

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

Thursday
June 2, 2022

City Hall + Zoom
6:30 p.m.

1. CALL TO ORDER:

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

ROLL CALL

Motion made by Commissioner Strom, seconded by Commissioner Hines, to approve remote participation by Commissioner Wan. Motion passed unanimously.

Motion made by Commissioner Hines, seconded by Commissioner Strom, to approve remote participation by Vice Chair Khanloo. Motion passed unanimously.

Motion made by Commissioner Hines, seconded by Commissioner Strom, to approve remote participation by Commissioner Dupertuis. Motion passed unanimously.

COMMISSIONERS PRESENT: Vanja Knezevic (Chair), Negin Khanloo (Vice Chair) (remote), Andy Dupertuis (remote), Neal Hines, Diann Strom, Ken Wan (remote)

COUNCIL LIAISON: Conrad Lee

COMMISSIONERS ABSENT: Anne Howe

OTHERS PRESENT: Lucy Liu, Deputy Director; Nav Ota, Director, Utilities (remote); Linda De Boldt, Utility Engineering Assistant Director; Joe Harbour, O&M Assistant Director; Andy Baker, Fiscal Manager; Leslie Kodish Administrative Assistant, and Laurie Hugdahl, Minutes Taker

2. APPROVAL OF THE AGENDA

Motion made by Vice Chair Khanloo, seconded by Commissioner Strom, to approve the agenda. The agenda was approved unanimously.

3. ORAL AND WRITTEN COMMUNICATION

None.

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

Deputy Director Liu reported that at the next meeting the City Attorney's Office will be leading a discussion regarding Ordinance 6662 concerning boards and commissions' public meetings to ensure the ESC's bylaws are in compliance.

5. STAFF REPORTS

None

6. APPROVAL OF MINUTES

a) April 7, 2022 Minutes

Motion made by Vice Chair Khanloo, seconded by Commissioner Hines, to approve the April 7, 2022 minutes as presented. Upon a roll call vote, the motion passed unanimously.

7. UNFINISHED BUSINESS

None

8. NEW BUSINESS

a) Remote Participation Approval for June 16, 2022

Chair Knezevic noted that per Ordinance 6662 remote participation must be approved in advance with no more than three commissioners participating remotely per meeting. Chair Knezevic asked if anyone needs to participate remotely for the June 16 meeting.

Motion made by Commissioner Strom, seconded by Commissioner Hines, to approve remote participation by Vice Chair Khanloo at the June 16 meeting. Motion passed unanimously.

Motion made by Vice Chair Khanloo, seconded by Commissioner Hines, to approve remote participation by Commissioner Wan at the June 16 meeting. Motion passed unanimously.

b) Utilities 2023-2024 Operating and 2023-2029 CIP (Capital Investment Program) Budget Proposals

Director Otal introduced the 2023-2024 budget, gave examples of budget proposals, and gave an overview of the budget compared to previous years. The total operating budget is increasing by 12.6% in 2023, but this does not necessarily translate to rate increases. The increase is due to inflationary pressure (5%), aging infrastructure (4.3%), local operations (0.5%), and one-time costs (2.8%).

Commissioner Wan asked where they will be realizing savings from the new Smart Meter installation in this budgetary cycle. He noted that customers have asked why rates need to go up and why they can't just stay flat. He acknowledged inflationary pressures and wondered if it was possible for rates to match inflation instead of exceeding it. He encouraged staff to address how they are attempting to keep expenses down for the customers. Director Otal indicated that the biggest cost increases are inflationary increases, regional costs, and investing in capital. Investing in capital is a bigger driver for rates this budgetary cycle. Regarding cost savings from AMI, she noted there would be more in the presentation about reductions in staffing.

Commissioner Strom asked about the last online open house. She also asked for an explanation of how the one-time costs figure into the 12.6% increase if they are pulling from reserves. Director Otal explained they put money aside every year to reserves for upcoming purchases such as the rolling fleet. The purchases happen when they are actually needed, which can vary a lot from year to year. The one-time costs do not impact rates because the money is already in the bank for them. Regarding the online open house, Asst. Director De Boldt stated that they held an open house in the spring and presented the results of the process at the April ESC meeting. Commissioner Strom asked what the next steps will be. Mr. Baker replied that there will be a public hearing on September 1 and recapped the next steps.

Asst. Director De Boldt then reviewed highlights of the 2023-2029 CIP Budget. The proposed CIP consists of three funds. At the March 3 meeting the amounts of those funds were: Water (\$182.3M), Sewer (\$79.3M), Storm (\$61.5M), for a total CIP Budget (\$323.1M). Ms. De Boldt reviewed changes since that presentation in March. Program updates included the Watermain Program, Reservoir Program, Minor Water Capital Program, Sewer System Trunk Rehab. Program, and Project & Portfolio Management System. The updated budget by fund is Water (\$178.2M), Sewer (\$77.5M), Storm (\$61.7M), for a total Budget (\$317M). There is an overall decrease of about \$6M in the 7-year CIP Budget. She reviewed key cost drivers for each of the three funds.

Water fund (\$178.2M) - Key cost drivers: WSDOH regulations, proactive service reliability programs, complex and critical infrastructure

Sewer (\$77.5M) - Key cost drivers: proactive service reliability programs, Lake Washington Lake Lines Management Plan, sewer main extension program

Storm and Surface Water Fund (\$61.7M) - Key cost drivers: proactive service reliability programs, State Department of Ecology regulations (NPDES Permit), Built and Natural Environments

By proposal the budget can be broken down into the following categories: Environmental Preservation (\$41M), Storm Aging Infrastructure (\$21M), Sewer Aging Infrastructure (\$71M), Water Aging Infrastructure (\$170M), Capacity for Growth (\$4M), Maintenance & Operations Facility (\$10M)

CIP Funding Strategy:

- Water Rate Revenue (\$173.6M)
- Sewer rate Revenue (\$77.5M)
- Storm Rate Revenue (\$51.0M)
- Water Use of R&R (\$4.6M)
- KCFCZD (King County Flood Control Zone District) Grants (\$9.5M)
- Storm Use of R&R (\$1.2M)

Commissioner Dupertuis thanked staff for the long-term thinking such as leveling capital expenditure. He asked about a system they are funding which was referred to earlier. Ms. De Boldt explained there is a proposal to fund a project and portfolio management system which is a sophisticated software system that will provide data management and system analysis to help in managing the whole portfolio. Utilities will be partnering with the Transportation Department in this system. Commissioner Dupertuis expressed support for this and a desire to keep informed about this since he has considerable expertise in the area. Director Otal added that Utilities has been looking at a system for a number of years. The timing is right to partner with Transportation to use better tools to make management decisions. Staff will keep the ESC apprised as they move forward.

Director Otal summarized the 2023-2024 Utilities Operating Budget comprised of the following types of proposals:

- Financial obligations: wholesale costs, taxes, franchise fees, interfunds (\$188.1M)
- Capital related: capital delivery, CIP/R&R Transfer (\$123.9M)
- Local operations – Operations & Maintenance, regulatory engineering, customer service/outreach (\$66.1M)

Financial Obligations to Others: Director Otal explained these are mostly out of the City's control:

- Water Supply Purchase & Sewerage Disposal (\$129.2M)
- RCFCs (\$4.7M)

- Taxes and franchise fees (\$34.2M)
- Interfunds (\$20.0M) payments to general fund for all services

Director Otal explained that Utilities was able to save \$400,000 in IT interfund costs by reducing the number of devices per employee. Commissioner Dupertuis requested more information about this. Director Otal explained that the IT interfund costs are allocated by the number of devices. She indicated she would provide more information to Commissioner Dupertuis offline.

Capital Related Proposals: Asst. Director De Boldt explained the City has about \$3.5B in utility infrastructure which needs to be kept in good condition with renewal and replacement. The budget for three capital-related proposals is \$123.9M which includes 32.5 FTEs.

- Transfer to CIP (\$76.2M)
- Transfer to R&R (Renewal and Replacement) (\$42.7M)
- Capital Project Delivery (\$5.0M) – Project management, construction contracts, field inspection and quality control, CIP portfolio and budget management

Commissioner Wan asked about the consequences of reducing the transfer to the R&R fund (by 10-50%, for example). Director Otal explained that they wouldn't be able to pay for future expenditures based on savings. With each budget process they reassess and adjust the R&R accordingly. If they scale back on contributions, they wouldn't have as much money going into the bank and would have larger rate increases. Asst. Director De Boldt stated that the asset management work they are doing provides good information to know how much the right amount is to put in the R&R fund.

Commissioner Wan asked about the impact of reducing the contributions for a year and then resuming. Director Otal indicated they would look into that for him. Mr. Baker summarized that it would reduce the rate pressure in the short term but would create rate pressure to catch up in the long term. The reserve account is the rate smoothing tool.

Commissioner Dupertuis commented that if they desire to level rates, they have to have an influx of dollars into the reserve fund. The way they are approaching the problem gives him hope that they are going to solve it long-term. Mr. Baker noted they would be going into the rate increase more deeply at the June 16 meeting. Commissioner Wan expressed the importance of explaining to the customers the compound effect of not doing the recommended amount since customers are always asking why the rates can't stay the same or be reduced.

Commissioner Strom asked what would happen if they kept the contribution to R&R the same as last year. Mr. Baker indicated he could do that analysis.

Local Operations Proposals - Asst. O&M (Operations & Maintenance) Director Joe Harbor summarized the local operations proposals which have a budget of \$66.1M, including 148.0 FTEs.

O&M Water: The budget is \$10.3M and includes 25.5 FTEs

- Water mains and service line repair (\$4.5M)
- Distribution system & preventative maintenance (\$2.0M)
- Pump Station - Reservoir and PRV (Pressure Regulating Valves) Maintenance (\$2.6M)
- Meter Repair and Replacement (\$0.6M)
- Service Installation and Upgrade (\$0.7M)

The water system contains 40,000 water connections, 610 miles of water mains, 24 reservoirs, 22 pump stations, 62 pressure zones, 10,000 valves, and 5800 fire hydrants. Major changes from the last budget are a cost increase for asphalt restoration and one new LTE for entry-level training program.

Commissioner Wan referred to the Main and Service Line Repair section of the budget and asked how much Bellevue Utilities spent in repairing the Somerset Water Main break. Director Ota explained that is a topic of litigation so they will wait to report on it. Asst. Director Harbour commented that the number main breaks are fairly flat because of the replacement program. There is a range on water main breaks based on many factors.

O&M Sewer: The budget is \$8.9M and funds 26.7 FTEs.

- Condition assessment (\$1.4M)
- Mainline preventative maintenance (\$2.7M)
- Mains Laterals and Manhole Repair (\$2.4M)
- Pump Station Maintenance Operations and Repair (\$2.4M)

The sewer system contains 640 miles of pipe, 47 pump and flush stations, 14,000 maintenance holes, 34 major connections to King County system, and 19 miles of submerged lakelines. The major changes from the last budget include a cost increase for asphalt restoration and the addition of one FTE for entry-level training program.

O&M Storm & Surface Water: The budget is \$7.1M and funds 17.6 FTEs.

- Preventative Maintenance (\$4.2M)
- Repair and Installation (\$2.2M)
- Infrastructure Condition Assessment (\$0.8M)

The storm and surface water system includes 20,000 public storm drains, 400 miles of pipes, 350 city-owned detention facilities, 11 regional detention facilities,

80 miles of open streams, 864 acres of protected wetlands, and regulatory compliance (NPDES, ESA). There are no major changes from the last budget.

Regulatory: The budget is \$4.8M and funds 13.3 FTEs.

- Water Quality Regulatory Compliance & Monitoring (\$2.2M)
- Private Utility Systems Maintenance (\$1.4M)
- Utility Locates Program (\$1.2M)

The regulatory budget funds Federal and State regulations (Safe Drinking Water Act, NPDES Permit, Clean Water Act); Private System Maintenance (Cross-Connection/Backflow), Private Drainage Inspections; Fats, Oils, Grease (FOG); and utility locates. The major change from last budget is one FTE for the locates program.

Engineering – Development Services Proposals: Asst. Director De Boldt reviewed these proposals which have a budget of \$4.8M and provide 14.9 FTEs.

- Information Delivery (\$1.0M)
- Policy, Code & Consulting Service (\$0.6M)
- Review Services (\$1.4M)
- Inspection Services (\$1.9M)

This budget provides for design review and construction inspection for private and public developments and ensures compliance with local, state, and federal regulations. There are no major changes from the last budget.

Engineering – System Planning: This has a total budget of \$4.8M and funds 13.1 FTEs.

- Utility Asset Management Program (\$1.7M)
- Utility Planning and Systems Analysis (\$3.1M)

This is responsible for overall planning for the future of Bellevue's utility infrastructure as well as maintaining the condition and integrity of the City's \$3.5B utility infrastructure. The budget provides for utility system plans, asset management planning, infrastructure needs assessment, seismic vulnerability assessment and mitigation planning, Water Rights & Wells Master Plan, Stormwater Strategic Initiatives, 7-year CIP Development. Major changes from the last budget include Environmental Monitoring Program enhancements plus one FTE for asset management and system planning.

Commissioner Strom asked what types of scenarios they are considering as they plan for in the future. Asst. Director De Boldt explained how asset management helps to understand future needs. Seismic retrofit planning requires knowledge of earthquake engineering and mitigation, particularly on the water system. The Lake Washington Lakelines study will help the City plan how to manage the lakelines in the long term. The Watershed Management Plan is another big

planning effort which looks at all the watershed basins in the City. It links to the NPDES permit and informs how to enhance and improve the stream health for use by the community and for fish and environmental health.

Customer Service and Outreach Proposals: The total budget is \$10.6M and funds 17.2 FTE.

- Utilities Customer Service and Billing (\$5.0M)
- AMI Meter Support (\$0.7M)
- Utilities Rates Relief Program (\$1.6M)
- Solid Waste & Recycling Management (\$2.3M)
- Storm & Surface Water Pollution Prevention (\$0.8M)
- Water Systems & Conservation (\$0.2M)

Overview of customer/community services: 38,000 customer accounts, 20,000 meter reads monthly, 5,000 bills weekly, 125 customer calls daily, 4,500 move requests yearly, rate relief for 1,000 residents, \$27M solid waste contract. Major changes from the last budget are payment processing fee increases, monthly billing, and reduction for one FTE and one FTE meter reader due to AMI rollout.

Chair Knezevic asked how many customers will benefit from the portal. Deputy Director Liu thought roughly 36,000 are single family accounts which will have the opportunity to benefit from it. Roughly 2,000 accounts are multifamily where the tenants may not benefit from direct use of the portal. The party handling the multifamily account will be able to use the portal. Chair Knezevic wondered why multifamily accounts are paying for the portal when those residents do not benefit. Director Ota explained there is a cost-of-service study done every few years which allocates costs based on specific costs. Chair Knezevic expressed frustration about extra third-party costs that multifamily residents have. Mr. Baker commented that when they discuss the rates in two weeks, they could address this more thoroughly. Chair Knezevic suggested that the City could address the inequity of this at some point in the future like Singapore does. Director Ota commented that it starts with installing meters for every unit which is a huge cost that the developers don't want to pay. She agreed there is inequity in this and suggested they could investigate industry practices. She noted that Singapore is mainly multifamily. Vice Chair Khanloo pointed out that she is in a downtown Bellevue condo and there is a meter in each unit.

Support Systems/Assets: The budget is \$12.9M and funds 15.8 FTE.

- Utilities Computer & Systems Support (\$4.1M)
- Utilities Telemetry & Security Systems (\$1.9M)
- Fiscal Management (\$2.1M)
- Asset Replacement (\$4.8)

This budget funds:

- Systems Management: SCADA, Advanced Metering Infrastructure (AMI), Customer Information System (CIS), Maximo, GIS
- Asset Purchases: vehicles, equipment, and major software
- Fiscal Management: rate design, financial forecasting, budget development/monitoring

Major changes from the last budget include new customer information and billing system, AMI SaaS, two LTEs supporting GIS updates, and 31 vehicle/equipment replacements.

Department Management: The budget is \$2.0M and funds 4.0 FTE. The budget provides for departmental leadership: strategic planning, policy implementation, industry best practices, stewardship of resources, innovation and process improvements, workforce development, and regional collaboration. There are no major changes from the last budget.

Chair Knezevic noted that this budget asks for a lot of FTEs. It would be helpful to have those numbers summarized. Mr. Baker noted he would recap that later in the presentation.

Commissioner Dupertuis had several questions/requests:

- He would like to see an FTE plan and how that fits the long-term goals. He wondered what is going to happen to the people affected by the reductions.
- He would like to understand the plan for how they are going to modernize the City.
- He would like to see the tracking of the \$400,000 related to interfunds.
- He also asked how we use rates to make sure we are providing rate stability.

Deputy Director Liu explained how they are modernizing the customer service and billing system with the portal. They have been reserving funds and planning for this replacement for many years. She then explained how they planned for the AMI-related headcount reductions with an intentional strategy to not replace full-time employees and instead use limited-term employees. Commissioner Dupertuis expressed concern about layoffs. Director Otal clarified that no staff would be laid off because there was long-term strategy. She introduced a chart of proposed utilities staff changes. Commissioner Dupertuis thanked staff and said he would like to see a head count plan. Mr. Baker reviewed the chart showing the proposed staffing changes for the 2023-2024 budget and introduced 2023-2024 draft rates preview increased from the early outlook. 2023: 6.4% and 2024: 5.9% due to higher wholesale costs.

Motion made by Commissioner Strom, seconded by Commissioner Dupertuis, to extend the meeting until 9:30 p.m. Motion passed unanimously.¹

Commissioner Dupertuis asked for more details about what is behind the rate increases. Director Otal explained they would be bringing much more information about this. There are four drivers behind the rates: operations, capital programs, wholesale, and interfunds & taxes. Capital and operations are the only two that the City can control. The others are pass-through costs. He also reviewed the 2023-24 Budget Review Calendar.

Commissioner Dupertuis noted this is a very aggressive timeline. He encouraged the City to make sure there is ample time to incorporate feedback from the community. Mr. Baker agreed it was very compressed due to a revised date from the County that the overall city budget process is required to comply with. Director Otal noted they could add another meeting if needed.

Councilmember Lee expressed appreciation for the thoughtful questions and comments about the wonderful work staff has presented. This will be very helpful for the Council in their deliberation. He agreed that this is an aggressive schedule, and he also wants to make sure that the aggressiveness does not jeopardize the community involvement.

9. REVIEW OF COMMISSION & COUNCIL CALENDARS

In addition to budget items, there will also be the annual election for chair and vice chair on the 16th.

10. ADJOURNMENT

Motion made by Chair Knezevic, seconded by Commissioner Strom, to adjourn the meeting. Upon a roll call vote, the motion passed unanimously.

The meeting was adjourned at 9:31 p.m.

¹ Commissioner Khanloo stated she needed to leave the meeting.