

Metropolitan Water Pollution Abatement Advisory Committee

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February 28, 2024

The Honorable Claudia Balducci
Chair, King County Council and Regional Water Quality Committee (RWQC)
516 3rd Ave, Room 1200
Seattle, WA 98104

SUBJECT: Capital Investment Forecasting Methodologies and
Recommendations

Dear Councilmember Balducci:

The Metropolitan Water Pollution Abatement Advisory Committee (MWWPAAC) and MWWPAAC's Asset Management Work Group appreciates the opportunity to participate and comment on the development of the Capital Investment Forecasting Methodologies and Recommendations Draft Report dated January 29, 2024. This work was initiated in response to County Council Motion No. 16410, which requested that the Wastewater Treatment Division (WTD) research and develop methodologies for forecasting the extended costs associated with maintaining and enhancing its infrastructure. This letter summarizes MWWPAAC's feedback on the report and recommendations for next steps.

The process provided a unique opportunity to share and learn best practices within WTD, our local service agencies, and nationally. The inclusion of a national peer agency review, which was a MWWPAAC request, was a valuable addition to the process that ensured best practices elsewhere were not overlooked. MWWPAAC, WTD staff, and the consultant team brought a spirit of seeking the best methodology for the regional system, which is a promising sign for WTD's next steps developing a Long Term Financial and Sewer Rate Forecast and updating the Regional Wastewater Services Plan. The report is a good launching point from which WTD's processes can be further developed moving forward.

The following are MWWPAAC's principal comments on the report and Table 11: Capital Forecasting WTD Assessment and Steps to Implement Recommended Methods, which summarizes WTD's current forecasting methods, recommended forecasting methods, and steps to implement recommended methods.

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- The text of the report mentions that for peer utilities, affordability, and implementation constraints (resources, staffing) are an important consideration when developing a long-term capital forecast. While affordability and constraints are an element of rate setting, we suggest the fiscal resources needed to operate and fund a sustainable system first be identified as most expenditures related to capital investment are not discretionary. These considerations are more appropriately considered when rate planning and as part of WTD's 6-year Capital Improvement Program (CIP). It is crucial to understand what the true capital program needs are prior to assessing what can be accomplished with the available resources and policy requirements. Without this 'unconstrained' view, the subsequent long term financial modeling will not be able to provide policymakers with an evaluation of the costs and benefits of addressing these resource constraints.
- The framing of the methodology – portfolio categories and breakdown by short and long-term forecasting methods – is helpful and highlights that the methods for short- and long-term forecasting are different. The long-term forecasting recommended methodologies are responsive to Motion No. 16410.
- For the conveyance portfolio category, the recommendation to achieve a targeted annual renewal/replacement (R/R) rate of at least one percent by total system length should be removed from the methodology. The replacement rate should be linked to actual assets and condition assessment data, and an intentional balancing of risk and consequence of failure. A detail of this level is understood to require more time and further review of WTD's asset inventory and state of the assets than is available in this initial scope. We recommend that WTD solicit input from MWPAAC members who have advanced programs for capital renewal and forecasting in the course of implementing this work.
- For the growth capital forecasting methods, we recommend recognizing in the needs forecasting methodology the differences between annual average flow growth, driven by population change, versus capacity issues related to wet weather flow. These components of growth capital need are related to different potential policy considerations, and differentiating between them is necessary for WTD to reflect these differences in its future financial planning and sensitivity analyses.

WTD has indicated that they support the recommendation methods and implementation steps in the draft report. The forecasting methodology, with MWPAAC's recommendations bulleted above, will build on WTD's strengths, and will position WTD well for a Long Term Financial and Sewer Rate Forecast and updating the Regional Wastewater Services Plan.


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Our premier interest at this early stage is that the guiding philosophy is clear. MWPAAC's desire is that the long-term capital forecast methodology adopted will reveal the true contour of the long-term capital needs of the regional system we all rely upon. If this is accomplished, then a firm foundation will exist on which to build a long term financial and sewer rate forecast and to inform the policy decisions that will guide our collective outcomes.

Sincerely,

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John McClellan
MWPAAC Chair

cc: MWPAAC Members
John Taylor, Director, Department of Natural Resources and Parks (DNRP)
Kamuron Gurol, Division Director, Wastewater Treatment Division, DNRP