

MWPAAC Rates & Finance Subcommittee

March 7, 2024 Meeting Summary

Agenda:

1. Welcome & Introductions, Gregg Cato, Rates & Finance Subcommittee Vice Chair
8:30 (5 min)

2. 2025 Proposed Sewer Rate Briefing, Courtney Black, Financial Services Manager, Wastewater Treatment Division (WTD); and Crystal Fleet, Capital Portfolio Planning and Analysis Unit Manager, WTD
8:35 (60 min)

Ms. Black presented the rate briefing in place of Andres Bas Moore. A slide presentation accompanied her presentation. This pdf presentation was sent to MWPAAC attendees on March 6.

The 2025 rate proposal in Ms. Black's presentation was identical to the rate shared in the preliminary rate briefing presented to the Rates & Finance Subcommittee on February 1 and at the MWPAAC General Meeting on February 28. The proposed 2025 sewer rate is \$58.28 per month, a 5.75% increase over the current rate.

Her presentation covered the goals and background of the rate process, key drivers and assumptions behind the rate and the 10-year rate forecast, the capacity charge, and a preview of the upcoming year in rate adjacent issues at WTD. Ms. Fleet spoke about the major capital cost factors driving the rate and explained how those factors changed from the 2024 rate calculation.

A few items that stood out in Ms. Black's presentation that were not emphasized in prior 2025 rate briefings:

- The high cost of stainless steel is driving up costs for improvements of process piping at treatment plants.
- The actual 2023 capital accomplishment rate was 79%, well ahead of the forecasted 71%.
- It may be alarming to see the accumulated debt balance grow substantially over the 10-year forecast period. It is also important to note that the system (total asset value) is growing quickly. Of note, the Debt to Asset (Capitalization Ratio) is projected to decrease from 84% in 2024 to 75% in 2034, meaning the utility is projected to be less "leveraged" over the forecast period.

Comments and Questions:

At the end of the presentation, Ms. Black took questions from attendees about:

- The status of the Capacity Charge study with consultants from Raffetis.
- The philosophy of affordability – how to fund affordability goals while still paying adequately for system improvements?

- A financial “Look Back” from the prior year to verify whether the assumptions and the financial model are working.
 - o Ms. Black reminded attendees that the 2024 Technical Memo had already been shared with MWPAAC members and that it would be sent out again.
- How the current rate forecast compared with forecast from prior year rate proposals.
- Whether there is a better way to show FTE count over the 10-year forecast
 - o Ms. Black will work with her staff to create a visualization that shows FTE count, resource constraints, etc.
- Whether there is a way to see how many revenue bonds are aging out (referring to slide 10)?
 - o Ms. Black says a chart that address this question does exist and she will see that it is shared with MWPAAC

An additional question was intended for the MWPAAC attendees, regarding the RCE: Recalibrating the RCE may have the effect of making sewer rates more affordable for single-family residences. Rather than wait for a broad contract renegotiation with all 34 agencies, would the MWPAAC agencies be interested in taking action on RCE re-calibration in the near-term?

WTD Director Kamuron Gurol thanked the WTD staff for their presentation. He spoke briefly to the RCE issue. He also addressed the fact that the 10-year capital plan is very challenging: there is a great deal of work to do, the market is not favorable right now for completing large scale infrastructure projects, and the current rate forecast does not even include the cost of compliance with nutrient requirements beyond the first permit cycle.

3. Rates & Finance Adjournment

9:35

Vice Chair Cato spoke about the process for compiling a MWPAAC letter in response to the 2025 Sewer Rate Proposal. He also reminded the group that the MWPAAC Chair is looking for people interested in serving as Chair of the Rates & Finance Subcommittee.

The Meeting adjourned at 9:38 a.m.