

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

Thursday
May 6, 2010
6:30 p.m.

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

COMMISSIONERS PRESENT: Chair Helland, Mach, Roberts, Swenson¹

COMMISSIONERS ABSENT: Commissioner Mahon

OTHERS PRESENT: Wes Jorgenson, Anne Weigle, Jean Shaffer, Mayor Davidson,
Mike Jackman, Bob Brooks

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:

None.

3. APPROVAL OF AGENDA

Motion made by Roberts, seconded by Mach, to accept the agenda as presented.

Chair Helland requested a discussion regarding moving the meeting times back to 7:00 p.m. There was consent to put it on the agenda for next time.

Motion passed unanimously (4-0).

4. APPROVAL OF MINUTES

- April 1, 2010 Regular Meeting Minutes

Motion made by Commissioner Roberts, seconded by Commissioner Swenson, to approve the minutes as presented. Motion passed unanimously (3-0).

¹ Commissioner Swenson arrived at 6:35 p.m.

5. FOLLOW-UP QUESTIONS/ANSWERS

Mr. Jorgenson responded to an earlier issue raised by Commissioner Swenson regarding Olympic Pipeline which was addressed on page 8 in the packet.

6. REPORTS & SUMMARIES

a. ESC Calendar/Council Calendar

ESC Calendar – Mr. Jorgenson explained that there are no changes to the calendar from last time. He pointed out that the focus through October (with the exception of the tour) will be on the budget.

Council Calendar – Mr. Jorgenson stated that there were a lot of projects scheduled for award by Council. He noted that it is an extremely good bid environment for the City and they are trying to get as many projects out there as possible. Chair Helland asked about risks of change orders due to the current economic climate and excessively low bids. Mr. Jorgenson said they haven't seen an appreciable increase in change orders, but he mentioned one situation the City Attorney is looking into where a contractor has claimed a change in condition on a sewer extension project. He added that the City is being very cautious in this regard and has performance bonds for added protection.

Commissioner Roberts referred to the July 6 Coal Creek Interim Culvert Repair and asked when the window is that the repair needs to be done. Mr. Jorgenson replied that the window is generally from the first of July through the end of September.

Mr. Jorgenson informed the ESC that the City received Corps permits for the Lower Coal Creek Off-line Pond. This is the last project for the settlement agreement so staff is anxious to get this done. Commissioner Roberts asked if this would be one that they would have to empty every year. Mr. Jorgenson replied that they would and that this would be the third one. Chair Helland asked if they ever have a use for the material that they empty from the ponds. Mr. Jorgenson explained that they do not have a use for it and the contractor is obligated to haul it away. There was discussion about the content of this material.

b. Desk Packet Material (s)

▪ Conservation & Outreach Events & Volunteer Opportunities

Mr. Jorgenson reviewed the volunteer schedule and extended an ongoing invitation to the Commission to attend any of the functions.

- c. Memo - Washington Water/Wastewater Agency Response Network (WARN) mutual aid opportunity

Mike Jackman, Assistant Director for Operations Maintenance, introduced the topic and introduced Jean Shaffer. Ms. Shaffer gave a PowerPoint presentation regarding an opportunity with the Washington Water/Wastewater Agency Response Network (WA WARN) Mutual Aid Agreement. She explained that when disaster strikes Bellevue, Utilities may need outside help. The Utilities department prides itself on its level of preparedness for emergency situations. However, in a large scale emergency they rely on other City departments, local resource partners (ham radio network, businesses), and mutual aid agreements. Right now Utilities has an existing agreement called the Public Works Emergency Response Mutual Aid which is focused on transportation and roadways and is run by the Washington State Department of Transportation. There are 32 counties, 114 cities and WSDOT that belong. (Seattle does not belong to this.) This is a good agreement that the City could tap to access DOT resources and to borrow and loan equipment and personnel resources. She explained that a major purpose of mutual aid agreements is to lay out in advance the terms and conditions with which you loan and borrow aid. It has to do with the rates of reimbursement, indemnification, liability, and insurance. This avoids having to negotiate those things when you are in a crisis mode.

WA WARN was launched in May 2009 closely following a model that FEMA & AWWA (American Water Works Association) have been supporting across the country. There was coordination through the Washington State Department of Health and there are over 50 signatories so far. WA WARN is a voluntary interlocal agreement.

Chair Helland asked about an emergency where all the entities in the region might be affected and there might not be enough resources even in the Northwest to answer the call. Ms. Shaffer mentioned that one of the reasons that FEMA and AWWA are really pushing for this is to get all the states to have the same agreements to facilitate interstate aid. They are continuing to work and develop the process. Also, WA WARN has developed an operational plan which calls for the group to meet on a regular basis and to have training and exercises that they promote. There have been people in the Oregon WARN who have talked to WA WARN about exercises they have done just to test the mechanism. This appears to be a viable organization and Utilities will be requesting Council authorization for Bellevue to join WA WARN.

Commissioner Roberts asked about cost. Ms. Shaffer said there was no cost to the City.

Chair Helland asked about how disparate economic circumstances throughout

the state might be a factor. Ms. Shaffer commented that there are some circumstances where the FEMA reimbursement is triggered. She added that one feature of the way this is being organized is that there are four regions in the state (Northwest, Southwest, Central, and Easter Washington). Some of the smaller systems might be in places where they have neighbors who can help out who are more in their price range. Mr. Jorgenson added that the beauty of this is that they know ahead of time what the cost is going to be.

Chair Helland asked about how potential disagreements would be handled. Ms. Shaffer said that the agreement tries to spell out enough detail to avoid this, but disagreements would probably have to be mediated between the entities.

Ms. Shaffer explained that Utilities will give Council a briefing on Utilities' emergency management role and mutual aid agreements. They will then be asking Council for an ordinance to authorize the City of Bellevue's participation in WA WARN. Staff is confident that this will work well for the City.

Motion made by Commissioner Swenson, seconded by Commissioner Roberts, to urge the Council to act positively on this proposal. Motion passed unanimously (4-0).

- 2009 Year-end Budget Update

Anne Weigle presented a brief update on Utilities' financial performance for 2009 as detailed in the ESC's packet. She explained that water service revenues were below budget by about \$800,000 in 2009. They attribute this largely to the permanent effects of water conservation and the general decline in per customer usage. They have adjusted revenue projections in the Early Outlook forecast for 2011 and 2012 for that reason. As water usage drops, sewer flows are reduced so the wholesale sewer costs were lower in 2009. Development activity was low due to the economic situation. She highlighted that Utilities undertook a serious cost-containment effort in 2009 and this is continuing into 2010. At year end revenues were at 100% of budget due to a higher than anticipated beginning fund balance. Expenses were at 96% of budget and reserves were \$4.7 million above budget due in large part to cost containment efforts.

Commissioner Roberts commented that in the past low water usage resulting in lower revenues has caused a rate increase which citizens were not happy about. He asked if this was in the plans this time. Ms. Weigle explained that they have adjusted revenue projections downward to avoid that.

Chair Helland asked for more detail about the *Other* category in expenditures which was down significantly. Bob Brooks commented that this includes all

of the cost containment measures including materials, supplies, and professional services. Chair Helland indicated he would be interested in hearing more about the cost containment strategy and if it is sustainable at another time.

- 2011-2012 Early Outlook Forecast

Ms. Weigle then reviewed highlights of the 2011-2012 Early Outlook forecast which consists of the projected rate increases that are necessary to continue the current levels of service. It also highlights key issues that may affect rates for the forecast period. Utilities practices continuous improvement in cost containment and these efforts are reflected in the Early Outlook in the ESC's packet. On average in the forecast period utility rates are significantly lower in 2011-2012 than the projected 2009-2010 budget. They are slightly lower over the entire 6-year forecast period. Bellevue's utilities rates continue to be competitive with rates from other cities in the area. Wholesale costs continue to be a major rate driver for both water and wastewater. In response to current economic conditions and the bid climate, inflation of 4% per year was removed from the entire capital program and has resulted in an overall savings of about 8% of the capital budget. In the Water utility, projected water rate increases are 9.2% in 2011- 2012. Water rates are 1% lower than projected in 2011-2012. In 2011-2012 the cost of wholesale water purchases from Cascade is expected to increase by 10% per year; this will result in an annual rate increase of 5.2%.

Commissioner Roberts asked Ms. Weigle if the public would be informed if there ends up being a lowering of the projected increase of water rates. Ms. Weigle replied that they would definitely share that information with the public.

In the Wastewater utility the projected wastewater rate increases are 8.1% in 2011 and 8.8% in 2012 with an average of 8.1% increase per year over the entire forecast period through 2016. Wastewater rates are 1.1% lower in 2011-2012 than were projected in the previous budget and slightly lower over the entire forecast period. In 2011 King County Wastewater treatment costs are expected to increase by 11% which will result in a utility increase of 6.6%.

In the Storm & Surface Water utility, rate increases are projected to be 5.9% in both 2011 and 2012 with an average of 7.1% per year over the entire forecast period. Storm rates are significantly lower in 2011-2012 than were projected.

Chair Helland asked about the R&R Fund. Mr. Jorgenson explained that this doesn't identify what goes into the local rate drivers, but noted that CIP is a significant part of the local rate drivers. Ms. Weigle added that staff could provide information about what the drivers are for local programs for each

fund. Mr. Jorgenson noted that this would also be provided when we get into the preliminary budget. Ms. Weigle clarified that any new capital projects or any enhancements or reductions to services are not included in this Early Outlook forecast.

- Review of Budget One Process

For the General Fund the current approach for budgeting focuses on continuing current services and making minor tweaks or adjustments to those services with priorities set by the departments. The new approach is called Budget One. It starts with a zero-based budget and asks departments to propose services or programs based on evidence that those services are likely to achieve a certain outcome. The Utilities department already does a form of this but it is new for other departments.

Ms. Weigle distributed a diagram of Bellevue's Budget One Process and discussed the ESC's role. The ESC will continue to give recommendations on rates. The Results Teams have already developed strategy maps and requests for results. Right now the departments are preparing to submit their proposals in response to those requests for results by the Results Teams. The ESC will have from June to July to review the executive summary of what Utilities has submitted to the Results Team. Ms. Weigle then distributed a preliminary executive summary spreadsheet of Operating Proposals for Utilities, noting that this is not completely filled out yet, but will be ready for the ESC in June.

Commissioner Roberts asked how many people are on the Results Team that will be reviewing the proposals. Ms. Weigle said there are 7 people who will be reviewing Utilities' proposals (as well as others) by July 1. The proposals will be ranked as to how well the Results Team thinks the proposals meet the desired outcome. The ESC will review the Results Team's ranking at the July 8 meeting and make a recommendation to Council. Ms. Weigle emphasized that staff is giving this process the attention that it needs to make sure that Utilities' proposals are well-crafted and well thought out.

Chair Helland wondered if the Commission would have enough time between July 1 and July 8 to review the recommendations. There was some discussion about this. Commissioner Roberts noted that they would have the information about the proposals after June 1, and only the Results Teams rankings would be new information. Commissioner Roberts requested a list from staff that they think is the priority ranking. Mr. Jorgenson commented that his request would be difficult because they have only submitted proposals that they think should be funded. Mr. Brooks discussed how the Results Team would be scoring these items. The Commission discussed some of the possible implications of the results. Ms. Weigle commented that as part of the proposal process they are identifying what would happen if items are funded at a lower rate or not funded at all. They are able to spell out what the consequences

would be if items were not funded.

Ms. Weigle summarized that by July 30 the rankings should all be complete. At that point the City Manager will work with the leadership within the city and the Council about allocation. ESC will receive a review of the preliminary budget on October 7. Council will hold a variety of budget deliberations between mid-October and late November. On November 4 the ESC will hold a public hearing to take public comment and create a rate recommendation to Council at that time. Council expects to adopt a budget on December 6.

There was general discussion about the process and the timeline. Mayor Davidson explained that this particular budget process is most appropriate when you have a limited revenue situation and are still trying to get efficiencies across department lines. Utilities is different because they have a separate base because it is rate-driven rather than tax-driven like other departments, but it's good for them to understand the process.

Chair Helland commented that Utilities would still receive the benefit of different sets of eyes looking at Utilities' normal process. Staff concurred. Ms. Weigle noted that the last time the ESC went through this process they had been interested in having as much input as possible. This process will provide that opportunity. Mr. Jorgenson commented that the Results Team will have a pretty intense job in front of them. Mayor Davidson commented that it may take more time initially because the process hasn't been lined up yet, but he stated that his vision is that they will be using this budget process for the next 10-12 years and maybe longer.

Chair Helland asked if these proposals would be available to the public after they are submitted. Ms. Weigle replied that they will be available to the City Council in full form so they should be online somewhere. Commissioner Mach asked if the whole process is available online. Ms. Weigle thought that it was only available on the intranet at this point, but indicated she would check on that. Commissioner Mach asked about a more detailed project plan with the dates. Ms. Weigle explained that the dates change pretty frequently, but she thought that one was probably available in the budget office. Commissioner Swenson commented that having this online and available to the general public would provide a great deal of transparency. Mayor Davidson agreed. He noted that since it is based on outcomes which people can understand, it allows the public to understand the budget process better. He added that this process is a national one even though it is new to Bellevue. There was general discussion about the budget process and efforts to make the information in the process consistent and understandable to the general public. In response to a request for more information from Commissioner Mach, staff reviewed how the determination for the number of FTE's was made.

7. REPORTS & SUMMARIES

8. NEW BUSINESS

There was consensus to hold off on the election of Vice Chair to the next meeting.

There was discussion about having a commissioner in on the interviews for new commissioners. Chair Helland indicated that he was interested in sitting in on interviews if it works out with his schedule. Dr. Davidson welcomed Mr. Helland'

9. DIRECTOR'S OFFICE REPORT

None

10. CONTINUED ORAL COMMUNICATIONS

None

11. ADJOURNMENT

Motion made by Commissioner Roberts, seconded by Commissioner Swenson, to adjourn the meeting at 8:10 p.m. Motion carried unanimously (4-0).