

Summary of Rates & Finance Subcommittee November 5, 2015 meeting For MWPAAC General Meeting December 9, 2015

1. DEBT REVIEW LETTER

Maria Coe briefly discussed the debt review letter and that she had requested comments on it with the intention of sending it to the General Membership for the October meeting. This was decided against at the Executive meeting in October and instead one “final” opportunity for comment was offered. Maria indicated she had received minimal feedback and requested that the committee approve the letter as written.

Subcommittee members present expressed additional concerns and wanted additional changes made to the letter. In particular, discussion centered around members concern that the County would increase rates in the name of debt reduction and then use the higher rates for items other than debt retirement and higher debt coverage ratio. Members also felt the letter should begin by stating what the new debt policy was trying to accomplish.

It was agreed that there would be an additional one-week comment period and that the final letter would be distributed in November in time for the December 9 general meeting. “Final” comments would be due to Maria by Friday, November 20. The members present expressed their thanks to the debt review team and Maria in particular, as she has put a lot of effort into wrapping up the debt review process.

2: FINANCIAL IMPACTS OF REDUCED WATER CONSUMPTION

Tim Aratani gave a brief presentation on WTD’s view of reduced water consumption and its effect on rates. WTD is concerned that a 15% decrease in discharge from commercial accounts would require a higher rate increase than was forecast for 2017-2018. Committee members expressed differing points of view. The perspective of most members was that the voluntary curtailment measures affected principally outdoor watering and would not affect year-round water consumption. The City of Seattle indicated that even with the 10% voluntary reduction request, they were still selling more water than last year due to increased number of connections to the system. The City also indicated they had no evidence that commercial non-irrigation consumption had declined.

At this time, WTD is monitoring flows to determine any possible future effect on rates. Committee members reiterated that the drought should not affect non-watering flows and were concerned about WTD using the drought as a possible reason for higher rates.

3. DEBT REFINANCING

WTD recently refinanced \$25 million in long term debt at an average combined rate of 3.53%. Mr Aratani indicated this was the lowest combined rate the County was able to obtain since the 1960s.

4. FINANCIAL PERFORMANCE/STATUS

Mr. Aratani gave a review of current year operations and financial performance through September 30, 2015. Among other items mentioned:

- RCEs have increased by about 5,000 in 2015
- New Accounts are paying taking advantage of the discount by choosing to pay off the capacity charge early, resulting in more cash in the current period for WTD.
- WTD is proposing to add \$8 million to the rate stabilization fund this year. Original projections anticipated a draw of the RSF.
- WTD is also proposing to transfer approximately \$8.2 million from Rates to Capital in 2015.
- Debt service payments are lower than originally forecast due to WTD's continued refinancing to lower interest rates.
- WTD expected to end 2015 at 96.5% of original 2015 budget, principally because of a \$900,000 reduction in expected salary expenses.
- Mr. Aratani also discussed in detail the "Loan-out-Labor" budget line. It was explained that this is an estimate of how much staff time is charged to capital. For 2015, this number is forecast to be \$1 million less than originally budgeted.

5. RATE CALENDAR ASSUMPTIONS

Mr. Aratani distributed a draft rate and budget calendar for 2017. Discussion was had about the possible need for a special meeting in February to draft a response to the 2017 proposed rates. This will be further discussed at the December 3 Rates & Finance Meeting.

Questions? Jack Broyles, Jr., Rates & Finance Subcommittee Chair
Woodinville Water District
jbroyles@woodinvillewater.com
425.487.4106