

MWPAAC Rates & Finance Subcommittee

June 1, 2023 Meeting Summary

Agenda:

1. Welcome & Introductions, Andy Baker, Rates & Finance Subcommittee Chair
8:30 (5 min)
2. Capital Funding and Work Plan Discussion, Andy Baker, Rates & Finance Subcommittee Chair
8:35 (20min)

Mr. Baker reported on the work plan discussion for the subcommittee that occurred at the MWPAAC Exec Board retreat on May 18. The subcommittee will focus on two primary topics over the near term, both of which were identified in the Sewer Rate Letter:

- *Evaluating the cash funding policy question in a framework that lets us understand the long-term implications of a change*
- *Growth-pays-for growth*

In order to align the subcommittee's work with the timing of when topics will go to RWQC and when information will be available, we will plan to tackle the topic of the capacity charge first, and then focus on the cash funding discussion.

In August we plan to have an informational briefing from WTD's consultant, and in September we plan to have follow-up discussion regarding the recommended changes. The second meeting will be to develop a recommendation regarding the proposed change. This schedule is laid out to make sure that our subcommittee has had sufficient time to review the topic in detail prior to the topic being brought to RWQC.

Following on from that, we will come back to the cash funding discussion in October. RWQC's workplan calls for a briefing from MWPAAC in December on the topic, and this timing is the best spot to have our subcommittee pick it back up. This timing also, we hope, allows WTD staff time to make significant progress on the work of developing a longer term financial forecasting framework to inform these discussions.

Request to the subcommittee: submit to the subcommittee chair (abaker@bellevuewa.gov) your thoughts on "what information and approach do we need to see in order to have a productive discussion on the capital funding topic?" Timing: submit thoughts by the first week of July so that they can be compiled and shared with WTD staff.

Subcommittee members shared the following thoughts in discussion before adjournment:

- We know we need a longer timeline – we should be clear about how long. In my view that is at least as long as the term of the bonds that are being issued.*
- We need the ability to understand the sensitivity of policy choices. We know that the future is far from certain, but we need the ability to have the sensitivity of the rate path to a policy choice shown in a matrix of possible future situations. More specifically, this means to me: considering a universe of the known possible capital scenarios (no change to CD, no change to nutrient requirements, no PFAS costs) - the uncontrollable factors - what happens based on the policy choice - the controllable factors.*
- How does the RCE play into this? We know that it is related to what everyone pays, and ultimately connected to both the sewer rate in addition to the capacity charge. Is it appropriate to consider adjusting one without the other? What are the affordability implications of either the status quo or any change?*
- Is 'growth pays for growth' a foundational assumption, or a topic for discussion?*