

**CITY COUNCIL STUDY SESSION**

Briefing on King County's 10-Year Sewer Rate Forecast and Clean Water Plan

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**DIRECTION NEEDED FROM COUNCIL****DIRECTION**

Kamuron Gurol, King County Wastewater Treatment Division (WTD) Director and Courtney Black, WTD Rates, Capital & Debt Management Supervisor, will brief the Council on the County's 10-year sewer rate forecast and the status of its Clean Water Plan. The County estimates that its sewer rates will double over the next 10 years.

Bellevue staff is requesting Council direction to prepare a letter in support of providing cost-benefit information and options during development of the Clean Water Plan.

**RECOMMENDATION**

Direct staff to prepare a letter to King County in support of providing cost-benefit information and options during development of the County's Clean Water Plan consistent with Council discussion.

**BACKGROUND & ANALYSIS**

On April 21, King County Executive Dow Constantine transmitted a 10-year sewer rate forecast to the County Council estimating that King County sewer rates will increase over the next 10 years from \$49.27 per month per average residential customer in 2022 to \$100.33 in 2032. Per City Council's adopted Wastewater System Plan, increases to the County's sewer rate are passed directly to Bellevue 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 system.

**Clean Water Plan**

WTD is developing its Clean Water Plan, a 40-year regional wastewater plan that will respond to increasing pressures to King County's regional sewer system, including:

- Aging of the system and associated maintenance needs,
- Increasing concerns about risks to water quality,
- Increasing regulatory requirements,
- Increasing growth-related capacity concerns, and
- Climate change-related storm patterns that challenge King County's system operations.

King County's Regional Water Quality Committee (RWQC) has oversight of the Clean Water Plan development. The RWQC is comprised of elected officials representing Sound Cities Association (SCA), sewer districts, City of Seattle and King County. Bellevue Councilmember Conrad Lee serves on the RWQC as an SCA appointee.

Last year, the RWQC participated in a series of Clean Water Plan work sessions to review potential strategies to address the issues listed above. The Clean Water Plan's strategies and policy options could have differing impacts on future sewer rates. An early draft Clean Water Plan considered projects and programs that are outside King County's core sewer services, such as stormwater treatment, that may be paid for by sewer rates. At these meetings, the RWQC requested additional information about the costs and benefits associated with the strategy options.

The Clean Water Plan process is currently paused while WTD considers stakeholder feedback and makes necessary adjustments.

### **Regional Sewer Contracts and Rates**

King County provides regional sewer conveyance and treatment services to 33 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, over 391 miles of pipelines, 39 combined sewer 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, the County is responsible for setting King County sewer rates each year that are charged to the contract agencies to cover its 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 of each local jurisdiction.

The King County Executive proposes a King County monthly sewer rate for the upcoming year for County Council approval by June of each year. The King County Council makes the final decision under advisement from the RWQC and the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC). MWPAAC is comprised of a mix of contract agency elected officials and staff. Bellevue staff represents the City on MWPAAC.

Per the County's wastewater contract with the City of Bellevue and other agencies, the County Council has until June 30 to adopt the annual rate for the following year.

### **10-Year Sewer Rate Forecast**

In June 2021, King County forecasted a 2023 sewer rate increase of 4 percent. Bellevue staff included this estimate in the background information for City Council's March 7, 2022, budget workshop. Since then, the County has added approximately \$2.8 billion in new capital costs over the next ten years.

The current proposed rates are higher than previously estimated last year largely due to:

- Limiting accumulation of long-term debt through cash funding 40 percent of the capital program (up to 60 percent of the capital program will be debt-financed),
- Compliance with regulatory requirements, including Combined Sewer Overflows (CSOs),

- New Asset Management projects,
- Capacity improvement projects, and
- Improving power quality at the West Point Treatment Plant.

Based on this updated information, Executive Constantine transmitted a proposed 2023 sewer rate of \$52.11 to the County Council. This proposed monthly rate represents an increase of 5.75 percent from the 2022 rate increase. The sewer rate proposal includes 96 new personnel positions, including staff to support operations and capital project delivery.

For the 10-year forecast, King County is showing annual sewer rate increases of 5.75 percent for 2024-2027 and 9.0 percent for 2028-2032. By 2032, the project monthly sewer rate is expected to reach \$100.33.

WTD briefed the RWQC and MWPAAC several times on the proposed 2023 monthly sewer rate and 10-year rate plan. 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 great concerns 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 Ecology's Nutrient Permit, making it difficult to estimate future costs. Some of these potential future costs are not included in the current 10-year rate forecast.

## **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**

As described above, Bellevue staff included King County's original 4 percent rate increase estimate in the background information for the City Council's March 7 budget workshop. Once the County Council adopts a new 2023 rate of 5.75 percent, Bellevue staff will revise the City's documents.

Bellevue's projected payment to King County for its sewer services this year is \$37.7 million which accounts for approximately 55 percent of annual expenditures for Bellevue's Sewer Utility. King County's sewer cost is currently \$49.27 per month for a typical Bellevue single family residential customer. With the forecasted rate plan, the cost of the County's sewer rate in ten years would double to \$100.33 per month by 2032. This cost is for King County's treatment only and excludes Bellevue Utilities' costs to maintain, operate and improve the local sewer system.

It is important to note that the forecasted 10-year rate plan does not include costs related to

implementation of the Clean Water Plan or full compliance with Ecology's Nutrient General Permit and the CSO Consent Decree. While those costs are unknown at this time, implementation costs could be much higher. The region continues to struggle with rate affordability. The proposed rate increases will add to the burden on Bellevue's sewer customers.

## **OPTIONS**

1. Direct staff to prepare a letter to King County in support of providing cost-benefit information and options during development of the County's Clean Water Plan consistent with Council discussion.
2. Provide alternate direction to staff.

## **ATTACHMENTS**

N/A

## **AVAILABLE IN COUNCIL LIBRARY**

Bellevue King County Regional Sewer Services Contract