

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

Thursday
May 4, 2023

City Hall & Remote
6:30 p.m.

1. CALL TO ORDER:

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

ROLL CALL

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

COMMISSIONER ATTENDING REMOTELY: Andy Dupertuis, Diann Strom

COMMISSIONERS ABSENT: None

COUNCIL LIAISON: Conrad Lee

OTHERS PRESENT: Linda De Boldt, Utility Engineering Assistant Director; Cheri Brignon, Senior Administrative Assistant; Jaclyn Knoth, Utilities Engineering Asset Manager; Andy Baker, Fiscal Manager; 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

Alex Tsimerman, 14150 NE 20th Street, Bellevue, WA expressed concerns about meeting rules and city government.

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

Councilmember Lee noted that May is Asian Pacific American Month. The City Council made a proclamation to celebrate Asian, Hawaiian, Native, Pacific Islander Month. There is a celebration of representative artwork when you enter

City Hall. The International Ballet Company had a performance over the weekend in support of Ukrainians. He noted that arts and culture can bring people together. He thanked commissioners for their work, especially the three that will be leaving – Anne Howe, Diann Strom, and Neal Hines.

5. **STAFF REPORTS - None**

6. **APPROVAL OF MINUTES**

a) **April 6, 2023 Minutes**

Motion made by Vice Chair Hines, seconded by Commissioner Wan to approve the 4/6/23 minutes as presented. Upon a roll call vote, the motion passed unanimously (7-0).

7. **UNFINISHED BUSINESS**

None

8. **NEW BUSINESS**

a) **2022 Financial Performance Report**

Fiscal Manager Andy Baker presented an informational briefing on the 2022 Financial Performance Report for Water, Sewer, Storm & Surface Water, and Solid Waste Utility Funds.

Water Utility Overview

The beginning fund balance was \$3.1M above budget. Revenues were \$7.3M above budget; this was mostly driven by service revenues. Expenditures were \$1.6M above budget. \$2.1M was due to higher taxes than budgeted which was offset by \$0.5M of vacancy savings. Because of the positive revenue outcome, Utilities is still able to transfer \$1.9M to R&R. The ending fund balance was \$6.9M above budget.

Commissioner Wan asked why they don't move more to the R&R if they are \$6.9M above budget. Mr. Baker explained they are limited by their total biannual appropriation. Commissioner Wan asked if they plan for the appropriation limit for each budget cycle. Mr. Baker explained how the R&R transfers work. From a long-term planning perspective, the rates, and the R&R funding plan, anticipate they will have periods where more money comes in and they are able to transfer more. Commissioner Wan asked what the trend is for the budget cycle for transferring above and beyond into the R&R. He wondered what the effect would be if they lower the rate increase so that the consumer can see a savings instead of

ending the year above budget. Mr. Baker said he would be happy to share the implications of that approach as part of the budget process. As part of each budget cycle, they true up what the R&R fund needs are.

Mr. Baker generally discussed seasonable variability in water usage. He explained that water revenue is very sensitive to year-to-year variation due to differences in usage. It is generally related, but not directly correlated to the temperatures and precipitation levels. Commissioner Khanloo said it would be interesting to see temperature and precipitation information. Mr. Baker said they have that information but didn't include it here.

Commissioner Strom wondered about water R&R fund trends in recent years. Mr. Baker said on average over the past five years they have tended to be above where they have budgeted for revenue projections. This is due to changes in people's behavior and also conservative budgeting practices. Staff watches this closely because it directly impacts where the rates are. It is also changing as the weather changes and behaviors change.

Sewer Utility Overview

They began with \$4.1M above budget. Higher water usage in 2022 translated to higher sewer sales. Revenues were \$5.3M above budget due to strong water sales and the resulting sewer usage. Expenditures were \$.03M below budget largely due to \$0.7M of vacancy savings and \$0.5M of higher taxes. \$5.1M was transferred to R&R. The ending fund balance for the sewer fund was \$4.3M above budget. This was an intentional choice after evaluating overall reserve levels at the end of the biennium but is also constrained by their total expenditure authority.

Storm and Surface Water Utility Overview

The beginning fund balance was \$1.3M above budget. Revenues were in line with budget. Expenditures were \$0.6M under budget due to \$1.3M of vacancy savings and \$.6M of other M&O. \$1.1M was transferred to R&R. The fund had an ending balance of \$0.7M above budget.

Solid Waste Utility Fund

The beginning fund balance was \$1.0M above budget due to payments from Republic Services in prior years related to recycling and contract performance expectations. Revenues were \$0.2M above budget due to unearned performance bonus incentives that were returned to the City by the vendor. Expenditures were \$0.2M under budget due to a combination of vacancy savings and other operational savings. Solid Waste does not have an R&R fund. The ending fund balance was \$1.4M above budget. This level meets reserve requirements.

He summarized that all utilities ended 2022 in positive financial condition. Each individual utility remains self-supporting and fiscally sound. Utilities financial management and reserve policies have been met.

b) Asset Management Program Update

Jaelyn Knoth, Utilities Engineering Asset Manager made an informational briefing regarding the Asset Management Program Update. The presentation included an overview of Asset Management (AM) at Bellevue Utilities, an update on major projects including R&R forecast update, condition assessment efforts, and upcoming technology systems evaluations. She gave some background on Utilities AM approaches through the years. The Strategic Asset Management Program (SAMP) was completed in 2021 and provides guidance for the overall program. AM principles include lifecycle approach, risk, stewardship, data and information, and continuous improvement. Ms. Knoth explained the general flow of information between asset management and the department.

AM objectives:

- Sustainably manage asset information and systems
- Support capital planning and replacement program strategies
- Create short- and long-term financial strategies
- Build strong partnerships and communication
- Support operations and maintenance activities
- Define LOS targets, asset risk thresholds, and procedures

Commissioner Wan asked, if they have positive revenues as discussed by Mr. Baker, are they able to change their short- and/or long-term planning on projects? Ms. Knoth commented that planning is set over a very long period of time, so the year-to-year adjustments don't immediately impact the next year. Mr. Baker added that they approach determining what projects need to be executed and when to do them based on the needs and impacts of what could happen if they don't get those projects done. They are fortunate to benefit from the funds they have in the R&R funds. If they saw that the needs in a year exceeded ongoing rate revenues, they could draw from the R&R funds to be able to accelerate those.

Asset Management Projects

Renewal & Replacement Forecast Update - This is a tool used to help inform rates and CIP. It also supports financial stability. The goals of this project were to update the existing forecast and the tools they use to prioritize the assets for renewal and replacement. This project added many enhancements including adding detail in facility renewal needs, incorporating CCTV analysis directly into modeling, expanding renewal methods represented in forecast, and updating asset renewal activity cost estimating.

Key Findings:

- Water mains: Bellevue's water system is performing 50% better than regional averages. Performance is attributed to strong existing renewal program. Staff will continue to review current replacement targets.
- Sewer gravity mains: Direct condition assessment is available for most assets. This makes use of decision logic to target specific renewal strategies; produces asset maintenance activity recommendations as well as CIP activities; and incorporates a risk framework for asset prioritization.
- Stormwater Utility: Future investments in stormwater asset information and condition are recommended. Direct condition assessment is the most reliable tool. This information will be used in future renewal modeling and updating of stormwater infrastructure replacement plans.
- Facility Assets (Pump Stations, Reservoirs): Facilities were documented by individual assets (pump by pump, valve by valve). It incorporates age plus condition to determine renewal year which allows for a more site-specific strategy.

Clarification questions and answers followed. Ms. Knoth discussed the related R&R funding study. She summarized that they have completed the R&R Forecast Update project. They have gained new tools and updated methods for prioritizing assets for capital and maintenance programs. Overall, Bellevue's infrastructure is performing well compared to regional averages. Stormwater will be an upcoming focus for additional data gathering and condition assessment. Next steps are to work with capital delivery and fiscal partners to determine rate impacts and infrastructure plans.

Condition Assessment Projects

Water Main Condition Assessment Program:

- Phase I Program Development – Develop program procedures and targets, train internal staff on program procedures, map implementation plan for contracted assessment.
- Phase II Condition Assessment – Engage contracted services for programmatic inspection, incorporate updated condition data into asset risk modeling, feed W-16 and other CIP programs with new asset prioritization.

Wastewater Pump Station Condition Assessment:

- Phase I – Station Analysis – Staff has completed a condition analysis of the top 10 priority wastewater pump stations. They are actively performing and documenting FMECA (Failure Modes Effects & Criticality) analysis. They will be updating the asset inventory.
- Phase II – Asset Management Deliverables – In this phase they will be

delivering electronic condition inspection data, updating risk modeling, adopting an inspection tool for ongoing assessment, and documenting wastewater pump station asset management plan.

Culvert Condition Assessment:

- Phase I – Closing 2023 Q3 – Assessing and prioritizing culverts for replacement or fish barrier mitigation.
- Phase II – Target Start date 2023 Q4 – Conduct visual inspections of culverts and barriers, incorporate condition into prioritization, identify culverts needing CCTV inspection and document permitting needs.

Condition assessment efforts are active in all three utilities. The projects will yield new tools for ongoing assessment of infrastructure condition. Condition assessment is a constant effort in asset management.

Asset Information Systems Evaluation

Asset Management will be mapping data in a systems evaluation. They will be looking at all of the asset data and the systems that it flows through to identify areas of opportunity within that flow.

- GIS (Esri)
- CMMS (Maximo)
- Modeling (IAP)
- Inspection (Maximo, Gnet, Survey123)

Ms. Knoth summarized that the R&R update project is completed. Rate and capital program impacts are being assessed. Multiple condition assessment projects are underway. Programs and tools will be implemented for ongoing assessment. Utilities will be evaluating our data and systems for efficient access to information. Asset Management will come back later this year with additional updates as needed.

Vice Chair Hines commented on the difficulty of putting dollar values on environmental and habitat improvement projects. He asked how this is measured financially. Ms. Knoth said the current risk evaluation tool does not monetize risk but evaluates on level of service delivery. The financial portion of the tool creates a plan for the cost of renewal or replacement. Asst. Director De Boldt added that in addition to the risk assessment, when they look at habitat improvement projects as they relate to the culvert improvements, there are several prioritization factors. They may not monetize the benefit of habitat improvement, but they incorporate qualitative benefits in their assessments.

Commissioner Wan commented that it is important to communicate to the ratepayers in a tangible way what will be done with excess revenues. Additionally, how will this impact the next rate cycle? Mr. Baker commented that

staff evaluates reserve levels as part of each budget cycle. Year-end transfers due to better than budgeted performance reduces the rate needs in future years. Commissioner Wan remarked that customers may want to know how they will see the benefit right away – perhaps by speeding up spending on capital projects. Mr. Baker responded that our capital projects are developed based on both need and available capacity to deliver projects, and that a short-term windfall doesn't immediately translate to another project that needs to be done. If they knew there was a high need for something to be done, they want to make sure it is addressed as soon as possible. He emphasized that they are constantly looking to optimize the lifecycle of their many assets. This will have rate impacts and change what planning is. Commissioner Wan suggested they focus on presenting it as being "more proactive".

Vice Chair Hines commented that the risk of storm and surface water is different risk quantification than the other utilities because it can be catastrophic. The costs of breakage can be very high versus preventative replacement. It seems difficult to communicate this with residents. Ms. Knoth agreed and explained there are different risk factors for different assets because they are balancing lifecycle as well as risk of failure which presents differently for many of the asset groupings. Asst. Director De Boldt commented on recent culvert failures that had big impacts on roads needing to be closed. Stormwater includes habitat and fisheries but it also includes flood control. The Factoria Blvd. project is a flood prevention project replacing an old stormwater conveyance system which is undersized. Because of that there have been a lot of floods on Factoria Blvd. which is very impactful to the community.

Commissioner Howe asked how often they are applying Asset Management to planning. Ms. Knoth said it is dynamic and depends on the program they are talking about. Asst. Director De Boldt added that they also use the information in the project design and planning process.

c) Remote Participation Approval for July 6, 2023

None

9. ORAL AND WRITTEN COMMUNICATIONS - None

10. REVIEW OF COMMISSION & COUNCIL CALENDARS

Asst. Director De Boldt proposed a combined CIP and O&M field trip in June. Commissioners Wan, Knezevic and Khanloo said they would be able to come. Asst Director De Boldt will follow up with Commissioner Dupertuis. She reviewed the calendar for upcoming months.

11. ADJOURNMENT

Motion made by Chair Knezevic, seconded by Vice Chair Hines, to adjourn the meeting. Upon a roll call vote, the motion passed unanimously.

The meeting was adjourned at 8:06 p.m.