

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

Thursday
February 4, 2010
6:30 p.m.

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

COMMISSIONERS PRESENT: Chair Szablya, Vice Chair Helland, Commissioners Carter, Mach, Roberts, Mahon

COMMISSIONERS ABSENT: Swenson

OTHERS PRESENT: Nav Otal, Anne Weigle, Pam Maloney, Laurie Devereaux, Bob Brooks, Kit Paulsen

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

Motion made by Commissioner Carter, seconded by Commissioner Roberts, to nominate Steve Szablya for Chair until the end of year. Motion passed unanimously (5-0).

(Councilmember Mahon arrived at 6:33)

Motion made by Commissioner Carter, seconded by Commissioner Mach, to nominate Commissioner Helland as Vice Chair. Motion passed unanimously (6-0).

2. ORAL COMMUNICATIONS:

None

3. APPROVAL OF AGENDA

Motion made by Commissioner Helland, seconded by Commissioner Roberts, to approve the agenda. Motion passed unanimously (6-0).

4. APPROVAL OF MINUTES

January 7, 2010 Regular Meeting Minutes

Motion made by Commissioner Roberts, seconded by Commissioner Mach to approve the minutes as presented. Motion passed unanimously.

5. FOLLOW-UP QUESTIONS/ANSWERS

None.

6. REPORTS & SUMMARIES

a. ESC Calendar/Council Calendar

Ms. Otal reviewed the calendar. Chair Szablya suggesting having everyone sign up to bring snacks. Commissioner Helland offered to do it next time. It was decided to have Katie assign people to bring snacks and send out emails to remind them.

There was some discussion about the two additional special meetings in March and April. Chair Szablya reminded everyone that the next three months will be quite intense with budget issues. He requested that this be presented as quickly as possible. He cautioned against having too much unnecessary question-and-answer time to answer individual questions.

b. Desk Packet Material (s)

- Conservation & Outreach Events & Volunteer Opportunities

Ms. Otal explained that this was in the packet for informational purposes only.

c. Stream Team Update

Laurie Devereaux reviewed success statistics from the Stream Team in 2009 as follows:

Levels of outreach:

- Passive Outreach – info online, BTV, display, poster, brochures, ads – tends to be focused on raising awareness.
- Staffed outreach – 4 Science Fairs, Earth Day, Little Lake to Lake Walk, Natural Yard Care Classes, 3 High School Events, Teacher Workshop, Envirothon – focus on education, but more information is available.
- Special presentations - Salmon cycles, High School AP environmental science, natural resources week, Well Kept Kids
- Targeted outreach – streamside landowner class, critical areas handbook, theater ad on car washing, Kelsey creek watershed outreach campaign

Volunteers

- Salmon Watchers - 46 volunteers attended training; 27 volunteer units assigned to Bellevue streams; 200+ hours in the field; 640+ visits to the stream – these efforts help augment the professionals.

- Peamouth Patrol – 2 volunteers, 53.5 hours in the field, 187 stream visits (wonderful for families in the spring)
- Arbor Day/Earth Day – stream team volunteers, local high schools, business group, Eagle Scout project
- Macroinvertebrates - -4 volunteers, 6 sites, collected 21 samples, 38 volunteer hours. This information is compiled in a regional database and will also be coming out in a new report

Puget Sound Starts Here – NPDES, Regional, Website, TV PSA’s, posters – this is the umbrella group for many groups in the region.

There was some discussion of the impacts of car washing and pet waste on the environment.

d. Budget One Overview and Financial policies review

Anne Weigle reviewed the budget schedule. She explained why the City has decided to change this now. She reviewed the current budget approach of the City as a whole. Budget One starts with the citizens’ perspective and what is important to them. Budgeting for Outcomes (BFO) methodology is used to determine the “price of government”. It has a long-range strategic approach and is based on outcomes that are important to the community. It looks across the entire budget, both capital and operating as opposed to little chunks at a time. It has more meaningful roles for more people. It is a transparent process for the public, for the Council, and for the staff. It encourages innovation and efficiency. It aligns with the leadership philosophies that the City has – the One-City Approach.

Ms. Weigle compared the traditional approach versus Budget One. The focus in the traditional approach is to start with a base budget and then make cuts or add to that. In Budget One there is no base; it starts with zero and then we end up “buying” proposals or programs that are most important to the community and best meet their priorities. It starts with deciding on the outcomes that matter most to our community. We determine how much money we have to devote to achieving those outcomes and then decide how much to spend on achieving each one of the outcomes.

Commissioner Helland asked how commissions are involved in the process of setting up the goals and outcomes. Ms. Otal explained how this methodology works. There are a finite number of broad outcomes that result from the surveys. The community vision involved commissions, boards, citizens and other members of the community. Those separate pieces of information were grouped together to start the outcomes. There was discussion about the ESC’s involvement in the process and public participation in the process.

The outcome development process has resulted in the following Bellevue Outcomes:

- Improved Transportation
- Healthy and Sustainable Environment
- Safe Community
- Vibrant and Caring Community
- Effective and Efficient Government

Ms. Otal explained the process and how they have gotten to this point. Next Monday the Council will hopefully either approve this or revise it.

Commissioner Carter asked where they are in the overall process. Ms. Otal stated that they are not done with Step 2. Commissioner Carter asked about the level of detail in the survey questions. Ms. Otal was not sure about the level of detail; she thought the survey contained fairly general questions. She added that more detailed information would probably come from citizens volunteering comments on comment cards.

Ms. Weigle reviewed the purpose of the Results Teams. They will be working on strategy maps for their outcomes. Ms. Otal explained how the strategy maps would be developed. The Results Team will then be giving staff Requests for Results (RFR). The proposals developed by staff will be responses to the RFR's and will be very comprehensive. Ms. Weigle explained that the ESC will be involved in the proposal review process on April 29, May 6 and July 8. There was brief discussion surrounding the funding allocation process.

The Results Teams will then rank the proposals based on the strategy maps. Departments will revise proposals based on feedback and ranking. Council briefings and feedback will follow this. In the final step the City Manager will use Results Teams recommendations to prepare and present a proposed budget to the Council. This will be available for public input. The budget schedule will be very compressed. The ESC input will be very important before it is moved to the Results Teams.

Ms. Otal summarized that there is a serious revenue shortage so cuts need to be made. This process will allow us to make cuts in a very thoughtful manner. In order to look at this it has been divided up into different chunks (outcomes). The idea of the Results Team is to look at everything from the point of view of the citizens.

Chair Szablya expressed some concerns about including Utilities in this process, noting that ratemaking is not an involved process. Ms. Otal commented that Utilities is not a stand alone function and they have to be part of the Council's budget process. Several commissioners expressed concerns about Utilities' involvement in this. Ms. Otal explained why she felt that

citizens would be well-served by this process. She was confident that the Utilities would be able to present and maintain their services.

Chair Szablya suggested that the Results Team is irrelevant because the ESC has been tasked by the City Council to be reviewing all this and to make a recommendation. Ms. Otal reviewed the roles in this process and explained that the ESC's recommendation will carry a lot of weight with the Results Teams. Ms. Carter summarized that the Results Team will be a step in between the ESC and the Council. The Results Teams are city staff, but their role is different and they are looking at the budget from a different perspective. There was some discussion about how rankings would be determined.

Commissioner Helland commented that many city services are basic. He asked how they would ensure that the Results Teams have a realistic perspective of the needs of that area. Ms. Otal expressed faith in the process.

Chair Szablya said he could buy into the process but he feels that at the end of it Utilities will end up with what they already have.

Commissioner Mach remarked that this is not a zero-based budget, but more of a hybrid. It is triggered by the recent financial crisis and taking priorities from citizens a few years back may reflect totally different priorities than they would have today. True citizen participation should really be at the micro level not the big broad categories. He feels it is very valid to have staff participate as citizen input, but he noted that normal citizens will not really feel like they were involved.

Ms. Otal explained how the Utilities budget fits into the overall city budget.

Commissioner Carter noted that the things that would be impacted in Utilities would be the proposed projects and the order in which they are prioritized.

Commissioner Mahon commented that this is more about the efficiency of delivery of services within each area. He asserted that this is worthy of examination. Ms. Otal concurred.

Commissioner Roberts asked about the potential for disagreements on priorities. Ms. Otal said that all of the comments would go to Council who would make the final decision. She repeated that the ESC's role has not fundamentally changed although they would be looking at a lot more proposals and looking at ways to create efficiencies. She again expressed faith in this process. Ms. Weigle commented that all City departments' services would be scrutinized in order to focus on efficiencies.

e. Utilities Financial Policy Review

Bob Brooks gave an overview of the Utilities Financial Policies. He discussed objectives and key messages related to financial planning. He stressed that the City Council has established policies that guide Utilities' financial planning. He reviewed why the policies are important and the history of the policies. The philosophy can be summarized as: Fiscal Stewardship; Self-sufficient Funding; and Comprehensive Planning. Types of policies include: rates, operating reserves, asset replacement reserves, capital investment, debt and system expansion. He reviewed policies for each of these in detail.

Rates policies:

- Cover current and future expenses
- Maintain adequate reserves
- Increases are gradual and uniform
- Wholesale costs are passed through to customers
- Equity is important
- Anticipated budget savings are part of the planned funding for R&R, not for rate relief
- Rate assistance provided to customers

Operating Reserves Policies:

- Established minimum and target levels
- Components include: working capital, operating contingency, and plant emergency reserves
- Consolidated approach across all three Utilities funds. This helps provide rate stability.
- Target Operating Reserves: \$12.9M or 13% of 2010 budgeted expenses

Commissioner Helland asked if these funds could be loaned to other funds. Mr. Brooks stated that it is possible, but it must be done with interest to pay the ratepayers back. Council is very aware of the need to keep Utilities revenue separate from the General Fund.

Asset & Equipment Replacement Reserves Policy:

- Provide for replacement of equipment and systems
- Current (2009) Asset Replacement Reserves: \$6.7 M

A graphic of the Operations Fund was reviewed showing the sources and uses of funds and the ending balances of reserves. Mr. Brooks explained that the operating reserves have gone up but only because they are tied to the expenses that underlie the budget. There was some concern expressed by the Commission about whether or not enough was budgeted for reserves. Ms. Otal offered to provide the ESC with an in-depth briefing on this topic in the future.

Capital Policies:

- Take care of what we have – aging infrastructure is a pending future liability.
- Financial planning for long-term capital investment
- Gradual and uniform rate increases
- Intergenerational equity
- Low use of debt to provide financial flexibility
- Maintain targeted debt coverage

Capital R&R Fund Policies:

- Accumulate funds in advance of major expenses
- Maintain equity – each generation pays its fair share
- Maintain existing levels of service by renewing and replacing systems
- Provide rate stability through advance planning
- Reserve debt capacity for unexpected changes or catastrophic events. Ms. Otal remarked that this future planning gives us the flexibility to make investments when they are needed. In the new budget process one of the challenges for Utilities will be to articulate this to people that are not used to long-term planning.
- A key issue of the R&R policy is intergenerational equity. The rates include contributions to R&R for future replacement needs. The policy of building the reserves in advance means that current and future customers will have paid to replace the assets, not just future customers. Each generation of customers pays its fair share.

Capital R&R Sources of Funding:

- Planned and one-time transfers from surplus Operating and CIP funds
- Interest earnings – This is a huge source for this fund (over 50% of the revenues). This, like the principal, must be used for Utilities.
- Capital recovery and connection charges
- One-time revenues

Capital Improvement Fund:

A graphic was reviewed showing sources of funds and uses of funds in the 2010 budget.

Debt Policy:

- Debt use for capital improvement is limited to: external mandates; catastrophic events; low-interest loans preferred (for example, Public Works Trust Fund loans)
- Current debt is extremely low. All revenue bonds were paid off as of 2009; remaining PWTF loans are due to be paid off within 5 years.

System Expansion Policies:

- Responsibility for extending or upgrading existing system prior to connecting (“Growth pays for growth.”)
- Cost recovery through connection charges
- Use of connection charge revenues

Mr. Brooks highlighted the point that as a result of the foresight of the Council establishing these policies in 2005, we are in a pretty enviable position and ahead of most utilities in the region and even across the country.

Discussion:

Commissioner Mach asked if staff reaches out to homeowners to pursue connections and extensions when it makes sense financially, especially in conjunction with development that is already going on. Ms. Maloney said they do reach out to the community to help homeowners front the cost for sewer and water extensions. Sometimes this is in conjunction with development that is going on and sometimes it might just be that someone has a failed septic and would really like to connect to the sewer. The City has a policy that they will only put sewer in if at least 50% of the community wants it. Staff will explain that it is less expensive to do it in conjunction with some other project, but in the end it is the homeowner’s choice.

Seeing no further questions, the Commission thanked staff for the presentation.

7. NEW BUSINESS

None

8. DIRECTOR’S OFFICE REPORT

Ms. Otal announced that Dr. Davidson is the new Mayor. The Council has discussed commission and board assignments and Dr. Davidson has chosen to stay with the ESC.

Ms. Otal distributed materials that were passed out recently to brief new council members on the functions and operations of the Utilities Department.

9. CONTINUED ORAL COMMUNICATIONS

None

10. EXECUTIVE SESSION

None

11. ADJOURNMENT

Motion made by Commissioner Roberts, seconded by Commissioner Mahon, to adjourn the meeting at 8:55 p.m. Motion carried unanimously (6-0).