

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

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May 7, 2024



Direction

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 **Regional Wastewater Services Plan update**.





King County

Department of
Natural Resources and Parks

Wastewater Treatment Division

King County's Proposed 2025 Sewer Rate Proposal Bellevue City Council

May 7, 2024

Agenda

- 1 2025 Sewer Rate Goals
- 2 2025 Proposed Sewer Rate
- 3 Key Financial Forecast Drivers
- 4 2025 Proposed Capacity Charge
- 5 Affordability Challenges

Goals for 2025 Sewer Rate Development

- Increase **reliability** at West Point and across the system
- Address the most critical **asset management** needs to reduce risk
- Reflect increasing **regulatory requirements** with new projects and staff
- Accommodate **growth-related demand** with capacity enhancements
- Reflect **King County priorities**: Clean Water Healthy Habitat, Strategic Climate Action Plan, Equity & Social Justice and others
- Propose a 2025 rate and ten-year rate forecast that realistically **reflects high priority system investments**
- **Meet key financial metrics** and only charge what we can spend



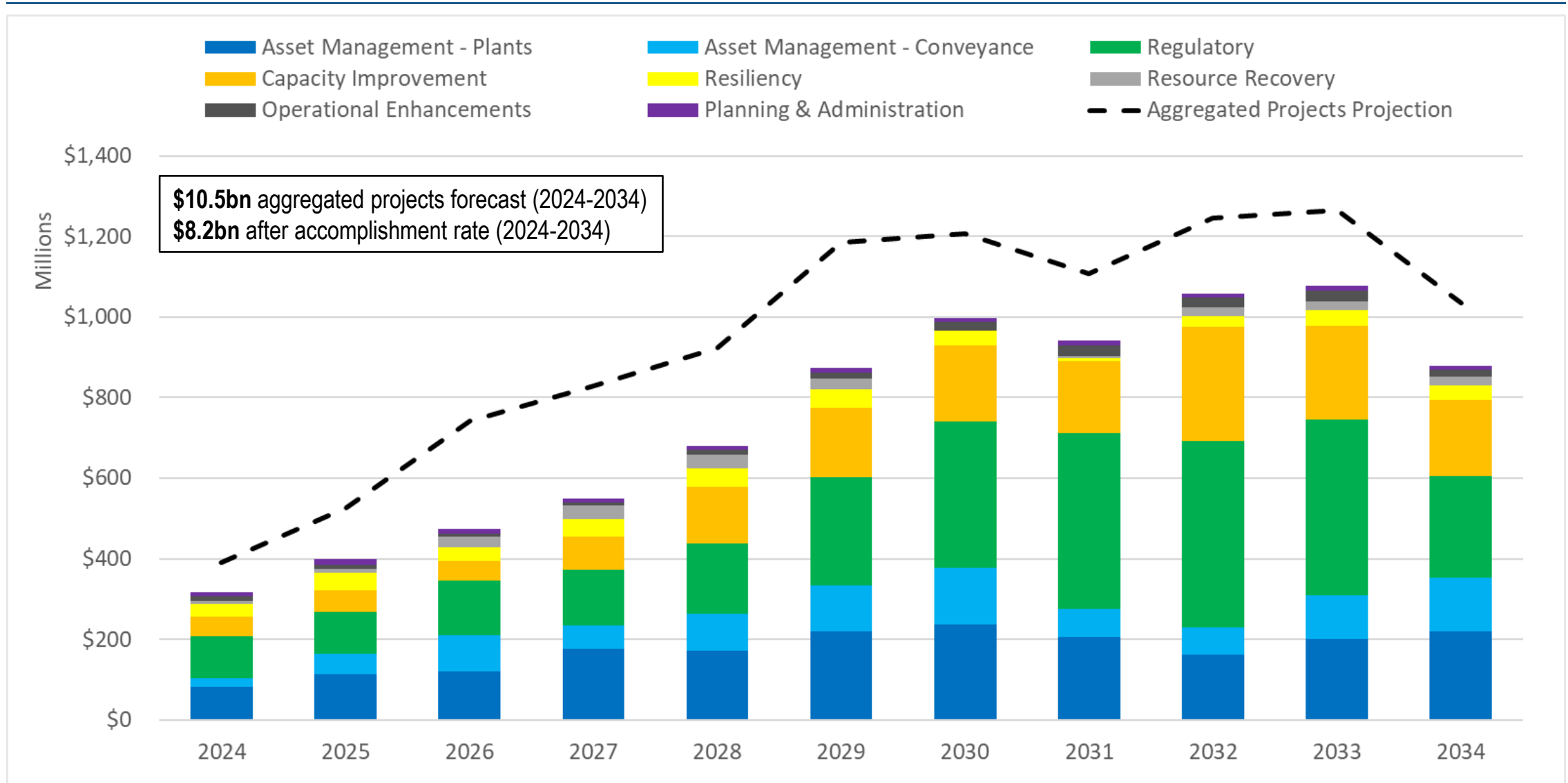
2025 Sewer Rate Proposal and 10-year Financial Forecast

2024-2033 Rate Forecast	Adopted										
2024 Adopted Sewer Rate	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Rate Increase %	5.75%	5.75%	5.75%	6.50%	6.50%	6.50%	7.00%	7.00%	7.00%	7.00%	
Monthly Sewer Rate	\$55.11	\$58.28	\$61.64	\$65.65	\$69.92	\$74.47	\$79.69	\$85.27	\$91.24	\$97.63	
Rate Increase \$	\$3.00	\$3.17	\$3.36	\$4.01	\$4.27	\$4.55	\$5.22	\$5.58	\$5.97	\$6.39	

2025-2034 Rate Forecast	Adopted	Proposed									
2025 Proposed Sewer Rate	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Rate Increase %	5.75%	5.75%	7.00%	7.00%	7.00%	8.25%	8.25%	8.25%	9.25%	9.25%	9.25%
Monthly Sewer Rate	\$55.11	\$58.28	\$62.36	\$66.73	\$71.41	\$77.31	\$83.69	\$90.60	\$98.99	\$108.15	\$118.16
Rate Increase \$	\$3.00	\$3.17	\$4.08	\$4.37	\$4.68	\$5.90	\$6.38	\$6.91	\$8.39	\$9.16	\$10.01

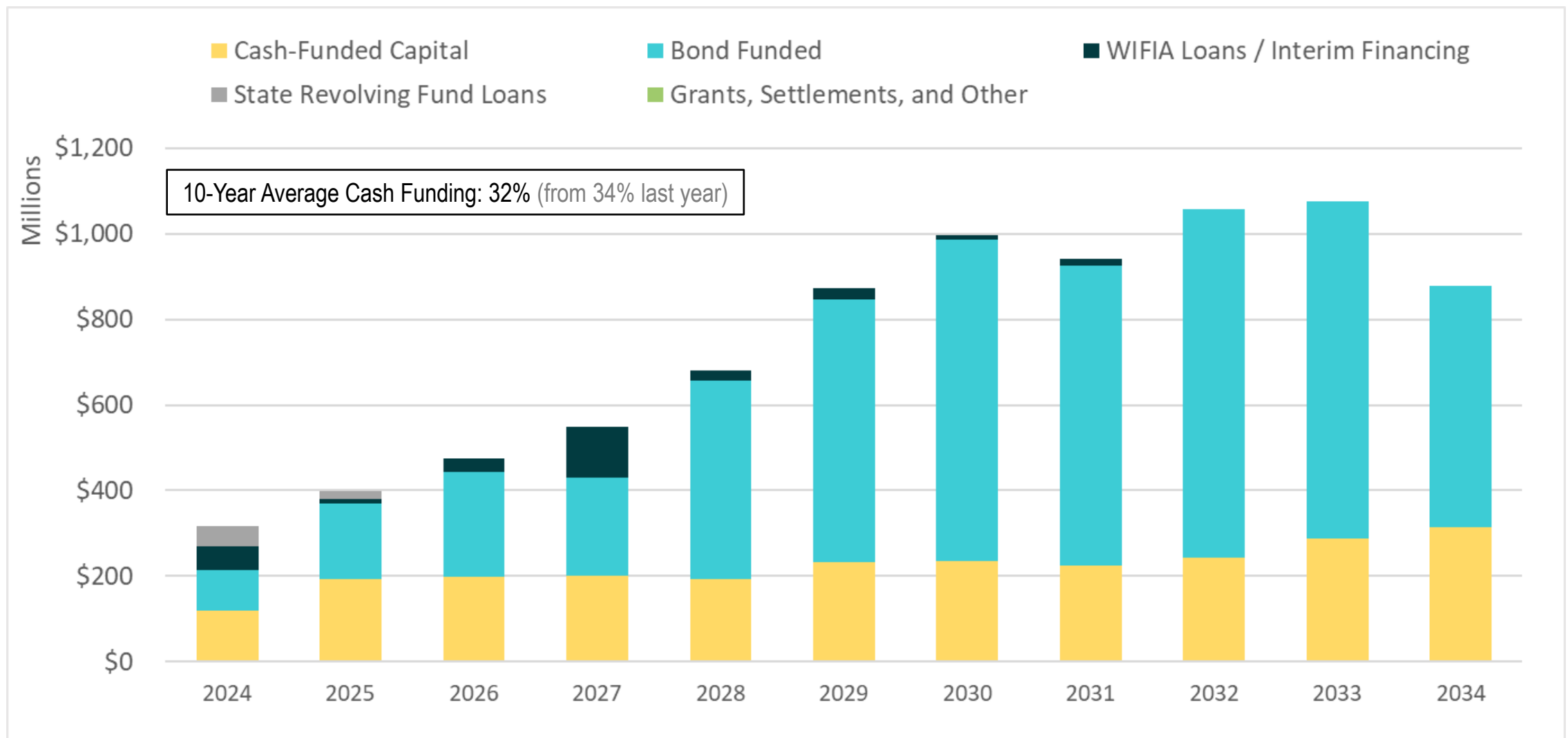
- Same rate for 2025 as projected last year – 5.75% increase to \$58.28 monthly
- Continues prioritization of most critical asset management projects
- Continues to assume 2040 CSO Consent Decree completion - modification negotiations nearing end
- Continues to support increasing capital program and operations staffing needs.
- Continues cash funding approach based on depreciation – average 32% cash funding of CIP over 10-year forecast period.
- Continues lower accomplishment rate near term - review this approach later this year

Capital Improvement Plan by Portfolio Category

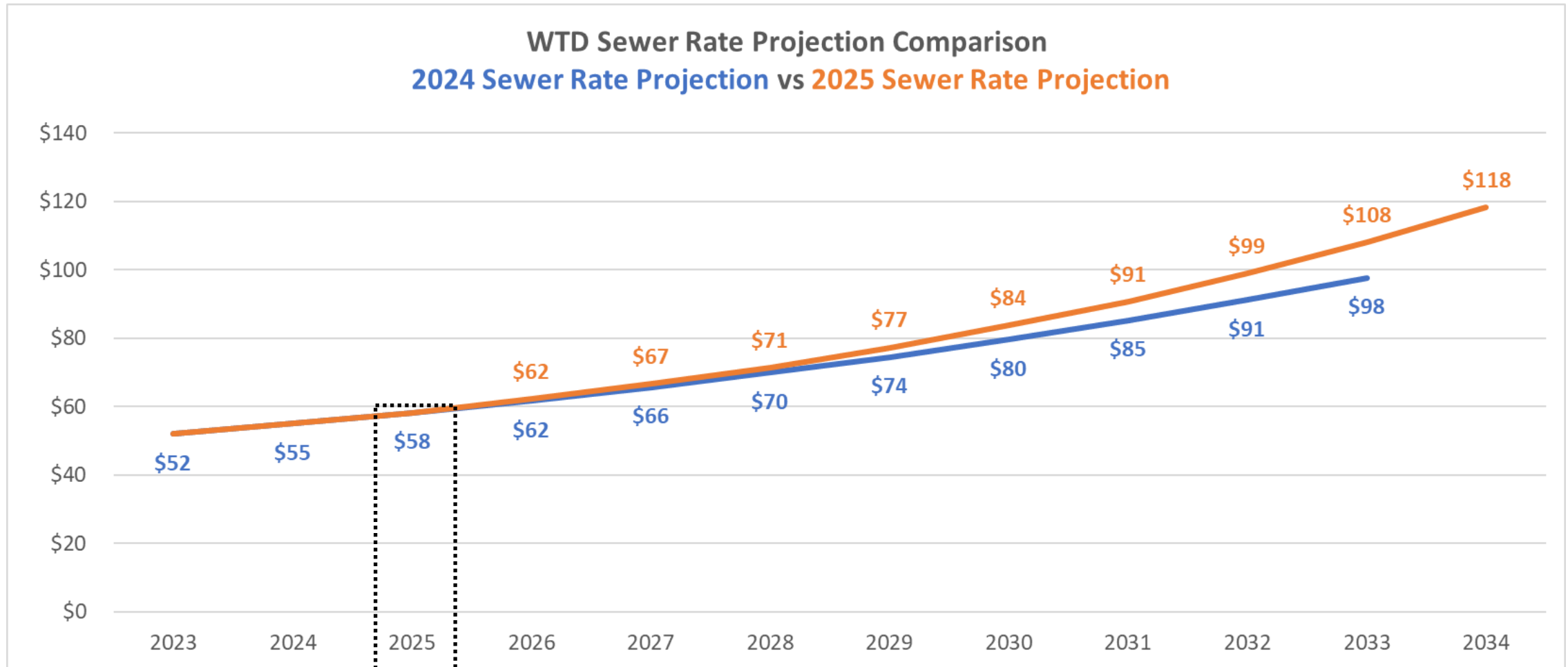


Regulatory category excludes any potential nutrient or PFAS requirements

Capital Funding Forecast



Rate Impacts – 2024 Rate Projection vs 2025 Rate Projection



Capacity Charge

Capacity Charge	2024	2025	2026	2027	2028	2029	2030
Monthly Charge	\$74.23	\$76.09	\$77.99	\$79.94	\$81.94	\$83.99	\$86.09
Increase %	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Increase \$	\$2.05	\$1.86	\$1.90	\$1.95	\$2.00	\$2.05	\$2.10
Upfront Payment*	\$10,105	\$10,358	\$10,616	\$10,882	\$11,154	\$11,433	\$11,719

*Discount rate of 4.01%

- Capacity charge based on Regional Wastewater Services Plan (RWSP). The current RWSP planning horizon ends in 2030
- The calculation is updated on a three-year cycle (this is year 2)
- In 2021, WTD hired Raftelis to perform a *“capacity charge study that will review the existing charge methodology, engage regional stakeholders, and calculate alternative methodologies for assessing a capacity charge fee”*
 - MWPAAC Capacity Charge Work Group met three times in 2021 to discuss the consultant study and recommendations
 - Work was paused, but WTD now working with the consultant to resume this study

Affordability

- Sewer rates are forecast to **continue to rise**, with rates doubling over next ten years.
- The wastewater treatment system is **funded almost entirely by local ratepayers**, and low-income ratepayers are the most vulnerable to rate increases.
- Federal financial help is via loans (State Revolving Fund or SRF and Water Infrastructure Finance and Innovation Act or WIFIA) and not grants, so **rates must still rise** to pay those back.
- King County is not prioritized for some funding options because impacts to low-income ratepayers in our service area are **obscured by the state's approach** to assessing disadvantaged communities.
- WTD working with National Association of Clean Water Agencies (NACWA), EPA, and others to:
 - Reduce utility costs for low-income households by encouraging EPA to provide **guidance to state agencies** like Washington State Department of Ecology to improve access for utilities like King County
 - Create a **new federal grant program** or forgivable loan program for wastewater utilities

Regional Wastewater Services Plan (RWSP) update

Our mission

- *We protect public health and the environment by collecting and cleaning wastewater while recovering valuable resources for a healthy and resilient Puget Sound*

Opportunity with this process

- Create the system we want future generations to inherit



Long-term Financial and Sewer Rate Forecasting

The Wastewater Treatment Division (WTD) will develop and maintain a long-term financial and sewer rate forecast to provide additional information to decision makers during the annual rate adoption and RWSP update.

Work to date

- WTD developed a long-term capital cost forecast methodology (Motion 16410), presented to the Regional Water Quality Committee (RWQC) in April 2024
- This recommendation is a key first step in developing the long-term sewer rate forecast (Motion 16449)

Next steps

- Engage stakeholders at key milestones in the development of the long-term forecast
- Build out long-term financial forecasting capabilities and associated documentation

Important Dates

- July 2024 – WTD to present progress update to RWQC
- April 2025 – WTD to present progress update to RWQC
- July 2025 – WTD to present long-term forecasts to RWQC

Next Steps

May 22 (tentative) – County’s Budget and Fiscal Management Committee considers proposed 2025 sewer rate and capacity charge

June – County Council consideration





**Contact
Information**

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