



King County

Dow Constantine

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April 12, 2018

Pamela Carter
Chair, Metropolitan Water Pollution
Abatement Advisory Committee
c/o King County Wastewater Treatment Division
201 S Jackson St., MS KSC-NR-0501
Seattle, WA 98104

Dear Ms. Carter:

Thank you for your March 30, 2018, letter on behalf of the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC), which provided recommendations on the Wastewater Treatment Division's (WTD) 2019 sewer rate proposal. After carefully considering the points raised in your letter and further review of WTD's financial performance, I am proposing a 2.5 percent sewer rate increase for 2019-2020. This lower proposed increase will accomplish the important fiscal objectives mentioned in your letter while preserving stable, predictable future rates. This lower rate increase for ratepayers is possible given favorable market conditions allowing large bond refinancings and a solid regional economy.

Your letter of March 30, 2018 raises a number of important points that I would like to specifically address. In terms of the use of Brightwater settlement funding, I agree that the settlement funds should be used for capital needs, thus avoiding any diversion to cover operating or other expenses. My 2019 monthly sewer rate proposal includes using all of the \$144.9 million in Brightwater settlement funds to pay for capital improvements in 2018 through 2020.

With respect to debt management, I concur with MWPAAC's recommendation that WTD continue its commitment to reducing outstanding debt through 2030 through increased cash financing. This rate proposal continues the implementation of debt management practices that will reduce debt levels by \$314 million by 2024. WTD's use of the Brightwater settlement funding and increased revenues to cash fund capital projects will reduce debt levels compared to previous rate setting practices of setting the debt service coverage ratio to 115 percent. The additional rate revenue will move the coverage ratio toward 140 percent by 2030 consistent with the recommendations of MWPAAC's Debt Review Team.

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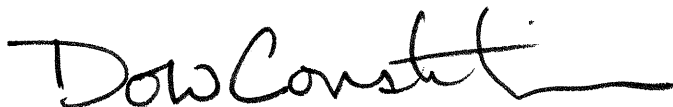
I understand your concerns regarding the current rate projections and WTD's Systemwide Plan and the need for steady, manageable rate increases. The Systemwide Planning effort is a significant step towards making necessary future investments in our regional wastewater system while ensuring the best water quality outcomes and affordable rates. I agree it is important that MWPAAC have a voice in prioritizing recommendations emerging from the Systemwide Plan. WTD will benefit from the expertise that MWPAAC agencies bring to this topic.

Finally, I appreciate that MWPAAC continues to support WTD's succession planning efforts. This work is vital because, as noted in your letter, proactively addressing an aging workforce prevents interruptions to service and assists with maintaining regional wastewater infrastructure.

Because of MWPAAC's continued willingness to partner with WTD for effective wastewater management, I remain confident that we can successfully sustain WTD's environmental mission while also carefully managing costs and strengthening its financial capacity for future challenges.

If you have any questions, please contact Mark Isaacson, Division Director of the Wastewater Treatment Division of the Department of Natural Resources and Parks at 206-477-4601.

Sincerely,

A handwritten signature in black ink that reads "Dow Constantine". The signature is written in a cursive, flowing style with a long horizontal line extending to the right.

Dow Constantine
King County Executive

cc: Metropolitan Water Pollution Abatement Advisory Committee Members
Dwight Dively, Director, Office of Performance, Strategy and Budget
Christie True, Director, Department of Natural Resources and Parks (DNRP)
Mark Isaacson, Division Director, Wastewater Treatment Division (WTD), DNRP
Tim Aratani, Finance Manager, WTD, DNRP