

Budget Update: Utilities 2021-2022 Budget

2021-2022

Nav Otal, Director, Utilities Department

Vanja Knezevic, Chair, Environmental Services Commission

Toni Call, Director, Finance & Asset Management (FAM)

November 9, 2020



City of Bellevue

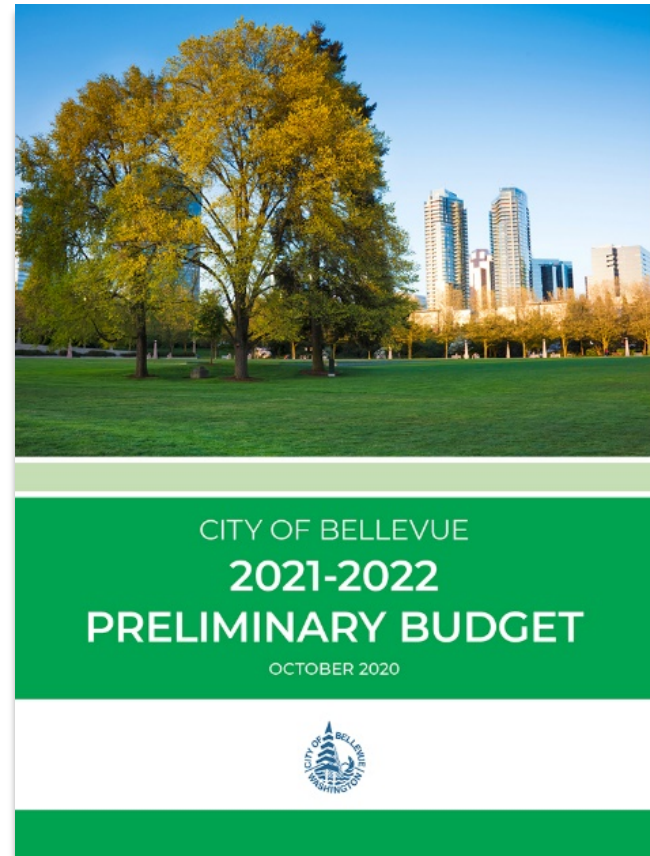
Direction Needed from Council

Staff is seeking feedback and direction regarding the Utilities Department proposed 2021-2022 operating budget and rates, and 2021-2027 capital investment program (CIP).

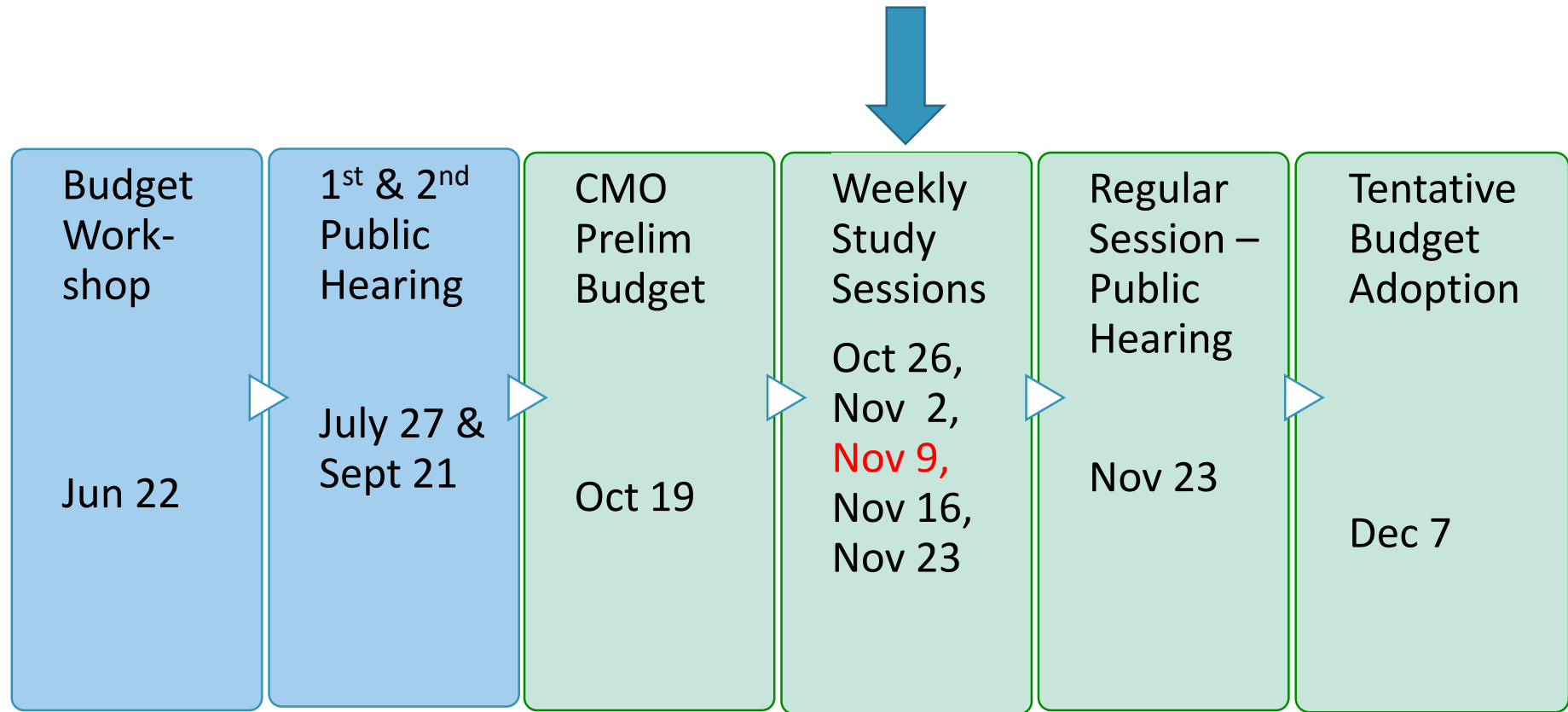


Agenda

- Calendar and Upcoming Presentations
- Actions needed for Final Adoption
- Utilities 2021-2022 Budget and Rates



Council Calendar



Proposed Meeting Schedule

| | |
|---------------|--|
| Oct 19: | City Manager's Preliminary Presentation |
| Oct 26: | Development Services, Council Interests |
| Nov 2: | Human Services, Response to Questions |
| Nov 9: | Utility Rates, Council Interests |
| Nov 16: | Fire Inspection Fee, Council Interests |
| Nov 23: | Public Hearing, Council Direction for Adoption |
| Dec 7: | Tentative Budget Adoption |

*Will be adjusted as needed, based on Council interests



Council Actions to Adopt

- 2021 Development Services Fee Ordinance
- 2021-2022 Utilities Rates Ordinances
- Human Services and Block Grant Ordinances
- 2021-2022 Fire Inspection Fee Ordinance
- Basic Life Support Fee Ordinance
- 2021 Substantial Need Ordinance
- 2021 Property Tax Banked Capacity Resolution
- 2021 Property Tax Levy Ordinance
- 2021-2022 Biennial Budget Ordinance



Utilities Agenda

- Background
- 2021-2022 Operating Budget
- 2021-2027 CIP Budget
- 2021-2022 Utility Rates
- Environmental Services Commission (ESC)
Recommendation



Invisible Systems, Visible Benefits

*We deliver daily essential services
in a manner that is environmentally responsible and cost-competitive*



Water

A Critical Resource



Wastewater

Protecting Public
Health



Storm & Surface Water

Protecting the Environment



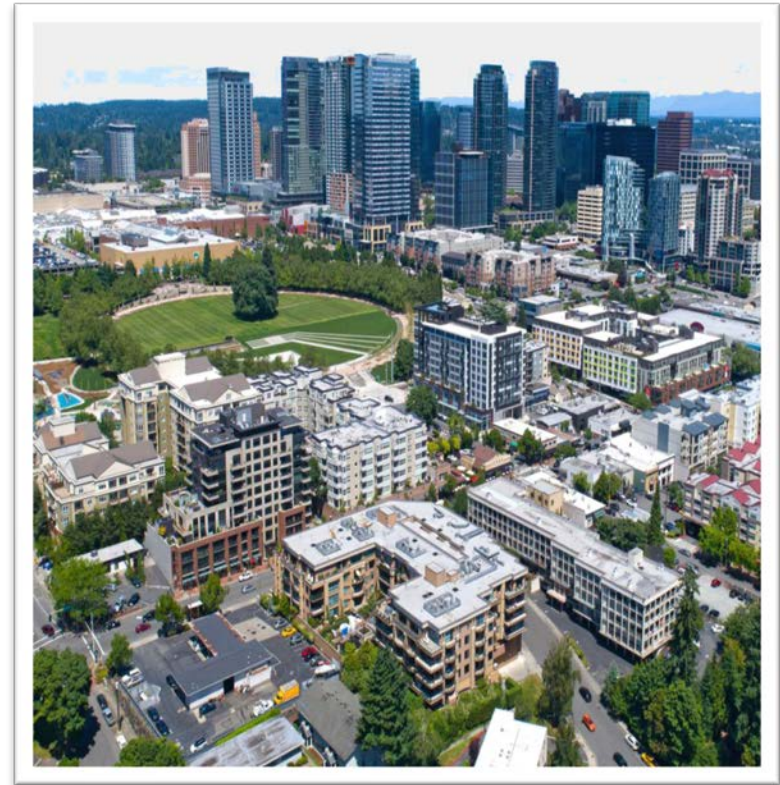
Solid Waste

Encouraging Sustainability




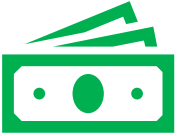

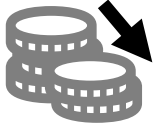


Utilities - A Unique Business

- Out of sight, out of mind
- Rates - primary funding source
- Systems not scalable
- Capital intensive



COVID-19 Efforts

| Customers | Utilities |
|---|--|
|  <p>Continue essential services to customers</p> | <p>Safety of our staff</p>  |
|  <p>Ensure everyone had access to clean water</p> | <p>Financial impact</p>  |
|  <p>Offer payment plans and financial relief programs</p> | <p>Belt tightening – immediate steps to curtail spending</p>  |



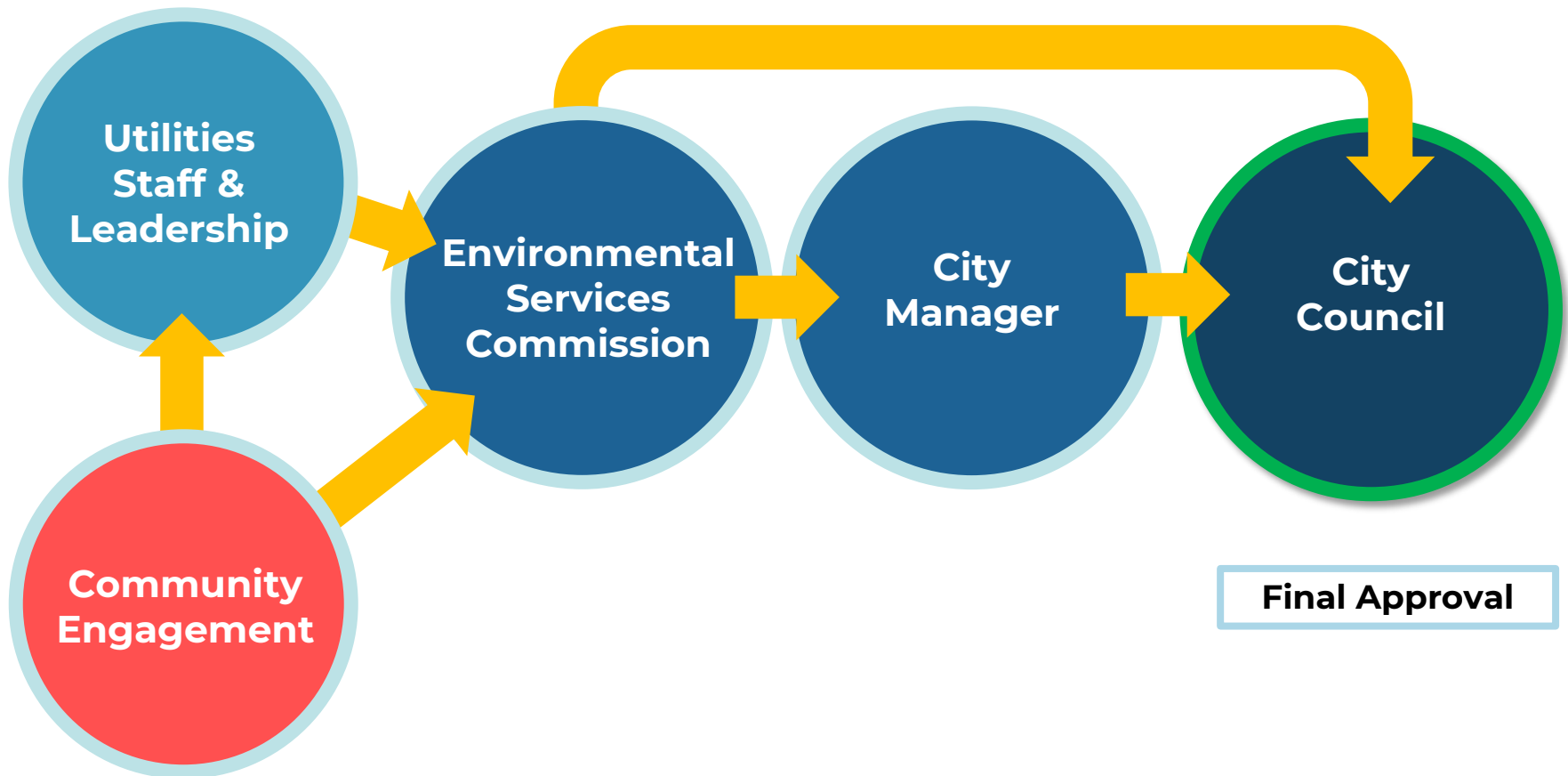
Utilities Budget



Stewards of Customer Dollars

Utilities budget and rates are not decided in isolation

Budget Kick-off



Utilities Budget Values

- Support the City's economic development
- Protect built and natural environment
- Achieve human potential
- Be a high performing organization






**Council
Strategic
Target
Areas**

- Maintain long term view
- Leverage innovation and technology
- Minimize impact to customers
- Preserve Utilities financial sustainability
- Address COVID-19 impacts



Strong Financial Policies

High quality, sustainable services through long-range planning

-  Funding for current and future expenses
-  Pass wholesale costs through to customers
-  Predictable, gradual and uniform rates
-  Adequate reserves
-  Capital investment



Key Budget Challenges

On-going

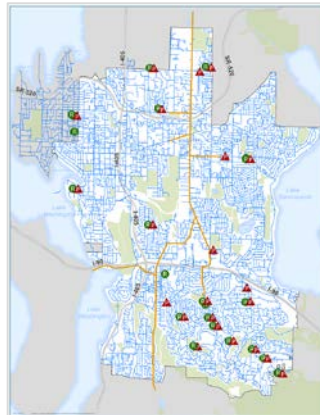
Fixed Costs

External provider costs continue to increase



Infrastructure

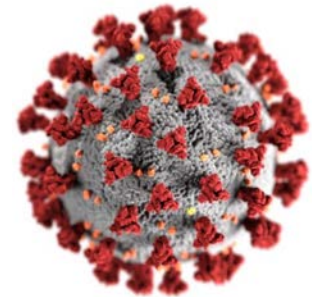
Expensive infrastructure renewal costs



New

Economy

Difficult to quantify COVID-19 financial impacts



Proposed Operating Budget

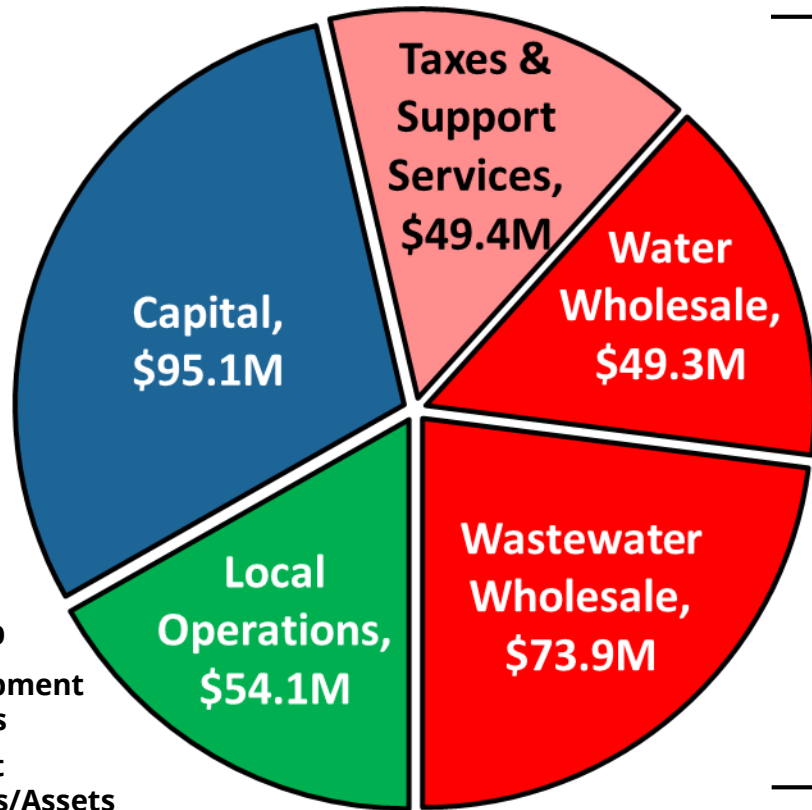
2021-2022: \$321.8M

Internal Drivers

Capital Delivery: **30%**

Local Operations: **17%**

- Operations & Maintenance
- Customer Care
- System Planning
- Development Services
- Support Systems/Assets
- Regulatory



External Drivers
53%

Taxes & Support Services
15%

Wholesale
38%

- Drinking water supply
- Wastewater treatment



Managing Aging Infrastructure

Not too soon, not too late

Major Factors:

- Size, age and condition of asset
- Failure history – severity & frequency
- Probability and consequence of failure

➤ 75-year funding plan



Responsibly Managing Infrastructure

2021-2027 Utilities CIP: \$235.6M

| Aging Infrastructure \$192.9M | Capacity for Growth \$7.0M | Environmental Preservation \$27.7M | Operational Efficiency \$8.0M |
|---|--|--|--|
| <ul style="list-style-type: none"> Water main replacement (\$81.3M) Water reservoir rehab (\$23.4M) Water pump station rehab (\$7.0M) Sewer pipeline major system repairs (\$25.7M) Sewer pump station improvements (\$15.3M) Sewer pipeline replacements (\$5.7M) Storm system conveyance repairs & replacement (\$13.1M) | <ul style="list-style-type: none"> Water storage availability for Downtown, Bel-Red, Wilburton (\$4.1M) New water facilities for NE Spring Blvd. Corridor (\$2.9M) | <ul style="list-style-type: none"> Storm system flood control program (\$9.5M) Factoria Blvd. stormwater conveyance improvement project (\$9.3M) Stream channel modification program (\$3.2M) Fish passage improvements (\$1.8M) | <ul style="list-style-type: none"> Operations & maintenance yard development (\$8.0M) |
| Water / Sewer / Storm / Water & Sewer | | | |

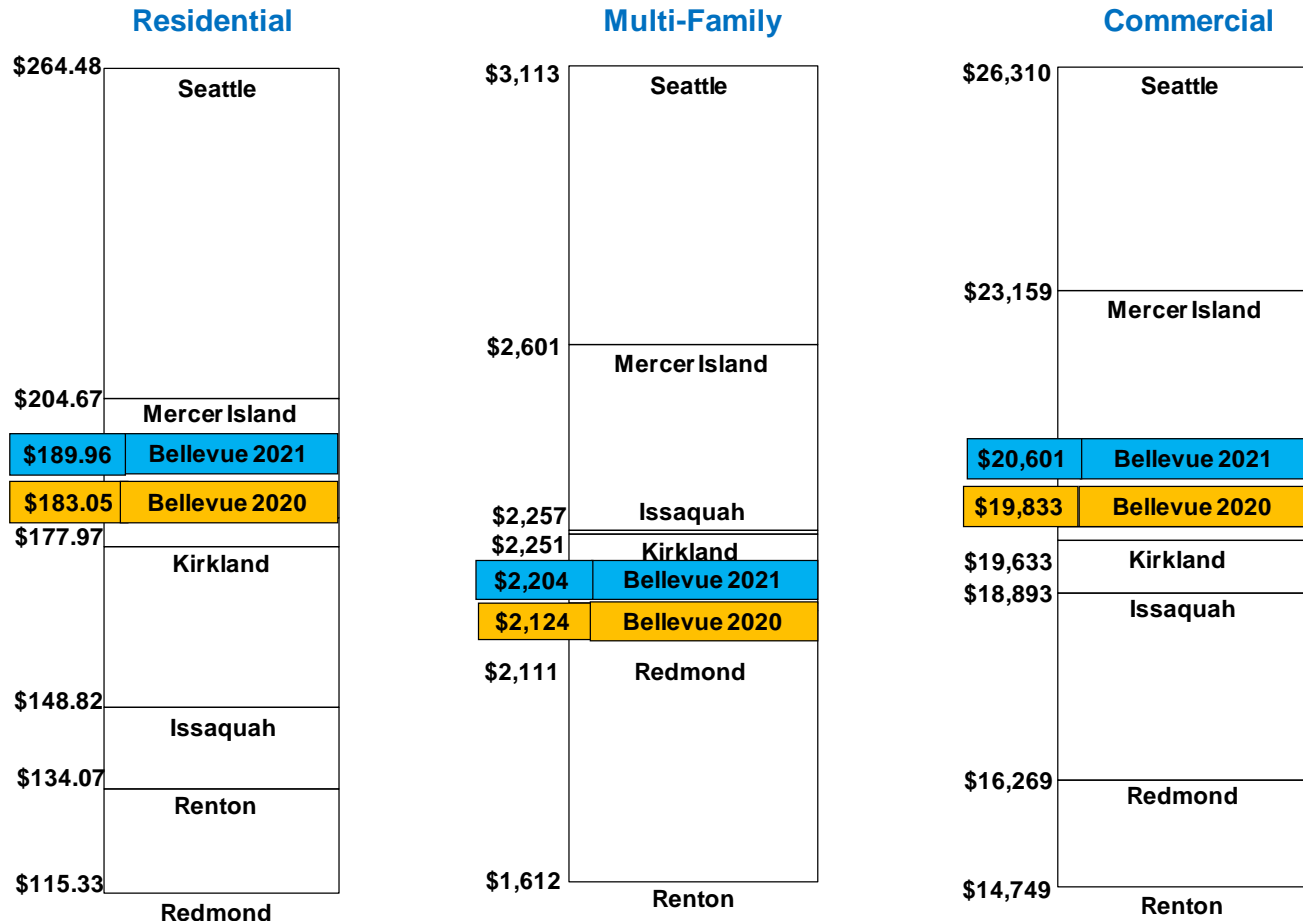
Proposed 2021-2022 Rates

| Typical Single-Family Monthly Bill | | |
|------------------------------------|-------------|-----------------|
| 2020 Monthly Bill | | \$183.05 |
| 2021 Rate Drivers | | |
| Wholesale | 2.2% | \$3.93 |
| Capital | 0.6% | \$1.07 |
| Taxes/Interfunds | 1.0% | \$1.91 |
| Local Operations | 0.0% | \$0.00 |
| Total Increase | 3.8% | \$6.91 |
| 2021 Monthly Bill | | \$189.96 |
| 2022 Rate Drivers | | |
| Wholesale | 1.8% | \$3.32 |
| Capital | 1.7% | \$3.50 |
| Taxes/Interfunds | 0.4% | \$0.66 |
| Local Operations | 0.0% | \$0.00 |
| Total Increase | 3.9% | \$7.48 |
| 2022 Monthly Bill | | \$197.44 |



Our Rates Are Competitive

2020 Combined Water, Sewer, & Storm Monthly Bill (Proposed 2021 bill for Bellevue only)



Serving All Our Residents

Programs to support residents with financial need

Emergency Assistance Program

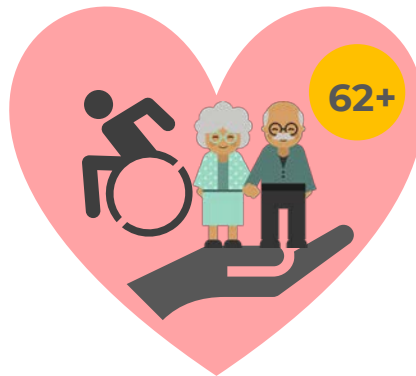
Experiencing Temporary Financial Shock



Waive up to **4** Months Utility Bills

Utility Rate Relief

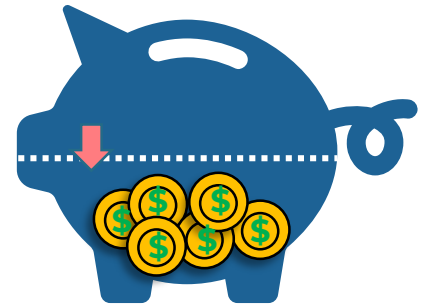
Low Income Seniors
Disabled Residents



70% Utility Bill Discount

Utility Tax Relief

Low Income Households



 Utility Tax Rebate

A Well-Managed Utility

High customer satisfaction rating

- 84% Customer Satisfaction

Competitive Rates

Solid Financial Management

- No debt
- High bond rating – Aa1

National Standards of Excellence

- APWA Accreditation
- AMWA Platinum Award
- AMWA Sustainability Award





Environmental Services Commission Recommendation



Commission's Charge

The Commission advises City Council on water, sewer, storm and surface water, and solid waste programs including:



- Planning
- Budget and rates
- Capital financing
- Policies



Commission's Budget Review



JAN 16

- 2021-2027 CIP Budget Development



FEB 6

- 2021-2022 Budget Planning
- Utilities Finances & Policies



JUN 23

- Proposed 2021-2027 CIP



JUL 23

- Utility Rates Forecast
- 2019 Financial Performance
- CIP Open House Results



AUG 6

- Operating and CIP Budget Proposals



AUG 20

- Proposed 2021-2022 Operating
- Proposed 2021-2027 CIP Follow-Up
- Updated Rates Forecast
- ESC Budget Recommendation to City Manager



OCT 7

- Financial Policies & Budget Update
- Public Hearing



OCT 22

- ESC Budget & Rates Recommendation to Council



Recommendation to Council

*The Environmental Services Commission
unanimously supports the proposed 2021-2022
Utilities operating budget and rates, and 2021-
2027 Utilities CIP.*



Direction Needed from Council

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