

Date: November 8, 2016

To: Mayor Stokes and Councilmembers

From: Keith Swenson, Chair, Environmental Services Commission

Subject: Utilities Department 2017-2018 Budget & Rate Recommendations

BUDGET AND RATE RECOMMENDATIONS

The Environmental Services Commission (Commission) recommends the following Utilities Department proposed:

- 2017-2018 operating budget
- 2017-2023 capital investment program (CIP)
- Water, sewer, and storm and surface water rate increases necessary to fund the proposed Utilities 2017-2018 operating and capital budgets as follows:

Utility Rate Increases to Fund Proposed 2017-2018 Budget

	Water	Sewer	Storm	Total
2017	3.4%	4.4%	4.3%	4.0%
2018	6.1%	2.2%	4.6%	4.0%

Even with these increases, Bellevue's utility rates remain competitive with neighboring communities. Bellevue's rates should be even more competitive in the future because Bellevue is one of very few cities that proactively invest in future infrastructure requirements.

The Commission voted 4 to 1 in favor of the proposed budget and rate increases. The commissioner casting the dissenting vote expressed concerns with the proposal to replace all existing meters with the Advanced Metering Infrastructure (AMI) system within a two-year period. Recognizing the economic advantage of rapid implementation, nevertheless the commissioner recommended converting to AMI over a more extended period of time as the existing meters reach the end of their useful life. This could avoid waste and avoid committing the Utilities Department to total replacement in the future. Aside from the concerns regarding AMI, the commissioner expressed full support for all other aspects of the Utilities' proposed budget and rates.

Those commissioners voting in favor of AMI implementation within the proposed two-year period also expressed some discomfort with wholesale replacement of still-functioning meters. They asked that those responsible for implementing the AMI conversion strive to protect and preserve the existing meters during the removal process and to seek to locate other communities or entities that could reuse or otherwise minimize waste by appropriate recycling procedures.

PROCESS

As the City Council's citizen advisory group for Utility-related affairs, the Commission has reviewed the Utilities proposed budget and rates based on the following principles:

- Maintain a long-range view with a focus on financial sustainability and stability across a long planning horizon.
- Make steady investments in utility systems to provide reliable, high quality services for customers.
- Support economic prosperity by accommodating growth.
- Minimize total costs.
- Maximize value for current and future ratepayers.

The Commission studied the Utilities Department 2017-2018 Preliminary Budget in detail over ten meetings during the course of this year. In addition, the Commission was briefed on the public input received from the on-line CIP open house in April and the Commission toured key CIP projects in July. The Commission provided the required public notice and held a public hearing on the proposed budget on October 23rd. Two members of the public provided input at the hearing.

BUDGET DRIVERS

The key budget issues facing the Utilities Department during the 2017-2018 biennium continue to be:

- Increases in water supply and sewerage treatment costs.
- Aging infrastructure and the need to adequately fund renewal and replacement in a timely and cost-efficient manner that minimizes overall costs and risk of expensive emergency repairs.
- Capital investment to accommodate population growth and support economic development.
- Regulatory requirements and mandated projects and programs.

CONCLUSION

Commissioners, as Bellevue ratepayers, are sensitive to the impact of rate increases on customers. The Commission has closely scrutinized the proposed budget and rates in detail. The funding is critical to maintaining sustainable utility services. The budget proposals represent a prudent and lean budget that is designed to meet current service levels going forward. We appreciate staff's stewardship of ratepayer dollars and continued focus to seek opportunities for operational efficiencies and enhanced customer service.

The Commission appreciates the opportunity to analyze the Utilities budget, receive public input, and provide this recommendation to City Council.