



Metropolitan Water Pollution Abatement Advisory Committee

King Street Center, 201 South Jackson Street, MS KSC-NR-0512
Seattle, WA 98104 206-263-6070

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 Utility 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
Val Vue Sewer District
Vashon Sewer District
Woodinville Water District

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March 28, 2014

The Honorable Dow Constantine
King County Executive
401 Fifth Avenue
Seattle, WA 98104

SUBJECT: **Wastewater Treatment Division 2015 Rate Recommendation**

Dear Executive Constantine:

The Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) has reviewed the Wastewater Treatment Division's (WTD) rate proposal for 2015 and 2016, and with it the revised rate forecast for 2016-2019. Based on that review, with the exception of our concerns regarding the Our Waters Program expressed below in the fourth bullet, we cautiously support the proposed 2015 – 2016 rate of \$42.03, an increase of \$2.24/month (5.6%) compared with the 2013 – 2014 rate. While we support the increase, we have concerns that taking a smaller-than-originally-projected rate increase at this time will result in necessarily larger-than-projected rate increases in the future to fund growing debt service payments, especially considering the possibility of increased capital outlays related to the Resiliency and Recovery Program Review.

While the Committee understands the County's desire to prepare a bi-annual budget and recognizes the work efficiencies gained in doing so, members continue to encourage the County, as part of that process, to develop annual rate adjustments for the two-year period. Smaller annual step increases allow local agencies to gradually and steadily increase rates instead of instituting larger and more politically difficult two-year adjustments.

We also wish to highlight several topics that will require further review by the Committee during 2014, and which could affect our recommendation for WTD rates in 2016 and beyond. These are discussed below.

- Rate Process Schedule Challenges
 - Our work on the rate proposal was negatively impacted by moving the rate review deadline up by three weeks. This decision added time pressures to both committee members and WTD staff that did not exist previously, making a difficult process even more so. We believe the change in schedule prevented a more thorough review and constructive input from MWPAAC, which might otherwise have included the possibility of incorporating more complete information on some of the topics described below.

- Debt Review Committee Participation
 - The MWPAAC Debt Review Team looks forward to its continued engagement with WTD and the outside consultant to develop recommendations regarding the best path for future capital financing and rate implementation. WTD expects to wrap up the analysis by mid-year 2014. The information will further strengthen our understanding of these topics and inform our future recommendations. As part of this work, committee members formally request that the County provide an analysis of how ratepayers benefit from lower debt issuance costs by using the County's credit rating (with the associated premium paid to the County for usage of said credit rating) than would occur if WTD were to issue under its own bond rating.

- Recovery and Resiliency Program Review
 - The County has initiated an important new study of the potential vulnerability of WTD facilities and operations to natural and man-made events. This could lead to significant capital outlays to protect the public and our infrastructure investments. Being mindful of budget and rate implications, MWPAAC supports the study and looks forward to working with the County to address these concerns in a fiscally responsible manner.

- Our Waters Program
 - MWPAAC members acknowledge that recent court rulings allow the establishment of the Our Waters program. Members recognize that the proposed expenditures not to exceed 1.5% of WTD's annual operating budget amount up to 26 cents per month per residential customer equivalent. We remain concerned about the cumulative impact on rates from the continued addition of new programs with undefined needs or goals. This is especially difficult to support prior to seeing the results of the Debt Review Analysis. Should this program be included in the rate, MWPAAC expects to work jointly with WTD, prior to the adoption of the 2015 budget, to develop a program that supports both MWPAAC and WTD's goals of providing direct benefits to the service area.

- Industrial Waste Fee Structuring Update
 - MWPAAC anticipates there could be significant changes to the fee structure, given changes in technology and our communities since this program was last updated 15 years ago. MWPAAC looks forward to working with WTD to develop any proposed changes to the fee structure, allocation updates, and any program updates.

- Budget and Rate Implications of Emerging CSO Reduction Program
 - Members recognize that WTD is under the order of a Federal Consent Decree to complete its remaining Combined Sewer Overflow control projects. As a result, members understand that there will be rate impacts generated from this program and request a continuation of WTD's efforts to keep us up-to-date and informed of new developments, particularly as those developments relate to rates.

- Increase in number of Full Time Equivalentents (FTEs) at WTD
 - WTD has proposed the addition of 15 FTEs (employees) beginning with the 2015 budget. WTD indicated that 11 of the 15 new FTEs will be funded through the capital program (working specifically on CSO projects) and the other four will be funded through operations. Members recognize that WTD is under a Federal Consent Decree to correct CSO issues, and is facing issues with retirement and position succession, and is also operating the Brightwater Treatment Facility with no increase in FTEs as originally proposed. While MWPAAC is always concerned about adding new FTEs, we are supportive for this purpose and appreciative of WTD's continuing to evaluate the cost savings and other benefits of hiring FTEs rather than consultants for projects.

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 be open and give MWPAAC a meaningful role, and look forward to an improved collaborative relationship, based on the recommendations in this letter.

Sincerely,



Scott Thomasson
MWPAAC Chair

cc: Metropolitan Water Pollution Abatement Advisory Committee Members