

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

Thursday
July 8, 2010
6:30 p.m.

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

COMMISSIONERS PRESENT: Chair Helland, Commissioners Cowan, Mach, Mahon, Roberts, Swenson, Wang

COMMISSIONERS ABSENT: None

OTHERS PRESENT: Wes Jorgenson, Tony Marcum, Mike Jackman, Pam Maloney, Lacy Madche, Anne Weigle, Regan Sidie, Bob Brooks, Mike Graves

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

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

2. ORAL COMMUNICATIONS:

None.

3. APPROVAL OF AGENDA

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

4. APPROVAL OF MINUTES

- June 3, 2010 Regular Meeting Minutes

Chair Helland referred to page 6 - *New Business*, under *ESC Meeting Time and Food*, he asked to amend the next to last sentence as follows:

Chair Helland suggested that meeting later would be better for him, **but reiterated that the existing schedule might serve the new composition of the Commission.**

He also suggested that the last sentence should be amended to read:

After further discussion there was agreement that the Commission members would no longer be asked to provide food ~~to no longer provide food for the ESC.~~

Motion made by Commissioner Roberts, seconded by Commissioner Mahon, to approve the minutes as amended. Commissioner Wang indicated that he would be abstaining from the vote. Motion passed unanimously (6-0) with Commissioner Wang abstaining.

5. MEMO - PUBLIC MEETING ON DRAFT PROPOSED REVISIONS TO BELLEVUE CITY CODES

Chair Helland opened the public meeting at 6:35 p.m. with all Commissioners in attendance. He then reviewed the purpose of the meeting and the Commission's role. Chair Helland solicited public comments. There were none.

Staff Presentation:

Pam Maloney, Water Resources Planning Manager, introduced the item and reviewed the proposed code changes. She noted that Water Quality Supervisor Mike Graves and City Attorney Lacy Madche were also in attendance for this item. She explained that in large part the proposed code revisions are simply a housekeeping exercise to bring the codes current. There are also four minor substantive changes which were highlighted in the packet on pages 7 through 10 as follows:

1. Water Code Section 24.02.230 – Interconnection with adjacent water systems – Clarify that bills for water used by adjacent water systems are based on the current rate structure. Historically, this has sometimes been interpreted as the rate structure in place at the time of the original interconnection agreement. The consequence of this change will be higher bills to some adjacent public or private water systems.
2. Sewer Code Section 24.04.120.5 – Permits – Approvals – Extend the life of side sewer permits from 12 months to two years from the date of issuance, and allow an extension up to one year beyond that. This change will make side sewer permit life consistent with the length of other construction permits.
3. Water Code Section 24.02.150 and Sewer Code Section 24.04.150 – Latecomer agreements – This provision will increase the length of effect of latecomer agreements from 15 to 20 years, as allowed by a 2009 changes in state statute.

4. Commissioner Roberts asked if this would impact the length of time that the City could collect interest. Ms. Maloney explained that this change was not related to that issue.

5. Water Code Section 24.02.280 and Sewer Code Section 24.04.280 – Code Violations, Enforcements and Penalties - Violations of the water and sewer codes will require enforcement procedures and penalties as outlined in BCC 1.18.075, similar to the Storm code, which includes a Voluntary Correction Process, provision for Notice of Civil Violation, and allows for emergency corrective action and a schedule of monetary civil penalties. The provisions will apply to the entire water and sewer codes, including unauthorized use of or tampering with fire hydrants and unauthorized discharge to the sanitary sewer system.

Discussion:

Jim Roberts commented that the International Fire Code section quoted on page 10 does not read very smoothly. City Attorney Madche thought that this was taken verbatim from the International Fire Code, but indicated staff would check to make sure it was quoted correctly.

Commissioner Mahon asked if this change addresses a prospective problem or are there ongoing violations that the city is aware of. Ms. Maloney stated that violations are highly infrequent, but there is not sufficient disincentive currently.

Chair Helland asked if the Fire Code is the only example of a code where there is a jump to the penalty phase. Ms. Madche referred to the NPDES escalating enforcement provisions they had discussed last year. She discussed the sequence of events leading up to the Notice of Violation and penalties in relation to the Storm Code. With the Sewer and Water codes, they have called out certain activities where you can jump directly to a Notice of Violation such as illegal discharges into the wastewater system or tampering with water meters or fire hydrants. She noted that in drafting this language they left it somewhat broad for the discretion of the Director, as to when to jump directly to a monetary penalty.

Ms. Maloney invited Commission comments on the proposed revisions prior to the end of July and recommended approval of the proposed changes.

Seeing no public comments the meeting was closed at 6:55 p.m.

Commissioner Roberts stated that he was glad to see this finally happening so we can address issues that come up.

Motion made by Commissioner Roberts, seconded by Commissioner Swenson, to recommend approval of the intent of the proposed revisions to the Bellevue City Codes. Motion passed unanimously (7-0).

There was consensus to move to agenda item 10 - *Continued Oral Communications* to accommodate a citizen who was present to speak.

10. CONTINUED ORAL COMMUNICATIONS

Terry Foulon, 64 Cascade Key, Bellevue, WA, brought up information regarding the city easement outfall pipe on her property. They have noticed a tremendous increase in the volume and the quality of the water coming out of the pipe. She summarized discussions she has had with city staff. As a result of her research she has concluded that the I-405 Bellevue/Renton project is the cause of these negative changes. She expressed concerns about the impact of this project on her property. She commented that she did not recall a public hearing for this although she found out that there was a hearing combined with other projects in 2006.

Alan Black with the WSDOT has told her that the project can still be changed to prevent this damage. She feels that the water will swamp the park. She commented that there has been massive tree death in the park; some of this she attributes to the excess water. She requested that the ESC review this effort to add city stormwater to state stormwater and direct it from where it used to go directly to the park.

Commissioner Roberts asked about the black pipe she referred to. Ms. Foulon relayed the history of the pipe. Commissioner Roberts asked staff to look into this matter. Mr. Jorgenson expressed concern that this is not within the charter of the Commission since it regards whether or not the project complies with the requirements of the city. He explained that staff has spent a great deal of time looking at this and reviewed what they have learned. Commissioner Roberts commented that his backyard has been like a marsh the last month or two because of the weather they have had. He suggested that their park may dry up as well. Mr. Jorgenson commented that there is no additional city drainage or area that is being redirected to this wetland or stream within Newcastle Beach Park. It is a valid concern, but not one the City has responsibility for. With regard to the development process, they have followed the requirements and processes that the City has established.

Chair Helland asked if there was a hearing for an exemption to the Bellevue code. Mr. Jorgenson commented that there was. Chair Helland asked how they might manage stormwater issues that arise out of this. Mr. Jorgenson stated that the Agreement hasn't been finalized with regard to WSDOT using the park as a discharge for their stormwater. One of the requirements that the City currently has in the Agreement is that WSDOT would be responsible for managing the

stream/tributary and enhance it so that the additional discharge would be handled appropriately. Mr. Jorgenson added that the City would be evaluating this.

Commissioner Mahon asked how Ms. Foulon might be helped with her issue. Mr. Jorgenson stated staff has had numerous communications with Ms. Foulon in an attempt to address this issue.

6. FOLLOW-UP QUESTIONS/ANSWERS

None.

7. REPORTS & SUMMARIES

a. Review Budget Proposals and Ranking; Draft Recommendation to Council

Anne Weigle explained that she would review the Early Outlook Forecast, discuss Utilities' proposals, review an alternate approach, and get input for a draft recommendation to Council. She reminded the Commission that the Early Outlook Forecast is based on keeping current levels of service and does not include the new CIP projects. Also, on average the projected rates are lower in 2011-2012 than they anticipated them in the last biennium. The primary reasons for lower projected rates are removal of some inflation from capital program and ongoing cost containment efforts.

Water Projected Rate Increase: On average water rates are 1% lower than projected in the 2009-10 budget and slightly lower over the entire 6-year period.

Waste Water Projected Rate Increase: Rates are 1.4% lower in 2011-12 than projected in the last budget and slightly lower over the entire 6-year period.

Storm and Surface Water Utility Projected Rate Increase: On average rates are 2.6% lower in 2011-12 than projected in the 2009-10 budget and about 1% lower over the entire 6-year period. These rates include the 1.5% annual rate increase for Mobility and Infrastructure Initiative (Bel-Red). The other rate driver is capital projects associated with stormwater.

Discussion:

Chair Helland commented that he had not received some communications from staff. Ms. Weigle indicated she would look into that.

Ticson Mach-referred to his question about in-house design costs. Mr. Jorgenson explained that Utilities does not do in-house design for capital projects now. Commissioner Mach referred to the first page which talks about not having the capacity for in-house design. He had assumed that the new proposal would include an FTE that does in-house design. Mr. Jorgenson commented that this

proposal does not include that. He pointed out the reality that they believe there will not be a great deal of support at the Council level to add FTE; however that does not preclude the Commission from recommending it. Mr. Jorgenson discussed situations when in-house design might be utilized.

Commissioner Roberts asked if it would be more cost-effective to do in-house even considering benefits. Mr. Jorgenson thought that it would. Chair Helland requested seeing an analysis of this issue. Mr. Jorgenson commented that there might not be time right now to go through an analysis of this. Staff feels that in-house design would be more cost effective as well as more efficient. Chair Helland asked if this applies to both the O&M projects and the capital projects. Mr. Jorgenson said it applied just to the capital projects. Commissioner Roberts asked if this came up before the Results Teams. Mr. Jorgenson said it did not. Commissioner Cowan commented on the competitive environment of going out of house for design right now due to the economy. Mr. Jorgenson explained that State law does not allow the City to select a consultant based on cost. Selection must be based on qualifications.

Commissioner Mach then asked about the impacts of the 10% reduction. Mr. Jorgenson commented that customers may end up paying more because the types of projects that would be delayed are essential projects. He added that this is the worst time to delay capital because they are getting such great bids.

Chair Helland asked about staff's expectation for this meeting. Ms. Weigle commented that staff needs Commission input to craft a recommendation from this meeting.

Chair Helland stated that it was difficult to make a recommendation without knowing the cost-benefit analysis of doing the design in house versus by contract. Mr. Jorgenson explained that from a cost standpoint we are dictated by public bid law and from a consultant standpoint we negotiate based on historical costs. Chair Helland explained that he still had concerns about recommending the capital proposal budget when he had no idea about the balance of in-house versus consultant design.

Commissioner Roberts recommended supporting this with an additional clarifying statement that said they would like to see in-house design considered for capital projects.

Commissioner Mahon said he thinks that all of these proposals are worthy. He thinks it is very important to always be looking for the least-cost alternatives not only with regard to design, but in all areas. He recommended making this part of their recommendation to Council. There was consensus from the Commission to do this.

Commissioner Wang questioned the amount of projects they would consider doing in house. He wondered if that was the ESC's role to be involved in this

level of detail. Chair Helland explained that they used to do about half of the design work in house and now they do none. The Commission is simply asking if this is the low-cost alternative.

Commissioner Wang then referred to the “alternative” which refers to a 10% reduction. He asked how they arrived at the 10%. Mr. Jorgenson said it reflects an across the board 10% reduction for ongoing programs in the CIP.

Commissioner Roberts commented that the impact of the 10% reduction on the replacement of aging water structure would just defer these costs to the future and will lead to higher overall costs, noting that there would be additional breakages as a result of the deferral.

Chair Helland asked if there is a way to calculate the opportunity cost for delaying projects and what the additional costs would be. Mr. Jorgenson replied that it would be very challenging to do that.

Chair Helland then asked about the .7 FTE to administer the Utilities Disconnect program. Ms. Weigle explained that this is a complex program. Chair Helland wondered if it could be streamlined somehow so that it would not require so much staff time. Ms. Weigle commented that they did a review and found some ways that they could make sure they were being very tight with the program, but noted that they could look into ways that they could save time. Chair Helland requested that they do that.

Commissioner Wang asked about the wholesale value which appears to decrease over time. Commissioner Roberts explained that data was only referring to the percentage of increase. There was discussion about the impacts of wholesale costs.

Chair Helland referred to page 12 of the Operating Budget, Development Services - Public Information and asked about how the alternative was structured. Mr. Jorgenson explained that there would be a reduction in Development Services revenue. Public information and policy development are generally not fee supported because they are responding to people who have questions and there is no offsetting revenue. A reduction in funding would result in a corresponding reduction in the level of service.

Chair Helland asked about the FTEs that went away. Mr. Jorgenson explained that they were all Limited Term Employees (LTEs).

Chair Helland asked how the contract management and the other capital management functions are handled. Mr. Jorgenson explained that they are all in the capital delivery proposal.

Chair Helland asked about the two FTE's on the Eastlink. Mr. Jorgenson explained that it is the only project that has FTEs. Since this project is driven by Eastlink, staff were shown separately from the rest of the capital program.

Commissioner Mach recommended the elimination of the Neighborhood Enhancement Program (NEP). Mr. Jorgenson stated that staff did consider eliminating this, but had decided not to. Ms. Maloney stated that staff made a recommendation that if the City NEP is eliminated then the Utilities NEP should also be eliminated. She feels it is likely that there won't be a City NEP. Ms. Maloney commented that if it did go away and projects came up they could be paid from Minor Storm Capital projects budget.

Regan Sidie commented that utilization of this program is usually triggered by a Transportation NEP or Parks NEP. Commissioner Swenson suggested that it might not be important to eliminate with this item because it is so small. Mr. Jorgenson concurred and noted that as long as there is a City NEP, Utilities should have one too. Commissioner Mahon suggested that since there is no alternative mechanism, this should be funded. Commissioner Mach said he did not see why the City should spend this kind of money when the money could go to providing an FTE. Chair Helland commented that D59 Small Storm and Surface Water Capital Improvement Projects could be used to cover these costs if they arise. Ms. Maloney stated that if the money is not spent it will stay in the Storm CIP fund and be redirected in the budget the following year.

Commissioner Mahon left the meeting at 8:05 p.m.

Commissioner Roberts asked about the Results Team's recommendations. Ms. Weigle said that they have not seen them yet; only the department directors and the city manager have seen them.

Commissioner Wang emphasized that the ESC is independently reporting to the Council as is the Results Team. Mr. Jorgenson concurred and noted that they are only asking for a preliminary recommendation prior to Council's consideration of the Result's Team's recommendation.

Motion made by Commissioner Roberts, seconded by Commissioner Swenson to support the preliminary recommendation with the additional clarifying comments as discussed during the meeting regarding a recommendation about design and always looking for least-cost alternatives with specific verbiage to be determined by Chair Helland in conjunction with Anne Weigle. Motion passed unanimously (7-0).

Commissioner Roberts commented that he liked the availability of having questions answered by email.

Ms. Weigle then reviewed the Alternate Approach for no rate increase for local programs. To do this they would need to reduce the budget by \$8.6 million. The way they would propose to do this they would:

1. Make a permanent reduction of working capital reserves for Water
2. Temporary reduction of operating reserves for water in 2012
3. Reduce transfer to R&R for all funds in 2011-12
4. Suspend stormwater rate increase for Bel-Red in 2011-12
5. Change in average monthly bill would be (\$2.75) in 2011, and (\$5.04) in 2012
6. Rate rebound to return to targets

Chair Helland asked how they came up with this list. Mr. Jorgenson explained that they are items that have the least direct impact on customers.

Commissioner Roberts asked if the change in the monthly bill referenced in number 5 was from the predicted rate in 2011 or the existing bill. Ms. Weigle said it referred to the predicted *increases*.

Commissioner Wang commented on the jump in expenditures coming up around 2014. If we cut the R&R it might make things very difficult. Ms. Weigle added that if we underfund R&R long-term then we are losing out on the interest earnings which we rely on quite heavily to build up reserves in the long run.

Commissioner Roberts asked for confirmation that staff would recommend the first item for sure, but they are offering the other ones in case somebody might want to go in that direction. Mr. Jorgenson affirmed this. He stated that they simply wanted to provide an alternative for the Commission and the Results Team.

Ms. Weigle asked if the Commission would be interested in including anything about any of this in their recommendation.

- Commissioner Roberts spoke in support of the first item, but expressed concern about the rebound effect of the other items.
- Chair Helland asked if there were proposals associated with the R&R. Ms. Weigle referred to the Capital Reserves proposal and the Operating Transfer to R&R.
- Commissioner Swenson thought that a recommendation on this at this point might be somewhat premature.
- Brad Helland thought that the general agreement was that the first bullet seems defensible regardless of budgetary conditions. They were not sure about operating reserves and they were not in favor of the next three items.
- Commissioner Wang said he would hate to see the rate rebound; he would rather see a gradual increase.
- Commissioner Mach said he would not recommend any of this to move forward, but if they had to make a recommendation he would only be able to support the permanent reduction of working capital reserves for Water.

Chair Helland suggested that they add item number 1 to their recommendation to Council. Ms. Weigle summarized that the permanent reduction in working capital is supported, but there is concern about underfunding the R&R, concern about rate rebound and the need for gradual rate increases and that the savings to rate payers are not significant. Chair Helland said that suspending the rate increase for Bel-Red is also a bad idea because that would make the project cost a lot more.

Chair Helland asked for more information about the temporary reduction of operating reserves for Water in 2012. Bob Brooks explained that it would be using operating reserves on a temporary basis to help reduce the revenue requirements. Chair Helland asked about the rule of thumb for reserve levels. Mr. Brooks stated that the general Utility rule of thumb is 45 days. The City does 48 days in water, 30 in Sewer and something like that in Storm. Chair Helland asked if they have data that shows how this is working. Ms Weigle suggested providing a briefing on reserve levels and the basis for the levels. Commissioner Roberts asked if what they are doing is working. Mr. Jorgenson affirmed that they feel the reserve levels are appropriate. Commissioner Cowan asked for clarification about staff's suggestion. Mr. Jorgenson explained that it was originally 70 days, but now staff is comfortable with lowering it.

Commissioner Wang asked what happens if they need more money than is available in the reserves. Mr. Brooks explained that they would either have to borrow the money or they would have to do a mid-year rate increase to account for it. Commissioner Roberts commented that they usually borrow from themselves from the reserves. Mr. Brooks stated that in addition to the working capital reserves they have operating contingency reserves and a plant contingency reserve. If they went below all of those they could borrow on a temporary basis from R&R and pay it back with interest. Brad Helland affirmed he would like a briefing on the reserves policy.

Commissioner Cowan asked how the Commission's objection to the alternatives would be included in the memo to Council. Mr. Jorgenson said he wasn't sure if any of the alternatives would be included in the memo to Council at this point. Ms. Weigle stated that at the very least the city manager will be considering this alternative.

Commissioner Wang asked, if the city manager chooses to make cuts, then what is the recommendation that the ESC has to the Council? Mr. Jorgenson discussed how the process could unfold with Council.

b. ESC Calendar/Council Calendar

The next meeting is scheduled for September 2 and will be the tour. Chair Helland stated that he would be out of town.

- c. Desk Packet Material (s)
 - Conservation & Outreach Events & Volunteer Opportunities

8. NEW BUSINESS

None

9. DIRECTOR'S OFFICE REPORT

Mr. Jorgenson discussed an application that the City is forwarding to AMWA (Association of Metropolitan Water Agencies).

He welcomed the two new Commissioners: Calvin Wang and Randy Cowan.

10. CONTINUED ORAL COMMUNICATIONS (See Above After Item 5)

11. EXECUTIVE SESSION - None

12. ADJOURNMENT

Motion made by Commissioner Roberts seconded by Commissioner Mach to adjourn the meeting at 8:43 p.m. Motion carried unanimously (7-0).