Agenda

ENVIRONMENTAL SERVICES COMMISSION MEETING

450 - 110th Avenue NE (City Hall)
Conference Room 1E-113
Thursday, April 3, 2014
6:30PM Regular Meeting
7:15 PM Open Public Meeting on CIP

		Ppt.	Time	Page No.	Action
1.	Call to Order – Brad Helland, Chair				
2.	Oral Communications Note: Three-minute limit per person, maximum of three persons for each side of topic. Additional comments may be heard at Agenda Item 9.				
3.	Approval of Agenda *	No		1	X
4.	Approval of Minutes #	No			
	• March 20, 2014 ***Note:*** *Due to the quick turn around the meeting minutes will be in your desk packet*				X
5.	Reports & Summaries ESC Calendar/Council Calendar *			2-5	
6.	New Business				
	• Review Proposed Changes to Water CIP Investments *Pam Maloney, P.E. Water Resources Planning Manager*	No	30 Min.	6-8	
	• Open Public Meeting on CIP *Paul Bucich, P.E., Assistant Director, Engineering*	No	30 Min.		
	• 2013 Year-End Fiscal Rpts. for Water, Sewer, & Surface Water Utilities *Lucy Liu, Assistant Director-Resource Management & Customer Svc.*	Yes	20 Min.	9-15	
	• Utilities 2015-2020 Early Outlook Forecast *Lucy Liu Assistant Director-Resource Management & Customer Svc.*	Yes	20 Min.	16-21	
7.	Commissions Report Out				
8.	Director's Office Report				
9.	Continued Oral Communications				
10.	Adjournment				

* Materials included in packet
\# Materials separate from packet

Wheelchair accessible. American Sign Language (ASL) interpretation available upon request by calling (425) 452-6466 (v) at least 48 hours in advance. Assistance for the hearing-impaired: Dial 711.

2014

Tentative Environmental Services Commission Calendar

March 14

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April 14

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June 14

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August 14

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April

3 CIP Open House (5:30PM)
Review Proposed Changes to Water CIP Investments
Summarize all proposed changes to the CIP
Utilities Early Outlook Forecast (Lucy)
Year-end Budget Monitoring Report 2013 (Lucy)

17 CIP Update: Present Preliminary CIP & Request ESC Endorsement (Pam/Dave)
Shoreline Master Program Update (Lacey H)
Wastewater Claims Discussion (Joe/Tony)

May

15 Utilities Budget Proposals (Lucy)
Water Cost of Service Results (Lucy)

29 Utilities Budget Proposals (Lucy)

June

19 Asset Mgmt. Annual Update - (Bill Heubach)
CPU Input on Draft Policies (Pam)
Water System Plan: Introduce Project & Review system analysis criteria & methods (Doug Lane)

July

17 CIP Tour focused on proposed investments (Scott/Regan/Pam)
Water System Plan: Policy Review Started (Doug Lane)

August

21 Recess

September

18 CPU: Status Briefing (Pam)
Water System Plan: Policy Review Continued

October

16 Review Proposed Utilities Budget (Lucy)
Water System Plan: Results of system analysis (Doug Lane)

November

20 Public Hearing on proposed Utilities Budget (Lucy)
Water System Plan: Plan Findings & Recommendations (Doug Lane)

December

18 Water System Plan: Deliver Draft Plan (Doug Lane)

September 14

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2014 Pending – ESC:

Status Reports on the following issue will be made when there are significant development:

- Water Rate Design (Lucy)
- Shoreline Mgmt. Plan (Paul)
- Stormwater 101 (Paul)

Katie/2014 Calendars/Pending ESC Calendar

Updated 3/3/14

2014

Tentative Council Calendar

March 14

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April

7 Consent: Resolution authorizing prof. svcs. agrmt w/ Pace for Factoria Reservoir Exterior Recoat (Regan/Paul)

Consent: Resolution authorizing prof. svcs. agrmt. SDA for commerial meter 2014 Ph 2 (Paul/Regan)

28 Consent: Motion to award construction of SE 60th St Rdway Embankment Stabilization (Regan/Paul)

May

19 Consent: Motion to Award Construction of Commercial Water Meter Replacement 2014 Phase 1 (Paul/Regan)

September 14

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Key:
Agenda item description – **Consent:** Waste Reduction & Recycling Grant
Assistant Director's Name or designated staff that will
be available to attend Mayor's meeting
Staff Name – material content expert

2014 Pending Council

Bellevue/Redmond Consolidation of Sewer Agreements
Prof Svcs Agrmt Wagner Architects for Eastgate Yard Maintenance (Regan)

Katie/2014 Calendars/Pending Council Calendar

Updated 3/12/14

City of Bellevue

MEMORANDUM

__ **Action**

X **Discussion**

__ **Information**

DATE: March 25, 2014

SUBJECT: Utility CIP Update 2015-2021

TO: Environmental Services Commission

FROM: Pamela Maloney, P.E. Utilities Water Resources Planning Manager
(425) 452-4625 *pmaloney@bellevuewa.gov*

Action Required at this Time

No action by the Commission is required at this time. The ESC's budget recommendation for the Capital Investment Program (CIP) will be included in the overall Utility budget recommendation to the City Council later this year. Staff will request ESC concurrence with the proposed CIP recommendations on April 17th.

Prior to the April 3 ESC meeting (from 5:30-6:30pm) staff will host an Open House to share details about new and changing projects with the public. Commissioners are encouraged but not required to attend. Public attendees will be encouraged to share oral comments during the Oral Communications portion of the regular ESC meeting, or to submit written comments which will be summarized for you at your April 17 meeting. The Open House was noticed via local newspapers and a press release on the City's website and provided to media and neighborhood contacts. A copy of the press release is attached.

At the April 3rd Commission meeting staff will build on information that was presented in February and March. Specifically, staff will review proposed changes and new investments to the Water CIP Plans.

Please bring your 3-ring CIP Update binders to the meeting.

Attachment: Open House Press Release

City of Bellevue

NEWS RELEASE

FOR IMMEDIATE RELEASE: March 26, 2014

CONTACT: Wendy Hairfield, Utilities Community Relations Specialist, Utilities, 425-452-5215 or whairfield@bellevuewa.gov

Comments Requested on Proposed Utilities Projects

Utilities staff will host an open house on Thursday, April 3, to provide an opportunity for residents to comment on proposed projects being considered for Bellevue's 2015-2021 Water, Sewer, and Storm and Surface Water Utility Capital Investment Program (CIP).

The open house will be from 5:30 to 6:30 p.m. at City Hall, 450 110th Ave NE, Room 1E-113. The Environmental Services Commission will take comments at a public meeting during their regular session, which will begin immediately after the Open House at 6:30.

New CIP projects being proposed:

1. **SEWER: Inflow and Infiltration (I&I) Investigation and Flow Monitoring:** A five year project to investigate the source and magnitude of storm and groundwater in the sanitary sewer system, which often leads to overflows. Elimination of I&I can avoid costly capacity improvements. The investigation would be done over several years, 2015-19, at an estimated cost of $1.1 million.
2. **SEWER: Condition Assessment of Sewer Force Mains:** A five year project to assess the structural condition of 5.8 miles of pressurized sewer pipes (force mains) located throughout Bellevue, to assist in determining when to replace these critical pipes. The project would be done in 2015-19, at an estimated cost of $1.25 million.
3. **STORM: Video Assessment of Critical Storm Pipes:** A three year project to video-inspect approximately 50 miles of the most critical stormwater pipes throughout Bellevue to help estimate stormwater pipeline renewal and replacement needs. The project would be completed in 2015-17, at an estimated cost of $1.1 million.

A new CIP project up for discussion:

1. **WATER: Increase Water Pressure in the Crossroads Area:** A project to improve minimum water service pressures for the highest geographic areas of Crossroads from 30 to 40 pounds per square inch (psi). The suite of system changes needed would cost approximately $15 million.

Proposed changes to existing CIP projects:

1. **W-103:** Increased Drinking Water Storage Availability: Revise the project scope to include system improvements to move water from east Bellevue to west Bellevue.

2. **W-82:** Accelerate the fire hydrant standardization program to replace 22 non-compliant hydrants by 2018.
3. **S-16:** Accelerate sewer pump station rehabilitations from one station per year to a sustainable rate of two per year beginning in 2017 to avoid costly increased maintenance and potential failures.
4. **S-58:** Accelerate evaluation of aging sewer pipes along the Lake Washington shoreline, and develop a strategic plan for their replacement.
5. **S-60:** Modify the Wilburton sewer upgrade project to include a new pipe crossing under I-405 and increased pipe capacity to accommodate greater anticipated population growth.
6. **S-30:** Eliminate a seldom-used program to facilitate extension of sewer pipes to unserved areas.
7. **D-64:** Increase funding for stormwater pipe rehabilitation program

The Environmental Services Commission will consider public comments before endorsing the proposed CIP recommendations at a meeting later in April.

###

City of Bellevue

MEMORANDUM

___ **Action**

___ **Discussion**

_X_ **Information**

Date: March 26, 2014

To: Environmental Services Commission

From: Nav Otal, Utilities Director
Lucy Liu, Assistant Utilities Director – Resource Management and Customer Service

Re: 2013 Year-End Fiscal Reports for Water, Sewer, and Surface Water Utilities

Action Required

No action by the Commission is required at this time. This is an informational briefing.

Summary of 2013 Utility Funds Financial Performance and Impact on 2014

The Water, Sewer, and Storm & Surface Water Utility Funds ended 2013 with greater ending fund balances than budgeted largely due to cost savings and favorable water sales.

As previously discussed with the Commission, in the Water Fund, the combination of long-term impacts of ongoing conservation, poor summer weather in 2010 and 2011, and the economic downturn has resulted in water service revenues coming in below budget levels in the past several years, by about 6% ($2 million) in 2010, 5% ($1.7 million) in 2011, and 1% ($0.5 million) in 2012 when the summer weather was favorable. To mitigate the effects, Utilities developed and implemented an aggressive cost reduction plan to initiate recovery and course correction in 2011 and 2012. Additional on-going cost containment measures, including staffing reductions and minimization of discretionary spending, were incorporated into the Utilities 2013-2014 Budget in order to minimize rate increases.

The financial forecast for the 2013-2014 Water Fund budget was adjusted to reflect the above-referenced changes. Based on this forecast, operating reserves were projected to drop below target levels between 2014 and 2016. Actual water sales in 2013 were above budgeted levels. We attribute this to favorable summer weather. Since this is significantly above previously forecasted levels for 2013, the Water Utility begins 2014 in a considerably better financial condition than expected and will be able to restore operating reserves back to target levels sooner than anticipated.

Next Steps

Utilities will continue to actively pursue process improvement analysis and other alternatives to seek operational efficiencies and otherwise reduce costs. Monthly budget monitoring continues into 2014 to ensure fiscal objectives are met.

Additionally, as a follow-up to the 2012 Water Rate Structure and Revenue Stability Study, Utilities is conducting a cost of service study as the basis for determining alternative water rate structures for future consideration. The Commission will have an opportunity to review this work later this year.

Utilities Financial Policies

City Council established financial policies to guide Utilities business. These policies direct Utilities to maintain operating reserves to ensure uninterrupted service through normal fluctuations within the billing cycle, adverse financial performance, or significant failure of a Utilities system. Also, these policies provide guidance on the treatment of one-time revenues and fund balances greater than anticipated. Specifically, these policies require one-time revenues to be transferred to the Replacement and Renewal (R&R) Account within each fund until the projected R&R funds are adequate to meet long-term infrastructure replacement needs. Only then, could one-time revenues be used for rate relief. Fund balances greater than anticipated are treated similarly at the end of each budget cycle.

Water Fund

The Utilities Water Fund finished 2013 with $3.6 million above the budgeted ending fund balance (after adjusting for carry forwards to 2014). This will be used in 2014 to restore operating reserves to target levels.

The surplus is largely the net result of the following:

- Higher than anticipated service and developer revenues - $3.3 million.
- Lower than anticipated other revenues - $0.5 million.
- Cost savings:
  - Fund balance primarily from cost containments in prior years - $1.5 million,
  - Personnel vacancy savings - $0.2 million, and
  - Operating cost savings - $0.2 million.
- Higher taxes due to higher than budgeted revenues - $1.1 million.

Management Actions Taken

The Water Utility has implemented an ongoing cost containment program, and monthly budget monitoring continues to help ensure that fiscal objectives are met.

Water Utility Fund
2013 Year-End Results
($000s)

	Budget	Y/E	Variance Dollars	Variance Percent
Beginning Fund Balance	9,706	11,160	1,454	15%
Revenues:				
Service	39,058	42,229	3,171	8%
Developer	483	595	112	23%
Fire Flow	2,107	2,107	-	0%
RCFCs	1,012	2,663	1,651	163%
Other	1,897	1,389	(508)	-27%
Total	44,558	48,984	4,426	10%
Expenses:				
Wholesale	17,012	16,987	(25)	0%
Personnel	6,871	6,687	(184)	-3%
CIP	8,175	8,175	-	0%
R&R			-	0%
Taxes	5,934	7,003	1,069	18%
RCFCs	1,012	2,620	1,608	159%
Interfunds	2,673	2,679	6	0%
M&O	3,156	3,004	(151)	-5%
Total	44,833	47,156	2,323	5%
Ending Fund Balance	9,430	12,988	**3,557**	38%

**Minor differences may exist due to rounding.*

Sewer Fund

The Utilities Sewer Fund finished 2013 with $0.2 million above the budgeted ending fund balance (after adjusting for carry forwards to 2014).

The surplus is largely the net result of the following:

- Higher than anticipated service and other revenues - $0.7 million.
- Higher than anticipated sewerage treatment costs - $0.6 million.
- Operating cost savings - $0.2 million.

At this time, the Sewer Fund has not exhibited the same trends related to the economy, weather and ongoing conservation as we have experienced in Water despite the fact that Sewer revenues from Single-Family Residential customers are based on winter water use. However, estimated long-term impacts of ongoing water conservation were incorporated into financial forecasts for the Sewer Utility as part of the 2013-2014 Budget. Utilities will continue to monitor sewer service revenue trends in 2014.

Management Actions Taken

The Sewer Utility has implemented an ongoing cost containment program, and monthly budget monitoring continues to help ensure that fiscal objectives are met.

Sewer Utility Fund
2013 Year-End Results
($000s)

	Budget	Y/E	Variance Dollars	Variance Percent
Beginning Fund Balance	7,846	7,597	(249)	-3%
Revenues:				
Service	49,742	50,204	462	1%
Developer	287	263	(25)	-9%
Other	1,541	1,767	225	15%
Total	51,571	52,234	662	1%
Expenses:				
Wholesale	30,165	30,750	585	2%
Personnel	5,244	5,322	77	1%
CIP	8,323	8,323	-	0%
R&R	1,046	1,046	-	0%
Taxes	3,342	3,138	(204)	-6%
Interfunds	2,002	1,993	(9)	0%
M&O	1,965	1,728	(237)	-12%
Total	52,087	52,299	212	0%
Ending Fund Balance	7,330	7,532	**201**	3%

**Minor differences may exist due to rounding.*

Storm and Surface Water Fund

The Storm & Surface Water Fund finished 2013 with $1.7 million above the budgeted ending fund balance (after adjusting for carry forwards to 2014). In accordance with financial policies, the bulk of this surplus ($1.4 million in one-time revenues) was transferred to the Storm & Surface Water R&R Account.

The surplus is largely the result of the following:

- Cost savings:
  - Fund balance primarily from cost containments in prior years - $0.3 million,
  - Personnel vacancy savings - $0.6 million, and
  - Operating cost savings - $0.2 million.

- Proceeds from legal settlement - $0.5 million.

The Storm & Surface Water Fund is not subject to the same trends related to the economy, weather and ongoing conservation as are Water and – to a lesser extent – Sewer.

Management Actions Taken

The Storm & Surface Water Utility has implemented an ongoing cost containment program, and monthly budget monitoring continues to help ensure that fiscal objectives are met.

Storm Utility Fund
2013 Year-End Results
($000s)

	Budget	Y/E	Variance Dollars	Variance Percent
Beginning Fund Balance	3,670	3,990	321	9%
Revenues:				
Service	18,207	18,160	(47)	0%
Developer	266	369	103	39%
Other	1,061	1,533	471	44%
Total	19,534	20,061	527	3%
Expenses:				
Personnel	5,608	4,992	(616)	-11%
CIP	3,870	3,870	-	0%
R&R	4,109	4,109	-	0%
Taxes	1,292	1,149	(143)	-11%
Interfunds	2,259	2,297	38	2%
M&O	2,272	2,116	(156)	-7%
Total	19,410	18,532	(877)	-5%
Ending Fund Balance	3,794	5,520	1,725	45%
One-Time Transfer to R&R		(1,400)	(1,400)	
Net Available	3,794	4,120	**325**	9%

**Minor differences may exist due to rounding.*

City of Bellevue

MEMORANDUM

___ **Action**

___ **Discussion**

_X_ **Information**

Date: March 26, 2014

To: Environmental Services Commission

From: Lucy Liu, Assistant Utilities Director – Resource Management and Customer Service

Re: Utilities 2015-2020 Early Outlook Forecast

Action Required

No action by the Commission is required at this time. This is an informational briefing.

Background

On April 3, staff will provide highlights of the Utilities 2015-2020 Early Outlook Forecast. As background, in your packet you will find the 2015-2020 Early Outlook rate forecast for the Water, Wastewater, and Storm & Surface Water Funds.

UTILITIES 2015-2020 FINANCIAL FORECASTS
WATER, WASTEWATER, AND STORM & SURFACE WATER FUNDS

The early outlook forecast is based on a status quo budget and does not include any new programs. The cost containment measures from the 2013-2014 Budget, including staff reductions, are not restored in this forecast. Since all Utility functions are supported by rates, the forecasts include funding for operations, asset replacements (e.g., vehicles), capital investment programs (CIP), and the long-term system Replacement and Renewal (R&R) requirements.

KEY CHALLENGES

Wholesale Costs
Approximately 40% of water rate revenues and 60% of the wastewater rate revenues support costs related to the purchase of water from Cascade Water Alliance, and to payments to King County for wastewater treatment, respectively. Rate increases are needed to fund cost increases for these functions. To ensure sufficient funding to maintain the integrity of utility operations and capital programs, Council-adopted policy directs that rate increases necessary to fund wholesale costs be passed through to the customer so as to not degrade operations or the CIP.

Ongoing Impact of Aging Infrastructure on both Operating and Capital Programs
Aging infrastructure continues to be a key rate driver for all three utilities. Most of Utilities' system infrastructure is well past mid-life. As a result, the drinking water, wastewater, and storm and surface water systems are experiencing more failures and increasing costs for damage claims and unanticipated system repairs. Each utility system is in a different stage of replacement. The water system is in active replacement. The water CIP includes a program to ramp up the replacement of aging water mains to a sustainable level by 2018. Systematic replacement of the wastewater system recently began in 2014. Systematic replacement of the storm and surface water system, the newest of the three utilities which we know the least about, has not begun.

To minimize costs and optimize the integrity of the systems, Utilities has developed a strategic asset management plan that prioritizes asset replacements based on criticality to achieving service level goals and also identifies the most cost-effective capital improvement, operations, and maintenance strategies. These planning efforts coupled with effective maintenance programs are designed to extend infrastructure life and minimize life-cycle costs. These actions are integral to the funding strategies designed to smooth rate increases and provide intergenerational equity. As a function of smoothing rates, funding for the capital programs is levelized with reserves over the forecast period.

Impact of Declining Water Revenues on Water Capital Program
Due to declining water revenues in the past several years as a result of ongoing conservation, bad summer weather in 2010 and 2011, and the economic downturn, the water rates adopted in 2013 and 2014 were not adequate to meet capital needs. During these years, reserves were used to subsidize the water capital program in order to moderate rate impacts to customers. As a result, water utility rates have not kept pace with the needs of the water CIP. The forecast includes an increase in water rates in 2015 and 2016 to restore rate levels sufficient to meet capital program needs.

Regulatory Requirements including National Pollutant Discharge Elimination System (NPDES)
Regulatory requirements on Utilities programs are increasing and may necessitate future rate increases. A new NPDES Municipal Stormwater Permit took effect August 1, 2013 with conditions phased-in over the 5-year term (2013-2018). The new Permit builds upon the previous Permit's requirements and increases the level of effort required for compliance. Staff is currently evaluating the resource impacts of complying with the new Permit to inform the 2015-2016 Budget development process.

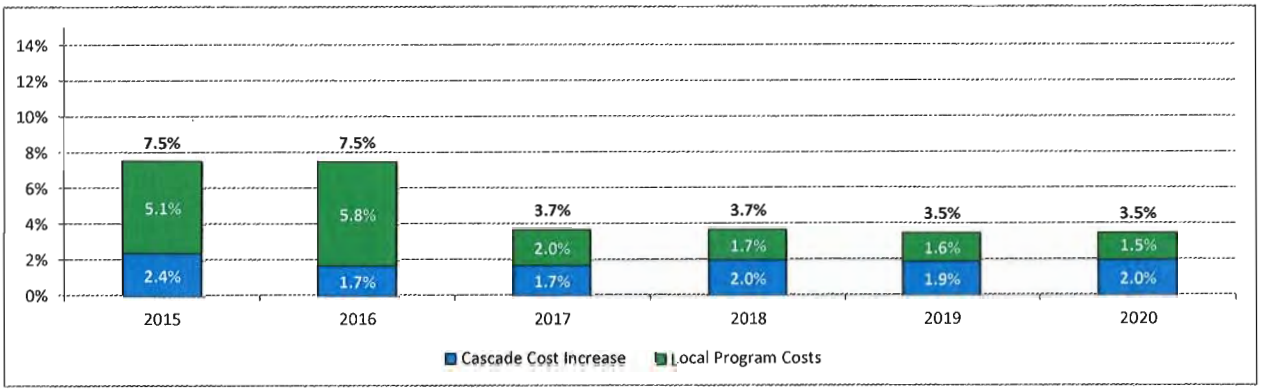
Tax Obligations and Internal Service Providers Costs
Taxes and franchise fees Utilities pay, as a taxpayer, and costs that Utilities pay to the General Fund for support services represent approximately 15% of Utilities' 2014 operating budget. The cost increases to fund these financial obligations will require rate increases.

Personnel and Other Operating Costs
Consistent with the City's General Fund forecast, in all three Utility funds, personnel and associated benefit costs are a significant rate driver. The projected personnel cost increases are largely due to increases in medical costs and other benefits. Other operating costs are projected to increase from 2014 levels at less than the general rate of inflation due to on-going cost containment efforts implemented in prior budgets.

The following section provides a brief review of each Utility fund forecast and key rate drivers.

WATER UTILITY FUND
2015 - 2020 Early Outlook Rate Forecast

PROJECTED RATE INCREASES



Impact to Monthly Bill for a Typical Residential Customer

	2015	2016	2017	2018	2019	2020
Prior Year Bill	$54.13	$58.19	$62.55	$64.87	$67.27	$69.62
Increase:						
Wholesale	1.30	0.99	1.06	1.30	1.28	1.39
Local	2.76	3.38	1.25	1.10	1.08	1.04
Total	4.06	4.36	2.31	2.40	2.35	2.44
Projected Bill	$58.19	$62.55	$64.87	$67.27	$69.62	$72.06

**Minor differences may exist due to rounding.*

Key Rate Drivers

- **Wholesale Costs**
  Cascade cost increases to Bellevue are projected to average 3.2% per year for the forecast period, primarily due to purchased water costs. This will result in a retail rate increase of 2.4% in 2015 and average annual rate increases of 1.9% in 2016 through 2020 to Utilities customers. Also, the 2015 projected retail rate increase includes a true-up of 2014 Cascade wholesale costs above previously anticipated levels and not reflected in the adopted 2014 Bellevue water rates.

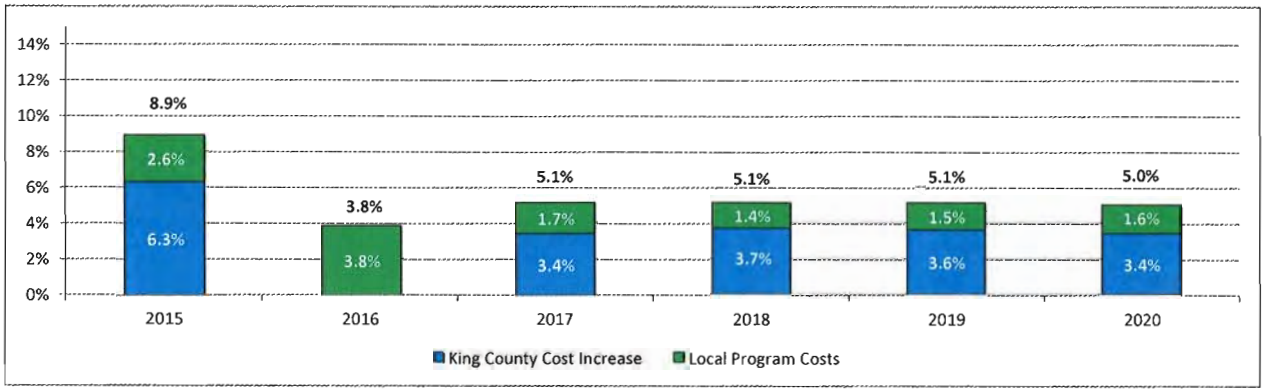
- **Capital Program**
  The capital program continues to ramp up asbestos cement (AC) watermain replacement from 1.5 miles in 2008 to 5 miles per year by 2018, consistent with Utilities asset management strategy. Also included in the capital program are a number of growth-related capital projects, including increased area-specific water reservoir storage and water supply despite region-wide reductions in water sales. The other capital rate driver will be construction inflationary costs. One-time rate increases of 3.2% and 4.3% in 2015 and 2016, respectively, are needed to align funding levels with actual capital needs. Average annual rate increases of about 0.6%% in 2017 through 2020 are required to provide sustainable funding for the capital program.

- **Taxes & Interfunds**
  Projected increases in taxes will require rate increases averaging about 0.2% per year. Projected increases in interfund payments to other City departments for support services will require rate increases averaging about 0.3% per year.

- **Other Operating Costs**
  Projected personnel costs will require rate increases of 0.8% and 0.5% in 2015 and 2016, respectively, and average rate increases of about 0.4% per year in 2017 through 2020, largely due to increases in medical and other benefits. This is consistent with projections for other City departments. The forecast assumes no new FTEs for operations during this forecast period. Projected increases in other operating costs will require rate increases of about 0.3% per year for the forecast period, primarily due to inflation.

WASTEWATER UTILITY FUND
2015 - 2020 Early Outlook Rate Forecast

PROJECTED RATE INCREASES



Impact to Monthly Bill for a Typical Residential Customer

	2015	2016	2017	2018	2019	2020
Prior Year Bill	$68.64	$74.75	$77.59	$81.55	$85.71	$90.08
Increase:						
Wholesale	4.32	0.00	2.64	3.02	3.09	3.06
Local	1.78	2.84	1.32	1.14	1.29	1.44
Total	6.11	2.84	3.96	4.16	4.37	4.50
Projected Bill	$74.75	$77.59	$81.55	$85.71	$90.08	$94.58

**Minor differences may exist due to rounding.*

Key Rate Drivers

- **Wholesale Costs**
  The projected King County cost increase to Bellevue is 10% in 2015, no increase in 2016. The forecast assumes 5.0% annual increases in 2017 through 2020, primarily due to ongoing debt service and operating costs from the Brightwater treatment plant and operating costs related to compliance requirements associated with the Combined Sewer Overflow (CSO) program. This will result in a retail rate increase of 6.3% in 2015 with no additional increase in 2016, and annual increases averaging 3.5% in 2017 through 2020.

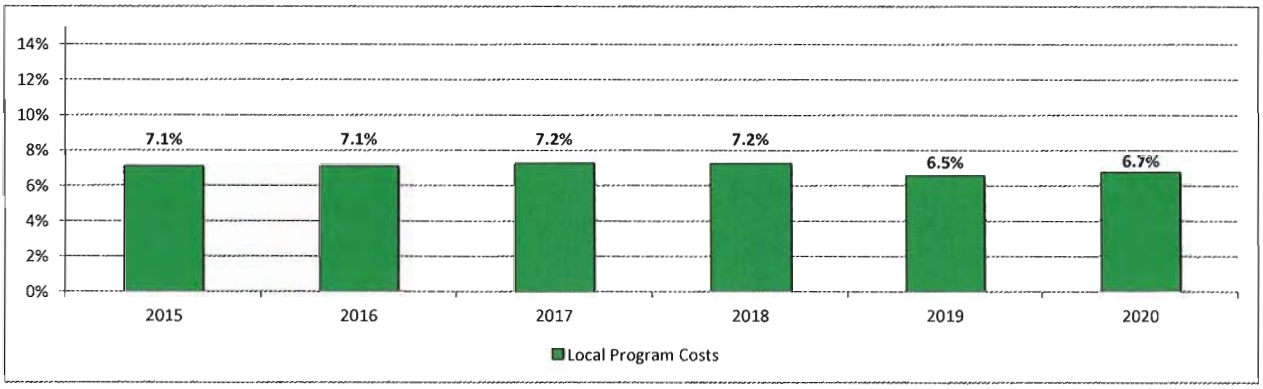
- **Capital Program**
  The capital program includes an increase for repair of significant sewer pipe defects, beginning in 2014 and ongoing, consistent with Utilities asset management strategy of extending the useful life of pipes as long as it is cost effective to do so. The program also includes a number of growth-related capital projects including pump station improvements for capacity needs. Capital costs, including transfers to the Renewal and Replacement account, will require rate increases of 1.1% and 3.1% in 2015 and 2016, respectively, and average increases of about 0.9% per year in 2017 through 2020.

- **Taxes & Interfunds**
  Projected increases in taxes will require a rate increase of 0.4% in 2015 and average annual increases of about 0.1% per year in 2016 through 2020. Projected increases in interfund payments to other City departments for support services will require rate increases averaging about 0.2% per year for the forecast period.

- **Other Operating Costs**
  Projected personnel cost increases will require a rate increase of 0.8% in 2015 and average increases of about 0.3% per year in 2016 through 2020, largely due to increases in medical and other benefits. This is consistent with projections for other City departments. The forecast assumes no new FTEs for operations during this forecast period. Projected increases in other operating costs will require rate increases of about 0.1% per year for the forecast period, primarily due to inflation.

STORM AND SURFACE WATER UTILITY FUND
2015 - 2020 Early Outlook Rate Forecast

PROJECTED RATE INCREASES



Impact to Monthly Bill for a Typical Residential Customer

	2015	2016	2017	2018	2019	2020
Prior Year Bill	$21.19	$22.69	$24.31	$26.06	$27.93	$29.75
Increase	1.50	1.61	1.75	1.88	1.82	1.99
Projected Bill	$22.69	$24.31	$26.06	$27.93	$29.75	$31.74

**Minor differences may exist due to rounding.*

Key Rate Drivers

- **Capital Program**

  The capital program includes significant work to open and restore streams in the Bel-Red Corridor as that area redevelops, as part of the Mobility and Infrastructure Initiative, which requires an annual 1.5% rate increase through 2018. Other ongoing storm capital projects are for infrastructure repair, flood control, and environmental preservation. Capital costs, including transfers to the Renewal and Replacement account, will require rate increases of 2.9% , 3.7%, and 3.9% in 2015, 2016, and 2017, respectively, and average increases of about 4.6% per year in 2018 through 2020.

- **Taxes & Interfunds**

  Projected increases in taxes will require a rate increase of 0.4% in 2015 and increases averaging about 0.1% per year in 2016 through 2020. Projected increases in interfund payments to other City departments for support services will require rate increases averaging about 0.6% per year.

- **Other Operating Costs**

  Projected personnel costs will require a rate increase of 1.4% in 2015 and average increases of about 0.7% per year in 2016 through 2020, largely due to increases in medical and other benefits. This is consistent with projections for other City departments. The forecast assumes no new FTEs for operations during this forecast period. Projected increases in other operating costs will require rate increases of about 0.3% per year for the forecast period, primarily due to inflation.