

WASTEWATER TREATMENT ENTERPRISE 2007 RATE FINANCIAL PLAN

	2005	2006	2007	2008	2009	2010	2011
	Unaudited	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
CUSTOMER EQUIVALENTS (RCEs)	689.82	693.27	696.73	700.22	703.72	707.24	714.31
MONTHLY RATE	\$25.60	\$25.60	\$28.50	\$28.50	\$34.43	\$36.64	\$38.83
BEGINNING OPERATING FUND	7,417	21,985	20,841	28,261	9,855	10,449	11,067
OPERATING REVENUE:							
Customer Charges	212,068	212,971	238,248	239,439	290,787	310,950	332,821
Investment Income	5,985	7,624	12,622	15,031	16,764	12,778	13,920
Capacity Charge	17,006	19,902	22,339	26,708	31,017	35,274	39,621
Rate Stabilization	(14,500)	2,500	(6,900)	18,900	0	0	0
Other Income	6,515	6,076	6,190	6,376	6,567	6,764	6,967
TOTAL OPERATING REVENUES	227,074	249,074	272,499	306,454	345,135	365,766	393,329
OPERATING EXPENSE	(83,236)	(92,274)	(95,740)	(99,035)	(102,996)	(107,116)	(114,773)
DEBT SERVICE REQUIREMENT PARITY DEBT	(108,520)	(115,697)	(130,145)	(155,071)	(182,746)	(196,203)	(212,341)
SUBORDINATED DEBT SERVICE	(9,774)	(14,497)	(20,200)	(22,106)	(24,165)	(24,930)	(25,877)
DEBT SERVICE COVERAGE RATIO PARITY DEBT	1.33	1.36	1.36	1.34	1.32	1.32	1.31
DEBT SERVICE COVERAGE RATIO TOTAL PAYMENTS	1.22	1.15	1.15	1.15	1.15	1.15	1.15
LIQUIDITY RESERVE CONTRIBUTION	(69)	(1,356)	(520)	(494)	(594)	(618)	(1,149)
TRANSFERS TO CAPITAL	(25,475)	(25,250)	(25,894)	(29,747)	(34,633)	(36,899)	(39,189)
RATE STABILIZATION RESERVE	14,500	12,000	18,900	0	0	0	0
OPERATING LIQUIDITY RESERVE BALANCE	7,485	8,841	9,361	9,855	10,449	11,067	12,216
OPERATING FUND ENDING BALANCE	21,985	20,841	28,261	9,855	10,449	11,067	12,216

CONSTRUCTION FUND

BEGINNING FUND BALANCE	21,994	48,198	5,014	4,987	4,996	5,010	5,010
REVENUES:							
Parity Bonds	200,000	114,250	229,400	344,365	378,254	180,548	216,721
Variable Debt Bonds	0	50,000	30,912	45,603	49,803	19,510	24,213
Grants & Loans	23,117	17,412	9,809	3,008	83	0	0
Other	3,422	4,500	2,000	2,000	2,000	2,000	2,000
Transfers From Operating Fund	25,475	25,250	25,894	29,747	34,633	36,899	39,189
TOTAL REVENUES	252,014	211,412	298,014	424,723	464,773	238,957	282,123
CAPITAL EXPENDITURES	(223,030)	(243,581)	(295,431)	(418,178)	(455,362)	(233,714)	(277,639)
DEBT ISSUANCE COSTS	(1,613)	(2,535)	(4,743)	(7,115)	(7,814)	(3,709)	(4,455)
BOND RESERVE TRANSACTIONS	(87)	0	0	0	0	0	0
AMOUNTS TO ASSET MANAGEMENT RESERVE	(3,000)	(3,000)	0	0	0	0	0
ADJUSTMENTS	1,920	(5,479)	2,132	578	(1,583)	(1,534)	(29)
ENDING FUND BALANCE	48,198	5,014	4,987	4,996	5,010	5,010	5,008
CONSTRUCTION FUND RESERVES							
Bond & SRF Reserves	79,902	79,329	75,671	73,566	73,621	73,626	73,626
Policy Reserves	18,213	22,865	24,392	25,919	27,446	28,975	29,004
TOTAL FUND RESERVES	98,115	102,195	100,063	99,484	101,067	102,601	102,630
CONSTRUCTION FUND BALANCE	146,313	107,209	105,050	104,480	106,077	107,610	107,639

Attachment A to letter

General Assumptions 2007 Rate Forecast

	2005 Actual	2006	2007	2008	2009
Sewer Rate					
RCE Rate	\$25.60	\$25.60	\$28.50	\$28.50	\$34.43
Rate Stabilization Use (000's)	(14,500)	2,500	(6,900)	18,900	-
Total RCEs	689,817	693,266	696,732	700,216	703,717
RCE Growth Rates	0.3%	0.5%	0.5%	0.5%	0.5%

Capacity Charge Rate					
Rate	\$34.05	\$34.05	\$34.05	\$50.00	\$51.50
New Connections	9,628	8,500	8,500	8,500	9,000

Expenses (000's)					
Operating Expense	83,236	92,274	95,740	99,035	102,996
Capital Expense	223,030	243,581	295,431	418,178	455,362
CIP Accomplishment Rate	78%	85%	85%	85%	85%

Interest Rate & Debt					
Bond Interest Rate	4.74%	5.25%	5.50%	5.50%	5.50%
Years Bond Outstanding	30	30	29	28	27
Variable Debt Interest Rate	2.50%	3.50%	4.00%	4.00%	4.00%
Investment Interest Rate	3.00%	4.00%	4.50%	4.50%	4.50%

Reserve Balances (000's)					
Liquidity Reserve (15% operating expense)	12,485	13,841	14,361	14,855	15,449
Rate Stabilization Reserve Balance	14,500	12,000	18,900	-	-
Bond Reserve	67,209	67,209	67,209	67,209	67,209



Metropolitan King County Council
Regional Water Quality Committee

November 16, 1998

The Honorable Ron Sims
Room 400
516 Third Avenue
Seattle, WA 98104

Dear Executive Sims,

This letter is a follow-up to the Regional Water Quality Committee retreat you attended on October 29 at Robinswood House in Bellevue. As you recall, the purpose of the retreat was to discuss outstanding finance issues and come to an agreement on how to finance the Regional Wastewater Services Plan (RWSP). The financing policies for the RWSP provide the framework for establishing the funding mechanism necessary to implement the plan.

The Regional Water Quality Committee (RWQC), which includes representatives of King County, suburban cities, the City of Seattle, and sewer districts is considering a Regional Wastewater Services Plan to manage wastewater in the Puget Sound through the year 2030. The RWQC will soon make a recommendation to the full King County Council who will adopt the final RWSP.

The following guiding principles framed the discussion at the retreat:

1. The wastewater system is a regional system. As one participant said at the retreat, "All for one and one for all, from this day forward."
2. As a region, we are committed to protecting the water quality of our waterways, lakes, and Puget Sound.
3. The Regional Water Quality Committee shall provide periodic, substantive review of RWSP implementation.
4. The regional wastewater financing structure should reflect uniform regional rates for existing and new customers and achieve the principle of "growth pays for growth."

The principle of growth pays for growth is best implemented at this time through specific policies whereby existing customers pay for existing capacity and new customers pay for excess existing capacity and new capacity.

Listed below are the points of consensus developed at the retreat along with a brief explanation:

Base Rate/Capacity Charge

- Maintain a uniform monthly sewer rate for both existing and new customers such that, in general, existing customers pay for the existing system and new customers pay for growth
- Establish a uniform capacity charge within the service area to cover growth costs not captured by the monthly sewer rate for new customers
- Develop a strategy to increase and restructure the capacity charge and build a coalition for support in the State Legislature
- Maintain the current rate structure until the capacity charge is increased

A capacity charge will be levied against new connections, reconnections, or new services that meet the definition of new growth. This charge and the monthly service rates paid by both existing and new customers is intended to ensure that system capacity built to serve new customers recovers the revenue necessary to pay for system expansion.

King County will achieve this objective by allocating wastewater system costs to new and existing customers. The revenue needed to recover costs allocated to existing customers will be used to establish the monthly rate for all customers. The revenue required to recover costs allocated to new customers not recovered by the monthly rates paid by new customers will become the capacity charge subject to the 15-year term per new connection.

Costs allocated to existing customers will include current treatment plant conveyance and solids capacity, Inflow / Infiltration (I/I) assessment and reduction, and new conveyance for existing customers. Costs allocated to new customers include new treatment, conveyance and solids capacity, and existing excess capacity. Costs allocated proportionally to existing and new customers include CSO control, operations, maintenance and administration for the entire system.

Regional Inflow / Infiltration (I/I) Assessment & Pilots; and CSO Control

- King County pays 100 percent of the cost of I/I assessments and any pilot projects that are done to demonstrate I/I effectiveness
- Discontinue CSO benefit charge when changes in state legislation authorizing the capacity charge increases are passed by the Washington State Legislature (Seattle CSO payment)

- Over the next five years, perform a substantive technical and financial review of the I/I assessments & pilot projects and the CSO control efforts for potential adjustments

The RWQC will review and consider the I / I and CSO program elements over the next five years, following the King County Council's adoption of the plan. The RWQC may make recommendations for modifying or amending the plan to the King County Council after the five-year program reviews. These program reviews may include:

- compliance with federal and state laws affecting water quality (e.g., ESA and the RWSP Habitat Conservation Plan);
- legal decisions impacting the implementation of the RWSP;
- scientific and economic evaluations of the methodologies for addressing water quality protection; and
- integration of the wastewater system with other water quality programs for the region.

Uniform Interceptor Policy

- Establish uniform financing, construction, operation, maintenance, and replacement policies for all interceptors in its service area
- Assume responsibility for interceptors under this policy at the time the RWSP is adopted

RWQC members will continue to review the financial implications of this policy as it is developed.

RWQC involvement in RWSP implementation

The RWQC expects to review the RWSP during implementation at key decision points and wants to ensure that there is language in the plan that ensures these reviews are done on a regular basis.

Liability Protection

In developing its response to Endangered Species Act (ESA) listings, the King County Wastewater Treatment Division could evaluate the opportunity and feasibility to include the programs of its component agency customers in any permits or agreements that may include local sewer operations, maintenance and construction activities. The feasibility analysis could include identifying the responsibilities for component agency participation in a King County Wastewater Treatment Division Habitat Conservation Plans or other ESA response and any protection to be obtained from participating.

In order to implement these points of consensus, the RWQC will be considering and incorporating amendments to the policies in the Executive Preferred Plan and will vote on these amendments when the RWQC votes on the RWSP.

Sincerely,

Members, Regional Water Quality Committee

John P. [unclear]

William A. [unclear]

Jane [unclear]

Connie King

Patrick [unclear]

Brian [unclear]

Larry [unclear]

Louise Miller

Richard [unclear]

Margaret [unclear]

CC: Regional Water Quality Committee Members