

**Summary of Rates & Finance Subcommittee March 3, 2016 meeting  
For MWPAAC General Meeting March 23, 2016.**

**1. Resiliency and Recovery Project Update (Joint Topic with Engineering and Planning Subcommittee)**

WTD staff provided an initial discussion on a scope of work just being initiated to evaluate the resiliency of the KC transmission and treatment facilities in the event of a major natural disaster. This evaluation will look at the risks to WTD's overall system from a large earthquake as well as the ability to bring the system back into service in a reasonable period of time. WTD is trying to determine what assets would be most vulnerable in a major earthquake and is developing project proposals based on that assessment. The following timeline and topics were discussed:

- a. What does an R&R project mean? It is being defined as a major earthquake event.
- b. Identify current vulnerabilities
- c. Develop action plan
- d. Time frame for action discussed – master plan due to be completed by Q4 2017
- e. \$600,000 allocated for costs of developing master plan
- f. The master plan will look at WTD's overall system, (treatment plants, off-site facilities, conveyance system), not MWPAAC member systems.
- g. The County hopes that this work will spur MWPAAC agencies to evaluate their vulnerabilities.

WTD is looking for 3-5 MWPAAC members interested in participating in this effort with a completion date of late 2017 or early 2018. Interested individuals should forward their names to Lisa Tobin or Paul Bucich or members of the Executive Committee as appropriate.

**2. Discussion of rate development process for 2017/2018, presented by Tim Aratani, Joe Barnett and Dan Kaplan** – WTD staff presented their rate proposal which had been discussed with County Executive Constantine on February 29, 2016. The following items were presented to the County Executive:

- a. Increase cash financing of capital from 32% to 40%
- b. Begin amortization of variable rate debt when there is 10 years left before due.
- c. Projecting increases of approximately 3% per year for 2019-2024, maintaining \$12 million rate reserve. This is new and encouraged by debt rating agencies who encourage liquidity.
- d. Reduction in debt of \$550 million in debt by 2030
- e. Without debt reduction steps, rate increase would have been about 2% per year.
- f. Capacity charge increase is expected to be between 3.5-5%. Current analysis assumes 3% increase.
- g. 2015 strong financial performance. Refinanced \$1.1 billion in 2015, saving \$11.6 million and \$0.65 on sewer rate.
- h. The Rate Packet included two graphs, which reflected the effect of debt reduction through 2030, and a graph of recent rate increases along with projected rate increases. .

- 3. Discussion of Rate Letter Topics** – The members present were extremely encouraged with the Rate Proposal approved by Ms. Elardo and forwarded to the County Executive and his apparent acceptance of it. As a result, members directed Ms. Coe and Mr. Broyles to draft a letter thanking WTD for taking the proposals presented by the Debt Review Committee seriously and developing a rate structure that incorporated many of the recommendations. Members requested that the rate letter be short and succinct, supporting the proposed 2017/2018 rates and omitting a list of “other items for discussion”. The letter will be drafted as such and will be presented at the General Meeting on March 23, 2016.
- 4. Special Rate Update Meeting** – The special meeting scheduled for March 14 was cancelled due to the surprisingly positive rate proposal presented to the County Executive. Members felt that there was no reason to further discuss the rate letter.

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