



Metropolitan Water Pollution Abatement Advisory Committee

King Street Center, 201 South Jackson Street, MS KSC-NR-0508
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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

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City of Lake Forest Park

Lakehaven Water and Sewer District

City of Mercer Island

Midway Sewer District

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Northshore Utility District

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Valley View Sewer District

Vashon Sewer District

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April 25, 2018

The Honorable Joe McDermott
Chair, King County Council
Room 1200
C O U R T H O U S E

SUBJECT: King County Executive Rate Proposal

Dear Councilmember McDermott:

The Metropolitan Water Pollution Abatement Advisory Committee (MWWPAAC) has reviewed Executive Constantine's rate proposal for 2019, and its projected rate forecast for 2020-2024. MWWPAAC continues to track the work of the Debt Review Committee and is supportive of current and future rate increases that are in line with those recommendations. While this rate proposal generally reflects that guidance, future rate stability and maintenance of affordable rates remain a concern of this committee. Highlighted below are several topics that will require ongoing review by MWWPAAC. These could affect our recommendation regarding the Wastewater Treatment Division (WTD) rates in 2020 and beyond.

- **Brightwater Tunneling Contractor Settlement**

- WTD received a settlement of approximately \$144 million as the result of a contract dispute with contractors drilling an outfall tunnel during the final phases of Brightwater construction. This money had previously been held in trust until conclusion of the litigation, in which WTD prevailed. The original expenditures related to this settlement were made from WTD's Capital Improvement Fund and were likely debt funded. As such, MWWPAAC respectfully requests that WTD use the money, in total, for future capital needs, avoiding any diversion to cover operating or other expenses not directly related to system improvement.

- **Debt Management**

- MWWPAAC anticipates continued commitment to the plan to reduce outstanding debt through 2030 via increased cash financing. This plan, presented in the 2017 Rate Recommendation, was in line with the MWWPAAC debt review recommendation. Given the many capital-intensive projects in WTD's near-term future, fiscal prudence will help maintain strong credit ratings, low interest rates, and provide flexibility for managing the future capital program. Indeed, WTD's 2017 credit rating was increased by Moody's, citing "strengthened financial position, including higher debt service coverage."

- **WTD Systemwide Plan**

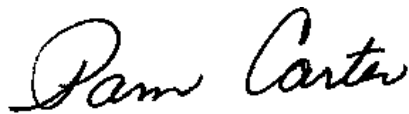
- As the County continues to develop its Systemwide Plan, MWPAAC remains concerned that current rate projections do not include sufficient funding to address these future needs. This may result in artificially low rates in the current rate setting cycle and much larger rate increases in the future as WTD is forced to catch-up with the actual costs of the plan. MWPAAC members prefer steady, manageable rate increases compared to the double-digit increases incurred during the days of Brightwater construction.
- MWPAAC requests that its members have a voice in prioritizing recommendations for the Systemwide Plan. MWPAAC members have intimate knowledge of their local systems and are thus able to provide critical insight to assist WTD with identifying needs that should be included in the plan. The knowledge members bring may help to narrow the recommendations, which in turn can help keep the plan more affordable.
- MWPAAC suggests that WTD consider developing an infrastructure investment strategy based on the Systemwide Plan that is realistic and affordable within the current rate environment as opposed to a lengthy list of projects that will place an unreasonable additional burden on MWPAAC ratepayers.

- **Succession Planning**

- MWPAAC would also like to note its support of WTD's approach towards succession planning. Proactively addressing an aging workforce will help prevent interruptions to service and assist in maintaining the regional infrastructure.

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 give MWPAAC a meaningful role and look forward to a continued collaborative relationship based on the recommendations in this letter.

Sincerely,



Pamela Carter
MWPAAC Chair

cc: King County Councilmembers
Regional Water Quality Committee members
MWPAAC Members
Christie True, Director, Department of Natural Resources and Parks (DNRP)
Mark Isaacson, Division Director, Wastewater Treatment Division, DNRP