



King County

Department of Natural Resources and Parks
Wastewater Treatment Division

2027 WTD Rate Strategy Discussions – MWPAAC General

January 28, 2026

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Important Upcoming Dates

Preliminary Rate Proposal:

February 4 – RWQC

February 5 – MWPAAC R&F

February 25 – MWPAAC Gen

WTD's Recommended Rate Proposal

March 4 – RWQC

March 5 – MWPAAC R&F

March 25 – MWPAAC Gen

Goals for 2027 Sewer Rate Development

- Accurately reflect **regulatory requirements** and timelines
- Incorporate **system expansion** for new growth
- Include investments for **maintaining and upgrading aging infrastructure**
- Reflect **King County priorities**: Clean Water Healthy Habitat, Strategic Climate Action Plan, Equity and Social Justice and others
- Propose a 2027 rate and twenty-year rate forecast that realistically **reflects high priority system investments**
- **Meet key financial metrics** and only charge what we can spend
- Prepare **multiple scenarios** with risks, impacts, and tradeoffs

2027 Summarized Sewer Rate Schedule

Month	Activities
February	February 4th – Regional Water Quality Committee (RWQC) –Briefing on WTD's preliminary 2027 sewer rate and financial forecast
	February 5th and 25th - MWPAAC - Briefings on WTD's preliminary 2027 sewer rate and financial forecast
March	March 4th - RWQC - Briefing on WTD's 2027 sewer rate proposal
	March 5th and 25th - Briefings on WTD's 2027 sewer rate proposal
	March 25th – Action on rate recommendation letter to King County Executive
April	April 3rd - MWPAAC R&F - Discuss potential letter to King County Council
	April 23rd - MWPAAC General meeting - Action on potential letter to King County Council
May	May 6th - RWQC – Potential Briefing
June	June 4th - RWQC – Potential Briefing

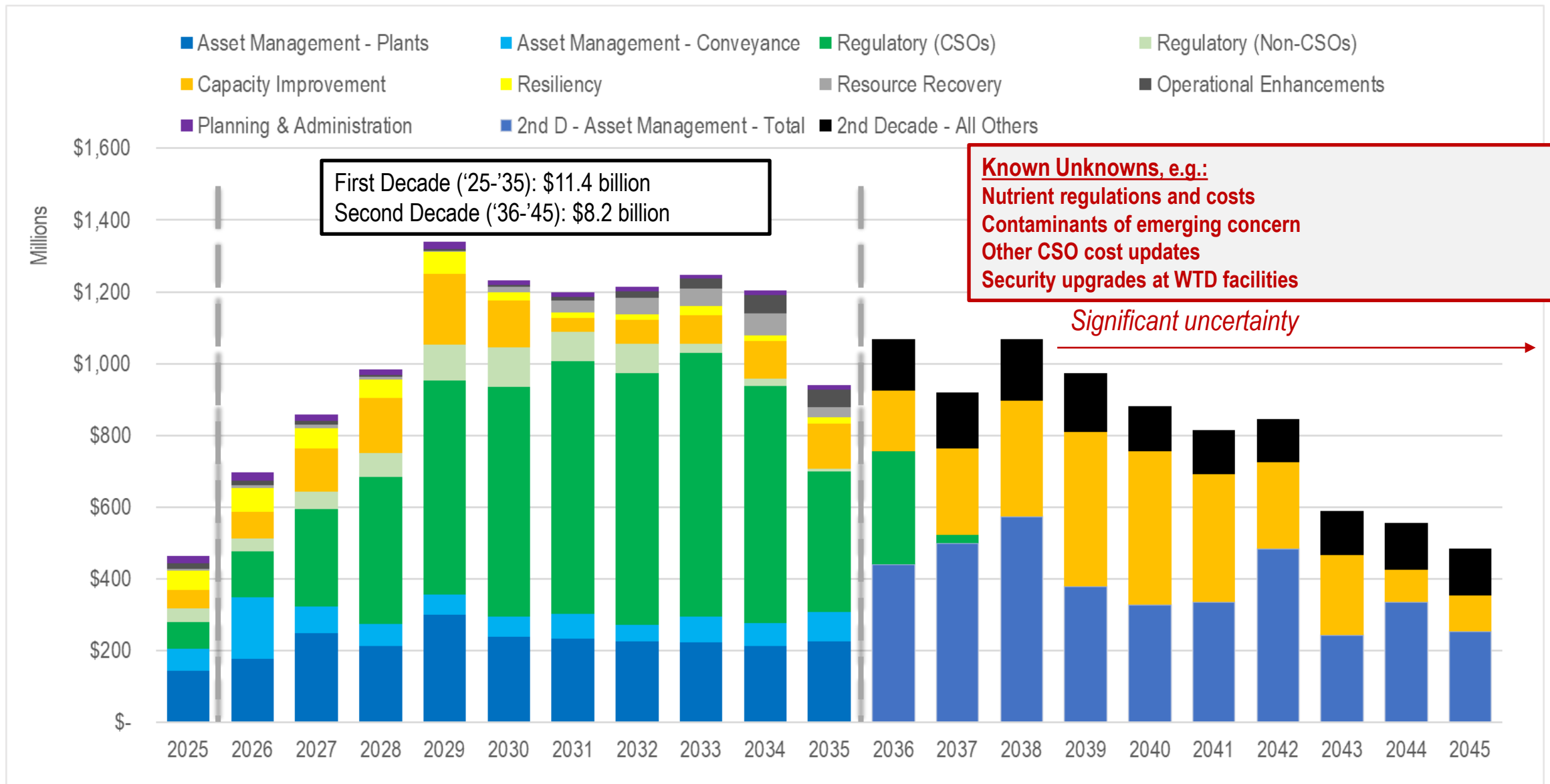
2026 Adopted Sewer Rate and Financial Forecast

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Rate Increase %	5.75%	7.50%	12.75%	12.75%	13.50%	13.50%	13.50%	7.25%	7.25%	2.00%	2.00%
Monthly Sewer Rate	\$58.28	\$62.66	\$70.65	\$79.66	\$90.42	\$102.63	\$116.49	\$124.94	\$134.00	\$136.68	\$139.42
All-In Debt Service Coverage	1.65x	1.48x	1.47x	1.57x	1.50x	1.47x	1.57x	1.59x	1.57x	1.55x	1.53x
	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Rate Increase %		2.00%	4.50%	4.50%	4.50%	1.75%	1.75%	1.75%	0.50%	0.50%	0.50%
Monthly Sewer Rate		\$142.21	\$148.61	\$155.30	\$162.29	\$165.14	\$168.03	\$170.98	\$171.84	\$172.70	\$173.57
All-In Debt Service Coverage		1.48x	1.49x	1.52x	1.58x	1.58x	1.58x	1.64x	1.65x	1.67x	1.67x

Key Highlights

- WTD received updated Mouth of Duwamish Combined Sewer Overflow (MDCSO) costs, which were significantly higher than previous forecasts
- Main drivers continued to be Regulatory, Asset Management, and Capacity
- Resulted in a rate forecast with five consecutive years of rate increases >10%
- Significant concern about the financial sustainability of WTD’s proposed rate path leading to alternate scenarios being required in 2027
- 2026 capacity charge is \$77.99 (2.5% increase)
 - *Work ongoing to update capacity charge methodology as part of 2027 rate process*

Key Driver: CIP and Regulatory Requirements (2026 Adopted Sewer Rate)



Assumptions and Scenarios

Rate Strategy:

- Treat last year's projected 2027 rate (12.75% increase) as a ceiling and explore scenarios based on capital project assumptions.
- Assume operating expenditures at forecasted amount for 2027 in 2026 adopted rate. Outyear assumptions for inflation and growth remain the same.
- Update project costs - second decade costs are supplemented by historical averages, asset management data, and allowances for conceptual projects. Inflation and schedule risk adjustment assumptions remain constant.

Assumptions and Scenarios

Additional Rate Scenarios:

- Executive Work Plan: Requires options for multiple rate scenarios including various capital portfolio options that detail tradeoffs and associated risks, benefits, and implied level of service.
- 2026/27 Budget Proviso related to scenarios: Requires at least two rate options in addition to the executive's recommended rate for 2027, at least one of which must be at least 2% lower than the recommended rate. Should detail tradeoffs, associated risks, and required adjustments to the adopted budget.
- MWPAAC / Council Staff have requested some specific scenarios based on policy decisions.

WTD hopes to create a set of scenarios that can satisfy all three requirements/asks. For each scenario, we plan to identify:

- **A policy or rate goal to be achieved with each scenario**
- **Projects that would / would not be accomplished**
- **Additional risks that will be incurred**

Sewer Rate Model Inputs and Assumptions

	Data Sources
Revenue	Unaudited year-end
Operating Cost	Adopted Budget + Inflation Assumptions
Baseline Capital Expenditures (Varies by Scenario)	6-year Capital Improvement Program + final CSO Long Term Control Plan + Asset Replacement Cycle Forecast + newly identified needs
Debt Service	Amortization schedules (principal and interest by year)
Fund Balances and Reserves	Unaudited year-end cash balances

	Forecast Assumptions
O&M General Cost Inflation	Seattle CPI-U long-term historical average
O&M Labor Cost Inflation	Based on historical average
Capital Cost Inflation	Based on construction cost long-term historical averages
Operating Cost Growth (excluding inflation)	Long term average growth + near term adjustments
Revenue Bonds Interest Rate (30-year term)	WTD's highest issuance rate in last 10 years
Single-Family Residential Customer Growth	Conservatively adjusted population growth forecast from King County's Office of Economic and Financial Analysis
Commercial/Multi-Family Customer Growth	Conservatively adjusted employment growth forecast from King County's Office of Economic and Financial Analysis

Sewer Rate Model Inputs and Assumptions

Forecast Assumptions:	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Single-Family Residences RCE Growth	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Multi-Family & Commercial RCE Growth	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Capacity Charge New Connections	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200
Capacity Charge Early Payoff Discount Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
O&M General Cost Inflation		4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
O&M Labor Cost Inflation		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
O&M Expenditure Growth		2.0%	2.0%	2.0%	2.0%	1.5%	1.5%	1.5%	1.5%	1.5%
Capital Cost Escalation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Revenue Bond Rate (30 Year Term)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Blended Variable Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Investment Pool Earnings Rate	3.5%	3.1%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%

Note: O&M general cost inflation applies to items like supplies and services, and O&M labor cost inflation applies to items like salaries and benefits. O&M expenditure growth is added in addition to inflation to account for new future needs (percentage assumptions excludes Joint Ship Canal Close-Out Costs in 2027)



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