would count the note as a part of its reserves, so that it does not unnecessarily increase rates to replenish reserves that are loaned.

In this management approach, there is still a risk that a major plant emergency could exceed the amount reserved. Such a major shortfall would require rate action to assure a certain level of replenishment in one year. To avoid rate spikes due to this type of action, they should be considered on a case-by-case basis. This will provide the flexibility to use debt or capital reserves in lieu of operating reserves to cover the cost and allow a moderated approach to replenishing reserves out of rates.

C. Asset Replacement Reserves

Utility funds will maintain separate Asset Replacement Accounts to provide a source of funding for future replacement of operating equipment and systems.

Anticipated replacement costs by year for the upcoming 20-year period, for all Utility asset and equipment items, will be developed as a part of each biennial budget preparation process. Budgeted contribution to the Asset Replacement Account will be based on the annual amount needed to maintain a positive cash flow balance in the Asset Replacement Account over the 20-year forecast period. At a minimum, the ending Asset Replacement Account balance in each Utility will equal, on average, the next year's projected replacement costs for that fund.

The Utilities Department will observe adopted Equipment Rental Fund (ERF) and Information Services budget policies and procedures in formulating recommendations regarding specific equipment items to be replaced.

Discussion:

Providing reserves for equipment and information technology systems replacement allows monies to be set aside over the service life of these items to pay for their eventual replacement and alleviate one-time rate impacts that these purchases might otherwise require. Annual revenues set aside for this purpose will be based on aggregate Utility asset replacement cash flow needs over the long-term forecast period, instead of individual asset replacement amounts. This strategy will allow Utilities to minimize the progressive build-up of excess Asset Replacement Account balances that would result from creating and funding separate reserve accounts for individual Utility asset and equipment items.

2021-2022 Budget

Proposed Revisions 9/25/2020

Solid Waste Fund

Reserve Policy

SOLID WASTE FUND RESERVES POLICY

RESERVE LEVELS

Consistent with other Utility funds, this policy recommends that some resources be budgeted as reserves to provide funding for working capital and emergencies. Setting aside reserves will help to ensure continued financial rate stability in future Solid Waste operations, and protect customers from service disruptions that might otherwise result from unforeseen economic or emergency events. While included in the total operating budget, these reserves will only be available for use pursuant to these reserve policies.

The Solid Waste Fund provides funding for two main functions:

1. Administration of the Solid Waste Collection Contract (Contract) and related outreach, education and technical assistance activities; and,
2. Administration of waste prevention and recycling grant-funded projects.

The fund's two sources of income are fees and grant monies, as described below:

1. Administrative Fees: These are paid into the Solid Waste Fund by the solid waste collection contractor per the terms of the Contract. These funds provide the base funding for personnel, supplies, programs and activities.
2. Grants: The Solid Waste Fund receives grant dollars from several agencies for waste prevention and recycling projects. Grant agencies reimburse the Solid Waste Fund for project expenses quarterly or annually, depending on the terms of the grant agreement.

Reserve components are as follows:

1. **Working Capital.** Working capital reserves are necessary to accommodate normal cyclical fluctuations within the Solid Waste fund. There are two elements for this reserve component; one element supports Solid Waste Management and the other supports the grant-funded programs.

The solid waste collection/disposal and recycling programs have predictable revenues and expenditures. However, the Solid Waste Fund has a single revenue source, its solid waste collection contractor. Two consecutive withheld payments would deplete and exceed a typical 45-day reserve. Therefore the reserve is set at 75 days.

The grant-funded programs are pre-funded by the Solid Waste fund and reimbursement requests are made quarterly or annually, depending on the grant agency agreement. While most grant agencies pay reimbursement requests within 45 days of receipt, the existing reimbursement billing schedule can result in carrying project expenses for up to a year before funds are received. For this reason, reserves equal to 100% of anticipated grant funding are included to support cash-flow.

2. **Emergencies.** A reserve component has historically been used by the Solid Waste Fund to pay for recovery from emergencies such as windstorms, and therefore has been viewed as a necessary element of the Solid Waste Fund Reserve Policy. While the Emergency Reserve portion of the Solid Waste Fund is too small to fully support debris management in a major disaster, it is reasonable to expect to use it for smaller recovery efforts. The Solid Waste Fund has been used three times for windstorm recovery in the past two decades. The cost of these activities has ranged from \$30,000 to \$75,000 on a per event basis. It seems prudent to prepare for a "reasonable worst case" scenario rather than a least cost scenario. Therefore, a \$75,000 (in 2012 dollars) plus inflation target has been selected. The basis for this component is the cost of a supplemental windstorm debris pick-

up by a contractor. This reserve level amount is adjusted by the annual CPI. ~~However, the amount is effectively \$0 due to reserve consolidation.~~

Consolidated Reserve

A consolidated reserve that compensates for duplicate reserves could be used to reduce the target reserve level. The emergencies reserve and the ~~operating expenses~~working capital reserve are consolidated at the ~~emergencies~~working capital reserve level, which is the higher of the two. Further consolidation is not recommended as the grant cash flow reserve is in use constantly throughout the year.

Other Reserve Components

No reserve components are necessary for capital expenditures, operating contingency, debt service, liability or asset replacement since the majority of the operations are contracted and are not the City's responsibility. Reserves will be updated at each biennial budget development period.

<u>Target Solid Waste Reserves</u>			
<u>Type of Reserve</u>	<u>Basis</u>	<u>201321 Level</u>	<u>201422 Level</u>
WORKING CAPITAL – Reserves against revenue and expense fluctuations			
- Solid Waste collection/disposal and recycling programs	75 days of budgeted O&M	\$139,007 <u>209,846</u>	\$143,674 <u>214,809</u>
- Grant funded programs	100% of anticipated grant budget	\$327,669 <u>296,578</u>	\$323,400 <u>303,967</u>
EMERGENCIES	\$75,000 (2012 dollars) adjusted for annual CPI	\$76,575 <u>87,402</u>	\$78,413 <u>89,587</u>
CONSOLIDATED RESERVE ADJ		(\$76,575) <u>87,402</u>	(\$78,413) <u>89,587</u>
Target Reserve		<u><u>\$466,676</u></u> <u>506,424</u>	<u><u>\$467,074</u></u> <u>518,776</u>

MANAGEMENT OF THE RESERVE:

The current Solid Waste Fund Reserve Policy is premised on the expectation that the reserves are to be used and reserve levels will fluctuate. It is therefore important to plan for managing the reserves within a working range. There may be situations in short-range financial planning where reserves are maintained above or below target levels.

The target reserve level will be established during the budget development process. Related to the recommended target reserve levels, a working range of reserves is established with minimum and target levels. Management of the reserves will be based on the level of reserves with respect to these thresholds, as follows:

Above Target – Since the Solid Waste Fund does not have a [Renewal & Replacement \(R-&R\)](#) accounts to transfer excess funds to, reserve levels will be held in the Solid Waste Fund until sufficient amount has accumulated to be budgeted and used for one of the following:

- Return funds to customers through decreased rates
- Provide additional services to customers
- Fund a high priority project

Between Minimum and Target – Rate increases would be implemented sufficient to ensure that:

1. Reserves would not fall below the minimum in an adverse year; and
2. Reserves would recover 50% of the shortfall from target levels in a normal year.

Depending on the specific circumstances, either of these may be the constraint that describes the rate increase needed.

Below Minimum – Rate increases would be implemented sufficient to ensure that even with adverse financial performance, reserves would return at least to the minimum at the end of the following year. To meet this “worst case” standard, a year of normal performance would be likely to recover reserve levels toward target levels.

Negative Balance – Reserves would be borrowed from another fund within the City to meet working capital needs. As with the “below minimum” scenario, rate increases would be implemented sufficient to ensure that even with adverse financial performance, reserves would return from the negative balance to at least the minimum target at the end of the following year, which would allow for loan repayment within that time frame.

Surplus funds are those funds over and above the target reserve level. As part of the biennial budget review, Council would direct the use of excess reserves.

The reserve minimum is the amount needed to maintain cash flow needs over the course of the year. This would be the amount of the grant cash flow reserve, plus the working capital reserve.