

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

September 1, 2022
6:30 p.m.

Bellevue City Hall

1. CALL TO ORDER:

The meeting was called to order by Chair Knezevic at 6:33 p.m.

ROLL CALL

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

COMMISSIONER ATTENDING REMOTELY: None

COMMISSIONERS ABSENT: None

COUNCIL LIAISON: Conrad Lee

COMMISSIONERS ABSENT: None

OTHERS PRESENT: Lucy Liu, Deputy Utilities Director; Nav Otal, Utilities Director; Linda De Boldt, Utility Engineering Assistant Director; Andy Baker, Fiscal Manager; Joe Harbour, Assistant Director (remote), Leslie Kodish, Senior Administrative Assistant; Uma Singh, Acting Assistant Director, Resource Management and Customer Service; and Laurie Hugdahl, Minutes Taker

2. APPROVAL OF THE AGENDA

Motion made by Vice Chair Hines, seconded by Commissioner Khanloo, to approve the agenda. The agenda was approved unanimously (7-0).

3. ORAL AND WRITTEN COMMUNICATION

None.

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

Councilmember Lee gave an update. He thanked the Commission for their dedication to serve the community and working diligently on the budget. He

stated he is looking forward to their budget recommendation. He also thanked the public for their participation and interest.

5. STAFF REPORTS

None

6. APPROVAL OF MINUTES

A) JULY 7, 2022 MINUTES

Motion made by Vice Chair Hines, seconded by Commissioner Khanloo, to approve the 7/7/22 minutes as presented. Upon a roll call vote, the motion passed unanimously (7-0).

7. UNFINISHED BUSINESS

None

8. NEW BUSINESS

a) Policy Issue: Credit Card Fees

Director Otal introduced this topic and noted staff would be seeking a recommendation from the Commission.

Fiscal Manager Baker reviewed some background on this topic. He reviewed transaction fee costs and cost distribution. Credit card costs are significantly more expensive than other payment methods. 2024 projected credit card costs are approximately \$1.1 million. At a previous meeting, the Commission requested options to reduce the impact of those transaction fees. Commercial fuel cards are significantly more costly to process than other cards.

Director Otal pointed out that the City is unable to exclude any particular type of card. She reviewed possible scenarios and pros and cons of each:

- Option 1 Status Quo – transaction fees are spread across rate base
- Option 2: Commercial multi-family cannot use credit cards
- Option 3: Commercial/multi-family pay a transaction fee
- Option 4: All customers using credit cards pay a transaction fee

Fiscal Impacts:

Fiscal Manager Baker reviewed a table summarizing fiscal impacts of each of the four options:

- 1 – no cost recovery; customer impact medium
- 2 – disallow commercial and multifamily use of credit cards; would reduce cost by approx. \$450,000; low customer impact
- 3 – fee for commercial/multi-family – would recover \$450,00 in costs; low customer impact
- 4 – all customers using credit cards pay a fee – could recover all or a portion of credit card processing costs depending on fee (provided fee examples for 50%, 75%, and 100% cost recovery); high customer impact

Commissioner Khanloo asked if they know how many residential low-income families would be impacted by Option 4? Mr. Baker replied they do not have that information.

Constraints and Challenges: The current systems can't charge a credit card fee. Additional work is needed in three systems to make this possible. The earliest staff estimates it would be possible would be 2024.

- In-person payments - new point-of-sale system; functionality could be a part of a future project
- Current billing system – new billing system will have this functionality
- Pay-by-Phone – system needs a new module added

The City does not currently charge credit card fees: Utilities would be the first department. It is not common for water/sewer utilities to charge a fee. City wide coordination will be necessary. There might be issues with contracts/vendors.

Commissioner Khanloo asked about the cost to add the features to the other systems. Mr. Baker did not have an estimate about the cost to add this feature. Acting Assistant Director Singh stated that this is included with the new billing system in 2024. Any of the other options will have an additional cost.

Chair Knezevic asked about estimated costs to customers. Mr. Baker replied that under Option 4, a typical single-family customer using a credit card would see a charge of approximately \$3 per bill. Director Otal replied that they would attempt to steer customers to use other forms of payment to avoid those charges. Right now, the large commercial/multi-family customers are benefitting greatly. The largest bills being paid by credit cards are the multi-family accounts.

Vice Chair Hines commented that Option 3 seems to target the inequity of the charges the best; however, it is unfortunate that multi-family residents may be impacted.

Chair Knezevic commented that there is a risk that the owners would decide to pass along the fees to the multi-family residents. Director Otal agreed but noted that the City has no control over this.

Commissioner Wan brought up the potential for backlash from customers. He commented that Option 3 would single out multi-family residents. He also expressed concern about this option sending a signal that Bellevue is not business friendly.

Vice Chair Hines commented that Option 2 would be easy to explain to customers who would likely understand the issue. He thought that the risk of Option 3 passing on the costs to residents is too high.

Chair Knezevic spoke in support of Option 4, the 2.65% fee to recover 100% of costs from those who use the credit cards.

Commissioner Khanloo spoke in support of Option 4. She suggested trying out a 75% recovery rate (2% fee) to test how this goes and possibly raise it to 100% fee recovery later. Mr. Baker wasn't sure if it was the level of the fee that could cause a backlash or just the fact that there is a fee. Director Otal commented that this topic will not get any easier in the future. Right now seems like the best time if they are going to do it. Commissioner Khanloo suggested starting to encourage customers to switch from credit card payments as soon as possible. Director Otal agreed.

Commissioner Dupertuis spoke in support to adopt Option 3. This would enable single family residents who choose to use credit cards the option to continue paying that way. Taking no action would signal to single family ratepayers that they would continue to subsidize the costliest credit card users.

Commissioner Strom expressed interest in making sure they are not charging the low-income customers the fee. She agreed with Option 3 and stressed the importance of education.

Chair Knezevic asked if those who qualify for the low-income discount could have the credit card fee waived. Director Otal replied they could not, but she noted they would have a 70% discount and could choose to use a credit card if they wanted.

Commissioner Howe spoke in support of Option 4 because it is equitable across all the ratepayers and all the customer classes. She doesn't believe

ratepayers should be subsidizing those who are paying their bills by credit cards. She doesn't think Option 3 is a business-friendly solution.

Chair Knezevic noted that single-family residents are the ones they hear from who are unhappy about rate increases. She thought that this is an opportunity to remedy that.

Commissioner Wan suggested that the outreach and education needs to focus on letting customers know about the money that is being saved and how it will be used.

Director Otal discussed options. She commented they could think about it a little more since a fix can't be put in place before 2024. They could also transition by starting with 50% and increasing over time. She agreed that it is important to articulate to customers why they are charging the fee.

Chair Knezevic suggested getting a pulse from the ratepayers about how they feel about this. Director Otal thought that could be done sometime over the next year. Chair Knezevic expressed concern about the low response rate from customers with surveys. Director Otal agreed that engagement is difficult.

Vice Chair Khanloo suggested starting a campaign to change payment behavior as soon as possible, even before Council takes any action. Director Otal agreed with beginning a campaign to change payment behaviors. She invited the Commission to take more time to come to a recommendation. If the Commission wants to delay, she stated that staff could leave options open in the new systems to take Option 2, 3, or 4.

Commissioner Strom asked if low-income programs could be discussed in the context of Option 4. Director Otal replied that they could.

Motion made by Commissioner Dupertuis, seconded by Chair Knezevic, to approve Option 3. The motion failed (2-5)

Motion by Vice Chair Hines, seconded by Commissioner Wan, to recommend Council consider Option 4.

Commissioner Strom asked about amending the motion to continue to explore low-income options.

Director Otal stated that staff would make a commitment to do that.

Motion passed (6-1) to recommend Council look at Option 4 and consider the appropriate percentage.

b) Utilities Financial Policies – Administrative Updates

Fiscal Manager Baker referred to the financial policies redlines and reviewed proposed changes.

There were no comments or questions.

c) 2023-2024 Utilities Proposed Budget and Rates – Update, Proposed Rates Forecast, and Public Hearing

Mr. Baker reviewed minor updates to the rates forecast and budget . He reviewed the following changes: updated salary and benefit expenses; reduced credit card fee budget per ESC recommendation, and revised taxes and interfund amounts.

Chair Knezevic introduced the public hearing and procedures. Director Otal reviewed a summary of the 2023-2024 utilities proposed budget and rates, noting that other than the technical changes reviewed by Mr. Baker, it was the same as presented to the ESC earlier. She summarized total rate increases for the three utilities would be 6.7% in 2023 and 5.8% in 2024. She reviewed a typical residential monthly bill and rate drivers. A typical monthly bill would increase by \$13.18 per month in 2023 and \$12.19 in 2024. She reviewed a comparison of Bellevue to its neighbors and noted that Bellevue is still competitive and will be even more competitive in the future due to the City’s planning for infrastructure replacement and renewal.

Motion made by Vice Chair Hines, seconded by Commissioner Khanloo, to open the public hearing at 8:12 p.m. Motion passed unanimously (7-0).

PUBLIC HEARING

David Plummer, 14414 NE 14th Place, Bellevue, WA 98007, expressed frustration with the budget process. He presented some recommendations:

- Reduce the Operating Budget by about \$31 million based on rate planning summaries.
- Reduce the CIP Budget by \$35.6 million (\$24 million for Water, \$6.6 million for Sewer, \$5 million for Storm).

There were no other comments.

Motion to close the hearing made by Vice Chair Hines, seconded by Commissioner Strom, at 8:16 p.m. Motion passed unanimously (7-0).

The public hearing was closed at 8:16 p.m.

d) Remote Participation Approval for September 15, 2022

Motion made by Vice Chair Hines, seconded by Commissioner Khanloo, to approve remote participation for Commissioner Strom. Motion passed unanimously (7-0).

Motion made by Commissioner Khanloo, seconded by Commissioner Strom, to approve remote participation for Vice Chair Hines. Motion passed unanimously (7-0).

Motion made by Vice Chair Hines, seconded by Commissioner Strom, to approve remote participation for Commissioner Dupertuis. Motion passed unanimously (7-0).

9. ORAL AND WRITTEN COMMUNICATIONS

None

10. REVIEW OF COMMISSION & COUNCIL CALENDARS

Deputy Director Liu reviewed the current Commission and Council calendars.

11. ADJOURNMENT

Motion made by Chair Knezevic, seconded by Vice Chair Hines, to adjourn the meeting. The motion passed unanimously (7-0).

The meeting was adjourned at 8:20 p.m.

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Oral Communications Verbatim Transcript

**2023-2024 Utilities Proposed Budget and Rates – Update, Proposed Rates Forecast, and
Public Hearing**

David Plummer, 14414 NE 14th Place, Bellevue, WA 98007:

Mr. Plummer: Good evening. My name is David Plummer. I live in Bellevue. So you're the chair?

Chair Knezevic: Yes.

Mr. Plummer: So, you're the one I'm supposed to be talking to. So, the preamble is, the budget is – development process – is a total black box. There's no way to get, no way to get inside of it and no way to get any reasonable detailed data. So, it's, it's impossible to make any comprehensible comments on this budget. Nevertheless, I went through whatever stuff I got from Adams and other people for the public utility department and came up with some recommendations. Now there's just basically two.

On the Operating Budget I recommend that it ought to be reduced by about \$31 million. Where'd I get the \$31 million? I got it from the rate planning summaries which I'm sure you people all know all about.

On the CIP side, the number I come up with for the total planning period is about \$35.6 million reduction, \$24 million in the water, \$6 million-, \$6.6 million in the sewer and about \$5 million in the storm.

I've got other copies of this thing if any of you want it. If you don't, I'll just dump 'em in the waste basket. Okay, you can pass 'em out. Thank you.