

**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

**COUNCIL LIAISON:** Jared Nieuwenhuis

**COMMISSIONERS ABSENT:** Lisa Schreiner

**OTHERS PRESENT:** Nav Otal, Director; Lucy Liu, Assistant Director - Resource Management & Customer Service; Brian Bartle, Deputy Director; Linda DeBoldt, Assistant Director - Utility 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

**Commissioner 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 Commissioner 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 and Emergency Response Plan by March 31, 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 with Cascade and 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, developing high level work plans for the priorities, and understanding how Cascade's priorities dovetail with other efforts.

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 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, check in on a regular basis with the group, and identify new future actions.

As a group, the forum plans to update and share an inventory list of emergency supplies, develop and issue consistent public messaging, coordinate with local emergency manager 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. Melina 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. Henry explained how the work is both qualitative and quantitative.

Commissioner Knezevic asked how often the ESC commission 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 of R&R fund. She gave an update of R&R Strategy objectives of building rate capacity to meet future infrastructure needs and using R&R reserves to meet 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. A shorter (20-year) planning horizon would introduce unintended rate volatility and inequitable rates for customers.

Commissioner Zhuang expressed her concerns about using a 75-year planning horizon as City Council's policy indicates the planning horizon is 20 years (or longer). She pointed out that due to the City's low interest rate, the value actually declines over time. She suggested that it might be more valuable to have a different method to plan for costs that are expected to occur within 20 years, and every budget cycle moves forward a couple of years so that costs expected to occur within 20 years will be consistently checked. Assistant Director Liu agreed, but suggested that the strategy is still a good strategy because it reduces the gap they will have in the future. She expects that as the asset management program evolves and improves this gap will get even smaller and the trajectory will be refined. Assistant Director Liu continued to review the benefits of the long-term horizon for building funds.

Assistant Director Liu continued on with the presentation. She reviewed the collection of R&R funds and how they are used. The majority are reserved for future 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 is combined with city investments and governed by city investment policies. The City's objectives relate to safety, liquidity and return. She then reviewed the City's investment portfolio as of December 2018. Investment performance was reviewed. 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. The City is continually considering other investment portfolios that are consistent with the city's investment policies to optimize returns and cost efficiencies.

Councilmember Nieuwenhuis asked how other utilities address the planning horizon strategy. Assistant Director Liu explained that most cities do not have the foresight to develop a strategy like Bellevue's which has resulted in smooth predictable rates over time. Other utilities have had to depend on expensive infrastructure needs and sometimes double-digit rate spikes.

Commissioner Zhuang expressed concern about the cost-estimation based on 75 years' projection. She indicated that according to the R&R bond chart, a large amount of money we reserve now would be spent 40 plus years later. 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 suggests 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 life cycle of the assets. She concurred with concerns about the investment returns, but interest rates are at a historic low right now and may not continue for the 75-year horizon. She added that the trajectory will continually be reviewed and adjusted every two years.

Commissioner Zhuang asked about the reasoning of incorporating the CIP projects into the R&R fund 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. 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 levelized 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. Chair Strom suggested that Commissioner Zhuang get together with staff outside of the meeting time if she has additional questions.

## **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 there will be a report to the ESC on Republic's performance on the Solid Waste Contract. 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 in 2015 on transferring water and sewer 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.