April 24, 2017

The Honorable Joe McDermott

Chair, King County Council

Room 1200

C O U R T H O U S E

Dear Councilmember McDermott:

This letter transmits an ordinance that will ensure that the Wastewater Treatment Division (WTD) of the Department of Natural Resources and Parks can continue to effectively protect public health and enhance regional water quality.

This legislation will keep the 2018 monthly wholesale sewer rate at $44.22 for the second year in a row and increase the capacity charge by three percent to $62.60.

This proposal reflects prudent financial management and was developed pursuant to the County’s adopted financial policies for the wastewater utility that are included in King County Code 28.86.160. Additional revenues from a larger customer base have eliminated the need for cash draws from WTD’s reserves for 2018 through 2023 to help with the transition to 40 percent cash-funding of capital projects. Projected rates through 2023 are expected to be at or below inflationary levels while continuing to reduce our debt profile over time.

This ordinance will further the goals of key County plans and initiatives and accomplish the following:

* Support WTD’s operating, capital, and debt requirements through 2018.
* Further the financial stewardship goals of the King County Strategic Plan through continuation of new debt practices which will reduce debt levels by $582 million by 2030, making WTD a financially stronger utility and preserving its excellent credit ratings. In 2016, WTD refinanced $770 million of outstanding bonds resulting in $103.9 million in debt service savings to ratepayers over the remaining life of the bonds with a present value of $73.9 million. In addition, the WTD employee initiated “Bright Ideas” program has inspired employees to creatively find over $524,000 in current and future savings. These “best run government” practices will continue to provide benefits to ratepayers in future periods.
* Further the goal of the King County Strategic Climate Action Plan by enabling WTD to continue its efforts in sustainability. WTD’s energy conservation and sustainability efforts will position it to achieve its goal of carbon neutrality in operations by the end of 2017 and move us towards carbon neutrality throughout the utility by 2025.
* Further the goal of the King County Equity and Social Justice Initiative by funding water quality education programs at our facilities and internship opportunities for our diverse communities. Overall, WTD’s capital program creates an average of approximately 925 jobs in our local economy during the 2017 to 2018 period.

As you are well aware, WTD is working rapidly to complete the restoration of the West Point Treatment Plant. We anticipate that insurance will cover the majority of these expenses minus the deductible of $250,000. In the event there are expenses that WTD must cover, they can be paid for with the Brightwater litigation money that WTD has in reserve to be addressed during the 2019-2020 rate and budget cycle.

In developing this legislation, WTD engaged the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC), representing the 34 agencies that contract with WTD for wastewater treatment. I have enclosed a letter from MWPAAC supporting this legislation.

Thank you for considering this ordinance. This important legislation will benefit King County residents by continuing to protect water quality in the region.

If you have any questions about this ordinance, please contact Mark Isaacson, Division Director of the Wastewater Treatment Division of the Department of Natural Resources and Parks, at 206-477-4601.

Sincerely,

Dow Constantine

King County Executive

Enclosures

cc: King County Councilmembers

 ATTN: Carolyn Busch, Chief of Staff

 Melani Pedroza, Acting Clerk of the Council

 Rob Shelley, Managing Director, Piper Jaffray & Co.

Carrie S. Cihak, Chief of Policy Development, King County Executive Office

Dwight Dively, Director, Office of Performance, Strategy and Budget

Caroline Whalen, County Administrative Officer, Department of Executive Services
 (DES)

Jennifer Hills, Risk Manager, Office of Risk Management Services, DES

 Ken Guy, Division Director, Finance and Business Operations Division, DES

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

 Mark Isaacson, Division Director, Wastewater Treatment Division, DNRP