

# KING COUNTY WASTEWATER TREATMENT DIVISION 2020 Monthly Sewer Rate & Capacity Charge Proposal



**Metropolitan Water Pollution Abatement Advisory Committee**

**April 24, 2019**



**King County**

# Executive's 2020 Rate Proposal

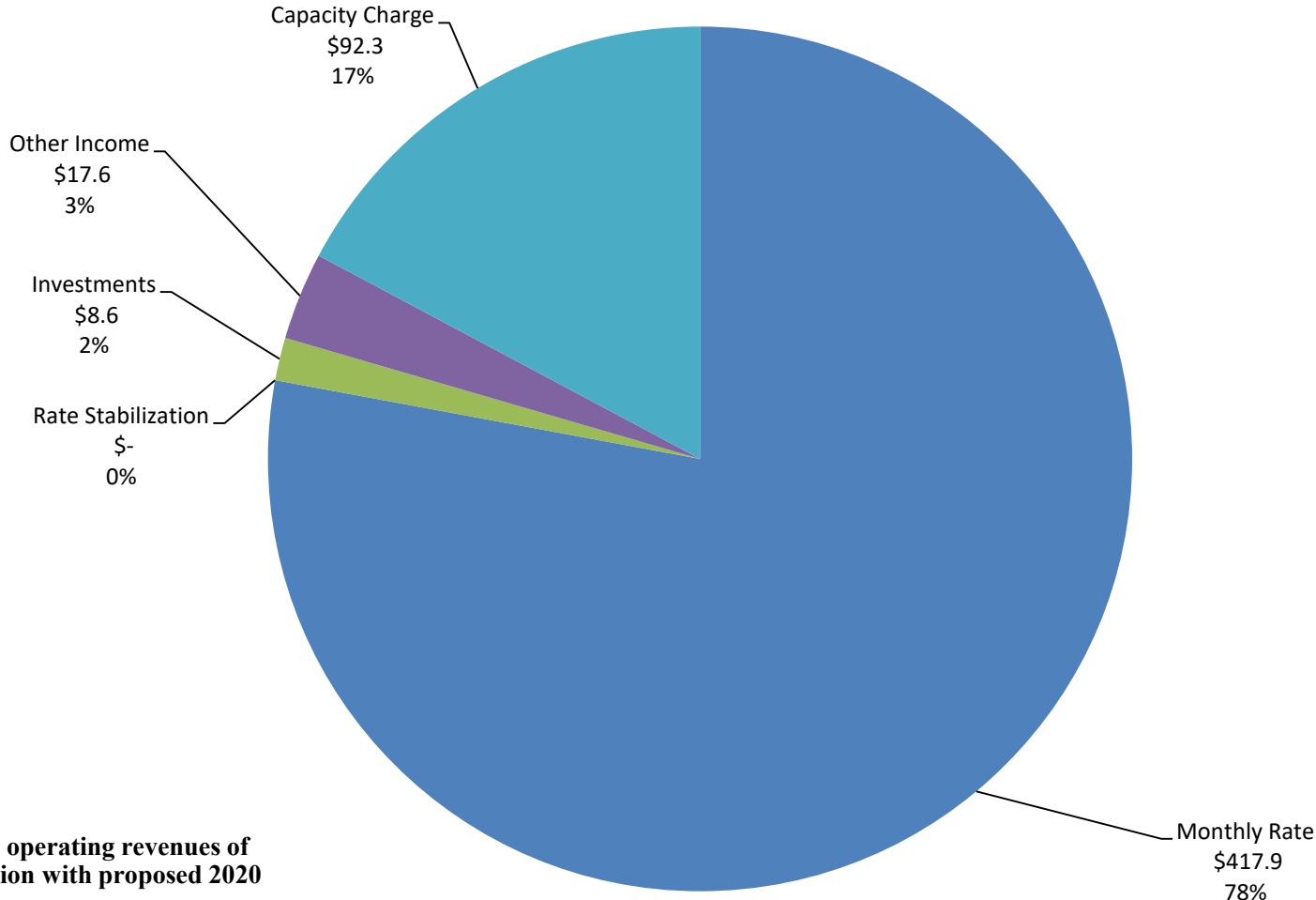
Maintains 2019 rate of \$45.33 for second year

- No use of rate stabilization funds through 2025
- Below inflation increases forecast through 2025
- Reflects positive 2018 financial performance
- \$346 million in debt reduction by 2025
- Provides capital and operations support for safety, resiliency and asset management

Capacity charge of \$66.35 for 2020

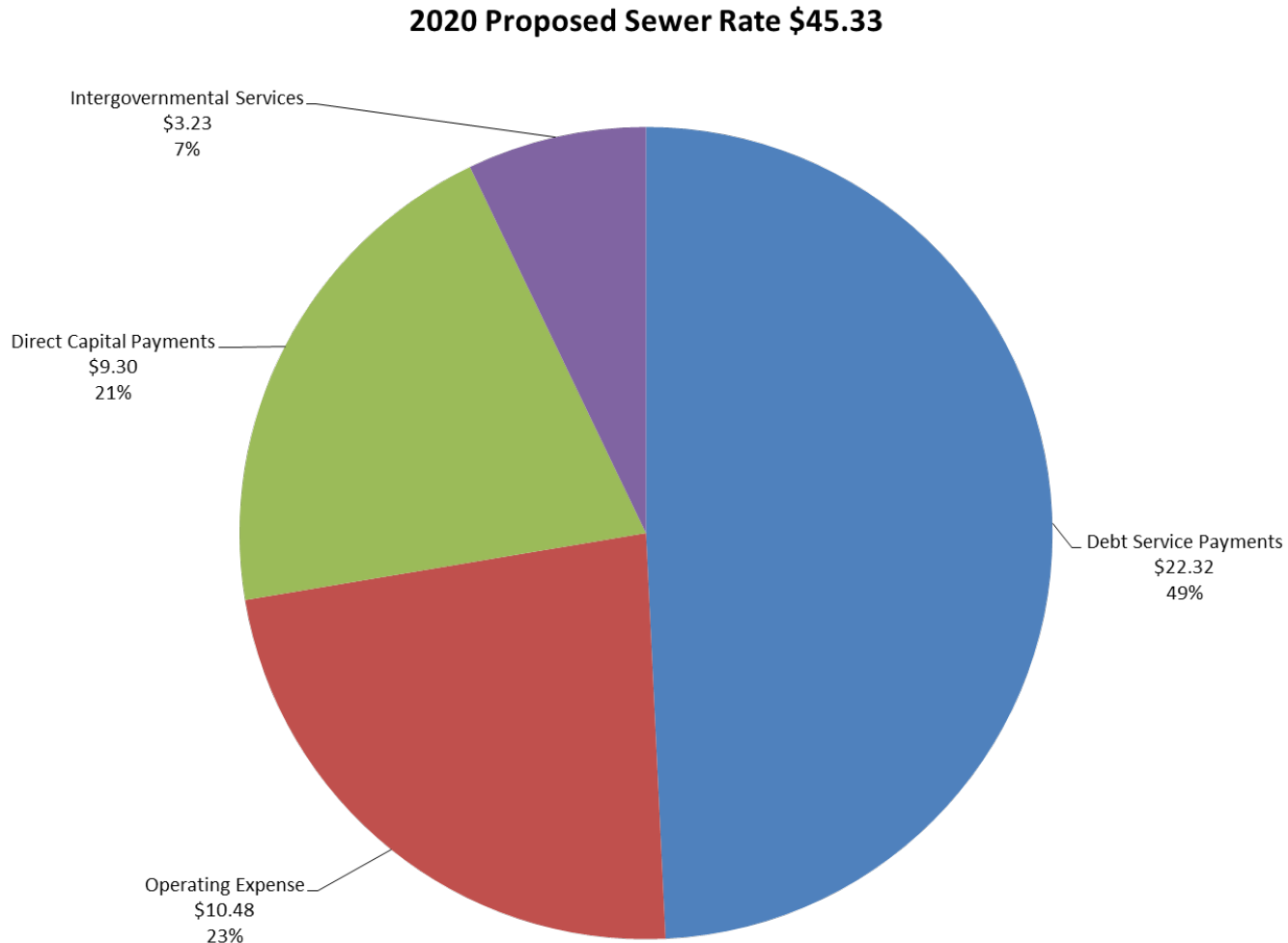
- Increase of 2.9 percent from 2019
- Includes expanded affordability options
- Expands affordability options for capacity charge

# Collectively, the Sewer Rate and Capacity Charge Generate \$510 million or 95% of the Utility's 2020 Revenue



WTD 2020 operating revenues of \$536.4 million with proposed 2020 sewer rate.

# Proposed 2020 Sewer Rate Distribution of Expenditures



Intergovernmental services include services received from other County agencies and \$.05 of contribution to liquidity reserve. Total may not add due to rounding.

# Positive 2018 Financial Performance

\$16.6 million above planned revenues

- Capacity charge revenues \$11.2 million above planned
- Other income includes \$5.3 million above planned from RINS (environmental credits for methane production)

West Point Insurance claim

- Final settlement with insurance at \$22.5 million
- Potential for additional \$3 million from the State

Debt Service Coverage 1.50x

Brightwater Judgment Funds

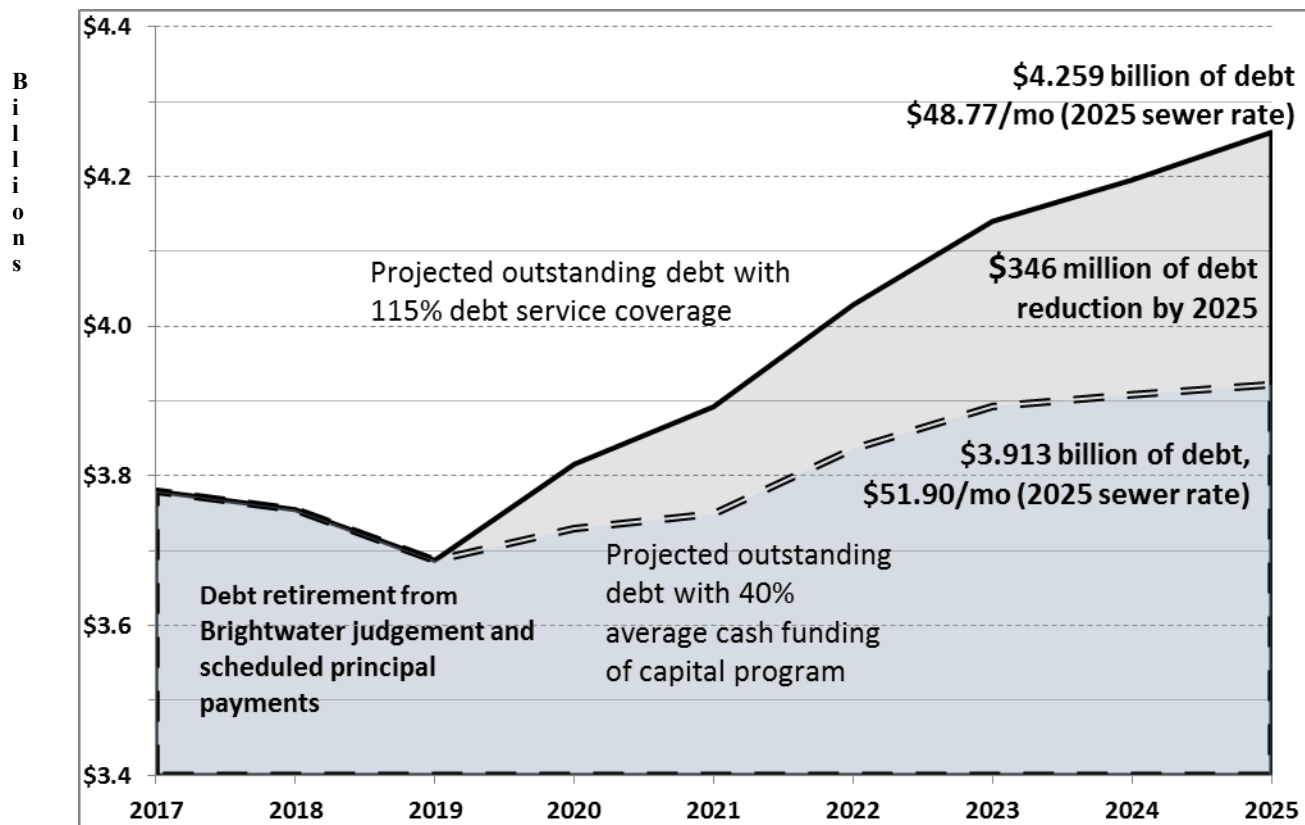
- Initially designated for cash payment of capital
- Under current conditions, retiring outstanding debt proved more fiscally sound

# West Point

- Final settlement of \$22.5 million
- WTD in discussions with Emergency Management Division of the Washington State Military Department and Federal Emergency Management Agency (FEMA) for reimbursement of costs not allowed by County's insurers
  - Potential of up to \$2 million in additional claim.
- FEMA 406 Grant Program
  - Cost-sharing assistance on mitigating future risk
  - May be eligible for up to \$24.55 million

# Conservative practices yield debt reduction

- Funding, on average, 40% of the capital program from cash
- Estimated \$346 million less debt through 2025



# Rate stabilization fund balance held through 2025

- 2018 financial performance
- Recognizes current revenues in future periods
- Helps manage and stabilize future rates
- Effective tool in case of unanticipated expenses

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Beginning balance	\$46.25	\$46.25	\$46.25	\$46.25	\$46.25	\$46.25	\$46.25	\$46.25
Additions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reductions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ending balance	<b>\$46.25</b>	<b>\$46.25</b>	<b>\$46.25</b>	<b>\$46.25</b>	<b>\$46.25</b>	<b>\$46.25</b>	<b>\$46.25</b>	<b>\$46.25</b>



# Residential Customer Equivalent growth moderates

- Residential Customer Equivalent growth peaked in 2016 at 2.25 percent
- Lower growth and billing adjustments yield growth averaging .42 percent in 2018 and 2019
- Return to long-term trends projected for the Financial Plan in 2020

## Residential Customer Equivalents Forecast

	2018	2019	2020	2021	2022	2023	2024	2025
<b>2020 Rate Proposal</b>	760,571	763,552	768,286	773,049	777,842	782,665	787,517	792,400
<b>Percent Increase from Prior Year</b>	0.44%	0.39%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%
<b>2019 Adopted Sewer Rate</b>	761,790	765,980	770,730	775,500	780,310	785,150	790,018	794,922
<b>Percent Increase from Prior Year</b>	0.60%	0.55%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%
<b>Change between 2020 Rate Proposal and 2019 Adopted Sewer Rate</b>	(1,219)	(2,428)	(2,444)	(2,451)	(2,468)	(2,485)	(2,501)	(2,522)

## **New sewer connection projections unchanged**

- During the 1998 to 2008 period the number of new connections averaged 11,200 per year with a peak of 12,700
- Average connections for 2009-2011, a period dominated by the Great Recession, dropped to a low of 5,700
- Growth returned hitting a peak of 13,485 in 2018
- The current forecast has new sewer connections returning to a long-term rate of 10,000 new connections in 2019 and thereafter

# Operating Expenses: 2019 - 2020 Summary

- Planned spending based on 2019-2020 Adopted Budget
- 2019 operating expenses projected at \$167.8 million
  - Implementation of resiliency programs at West Point
  - Staff development and succession planning
  - Projected increase in electricity, chemical and diesel prices
  - Additional renewable energy, operating and maintenance costs associated with West Point cogeneration facilities and RINs revenue generation at South Plant
- 2020 operating expenses are expected to change by less than 1 percent to \$168.1 million reflecting the transition to operations of the Georgetown Wet Weather Station CSO

# Capital Program

- 2018 Capital spending was \$231 million, yielding an accomplishment rate of approximately 94%
- Planned capital spending of  
\$272 million in 2020  
\$269 million in 2021
- 2019-20 construction spending supports about 2,625 full and part time jobs in the economy



# Capital Program Highlights

## **Georgetown Wet Weather Treatment Station (\$242M)**

- Building a Wet Weather Treatment Station (WWTS), conveyance pipelines, and outfall structure to treat Combined Sewer Overflows (CSOs)
- The WWTS includes an influent pump station, equalization basin, screening facility, CSO treatment process, and disinfection.
- Secured low interest WIFIA loan and State Revolving Fund loan

## **Joint Ship Canal CSO Control (\$176.2M)**

- Joint project with Seattle Public Utilities
- Will provide control for 5 current outfalls

## **North Mercer Island and Enatai Interceptors Upgrade (total cost \$116M)**

- Increasing reliability and capacity of North Mercer Island and Enatai Interceptors
- Improving service areas in North Mercer Island, the southwest portion of Bellevue, and the Town of Beaux Arts Village

# Capital Program Highlights

## **Lake Hills Interceptor-A Refurbishment (\$30.5M)**

- Rehabilitates 3,300 feet of 48 inch diameter pipe.
- Scheduled for construction in 2020

## **Thorton Creek Trunk Replacement (\$41M)**

- Replaces approximately 4,000 feet of pipe
- Relocates some segments away from sensitive areas
- Control system upgrades

## **West Point Primary Sedimentation Area Roof Structure (\$36M)**

- Removes Z beams, upgrades tank walls, and adds resilient roof structure
- Enhances life safety and seismic resiliency of the entire structure

# Capacity Charge

- New connections to the system pay additional charges to support the creation of new capacity
- Capacity charge revenue accounted for 16.8% of total operating revenues in 2018 (compared to 15.1% in 2017); projected to grow to 17.6% by 2025
- A monthly charge for 15 years or lump sum with a 3.6% discount

Capacity Charge	2019	2020	2021	2022	2023	2024	2025
Monthly Charge	\$64.50	<b>\$66.35</b>	\$68.34	\$70.39	\$72.50	\$74.68	\$76.92
Amount of Change	\$1.90	<b>\$1.85</b>	\$1.99	\$2.05	\$2.11	\$2.18	\$2.24
Percentage Change	3.0%	<b>2.9%</b>	3.0%	3.0%	3.0%	3.0%	3.0%
Annual Amount	\$773	<b>\$796</b>	\$820	\$845	\$870	\$896	\$923
Total Payments (15 years)	\$11,610	<b>\$11,943</b>	\$12,301	\$12,670	\$13,050	\$13,442	\$13,845
<u>Early Payoff Total*</u>	\$9,520	<b>\$9,280</b>	\$9,558	\$9,845	\$10,140	\$10,445	\$10,758

\* Assumes the current early payoff discount rate of 3.6 percent

# Future Rate Outlook

Rate projections for 2021 to 2025 indicate average annual increases of approximately 2.2% per year

Based on preliminary long-term projections, average annual rate increases of the sewer rate are 2.9% for 2019 to 2030

Uncertainties in projections:

- Outlook for changes in bond and investment interest rates
- Outlook for continued growth in RCEs and new connections
- Changes in regulatory requirements
- Outcome of Clean Water Plan



**If you have additional questions, please contact:**

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