



Metropolitan Water Pollution Abatement Advisory Committee

King Street Center, 201 South Jackson Street, MS KSC-NR-0508
Seattle, WA 98104 206-477-4435

MEMBERS:

- Alderwood Water and Wastewater District*
- City of Algona*
- City of Auburn*
- City of Bellevue*
- City of Black Diamond*
- City of Bothell*
- City of Brier*
- City of Carnation*
- Cedar River Water and Sewer District*
- Coal Creek Utility District*
- Cross Valley Water District*
- Highlands Sewer District*
- City of Issaquah*
- City of Kent*
- City of Kirkland*
- City of Lake Forest Park*
- Lakehaven Water and Sewer District*
- City of Mercer Island*
- Midway Sewer District*
- Northeast Sammamish Sewer District*
- Northshore Utility District*
- Olympic View Water and Sewer District*
- City of Pacific*
- City of Redmond*
- City of Renton*
- Ronald Wastewater District*
- Sammamish Plateau Water and Sewer District*
- City of Seattle*
- Skyway Water and Sewer District*
- Soos Creek Water and Sewer District*
- Southwest Suburban Sewer District*
- City of Tukwila*
- Valley View Sewer District*
- Vashon Sewer District*
- Woodinville Water District*

March 30, 2018

The Honorable Dow Constantine
King County Executive
401 5th Ave., Suite 800
Seattle, WA 98104

SUBJECT: Wastewater Treatment Division Rate Recommendation

Dear Executive Constantine:

The Metropolitan Water Pollution Abatement Advisory Committee (MWWPAAC) has reviewed the Wastewater Treatment Division’s (WTD) rate proposal for 2019, and its projected rate forecast for 2020-2024. Based on that review, we do not support the proposed 2019-2020 rate of \$45.33, a 2.5 percent increase. We have concerns that an increase lower than an average annual rate of 3 percent discussed by the MWWPAAC Debt Review Committee will result in the need for larger than projected rate increases in the future. Future rate stability and maintaining affordable rates are always a concern of this committee. We also wish to highlight several topics that will require ongoing review by MWWPAAC, and which could affect our recommendation regarding WTD rates in 2020 and beyond. These are discussed below.

- **Brightwater Tunneling Contractor Settlement**
 - WTD received a settlement of approximately \$144 million as the result of a contract dispute with contractors drilling an outfall tunnel during the final phases of Brightwater construction. This money had previously been held in trust until conclusion of the litigation, in which WTD prevailed. The original expenditures related to this settlement were made from WTD’s Capital Improvement Fund and were likely debt funded. As such, MWWPAAC respectfully requests that WTD use the money, in total, for future capital needs, avoiding any diversion to cover operating or other expenses not directly related to system improvement.
- **Debt Management**
 - MWWPAAC anticipates continued commitment to the plan to reduce outstanding debt through 2030 via increased cash financing. This plan, presented in the 2017 Rate Recommendation, was in line with the MWWPAAC debt review recommendation. Given the many capital-intensive projects in WTD’s near-term future, fiscal prudence will help maintain strong credit ratings, low interest rates, and provide flexibility for managing the future capital program. Indeed, WTD’s 2017 credit rating was increased by Moody’s, citing “strengthened financial position, including higher debt service coverage.”

- **WTD Systemwide Plan**
 - As the County continues to develop its Systemwide Plan, MWPAAC remains concerned that current rate projections do not include sufficient funding to address these future needs. This may result in artificially low rates in the current rate setting cycle and much larger rate increases in the future as WTD is forced to catch-up with the actual costs of the plan. MWPAAC members prefer steady, manageable rate increases compared to the double-digit increases incurred during the days of Brightwater construction.
 - MWPAAC requests that its members have a voice in prioritizing recommendations for the Systemwide Plan. MWPAAC members have intimate knowledge of their local systems and are thus able to provide critical insight to assist WTD with identifying needs that should be included in the plan. The knowledge members bring may help to narrow the recommendations, which in turn can help keep the plan more affordable.
 - MWPAAC suggests that WTD consider developing an infrastructure investment strategy based on the Systemwide Plan that is realistic and affordable within the current rate environment as opposed to a lengthy list of projects that will place an unreasonable additional burden on MWPAAC ratepayers.
- **Succession Planning**
 - MWPAAC would also like to note its support of WTD's approach towards succession planning. Proactively addressing an aging workforce will help prevent interruptions to service and assist in maintaining the regional infrastructure.

Reflecting over the past year, MWPAAC makes these recommendations with a continued commitment to a partnership with WTD and the County for effective wastewater management. We remain appreciative of WTD's efforts to give MWPAAC a meaningful role and look forward to a continued collaborative relationship based on the recommendations in this letter.

Sincerely,



Pamela Carter
MWPAAC Chair

cc: MWPAAC Members
Christie True, Director, Department of Natural Resources and Parks (DNRP)
Mark Isaacson, Division Director, Wastewater Treatment Division, DNRP