

DRAFT
Summary of Rates & Finance Subcommittee April 12, 2018 meeting
For MWPAAC General Meeting on April 25, 2018

1. 2019-2020 Rate Proposal

Tim reviewed the Rate Proposal the Executive submitted to Council. Details are available in the handouts, highlights were:

- Operating expenses increased over the prior year's estimate, primarily due to additional staffing needs at West Point and new construction and capacity requirements.
- Capital Plan revenue requirements assume 85% accomplishment rate for all projects except the Georgetown Wet Weather Treatment Station, which is at 100% because it is now in its implementation phase. Over the 5-year period, capital plan is about \$120M higher due to resiliency and other large projects.
- They do not plan on issuing long term debt until 2021. They will begin making draws on the WIFIA loan in 2020 (expected to close by the end of April).
- Transfers to capital (cash) are closer to 50% over the period of 2019-2024 and is expected to drop back to 40% during the period from 2021-2026.
- Brightwater settlement money will be used for capital through 2020.

2. Rate Letter to King County Council

Discussion centered around the Debt Review Committee's recommendation, which was to achieve Debt Service Coverage (DSC) of 140% by 2030. In 2015, *based on the rate assumptions at that time*, the 140% DSC resulted in average annual rate increases of 3%. It is important to note, the Committee's recommendation was for DSC, not a rate floor of 3%. Staff pointed out that the rate projections through 2030 (provided at General MWPAAC in March) average 2.9% annual growth.

Given this information, the group agreed to change the language from “does not support” to something more in line with “current and future rate increases will continue to support the recommendation of the Debt Review Committee.” The updated language will be presented at General MWPAAC.

3. Resiliency and Recovery Program Update

The new project manager, Sonia-Lynn Abenojar, reported that the Program report has been reviewed by WTD management and a final report will be sent to the County Executive at the end of April. More details can be found in the PowerPoint presentation available online. Highlights include:

- Proposing to add 2-4 projects into 6-year CIP with an estimated cost of approximately \$22 million
- Total CIP projects estimated to be \$150 million at this time. Estimated costs for several projects that fall into the 5-year proposed rate path are included in the \$120 million additional CIP that is in the proposed 2019-2020 rate proposal.
- Next Steps
 - Identify synergies in 6-year CIP
 - Conduct financial analysis and implementation timeline for CIP projects
 - Engage regional stakeholders for additional coordination and briefings

Members had several questions:

- Has WTD made recommendations for how projects are phased? Answer: No, TBD
- Why were three seismic scenarios selected? Answer: Recommended by expert consultants and are the regional standard. Also, scenarios were used by water resiliency program.
- Has decentralization been considered in the resiliency program? Answer: Not at this time.

- What will be in the 6-year CIP? Money is allocated for further studies and design on a potential 2-4 projects. Does not include the full \$150 million for all CIP projects as some are outside the 6-year window.

Questions?

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