

**Summary of Rates & Finance Subcommittee March 7, 2019 meeting For MWPAAC  
General Meeting on March 27, 2019**

**1. 2020 Sewer Rate**

Presenter: Hiedi Popochock, Financial Services Manager, Wastewater Treatment Division (WTD); Tom Lienesch, Economist (WTD); Dan Kaplan, Financial Services Administrator

The WTD Finance staff provided an update on the 2020 disposal charge rate proposal and provided summary information on WTD's 2018 financial performance. Major items of discussion included:

- WTD proposes to keep the 2020 sewer disposal charge rate at \$45.33 per residential customer equivalent (RCE) per month.
- 2018 financial results were discussed. Overall, strong performance, with several highlights:
  - Sizeable transfer from Operations to Capital, amounting to 47% of total capital spending (target is 40%); This reduces the need for new debt.
  - Debt Service Coverage Ratio of 1.49, which is a good indicator of WTD's creditworthiness.
  - Strong capacity charge revenue, supported by many prepayments. This is positive for cashflow purposes but will cause a subsequent decrease in forecasted capacity charge revenue in later years.
  - Operating expenses basically level with prior year, and lower than expected.
  - Summary of received insurance settlements was provided.
  - Reduced need for debt in 2019-2020.
- Some notes of caution with regard to recent financial performance:
  - Disposal charge revenue was \$645,000 below projections. Smaller RCE growth than forecasted.
  - Single-Family connections growing outside of Seattle, but Multi-Family is decreasing. Some variation is normal in multi-family RCEs, because it is based on water use and not a hard count of units. Discussion about possible drivers behind these trends.
- A discussion of future rate alternatives depending on usage of the Rate Stabilization Fund.
- A discussion of the upcoming review of the capacity charge, which happens on a 3-year schedule. The 2019 review will result in changes to the 2020 capacity charge. The charge will be inflated annually by 3% in 2021 and 2022, as has always happened.
  - The review will be based on 2015-2018 actuals, where we saw higher than projected capacity charge revenues, lower than projected capital spending, more new connections than anticipated, and an overall reduction in debt costs.

- The 2020 capacity charge proposal will likely show an increase less than 3%.
- A brief discussion about the capacity charge affordability assumptions. Currently the assumptions are that the affordability program will result in an increase of \$0.50 to the charge. There was some discussion about whether the source of funding for the affordability program should ultimately come from the capacity charge or the disposal charge.

A handout was provided and is available online.

## **2. Discuss Rate Letter to Executive**

Presenter: Gregg Cato, Rates & Finance Subcommittee Vice-Chair (Alderwood Water & Wastewater District)

Gregg provided a brief summary of the current draft letter and the common elements of “off-year” rate letters in years past. Committee members suggested adding some language in key areas. Major items of discussion included:

- Potential future impacts of capacity charge affordability program on disposal charge rate.
- Involvement of MWPAAC component agencies in the update to WTD’s system-wide clean water plan.
- Mention of ongoing cooperation of component agencies in contract negotiations
- Emphasis, language, and structure of the letter itself.
- A revised letter will be drafted and sent to the MWPAAC general committee for consideration at their March 27 meeting.

A handout was provided and is available online.

## **3. WTD’s Local Public Agency (LPA) Program Process Evaluation (Joint Topic)**

Presenter: Mark Lampard, LPA Coordinator, WTD

Notes on this topic can be found in the March 7, 2019 Meeting Summary from the Engineering & Planning Subcommittee.

### **Questions?**

Jack Broyles, Jr., Rates & Finance Subcommittee Chair

Woodinville Water District  
[jbroyles@woodinvillewater.com](mailto:jbroyles@woodinvillewater.com), 425.487.4106

Gregg Cato, Rates & Finance Subcommittee Vice-Chair  
Alderwood Water & Wastewater District  
[gcat@awwd.com](mailto:gcat@awwd.com), 425.743.4605