



King County

Dow Constantine

King County Executive

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May 6, 2020

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

Dear Councilmember Balducci:

This letter transmits a proposed ordinance that, if enacted, would set the 2021 monthly sewer rate and capacity charge. The proposed monthly sewer rate through 2021 is \$47.37. This is an increase of 4.5 percent over the current rate of \$45.33. The proposed capacity charge for 2021 is \$68.34. This is an increase of 3.0 percent over the current capacity charge rate of \$66.35. An issue paper enclosed with this letter provides detailed information on the revenues, expenditures, debt service, operations and capital program which informs the rate development process.

The Wastewater Treatment Division (WTD) of the Department of Natural Resources and Parks (DNRP) develops a sewer rate proposal annually in collaboration with the County's Office of Performance, Strategy and Budget. WTD also gathers feedback from the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) that consists of representatives of the 34 agencies that contract with the County for wastewater treatment. The contract between WTD and the 34 agencies requires that the Council annually adopt the sewer rate before July 1. The Executive considers the proposal developed by WTD and MWPAAC's recommendation on the rate proposal when determining the proposed sewer rate and capacity charge for transmittal to the Council.

After consideration of the information in the issue paper, and in response to feedback received from the MWPAAC, a 4.5 percent one-year rate increase is necessary to maintain WTD's operating, capital, and debt requirements through 2021. The proposed adoption of a one-year rate will allow for better information on the revenue impacts of COVID-19 and feedback from MWPAAC to inform a decision on the 2022 rate. A letter from MWPAAC to the Chair of the Council regarding the proposed legislation is enclosed.

The Honorable Claudia Balducci

May 6, 2020

Page 2

The rate proposal includes \$1.4 million in estimated savings in 2021 and 2022 from a planned new money issue and early debt retirement similar to the 2019 transactions that saved ratepayers \$21 million. The proposed legislation also includes savings from new low-interest loans from the Washington State Department of Ecology (\$37 million for the Georgetown Wet Weather Treatment Station) and the U.S. Environmental Protection Agency through its Water Infrastructure Finance Innovation Act loan program (\$96 million for the Ship Canal Water Quality project). WTD will continue to pursue bond refinancing opportunities and low-interest loans to fund its capital program.

Sewer rates must generate revenue sufficient to cover, at a minimum, all costs of system operation and maintenance and capital costs necessary to maintain the existing system. The last sewer rate increase occurred in 2018 with a two-year rate increase of 2.5 percent/\$45.33. The capacity charge increases annually to ensure that new connections to sewer pay their proportional share of growth costs. The last capacity charge rate increase occurred in 2019 with a 3 percent increase/\$64.50.

Initially, WTD sought feedback on a potential two-year rate increase of 9.5 percent as part of a 10-year rate plan with incremental rate increases every two years. The 2021 rate proposal, detailed in Attachment A to the proposed ordinance, outlines a proposed one-year rate increase of 4.5 percent and a placeholder of zero percent for 2022. Over the next year, DNRP will work with MWPAAC to gather input on how to address the recently identified inventory of \$700 million in asset management projects that are a priority to maintain the regional sewer system. Portions of the regional sewer system are more than 50 years old and in need significant investments to continue reliable sewer service for the region's 1.9 million residents.

The proposed legislation furthers the King County Strategic Plan goal of financial stewardship through continued sound financial management. It is consistent with the County's adopted financial policies for the wastewater utility in King County Code 28.86.160. The proposed legislation also furthers the Strategic Climate Action Plan by enabling King County to continue its efforts in sustainability, climate change preparedness, and resiliency programs. These efforts include energy conservation work at the treatment plants, water reuse through the reclaimed water program, and continued work to prepare the wastewater system for climate adaptation by preparing WTD's facilities for more intense rainfall and reducing greenhouse gas emissions in the operation of facilities.

Thank you for your consideration of this proposed ordinance. This important legislation will help King County residents by continuing to protect water quality in the region through the maintenance and repair of the County's wastewater assets.

The Honorable Claudia Balducci

May 6, 2020

Page 3

If your staff have any questions about this legislation, 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, appearing to read "Dow Constantine". The signature is written in a cursive, somewhat stylized font.

Dow Constantine

King County Executive

Enclosures

cc: King County Councilmembers

ATTN: Carolyn Busch, Chief of Staff

Melani Pedroza, Clerk of the Council

Shannon Braddock, Deputy Chief of Staff, Office of the Executive

Karan Gill, Director, Council Relations, Office of the Executive

Dwight Dively, Director, Performance, Strategy and Budget

Christie True, Director, Department of Natural Resources and Parks (DNRP)

Mark Isaacson, Division Director, Wastewater Treatment Division, DNRP