

**Summary of Rates & Finance Subcommittee February 4, 2021, meeting  
For MWPAAC General Meeting February 24, 2021**

**1. 2020 Financial Performance & Overview of 2022 Sewer Rate Schedule and Process**

Presenter: Hiedi Popochock, Financial Services Manager, Wastewater Treatment Division (WTD)

Ms. Popochock dedicated the first part of her presentation to the preliminary financial results from 2020. She spoke from a pdf provided to attendees, which included details. The highlights were:

- In general, WTD had positive financial performance in 2020. COVID-19 did not prevent WTD from meeting or exceeding key financial targets, but the impacts were always expected to be delayed because of the billing calendar. More impacts are expected in 2021.
- The total count of Residential Customer Equivalents (RCEs) was 0.2% short of the forecast, while sewer rate revenue came in 0.2% above forecast. Material impacts related to COVID-19 are expected in Q1 2021 for both figures. Capacity charge revenue was 0.8% short of forecast.
- Operating expenditures were 4% below forecast, due to savings in chemicals, maintenance parts and materials, fuel and electricity, and services delayed due to COVID-19.
- 87% of the 2020 capital budget was spent in the WTD large capital program.
- Debt service is roughly \$10 million (4%) lower than projected, thanks to lower interest rates from bond refinancing. WTD issued long-term fixed-rate bonds at a record low 2.49% in July 2020. Bond refunding transactions resulted in total savings of \$109 million between now and 2039. The debt service coverage ratio is 1.51x, exceeding the projected 1.44x. Key rating agencies affirmed WTD's positive bond ratings.
- WTD began drawing on State Revolving Fund and Public Works Board loans (ranging from 1.58% to 2.7%) for two major capital projects. Finally, a 35-year loan from the Water Infrastructure Finance Innovation Act for the Joint Ship Canal project closed in January 2021 at a rate of 1.69%.

Ms. Popochock took questions from attendees about debt service savings from refunding.

The second part of her presentation was about the schedule of the 2022 rate process. She spoke from a separate handout with a detailed calendar. She began by sharing the WTD goals for 2022 Sewer Rate Development, which had previously been shared with MWPAAC:

- 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

She then spoke about the schedule of events from now until June 2021 when the King County Council votes to adopt the 2022 sewer rate. Of particular interest to MWPAAC members are the following dates:

- March 4 – first look at sewer rate proposal at the MWPAAC Rates and Finance Subcommittee meeting. There will also be a discussion among attendees about issues to include in the MWPAAC rate letter to the King County Executive.
- Mid-March – WTD and DNRP staff transmit their 2022 sewer rate to King County Executive.
- March 17 – Draft MWPAAC rate letter sent to MWPAAC members one week in advance of General Meeting.
- March 24 – MWPAAC General Meeting, including discussion of rate goals, rate proposal, and consideration and action on the MWPAAC rate letter to the King County Executive.
- April 1 – MWPAAC Rates and Finance Subcommittee meeting. Review King County Executive’s rate proposal to King County Council. Decide whether to send a separate rate letter to Council.
- April 14 - MWPAAC Rates and Finance Subcommittee meeting [tentative] – to discuss rate letter to King County Council (if needed), which is due to all MWPAAC members by April 21.
- April 28 – MWPAAC General Meeting. Review King County Executive’s rate proposal to King County Council. Consideration and action on the MWPAAC rate letter to the King County Council.

Attendees then asked Ms. Popochock questions about the schedule. Some questioned the very tight timeline and the fact that many smaller agencies, whose legislative bodies only meet twice per month, do not have enough time to consider the rate proposal in time to voice their concerns in the rate letter(s). Sharman Herrin reminded people that the agency contracts with WTD stipulate the June 30 deadline for rate adoption by the King County Council and mentioned that ongoing contract negotiations should consider whether to change that deadline. Agencies should consider their own rate-setting processes when deciding whether a later deadline (which would give MWPAAC agencies more time to consider a rate proposal) makes sense.

**The next Rates and Finance Subcommittee meeting will be held on March 4, 2021. Please attend this teleconference meeting.**

#### Questions?

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