

April 19, 2016

The Honorable Joe McDermott
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember McDermott:

This letter transmits an ordinance that will ensure that the Wastewater Treatment Division (WTD) of the Department of Natural Resources and Parks can continue to effectively protect public health and enhance regional water quality.

The legislation will set the 2017 monthly wholesale sewer rate and capacity charge. I am proposing a monthly sewer rate of \$44.22 with the intent for this rate to be in effect through 2018. This represents an increase of 5.2 percent over the current rate. My proposal for the 2017 monthly capacity charge is \$60.80, an increase of 3.6 percent over the current capacity charge.

This proposal reflects prudent financial management and was developed pursuant to the County's adopted financial policies for the wastewater utility that are included in King County Code 28.86.160. Beginning with the 2017-2018 rate period, there is a period of relatively stable rates that provides an opportunity to implement modest rate increases that will significantly reduce WTD's debt profile over time.

This ordinance will accomplish the following:

- Implement new debt practices which will reduce debt levels by \$582 million by 2030, making WTD a financially stronger utility and preserve their excellent credit ratings
- Enable WTD to increase financial flexibility to address future unforeseen circumstances such as drought or emergency capital needs
- Support WTD's operating, capital, and debt requirements through 2018

This proposed ordinance will also further the goals of key County plans and initiatives as follows:

- This legislation furthers the financial stewardship goals of the King County Strategic Plan through sound financial management. Since 2015, WTD has refinanced over \$1.1 billion of outstanding bonds reducing the sewer rate increase by \$0.65. In addition, the WTD employee initiated “Bright Ideas” program has inspired employees to creatively find over \$750,000 in savings the past two years, thereby reducing the sewer rate by an additional \$0.10 for the 2017-2018 rate period. These “best run government” practices will continue to provide benefits to ratepayers in future periods.
- This legislation furthers the goal of the King County Equity and Social Justice Initiative by increasing access to communication, education, and job opportunities for our diverse communities. Overall, WTD’s capital program provides over 764 jobs in our local economy and will continue to be an important player in regional job creation and sustainability.
- This legislation furthers the goal of the King County Strategic Climate Action Plan by enabling WTD to continue its efforts in sustainability, climate change preparedness, and resiliency programs which include energy conservation, renewable fuels production, water reuse, and climate adaptation. WTD’s energy conservation and sustainability efforts will position it to achieve its goal of beyond carbon neutrality by 2017.

The ordinance replaces Financial Accounting Standards Board (FASB) Statement 71 with the Governmental Accounting Standards Board (GASB) Codification for Regulated Operations related to rate stabilization reserves. WTD has always followed GASB standards and GASB is now requiring replacement of FASB statements with those issued by GASB.

In developing this legislation, WTD engaged the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC), which consists of representatives of the 34 agencies that contract with the County for wastewater treatment. WTD incorporated MWPAAC’s input into this legislation and I have also enclosed a letter from MWPAAC which indicates its support of this legislation.

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Thank you for considering this ordinance. This important legislation will benefit King County residents by continuing to protect water quality in the region. If you have any questions about this ordinance, please contact Gunars Sreibers, Acting Division Director of the Wastewater Treatment Division of the Department of Natural Resources and Parks, at 206-263-9473.

Sincerely,

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers

ATTN: Carolyn Busch, Chief of Staff

Anne Noris, Clerk of the Council

Rob Shelley, Managing Director, Piper Jaffray & Co.

Carrie S. Cihak, Chief of Policy Development, King County Executive Office

Caroline Whalen, County Administrative Officer, Department of Executive Services
(DES)

Ken Guy, Division Director, Finance and Business Operations Division, DES

Christie True, Director, Department of Natural Resources and Parks (DNRP)

Gunars Sreibers, Acting Division Director, Wastewater Treatment Division, DNRP