

**Summary of Rates & Finance Subcommittee November 4, 2021, Meeting
For MWPAAC General Meeting December 8, 2021**

1. WTD Financial Update

Presenter: Phillip Kwon, Accounting, and Operating Budget Administrator, Wastewater Treatment Division (WTD), Crystal Fleet, Capital Portfolio Planning and Analysis Unit Manager, WTD, and Andrés Bas Moore, Rates, Capital & Debt, WTD

The three presenters from WTD spoke from a presentation that was distributed to the MWPAAC mailing list prior to the meeting. Readers of this summary are advised to see this presentation for more detailed information.

Mr. Kwon began the presentation with a discussion about the 2021 WTD Operating Budget. He presented 2021 budget totals for each major category (and sub-category) of the operating budget – Salaries & Benefits, Supplies, Services, Intragovernmental Services and WaterWorks Grant. Next, Mr. Kwon shared a budget vs. actuals picture for the major budget categories as of the end of Q3 2021 and spoke about budget areas with significant underspend.

Ms. Fleet then spoke about capital spending and the accomplishment rate. As of September 30th, WTD is tracking at a 72% accomplishment rate, short of the target of 85%. She spoke about some of the principal reasons for the shortfall – staff shortages and reassignments, delayed invoicing (most significantly with the joint Ship Canal project with City of Seattle), and COVID-related procurement delays.

Mr. Kwon and Ms. Fleet then spoke about the 1st and 2nd Omnibus Requests for the Operating and Capital budgets, respectively. The 1st Omnibus requests were already approved, while the 2nd Omnibus requests are pending approval by the King County Council.

Mr. Kwon shared updates on loan and grant opportunities. This was specifically related to subsidized loan programs. He gave specifically loans amounts secured for three large ongoing projects: Georgetown Wet Weather Station, the Ship Canal Water Quality Project, and the Lower Duwamish Waterway. He also covered loans and grants currently under review for a variety of projects. The loan and grant programs he spoke about included State Revolving Fund (SRF), Water Infrastructure Finance and Innovation (WIFIA), Public Works Board (PWB), and Building Resilient Infrastructure and Communities (BRIC).

Mr. Bas Moore then spoke about the net financial impacts of COVID-19, comparing actual impacts to projected impacts in the 2022 sewer rate plan. He spoke both about the RCE trend with flow-based customers (Commercial and Multi-Family) and the revenue variances that result from those trends. In general, the impacts of reduced revenue are still expected to be offset by savings from favorable lending environment.

The team from WTD then took questions from meeting attendees on the following items:

- Clarifying question about RCE variance and corresponding revenue impact

- Question about whether staff departures mentioned in the context of capital project accomplishment were related to COVID vaccine mandates.
- Question about intragovernmental services – whether the amount spend was appropriate and clarification about the breakdown of intragovernmental services

The next Rates and Finance Subcommittee meeting will be held on December 2, 2021. Please attend this teleconference meeting.

Questions?

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