



King County

Dow Constantine

King County Executive

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April 30, 2010

Scott Thomasson

Chair, Metropolitan Water Pollution Abatement Advisory Committee

King Street Center

201 South Jackson Street, Room 512

Seattle, WA 98104

Dear Mr. Thomasson:

I want to thank the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) for your recommendations regarding the 2011 sewer rate proposal. After carefully considering MWPAAC's recommendations, I have transmitted a proposal to the King County Council to establish a one-year monthly wholesale sewer rate of \$35.15 per residential customer equivalent, a 10.2 percent increase over the 2008-2009 rate, and a capacity charge of \$50.45, a 2.8 percent increase over the 2010 rate. A one-year sewer rate means less of an increase in the 2011 rate compared to a two-year rate. As noted in MWPAAC's April 9 letter, a one-year rate also provides needed flexibility to react to changes.

Another MWPAAC recommendation to reduce the 2011 rate increase was continued cost containment. As part of the development of the above rate proposal, the Wastewater Treatment Division (WTD) reduced its planned capital spending by \$30 million for the period 2009 through 2014, which was accomplished by reprioritizing project schedules and limiting funding to only those projects with a critical need to proceed during that period. WTD employees can also be credited with identifying a number of efficiencies that will enable a reduction of planned operating expenditures by \$5.8 million in 2011 and \$8 million in 2012, while maintaining high service levels and continuing to provide critical infrastructure for the protection of public health and the environment. These efficiencies have freed up the equivalent of 28 full-time staff to operate new facilities, including Brightwater, without the need to hire additional employees.

The infrastructure we're building now is injecting hundreds of millions of dollars into the economy through wages and construction, and supporting the creation of private sector jobs,

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which is important during an economic recovery. For every \$10 million our clean-water utility spends on construction, we create approximately 165 full and part time jobs in the economy with a payroll of \$3.8 million. With the division's planned construction spending of \$151 million in 2011, we will create as many as 2,500 full and part time jobs with a payroll of over \$57 million.

Over the long term, these investments will provide infrastructure to support planned growth and economic development, attracting businesses that hope to establish a Puget Sound area presence, especially industries dependent on wastewater disposal such as biotech and aerospace.

MWPAAC's April 9 letter also recommended against the use of capitalized interest in the long term as it increases costs. I have directed WTD to shift towards more conservative financing practices, including not capitalizing interest from the 2011 bond sale. This will both ensure lower costs in the long term and protect the county's very favorable credit ratings. With respect to the recommendation to increase use of the rate stabilization reserve, I directed the prudent use of those funds as part of the 2011 proposal. I expect that this recommendation as well as the suggestion to enhance returns on debt reserves and avoid short-term budget actions that exacerbate long-term overall costs will continue to be part of the conversation as tools to reduce future rate increases. Finally, the 2011 rate proposal that I transmitted to the council eliminates funding for the Culver program, resulting in a savings of \$1.6 million per year or 20 cents on the rate.

With MWPAAC's input, the 2011 sewer rate transmitted to the council demonstrates fiscal discipline, resulting in a proposed rate this significantly lower than forecasted in the 2010 budget. Should you have any questions regarding the proposal, please contact Christie True, Division Director in the Wastewater Treatment Division of the Department of Natural Resources and Parks, at 206-684-1236, or at christie.true@kingcounty.gov.

I look forward to working with the King County Council on the adoption of the 2011 sewer rate and would encourage MWPAAC's continued involvement in the process.

Sincerely,

A handwritten signature in black ink, appearing to read "Dow Constantine", with a long horizontal flourish extending to the right.

Dow Constantine
King County Executive

cc: Dwight Dively, Director, Office of Management and Budget
Bob Burns, Interim Director, Department of Natural Resources and Parks (DNRP)
Christie True, Division Director, Wastewater Treatment Division, DNRP