

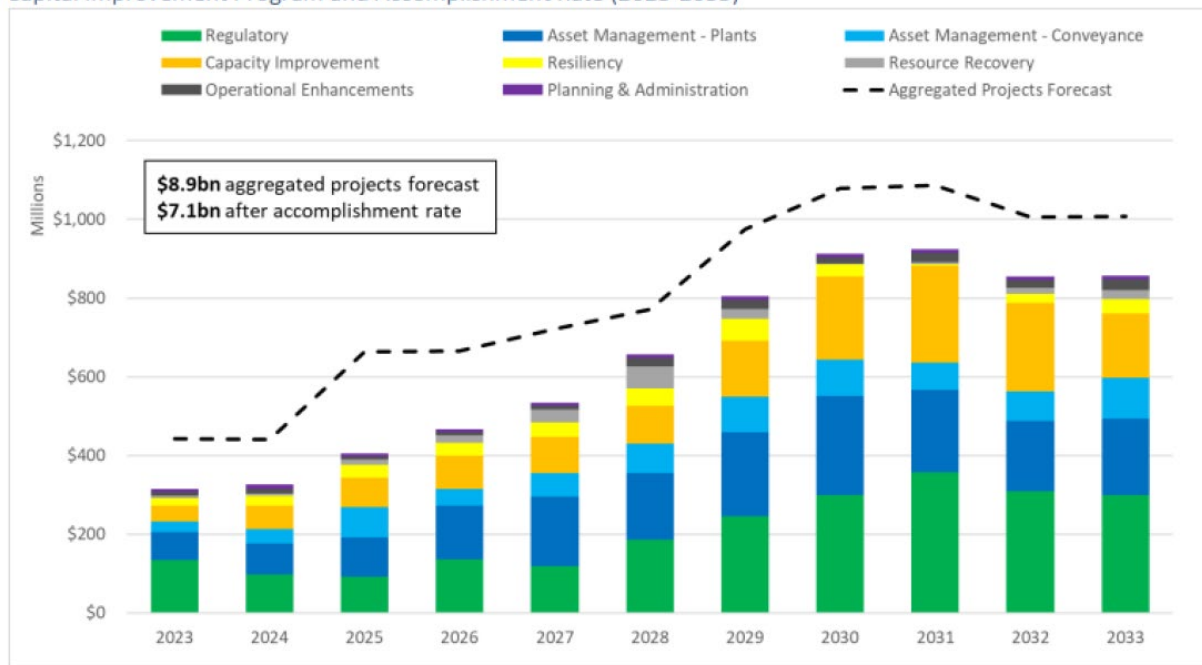
Engineering & Planning Subcommittee
High Level Meeting Notes
April 6, 2023

Crystal Fleet presented about “2024 Sewer Rate Capital Projection”, and adjustments that had been made between February and March to reduce the rates in the 10-year sewer rate forecast.

WTD has a framework for projecting the sewer rate. In the last rate projection, in acknowledgement of affordability challenges with the draft rate projection, WTD reviewed the CIP to identify strategies for lowering the project rate. The objective was to optimize affordability while still minimizing risk, meeting regulatory obligations, and keeping a focus on asset management. Two main strategies were used to lower the rate projection – (1) reducing the CIP accomplishment rate and (2) deferring projects.

Given the challenge of rapidly growing a CIP program, paired with the hiring climate in the region, it was determined that the desired accomplishment rate was infeasible. A more realistic accomplishment rate that builds to a maximum of 85% over a few years was selected. The aggregate CIP, adjusted accomplishment rate, and resultant capital spending for rate forecasting is shown in the red box below. Implications and potential unintended consequences of the accomplishment rate adjustments were discussed during the meeting.

Capital Improvement Program and Accomplishment Rate (2023-2033)¹



| 2024 Baseline + CSI I/I Deferral | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2023-2033 |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|---------|---------|---------|---------|-----------|
| Aggregated CIP Project Forecasts | \$443 | \$440 | \$663 | \$666 | \$721 | \$772 | \$975 | \$1,079 | \$1,087 | \$1,005 | \$1,007 | \$8,858 |
| Accomplishment Rate (AR) | 71% | 74% | 61% | 70% | 74% | 85% | 83% | 84% | 85% | 85% | 85% | 80% |
| Capital Spending after AR | \$316 | \$328 | \$406 | \$469 | \$534 | \$656 | \$805 | \$912 | \$924 | \$854 | \$856 | \$7,060 |

¹ The average accomplishment rate assumption was reduced from 85% to 80% to account for economic conditions and staffing levels

In addition to adjustments to the accomplishment rate, project deferrals were also considered. Projects selected to remain on schedule included:

- All pending conceptual projects with recent capacity-related overflows or where there are drivers other than I/I
- All projects already “in delivery”.
- All pending treatment capacity projects

Low-risk projects deferred in the 10-year rate projection include:

- Boeing Creek Trunk
- Garrison Creek Interceptor
- Medina Trunk
- Richmond Beach Edmond Interceptor
- Richmond Beach Force Main
- Thornton Creek Trunk

King County noted that the communities with deferred projects were notified and initially no concerns were raised. Staff also noted that the priorities can change at any time or when new information comes available.

The delay of projects results in higher costs due to escalation with time. There was discussion about cost estimating practices. Cost certainty rises as projects move from Placeholder to Formulation to Design to Construction. Cost estimating practices acknowledge this.

Steve Hitch, Chair

Ben Marre, Vice Chair