



City of Bellevue Utilities Department 2017-2018 Proposed Budget

Presentation to Bellevue City Council

November 14, 2016

Nav Otal, Director

Andrew Lee, Deputy Director

Lucy Liu, Assistant Director

Agenda

- ESC Recommendation
- Address Council Questions
 - Solid Waste
 - AMI (Smart Water Meters)
- Review Budget Priorities
- Recap Rates



Environmental Services Commission (ESC) Budget Recommendation

Keith Swenson, ESC Chair

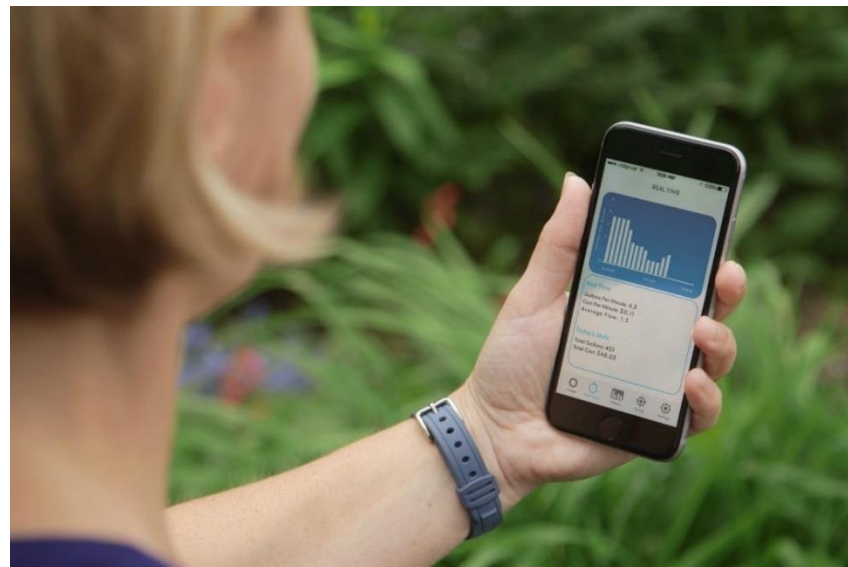
Solid Waste

- Include \$150K in budget to evaluate long-term solid waste management options
- Brief Council on ILA and other options in early 2017

AMI (Smart Water Meters)

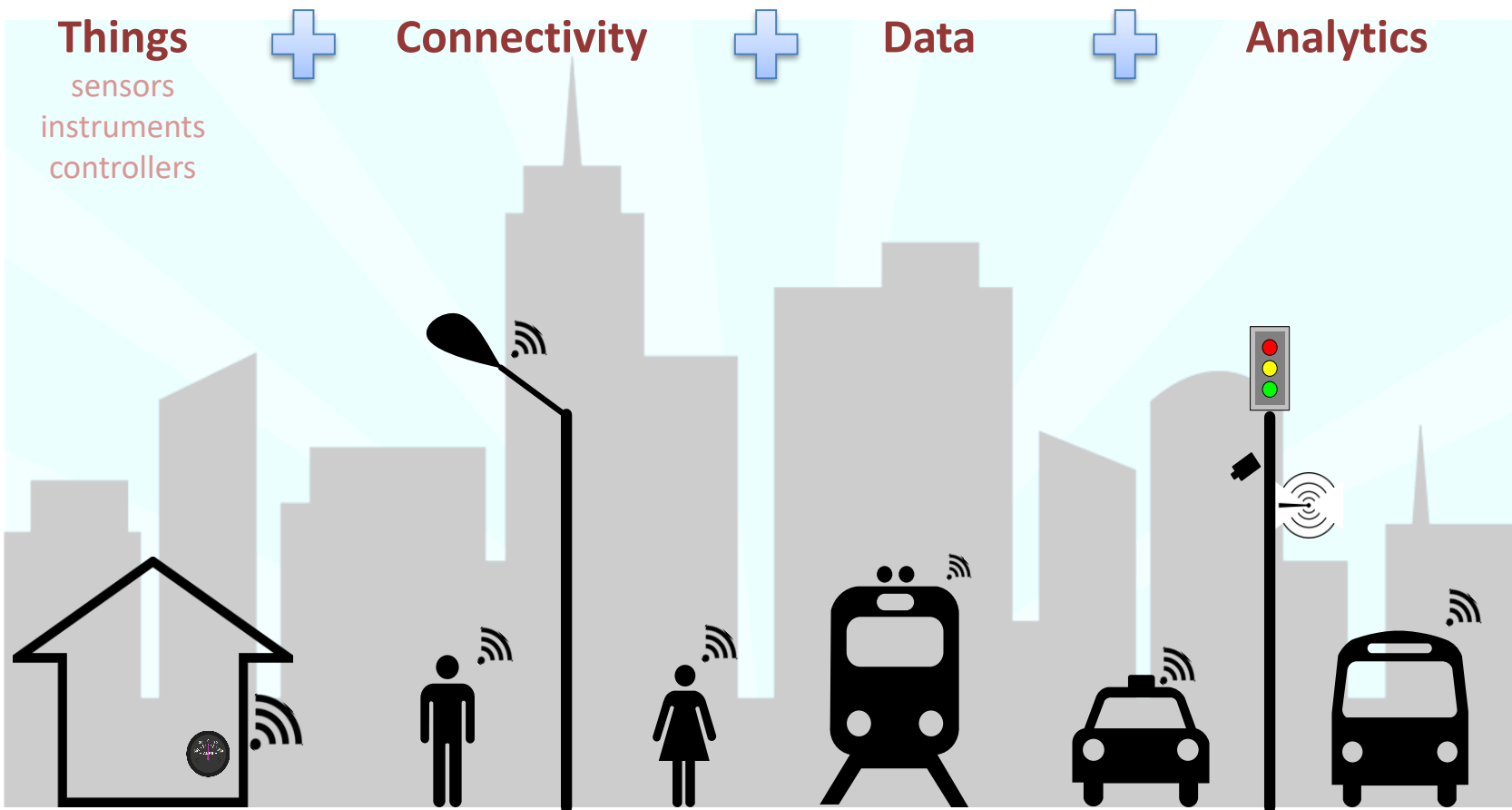
Customers Expect Better Information on Water Use

- Customers can control water usage
- Proactive leak detection



AMI evaluated in 1996, 2004, 2008, 2014, 2016

AMI (“Smart Meters”) Are Integral to Smart Cities



Smart Meters Will Improve Services Compared to the Status Quo

Utility Operations Benefits Ratepayer Benefits

	Status Quo (Base Case)	Implement Smart Meters
Leak detection	✗	✓
Access to real-time information	✗	✓
Conservation	✗	✓
Improved data analytics	✗	✓
More accurate meter reads	✗	✓
Reduced meter reading costs	✗	✓
Substantive benefits to rate payers	✗	✓
Total Net Costs	\$12.4M	\$10.1M

Utilities Recommendation

Number of Jurisdictions with “Smart Meters” Are Growing Nationally and Locally

Jurisdictions with Smart Meters:

- Sammamish Plateau Water & Sewer District
- Woodinville Water & Sewer District
- Renton, WA
- Yakima, WA
- San Francisco, CA
- New York, NY
- Cleveland, OH
- Tucson, AZ
- Corpus Christi, TX
- Houston, TX
- Salt Lake City ,UT
- Atlanta, GA
- Los Angeles, CA (Planning Upgrade)
- New Orleans, LA (Planning Upgrade)



Key Benefits and/or Lessons Learned

- Identification of customer leaks
- Phased implementation
- Strong vendor requirements and contract language

Smart Meters Next Steps

- Budget Approval
- Communication Plan
- Request for Proposal
 - Detailed Requirements
- Vendor Contract for Council Approval
- Implementation (2018-2019)
 - Phase 1 (Testing/Integration)
 - Phase 2 (Full Implementation)



Smart Meters Will Not Require a Rate Increase

- Extraordinary Operating Reserves - \$6.0M
- Renewal and Replacement Reserves - \$17.1M



Our Customers Expect High Quality Services

- **High Customer Satisfaction Rating**
 - 93% Customer Satisfaction
- **Solid Financial Management**
 - High Bond Rating – Aa1
 - No Debt
- **National Standards of Excellence**
 - APWA Accreditation
 - AMWA Platinum Award
 - AMWA Sustainable Water Utility Management Award

Budget Priorities

- Sustainable High Quality Utility Services
 - Responsible Management of Infrastructure Assets
 - Long-Term Financial Sustainability
- Certainty and Predictability of Rates



Proposed 2017-2018 Utilities Budget

\$282.8 Million

28%

Protecting Our Infrastructure

CIP Support
\$79.3M
28%

Taxes/Interfunds
\$38.0M
14%

53%

Financial Obligations

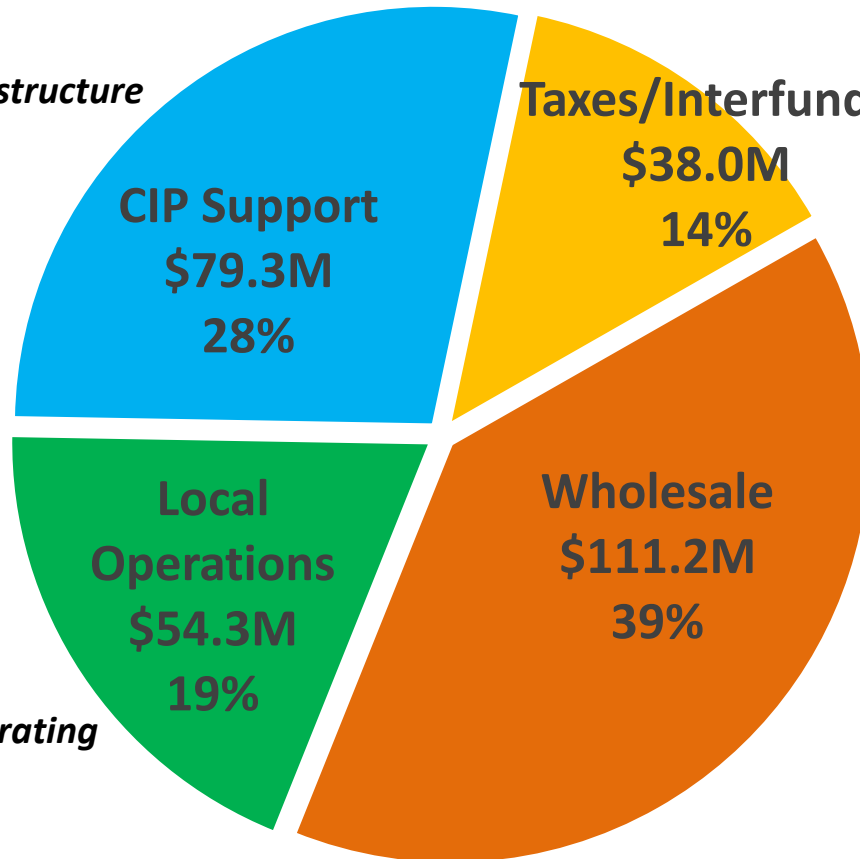
- Taxes/Support Services
- Purchased Water
- Wastewater Treatment

Wholesale
\$111.2M
39%

Local Operations
\$54.3M
19%

19%

Maintaining and Operating the Utility



CIP Will Address Highest Risks of Failure



West Lake Sammamish



Flooding in Downtown



Sandpiper Bridge Water Main Break



Flooding on 140th Ave NE

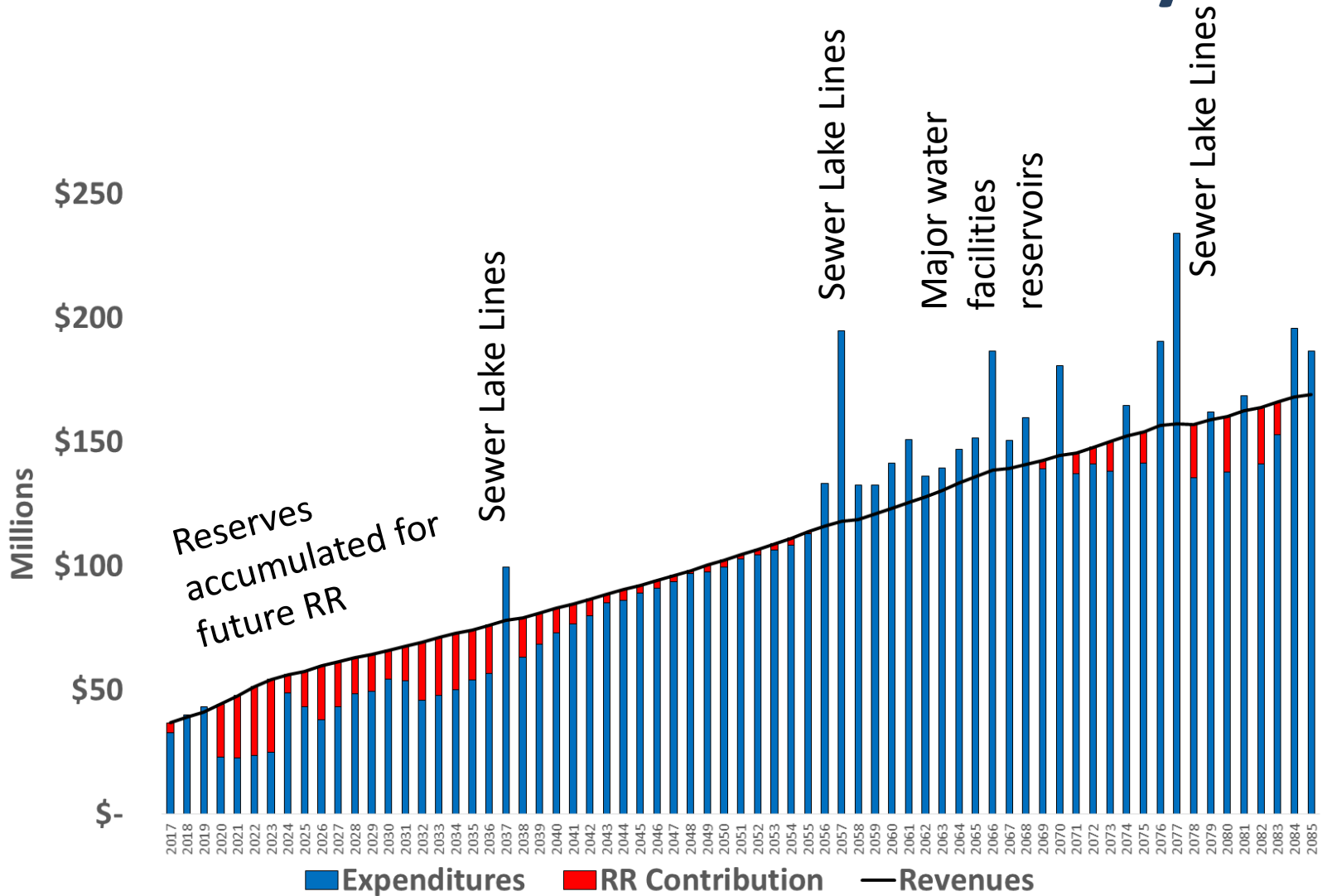
CIP Focuses on Responsible Management of Infrastructure Assets

- Aging infrastructure (72%)
- Capacity to accommodate growth (5%)
- Environmental preservation & regulatory (13%)
- Customer service enhancements (10%)

Aging Infrastructure \$159.6M	Capacity for Growth \$10.1M	Environmental Preservation \$27.8M	Service Enhancements \$23.1M
<ul style="list-style-type: none"> • Small diameter water main replacement (\$70.3M) • Water pump station and reservoir repair / rehabilitation (\$15.3M) • Sewer pipeline major system repairs (\$14.2M) • Storm system conveyance repairs (\$10.4M) 	<ul style="list-style-type: none"> • New water inlet station (\$5.2M) • Water Facilities NE Spring Blvd Multi-Modal (\$2.3M) • Drinking water storage for West Operating Area (\$1.6M) • Wilburton sewer capacity upgrade (\$0.6M) 	<ul style="list-style-type: none"> • Flood control program (\$8.4M) • Lower Coal Creek flood hazard reduction (\$7.3M) • Stream restoration for Bel-Red (\$5M) 	<ul style="list-style-type: none"> • AMI (\$23.1M)



Proposed Budget Emphasizes Long-Term Financial Sustainability



Proposed Budget Emphasizes Rate Certainty and Predictability



Water Company: 35 Percent Rate Hike Needed

Customers Call Proposed Increase 'Ridiculous'

Greentown council approves 56 percent water-rate hike

Increase comes after council approves 86-percent hike to wastewater treatment rate

Sacramento City Council Approves 4 Years Of 10 Percent Water Rate Increases

March 29, 2016 8:58 PM By Macy Jenkins

2017-2022 Combined Utility Rates Forecast

Provides Predictability and Certainty

	2017	2018	2019	2020	2021	2022
Early Outlook	5.7%	4.9%	5.8%	3.9%	4.3%	4.1%
Proposed	4.0%	4.0%	4.3%	2.7%	3.5%	3.4%



Water Rates Compared with our Neighbors

WATER UTILITY 2016 MONTHLY BILL COMPARISON WITH 2017 PROPOSED BELLEVUE RATES

Residential

\$60.42	Bellevue 2017
\$58.99	Seattle
\$58.44	Bellevue 2016
\$57.10	Kirkland
\$54.41	Mercer Island
\$50.36	Issaquah
\$42.24	Renton
\$37.00	Redmond

Multi-Family

\$617	Bellevue 2017
\$608	Mercer Island
\$606	Kirkland
\$596	Bellevue 2016
\$573	Seattle
\$561	Issaquah
\$396	Renton
\$355	Redmond

Commercial

\$5,872	Kirkland
\$5,823	Bellevue 2017
\$5,746	Issaquah
\$5,643	Seattle
\$5,632	Bellevue 2016
\$5,318	Mercer Island
\$3,811	Renton
\$3,226	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.

Source: All rate information was obtained from municipality websites.

Sewer Rates Compared with our Neighbors

SEWER UTILITY 2016 MONTHLY BILL COMPARISON WITH 2017 PROPOSED BELLEVUE RATES

Residential

\$94.54	Mercer Island
\$92.03	Seattle
\$83.57	Kirkland
\$78.68	Bellevue 2017
\$75.35	Bellevue 2016
\$70.26	Renton
\$61.34	Issaquah
\$56.18	Redmond

Multi-Family

\$1,227	Seattle
\$1,215	Mercer Island
\$1,050	Kirkland
\$900	Bellevue 2017
\$862	Bellevue 2016
\$861	Renton
\$781	Issaquah
\$738	Redmond

Commercial

\$12,270	Seattle
\$12,112	Mercer Island
\$10,497	Kirkland
\$10,099	Bellevue 2016
\$9,673	Bellevue 2016
\$8,782	Issaquah
\$7,783	Redmond
\$7,311	Renton

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.

Source: All rate information was obtained from municipality websites.

Storm Rates Compared with our Neighbors

STORM & SURFACE WATER UTILITY 2016 COMBINED MONTHLY BILL COMPARISON WITH 2017 PROPOSED BELLEVUE RATES

Residential

\$58.89	Seattle
\$23.94	Bellevue 2017
\$22.95	Bellevue 2016
\$18.14	Kirkland
\$16.56	Redmond
\$16.45	Mercer Island
\$14.78	Issaquah
\$13.73	Renton

Multi-Family

\$901	Redmond
\$679	Seattle
\$650	Issaquah
\$490	Kirkland
\$374	Bellevue 2017
\$359	Bellevue 2016
\$330	Mercer Island
\$254	Renton

Commercial

\$4,610	Redmond
\$3,396	Seattle
\$3,222	Issaquah
\$2,430	Kirkland
\$1,842	Bellevue 2017
\$1,766	Bellevue 2016
\$1,648	Mercer Island
\$1,268	Renton

Comparisons based on the following criteria established by City Engineers Association of Washington.

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)

Source: All rate information was obtained from municipality websites and verified with staff as available.

Competitive Utility Rates with our Neighbors



WATER, SEWER AND STORM & SURFACE WATER UTILITIES 2016 COMBINED MONTHLY BILL COMPARISON

Residential

\$209.91	Seattle
\$165.40	Mercer Island
\$163.04	Bellevue (2017)
\$158.81	Kirkland
\$156.74	Bellevue
\$126.48	Issaquah
\$126.23	Renton
\$109.74	Redmond

Multi-Family

\$2,479	Seattle
\$2,152	Mercer Island
\$2,145	Kirkland
\$1,993	Redmond
\$1,992	Issaquah
\$1,891	Bellevue (2017)
\$1,817	Bellevue
\$1,511	Renton

Commercial

\$21,309	Seattle
\$19,078	Mercer Island
\$18,799	Kirkland
\$17,764	Bellevue (2017)
\$17,071	Bellevue
\$16,751	Issaquah
\$15,148	Redmond
\$13,861	Renton

Source: All rate information was obtained from municipality websites

Assumptions:

Water: ¾ inch water meter; 8.5ccf consumption/month; Sewer: 7.5ccf wastewater flow/month; Storm: 10,000sft lot at moderate development level

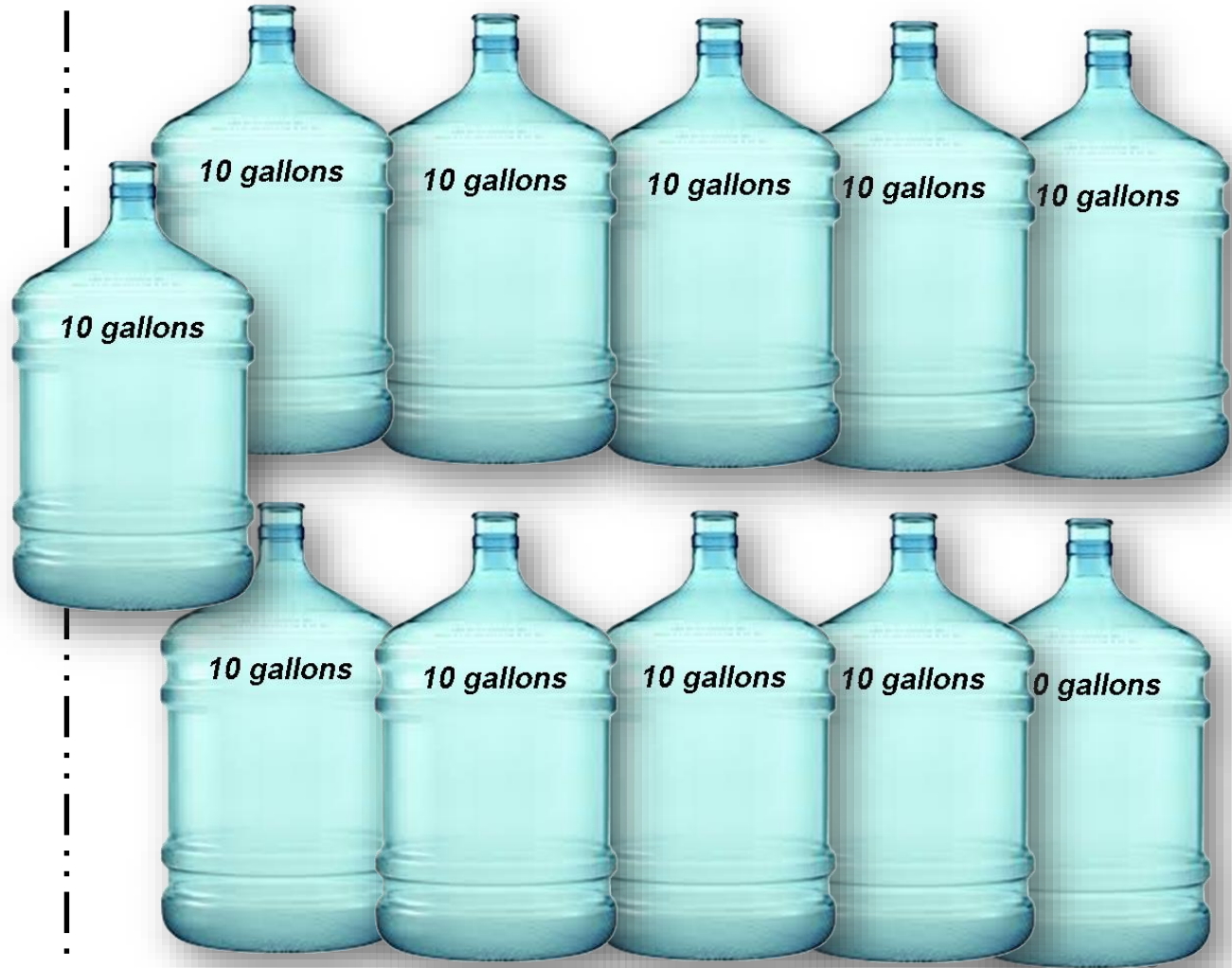
All calculations are presented including City utility taxes

High-Quality Water Delivered For a \$1

Retail



Bellevue Utilities



End



Typical Residential Combined Utility Monthly Bill

Rate Drivers

	2017 Bill Change		2018 Bill Change	
Prior Year Monthly Bill		\$156.74		\$163.04
Water Supply /Wastewater Treatment	1.8%	2.82	0.7%	1.17
Local				
CIP	1.4%	2.10	2.7%	4.43
R&R	0.0%	0.03	(0.6)%	(1.10)
Taxes and Interfunds	0.1%	0.12	0.7%	1.20
Operations	0.2%	0.37	0.5%	0.81
Issaquah Assumption	0.5%	0.86	-	-
Total Local	2.2%	3.48	3.3%	5.34
Total Increase	4.0%	6.30	4.0%	6.51
New Monthly Bill		\$163.04		\$169.55

2017-2022 Utility Rates Forecast

	2017	2018	2019	2020	2021	2022
Water						
Wholesale	0.8%	1.9%	1.4%	1.4%	1.4%	1.4%
Local	<u>2.6%</u>	<u>4.2%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.5%</u>
Total	3.4%	6.1%	4.4%	4.4%	4.4%	3.9%
Sewer						
Wholesale	3.1%	0.0%	3.1%	0.0%	1.6%	1.6%
Local	1.3%	2.2%	1.3%	1.1%	1.3%	1.3%
Total	4.4%	2.2%	4.4%	1.1%	2.9%	2.9%
Storm						
Wholesale	-	-	-	-	-	-
Local	<u>4.3%</u>	<u>4.6%</u>	<u>3.5%</u>	<u>3.4%</u>	<u>3.4%</u>	<u>3.4%</u>
Total	4.3%	4.6%	3.5%	3.4%	3.4%	3.4%
Combined Proposed	4.0%	4.0%	4.3%	2.7%	3.5%	3.4%