



**Preliminary Wastewater Treatment Division 2020 Financial Performance**  
**Preliminary Actuals as of January 25, 2021**  
**Presented to MWPAAC Rates & Finance Committee February 4, 2021**

## **Overview**

Based on year-end 2020 data as of the week of January 25, 2021, the King County Wastewater Treatment Division (WTD) 2020 financial performance is positive. COVID-19 impacts did not prevent WTD from meeting or exceeding key financial targets for 2020. However, COVID-19 estimated impacts are delayed due to WTD's billing structure and will first be realized materially in 2021.

## **Revenues**

- Residential Customer Equivalents (RCEs) are projected at 767,019, which is very close to the 2020 forecast of 768,212 (0.16% under). Related sewer rate revenue is \$417.9 million, just above the 2020 forecast of \$417.2 million (0.16% over). COVID-19 estimated impacts are delayed due to WTD's billing structure and will first be realized materially in 2021.
- Preliminary capacity charge revenues are \$91.6 million, approximately \$700,000 below the 2020 forecast of \$92.3 million.

## **Expenditures**

- Expenditures estimated at \$161.9 million are under the 2020 budget of \$168.9 million by \$7 million. This is due to the actual usage mixture of chemicals, lower usage of maintenance parts/materials, lower than projected cost of diesel fuel and electricity, and COVID-19 related delays in contracted services.
- Approximately 87% of the 2020 adopted budget or \$193 million was spent on projects in WTD's large capital program.
- Projected total debt service is \$248 million, approximately \$10.2 million less than originally projected due to low interest rates realized in the 2020 bond financing.
- Preliminary debt service coverage of 1.51x exceeds the 1.44x projected in the adopted rate plan.

## **Financing**

### **Bonds**

- The rating agencies (Moody's and S&P) affirmed WTD's Aa1 and AA+ ratings with a stable outlook in June

- WTD was able to issue long-term, fixed rate bonds at a record low 2.49% of interest in July:
  - \$204 million of tax-exempt revenue bonds, including \$180 million of new money for the 2021-2022 capital program and defeasance<sup>1</sup> capacity, and the remaining \$24 million refunding callable<sup>2</sup> tax-exempt bonds
  - \$187 million for taxable advanced refunding
- Refunding transactions generated savings of \$59 million through 2039, with another \$50 million from the 2020 defeasance

#### July Bond Issuance Summary from August MWPAAC Rates & Finance Presentation

Series	2020A (Tax-Exempt) = \$204 Million			2020B (Taxable) = \$187 Million			
Component	New Money 1	New Money 2 (defeasance capacity)	Callable Refunding of 2010	Taxable Advanced Refunding of 2012B	Taxable Advanced Refunding of 2012C	Taxable Advanced Refunding of 2013A	Taxable Advanced Refunding of 2016B
Bond Proceeds	100,000,000	80,241,196	24,055,000	55,450,000	22,295,000	60,120,000	48,880,000
All-in TIC	2.49%	2.96%	1.72%	1.78%	1.81%	1.70%	2.29%
Use of Funds	CIP	CIP	Refunding	Refunding	Refunding	Refunding	Refunding
Net PV Savings	n.a.	31,942,381	9,030,398	10,581,406	5,078,038	10,611,077	10,271,907
Net PV Savings (%)	n.a.	40%	32%	21%	25%	20%	24%

- An additional \$12.2 million of bonds were refunded in January 2021, to save \$470,000 in 2021.

#### Water Infrastructure Finance Innovation Act (WIFIA)

- WTD's Joint Ship Canal WIFIA loan closed on January 19, 2021, locking in a 1.69% interest rate for 35 years and saving an estimated \$33 million over comparable bond financing.

#### State Loans - State Revolving Fund (SRF) & Public Works Board (PWB)

- WTD began drawing on both SRF [\$37.1 million at 2.7%] and PWB [\$5 million at 1.58%] loans for Georgetown, and continued to draw on the Joint Ship Canal SRF loan [\$9.9 million at 2.6%].

#### Coronavirus Aid, Relief, and Economic Security Act (CARES)

King County received funding from federal and state agencies in the amount of \$530 million in 2020 for CARES. WTD had \$166,000 of expenditures that were eligible to be reimbursed. Due to the higher need for CARES funding in other county agencies, such as Seattle and King County Public Health and the Department of Community and Health Services COVID-19 mitigation, WTD did not receive CARES funding.

<sup>1</sup> Defeasance is a provision in a contract that voids a bond or loan on a balance sheet when the borrower sets aside cash or bonds sufficient enough to service the debt.

<sup>2</sup> A callable bond or redemption bond is a bond that the issuer may redeem before it reaches the stated maturity date.