



## Meeting Minutes

### Agency Representatives:

- Walt Canter, Cedar River Water and Sewer District
- Dave Christensen, City of Renton
- Don Davidson, City of Bellevue
- Trisha Erickson, City of Seattle/Seattle Public Utilities (Chair)
- Ken Goodwin, Alderwood Water and Wastewater District
- Ron Sheadel, Cedar River Water and Sewer District
- Ron Speer, Soos Creek Water and Sewer District
- Scott Thomasson, City of Redmond
- Anne Weigle, City of Bellevue

### King County Wastewater Treatment Staff:

- Tim Aratani, Finance & Administration Section Manager
- Tom Lienesch, Economist
- Dennis Barnes, Senior Financial Analyst
- Greg Holman, Financial Services Administrator
- Mary Ann Ness, Business & Finance Officer IV
  
- PJ Callahan, Communications Specialist IV (Scribe)

**Presenter: Dennis Barnes**

### 1. Topic: Debt Service Schedules/ Bond History

#### a. Discussion:

- i. Brightwater is expected to add \$800-900 million during 2008-10 to outstanding debt.
- ii. Debt is issued for entire capital program, not individual projects.
- iii. Concerns about 40-year financing and whether subsequent expansions will cause debt to pile on top of earlier debt because debt extends beyond capacity of plant.
- iv. Overall capacity of county issue for general obligation bonds. County bond rating versus utility bond rating explained.
- v. Discussed refunding of water quality bond history.
- vi. Compared KCWTD utility debt service (80%) to asset ratio and how it compares with other utilities. WTD uses shorter useful life years (34) than other utilities (about 40). Looking at changing policy to longer useful life, which would lower debt/asset ratio. Ratio gives snapshot of how highly leveraged you are. KC more highly leveraged, but not affecting bond rating.
- vii. Brightwater will add assets at same time as debt, so ratio will not go up significantly.
- viii. RCEs projected to grow at 0.5% per year. If RCEs conversion factor lowered to 600 CF, commercial RCEs will likely go up.
- ix. Survey coming regarding anticipated growth.
- x. Surety bonds have been used for several years and will continue.

b. **Decisions:** None.

### 2. Topic: Financial Principles

#### a. Discussion

- i. Described debt service coverage ratios. Minimum ratio standards used for setting sewer rates. Rate stabilization usage targeted to achieve 1.15 debt service coverage. WTD debt service coverage ratios fairly low compared to other entities. Comparison to be provided at next meeting. Pay as you go results in higher near-term rates. Debt service results in stability across years.
- ii. Cash liquidity approximately 15% of operating expenses.
- iii. Disaster reserve \$15M. Established at time of Seattle earthquake.
- iv. Variable debt limit 15%. May expand up to 20%. Variable debt rates 1-2 percentage points lower historically. Current rate is 4.6-4.7%.
- v. Accounting: DSC GAAP based. FAS-71 enables WTD to pursue multi-year rates, move the recognition of revenue between years (rate stabilization), expense emergency (move expense between years) and environmental remediation (asset vs. operating expense). Duwamish cleanup, sediment management plan are examples of environmental remediation. Called regulated asset amortized over 20-30 years.

- vi. General assumptions: If value of dollar goes down, the US will import less, i.e. pipe. New connections are trending higher than projections. Tearing down old buildings and building taller buildings or more buildings on same lot is adding to capacity quicker than anticipated in long-range planning.
- vii. Depreciation is not funded and does not impact the sewer rate.
- viii. 2008-2010 Brightwater approximately 65% of capital expenditures. WTD looking at capital projects that can be delayed until Brightwater completed.

b. **Decisions:** None

**3. Topic: Wastewater Treatment Basics**

a. **Discussion:**

- i. Provided slides from China delegation presentation (September 27, 2007) that gives overview of WTD financing.
- ii. State Revolving Fund loan pool shrinking and more competition. Public Trust Loans maximum able to apply for is \$10M.
- iii. Group would like to see more done to coordinate legislation to have capacity charge be required at time of connection and not financed (growth pays for growth at time of connection). Currently voluntary with 5.5% discount.
- iv. Group would like updates on actions lowering 750 cubic feet per RCE to 600 cubic feet.
- v. Suggested that monthly sewer rates versus inflation graph should go back to 1994, when King County took over system.

b. **Decisions:**

- i. Recommend supporting legislation to require new connections (capacity charge) be paid in lump sum at time of connection rather than via monthly capacity charge.
- ii. Recommend calculating actual RCE cubic feet usage for future action on RCE rate.

**4. Topic: 2009 Sewer Rate and Capacity Charge**

a. **Discussion:**

- i. Group will be asked to provide recommendations to help lower 2009 rate increase. Capital projects will be available to review at our next meeting.
- ii. Multi-year rates result in greater rate increases in the next rate period..
- iii. Council and Executive have indicated \$5 increase is too high.
- iv. Capital projects that are major drivers of the rate (Brightwater and Reclaimed Water) have already been approved. The Committee will look at other projects for potential rate relief.

b. **Decisions:**

- i. Recommend a single-year rate increase in 2009.

**5. Topic: Future Meeting Calendar**

- a. Group prefers Fridays mornings.