

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

1. 2022 Sewer Rate Proposal

Presenters: Hiedi Popochock, Financial Services Manager, Wastewater Treatment Division (WTD) and Courtney Black, Rates, Capital, and Debt Management Supervisor, WTD

Both presenters spoke from a pdf handout titled “03.04.2021 Briefing 2022-2031 Sewer Rate Plan”. This was sent by email to MWPAAC members, along with other meeting materials, on March 3, 2021.

Ms. Popochock started the presentation with a review of the 2021-2030 rate forecast adopted by the King County Council in June 2020. She then presented the new 2021-2031 rate proposal, which showed a 0% rate increase in 2022, followed by a forecasted 10.5% increase in 2023 and double-digit increases every other year through 2031.

She then covered the main rate drivers for this rate plan:

- COVID-19 impacts, which are expected to be felt in 2021 for WTD but offset by savings from low interest rates on recent debt issuances and the refinancing of existing debt.
- The King County Executive recently declared an emergency to spend \$65 million on improving the power supply to the West Point treatment plant.
- Consent Decree Combined Sewage Overflows (CSO) cost updates are included in the rate plan, but it also assumes the majority of the project spending will be shifted to 2031-2040, pending approval from the EPA.
- The Asset Management “catch-up” plan starts in 2022 and the completion is extended three years, to 2033.
- No impacts from the Ecology Nutrient Permit requirements are included in the rate plan since the permit is still in the draft phase.

Ms. Popochock also covered some additional assumptions about specific project timelines and staffing resources required to increase project delivery at WTD. Throughout her presentation, she and Ms. Black fielded questions regarding:

- The “jobs supported” figure in the rate plan tables (it’s an industry standard that converts capital project costs to jobs supported)
- Whether the CSO costs are changing or just the timeline for spending the money
- Whether the CSO projects are also incorporated into the asset management projects
- Which projects would shift to make room for the emergency West Point improvement
- The timeline for the Sammamish Plateau Diversion Project
- The anticipated costs of nutrient removal resulting from the Dept of Ecology permit

Ms. Black then presented about the appendices in the rate plan document:

- Appendix A: COVID-19 Updated Projections

- Commercial - slow impact due to billing and averaging. Impacts nearly completely offset by savings in debt refinancing. This is significantly better than the last forecast provided.
- Newer forecasts are more conservative for when Commercial and MF RCE levels will return to normal (was 2022, now 2023).
- [Appendix B not shown, superseded by Executive's West Point Emergency Declaration]
- Appendix C: Asset Mgmt Inventory
 - Tier 1 AM projects given 3 more years for completion in graph (\$1.1B total)
 - Tier 2 AM projects starting 2027, expected to be critical by then (\$357M)
- Appendix D: CIP Portfolio Chart
 - Stacked column chart with costs for each category in the Capital Portfolio
- Appendix E: Sewer Rate Forecast Charts
 - Stacked bar showing capital funding plan (cash, debt, loans, other)
 - Stacked bar showing sewer rate plan revenue needs components
- Appendix F: CSO Schedule Sensitivity & Other Supporting Information
 - Table showing likely rate increases if all CSO Consent Decree projects were required to be completed before 2030
 - Helpful table showing rate schedule if rates were annualized
 - Rate plan sensitivity to lower cash-funded and coverage target
 - Table with debt balances – 40% cash funding vs. without
 - Debt ratings table – DSC ratios & how it translates to rating from Moody's, S&P
 - History of 40% cash-funding approach (bullets)

Ms. Black and Ms. Popochock took more questions throughout this second half of the presentation:

- Are there revised estimates for when Commercial flows will return to pre-COVID levels?
- How were project costs developed and does WTD still have confidence in project costs estimates for outer year projects?

Due to time shortage, the attendees were asked to send other questions via email to WTD staff.

The next Rates and Finance Subcommittee meeting will be held on April 1, 2021. Please attend this teleconference meeting.

Questions?

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