

## **Summary of Rates & Finance Subcommittee April 6, 2017 meeting**

### **For MWPAAC General Meeting**

#### **Financial Reporting Requirements for West Point Restoration**

Tim Aratani presented the reporting requirements established and proposed by Council. Please see the handout for additional details. Noting that several of the reports had areas of overlap with reports WTD had planned on initiating soon, Members asked if there was opportunity for overlap, to not create duplicate bodies of work. WTD will piggyback where possible and work with MWPAAC. The goal is to not duplicate work, while also answering Council questions/requests. Reports and progress will be shared with MWPAAC at General Meetings and subcommittees.

#### **2018 Rate Recommendation**

Tim Aratani and Tom Lienesch presented and provided a handout comparing the proposed rate path from 2016 and the 2017 proposed rate path that will go to the Executive. Highlight include:

- The proposed 2018 rate is 0% as expected.
- The 6 year path is lower than last year when Council adopted the 2017 rate. This is a result of stronger RCE's than originally projected (additional base increase of \$7.8M in revenue), maintaining current 6 year CIP, operating programs, and services.
  - 2019 projection has been lowered from 5.2% to 3.7% and overall annual average dropped from 2.2% to 1.6%. Still ending 2023 with \$46.2M in RSF.
  - This rate path does not include new projects that may be recommended from the Recovery and Resiliency study, it only covers the status quo capital program.
- Still on track for debt reduction of \$549M by 2030, which is in line with expectations from the Debt Policy Review Team.
- Continuation of amortizing (or paying off) variable rate debt to avoid a balloon payment.
- Refunding in 2016 resulted in \$169M savings in debt service, \$12.7M in the 2017-18 biennium
- How is West Point reflected in the Rates?
  - The plan is to pay for all expenses not covered by insurance from the Brightwater litigation funds. WTD does not know at this time what will and will not be reimbursed. The Rate Stabilization Fund balance will be used to address any coverage issues.
  - Expect approach to be well received by Bond Rating Agencies.
  - WTD still hasn't heard from insurance agencies what they will approve and not, but they have daily conversations.
  - Expectations on future insurance premiums - Risk manager is flying to London for renewal of County's policy with Lloyds of London (all policies expire on 7/1). Currently \$250k deductible on \$250M. Expect deductible to increase, but not sure how much. Currently, pay \$3M/year for insurance on all properties. Expect that to also go up.

#### **Rate Package and Letter Transmittal**

Group discussion on the timing and transmittal of the Rate Package:

- Expecting transmittal of Rate package from April 26 to early May.
- We will only send one letter this year, addressed to Executive and copied to Council members.
- WTD will still strive to brief us on April 26th ahead of the official transmittal.
- Minor adjustments were made to the Rate Recommendation Letter to the Executive. This will be circulated to full MWPAAC prior to the General meeting. At the General Meeting, the letter will be voted on for approval.

Questions?

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