

Adopted 2021-2022 Budget & 2022 Rate-Setting Goals

King County Wastewater Treatment
MWPAAC Rates & Finance

December 3, 2020

	Topic
August 6	Capital Funding Analysis
September 3	Operating Forecast
October 1	Rate Plan Strategy
November 5	COVID-19 Revenue Impact Estimates & Reserves Management
December 3	Adopted 2021-2022 Budget & 2022 Rate-Setting Goals
January 2021	Rate-Setting 101

Operating Budget Overview

The **2020 Rate Plan** adopted by the King County Council in May 2020, estimated operating expenditures at **\$173.1 million in 2021 and \$181.9 million in 2022**. The **Adopted Budget** for **2021 is \$171.8 million and \$173.9 million in 2022**.

- WTD did not include COVID-19 revenue impacts or savings from permanent teleworking in the Adopted 2020 Rate Plan and its 2021-2022 Biennial Budget.
- Internal Service Fund rates were reduced in the 2021-2022 Biennial Budget due to COVID-19 revenue impacts resulting in reductions in WTD's budget.

WTD Operating Budget						
Budget Category	2020 Revised Budget	2020 Year-end Forecast	2021 Adopted Budget	% Change 2020 to 2021	2022 Adopted Budget	% Change 2021 to 2022
Salaries & Benefits	\$ 56,081,996	\$ 55,666,758	\$ 56,592,683	1%	\$ 58,784,404	4%
Supplies	\$ 22,570,390	\$ 19,523,379	\$ 22,461,803	0%	\$ 22,460,443	0%
Services	\$ 44,399,375	\$ 40,588,848	\$ 44,248,842	0%	\$ 44,054,588	0%
Intra-governmental	\$ 41,759,937	\$ 41,933,909	\$ 44,368,299	6%	\$ 44,576,023	0%
Other	\$ 4,071,375	\$ 3,843,521	\$ 4,081,294	0%	\$ 4,048,563	-1%
Total	\$168,883,073	\$161,556,414	\$171,752,921	2%	\$173,924,021	1%
FTE Count	654.00	654.00	657.00	0%	657.00	0%



Salaries & Benefits

The **Salaries and Benefits** budget category increased by 1% in 2021 when compared to 2020.

- Modest salary increase assumptions applied
 - 0% wage increase in 2021
 - 2% wage increase in 2022
 - Labor negotiations are underway for a number of unions
- Public Employee Retirement System contribution rates
 - 12.86% in 2020
 - 11.61% in 2021, 10.25% in 2022
- Four new full-time equivalents (FTEs) funded by existing budget and one FTE transferred to the Department of Local Services
 - Converted three temporary positions to FTEs (Sediment Management Program position, Energy Engineer, Sustainability Specialist)
 - Added a Business & Finance Officer to work on audit compliance and debt accounting



2021
Supplies
Largest
Components

The **Supplies** budget category did not increase in 2021 when compared to 2020.

- Chemicals – \$11.5 million budget
 - Dewatering Polymer
 - Caustic Soda
- Maintenance Parts & Materials – \$6.2 million budget
- Diesel – \$1.9 million budget
 - Loop biosolids are transported to customers in eastern Washington and to eastern King County



2021
Services

Largest
Components

The **Services** budget category did not increase in 2021 when compared to 2020.

- Electricity – \$16.8 million budget
 - \$6.7M (West Point), \$6.5M (South Plant), \$3.6M (Brightwater)
- Loop Biosolids Hauling & Application – \$5.7 million budget
 - Hauling contractor - Skagit Transportation Inc.
 - Application contractors - Boulder Park Inc., Elysian Fields LLC., Natural Selection Farms Inc.
- Repair & Maintenance - \$2.7 million budget
 - Ex. Database servers, pumps, sprinklers, grinders, burners




2021
Intra-
governmental

Largest
Components

The **Intra-governmental** budget category increased by 6% in 2021 when compared to 2020.

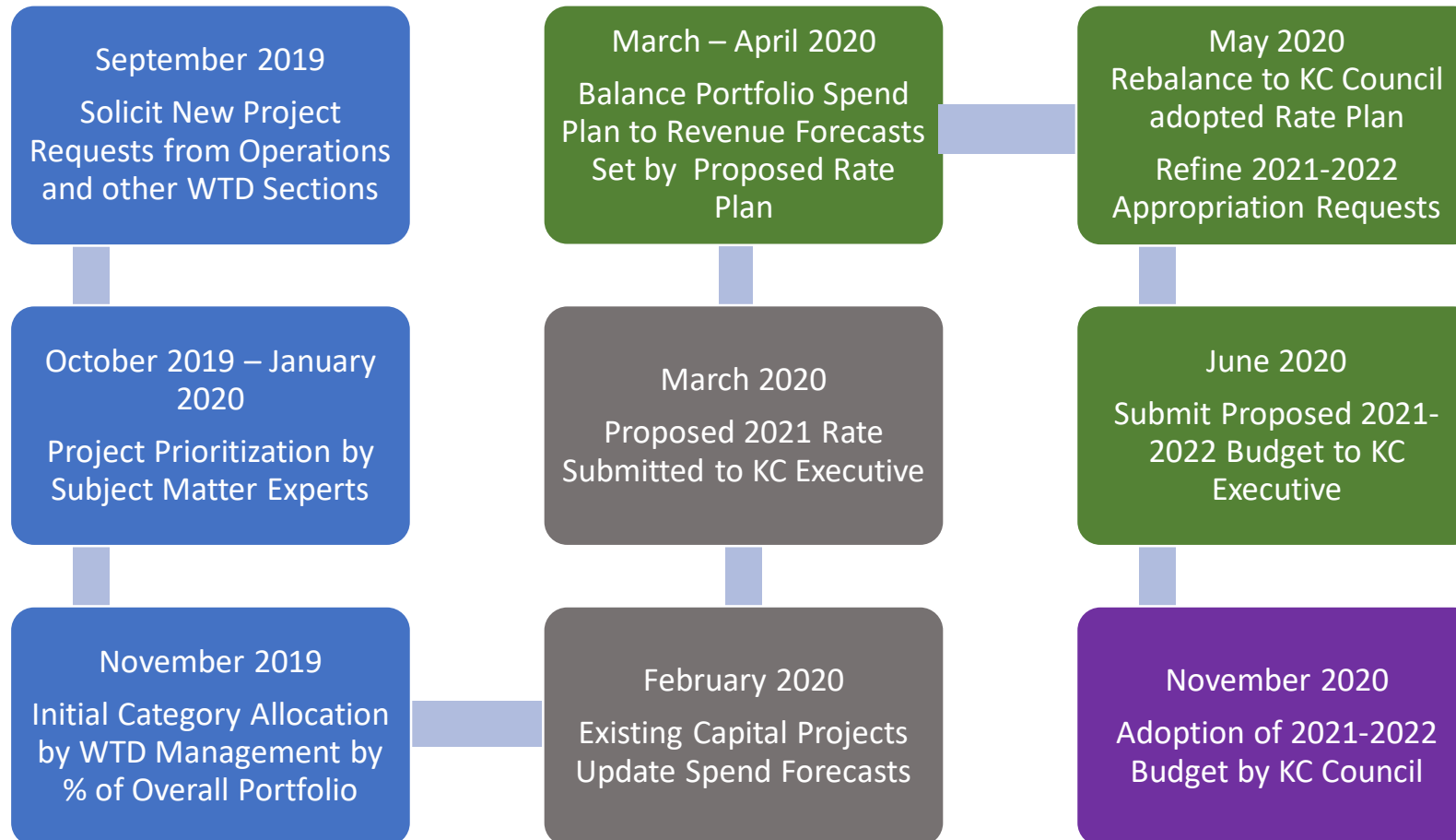
- Lab & Science Services – \$16.0 million budget
 - Increase of \$400k compared to 2020
 - WTD contracts with the Water & Land Resources Division for lab and science services (e.g. sampling, beach monitoring)
- Internal Services Funds – \$17.0 million budget
 - Increase of \$1.4 million compared to 2020
 - Insurance Services
 - Equipment Rental
 - Vehicle and equipment rental and replacement costs managed by the Fleet Services Division
- General Fund Overhead – \$4.2 million budget
 - Increase of \$243k compared to 2020
 - Ex. Council, Executive, Central Budget Office, Central HR Office



Key Takeaways
from the
2021-2022
Operating
Budget

- WTD did not include COVID-19 revenue impacts or savings from permanent teleworking in the Adopted 2020 Rate Plan and its 2021-2022 Biennial Budget.
- 2021-2022 Biennial Budget does reflect COVID-19 related reductions in Internal Service Fund rates.
- Salaries and Benefits is still the largest budget category
- Modest salary increase assumptions applied
- New FTE's were achieved through existing budget
- Minimal increase in Intra-governmental category
- No increase in Supplies and Services categories

Portfolio Prioritization to Budget Request



Capital Budget – Definitions & Assumptions

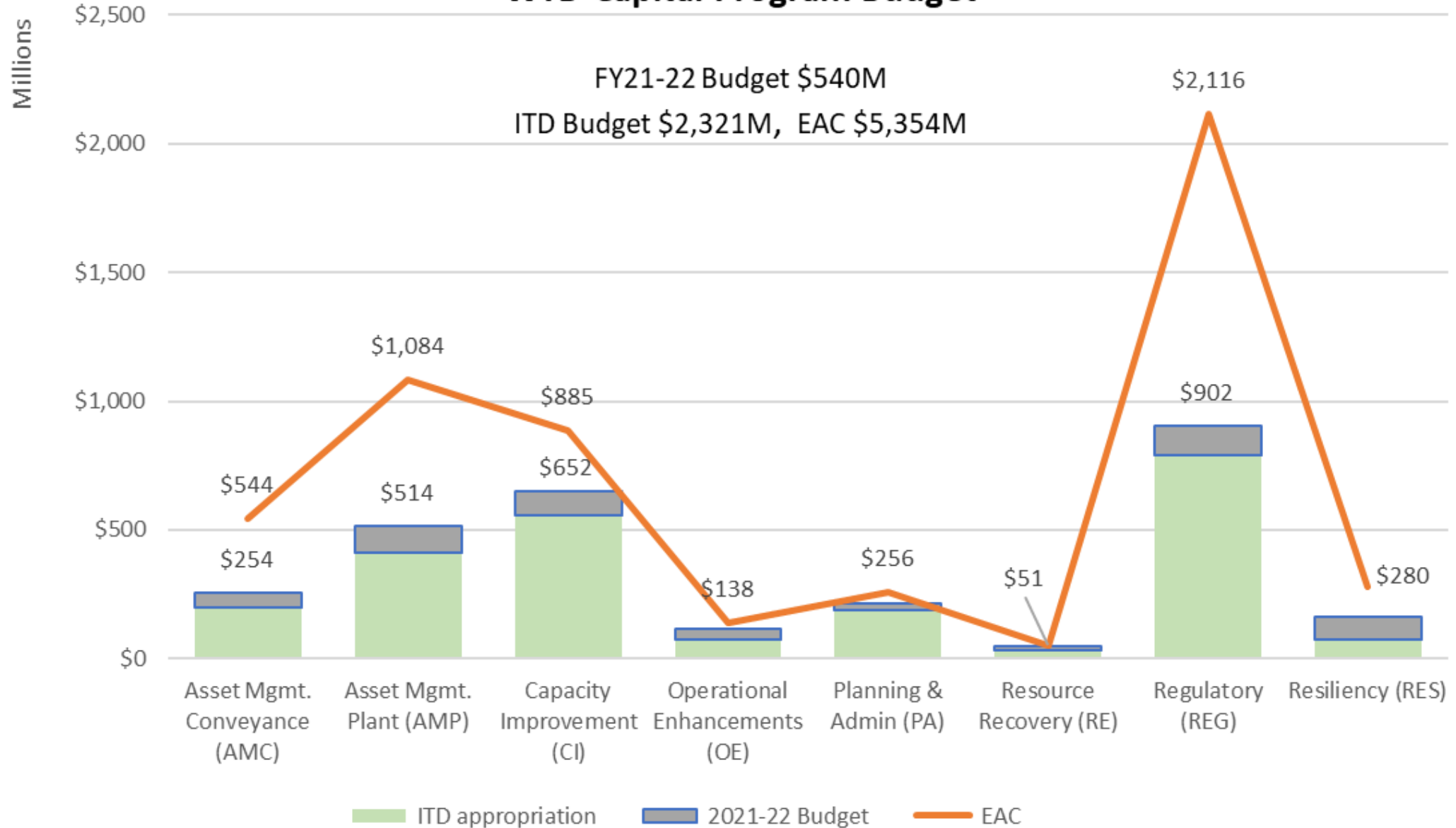
Definitions

- **Biennial Capital Budget:**
 - Two years of project costs appropriated
 - Construction contracts fully appropriated regardless of timing
 - Project contingency appropriated (not included in spend plans)
- **Inception to Date (ITD) Budget:** Total historical and current appropriation
- **Estimate at Completion:** Total estimated cost at closeout
- **Supplemental Appropriation:** Requested appropriation for increasing or new costs outside of the biennial budget process

Assumptions


- ✓ Asset management priority backlog appropriation request delayed
- ✓ Potential 2022 supplemental appropriation request pending MWPAAC engagement on asset management and 2022 sewer rate proposal

WTD Capital Program Budget



2021-2022 Capital Budget - Construction Highlights

Project Name	Objective	Estimate at Completion
West Point Primary Sedimentation Area Roof Structure	Improve seismic resiliency by retrofitting primary sedimentation basins to meet Life Safety Performance Levels	\$43M
West Point LSG Piping Replacement	Improve safety and reliability of plant operations by replacing corroded sludge gas piping	\$25M
Richmond Beach MCC and Switchboard Replacement	Improve power reliability and help ensure continual operations by replacing the Motor Control Center and Service Switchboard	\$6.5M
North Mercer Island & Enatai Interceptors Upgrade	Replace aging infrastructure to increase the reliability and capacity of conveyance system to accommodate peak flows from North Mercer Island, southwest Bellevue, and Beaux Arts Village	\$151M



2022 Rate-
Setting Goals

WTD Goals for 2022 Sewer Rate Development

- Increase reliability at off-site locations and West Point Treatment Plant
- Respond to increasing regulatory pressure
- Respond to growth-related demand on the system
- Address the most critical asset management risks
- Respond to King County Executive's Priorities: Clean Water Healthy Habitat, Strategic Climate Action Plan and Equity and Social Justice

Next Steps

August 6

Capital Funding Analysis

September 3

Operating Forecast

October 1

Rate Plan Strategy

November 5

COVID-19 Revenue Impact Estimates & Reserves Management

December 3

Adopted 2021-2022 Budget & 2022 Rate-Setting Goals

January 2021

Rates 101

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