



**King County**

Department of  
Natural Resources and Parks

**Wastewater Treatment Division**

# Wastewater Treatment Division 2025 Sewer Rate Proposal

## *MWPAAC Rates & Finance Subcommittee*

March 7, 2024

# Agenda & Calendar

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- 1 Goals and Background
- 2 2025 Sewer Rate Proposal
- 3 Key Assumptions and Drivers
- 4 Capacity Charge
- 5 Look Ahead & Financial Policy Landscape

## Important Upcoming Dates

**March 27 – MWPAAC General**

**April 4 – MWPAAC R&F**

**April 24 – MWPAAC General**

**Late April – County Executive  
Transmittal of 2025 Sewer Rate  
Proposal to King County Council**

# Goals for 2025 Sewer Rate Development

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- Increase **reliability** at West Point and across the system
- Address the most critical **asset management** needs to reduce risk
- Reflect increasing **regulatory requirements** with new projects and staff
- Accommodate **growth-related demand** with capacity enhancements
- Reflect **King County priorities**: Clean Water Healthy Habitat, Strategic Climate Action Plan, Equity & Social Justice and others
- Propose a 2025 rate and ten-year rate forecast that realistically **reflects high priority system investments**
- **Meet key financial metrics** and only charge what we can spend

# Background

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- Presented February 1: Preliminary Sewer Rate & Financial Forecast
- Current Phase: Staff-proposed 2025 Sewer Rate and Financial Forecast
  - No change to the 2025 sewer rate as projected – 5.75% increase to \$58.28 monthly
  - No change to the 2025 Preliminary Sewer Rate Ten-Year Forecast
  - Review of Key Assumptions and Drivers

## Second Decade

- Given the nearing availability of guidance from the long-term forecasting motion work, WTD will produce a ten-year forecast and second ten-year projection next year.
- MWPAAC workgroup input on the long-term forecasting motions will help review and advise on potential methodology refinements.

# Key Assumptions

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- Capital:

- Accomplishment rate reduced through 2030 while building up project delivery resources; returns to 85%
- Tier 1 Asset Management project schedules complete by 2033 (*before application of accomplishment rate*)
- 2040 CSO projects completion schedule maintained (*before application of accomplishment rate*)
  - Mouth of the Duwamish Combined Sewer Overflow (MDCSO) project contingency spread over project period rather than in year after
- Depreciation-based cash funding target:
  - Accomplishes a stable and durable funding target for rates

- Operations & Maintenance:

- Operating costs re-baselined to capture recent inflation (i.e. significant electric and chemical cost increases)
- Forecast includes higher inflation assumptions through 2025 before returning to long-term average
- Near-term growth in operating costs at 3.5% annually through 2027; returns to long-term assumption of 1.5%
- Near-term operating cost capacity partially dedicated to addressing identified staffing deficiencies at the treatment plants

*[Additional detail and charts follow]*

# Capital Drivers – Changes from 2024

Project Name	Driver	2024-2033 Impact (Escalated)
Mouth of the Duwamish	Contingency Redistribution <sup>1</sup>	\$430M
Elliott West WWTS	Revised Assumptions <sup>2</sup>	\$0
University CSO, Montlake CSO, Supplemental Compliance	No Change <sup>3</sup>	\$0
<b>Total Change CSO</b>		<b>\$430M</b>
New Conceptual Projects	Newly identified conceptual needs <sup>4</sup>	\$160M
Updated Conceptual Project Forecasts	Spending year revisions, capital project formulation cost estimate updates <sup>5</sup>	\$200M
Updated Current Project Forecasts	Scope development, design refinements, risk events, material pricing, labor cost increases, etc. <sup>6</sup>	\$280M
Placeholder Reduction		(\$70M)
<b>Total Change Non-CSO</b>		<b>\$570M</b>
<b>Total Changes before Accomplishment Rate</b>		<b>\$1.0B</b>

## Change Driver and Impact Notes

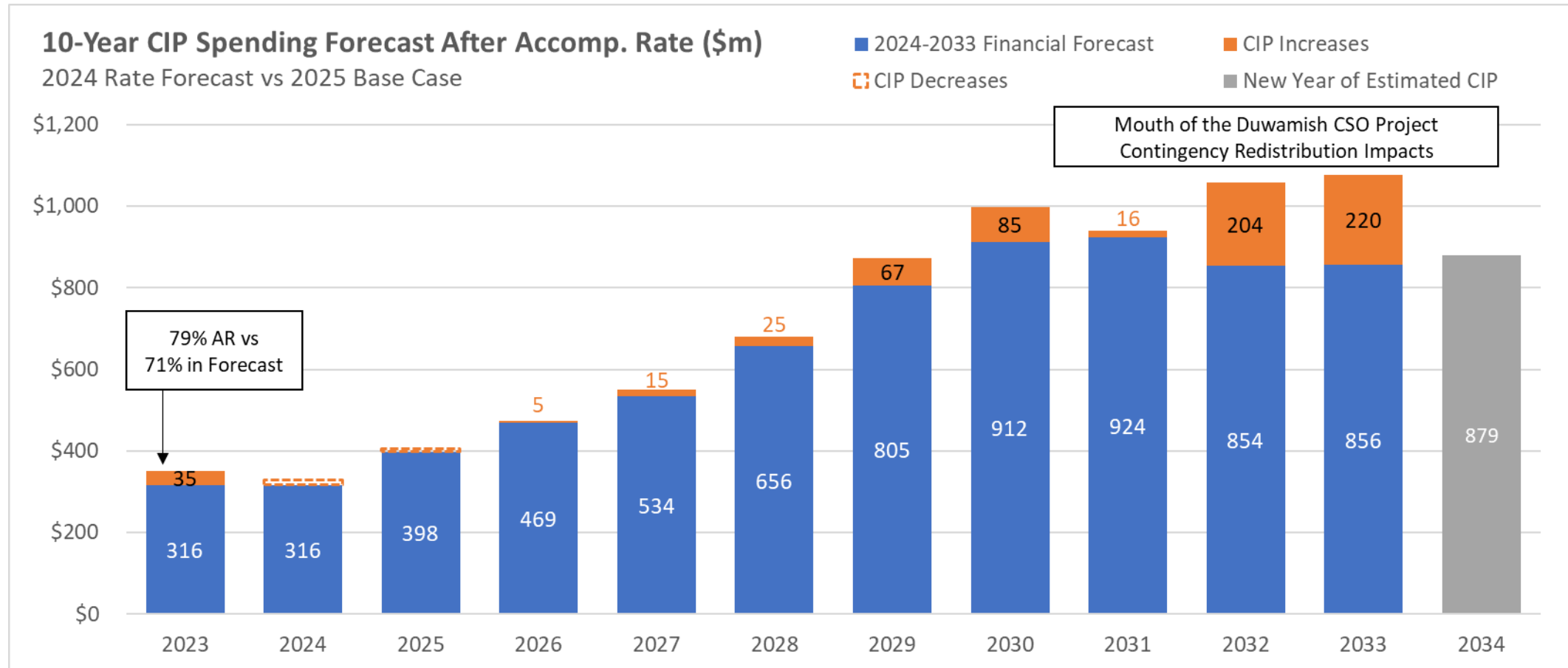
1. MDCSO contingency reallocated from 2034 to 2029-2034 to reflect likely programmatic delivery
2. Changes pending WP NPDES permit finalization
3. No revisions, final CD may warrant revisions to timing
4. Newly identified needs within forecast period: West North Creek Force Main, Generator Fuel Storage Gauging, SP Aeration Tank Rehab, SP Mixed Sludge Line Replacement, Soos Creek Cascade Relief Interceptor
5. Increase of \$90M from Preliminary Changes shown in January
6. Net increase of \$100M (after placeholder offset) from Preliminary Changes shown in January

## Forecast Exclusions

- WTD share costs for Lower Duwamish Waterway CD pending CD finalization and insurance recovery
- Nutrient investments beyond first permit cycle – likely near term (2030) side-stream removal investments \$200-\$300M are not included. Potential rate impact of \$1.70 (1.4%) by 2034
- Contaminants of Emerging Concern
- Additional investments/scope related to WP NPDES permit
- Potential climate adaptation costs

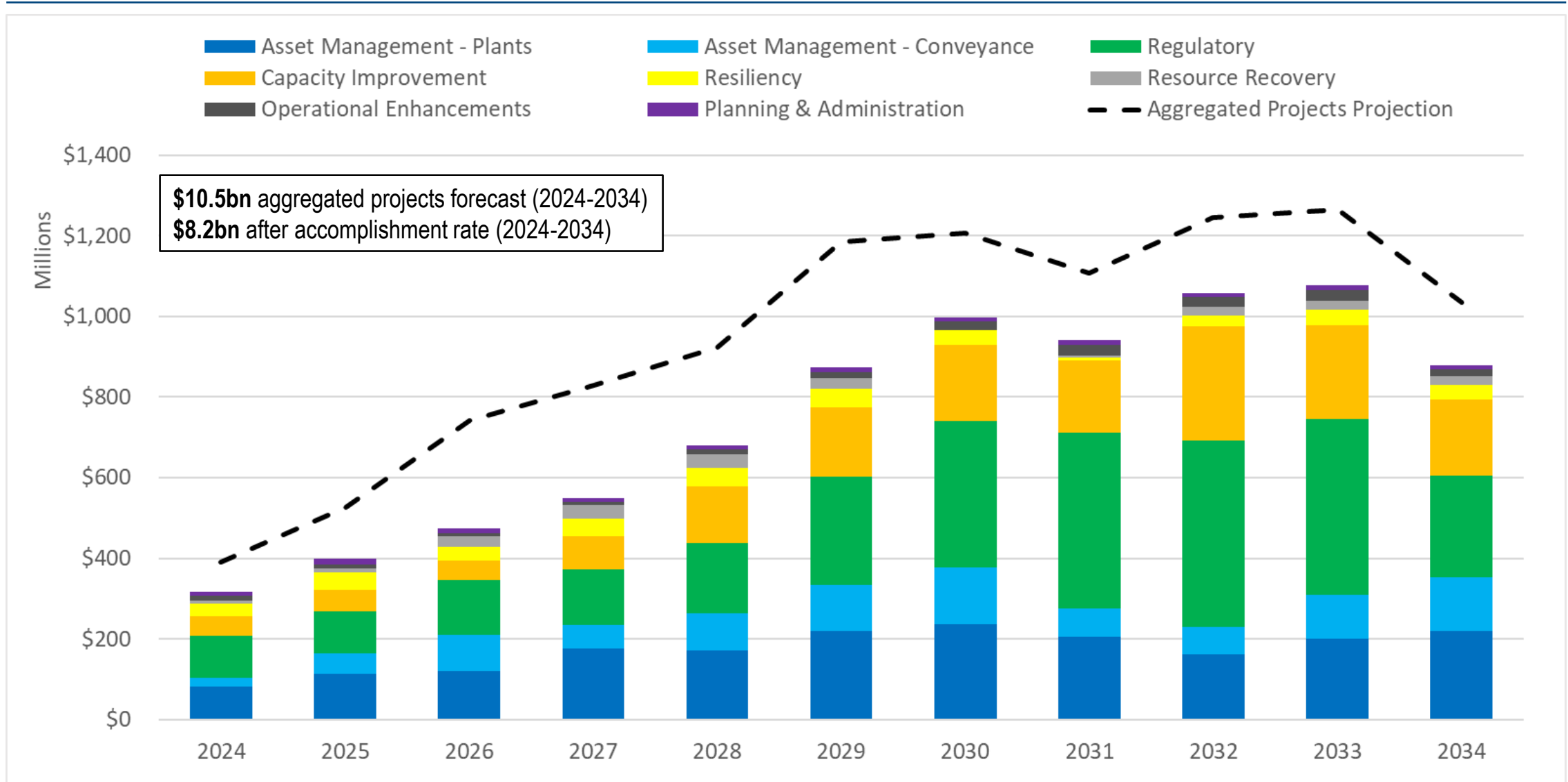
# Capital Improvement Program (CIP) Forecast 2023 – 2034 Comparison

After accomplishment rate (averages 79% over this forecast period)



2025 Base Case Rate	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2034
Aggregated CIP Project Forecasts	\$390	\$525	\$741	\$829	\$923	\$1,185	\$1,207	\$1,106	\$1,245	\$1,266	\$1,034	\$10,451
Accomplishment Rate (AR)	81%	76%	64%	66%	74%	74%	83%	85%	85%	85%	85%	79%
Capital Spending after AR	\$316	\$398	\$474	\$549	\$681	\$873	\$997	\$940	\$1,058	\$1,076	\$879	\$8,241

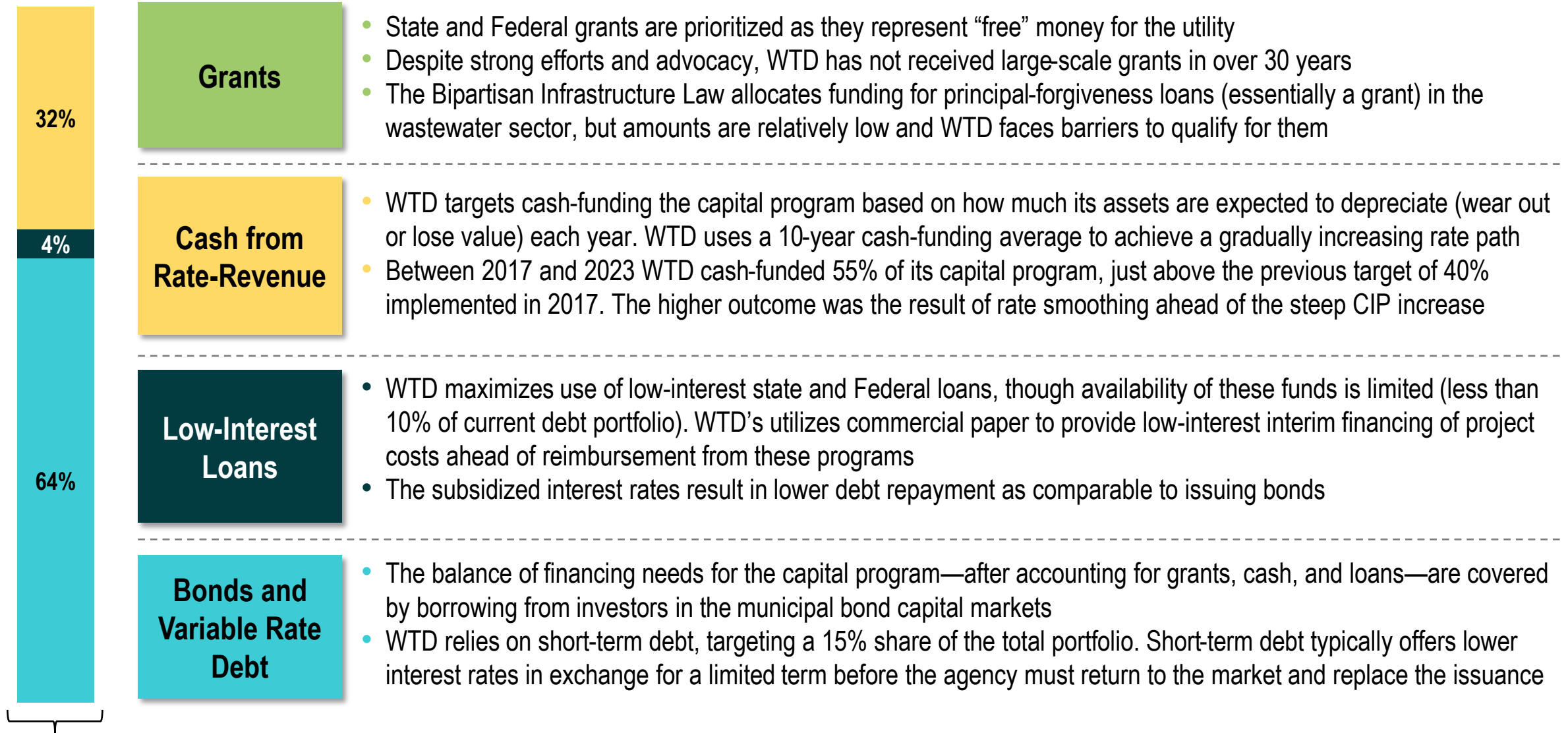
# Capital Improvement Plan by Portfolio Category



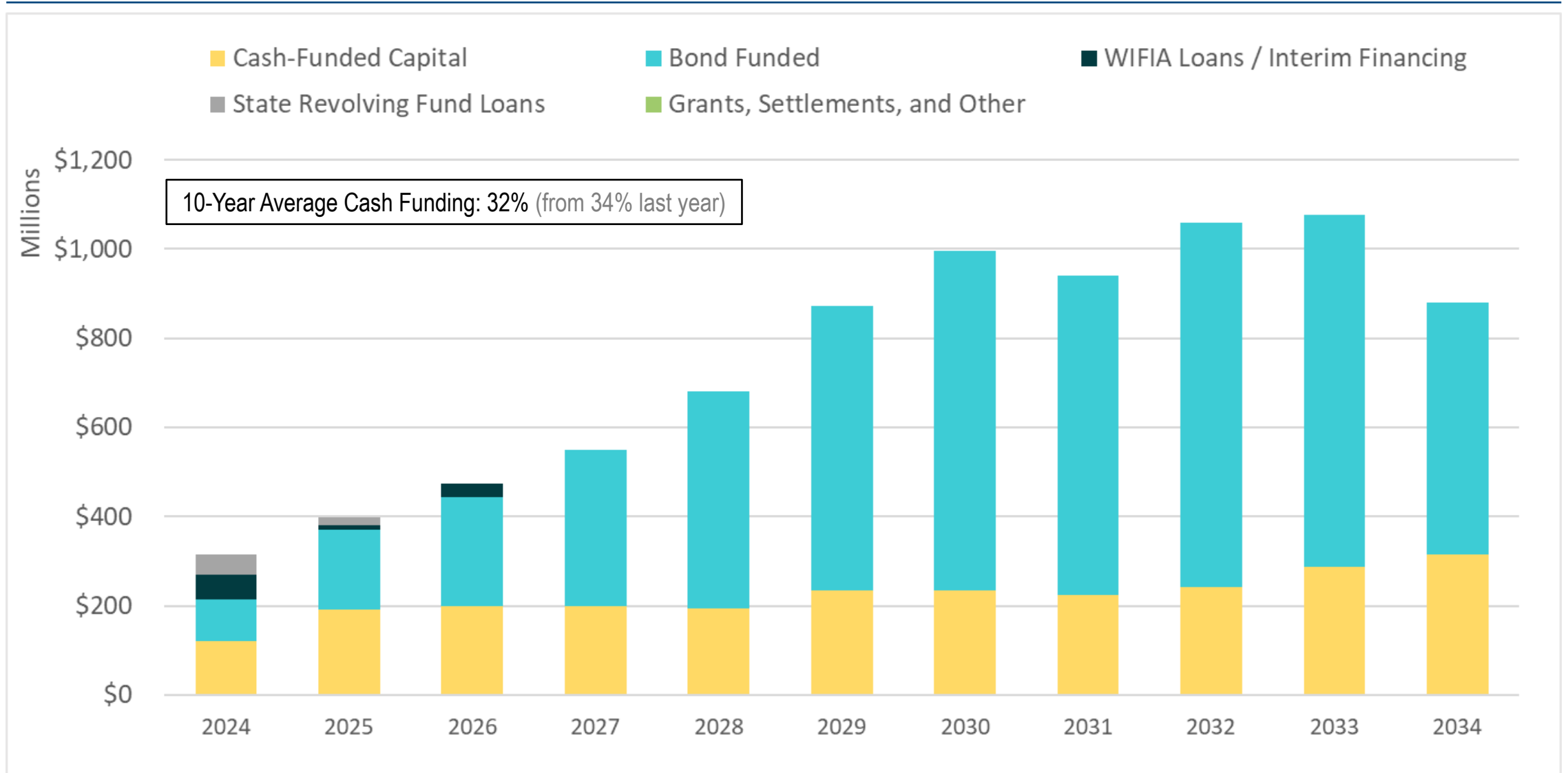
*Regulatory category excludes any potential nutrient or PFAS requirements*



# Funding and Financing Strategy



# Capital Funding Forecast



# Operating (O&M) Forecast Assumptions

- Base year (2025) adjustments for significant known increases such as electricity and chemicals, in addition to re-baselining where recent inflation has exceeded previous forecast assumptions.
- The growth in operating costs (O&M) assumption reflects new and expanding requirements such as enhanced cybersecurity, Contaminants of Emerging Concern (CEC)/nutrient work, capital project participation, and added facilities such as Georgetown.
- Forecast assumptions for inflation and growth in O&M are as follows:

O&M Assumptions	2025 Forecast								
	2026	2027	2028	2029	2030	2031	2032	2033	2034
O&M Inflation	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Growth in O&M	3.5%	3.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

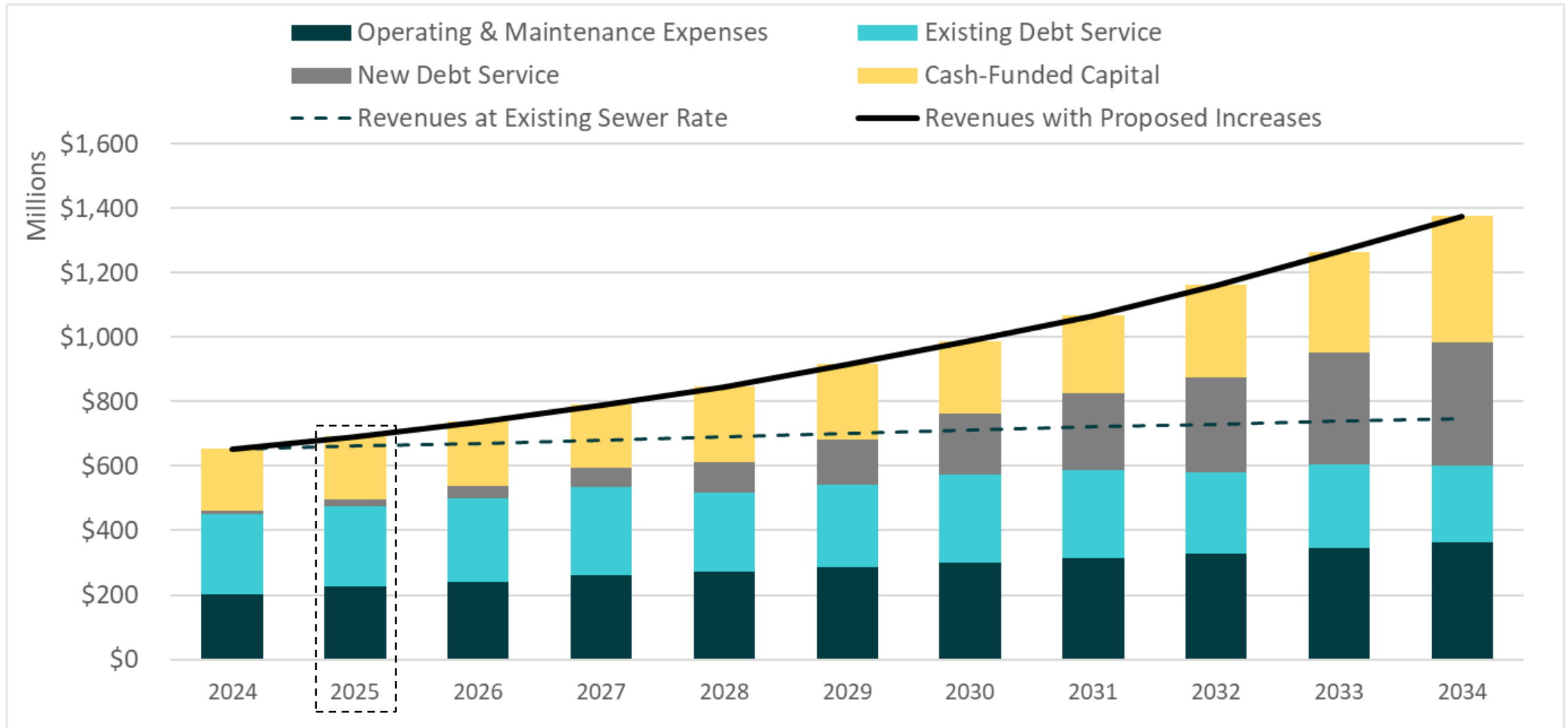
- Operations staffing needs figure into the near-term increased rate of operating cost growth.
  - Staffing planned to support capital projects at the plants. *Capital staffing impacts operating costs minimally as they charge time primarily to capital projects*
  - Staffing to reduce growing overtime pressure of plant operations staff and meet the growing needs related to new regulations and new facilities

# Additional Operations staffing to address current and emerging needs

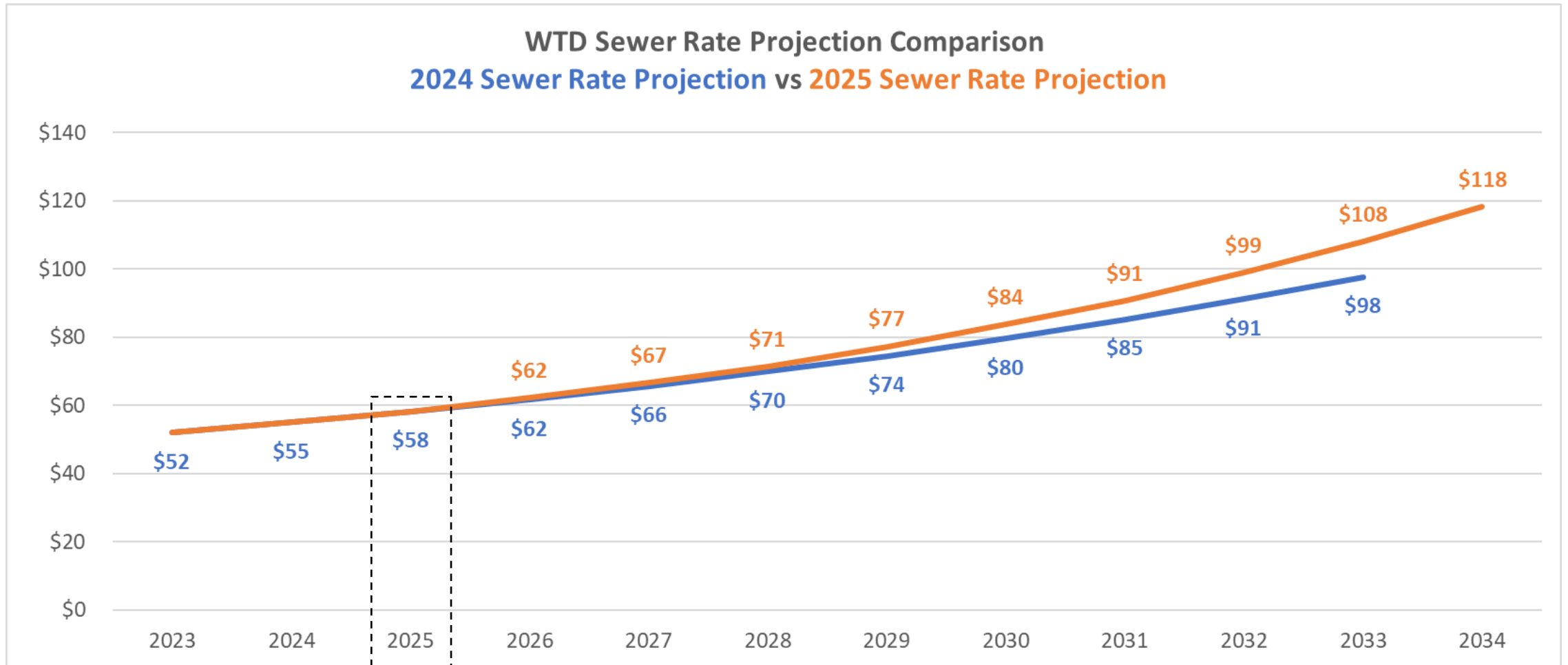
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- In last 10+ years, WTD has brought new facilities online with a minimal increase in Operations staffing.
  - This has helped to keep rates lower but has contributed to higher overtime which is unsustainable.
- Our facilities are aging, requiring attention to address hundreds of minor repairs and adjustments each month.
- With a large capital portfolio, Operations staff are needed to participate in the systems planning, design, construction, start-up, and commissioning processes.
- Permit conditions are more complex, requiring more monitoring and adjustment to meet water and air quality requirements.
- Contracts and policy goals require that we reliably recover and put to beneficial use biosolids, biogas, recycled water, and sewer heat - all requiring Operations staff.
- Jobs in Operations are opportunities to recruit, hire and train a next generation of WTD staff, to better reflect the communities we serve.

# Revenue Requirement



# Rate Impacts – 2024 Rate Forecast vs 2025 Rate Forecast



# Rate Impacts – 2024 Financial Forecast vs 2025 Financial Forecast

2024-2033 Sewer Rate Projection	Adopted										
2024 Sewer Rate Projection	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
<b>Rate Increase %</b>	<b>5.75%</b>	5.75%	5.75%	6.50%	6.50%	6.50%	7.00%	7.00%	7.00%	7.00%	
<b>Monthly Sewer Rate</b>	<b>\$55.11</b>	\$58.28	\$61.64	\$65.65	\$69.92	\$74.47	\$79.69	\$85.27	\$91.24	\$97.63	
<b>All-In Debt Service Coverage</b>	<b>1.73x</b>	1.73x	1.67x	1.68x	1.65x	1.61x	1.53x	1.50x	1.47x	1.51x	
Projected O&M (\$m)	\$198	\$211	\$221	\$231	\$242	\$254	\$266	\$279	\$292	\$306	
Projected CIP Spend (\$m)	\$328	\$406	\$469	\$534	\$656	\$805	\$912	\$924	\$854	\$856	
Annual Cash Funding	58%	49%	43%	41%	35%	29%	25%	26%	30%	34%	
Average Cash Funding				6-Year Average			39.8%	10-Year Average			33.9%
Total Debt Balance (\$m)	\$3,512	\$3,593	\$3,721	\$3,915	\$4,198	\$4,615	\$5,114	\$5,615	\$6,018	\$6,386	
Debt to Asset (Capitalization Ratio)	84%	81%	79%	77%	76%	75%	75%	75%	74%	74%	

2025-2034 Sewer Rate Projection	Adopted	Proposed										
2025 Sewer Rate Projection	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
<b>Rate Increase %</b>	<b>5.75%</b>	<b>5.75%</b>	7.00%	7.00%	7.00%	8.25%	8.25%	8.25%	9.25%	9.25%	9.25%	
<b>Monthly Sewer Rate</b>	<b>\$55.11</b>	<b>\$58.28</b>	\$62.36	\$66.73	\$71.41	\$77.31	\$83.69	\$90.60	\$98.99	\$108.15	\$118.16	
<b>All-In Debt Service Coverage</b>	<b>1.73x</b>	<b>1.74x</b>	1.67x	1.58x	1.69x	1.59x	1.49x	1.48x	1.53x	1.52x	1.63x	
Projected O&M (\$m)	\$198	\$223	\$238	\$258	\$271	\$284	\$298	\$313	\$328	\$344	\$361	
Projected CIP Spending (\$m)	\$316	\$398	\$474	\$549	\$681	\$873	\$997	\$940	\$1,058	\$1,076	\$879	
Annual Cash Funding	60%	50%	42%	35%	34%	27%	23%	26%	27%	29%	45%	
Average Cash Funding					6-Year Average			32.4%	10-Year Average			31.8%
Total Debt Balance (\$m)	\$3,526	\$3,603	\$3,739	\$3,935	\$4,286	\$4,767	\$5,346	\$5,865	\$6,488	\$7,046	\$7,380	
Debt to Asset (Capitalization Ratio)	84%	81%	79%	77%	77%	76%	76%	76%	77%	76%	75%	
Debt to Operating Revenue	5.7x	5.4x	5.2x	5.0x	5.0x	5.1x	5.3x	5.3x	5.4x	5.4x	5.2x	

# Capacity Charge

Capacity Charge	2024	2025	2026	2027	2028	2029	2030
<b>Monthly Charge</b>	\$74.23	\$76.09	\$77.99	\$79.94	\$81.94	\$83.99	\$86.09
<b>Increase %</b>	2.4%	<b>2.5%</b>	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Increase \$</b>	\$2.05	\$1.86	\$1.90	\$1.95	\$2.00	\$2.05	\$2.10
<b>Annual Total</b>	\$891	\$913	\$936	\$959	\$983	\$1,008	\$1,033
<b>Total Payments (15 years)</b>	\$13,361	\$13,696	\$14,038	\$14,389	\$14,749	\$15,118	\$15,496
<b>Upfront Payment*</b>	\$10,105	\$10,358	\$10,616	\$10,882	\$11,154	\$11,433	\$11,719

\*Discount rate of 4.01%

- Capacity charge based on Regional Wastewater Services Plan (RWSP). The current RWSP planning horizon ends in 2030
- Capacity charge calculations are updated on three-year cycles: last year’s update included proposed increases for 2024, 2025, and 2026
  - WTD is maintaining its proposed 2.5% increase to \$76.09 in 2025
- In 2021, WTD hired Raftelis to perform a *“capacity charge study that will review the existing charge methodology, engage regional stakeholders, and calculate alternative methodologies for assessing a capacity charge fee”*
  - MWPAAC Capacity Charge Work Group met three times in 2021 to discuss the consultant study and recommendations
  - Work was paused to allow regional planning to be completed first – plans to resume the study in 2024 underway



# Affordability

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- The wastewater treatment system is funded almost entirely by local ratepayers, and low-income ratepayers are the most vulnerable to rate increases.
- Average rent in King County is 54% higher than the U.S. national average; measures of poverty in the region significantly understate the struggle to meet basic living costs such as housing. Utilities including wastewater are an inseparable part of housing costs.
- King County is not prioritized for some funding options because impacts to low-income ratepayers in our service area are obscured by the state's approach to assessing disadvantaged communities.
- WTD began focused work studying affordability in our service area in 2020 while preparing the Financial Capability Assessment that accompanied Consent Decree negotiations. That work can help support the Regional Wastewater Service Plan update, and provide context for the sewer rate process.
- WTD is collaborating with the National Association of Clean Water Agencies (NACWA), US EPA and others to help reduce utility costs for low-income households.

# Look Ahead & Financial Policy Landscape

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- Finalize Consent Decree negotiations with EPA and transmit legislation
- Complete Capital Investment Forecasting Methodologies report and start work on Long-Term Financial and Sewer Rate Forecast (progress updates in July 2024 and April 2025, finalized forecast in July 2025)
- Regional Wastewater Services Plan update relaunch
- Resume review and implementation of industry-standard Capacity Charge methodology
- Work to remove barriers that limit WTD access to subsidized loans and principal forgiveness (grants)



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# Questions and Comments

March 7, 2024

# Appendix

# WTD Adopted FTEs 2013 - 2024

FTE Adds	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Director's Office		2	2	-	1	-	(0)	-	0	-	5	-	10
Environmental & Community Svcs		1	1	-	4	-	2	-	6	-	20	17	50
Finance & Administration		1	-	-	4	-	-	-	1	-	6	-	12
<b>Operations</b>		<b>(2)</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>4</b>	<b>39</b>
Resource Recovery		(1)	1	-	2	1	-	-	4	-	9	5	20
Project Planning & Delivery		(1)	8	2	7	-	7	-	4	31	42	47	147
<b>Total New FTEs</b>		<b>-</b>	<b>14</b>	<b>2</b>	<b>18</b>	<b>1</b>	<b>24</b>	<b>5</b>	<b>14</b>	<b>31</b>	<b>96</b>	<b>73</b>	<b>278</b>

Total Adopted FTEs	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Change
Director's Office	22	24	26	26	27	27	27	27	27	27	32	32	10
Environmental & Community Svcs	50	51	52	52	56	56	58	58	64	64	83	100	50
Finance & Administration	27	28	28	28	32	32	32	32	33	33	39	39	12
<b>Operations</b>	<b>304</b>	<b>302</b>	<b>304</b>	<b>304</b>	<b>304</b>	<b>304</b>	<b>319</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>339</b>	<b>343</b>	<b>39</b>
Resource Recovery	16	15	16	16	18	19	19	19	23	23	31	36	20
Project Planning & Delivery	171	170	178	180	187	187	194	194	198	229	271	318	147
<b>Total Adopted FTEs</b>	<b>590</b>	<b>590</b>	<b>604</b>	<b>606</b>	<b>624</b>	<b>625</b>	<b>649</b>	<b>654</b>	<b>668</b>	<b>699</b>	<b>795</b>	<b>868</b>	<b>278</b>

Adopted FTE % Change	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total %
Director's Office		9%	8%	0%	4%	0%	-1%	0%	1%	0%	19%	0%	45%
Environmental & Community Svcs		2%	2%	0%	8%	0%	4%	0%	9%	0%	31%	20%	100%
Finance & Administration		4%	0%	0%	14%	0%	0%	0%	3%	0%	18%	0%	44%
<b>Operations</b>		<b>-1%</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>	<b>2%</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>	<b>1%</b>	<b>13%</b>
Resource Recovery		-6%	7%	0%	13%	6%	0%	0%	18%	0%	38%	16%	125%
Project Planning & Delivery		-1%	5%	1%	4%	0%	4%	0%	2%	16%	18%	17%	86%
<b>Total</b>		<b>0%</b>	<b>2%</b>	<b>0%</b>	<b>3%</b>	<b>0%</b>	<b>4%</b>	<b>1%</b>	<b>2%</b>	<b>5%</b>	<b>14%</b>	<b>9%</b>	<b>47%</b>

# O&M Expenditure Forecast 2023 – 2034 Comparison

