

Agenda

ENVIRONMENTAL SERVICES COMMISSION MEETING

450 - 110th Avenue NE (City Hall)
Regular Meeting – 6:30PM
Conference Room 1E-112
Thursday, May 24, 2012

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 presentation may be heard at Agenda Item 9.

	<u>Page No.</u>	<u>Action</u>
3. Approval of Agenda *	1	X
4. Approval of Minutes * • May 3, 2012 Regular Meeting Minutes	2 - 15	X
5. Follow-Up Questions/Answers *	16 - 17	
6. Reports & Summaries • ESC Calendar/Council Calendar * • Budget Proposals	18 - 21 22	X
7. New Business		
8. Director's Office Report		
9. Continued Oral Communications		
10. Executive Session		
11. Adjournment * Materials included in packet # Materials separate from packet		

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

Thursday
May 3, 2012
6:30 p.m.

Conference Room 1E-112
Bellevue City Hall
Bellevue, Washington

COMMISSIONERS PRESENT: Chair Helland; Commissioners Cowan, Mach, Morin, Swenson, Wang, and Weller.

COMMISSIONERS ABSENT:

OTHERS PRESENT: Nav Ota, Pam Maloney, Lucy Liu, Bob Brooks, Regan Sidie and Paul Inghram

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

The meeting was called to order by Chair Helland at 6:34 p.m.

2. ORAL COMMUNICATIONS

Paul Inghram, Department of Planning & Community Development, informed the ESC that the State Department of Commerce is offering *A Regional Short Course on Local Planning, Wednesday, May 23, 2012 – 6:30-9:30PM – First Floor Bellevue City Hall*. Bellevue will be hosting the event and staff is encouraging members of the Council, boards, and commissions to attend as well as interested citizens.

3. APPROVAL OF AGENDA

Motion made by Commissioner Wang, seconded by Commissioner Swenson, to approve the agenda. Motion passed unanimously (7-0).

4. APPROVAL OF MINUTES

April 5, 2012 Regular Meeting Minutes

Motion made by Commissioner Swenson, seconded by Commissioner Mach, to approve the minutes. Motion passed unanimously (7-0).

5. **CIP PUBLIC MEETING**

Chair Helland called the public meeting to order at 6:39 p.m. and noted that all Commission members were present. He reviewed the procedures for public testimony and the purpose of the meeting.

Pam Maloney noted that she had reviewed the proposed CIP in detail with the ESC over the past several months. She gave a brief explanation of the organization of the proposed ESC. Staff has identified some one-time savings and ongoing savings reductions in the budget. Staff is proposing to delete the Water Service Extension Program and proposing to add three projects – Sewer Pipeline Replacement Program; Replace Kelsey Creek Culvert at NE 8th Street; and Lower Coal Creek Flood Hazard Reduction Project– Phase 1. The approximate \$8.7 million in funding for the Lower Coal Creek Flood Hazard Reduction Project will be provided by the King County Flood Control Zone District (KCFCZD) since this is a project of regional significance. Ms. Maloney noted that several residents of Newport Shores came to the open house tonight and expressed support for the flood reduction project. She continued to explain that the CIP represents a significant investment of \$192 million over seven years; this includes KCFCZD’s contribution for the Lower Coal Creek Flood Hazard Reduction Project.

Ms. Maloney distributed a Storm CIP chart which had been revised to show that the schedule for replacing the Coal Creek Parkway culvert has been delayed for one year and will not begin construction in 2012. There is no change in the project cost; it is simply shifted to 2013 and 2014. Ms. Maloney explained that the estimated rate implications for the CIP are a little less than stated last week due to reduced estimates of inflation. She summarized that staff requests the ESC’s preliminary endorsement of the CIP as proposed.

Public Testimony:

Norma Line, President of Newport Shores Neighborhood, also known as the Commodore of Newport Yacht Club, stated that several of the neighborhood residents were in attendance at the open house and are very excited about the City’s plans to help solve the flooding problems. The residents are willing to help support the City with whatever might be needed.

Seeing no further public testimony, the public hearing was concluded at 6:48 p.m.

Motion made by Commissioner Weller, seconded by Commissioner Cowan, to give preliminary endorsement of the proposed changes and additions to the CIP. Motion passed unanimously (7-0).

6. FOLLOW UP QUESTIONS/ANSWERS

Director Otal explained that the results of the Citizen Budget Survey that pertain specifically to Utilities were included in the packet as requested by the ESC. She pointed out that Utilities has a very high satisfaction rating on these topics.

Commissioner Wang commented that it looks like according to the results of the 2012 survey shown on page 19, the satisfaction rating is down a little bit. Director Otal explained that the responses for the categories of *Strongly Agree* and *Somewhat Agree* are generally grouped together by staff.

Chair Helland asked if the variation in responses from one year to the next for the categories of *Strongly Agree* and *Somewhat Agree* might be due to the variability of the survey. Director Otal thought it could be, but noted that the variation is not viewed as statistically significant by staff.

Commissioner Cowan asked who formulates the questions. Director Otal stated that there is a Customer Survey Group in the Finance department. Because the goal is to collect long-term data, the same questions are used from year to year as much as possible. The survey is done every two years in preparation for budget.

Chair Helland asked if there are results for a 2008 survey. Director Otal affirmed that there are results for 2008, but they are not included here. Chair Helland explained he was just wondering about a trend. Director Otal commented that staff has not noticed a trend in either direction.

Councilmember Stokes observed that there can be a big difference between *Strongly Agree* and *Somewhat Agree*. He recommended that *Somewhat Agree* should just be *Agree*.

Chair Helland also thought that these were unusual categories. Director Otal explained that this is the format of the City survey. She commented that the category *Neither Agree nor Disagree* could be viewed as a 3 on a scale from 1 to

5. The answers on the extremes are the ones staff really pays attention to as well as any trends from year to year.

Commissioner Mach asked if detailed questions could be found on the website. Director Otal was not sure, but stated that staff could provide copies of the detailed questions to the ESC.

Chair Helland asked about publicizing and doing outreach based on this data. Director Otal noted that this is part of a larger budget survey for the City. These are just the questions within that survey which are specific to Utilities. Director Otal stated that some of this data is used as performance metrics.

Chair Helland referred to the Conservation Graph on page 21 and asked how Cascade came up with the estimate that “50% of the reduction in water

consumption in our region can be attributed to conservation.” Director Otal explained that Cascade’s estimates are based on responses to their conservation programs.

7. REPORTS AND SUMMARIES

a. ESC Calendar/Council Calendar

Council Calendar: Director Otal informed the ESC that *Dissolution of SW Lake Sammamish Flood Control Zone District* will be a Consent Item next Monday. The Flood Control Zone District merged many years ago so this is just housekeeping. Roughly \$140,000 of Bellevue’s money will be coming back to the Storm Utility’s R&R Fund. Also, on May 29 there will be a *King County Waste Water Rates Briefing* by King County Waste Water Division.

Commission Calendar: The ESC Calendar will be consumed with budget items over the next several months. Historically, the ESC takes a recess in August, but this year because of the budget, the CIP tour will be held on August 2.

b. Desk Packet Material (s)

■ Conservation & Outreach Events & Volunteer Opportunities

Director Otal pointed out the Special Recycling Event which will be held on May 5.

■ Commission Protocol

Director Otal reviewed material provided by the City Clerk’s office regarding meeting protocol. She summarized that the ESC meetings are open public meetings. All meetings are open to the public with the exception of Executive Sessions. A meeting can take place when there is a quorum present. Information regarding City business is received, discussed, and acted upon only when there is a quorum. All meetings are noticed; agenda and minute-taking is a requirement. No legal action may be taken by the ESC (or any other board or commission) except in a public meeting.

To avoid possible violation of the Open Public Meetings Act, Director Otal strongly advised that ESC members do not “reply all” when responding to emails because that in itself may constitute a meeting. Staff also advises Commission members to avoid any back and forth exchange of information, viewpoints, positions, or other dialogue via email among a quorum of their membership about the business of their organization. Additionally, email exchanges about city business between less than a quorum which could then be relayed to participants or other members, who together might make up a quorum, should be avoided.

Director Otal stated that the guidelines for the ESC meetings are the same as for Council meetings. The City Clerk's office is creating comprehensive bylaws that the Council will be addressing during their retreat in the near future.

Other guidelines stated that the Commission members and staff shall work to preserve appropriate order and decorum during all meetings. Commissioners should be addressed by their titles. Side conversations, disruptions, interruptions, and delaying efforts should be discouraged. The presiding officer should be informed when anyone needs to leave.

Finally, audience participation should be limited to appropriate times (Public Hearing or Oral Communications). The Commission should not engage in dialogue during Oral Communications. No person who is not a member of the Commission may address the members while the meeting is in session without the permission of the presiding officer.

Chair Helland asked if the three-minute/five-minute speaking limit is written down somewhere. Director Otal stated that it is under *Rules for Public Testimony*. This states that individuals will be allowed three minutes to speak or five minutes when presenting the official position of a recognized organization. Chair Helland asked about opportunities for the Commission to ask questions of someone who is giving oral testimony. Director Otal stated that if there are clarifying questions those may be asked, but there should not be back-and-forth discussion.

Commissioner Morin asked how deliberate the ESC should be about the time limits. Director Otal replied that it is important to be very deliberate in order to provide fair opportunities for all. Commissioner Morin asked if it would be up to the Chair to decide whether an individual is a recognized representative of a group. Director Otal affirmed this, but noted that staff would assist. She noted that if the ESC wants more information from an individual giving oral testimony, the individuals can be asked to provide written materials. Director Otal concluded that when the comprehensive bylaws are complete, the ESC will be provided copies.

c. March 28th – Planning Commission Debrief

Kevin Turner, Chair of the City of Bellevue Planning Commission, introduced himself and Planning Commissioner Aaron Laing. Commissioner Turner thanked Chair Helland and Director Otal for coming to their meeting on March 28. He said the information Chair Helland and the Director provided was very helpful for the Planning Commission as it reviews the Shoreline Master Program Update. He said the Shoreline Master Program regulates land use. He noted that it was an exciting meeting with a lot of public dialogue. Representation from the

ESC was very helpful. The Planning Commission is striving to complete the Shoreline Master Plan, and is on track to getting a good product. He expressed appreciation for the ESC's input on the Phantom Lake issue. A new draft of the SMP will be completed by staff sometime this summer.

Chair Helland commented that the Phantom Lake issue was addressed at the meeting as a part of the SMP. Director Otal stated that she has the Planning Commission meeting minutes which will be distributed to the ESC for their reference. Director Otal added that the Parks Board gave a presentation to the Planning Commission at the March 28 meeting summarizing their role. The ESC also has the opportunity to provide comments to the Planning Commission. Chair Helland will be drafting a letter from the ESC to the Planning Commission regarding the ESC's role. This letter will be emailed to the ESC prior to the next meeting and can be discussed at that meeting. Commissioner Wang asked if this is specifically about Phantom Lake. Chair Helland said it was not; the letter will be about which programs and policies are addressed by which commission. Director Otal clarified that Phantom Lake was the overlap subject between the ESC and the PC.

Councilmember Stokes briefly reviewed some of the events of the meeting and his concerns about the protocol. He discussed the importance of the commissions and boards having a uniform approach regarding protocol. This is especially important for public comments in order to provide consistency. The Council has found it helpful, if there is a question, to refer the speaker to staff to follow-up in order to avoid taking up too much time in the meetings. Councilmember Stokes reported that he has been working with the Phantom Lake Homeowners representatives to try to come up with solutions to their situation. If the Council has something put together, it will come back to the ESC. He thinks that the City might be close to getting some resolution on this issue.

Commissioner Wang noted that the responsibilities of any new group would have to be clearly defined. Councilmember Stokes concurred. He noted that some people within the group are concerned about drainage, while others are more concerned about water quality. Striking a balance will be important.

- d. Financial Policies Review & Budget Proposal Presentations - Lucy Liu, Asst. Director for Resource Management/Customer Service Division, and Bob Brooks, Utilities Fiscal Manager

Ms. Liu stated that the policies are being reviewed as one of the steps in the budget process. She explained that Utilities needs financial policies for several reasons. Utilities conducts enterprise activities. Utilities operates as a self-sufficient business where rates are the primary source of revenue. Each Utility fund is kept financially separate and accountable. Utilities has a very long-term financial planning horizon.

The City Council has adopted financial policies which serve as the governing principles that guide Utilities operations. These policies are reviewed every two years and updated as needed. The Council-adopted policies ensure that Utilities can pay for ongoing operating and capital costs; ensure that the Utilities maintains adequate reserves; ensure that rate increases are kept to a minimum; and ensure that intergenerational equity is maintained. Utilities looks well beyond the two-year biennial budget and the 7-year Capital Improvement Program Plan. Staff looks at a 20-year comprehensive planning horizon and an even longer horizon for system replacement.

Bob Brooks then reviewed the financial policies with a focus on how these policies might relate to the budget and ratemaking exercise. Rate levels must cover current and future expenses and maintain adequate reserves. Rate increases should be gradual and uniform to avoid rate spikes. Increases in wholesale costs are passed through directly to the customer per Council-adopted policy. For example, increases with Metro are passed directly on to the customer so that local programs do not suffer by subsidizing regional costs. The use of savings and one-time revenues are part of the planned funding for R&R and should not be used for rate relief.

Chair Helland clarified that when Utilities does the smoothing of the rates the focus really is on the smoothing of the local portion of the rates. Director Otal affirmed this. She noted that it was a very conscious decision by Council.

Mr. Brooks reviewed policies that Utilities has regarding debt coverage. Other rate-related policies state that rates will be evaluated annually and adjusted as needed. Typically this is part of the two-year budget cycle but there is an ability to ask for increases at other times. The policies state that the rate structures are based on the cost of service. The goal is to recover costs from the customers who caused the costs to be incurred. Another policy regarding rate equity says that rates are designed to recover costs on a fair basis, not only by customer class, but also from different generations. Generally speaking, the rates are the same for all customers in the same class for the same level of service. However, the policy allows Utilities to set special rates and surcharges for specific areas where there are extraordinary investments or maintenance costs.

Director Otal added that one of the mechanisms for Phantom Lake residents could be a surcharge that is managed by the City. When there is a specific local benefit, a Local Improvement District can be formed for that set of customers. Otherwise rates are uniform for all. Chair Helland asked how this would be handled procedurally. Director Otal explained that it would be an additional charge on the bill in addition to the regular calculation on the bill. The surcharge is calculated based on a totally different methodology. In the case of Phantom Lake, there could be a cost

of service study to determine how the money would be allocated. Some surcharges, like the Lakemont surcharge, have sunsets once the capital project is paid off. Utilities generally won't take on responsibility for surcharges for ongoing maintenance needs, but if it does then the surcharge would remain long-term. Chair Helland asked if the calculations about the surcharge would become part of the routine ratemaking. Director Otal explained how this was handled with Lakemont residents. She reiterated that it comes back to the rate equity issue. The principle of fairness is an important principle for Utilities. She added that action could be taken outside of the regular ratemaking.

Commissioner Wang referred to the upcoming Rate Revenue Stability Study and expressed concern that that study would cause staff to have to go back and change what is being done now. Mr. Brooks explained that some of the ratemaking objectives are not necessarily compatible. Staff will be looking at the issue of rate stability along with the other objectives. Commissioner Wang thought that rate stability would come at the expense of being equal and uniform. Mr. Brooks replied that staff will be coming to the ESC and the Council with recommendations about rate structure changes which will deliver a balanced product. All financial policies will be considered when making a rate proposal. Commissioner Wang said he did not understand how staff would not change the policies and still achieve the objectives. Mr. Brooks reiterated that there are competing objectives, but staff is not proposing changes to the policies. Director Otal concurred and stated that this could be a lively discussion at the rate design presentation.

There are a number of policies governing Operating Reserves. There are minimum and target reserve levels established for Working Capital Reserves, Operating Contingency Reserves, and Plant Emergency Reserves. Working Capital Reserves are "cash flow" reserves which cover the day-to-day and month-to-month fluctuations in cash flow needs. Operating Contingency Reserves are more long-term and are used to protect against adverse financial performance or budget performance. Plant Emergency Reserves cover the cost of major events such as system failure or major flood damage. The consolidated approach is used to combine the reserves in order to minimize the amount of cash needed. An important function of reserves is to help to provide rate stability.*

Asset Replacement Reserves are held because Utilities is not included in the Equipment Rental Fund that the rest of the City uses. This covers things like equipment (vehicles, generators, vectors, etc.) and software systems (CIS, Maximo). It is on a cash-flow basis, not on an asset-by-asset basis. The purpose of this reserve fund is to avoid rate spikes.

* Councilmember Stokes departed at 7:58 p.m.

Utilities also has Capital Investment Guiding Principles. Utilities has an obligation to take care of the systems that we have. The aging infrastructure is a huge future liability. Utilities has a very long-term planning horizon for asset replacement. As part of that there is a plan for the use of the Renewal and Replacement Fund which helps get to a gradual and uniform rate increase.

Chair Helland asked if one-time windfalls that go into the R&R would decrease the amount of funding that Utilities would normally put into the R&R. Mr. Brooks stated that it would be factored in and the contributions would be decreased by that much during the next budget cycle. Director Otal commented that the liability is in the billions. Even though there is an R&R it is not fully funded. Chair Helland commented that maybe the one-time windfalls shouldn't take away from the normal contributions to R&R because more funding is needed there anyway.

Mr. Brooks stated that the policy regarding debt is to minimize the use of debt and allow it to be available to provide financial flexibility in case of emergency. There was a brief discussion about the cost of debt. Chair Helland asked if the policies allow Utilities to borrow from reserves. Mr. Brooks stated that the policies say that Utilities can borrow from R&R as long as it is paid back.

R&R Funds are used to replace infrastructure assets. The funds are accumulated in advance of major expenses so assets can be replaced without having rate spikes. This helps maintain the intergenerational equity so that everybody is paying a little bit toward replacement.

Chair Helland asked how the analysis is done when money is borrowed from the reserve funds. Mr. Brooks explained that staff looks at how long a payback period is being considered to make sure Utilities does not need those funds during that time. A repayment schedule with interest is then set up just as a bank would do. Director Otal gave an example of how this happened when an upfront payment needed to be made to Coal Creek for infrastructure. Utilities borrowed from R&R in order to cover the cost of assumption and then a payment schedule was set up. Chair Helland asked how staff determines the terms of the loan. Mr. Brooks explained that typically the term is ten years, but other factors are also considered. The interest rate is based on what would be made on the funds. R&R sources of funding include planned transfers from rates, unplanned and one-time revenues, interest earnings, capital recovery, and connection charges.

Ms. Liu explained that Council's policies have put Bellevue in an enviable position of having funds to cover operating contingency and having a funding plan for infrastructure replacement. This puts Bellevue ahead of most utilities in the region and across the country in planning for the eventual infrastructure replacement.

Chair Helland referred to page 31 in the ESC packet and asked why the Comprehensive Storm and Surface Water System Plans and individual Storm and Surface Water Basin Plans are not updated every six years like the Water and Sewer Comprehensive plans. Ms. Maloney explained that the last revision was in 1994. She stated that the Water Comprehensive Plan is required by law to be updated every six years. The Wastewater Plan is required to be updated whenever circumstances change or dictate it. Stormwater is not as driven by population growth and annexation area so it doesn't generally need to be done as often. The Storm System Plan is a policy document and policies don't generally change very often. A lot of Stormwater regulations have changed in the last decade. Staff has looked at doing a Storm System Plan almost every year for the past decade, but is waiting for NPDES to flush out some of the surface water quality regulations. Ms. Maloney stated that ideally she would be comfortable with a 10-year horizon for revisiting these documents.

Commissioner Cowan asked if the rate decrease in the R&R fund that was proposed by the Council goes against the Utilities policy because it means that Utilities is no longer funding for the future. Director Ota explained that it doesn't go against the policy; Utilities is just not making as much progress right now. The reason Utilities didn't make the transfer as planned was because the revenues weren't there. The decision had to be made whether to cut programs, which is an immediate impact to operations, or impact the long-term funding plan. The plan is to make up the amount of lost contributions in the future. Director Ota compared this to taking a year or two off making contributions to one's retirement fund and then having to make slightly higher contributions in subsequent years in order to meet the goals.

Ms. Maloney remarked that Utilities' actual needs are constantly being re-evaluated so the amount needed can also change over time. Director Ota commented that every four or five years, staff does a comprehensive review of the needs. Right now there is an engineering study happening on the Water R&R. It may be that we will not have to make up the difference because Utilities is in an active replacement mode with the A/C mains. The good thing is that the R&R is a long-term plan so annual blips don't affect it as much.

Commissioner Morin asked about risks associated with borrowing from the R&R funds. Director Ota explained that staff looks at projected expenses to determine if borrowing is feasible. She clarified that R&R is for projected expenses; reserves are used for the unexpected expenses. Commissioner Morin asked what other cities do without an R&R fund. Ms. Maloney said that some jurisdictions issue a lot of debt or have extreme increases in utility rates because of not being proactive.

Budget Proposal Presentations:

Ms. Liu gave a brief overview of the budget proposal process. She explained that the role of the ESC will be to advise Utilities on budget proposals, provide a proposal recommendation to Results Teams, and provide budget and rate recommendations to City Council. The budget development guidelines include a zero-base budget, cost containment measures, efficiencies and process improvements, programs and services level reviews, and proposed adds in order to meet critical needs.

CIP Proposals

Pam Maloney briefly reviewed the CIP Proposals.

Commissioner Weller asked if there is a threshold where staff might coordinate too much with other projects and end up delaying necessary projects. Ms. Maloney explained that the project delays she had referred to were for new streets in the Bel-Red corridor. It will be important to coordinate utilities when those roads are built. She noted that staff is rarely accused of over-coordinating.

Commissioner Wang referred to item 140.07 WSDOT - Required Utility Relocations, and asked how this can be a cost savings. Ms. Maloney encouraged him to look at the 7-year CIP to understand the cost-savings.

Commissioner Wang asked what the letters after the proposal names mean. Mr. Brooks explained that “N” means it is not dependent on another proposal and there is no parent proposal. “D” means it is dependent on other projects. “A” means it is the original proposal; “B” or “C” will be used for subsequent proposals.

Ms. Maloney explained that the CIP proposals do not include the costs of any staff. There is an Operation Budget Proposal for that which Regan Sidie will discuss later. She commented that the CIP proposals are funded predominantly by rates. The only significant exception to that is the KCFCZD financing.

Commissioner Mach asked about the line showing the Operating Transfer to CIP. Mr. Brooks explained that these are revenues needed to fund the CIP and are based on annual CIP program needs. Director Otal further explained that staff looks over the total 7-year window. The total of the transfers equals the total of the CIP, but year-to-year it won't match exactly. For cash flow purposes, R&R is used to smooth over rates. Mr. Brooks explained that there are separate budgets for CIP and for Operations. The Operations budget funds the CIP.

Operating Proposals

Regan Sidie, Design Services Manager, spoke about Capital Project Delivery, which makes up the individuals who actually accomplish the CIP. He explained that there is an increase in the overall CIP program (1 Design FTE in 2013 and 1 Inspection FTE in 2014). The 2013-2019 CIP is expanding by over \$30 million, and the 2.0 FTE increase is needed to meet the increased scope and number of projects.

Commissioner Morin asked what would happen in 2015. Mr. Sidie explained that in 2015 an engineer will be added, in 2016 another inspector will be added, and in 2017 another engineer will be added. The gap between the needed FTE's to accomplish the CIP and the FTE's that the City actually has will meet at that point. From 2017 on, it appears that staffing will be at a perfect level to deliver 100% of the CIP.

Chair Helland asked if staff is still trying to accelerate capital projects as much as possible to take advantage of the economy. Mr. Sidie stated that the City is still getting good prices. He reviewed some of the current bids that the City has received recently. Chair Helland asked if the slower ramp-up of the FTE's affects the City's ability to implement the capital projects. Mr. Sidie acknowledged that if Utilities added more positions earlier some benefit could be gained. One thing staff has done is brought on a temporary senior engineer who will help with workload while we hire new individuals and get them through the learning curve. In addition, the 1.5 staff members from Development Review were helping during the earlier period in 2010 when the Design section had staff vacancies due to a hiring freeze. Staff will continue to augment the FTE ramp-up with temp help.

Commissioner Mach asked if the Capital Project Delivery includes the design fees for the projects. Mr. Sidie replied that it just includes the in-house labor. The consultant fees are included in the other proposals.

Commissioner Mach asked why Utilities doesn't just hire on the new FTE's now when it could save 50% of the design fees. Mr. Sidie explained that the department is trying to match the ramp-up with the CIP.

Purchase of Water Supply:

Bellevue's costs are based on Cascade wholesale rates and customer usage on a three-year rolling average. Bellevue represents approximately 55% of Cascade costs. The costs are largely fixed.

Commissioner Weller asked about the process of determining the City's wholesale rate and how much say the City has in determining the rate and agreement. Director Otal explained that Cascade is a small consortium of eight members with Bellevue being the largest partner. Cascade has purchased water from Seattle and Tacoma so their costs are pure purchase

costs. Both of those contracts are fixed prices whether all of the water is used or not. There are additional costs for Lake Tapps, maintenance, administration, etc. Commissioner Weller asked about the wisdom in paying for Lake Tapps when it is not even certain if it will be needed in the future. Director Otal explained that the lake was purchased so it would be available if needed, but the City is not developing the pipe system or the treatment plant at this time. The costs right now are covering the purchase price and the maintenance. Regarding Cascade costs, Bellevue provides input through representation on the board.** Director Otal explained that the only way Bellevue's costs are going to change is if the percentage of what Bellevue uses changes relative to others.

Commissioner Morin requested more information about water supply issues. Director Otal reviewed a brief history of water supply and demand issues regarding Seattle, Bellevue, and Tacoma. One of the ways the City is trying to manage this now is to see if there are any opportunities to renegotiate the contracts with Seattle and Tacoma. Commissioner Morin pointed out that there is a clear trend in declined usage, and it can probably be assumed that that will continue. Director Otal affirmed that Cascade overbought water in the short-term and as a result Bellevue has overbought.

Chair Helland asked about the opportunity of renegotiating contracts. He also asked about a comparison of the costs of getting water out of Lake Tapps versus paying Seattle and Tacoma. Director Otal offered to have Alison Bennett, Regional Policy Advisor for Utilities, come to the ESC with more details. Director Otal summarized that it is still cheaper to delay Lake Tapps as long as possible. She pointed out that the contract with Seattle is a declining contract. At the point that Bellevue has less water than needed it will be necessary to develop Lake Tapps. The regional representatives are attempting to see if contracts can be renegotiated to buy only what is needed with an assurance that there will be a certain amount available each year in the future. Chair Helland said he'd like to know more about contract options because the contracts have a significant impact on rates. Director Otal concurred. She stated that when there are further developments in the contract, the ESC will be provided more information.

Director Otal asked for the Commission's preference for receiving further information about the proposals. There was consensus to have the detailed proposals, the high-level summary, and the slides with highlights sent to the ESC prior to the next meeting.

** Commissioner Wang left the meeting at 9:03 p.m.

8. DIRECTOR'S OFFICE REPORT

Director Otal stated that she would be working with Chair Helland to draft a letter from the ESC to the Planning Commission. This will be forwarded to the ESC along with any new information on Phantom Lake and the Parks Board letter.

The City Clerk has indicated that parking has become a problem at City Hall. Director Otal reminded the Commission that the reserved spots are for the Mayor and Council. Parking is available in the Meydenbauer garage and the Skyline garage. The City will reimburse commissioners for parking if none is available at City Hall. Chair Helland suggested that the City look into automating the parking garage at City Hall so that no staff would be needed in the evenings.

9. CONTINUED ORAL COMMUNICATIONS

None

10. EXECUTIVE SESSION

None

11. ADJOURNMENT

Motion made by Commissioner Weller, seconded by Commissioner Swenson, to adjourn the meeting at 9:20 p.m. Motion carried unanimously (7-0).

Follow-Up Questions and Answers

Question: Commissioner Mach asked if detailed questions in the 2012 Citizen Budget Survey can be found on the City’s website.

Policy Issue: Informational only.

Response: Yes, all questions that were asked in the 2012 Citizen Budget Survey are contained in the survey, which is online. Below are the actual questions taken from the survey that generated results given to the Commission at the May 3 meeting in the Follow-Up Questions and Answers Section. Please note that one detailed introductory question was asked for the four questions that follow. We have restated the results as they appeared in the last packet for your reference.

Budget Survey

Q5INT Do you “strongly agree”, “somewhat agree”, “neither agree nor disagree”, “somewhat disagree”, or “strongly disagree” with the following statements.

- 1 STRONGLY DISAGREE
- 2 SOMEWHAT DISAGREE
- 3 NEITHER AGREE NOR DISAGREE
- 4 SOMEWHAT AGREE
- 5 STRONGLY AGREE
- 8 DON’T KNOW
- 9 REFUSED

Q6 Having safe drinking water and clean air are important factors in the quality of life in Bellevue.

	2010	2011
Strongly Agree	83%	83%
Somewhat Agree	7%	8%
Neither Agree nor Disagree	2%	2%
Disagree	8%	7%

Q5 Careful and balanced stewardship of our natural environment and natural resources will result in a long term increase in the quality of life in Bellevue.

	2010	2011
Strongly Agree	58%	57%
Somewhat Agree	24%	23%
Neither Agree nor Disagree	4%	5%
Disagree	14%	16%

Q5a Careful and balanced stewardship of our natural environment and natural resources will result in a long term increase in the economic vitality of Bellevue.

	2010	2011
Strongly Agree	45%	41%
Somewhat Agree	32%	37%
Neither Agree nor Disagree	8%	9%
Disagree	15%	14%

Q5b I am happy with how much the City is doing to facilitate and encourage environmentally sustainable practices in the community.

	2010	2011
Strongly Agree	29%	25%
Somewhat Agree	39%	44%
Neither Agree nor Disagree	15%	15%
Disagree	17%	16%

If you wish to refer to the survey online, the link is:

http://www.bellevuewa.gov/pdf/Finance/FINAL_J6609847_Bellevue_Budget_Final_Report_March_5_2012.pdf

2012

Tentative Environmental Services Calendar

May 12						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
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May
24 Budget Proposals (Lucy)

June
7 Budget Proposal Wrap Up (Lucy)
 R&R (Wes)
 Rate/Revenue Stability Design (FCSG)

June 12						
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July
12 CIP Tour

August
2 Solid Waste Contract Review #1 (Susan/Tom)

July 12						
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September
6 Asset Management (Bill O&M)
 Solid Waste Contract Rev #2 (Susan/Tom)
 Wastewater System Plan Recap Policies & Evaluation Criteria (Pam)

August 12						
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October
4 Budget - Public Hearing on proposed budget & finalize rate recommendation (Bob)
 Budget - Review budget Notebooks & Preliminary Budget (Bob)
 Wastewater System Plan Findings & Recommendations (Pam)

September 12						
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November
1 Budget Public Hearing (Bob)
 Deliver Wastewater System Draft Plan (Pam)

October 12						
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December
6 CIP Accomplishments (Scott/Regan)
 Solid Waste Contract - Annual Performance Review (Tom)
 Wastewater System Plan - Open House Prior to ESC - Public Comments - Discuss Draft Plan (Pam)

January
3 Wastewater System Plan - Recommendation for Adoption 30 Minutes (Pam)

November 12						
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January 13						
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February 13						
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March 13						
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April 13						
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2012 Pending – ESC:

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

IDDE Overview – Mike G.

Katie/2012 Calendars/Pending ESC Calendar

Updated 12/13/11

2012

Tentative Council Calendar

May 12						
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May

- 21** Consent: Motion to Award
CBD Sanitary Sewer Capacity Improvement (Wes)
Consent: Motion to Award
Sanitary Sewer Repairs Phase I (Wes)
Consent: Resolution - Prof Svcs Agrmt W/SAIC (Formerly RW Beck) for Valley Creek - NE 21st SE Flood Control (Wes)
Consent: South Kirkland TOD easement relinquishment (Mike J./Max Jacob)

June 12						
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- 29** CWA Interlocal Agreement (Alison)
KC Waste Water Rates Briefing (Alison)

July 12						
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June

- 4** Consent: CWA Interlocal Agreement (Alison)
- 18** Consent: Motion to award bid for 2012 Asphalt & Concrete Replacement Project (Tony)
Consent: Resolution authorizing 4 yr General Svcs Contract w/Stripe Rite (Tony)

August 12						
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July

- 2** Consent: Motion to Award
Flush Station 5 Rehab (Wes)
Consent: Resolution authorizing Coal Creek Sediment Removal (Tony)

September 12						
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- 16** Consent: Motion to Award
132nd Avenue NE Bellevue/Kirkland Intertie (Wes)
Consent: Motion to Award
Wet Pond Retrofit at Lakemont Blvd 2012 (Wes)
Consent: Motion to award
PRV/Com Meters Lids (Wes)

October 12						
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- 23** Cascade Budget & Regional Conservation Briefing (Alison)

August

- 6** Consent: Motion to Award
NE 16th Place Storm Drain Pipe Replacement (Wes)
Consent: Motion to Award
Storm Drainage Trenchless Repair - 2012 (Wes)

September

- 17** Consent: Motion to Award
AC Main Replacement
2012 Phase II (Wes)

October

- 1** Consent: Motion to Award
Sanitary Sewer Trenchless Repair - 2012 (Wes)
- 15** Consent: Motion to Award
AC Main Replacement
2012 Phase III (Wes)
Winter Weather Preparation (Tony/Joe)

November 12						
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December 12						
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January 13						
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February 13						
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March 13						
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April 13						
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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

2012 Pending Council

Sewer Comp Plan – (Wes)

Katie/2012 Calendars/Pending Council Calendar

Updated 3/26/12



MEMORANDUM

- Action
- Discussion
- Information

DATE: May 16, 2012

TO: Environmental Services Commission

FROM: Lucy Liu, Assistant Director for Resource Management & Customer Service 

SUBJECT: 2013-2014 Utilities Budget Proposal Presentation

Action Required at this Time

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

Background

On May 3, staff presented the Commission with the 2013-2014 Utilities CIP and policy-related budget proposals. On May 24, staff will present the 2013-2014 Utilities Operating and Reserve proposals.

As background, the following documents will be delivered to you prior to the meeting separate from the packet:

1. 2013-2014 Utilities budget proposals to be presented on May 24.
2. Summaries of the 2013-2014 Utilities budget proposals to be presented on May 24.

We hope that you will have a chance to review the proposals in advance of our presentation so we can address any questions you may have during the meeting.

Looking Ahead

Staff will return on June 7 to present the rate implications of the budget proposals. At that time, staff will also seek your final comments on all of the Utilities budget proposals and the Commission's recommendation of the proposed 2013-2014 Utilities Budget.

If you have questions, please don't hesitate to call me at 425-452-4445.