

# 2021 Rate-Setting Operating Forecast

King County Wastewater Treatment  
MWPAAC Rates & Finance

September 3, 2020

2021 Rate-Setting	Topic
August 6	Capital Funding Analysis
September 3	Operating Forecast
October 1	Rate Strategy – 6 and 10 Year & Reserves Management
November 5	Projected Year-End Update & COVID19 Revenue Impact Estimates
December 3	TBD

# Agenda

Historical trends in operating cost growth

Operating Costs in the Adopted Rate Plan

Unfunded Priorities

Future cost pressures

Historical  
Growth In  
Operating  
Costs

	<u>Operating Expenses</u>	<u>Annual Growth</u>
2009	103,118	
2010	103,682	0.5%
2011	103,995	0.3%
2012	114,939	10.5% <i>Brightwater driven</i>
2013	117,183	2.0%
2014	124,201	6.0%
2015	128,926	3.8%
2016	136,321	5.7%
2017	148,199	8.7% <i>West Point flood event response</i>
2018	152,589	3.0%
2019	155,785	2.1%
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	Average	4.3%

Operating forecast escalates at 4.0% annually after adopted budget input years

# 2019-2020 Operating Budget

	Biennial Adopted Budget 2019/2020	
		%
Director's Office	\$ 9,848,816	3%
Finance & Administration Services	8,457,633	3%
Central Services	76,434,695	23%
East Operations	104,467,534	31%
West Operations	79,233,723	24%
Resource Recovery	30,069,166	9%
Environmental & Community Services	10,175,786	3%
Project Planning & Delivery	12,180,961	4%
WaterWorks Grant Program	5,031,700	1%
<b>Total</b>	<b>\$ 335,900,014</b>	

	Biennial Adopted Budget 2019/2020	
		%
Salaries & Benefits	\$ 119,801,372	36%
Supplies	44,340,302	13%
Services	84,453,745	25%
Intragovernmental	82,272,895	24%
WaterWorks Grant Program	5,031,700	1%
	<b>\$ 335,900,014</b>	

# Operating Costs in the Adopted Rate Plan

- The adopted baseline operating forecast does not include proposed new investments in the biennium.
- Proposed new FTE costs are moved to 2023 and 2024 to increase reliability at offsite locations and support asset management programs (adding \$2.5m each year).
- Other identified priorities are not included in the forecast (will be covered in a later slide).

Date	Event	2021-2022			Change
		Baseline	Proposed DPs [1]	Biennium Total	
2/19/2020	First WTD Rate Plan Proposal	\$358.9	\$12.8	\$371.8	
4/10/2020	General Wage Increase Reduction	\$354.9	\$12.8	\$367.8	(\$4.0)
4/27/2020	Adopted Rate Plan	\$354.9	removed	\$354.9	(\$16.9)

[1] Decisions Packages include the business case and cost impact for proposed new priorities.

# Unfunded Priorities

## Status in Rate Plan    Sample of Priority Investments Identified for 2021-2022

**Deferred to 2023-2024**

Increase staffing to maintain off-site locations

**Unfunded**

Create new on-the-job training program for eligible trade school graduates (instrument technicians & electricians)

**Unfunded**

Increase staffing to maintain heating, ventilation and air conditioning system at the plants and off-site locations

**Unfunded**

Increase funding to protect and secure WTD-owned properties from damage and theft

**Unfunded**

Increase staffing and system support to meet WTD's increased demand of environmental lab services

**Unfunded**

Increase staffing to meet Strategic Climate Action Plan targets and Green Building Ordinance requirements

**\$10m (\$5m annualized)**

Total unfunded priorities



## Future Cost Pressures

- New facilities coming online – i.e. Joint Ship Canal
- Asset Management:
  - Increasing maintenance costs for aging infrastructure
  - Increases to invest at the optimal level to maintain assets
- Turnover and investments in a skilled labor force
- Biosolids composting and other progress in resource recovery
- New or increased regulations



# Terms/Definitions:

Decision Packages: A budget term referring to proposed new operating costs and their related business case.

## Next Steps

August 6

Capital Funding Analysis

September 3

Operating Forecast

October 1

Rate Strategy – 6 and 10 Year & Reserves Management

November 5

Projected Year-End Update & COVID19 Revenue Impact Estimates

December 3

TBD



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