

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

Thursday
July 23, 2020
6:30 p.m.

Zoom

1. CALL TO ORDER:

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

2. ROLL CALL

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

COUNCIL LIAISON: Conrad Lee

COMMISSIONERS ABSENT: None

OTHERS PRESENT: Brian Bartle, Deputy Director, Utilities; Lucy Liu, Assistant Director – Resource Management and Customer Service, Utilities; Linda De Boldt, Assistant Director – Engineering, Utilities; Brian Landau, Planning Manager, Utilities; Jo Liu, Fiscal Manager, Utilities; Cherish Jackson, Interim Executive Assistant, Utilities; and Laurie Hugdahl, Minutes Taker

Deputy Director Brian Bartle read an introductory statement regarding online meetings.

3. TEMPORARY SUSPENSION OF BYLAWS

Chair Knezevic explained that several items in the Commission’s bylaws needed to be suspended temporarily in order to remotely hold meetings.

Motion made by Vice Chair Zhuang to suspend remote participation provisions and bylaws until such time as the Environmental Services Commission is no longer holding its meetings remotely. Upon a roll call vote, the motion passed unanimously (7-0).

Motion by Vice Chair Zhuang to suspend oral public communications provisions and bylaws and allow public participation to be submitted in writing and read for the July 23, 2020 Environmental Services Commission meeting only. Upon a roll call vote, the motion passed unanimously (7-0).

Motion made by Vice Chair Zhuang to suspend order of business provisions and bylaws until such time as the Environmental Services Commissions is no longer holding its meetings remotely. Upon a roll call vote, the motion passed unanimously (7-0).

4. APPROVAL OF THE AGENDA

The agenda was approved unanimously.

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

City Councilmember Conrad Lee thanked the ESC for holding the remote meetings during these extraordinary circumstances. He also welcomed newly appointed Commissioner Ken Wan. Commissioner Wan introduced himself.

6. STAFF REPORTS

None

7. APPROVAL OF MINUTES

A) 6/23/20 MINUTES

Chair Knezevic noted that Lucy Liu's title should be corrected to Assistant Director on page 6, paragraph 3.

Motion made by Vice Chair Zhuang, seconded by Commissioner Khanloo to approve the 6/23/20 minutes as corrected. Upon a roll call vote, the motion passed unanimously (7-0).

8. UNFINISHED BUSINESS

None

9. NEW BUSINESS

a) Utilities Proposed 2021-2027 Capital Investment Plan Online Open House Summary

Brian Landau, Planning Manager, Engineering
Linda De Boldt, Assistant Director, Engineering

Planning Manager Landau provided a summary of the online open house results regarding the Utilities CIP. He discussed the goals and strategy of

the open house. There were 162 visits to the site. Of those visitors, two people completed the survey, 29 visitors visited multiple pages, and 131 visitors went to at least one project page. The two responders showed agreement for investments in projects to protect and enhance the environment and a difference in agreement for replacing aging infrastructure before it fails and investments in capacity for growth projects. There were two other emails received and one comment received from the survey (attached to the Planning Commission packet). The most substantive comment provided specific program budget reductions in each of the three funds without explanation on proposed reductions. Planning Manager Landau concluded by pointing out that there were many visits to the CIP project page but there was limited engagement. There are plans to continue to use and improve this tool in the future for public engagement on other projects.

Vice Chair Zhuang asked if project adjustments for the Watershed Management Plan would be included in this year's CIP. Planning Manager Landau commented that the development of the Plan is included in the CIP with the understanding that it would not be concluded until 2023. The projects identified in the Plan would then be added to future Capital Improvement Programs.

Commissioner Howe asked how the open house was promoted and noted she didn't remember seeing any notices about it. Planning Manager Landau reviewed the methods the City used for advertising. Commissioner Howe also asked how staff felt about the results of the public open house. Planning Manager Landau commented that they wished there was more engagement. There are plans to try to publicize this over different channels and possibly extend the length of the open house in the future.

Commissioner Wan asked how this year's engagement results compared to prior years. Planning Manager Landau responded that in previous years there was more feedback solicited through social media which created more comments, but those comments weren't necessarily associated with the CIP. This year's online survey was an attempt to focus feedback more specifically on projects.

b) Year End Financial Report

Jo Liu, Fiscal Manager, Utilities

Fiscal Manager Liu gave a presentation regarding the Utilities 2019 Year-End Review. She summarized that all utilities ended 2019 in positive financial condition with operating revenues sufficient to meet operating expenses, and fund balances above expectations. Per Council-adopted

financial policies, any fund balances above expectations are transferred at the end of the biennium to the capital renewal and replacement account to fund future infrastructure investments. Fiscal Manager Liu then summarized the 2019 financial performance of each utility fund.

Water Utility: 2019 revenues were \$3.2 million above budget. This was largely due to higher service sales related to a hot dry spring. Expenditures were \$1.5 million lower than budget; this was driven by personnel vacancies savings and the delay of some projects. The Water Fund ending balance was \$11.3 million above budget; however, \$5.3 million was committed for land acquisition. The net fund balance was \$6 million above budget, due to extraordinary water sales and operational savings.

Sewer Utility: 2019 revenues were \$3.5 million more than anticipated resulting from warm dry spring weather. Expenditures were \$0.2 million lower than planned. This was largely driven by personnel vacancies savings and project and technology upgrade/equipment delays. The Sewer Utility ending balance was \$3.4 million above budget.

Storm Utility: Revenues were \$0.1 million more than anticipated. Expenditures were \$0.6 million below budget; key drivers included delay in spending of majority of the SCADA system upgrades into the next biennium and operational savings. The Storm Utility ending fund balance was \$1 million over budget.

Solid Waste Utility: 2019 total revenues were \$0.3 million above budget largely due to unearned performance bonuses by Republic Services, the City's solid waste collection vendor. Actual expenses were \$100,000 lower than planned and primarily due to operational savings. The Solid Waste Utility ending fund balance was \$0.9M above budget levels. This is primarily due to Republic Services not earning the performance bonuses as well as operational savings.

Fiscal Manager Liu reiterated that all utilities ended in positive financial condition with operating revenues exceeding expenses and fund balances above expectations. All funds are starting off 2020 in a healthy financial position and are well-positioned to mitigate COVID revenue impacts. Utilities will continue to provide fiscal stewardship.

Commissioner Wan asked about the reason for the staffing vacancies in Water Utility Fund. Fiscal Manager Liu explained that this is not a normal trend, but Bellevue is a very competitive area. Commissioner Wan also asked for more information about Republic Services not meeting their performance expectations. Assistant Director Lucy Liu reviewed the Republic Services contract expectations and the current status. Staff is

working with Republic to improve diversion and customer service delivery.

Commissioner Howe asked about the impacts of COVID to revenue impacts. Assistant Director Liu stated that this will be reviewed in the next presentation.

Chair Knezevic asked about the reason for the Stormwater Utility revenue being \$100,000 over budget. Fiscal Manager Liu explained that the estimations were off just a little from the budget.

c) Utilities 2021-2026 Rates Forecast

Nav Otal, Director, Utilities

Lucy Liu, Assistant Director, Utilities

Director Otal discussed the roles and responsibilities of the ESC, staff, and Council. Assistant Director Liu discussed key Council-adopted financial policies of rate management and capital investments. She highlighted the importance of the City's policy of passing through wholesale costs as an example, noting that local programs would erode by 37% by 2022 if wholesale cost increases were absorbed rather than being passed through to customers. Capital investments policies require taking care of aging infrastructure through long-term financial planning, smooth and gradual rate increases, funding an infrastructure Renewal & Replacement account to achieve intergenerational equity and to avoid rate spikes, and reserving debt for changed circumstances.

Director Otal then reviewed the 2021-2026 rates forecast for the three utilities. The forecast supports Council strategic direction to support the City's economic development, protect the built and natural environment and to be a high performance government. The new challenge is dealing with the financial impacts of COVID-19 with a goal of minimizing cost and service impacts to customers.

Assistant Director Liu then discussed how Utilities will be mitigating the 2020 COVID Utility impacts. For planning purposes, revenue is estimated to be \$8.6 million lower than expected in 2020. The City is planning on using cost reductions, including staff vacancy and operational savings, to address most of the impact. The wholesale bill for King County is expected to be lower because of lower sewer volume. Also, the City's taxes will be lower because there will be less revenue. About \$1.4 million in reserves will be used to address the remaining gap. The financial impacts of COVID-19 are expected to linger into the next biennium. These

impacts will be addressed with cost-containment efforts in local operations and reserves where appropriate.

Commissioner Wan asked about the reasons for the lower than expected revenue. Assistant Director Liu explained that this is primarily due to lower revenue expectations from commercial customers. Commissioner Khanloo asked about the impact analysis of the last four months from the decrease in commercial revenue. Assistant Director Liu explained that the data is currently incomplete due to the two-month billing cycle, but Utilities is seeing lower revenues from commercial customers and slightly higher revenues from residential customers.

Chair Knezevic asked if the ESC would receive another report about COVID impacts later in the year. Assistant Director Liu indicated that staff could provide another presentation later. Chair Knezevic asked if the City is seeing a decrease in payments. Assistant Director Liu replied there has been an increase in the use of payment plans, mostly for residential customers. She outlined tools the City is using to help businesses also.

Vice Chair Zhuang asked if staff has considered the impact of people who have lost their jobs due to COVID for the emergency assistance program. Assistant Director Liu replied yes, but that to date there has not been a large increase in those who are using the program. Staff will continue to monitor the level of participation. To date there are only 14-16 residents participating in the program this. Roughly half of those are due to COVID circumstances. For 2020, staff believes the current budget for this program will be sufficient.

Chair Knezevic expressed surprise with the low number of participants especially considering the unemployment rate. She asked if there might be more opportunities to make sure the public is aware of this benefit. Assistant Director Liu commented that the stimulus unemployment payments might be one explanation, but noted they would continue to monitor the situation. She discussed advertising methods the City is currently using. Chair Knezevic also commented on the challenges of reaching the population that might normally take advantage of this now that mini city hall and library resources are closed due to COVID. Assistant Director Liu concurred and indicated the department will continue to look for more ways to advertise the rate relief programs to residents.

Assistant Director Liu reviewed what rates pay for: CIP Support (31%), Local Daily Operations (17%), Wastewater Treatment & Water Supply Purchase Wholesale (37%) and Taxes and Support Services (15%). Forecasted rate increases were reviewed.

Water:

- 2021 and 2022: 4.1% per year
- 2023 -2026: 5.1% per year

Sewer:

- 2021-2022: 5.1%
- 2023: 7.6%
- 2024: 2.3%
- 2025: 7.6%
- 2026: 2.3%

Commissioner Wan commented that the variation in rate increases from year to year seemed inconsistent with the financial policy of stable rates. Assistant Director Liu explained that it is due to wholesale cost increases and the City's financial policy of passing through these costs in the year it occurs. She pointed out that the local portion of the rates is fairly stable.

Storm & Surface Water:

- 2021: 3.8%
- 2022: 3.9%
- 2023-2026: 4.1%

Combined typical residential customer bill increase:

- 2021: 4.5% or \$8.28/month
- 2022: 4.5% or \$8.69/month

Commissioner Wan asked if the CIP/R&R increase takes into account the positive report that staff just reported for higher than expected revenues in 2019. Assistant Director Liu replied that typically it does, but due to exceptional circumstances in the next biennium staff will be using some reserves to address COVID financial impacts.

Director Otal then discussed budget strategies and reviewed how Bellevue's rates are competitive compared to surrounding jurisdictions. She also reviewed Utilities Rate Relief Programs for single-family and multi-family residents. The Commission's budget review calendar for 2021-2022 was reviewed. Director Otal expressed appreciation to the ESC for their dedication and engagement in reviewing Utilities budget and rates.

Commissioner Strom thanked staff for the clear budget and rates presentation. She asked about the reason for the increased costs for sewer due to King County rates. Director Otal discussed the anticipated rate

increases by King County. Her understanding is that it is the result of a combination of regulations and debt service.

10. REVIEW OF COMMISSION CALENDAR

a) Calendars

Deputy Director Brian Bartle reviewed the tentative ESC calendar. There will be two special meetings in August to go through more budget information (August 6 and August 20). Election of Chair and Vice Chair will be held at the August 6 meeting. Other regular meetings are scheduled for September 3 and October 1. There is another proposed tentatively scheduled special meeting for October 15 (TBD).

Vice Chair Zhuang asked about the reasons for the delay of the Environmental Stewardship Initiative until September. Deputy Director Bartle explained that the meetings are currently full of budget items. Vice Chair Zhuang asked when the Environmental Services Initiative would be going to the Council. Deputy Director Bartle indicated he would get back to her on that.

11. ADJOURNMENT

Motion made by Commissioner Strom, seconded by Vice Chair Zhuang, to adjourn. Upon a roll call vote, the motion passed unanimously (7-0).

The meeting was adjourned at 8:22 p.m.