



Metropolitan Water Pollution Abatement Advisory Committee

King Street Center, 201 S Jackson St, MS: KSC-NR-0508, Seattle, WA 98104
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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
City of Kirkland
City of Lake Forest Park
Lakehaven Water and Sewer District
City of Mercer Island
Midway Sewer District
Muckleshoot Indian Tribe
Northeast Sammamish Sewer and Water 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
Valley View Sewer District
Vashon Sewer District
Woodinville Water District

April 29, 2020

The Honorable Claudia Balducci
Chair, King County Council
516 3rd Ave, Room 1200
Seattle, WA 98104

SUBJECT: Wastewater Treatment Division 2021 Rate Recommendation

Dear Councilmember Balducci:

The Metropolitan Water Pollution Abatement Advisory Committee (MWPAAAC) has reviewed the Wastewater Treatment Division's (WTD) revised 2021 sewer rate proposal, which we received on April 15, 2020. While we appreciate WTD's flexibility in proposing a lower rate of 4.5 percent compared with the originally proposed 9.5 percent, there still has not been meaningful engagement with MWPAAAC agencies on the drivers for the County's substantial rate increase projections. Furthermore, the projected 2022 rate increase of 4.5 percent essentially creates the same two-year rate path as the previously proposed increases of 9.5 percent in 2021 and zero percent in 2022. The new economic outlook has convinced MWPAAAC that even a single 4.5 percent increase will likely create significant hardships for the communities we represent. Each of our agencies is being asked to consider cost-cutting measures to a significant degree due to the economic downturn resulting from COVID-19 and we would expect WTD to do the same. For this reason, MWPAAAC cannot support the revised rate proposal.

While MWPAAAC initially expressed some support for up to a 4.5 percent rate increase in 2021, we did so before the scale of the COVID-19 economic downturn was understood. Since we wrote our original letter to the County Executive in mid-March, over 160,000 King County residents have filed for unemployment. Many of them are struggling to pay their bills. Thousands of businesses have shuttered or drastically reduced operations, prompted by the necessary response to the pandemic. Nobody knows when normalcy will return or how normal it will be. The outlook of the regional economy is as uncertain as ever.

In the meantime, the local agencies that make up MWPAAAC are striving to provide services while under State directives that, while necessary, hamper revenue collection. These measures, coupled with the steep drop in commercial water consumption, are transforming the financial outlook of MWPAAAC agencies – right now. While our agencies are shouldering delayed payments and increased delinquencies, the payment to King County remains steadfast, further forcing agencies to prioritize.

We're asking that WTD use every tool at its disposal to limit the 2021 rate increase. MWPAAC is open to a small increase to keep up with inflation, but **we prefer something significantly less than a 4.5 percent increase in 2021. Our preferred scenario is a zero percent increase in 2021 and a separate process for the 2022 rate.** WTD should consider the use of reserves, any new federal grants or loans made available to utilities, and delays of operational investments and wage increases. MWPAAC is also open to a temporary relaxation of the 40 percent cash funding target for the capital program if it can keep rates manageable in the short term as we navigate this difficult time together.

We realize that we are requesting an outcome that will not be easy to produce. While MWPAAC continues to discuss the prioritization of newly identified asset management projects with WTD, we wish for all major ongoing WTD capital projects to continue on-schedule. These projects contribute greatly to regional water quality and economic activity. For the sewer rate that supports these projects, we ask that WTD rely on the most up-to-date cost assumptions – for labor, materials, and professional services - that are reflective of our distressed economy. Now is the time to err on the side of using reserves rather than adding to them.

Looking beyond 2022, MWPAAC has serious concerns that WTD's rate projections will make our services unaffordable to a larger share of the community. In recent years, MWPAAC and WTD have spent considerable time trying to address affordability – both short-term and long-term. The Capacity Charge Affordability Study and the Debt Review Committee are just two examples of this important work. While we understand that the backlog of high priority asset management projects is real and one that must be addressed, we are very concerned that the steep rate increases projected for the future will cancel out the progress on the affordability front. In addition, these aggressive rate increases leave local agencies with little room to adjust their own rates to meet their increased costs of operations.

MWPAAC members are still reeling from these long-term rate projections. During the 2019 rate process that resulted in a biennium rate increase of only 2.5 percent, MWPAAC asked in its response for a higher rate increase out of concern for a future with much larger rate increases. This underscores the need for more regular data, input, and discussion between WTD and MWPAAC about every aspect of the capital portfolio. We place a high premium on early information. Even if estimates are only at the pre-planning level, they give us an idea of what to expect. WTD has stated that the double-digit long-term rate path does not include costs of major projects such as nutrient removal and updated CSO costs. We expect WTD to provide early cost estimates and rate impacts associated with these projects, and other improvements identified in the Clean Water Plan process.

On the morning of Wednesday, April 22, WTD staff notified members of the MWPAAC Executive Board that the rate proposal being transmitted to the King County Council was changing. This revised transmittal proposes a 4.5 percent increase in the sewer rate in 2021 (as a one-year increase), followed by a zero percent increase in 2022.

While the Executive Board appreciates the willingness of WTD to begin to address the challenging economic outlook and respond to the concerns of MWPAAC members, we have not had any opportunity to discuss this proposal with all MWPAAC agencies, nor have we seen any supporting documentation. For this reason, we are not able to provide an adequate response to the proposal. Based on the responses we received from MWPAAC member agencies in response to the April 15

proposal, our members would prefer a zero percent rate increase in 2021, followed by a separate rate process in 2022 that results in a manageable increase.

As always, we appreciate the opportunity to provide honest feedback. This rate process has illuminated opportunities for a strengthened partnership between MWPAAC and WTD. Looking to the future, MWPAAC hopes to describe the partnership with the following terms and phrases:

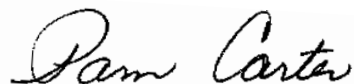
- **Fully transparent:**
 - o Early communication about projected spending and rate impacts, resulting in fewer unpleasant surprises during the rate proposal process;
 - o Proactive sharing of materials of interest even if they aren't specifically requested – budget documents, project lists with rough cost estimates, early rate projections, etc.;
 - o Onboarding materials are distributed to foster a shared understanding of the complex history of the WTD system, the rate and budget process, and the operating and capital programs supported by the sewer rate and capacity charge.

- **Committed to affordability:**
 - o Service affordability is examined from every angle – cost savings, rate assumptions, capital strategy, project timing, debt strategy, discount programs, etc.;
 - o Affordability measures are established, along with targets; progress is reported regularly to MWPAAC.

- **Respectful of local agency processes:**
 - o Rate proposals and other important policies are shared well in advance of dates of action, allowing MWPAAC representatives to discuss them in their respective public meetings;
 - o Estimates of the expected range of changes to the sewer rate and capacity charge are shared more regularly, allowing for more effective local agency budget development.

MWPAAC members recognize the extraordinary nature of this communication to the Executive's office and the County Council. MWPAAC does not take lightly the tone and content communicated to the County's governing bodies nor its commitment to work in partnership with WTD to provide transparent, cost-effective wastewater treatment to the Puget Sound region. The creation of Metro and thereby MWPAAC has resulted in a long and successful working relationship with King County and we look forward to a continued, relevant role, in policy setting with WTD.

Sincerely,



Pamela Carter
MWPAAC Chair

cc: MWPAAC Members
The Honorable Dow Constantine, County Executive, King County
Christie True, Director, Department of Natural Resources and Parks (DNRP)
Mark Isaacson, Division Director, Wastewater Treatment Division, DNRP