



KING COUNTY
Signature Report

ATTACHMENT 1
1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Ordinance

Proposed No. 2026-0066.1

Sponsors Balducci

1 AN ORDINANCE updating the capacity charge
2 methodology; and amending Ordinance 13680, Section 16,
3 as amended, and K.C.C. 28.86.160.

4 **STATEMENT OF FACTS:**

5 1. The council, as the legislative body of the metropolitan municipal
6 corporation, has authority to impose a capacity charge under RCW
7 35.38.570.

8 2. The capacity charge is based on the cost of capital facilities necessary
9 to provide wastewater treatment to new users of the system. Revenues
10 collected through the capacity charge must be used for construction of
11 wastewater facilities designed to protect water quality.

12 3. All structures connecting to a local wastewater collection system that
13 conveys wastewater flows to King County's regional wastewater system
14 since February 1, 1990, have been subject to a capacity charge.

15 4. The office of the King County auditor reviewed the methodology in
16 2016 and recommended developing a simpler and more transparent
17 approach to calculating the capacity charge, which would also allow for
18 independent and periodic review.

19 5. The wastewater treatment division ("WTD") engaged a consultant,
20 beginning in 2020, to prepare an updated capacity charge methodology

21 based on current industry-accepted practices and consistent with RCW
22 35.58.570.

23 6. Utility planning documents provide the system capacity and cost data
24 that informs calculation of a capacity charge.

25 7. The initial Clean Water Plan effort was underway in 2020 when WTD
26 initiated the consultant study and was to be the source of planning inputs
27 for the updated charge. When the Clean Water Plan was paused, the
28 methodology update was put on hold as well.

29 8. An update to the Regional Wastewater Services Plan ("RWSP") plan
30 began in 2025 and transmittal to the council is estimated in 2029. Interim
31 planning documents that identify conveyance and treatment plans out to
32 2060 will be used to source the capacity charge calculation inputs until the
33 updated RWSP is complete.

34 9. This ordinance's changes are necessary to update the capacity charge
35 methodology to reflect current industry practice. The capacity charge
36 methodology produces the cost of one Residential Customer Equivalent
37 ("RCE") of capacity in the system. The capacity charge rate structure then
38 determines how much of one RCE is charged to the residential property
39 connecting. This ordinance does not change the capacity charge structure.

40 10. The changes in this ordinance are consistent with the assumptions for
41 developing the executive's proposed 2027 Sewer Rate and Capacity
42 Charge that will be considered for action in spring 2026. The council
43 must adopt the sewer rate by June 30 each year in accordance with the

44 sewer contracts between WTD and local sewer agencies. The capacity
45 charge is historically adopted on the same timeline given the
46 interdependence of the revenue sources.

47 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

48 SECTION 1. Ordinance 13680, Section 16, as amended, and K.C.C. 28.86.160
49 are hereby amended to read as follows:

50 A. Under the King County Charter and RCW 35.58.200, these financial policies
51 are hereby adopted and declared to be the principal financial policies of the
52 comprehensive water pollution abatement plan for King County, adopted by the
53 Municipality of Metropolitan Seattle (Metro) in Resolution No. 23, as amended, and the
54 RWSP, a supplement to the plan.

55 B. Explanatory material.

56 1. Financial forecast and budget. Policies FP-1 through FP-10 are intended to
57 guide the county in the areas of prudent financial forecasting and budget planning and are
58 included to ensure the financial security and bonding capacity for the wastewater system.
59 This set of policies also addresses the county's legal and contractual commitments
60 regarding the use of sewer revenues to pay for sewer expenses.

61 2. Debt financing and borrowing. Policies FP-11 through FP-14 are intended to
62 guide the county in financing the wastewater system capital program. These policies
63 direct that capital costs be spread over time to keep rates more stable for ratepayers by the
64 county issuing bonds. A smaller share of annual capital costs will be funded directly
65 from sewer rates and sewer revenues and capacity charges.

66 3. Collecting revenue. Policies FP-15 through FP-17 are intended to guide King
67 County in establishing annual sewer rates and approving wastewater system capital
68 improvement and operating budgets. Monthly sewer rates, which are the primary source
69 of revenue for the county's regional wastewater system, are to be uniformly assessed on
70 all customers. Customers with new connections to the wastewater system will pay an
71 additional capacity charge. The amount of that charge is set by the council, within the
72 constraints of state law.

73 4. Community treatment systems. Policy FP-18 is intended to guide the county
74 in the financial management of community treatment systems.

75 C. Policies.

76 1. Financial forecast and budget.

77 FP-1: The county shall maintain for the wastewater system a multiyear financial
78 forecast and cash-flow projection of six years or more, estimating service growth,
79 operating expenses, capital needs, reserves and debt service. The financial forecast shall
80 be submitted by the executive with the annual sewer rate ordinance.

81 FP-2: If the operations component of the proposed annual wastewater system
82 budget increases by more than the reasonable cost of the addition of new facilities,
83 increased flows, new programs authorized by the council, and inflation, or if revenues
84 decline below the financial forecast estimate, a feasible alternative spending plan shall be
85 presented, at the next quarterly budget report, to the council by the executive identifying
86 steps to reduce cost increases.

87 FP-3: The executive shall maintain an ongoing program of reviewing business
88 practices and potential cost-effective technologies and strategies for savings and

89 efficiencies; the results shall be reported in the annual budget submittal and in an annual
90 report to the RWQC.

91 FP-4: New technologies or changes in practice that differ significantly from
92 existing technologies or practices shall be reported to the council and RWQC with
93 projected costs prior to implementation and shall also be summarized in the RWSP
94 annual report.

95 FP-5: Significant new capital and operational initiatives proposed by the
96 Executive that are not within the scope of the current RWSP nor included in the RWSP,
97 or are required by new state or federal regulations will be reviewed by the RWQC and
98 approved by the council to ensure due diligence review of potential impacts to major
99 capital projects' schedules, including Brightwater, the bond rating or the sewer rate and
100 capacity charge.

101 FP-6: The county shall maintain for the wastewater system a prudent minimum
102 cash balance for reserves, including, but not limited to, cash flow and potential future
103 liabilities. The cash balance shall be approved by the council in the annual sewer rate
104 ordinance.

105 FP-7: Unless otherwise directed by the council by motion, the King County
106 department of natural resources and parks or its successor agency shall charge a fee that
107 recovers all direct and indirect costs for any services related to the wastewater system
108 provided to other public or private organizations.

109 FP-8: Water quality improvement activities, programs and projects, in addition to
110 those that are functions of sewage treatment, may be eligible for funding assistance from
111 sewer rate revenues after consideration of criteria and limitations suggested by the

112 metropolitan water pollution abatement advisory committee, and, if deemed eligible,
113 shall be limited to one and one half percent of the annual wastewater system operating
114 budget. An annual report on activities, programs and projects funded will be made to the
115 RWQC. Alternative methods of providing a similar level of funding assistance for water
116 quality improvement activities shall be transmitted to the RWQC and the council within
117 seven months of policy adoption.

118 FP-9: The calculation of general government overhead to be charged to the
119 wastewater system shall be based on a methodology that provides for the equitable
120 distribution of overhead costs throughout county government. Estimated overhead
121 charges shall be calculated in a fair and consistent manner, utilizing a methodology that
122 best matches the estimated cost of the services provided to the actual overhead charge.
123 The overall allocation formula and any subsequent modifications will be reported to the
124 RWQC.

125 FP-10: The assets of the wastewater system are pledged to be used for the
126 exclusive benefit of the wastewater system including operating expenses, debt service
127 payments, asset assignment and the capital program associated therewith. The system
128 shall be fully reimbursed for the value associated with any use or transfer of such assets
129 for other county government purposes. The executive shall provide reports to the RWQC
130 pertaining to any significant transfers of assets for other county government purposes in
131 advance of and subsequent to any such transfers.

132 2. Debt financing and borrowing.

133 FP-11: The county shall structure bond covenants to ensure a prudent budget
134 standard.

135 FP-12: King County should structure the term of its borrowings to match the
136 expected useful life of the assets to be funded.

137 FP-13: The wastewater system's capital program shall be financed predominantly
138 by annual staged issues of long-term general obligation or sewer revenue bonds, provided
139 that:

140 All available sources of grants are utilized to offset targeted program costs;
141 Funds available after operations and reserves are provided for shall be used for
142 the capital program; excess funds accumulated in reserves may also be used for capital;

143 Consideration is given to competing demands for use of the county's overall
144 general obligation debt capacity; and

145 Consideration is given to the overall level of debt financing that can be sustained
146 over the long term given the size of the future capital programs, potential impacts on
147 credit ratings, and other relevant factors such as intergenerational rate equity and the
148 types of projects appropriately financed with long-term debt.

149 FP-14: To achieve a better maturity matching of assets and liabilities, thereby
150 reducing interest rate risk, short-term borrowing shall be used to fund a portion of the
151 capital program, provided that:

152 Outstanding short-term, variable rate debt comprises no more than twenty percent
153 of total outstanding revenue bonds and general obligation bonds; and

154 Appropriate liquidity is available to protect the day-to-day operations of the
155 system.

156 3. Rates - sewer rates and capacity charge.

157 FP-15: King County shall charge its customers sewer rates and capacity charges
158 sufficient to cover the costs of constructing and operating its wastewater system.
159 Revenues shall be sufficient to maintain capital assets in sound working condition,
160 providing for maintenance and rehabilitation of facilities so that total system costs are
161 minimized while continuing to provide reliable, high quality service and maintaining high
162 water quality standards.

163 1. ~~((Existing and new sewer customers shall each contribute to the cost of the~~
164 ~~wastewater system as follows:~~

165 a. ~~Existing customers shall pay through the monthly sewer rate for the portion~~
166 ~~of the existing and expanded conveyance and treatment system that serves existing~~
167 ~~customers.~~

168 b. ~~New customers shall pay costs associated with the portion of the existing~~
169 ~~wastewater conveyance and treatment system that serves new customers and costs~~
170 ~~associated with expanding the system to serve new customers. New customers shall pay~~
171 ~~these costs through a combination of the monthly sewer rate and the capacity charge.~~
172 ~~Such rates and charges shall be designed to have growth pay for growth.~~

173 2.)) Sewer rate. King County shall maintain a uniform monthly sewer rate
174 expressed as charges per residential customer equivalent for all customers.

175 a. Sewer rates shall be designed to generate revenue sufficient to cover ~~((, at a~~
176 ~~minimum, all)) the total annual costs of the system ((operation and maintenance and all~~
177 ~~capital costs incurred to serve existing customers)) after adjusting for other revenue~~
178 ~~sources such as capacity charge, industrial waste surcharge, interest earnings, and other~~
179 ~~non-sewer rate revenue.~~

180 b. King County should attempt to adopt a multiyear sewer rate to provide
181 stable costs to sewer customers. If a multiyear rate is established and when permitted
182 upon the retirement by the county of certain outstanding sewer revenue bonds, a rate
183 stabilization reserve account shall be created to ensure that adequate funds are available
184 to sustain the rate through completion of the rate cycle. An annual report on the use of
185 funds from this rate stabilization account shall be provided annually to the RWQC.

186 c. The executive, in consultation with the RWQC, shall propose for council
187 adoption policies to ensure that adequate debt service coverage and emergency reserves
188 are established and periodically reviewed.

189 ~~((3-))~~ 2. Capacity charge.

190 a. The capacity charge shall be set such that each new or expanded connection
191 shall pay an equitable share of the cost of the system, as authorized in RCW 35.58.570.
192 The capacity charge shall be based upon the planned system capacity and costs provided
193 for in the Regional Wastewater Services Plan adopted by Ordinance 13680. The King
194 County department of natural resources and parks should update the capacity charge
195 inputs and calculation at least every five years or when substantial system capacity
196 investments are completed or updated.

197 b. The ~~((amount of the))~~ capacity charge per residential customer equivalent
198 shall be ~~((a uniform charge))~~ applied uniformly to each residential customer class
199 structure type based on an estimate of the average persons-per-household occupancy for
200 each such a residential customer class structure type.

201 c. The amount shall be approved annually and shall not exceed the cost of
202 capital facilities necessary to serve new customers. ~~((The methodology that shall be~~

203 applied to set the capacity charge is set forth in FP-15.3.a.)) Capacity charge structure
204 and senior resident, low income, and special purpose housing discount rates are governed
205 by KCC 28.84.050.O.

206 ~~((a.)) d.~~ The capacity charge ~~((shall be based on allocating the total cost of the~~
207 ~~wastewater system (net of grants and other non rate revenues) to existing and new~~
208 ~~customers as prescribed in this subsection. The total system cost includes the costs to~~
209 ~~operate, maintain, and expand the wastewater system over the life of the RWSP. Total~~
210 ~~estimated revenues from the uniform monthly rate from all customers and capacity~~
211 ~~charge payments from new customers, together with estimated non rate revenues, shall~~
212 ~~equal the estimated total system costs. The capacity charge calculation is represented as~~
213 ~~follows:~~

214 Capacity = ~~———— [Total system costs — rate revenue from existing customers] ————~~ Rate
215 ~~revenue from new customers~~
216 Charge

217 ~~—————~~
218 ~~—————~~ Number of new customers

219 where:

220 ~~(1) total system costs (net of grants and other non rate revenues) minus rate~~
221 ~~revenue from existing customers equals costs allocated to new customers.~~

222 ~~(2) costs allocated to new customers minus rate revenue from new customers~~
223 ~~equals the total revenue to be recovered through the capacity charge.~~

224 ~~(3) total capacity charge revenue requirements divided by the total number of~~
225 ~~new customers equals the amount of the capacity charge to be paid by each new~~
226 ~~customer.~~

227 ~~b.)) calculation shall determine a cost per unit by dividing eligible system~~
228 ~~facility costs by the applicable system capacity. This calculation shall continue to be~~
229 ~~based on an accepted industry approach that produces a transparent charge and aligns~~
230 ~~with the principle of growth pays for growth.~~

231 ~~e. The capacity charge may be paid by new customers in a single payment or~~
232 ~~as a monthly charge at the rate established by the council. The county shall establish a~~
233 ~~monthly capacity charge by dividing that amount by one hundred eighty (twelve monthly~~
234 ~~payments per year for fifteen years). ~~((The executive shall transmit for council adoption~~~~
235 ~~an ordinance to adjust the discount rate for lump sum payment. The executive shall also~~
236 ~~transmit for council adoption an ordinance to adjust the monthly capacity charge to~~
237 ~~reflect the county's average cost of money if the capacity charge is paid over time.~~

238 ~~e.)) f. King County shall pursue changes in state law to enable the county to~~
239 ~~require payment of the capacity charge in a single payment.~~

240 ~~((d. The capacity charge shall be set such that each new customer shall pay an~~
241 ~~equal share of the costs of facilities allocated to new customers, regardless of what year~~
242 ~~the customer connects to the system. The capacity charge shall be based upon the costs,~~
243 ~~customer growth, and related financial assumptions used for the Regional Wastewater~~
244 ~~Services Plan adopted by Ordinance 13680 as such assumptions may be updated.~~
245 ~~Customer growth and projected costs, including inflation, shall be updated every three~~
246 ~~years beginning in 2003. For only the update of customer growth and projected costs~~

247 ~~scheduled for 2021 and anticipated for transmittal to the council with the proposed sewer~~
248 ~~rate in 2022, the update shall be deferred until the next annual sewer and capacity charge~~
249 ~~rate proposal following council approval of the Clean Water Plan as an update to the~~
250 ~~RWSP or 2024, whichever occurs earlier.~~

251 ~~e. The county should periodically review the capacity charge to ensure that the~~
252 ~~actual costs of system expansion to serve new customers are reflected in the charge.)) g.~~

253 All reasonable steps should be taken to coordinate the imposition, collection of and
254 accounting for rates and charges with component agencies to reduce redundant program
255 overhead costs.

256 ~~((f.))~~ h. Existing customers shall pay the monthly capacity charge established
257 at the time they connected to the system as currently enacted by K.C.C. 28.84.055. New
258 customers shall pay the capacity charge established at the time they connect to the
259 system.

260 ~~((g.))~~ i. To ensure that the capacity charge will not exceed the costs of
261 facilities needed to serve new customers, costs assigned and allocated to new customers
262 shall be at a minimum ninety-five percent of the projected capital costs of new and
263 existing treatment, conveyance and biosolids capacity needed to serve new customers.

264 ~~((h.))~~ j. Costs assigned and allocated to existing customers shall include the
265 capital cost of existing and future treatment, conveyance and biosolids capacity used by
266 existing customers, and the capital costs of assessing and reducing infiltration and inflow
267 related to the use of the existing conveyance and treatment capacity.

268 ~~((i-))~~ k. Capital costs of combined sewer overflow control shall be paid by
269 existing and new customers, based on their average proportionate share of total customers
270 over the life of the RWSP.

271 ~~((j-))~~ l. Operations and maintenance costs shall be paid by existing and new
272 customers in the uniform monthly rate, based on their annual proportionate share of total
273 customers.

274 ~~((k-))~~ m. Any costs not allocated in FP-15.3. ~~((f-, g-))~~ h., i. ~~((and))~~, j., k., and l.
275 shall be paid by existing and new customers in the sewer rate.

276 ~~((l-))~~ n. Upon implementation of these explicit policies, the Seattle combined
277 sewer overflow benefit charge shall be discontinued.

278 ~~((4-))~~ 3. Based on an analysis of residential water consumption, as of December
279 13, 1999, King County uses a factor of seven hundred fifty cubic feet per month to
280 convert water consumption of volume-based customers to residential customer
281 equivalents for billing purposes. King County shall periodically review the
282 appropriateness of this factor to ensure that all accounts pay their fair share of the cost of
283 the wastewater system.

284 FP-16: The executive shall prepare and submit to the council a report in support
285 of the proposed monthly sewer rates for the next year, including the following
286 information:

287 Key assumptions: key financial assumptions such as inflation, bond interest rates,
288 investment income, size and timing of bond issues, and the considerations underlying the
289 projection of future growth in residential customer equivalents;

290 Significant financial projections: all key projections, including the annual
291 projection of operating and capital costs, debt service coverage, cash balances, revenue
292 requirements, revenue projections and a discussion of significant factors that impact the
293 degree of uncertainty associated with the projections;

294 Historical data: a discussion of the accuracy of the projections of costs and
295 revenues from previous recent budgets, and

296 Policy options: calculations or analyses, or both, of the effect of certain policy
297 options on the overall revenue requirement. These options should include alternative
298 capital program accomplishment percentages (including a ninety percent, a ninety-five
299 percent and a one hundred percent accomplishment rate), and the rate shall be selected
300 that most accurately matches historical performance in accomplishing the capital program
301 and that shall not negatively impair the bond rating.

302 FP-17: Expenditures from the wastewater revenues to correct water pollution
303 problems caused by septic systems shall occur only if such expenditures financially
304 benefit wastewater system current customers when the additional monthly sewer rate
305 revenues from these added customers are considered.

306 FP-18: The cost of community treatment systems developed and operated in

307 accordance with WWSP-15 would not be subsidized by the remaining ratepayers of the
308 county's wastewater treatment system.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, ____.

Girmay Zahilay, County Executive

Attachments: None