

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

Thursday  
September 5, 2019  
6:30 p.m.

Conference Room 1E-113  
Bellevue City Hall  
Bellevue, Washington

**COMMISSIONERS PRESENT:** Diann Strom (Chair), Negin Khanloo, Neal Hines, Ling Zhuang, Anne Howe, Vanja Knezevic (Vice Chair)

**COUNCIL LIAISON:** Jared Nieuwenhuis

**COMMISSIONERS ABSENT:** Lisa Schreiner

**OTHERS PRESENT:** Nav Ota, Director; Lucy Liu, Assistant Director - Resource Management & Customer Service; Brian Bartle, Deputy Director; Linda DeBoldt, Assistant Director - Engineering; Rebecca Borker, Utility Asset Manager; Jolie Liu, Fiscal Manager; Laurie Hugdahl, Minutes Taker

**1. CALL TO ORDER:**

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

**2. APPROVAL OF AGENDA**

The agenda was approved unanimously (6-0).

**3. ORAL AND WRITTEN COMMUNICATIONS**

Oral and written communications were solicited. There were none.

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

None

**5. STAFF REPORTS**

Deputy Director Brian Bartle gave an update on AMI project. The vendor has presented an alternative approach to the RF network that was previously approved. The new approach was previously considered in the feasibility study. The vendor thinks it might be a better approach. Staff is reviewing this currently,

but no decision has been made yet. Progress continues to move forward with the project. If the change is made, the order of the project completion may change.

## **6. APPROVAL OF MINUTES**

### 6/6/19 Regular Meeting Minutes

**Motion made by Commissioner Howe, seconded by Commissioner Zhuang, to approve the minutes as presented. Motion passed unanimously (6-0).**

### 7/11/19 Regular Meeting Minutes

**Motion made by Commissioner Howe, seconded by Commissioner Zhuang, to approve the minutes as presented. Motion passed unanimously (6-0).**

## **7. ELECTION OF CHAIR & VICE CHAIR**

**Vice Chair Vanja Knezevic was nominated Chair by Chair Strom. There were no other nominations, and Commissioner Knezevic was approved unanimously (6-0).**

**Commissioner Zhuang was nominated Vice Chair by Vice Chair Knezevic. There were no other nominations, and Commissioner Zhuang was approved unanimously (6-0).**

## **8. NEW BUSINESS**

- **Cascade Water Alliance's Water System Seismic Resiliency Planning**

Melina Thung and Henry Chen from Cascade Water Alliance (CWA) gave an update on CWA's planning efforts related to seismic resiliency. America's Water Infrastructure Act is a new EPA requirement which requires a Risk and Resiliency Assessment by March 31, 2020 and Emergency Response Plan by September 30, 2020. Recertification will be required every five years, and plans must be coordinated with local emergency planning committees.

Ms. Thung reviewed a recent workshop held by Cascade with its members to review common objectives of the group. These objectives relate to determining the highest priority uses for Cascade's \$200K annual budget and other priority regional efforts that don't require use of the budget, developing high level work plans for the priorities, and understanding how Cascade's priorities dovetail with other efforts, such as the Water Supply Forum.

Current resiliency actions relate to seismic studies and assessments, emergency response plans, coordination with emergency management offices, infrastructure hardening, emergency supplies and repair parts, and post-event service goals. The top regional future actions are to conduct a tabletop exercise, research alternative water sources, develop pre- and post-event communications between Cascade Members and with customers, and create an inventory list of emergency supplies. Additionally, Cascade will research lessons from others and determine a method to allocate post-event water. Future actions that will be taken by Cascade and its members are to detail out the work plan, present actions that require using \$25,000 or more of Cascade's budget to the Cascade Board, check in on a regular basis with the group and track progress, and identify new future actions.

Cascade also participates in the Water Supply Forum, a regional group which also plans for seismic resiliency. The Forum plans to update and share an inventory list of emergency supplies, develop and issue consistent public messaging, coordinate with local emergency managers to define roles and responsibilities, jointly seek funding for resiliency efforts, and check in quarterly with progress.

#### Questions/Comments:

Commissioner Zhuang thanked CWA for doing this effort. She asked if the plan will be done in a detailed qualitative or quantitative manner as far as resources. Ms. Thung explained that individually Cascade and its members will do an inventory and then determine how they will be shared. At the forum level the consultant compiled the list of emergency supplies that Cascade and the other jurisdictions have. That list will be updated, and then shared with others. Mr. Chen explained how the work is both qualitative and quantitative.

Vice Chair Knezevic asked how often the ESC would be getting reports. Lucy Liu explained that the Commission could get reports when there are updates if interested.

- **Asset Management Update**

*Linda DeBoldt, Assistant Director - Utility Engineering, and Rebecca Borker, Utility Asset Manager*

Ms. Borker provided an overview of asset management and an update on Bellevue Utilities Assets including Storm & Surface Water; Wastewater (Sewer); and Drinking Water. These assets have an estimated replacement cost of \$3.5 billion. Asset management principles were reviewed. These

include adopting a life-cycle approach; balancing cost, risk, and performance of assets; high priority on environmental and financial sustainability; endorsing evidence-based decisions; and continuous improvement. Ms. Borker then discussed asset management objectives including managing asset information systems, building and maintaining strong partnerships, developing sustainable strategies, managing assets at the lowest lifecycle cost, identifying critical assets, and defining and managing risk. Bellevue has a longstanding history of progressively managing and keeping pace with asset management. Bellevue has been using Maximo to track all maintenance and repair of its assets which has provided essential data to make decisions. The EPA Model Asset Management Plan was adopted in 2007. In 2016 Utilities performed an Asset Management Assessment which culminated in a five-year roadmap. The department has been very engaged in utilizing Best Management Practices and will continue to update and develop new tools for analyzing the data available.

Ms. Borker reviewed the Asset Management Program Elements of strategy and planning, decision making, life cycle delivery, asset data and systems, risk and reporting, and organization and people. She discussed the Asset Management Program Model and how this impacts decision making. As a result of this model, Bellevue Utilities will update its asset management strategy and program approach and develop asset management analysis tools. The City will also update data and system requirements for asset management and continue asset data collection and analysis. Mr. Borker stated that Bellevue's asset management has provided the foundation for a sustainable financial strategy. The City has adopted proven industry standards and best practices and is a high-performing organization that embraces continuous improvement.

Commissioner Zhuang commended staff for the emphasis on data completion which will impact cost analysis for the R&R fund.

- **Infrastructure Renewal and Replacement Funding Strategy**  
*Lucy Liu, Assistant Director – Resource Management & Customer Service, and Jolie Liu, Fiscal Manager*

Assistant Director Liu reviewed Council-adopted Capital Investment policies. She gave an overview of R&R Strategy objectives of building rate capacity to meet future infrastructure needs and using R&R reserves to meet spikes in capital replacement expenditure needs. The water long-term R&R projection for 2018 was discussed as an example. The concept of intergenerational equity was reviewed. Ms. Liu then discussed the funding horizon. She explained that the long-term (75-year) planning horizon is valuable for adequate and stable funding and to achieve

customer equity. A shorter (20-year) planning horizon would introduce unintended rate volatility and inequitable rates for customers.

Commissioner Zhuang expressed her concerns about using a long-term planning horizon. She pointed out that due to the City's low interest rate compared to inflation, the value actually declines over time. She suggested that it might be more valuable to have a different method. Assistant Director Liu indicated that even though the City's current rate of investment earnings on the R&R reserves are lower than inflation, the R&R funding strategy is still a good one because it addresses future capital funding needs. Assistant Director Liu continued to review the benefits of the long-term horizon for building funds in a way that achieves intergenerational equity for customers and enables smoother rate increases over time.

Assistant Director Liu continued on with the presentation. She reviewed the revenue sources of R&R funds and how the R&R funds are used. The majority of the R&R funds are reserved for future capital replacement project needs.

Fiscal Manager Jolie Liu reviewed R&R investment authority and objectives. She explained that the authority to manage investment resides with the Finance and Asset Management Director; Utilities' R&R funds are combined with city investments and governed by city investment policies. The City's objectives relate to safety, liquidity and return, with safety as a key objective. She then reviewed the City's investment portfolio as of December 2018. Investment performance was reviewed for the past 10 years. The City has outperformed its benchmark (the two-year Treasury Index) for the most part with the exception of 2018. Returns are below inflation, but inflation is a measurement of expenses and not necessarily earning. For this reason, the City compares itself to the two-year Treasury Index. Going forward, the City is considering other investment portfolios that are consistent with the city's investment policies to optimize returns and realize cost efficiencies.

Councilmember Nieuwenhuis asked how other utilities address the planning horizon strategy. Assistant Director Liu explained that Bellevue has had the foresight to have a proactive long-term strategy which has resulted in smooth predictable rates over time. Most cities do not have a proactive strategy like Bellevue's. However, they also have expensive infrastructure needs and some have had to do double digit rate increases to address these needs.

Commissioner Zhuang expressed concern about the cost-estimation based on 75 years' projection. If the money collected is spent 40 years later, the

value spent at that time would be only half of the original value if the inflation rate is considered. She believes 20 years would be more prudent and would still be consistent with City Council policy.

Assistant Director Liu spoke in support of the City's current policy. The long-term horizon is necessary due to the long life cycle of the assets. She acknowledges investment returns have been below inflation rates in recent years, but interest rates are at a historic low right now and are not assumed to continue for the 75-year horizon. She added that the projected capital renewal and replacement expenditure needs will continually be reviewed and updated every two years as part of the budget cycle based on asset management information.

Commissioner Zhuang asked about the reasoning of considering the CIP projects for the R&R funding strategy since those projects are the ones creating the spikes. Assistant Director Liu explained that the whole purpose of the R&R fund is to address spikes which would result from required CIP projects in the future. Commissioner Zhuang encouraged staff to consider other ways these spikes could be funded. She suggested that debt could be a possibility.

Utilities Director Nav Otal reiterated that the very purpose of the R&R fund is to help manage the cost of CIP projects. She explained how the current strategy helps to levelize costs. She spoke against the strategy of using debt fund expenses. She stated that Council reserves the use of debt for change in circumstances, such as an emergency, but not for anticipated expenses.

Chair Strom asked about the Commission's role on the R&R strategy. Director Otal explained that the Commission's role is mainly reviewing the budget proposals during the budget process and making recommendations to Council related to that, if desired. Councilmember Nieuwenhuis suggested that Commissioner Zhuang get together with staff outside of the meeting time to clarify any misunderstandings.

## **9. ORAL AND WRITTEN COMMUNICATIONS**

David Plummer, 14415 NE 14th Place, Bellevue, WA 98007, referred to life cycle costs and expressed concerns that the City never acknowledged or came up with a life cycle cost estimate for the AMI system. Regarding the infrastructure, he urged everyone to get copies of the Utility's Rate Planning Summary which shows income versus expense. He also urged them to get a copy of the WBS for the AMI system. The system is apparently halfway through the deployment cycle; 10 of the 14 major items in the WBS are essentially complete. The balance of them is going to start pretty soon and end in September of 2020.

## **10. REVIEW OF ESC CALENDAR/COUNCIL CALENDAR**

Assistant Director Liu reviewed the ESC Calendar. Next month a report to the ESC on Republic Services' performance on the Solid Waste Contract is planned. Also, the discussion over seismic vulnerability assessment will continue. In November, the discussion on seismic vulnerability assessment will continue. Additionally, there will likely be a briefing on the city's environmental stewardship initiative update.

She then reviewed the Council Calendar. Earlier this week, Utilities took some clarifying and housekeeping code changes to the rate relief program to the Council which were adopted. Later in the month staff will be seeking Council approval of an amendment to the Issaquah Assumption Agreement originally approved in 2015 on transferring water and sewer service in the South Cove area. The amendment will correct an error to the legal description describing the property that the reservoir sits on. In November there will be a regional issue briefing. In December, on-call contracts will be reviewed.

## **11. ADJOURNMENT**

The meeting was adjourned at 8:11 p.m.