

DRAFT
Summary of Rates & Finance Subcommittee January 6, 2022, meeting
For MWPAAC General Meeting January 26, 2022

1. Review of Adopted 2022 – 2031 Sewer Rate Plan & Preliminary 2023 Rate-setting Policy
Direction

Presenters: Heidi Popochock – Financial & Administration Section Manager, Courtney Black – Rates, Capital, & Debt Management Unit Supervisor, Crystal Fleet – Capital Portfolio Planning & Analysis Unit Manager, & Phillip Kwon – Accounting & Operating Budget Administrator/

The County gave a comprehensive overview of 2023 rate planning and rate establishment, new operating & capital costs identified, discussion of the capacity charge and next steps in the budgeting and rate setting process. Summary of each discussion point follows:

Ms. Popochock discussed the rate setting process and calendar for 2023 rates:

- The rate proposal will be “transmitted” to the County Exec in Mid-March.
- Any MWPAAC response to the 2023 rate (Rate Recommendation Letter) will require full MWPAAC approval at the March 23, 2022 meeting.

Ms. Black continued the presentation with a discussion of WTD’s Capital Plan, funding mechanism and Revenue Requirements:

- WTD’s current capital spending is ~ \$200 million annually. This is projected to increase to over \$500 million during the 10 – year rate projection period.
- WTD will need to issue new debt estimated to exceed \$2 billion over the period.
- Changes to the baseline costs of construction include the following issues:
 - Record inflation
 - Supply chain disruptions
 - Labor Shortages
 - The effects of the recent issuance of the Puget Sound general nutrients permit
 - Updates to milestones of major capital projects
 - WestPoint power quality improvement project
 - New inventory of “asset management” capital projects
 - Addition of some CSO consent decree costs to the current 10-year period

Ms. Fleet continued the presentation with a discussion of changes to WTD’s operating costs. Specifically, the following new rate drivers were discussed:

- WTD will add partial costs of 12.0 FTEs that will be hired for the “asset management strike team”. This number is estimated to be \$500,000 in new operating expenses. The

remainder of this staffs' cost of employment will be capitalized to the projects they work on.

- The County will lease a building for the "Jameson and ArcWeld Building Employees" instead of constructing a new building. This cost is estimated at \$827,568 annually with \$550,000 being incurred in 2023.
- After evaluation of the asset management strike team, WTD determined it needed a 13th FTE. For 2023 this cost was estimated at \$9,300 in operating costs.

The discussion continued Mr. Kwon discussing the work performed by the Capacity Charge Workgroup and the results of that which included deferring the update to the charge until approval of the Clean Water Plan or 2024, whichever occurs first.

Finally, Ms. Popochock concluded the discussion with the immediate next steps to adopting a 2023 budget and rate schedule. She reminded attendees of the compressed time schedule and encouraged attendance at Rates & Finance meetings for the next two months, particularly if a member wanted to influence the contents of the rate response letter.

A detailed handout of the presentation is available and is highly recommended in order to obtain better context of the meeting.

The next R&F meeting will be held on February 3, 2022 and will include discussion of the rate response letter. Please attend this teleconference meeting.

Questions?

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