

CITY COUNCIL AGENDA TOPIC

Briefing on King County Wastewater Treatment Division 2025 Sewer Rate and Capacity Charge Proposal and 10-Year Forecast

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EXECUTIVE SUMMARY**DIRECTION**

Kamuron Gurol, King County Wastewater Treatment Division (WTD) Director, will brief the Council on the County's proposed 2025 sewer rate and capacity charge, the 10-year sewer rate forecast, and ongoing work related to long-term forecasting and the Regional Wastewater Services Plan (RWSP) update.

Bellevue staff is requesting Council provide direction on communicating the City's position concerning the proposed 2025 sewer rate, emphasizing the importance of implementing a long-term forecasting tool, and completing the RWSP update.

RECOMMENDATION

Direct staff to prepare a letter to King County communicating the City's position concerning the proposed 2025 sewer rate, emphasizing the importance of implementing a long-term forecasting tool, and completing the RWSP update.

BACKGROUND/ANALYSIS

On May 1, King County Executive Dow Constantine transmitted the 2025 sewer rate and capacity charge proposal for WTD. Along with this annual rate proposal, the Executive also transmitted a 10-year sewer rate forecast that would increase rates over the next 10 years from \$55.11 per month per average residential customer in 2024 to \$118.16 in 2034, equating to a 114 percent increase over the next 10 years. Per City Council's adopted Wastewater System Plan, increases to the County's sewer rate are passed directly to Bellevue's customers. In addition to the County's sewer rate, Bellevue customers also pay for the City's costs to maintain, operate, and improve the local sewer infrastructure.

Regional Sewer Contracts and Rates

King County provides regional sewer conveyance and treatment services to 34 local sewer agencies ("contract agencies"), including Bellevue, spread over 424 square miles in King, Snohomish, and Pierce

counties. King County's major system assets include three large regional and two small wastewater treatment plants, approximately 383 miles of sewer pipelines, 15 miles of reclaimed water lines, 39 combined sewer overflow (CSO) outfalls, and 48 pump stations.

King County's 30-year wastewater contracts define the roles and responsibilities between the County and its contract agencies. Under these contracts, King County is responsible for setting sewer rates each year that are charged to the contract agencies to cover the operating and capital costs of the regional sewer system. The amount is based on the County's adopted monthly rate and the number of Residential Customer Equivalents (RCEs) of each local jurisdiction. One RCE represents the assumed wastewater use of a single-family home in a typical month and is used to convert commercial and multi-family uses for billing purposes.

The King County Council must adopt an annual sewer rate and capacity charge for the following year by June 30. After the Executive transmits his proposal, the King County Council makes the final decision under advisement from the Regional Water Quality Committee (RWQC) and the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC). Councilmember Lee is the RWQC vice chair and Sound Cities Association (SCA) RWQC caucus chair, serving on behalf of the SCA. MWPAAC is mainly comprised of contract agency staff and Bellevue Utilities staff represents the City.

10-Year Sewer Rate Forecast

The King County Executive proposed 2025 monthly sewer rate of \$58.28 to the King County Council. The proposed rate increase is the same as previously forecasted in 2024 at 5.75 percent, but rates increase significantly further out in the forecast compared to the 2024 forecast. This is largely due to:

- Mouth of the Duwamish Combined Sewer Overflow (CSO) project contingency,
- New high priority needs using conceptual-level projects, and
- Updated conceptual and current project forecasts.

For the 10-year forecast, King County projects annual sewer rate increases of seven percent for 2026 through 2028, 8.25 percent for 2029 through 2031, and 9.25 percent for 2032 through 2034. By 2034, the projected monthly sewer rate is expected to reach \$118.16.

WTD has briefed RWQC and MWPAAC on the proposed 2025 monthly sewer rate and 10-year rate forecast. WTD has been responsive to requests for increased transparency and details from prior years' rate development processes. However, many RWQC and MWPAAC members have expressed concern over the affordability of the 10-year forecast, given the region's rising costs of living and inflation.

There is considerable uncertainty about future regulatory requirements with which WTD must comply, including CSOs and the Department of Ecology's Nutrient Permit, making it difficult to estimate future costs. Additional costs not included in the forecast include:

- Elliot West Wet Weather Treatment Station and other requirements pending for the final West Point National Pollutant Discharge Elimination System (NPDES) permit;
- University CSO, Montlake CSO, and Supplemental Compliance assumptions that may be

- updated with a pending consent decree modification;
- Lower Duwamish Waterway Consent Decree costs;
- Nutrient investments beyond the first Ecology Nutrient Permit cycle;
- Contaminants of Emerging Concern (such as PFAS); and,
- Potential climate change costs.

Long-Term Forecasting

There are many drivers of the projected significant increase in long-term wastewater rates, including investments in new capital projects and maintenance of existing assets, regulatory decisions, growth, and existing debt. In 2023, RWQC and the King County Council requested that WTD develop methodologies based on peer agency review and industry best practices to better forecast long-term capital needs and resulting sewer rates.

WTD has presented a long-term capital forecasting methodology, but there are outstanding concerns about WTD's ability to produce, share, and explain an "unconstrained" view of the six-year Capital Improvement Plan (CIP) based on total capital needs. RWQC and MWPAAC have requested better visibility, allowing policy makers to understand the CIP outlook without the filters of available resources and other policy requirements. Additionally, a longer-term forecast would better inform policy decisions about the impacts of rates over time.

WTD will incorporate a long-term capital forecasting model into future work on rate forecasting, which is expected to be presented in 2025. Implementing a long-term capital and rate forecasting methodology is essential to inform future rate proposals.

RWSP Update

The current RWSP was adopted in November 1999 to ensure the continuation of high-quality wastewater treatment services through 2030. The RWSP outlines programs and projects through 2030 to increase wastewater system capacity and function; gives guidance on recovering and recycling beneficial resources from the wastewater treatment process; and provides direction on protecting and monitoring water quality and meeting permit conditions.

The policies in the RWSP cover the major program elements for wastewater services and are as follows:

- Treatment plant policies (K.C.C. 28.86.050)
- Conveyance policies (K.C.C. 28.86.060)
- Inflow/infiltration (I/I) (K.C.C. 28.86.070)
- Combined sewer overflow control policies (K.C.C. 28.86.080)
- Biosolids policies (K.C.C. 28.86.090)
- Water reuse policies (K.C.C. 28.86.100)
- Wastewater services policies (K.C.C. 28.86)
- Water quality protection policies (K.C.C. 28.86.120)
- Wastewater planning policies (K.C.C. 28.86.130)
- Environmental mitigation policies (K.C.C. 28.86.140)

- Public involvement policies (K.C.C. 28.86.150)

In November 2021, after hearing dissatisfaction and frustration with both the substance of the Clean Water Plan (CWP) and the planning process, as well as the lack of regulatory certainty related to the pending Nutrients Permit and negotiations on the CSO consent decree, WTD paused the development of the CWP to fully consider the feedback received and to develop improvements that respond to that feedback. WTD has relaunched this planning effort in 2024 and it is now titled the RWSP Update.

POLICY & FISCAL IMPACTS

Policy Impact

Per Bellevue's Wastewater System Plan, payments to King County for sewer services are passed through to Bellevue's sewer customers via Bellevue Sewer Utility rates.

Bellevue's adopted Comprehensive Plan states that utility services should be provided in a way that balances public concerns about infrastructure safety and health impacts, consumer interest in paying a fair and reasonable price for service, potential impacts on the natural environment, and aesthetic compatibility with surrounding land uses.

Fiscal Impact

Increases to the King County sewer rate are passed through to Bellevue's sewer customers per the Waterworks Utility Financial Policies. The 2024 typical Bellevue residential utility bill for water, sewer, and stormwater services is \$214.80 per month, with sewer representing \$102.60, or 48 percent, of the total bill. The 2024 King County sewer charge is \$55.11, which is 54 percent of Bellevue's typical residential sewer bill or 26 percent of the typical total residential utility bill.

The proposed WTD rate increase of 5.75 percent would increase Bellevue's sewer rate by 3.5 percent, or \$3.59 per month for the typical residential sewer customer in 2025. For 2026 through 2031, WTD's projected rate increases would result in Bellevue's sewer rate increasing by approximately 4.3 percent to 5.1 percent annually, or \$4.57 to \$6.76 per month for the typical residential sewer bill. These projected sewer rate increases do not reflect adjustments to address Bellevue's costs to maintain, operate, and improve the local sewer system.

OPTIONS

1. Direct staff to prepare a letter to King County communicating the City's position concerning the proposed 2025 sewer rate, emphasizing the importance of implementing a long-term forecasting tool, and completing the RWSP update.
2. Provide staff with alternate direction.

ATTACHMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

Bellevue's Contract with King County Wastewater Treatment Division