

DRAFT
Summary of Rates & Finance Subcommittee January 7, 2021, meeting
For MWPAAC General Meeting January 27, 2021

1. Rate Setting 101

Presenter: Courtney Black – Rates, Capital, & Debt Management Unit Supervisor

As part of WTD’s efforts to detail the process for rate setting, Ms. Black presented the final discussion on WTD’s rate development process. This meeting’s topic was a high-level overview of how the County, using prescribed methods, determines sewer rate increase needs. A very detailed presentation was provided to attendees, and the following topics were discussed:

- **Revenue Requirement:** The amount of revenue required to build, operate, and maintain the treatment system. The county uses the broadly accepted method of “revenue at present rates” to determine shortfalls in current rate structure and to identify the rate increases necessary eliminate the deficit.
- **Cost of Service:** Another broadly accepted industry concept that assigns appropriate costs to each “cost center” of the utility and in turn ensures that revenues received from each cost center approximate those costs. This concept helps ensure that “more expensive” customers to serve pay the higher costs of their service.
- **Pricing Structure:** A more subjective component of rate setting. One in which policy goals and individual equity may play a role in final establishment of rates. Examples could include a low-income discount or a social justice/equity component when “scoring” capital improvement priorities.
- **Debt Service Coverage Ratios:** A discussion of debt restrictions and covenants requiring the Utility to maintain (net) revenues at a certain percentage (in this case 115%) of annual debt service payments.

A short question and answer session happened at the end of the discussion. The handout provides much detail to those seeking more specifics.

2. WTD Reports and Budget Provisos

Presenters: Sharman Herrin and Olivia Robinson, WTD Government relations.

WTD operates under various mandates from the County Council. These “provisos” have different requirements and deadlines:

Due 08/01/2021 – Sewer rate cost structure report. Council has requested a study of the cost structure and as part of that study, the current definition of RCE (750 CF of water per month) may be revisited.

Due 09/30/2021 – Matthews Park Pump Station Fence. The County has experienced issues with worker safety at the site due to a nearby homeless encampment. The County has installed temporary fencing and is evaluating a long-term solution to the security issues being experienced.

Due 12/31/2021 – An interim report on the types and levels of toxic compounds in Wastewater effluent.

Due 06/01/2022 – A report on historical housing discrimination and the capacity charge.

Due 06/30/2022 – Final report on effluent toxins.

WTD provided a handout with details of the provisos. That document should be reviewed for details of these provisos.

The next Rates and Finance Subcommittee meeting will be held on February 4, 2021. Please attend this teleconference meeting.

Questions?

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