



King County

1200 King County
Courthouse
516 Third Avenue
Seattle, WA 98104

Meeting Agenda

Budget and Fiscal Management Committee

Councilmembers:

Rod Dembowski, Chair;

Jorge L. Barón, Vice Chair;

Steffanie Fain, Rhonda Lewis, Teresa Mosqueda, Sarah Perry

Lead Staff: April Sanders (206-263-3412)

Committee Clerk: Gabbi Williams (206-477-7470)

9:30 AM

Wednesday, May 27, 2026

Hybrid Meeting

Hybrid Meetings: Attend King County Council committee meetings in person in Council Chambers (Room 1001), 516 3rd Avenue in Seattle, or through remote access. Details on how to attend and/or provide comment remotely are listed below.

Pursuant to K.C.C. 1.24.035 A. and F., this meeting is also noticed as a meeting of the Metropolitan King County Council, whose agenda is limited to the committee business. In this meeting only the rules and procedures applicable to committees apply and not those applicable to full council meetings.

HOW TO PROVIDE PUBLIC COMMENT: The Budget and Fiscal Management Committee values community input and looks forward to hearing from you on agenda items.

There are three ways to provide public comment:

1. **In person:** You may attend the meeting and provide comment in the Council Chambers.
2. **By email:** You may comment in writing on current agenda items by submitting your email comments to committees@kingcounty.gov. If your email is received before 8:00 a.m. on the day of the meeting, your email comments will be distributed to the committee members and appropriate staff prior to the meeting.
3. **Remote attendance at the meeting by phone or computer** (see "Connecting to the Webinar" below).

	<p>Sign language and interpreter services can be arranged given sufficient notice (206-848-0355). TTY Number - TTY 711.</p> <p>Council Chambers is equipped with a hearing loop, which provides a wireless signal that is picked up by a hearing aid when it is set to 'T' (Telecoil) setting.</p>	
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You are not required to sign up in advance. Comments are limited to current agenda items.

You have the right to language access services at no cost to you. To request these services, please contact Language Access Coordinator, Tera Chea at 206-477-9259 or email tera.chea2@kingcounty.gov by 8:00 a.m. three business days prior to the meeting.

CONNECTING TO THE WEBINAR:

Webinar ID: 867 1228 9077

By computer using the Zoom application at <https://zoom.us/join> and the Webinar ID above.

Via phone by calling 1-253-215-8782 and using the Webinar ID above.

HOW TO WATCH/LISTEN TO THE MEETING REMOTELY: There are several ways to watch or listen in to the meeting:

- 1) Stream online via this link: <http://www.kingcounty.gov/kctv>, or input the link web address into your web browser.
- 2) Watch King County TV on Comcast Channel 22 and 322(HD) and Astound Broadband Channels 22 and 711(HD)
- 3) Listen to the meeting by telephone – See “Connecting to the Webinar” above.

To help us manage the meeting, if you do not wish to be called upon for public comment please use the Livestream or King County TV options listed above, if possible, to watch or listen to the meeting.

1. **Call to Order**



2. **Roll Call**

3. **Approval of Minutes p. 4**

May 13, 2026 Meeting Minutes

4. **Public Comment**

To show a PDF of the written materials for an agenda item, click on the agenda item below.

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Discussion and Possible Action

5. [Proposed Ordinance No. 2026-0104](#) p. 7

AN ORDINANCE authorizing the issuance and sale of one or more series of sewer revenue bonds and limited tax general obligation bonds (payable from sewer revenues) of the county in an aggregate principal amount not to exceed \$1,000,000,000 to provide funds for acquiring and constructing improvements to the sewer system and to pay the costs of issuing such bonds; authorizing the issuance and sale of one or more series of sewer revenue bonds and limited tax general obligation bonds (payable from sewer revenues) of the county to refund outstanding obligations of the county payable from sewer revenues and to pay the costs of issuing such refunding bonds; pledging sewer revenues to pay the principal of and interest on sewer revenue bonds issued under this ordinance; pledging the annual levy of taxes and an additional pledge of sewer revenues to pay the principal of and interest on limited tax general obligation bonds (payable from sewer revenues) issued under this ordinance; delegating authority to the county's Finance Director to approve the issuance and sale of sewer revenue bonds and limited tax general obligation bonds (payable from sewer revenues) within specified parameters; and providing for the form, terms and covenants of the bonds issued under this ordinance.

Sponsors: Dembowski

Jenny Giambattista, Council staff

Discussion Only

6. [Proposed Ordinance No. 2026-0103](#) p. 117



AN ORDINANCE relating to rates and charges for sewage treatment and disposal; and amending Ordinance 12353, Section 2, as amended, and K.C.C. 4A.670.100, Ordinance 18745, Section 2, as amended, and Ordinance 11398, Section 1, as amended, and K.C.C. 28.84.055.

Sponsors: Dembowski

Jenny Giambattista and Andy Micklow, Council staff

Other Business

Adjournment

	<p>Sign language and interpreter services can be arranged given sufficient notice (206-848-0355). TTY Number - TTY 711. Council Chambers is equipped with a hearing loop, which provides a wireless signal that is picked up by a hearing aid when it is set to 'T' (Telecoil) setting.</p>	
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King County

1200 King County
Courthouse
516 Third Avenue
Seattle, WA 98104

Meeting Minutes Budget and Fiscal Management Committee

Councilmembers:
Rod Dembowski, Chair;
Jorge L. Barón, Vice Chair;
Steffanie Fain, Rhonda Lewis, Teresa Mosqueda, Sarah Perry

Lead Staff: April Sanders (206-263-3412)
Committee Clerk: Gabbi Williams (206-477-7470)

9:30 AM

Wednesday, May 13, 2026

Hybrid Meeting

DRAFT MINUTES

1. **Call to Order**

Vice Chair Barón called the meeting to order at 9:34 a.m.

2. **Roll Call**

Present: 5 - Barón, Dembowski, Fain, Lewis and Perry

Excused: 1 - Mosqueda

3. **Approval of Minutes**

Councilmember Lewis moved approval of the April 22, 2026, meeting minutes. There being no objections, the minutes were approved.

4. **Public Comment**

There was no one present wishing to provide public comment.

Discussion Only

5. [Proposed Ordinance No. 2026-0071](#)

AN ORDINANCE making a net supplemental appropriation of \$48,730,000 to various general fund agencies, a net supplemental appropriation of \$136,073,000 to various non-general fund agencies and a net supplemental appropriation of \$208,368,141 from various capital fund budgets; amending the 2026-2027 Biennial Budget Ordinance, Ordinance 20023, Sections 16, 21, 21, 33, 33, 34, 34, 35, 43, 43, 46, 47, 50, 51, 51, 52, 53, 54, 55, 59, 60, 60, 64, 64, 70, 70, 71, 79, 80, 82, 83, 87, 90, 90, 91, 94, 94, 96, 96, 98, 98, 101, 102, 102, 103, 104, 105, 107, 109, 109, 110, 110, 111, 111, 115, 115, 116, 116, 122, 124, 126, 132, and 132, as amended, and Attachment A, as amended, adding a new section to Ordinance 20023, as amended, and repealing Ordinance 20023, Sections 17, 18, 19, 20, 27, and 28, as amended.

Gene Paul and Olivia Brey, Council staff, briefed the committee and answered questions from the members. April Sanders, Council staff, addressed the committee. Aaron Rubardt, Director, Office of Performance, Strategy and Budget, addressed the committee and answered questions from the members.

Councilmember Barón disclosed on the record a potential conflict of interest.

This matter was Deferred

Discussion and Possible Action

6. [Proposed Ordinance No. 2026-0083](#)

AN ORDINANCE amending an interim loan program to facilitate acquisition of property for low-income housing, allowing for the executive to extend loan terms and grant further flexibility to county partners; and amending Ordinance 16693, Section 3, as amended, and K.C.C. 24.22.020, Ordinance 16693, Section 4, and K.C.C. 24.22.030, and Ordinance 16693, Section 5, and K.C.C. 24.22.040.

April Sanders, Council staff, briefed the committee and answered questions from the members. Jelani Jackson, Acting Director, Housing and Community Development Division (HCDD), Department of Community and Human Services (DCHS); and Nate Lichti, Housing Capital Investment Manager, HCDD, DCHS, addressed the committee.

This matter was Deferred

Discussion Only

7. [Proposed Ordinance No. 2026-0066](#)

AN ORDINANCE updating the capacity charge methodology; and amending Ordinance 13680, Section 16, as amended, and K.C.C. 28.86.160.

Andy Micklow and Jenny Giambattista, Council staff, briefed the committee and answered questions from the members. Caitlyn Hall, Chief Financial Officer, Wastewater Treatment Division (WTD) and Luke Slaughterbeck, Senior Financial Analyst, WTD, answered questions from the members.

This matter was Deferred

Other Business

There was no further business to come before the committee.

Adjournment

The meeting was adjourned at 11:20 a.m.

Approved this _____ day of _____.

Clerk's Signature



King County

**Metropolitan King County Council
Budget and Fiscal Management Committee**

STAFF REPORT

Agenda Item:	5	Name:	Jenny Giambattista
Proposed No.:	2026-0104	Date:	May 27, 2026

SUBJECT

Proposed Ordinance 2026-0104 would authorize the issuance and sale of sewer revenue bonds and limited tax general obligation bonds in an amount not to exceed \$1.0 billion to provide funds for acquiring and constructing improvements to the sewer system through 2027 and issuance of refunding bonds without limitation to “refinance” outstanding sewer system debt to reduce future debt service costs.

SUMMARY

The Wastewater Treatment Division’s (WTD) capital program is funded primarily through the issuance of bonded indebtedness, including sewer revenue bonds and general obligation bonds that are payable from sewer revenues and also backed by the county’s General Fund. Proposed Ordinance 2026-0104 would authorize the sale of up to an aggregate principal amount of \$1.0 billion in bonded indebtedness for wastewater construction purposes, and would also authorize the issuance of refunding bonds without amount limitation to “refinance” outstanding sewer system debt to reduce future debt service costs.

Consistent with prior sewer revenue ordinances, proposed Ordinance 2026-0104 would continue to grant the finance director the authority to approve bond sale actions within specified criteria. Historically, a debt service reserve fund (DSRF) was required by WTD bond covenants, which was based upon industry best practices. Over the last decade the industry has moved away from utilizing DSRFs because they are very restrictive in nature. Accordingly, WTD bond covenants no longer require the DSRF to be funded. This authority delegated to the finance director by this ordinance would expire on December 31, 2027.

BACKGROUND

King County’s regional wastewater treatment system operates three regional wastewater treatment plants, two localized treatment plants, more than 390 miles of sewer interceptors, 48 pump stations, 25 regulator stations, and various related facilities and systems. The regional system receives wastewater from cities and sewer districts

and conveys it to treatment facilities for treatment and discharge. The 2026-2027 biennial capital budget for King County’s Water Quality Construction Fund, which supports system upgrades, maintenance, and replacement is \$1.3 billion. Major capital undertakings include the construction of Combined Sewer Overflow control facilities, treatment plant upgrades and repair, and other costs.

Sale of Bonds. The Wastewater Treatment Division’s (WTD) capital program has historically been funded primarily by the sale of bonds authorized by Council, consistent with Wastewater Financial Policies provided for in King County Code:

28.86.160 Financial policies FP-13: The wastewater system’s capital program shall be financed predominantly by annual staged issues of long-term general obligation or sewer revenue bonds.

WTD currently carries an outstanding principal of approximately \$3.6 billion of bonded indebtedness, based on the long-term capital program described above. Table 1 provides a breakdown of the bonds by the type of debt instrument. Bonds are repaid by scheduled debt service payments supported by the sewer rate approved annually by the King County Council. According to information provided with the Council’s consideration of the 2027 sewer rate, total debt service payments for 2026 are forecasted at \$315 million.

**Table 1.
Summary of Outstanding Wastewater Debt Obligations**

Debt Type	Outstanding Principal as of 12/31/25
Sewer Revenue Bonds	\$ 2,123,758,000
Sewer/LTGO Bonds	\$ 668,850,000
Variable Rate Sewer Revenue Bonds	\$ 556,610,000
Commercial Paper	\$ 183,900,000
State Loans	\$ 339,901,000
Total	\$ 3,873,019,000

ANALYSIS

Proposed Ordinance 2026-0104 would serve as the successor to Ordinance 19785, which expires in December 2026. Proposed Ordinance 2026-0104 would serve as the bond financing mechanism for the WTD capital projects that are included in the 2026-2027 biennial budget. The proposed ordinance would authorize the sale of up to an aggregate principal amount of \$1.0 billion in bonded indebtedness for wastewater construction purposes and would continue to grant the Finance Director the authority to approve bond sale actions within specified criteria. Additionally, the authorization period would be extended through 2027.

The proposed ordinance would also continue to authorize the issuance of senior lien refunding bonds, with no dollar limitation, during the remainder of the biennium to reduce debt service costs on outstanding bonds whenever the savings exceed certain targets identified in the County's Debt Management Policy as adopted by Motion 15984.

The proposed ordinance also includes minor edits to achieve further consistency with the County's existing junior lien debt ordinance and clarifying language relating to the maximum term for WIFIA loans and the designation by WTD of debt service funds and accounts.

Since enactment of Ordinance 19785, the Finance Director has been authorized to set the reserve requirement as the Finance Director deems appropriate. (The previous reserve requirement, based on the annual parity debt service, was \$154 million.) With this new authority, the County can create different reserve requirements for different sets of parity bonds, including the bonds themselves. The County could also lower any reserve requirement, even down to zero, in any calendar year, as long as it is less than the maximum annual parity debt service.

In 2025, WTD moved the entire cash portion of the Debt Service Reserve Fund (DSRF) account into a Redemption Account (\$37.0 million) to fund future bond payments, a Voluntary Reserve (\$83.2 million) to act as cash on hand to manage short-term liquidity, and into longer dated investments managed by the County (\$10.6 million). A Debt Redemption Account is a restricted account used to accumulate funds designated for the repayment, redemption, or defeasance of outstanding debt obligations. Amounts held in the account may be used to pay scheduled principal and interest or to retire debt prior to maturity in accordance with bond covenants or applicable financial policies. Currently, there are no funds in the DSRF. WTD has still maintained its investments of \$29.6 million in surety bonds.

Fiscal Impact. The fiscal note (Attachment 2) forecasts the anticipated revenues from the sale of bonds authorized from Proposed Ordinance 2026-0104 would be \$1.0 billion. The fiscal note states the total debt authorization includes \$453.8 million of new bond issuance, \$149.3 of WIFIA loan agreements, \$300.0 million of defeasance (refinancing), and \$96.0 million of buffer debt issuance. The anticipated debt service from this bond issuance is projected to be \$307.8 million between 2027 to 2031.

Refinancing. While the executive's fiscal note does not forecast savings from potential refinancing, if WTD can replace the existing bonds for lower-cost bonds, there would be savings for ratepayers. The savings from refinancing are dependent on favorable market conditions, so savings are not assumed. Per the county's adopted Debt Management Policy, for WTD do a refinancing of a bond, it must meet the savings thresholds that are outlined in the debt policy. During the period of this ordinance there are \$124 million of outstanding bonds that will become callable and will be evaluated for refunding opportunities per the debt policy.

AMENDMENT

None

INVITED

- Carol Basile, Public Finance Officer, Department of Executive Services
- Caitlyn Hall, Wastewater Treatment Division Chief Financial Officer, Department of Natural Resources and Parks
- Chris McGowan, Senior Budget Analyst, Executive Office

ATTACHMENTS

1. Proposed Ordinance 2026-0104 and its attachments
2. Transmittal Letter
3. Fiscal Note



KING COUNTY
Signature Report

ATTACHMENT 1
1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Ordinance

Proposed No. 2026-0104.1

Sponsors Dembowski

1 AN ORDINANCE authorizing the issuance and sale of one
2 or more series of sewer revenue bonds and limited tax
3 general obligation bonds (payable from sewer revenues) of
4 the county in an aggregate principal amount not to exceed
5 \$1,000,000,000 to provide funds for acquiring and
6 constructing improvements to the sewer system and to pay
7 the costs of issuing such bonds; authorizing the issuance
8 and sale of one or more series of sewer revenue bonds and
9 limited tax general obligation bonds (payable from sewer
10 revenues) of the county to refund outstanding obligations of
11 the county payable from sewer revenues and to pay the
12 costs of issuing such refunding bonds; pledging sewer
13 revenues to pay the principal of and interest on sewer
14 revenue bonds issued under this ordinance; pledging the
15 annual levy of taxes and an additional pledge of sewer
16 revenues to pay the principal of and interest on limited tax
17 general obligation bonds (payable from sewer revenues)
18 issued under this ordinance; delegating authority to the
19 county's Finance Director to approve the issuance and sale
20 of sewer revenue bonds and limited tax general obligation

21 bonds (payable from sewer revenues) within specified
22 parameters; and providing for the form, terms and
23 covenants of the bonds issued under this ordinance.

24 PREAMBLE:

25 The county owns and operates facilities for the conveyance and treatment
26 of sewage and control of combined sewer overflows that include
27 wastewater treatment plants, interceptor and trunk sewers, pumping
28 stations, regulator stations, outfall sewers, storm sewers to divert
29 stormwater from sanitary sewers, lands for application of biosolids,
30 property rights, and buildings and other structures and equipment
31 (collectively, the "System"), all in accordance with a comprehensive plan
32 for metropolitan water pollution abatement under the authority of chapters
33 36.56 and 35.58 of the Revised Code of Washington ("RCW").

34 Long-term service agreements with participating municipalities and other
35 entities (the "Participants") obligate the county to treat and dispose of
36 sewage collected by the Participants. The Participants must pay the costs
37 of these services including debt service on bonds payable from sewer
38 revenues, including the bonds authorized by this ordinance, and other
39 indebtedness payable from and secured by sewer revenues. Comparable
40 rates and charges have been established for customers who deliver sewage
41 to the System but are not subject to a contract with the county for this
42 service.

43 In accordance with RCW 35.58.200(3), the county has declared that the
44 health, safety and welfare of people within the metropolitan area require
45 that certain Participants discharge sewage collected by those Participants
46 into facilities of the System.

47 It is necessary and desirable for the county to issue and sell, from time to
48 time, one or more series of its bonds payable from sewer revenues in an
49 aggregate principal amount not to exceed \$1,000,000,000 (the "Project
50 Bonds") to pay costs of capital improvements to the System, in accordance
51 with the Comprehensive Plan and the Capital Improvement Budget, and to
52 pay the costs of issuing the bonds.

53 In addition, the county may have opportunities to refund, including by
54 purchase or exchange, or defease all or portions of its currently
55 outstanding obligations of the county payable from sewer revenues, in
56 each case to effect a saving to the county and ratepayers of the System or
57 when necessary or in the best interest of the county and ratepayers of the
58 System to modify debt service or reserve requirements, sources of
59 payment, covenants or other terms of the obligations to be refunded.

60 The county has issued its sewer revenue bonds secured by a senior lien on
61 Revenue of the System, as set forth in Attachment A, Section I, to this
62 ordinance (as further defined herein, the "Parity Bonds").

63 The county has issued its limited tax general obligation bonds additionally
64 secured by a lien on Revenue of the System junior and subordinate to the

65 lien thereon of the Parity Bonds, as set forth in Attachment A, Section II,
66 to this ordinance (as further defined herein, the "Parity Lien Obligations").

67 The county has issued its sewer revenue bonds secured by a lien on
68 Revenue of the System junior and subordinate to the lien thereon of the
69 Parity Lien Obligations, as set forth in Attachment A, Section III, to this
70 ordinance (as further defined herein, the "Junior Lien Obligations").

71 The county has issued its limited tax general obligation bonds additionally
72 secured by a lien on Revenue of the System junior and subordinate to the
73 lien thereon of the Junior Lien Obligations (as further defined herein, the
74 "Multi-Modal LTGO/Sewer Revenue Bonds"), which includes multi-
75 modal limited tax general obligation notes (payable from sewer revenues)
76 in the commercial paper mode, as set forth in Attachment A, Section IV,
77 to this ordinance.

78 The county has reserved the right to issue certain revenue bonds or other
79 revenue obligations with a lien on Revenue of the System junior and
80 inferior to the lien thereon of the Multi-Modal LTGO/Sewer Revenue
81 Bonds (as further defined herein, the "Subordinate Lien Obligations").

82 The county has entered into loan agreements with the State Department of
83 Ecology under the State water pollution control revolving fund loan
84 program (the "SRF Loans") and with the State Department of Commerce
85 under the Public Works Board loan program (the "Public Works Board
86 Loans"), the repayment obligations of which are secured by a lien on

87 Revenue of the System junior and subordinate to the lien thereon of the
88 Subordinate Lien Obligations.

89 It is necessary and advisable for the county to issue and sell, from time to
90 time, one or more series of its bonds payable from sewer revenue (the
91 "Refunding Bonds," and together with the Project Bonds, the "Bonds") to
92 effect the refunding of Parity Bonds, Parity Lien Obligations, Junior Lien
93 Obligations, Multi-Modal LTGO/Sewer Revenue Bonds, SRF Loans and
94 Public Works Board Loans, and any Future Parity Bonds, Future Parity
95 Lien Obligations, Future Junior Lien Obligations, Future Multi-Modal
96 LTGO/Sewer Revenue Bonds, Subordinate Lien Obligations, and future
97 SRF Loans and Public Works Board Loans, and to pay the costs of issuing
98 the bonds and accomplishing the refunding.

99 It is in the best interest of the county to designate, pursuant to RCW
100 39.46.040 and other authority of the county, the county's Finance Director
101 to serve as its designated representative to accept offers to purchase the
102 Bonds on behalf of the county consistent with terms and parameters
103 established by this ordinance and county debt policy.

104 As designated representative, the Finance Director has authority to sell the
105 Bonds in one or more series, as either Parity Bonds or Parity Lien
106 Obligations, or a combination thereof, by competitive bid or negotiated
107 sale, or to the federal government or another direct purchaser, and to
108 identify any obligations to be refunded, including by purchase or
109 exchange, with the proceeds of the Bonds, all in consultation with the

110 county's financial advisors, and consistent with terms and parameters
111 established by this ordinance and county debt policy.

112 The sale of any series of the Bonds shall be reported to the county council
113 and the Executive Finance Committee, as part of the annual report
114 provided for in this ordinance.

115 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

116 SECTION 1. Definitions. The following words and terms as used in this
117 ordinance have the following meanings for all purposes of this ordinance, unless some
118 other meaning is plainly intended.

119 "Accreted Value" means, for any Capital Appreciation Bonds, as of any date of
120 calculation, the sum of the amounts set forth in the ordinance, resolution or Sale
121 Document authorizing such bonds, representing the initial principal amount of such
122 bonds plus the interest accumulated, compounded and unpaid thereon as of the most
123 recent compounding date, as provided in the ordinance, resolution or Sale Document
124 authorizing the issuance of such bonds; provided, that if such calculation is not made as
125 of a compounding date, such amount shall be determined by straight-line interpolation as
126 of the immediately preceding and the immediately succeeding compounding dates.

127 "Agency Customer" means any city, town, water-sewer district or other political
128 subdivision, person, firm, private corporation or other entity that collects sewage from
129 customers and disposes of any portion of that sewage into the System and is not a
130 Participant.

131 "Annual Debt Service" means, for any calendar year, the sum of the following:

132 1. The interest due on all outstanding Parity Bonds and Parity Lien
133 Obligations: (a) on all interest payment dates other than January 1 in such calendar year;
134 and (b) on January 1 of the next succeeding year, and any Payment Agreement Payments
135 due on such dates in respect of any Parity Payment Agreements and Parity Lien
136 Obligation Payment Agreements, minus any Payment Agreement Receipts due in such
137 period in respect of any Parity Payment Agreements and Parity Lien Obligation Payment
138 Agreements.

139 a. For purposes of calculating the amounts required to pay
140 interest on Parity Bonds or Parity Lien Obligations, capitalized interest and accrued
141 interest paid to the county upon the issuance of Parity Bonds or Parity Lien Obligations
142 shall be excluded and interest on any Balloon Maturity shall also be excluded.

143 b. The amount of interest deemed to be payable on any issue
144 of Variable Rate Parity Bonds or Variable Rate Parity Lien Obligations shall be
145 calculated on the assumption that the interest rate on those bonds would be equal to the
146 rate that is the average of the SIFMA Municipal Swap Index over the 10 calendar years
147 preceding the quarter in which the calculation is made (the "assumed variable rate");
148 provided, that for purposes of determining actual compliance in any past calendar year
149 with the rate covenant made in section 18 of this ordinance, the actual amount of interest
150 paid on any issue of Variable Rate Parity Bonds or Parity Lien Obligations shall be taken
151 into account;

152 2. The principal due, at maturity or upon the mandatory redemption
153 of Term Bonds prior to their maturity, for all outstanding Parity Bonds and Parity Lien
154 Obligations other than any Balloon Maturity: (a) on all principal payment dates other

155 than January 1 of such calendar year; and (b) on January 1 of the next succeeding year;
156 and

157 3. The Assumed Debt Service for any Balloon Maturity of a Parity
158 Bond or Parity Lien Obligation for that calendar year.

159 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or
160 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation
161 Bonds shall be included in the calculation of Annual Debt Service, and references in this
162 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
163 upon the mandatory redemption of any Capital Appreciation Bonds.

164 Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien
165 Obligations with respect to which a Payment Agreement is in force shall be calculated by
166 the county to reflect the net economic effect on the county intended to be produced by the
167 terms of the Parity Bonds or Parity Lien Obligations and the terms of the applicable
168 Payment Agreement, in accordance with the requirements for Payment Agreements set
169 forth in section 27 of this ordinance and any other applicable requirements from the
170 ordinances authorizing the issuance of such Parity Bonds or Parity Lien Obligations.

171 For purposes of satisfying the rate covenant in section 18.B. of this ordinance and
172 the tests for the issuance of additional Parity Lien Obligations in section 25 of this
173 ordinance, Annual Debt Service for any fiscal year or calendar year shall exclude any
174 Debt Service Offsets, i.e., any Debt Service Offsets shall be deducted from Annual Debt
175 Service.

176 "Annual Parity Debt Service" means, for any calendar year, the sum of the
177 following:

178 1. The interest due on all outstanding Parity Bonds: (a) on all interest
179 payment dates other than January 1 in such calendar year; and (b) on January 1 of the
180 next succeeding year, and any Payment Agreement Payments due on such dates in
181 respect of Parity Payment Agreements, minus any Payment Agreement Receipts due in
182 such period in respect of such Parity Payment Agreements.

183 a. For purposes of calculating the amounts required to pay
184 interest on Parity Bonds, capitalized interest and accrued interest paid to the county upon
185 the issuance of Parity Bonds shall be excluded and interest on any Balloon Maturity shall
186 also be excluded.

187 b. The amount of interest deemed to be payable on any issue
188 of Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate
189 on those bonds would be equal to the rate that is the average of the SIFMA Municipal
190 Swap Index over the 10 calendar years preceding the quarter in which the calculation is
191 made (the "assumed variable rate"); provided, that for purposes of determining actual
192 compliance in any past calendar year with the rate covenant made in section 18 of this
193 ordinance, the actual amount of interest paid on any issue of Variable Rate Parity Bonds
194 shall be taken into account.

195 2. The principal due at maturity or upon the mandatory redemption of
196 Term Bonds prior to their maturity for all outstanding Parity Bonds other than any
197 Balloon Maturity: (x) on all principal payment dates other than January 1 of such
198 calendar year; and (y) on January 1 of the next succeeding year.

199 3. The Assumed Debt Service for any Balloon Maturity of a Parity
200 Bond for that calendar year.

201 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or
202 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation
203 Bonds shall be included in the calculation of Annual Debt Service, and references in this
204 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
205 upon the mandatory redemption of any Capital Appreciation Bonds.

206 Notwithstanding the foregoing, debt service on Parity Bonds with respect to
207 which a Payment Agreement is in force shall be calculated by the county to reflect the net
208 economic effect of the terms of the Parity Bonds and the applicable Payment Agreement,
209 in accordance with the requirements set forth in section 27 of this ordinance and any
210 other applicable requirements from the ordinances authorizing issuance of such Parity
211 Bonds.

212 For purposes of calculating the Reserve Requirement and satisfying the rate
213 covenant in section 18.A. of this ordinance and the tests for the issuance of Future Parity
214 Bonds in section 24 of this ordinance, Annual Parity Debt Service for any fiscal year or
215 calendar year shall exclude any Debt Service Offsets, i.e., any Debt Service Offsets shall
216 be deducted from Annual Parity Debt Service.

217 "Assumed Amortization Period" means an assumed amortization period for a
218 Balloon Maturity as specified in the Sale Document designating the Balloon Maturity. An
219 Assumed Amortization Period may not be longer than the lesser of: (a) the useful life, as
220 of the date of designation, of the assets being financed; and (b) 75 years. The Assumed
221 Amortization Period for a Balloon Maturity applies, i.e., is not reset, until the Balloon
222 Maturity, and any Balloon Maturity issued to refund that Balloon Maturity, is no longer
223 outstanding.

224 "Assumed Debt Service" for any Balloon Maturity for any calendar year means an
225 amount equal to the principal and interest that would be payable in each calendar year if
226 that Balloon Maturity were amortized over the Assumed Amortization Period on a
227 substantially level debt service basis, calculated based on the actual interest rate on the
228 Balloon Maturity, if fixed, and based on the average of the SIFMA Municipal Swap
229 Index over the 10 calendar years preceding the quarter in which the calculation is made,
230 if variable.

231 "Balloon Maturity" means any scheduled principal maturity of any Series of
232 Parity Bonds or Parity Lien Obligations that the county designates in the Sale Document
233 for that Series to be a Balloon Maturity for the purposes of the definitions of Annual Debt
234 Service and Annual Parity Debt Service. Any Balloon Maturity includes any
235 corresponding scheduled principal maturity of Parity Bonds or Parity Lien Obligations
236 issued to refund such Balloon Maturity unless the Balloon Maturity designation is
237 rescinded in the Sale Document approving the refunding.

238 "Beneficial Owner" means, with respect to a Bond, the owner of the beneficial
239 interest in that Bond.

240 "Bond Purchase Agreement" means any bond purchase agreement for the sale of a
241 Series of Bonds approved by the Finance Director pursuant to section 28.B. of this
242 ordinance.

243 "Bond Register" means the registration books maintained by the Registrar for
244 purposes of identifying ownership of the Bonds.

245 "Bonds" means the county's Project Bonds, Refunding Bonds or both, authorized
246 to be issued under this ordinance. The Bonds may be issued in one or more Series of
247 Parity Bonds or Parity Lien Obligations, as provided in this ordinance.

248 "Capital Appreciation Bonds" means any Parity Bonds the interest on which is
249 compounded, accumulated and payable only upon redemption or on the maturity date of
250 such Parity Bonds; provided, that Parity Bonds may be deemed to be Capital
251 Appreciation Bonds for only a portion of their term pursuant to the ordinance, resolution
252 or Sale Document authorizing their issuance. On the date on which Parity Bonds no
253 longer are Capital Appreciation Bonds, they shall be deemed outstanding in a principal
254 amount equal to their Accreted Value.

255 "Capital Improvement Budget" means the capital improvement budget of the
256 county in effect from time to time, as such budget may have been amended or
257 supplemented.

258 "Certificate of Award" means any certificate of award for the sale of a Series of
259 Bonds approved by the Finance Director pursuant to section 28.C. of this ordinance.

260 "Certified Public Accountant" means an independent certified public accountant
261 or firm of certified public accountants selected by the county and having a favorable
262 national reputation.

263 "Closing" means the delivery of a Series of the Bonds to, and payment of the
264 purchase price therefor by, the initial purchaser or purchasers of that Series of Bonds.

265 "Code" means the Internal Revenue Code of 1986 as in effect on the date of
266 issuance of a Series of Tax-Advantaged Obligations or Tax-Exempt Obligations or,
267 except as otherwise referenced herein, as it may be amended to apply to obligations

268 issued on the date of issuance of the Tax-Advantaged Obligations or Tax-Exempt
269 Obligations, together with applicable proposed, temporary, and final regulations
270 promulgated, and applicable official public guidance published, under the Code.

271 "Comprehensive Plan" means the county's comprehensive water pollution
272 abatement plan authorized by RCW 35.58.200 and defined in K.C.C. 28.82.150 as the
273 Comprehensive Sewage Disposal Plan adopted by Resolution No. 23 of the Municipality
274 of Metropolitan Seattle on April 22, 1959, and all amendments thereto, together with any
275 amendments hereafter approved by ordinance.

276 "Construction Account" means the "Water Quality Construction Fund" of the
277 County.

278 "Credit Facility" means any letter of credit, standby bond purchase agreement,
279 line of credit, surety bond, insurance policy or other insurance commitment or similar
280 agreement, but not including a Payment Agreement, satisfactory to the county, that is
281 provided by a commercial bank, insurance company or other financial institution, with a
282 current long-term rating or whose obligations thereunder are guaranteed by a financial
283 institution with a long-term rating: (a) from Moody's and S&P not lower, when issued,
284 than the credit rating of any Series of Parity Bonds, to provide support for a Series of
285 Parity Bonds, and shall include any substitute therefor in accordance with the provisions
286 of the ordinance providing for the issuance of Parity Bonds supported by a Credit
287 Facility; or (b) from Fitch, Moody's and S&P not lower, when issued, than the credit
288 rating of any Series of Parity Lien Obligations, to provide support for a Series of Parity
289 Lien Obligations, including Variable Rate Parity Lien Obligations, and shall include any

290 substitute therefor in accordance with the provisions of the ordinance providing for the
291 issuance of Parity Lien Obligations supported by a Credit Facility.

292 "Customers" means Residential Customers and Residential Customer Equivalents
293 as defined and determined in the existing Service Agreements.

294 "Debt Service Offset" means receipts of the county, including federal interest
295 subsidy payments, designated as such by the county that are not included in Revenue of
296 the System and that are legally available to pay debt service on Parity Bonds, Parity Lien
297 Obligations or other obligations of the county payable from and secured by a pledge of
298 Revenue of the System.

299 "DTC" means The Depository Trust Company, New York, New York.

300 "EPA" means the United States Environmental Protection Agency.

301 "Fair Market Value" means the price at which a willing buyer would purchase an
302 investment from a willing seller in a bona fide, arm's-length transaction, except for
303 specified investments as described in Treasury Regulation § 1.148-5(d)(6), including
304 United States Treasury obligations, certificates of deposit, guaranteed investment
305 contracts, and investments for yield-restricted defeasance escrows. Fair Market Value is
306 generally determined on the date on which a contract to purchase or sell an investment
307 becomes binding, and, to the extent required by the applicable regulations under the
308 Code, the term "investment" will include a hedge.

309 "Federal Tax Certificate" means the certificate executed by the Finance Director
310 setting forth the requirements of the Code for maintaining the tax status of the applicable
311 Tax-Advantaged Obligations or Tax-Exempt Obligations, and attachments thereto.

312 "Finance Director" means the director of the finance and business operations
313 division of the department of executive services of the county or any other county officer
314 who succeeds to the duties now delegated to that office, or the designee of such officer.

315 "Fitch" means Fitch Ratings, and its successors and assigns, except that if such
316 entity is dissolved or liquidated or no longer performs the functions of a securities rating
317 agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized
318 securities rating agency selected by the county.

319 "Future Junior Lien Obligations" means any sewer revenue bonds, warrants or
320 other obligations that may be issued in the future with a lien on Revenue of the System
321 equal to the lien thereon of the currently outstanding Junior Lien Obligations.

322 "Future Multi-Modal LTGO/Sewer Revenue Bonds" means any limited tax
323 general obligation bonds that may be issued in the future that are additionally secured by
324 a lien on Revenue of the System on a parity with the lien thereon of the currently
325 outstanding Multi-Modal LTGO/Sewer Revenue Bonds.

326 "Future Parity Bonds" means any sewer revenue bonds, warrants or other
327 obligations that may be issued in the future with a lien on Revenue of the System equal to
328 the lien thereon of the currently outstanding Parity Bonds.

329 "Future Parity Lien Obligations" means any limited tax general obligation bonds
330 that may be issued in the future that are additionally secured by a lien on Revenue of the
331 System on a parity with the lien thereon of the currently outstanding Parity Lien
332 Obligations.

333 "Government Obligations" means "government obligations," as defined in chapter
334 39.53 RCW, as such chapter may be hereafter amended or restated, except as such
335 definition is further limited in the Sale Document.

336 "Junior Lien Obligations" means the outstanding Junior Lien Obligations, which
337 are identified in Attachment A, Section III, to this ordinance, and any Future Junior Lien
338 Obligations.

339 "Letter of Representations" means the Blanket Issuer Letter of Representations
340 dated December 17, 2025, by and between the county and DTC, as it may be amended
341 from time to time, and any successor or substitute letter relating to the operational
342 procedures of the Securities Depository.

343 "Loan Agreement" means any loan agreement, including any WIFIA master
344 agreement or direct purchase agreement, for the sale of a Series of Bonds approved by the
345 Finance Director pursuant to section 28.D. of this ordinance. A WIFIA loan agreement
346 subject to a WIFIA master agreement is a supplement or amendment to such WIFIA
347 master agreement.

348 "Moody's" means Moody's Ratings, and its successors and assigns, except that if
349 such corporation is dissolved or liquidated or no longer performs the functions of a
350 securities rating agency, then the term "Moody's" shall be deemed to refer to any other
351 nationally recognized securities rating agency selected by the county.

352 "MSRB" means the Municipal Securities Rulemaking Board or any successor to
353 its functions.

354 "Multi-Modal LTGO/Sewer Revenue Bonds" means the outstanding Multi-Modal
355 LTGO/Sewer Revenue Bonds, which are identified in Attachment A, Section IV, to this
356 ordinance, and any other Future Multi-Modal LTGO/Sewer Revenue Bonds.

357 "Net Revenue" means Revenue of the System less Operating and Maintenance
358 Expenses.

359 "Official Notice of Bond Sale" means, with respect to each Series of Bonds sold
360 by competitive bid, the official notice of sale therefor prepared pursuant to section 28 of
361 this ordinance.

362 "Operating and Maintenance Expenses" means all normal expenses incurred by
363 the county in causing the System to be maintained in good repair, working order and
364 condition and includes payments to any private or governmental agency for the operation
365 or maintenance of facilities or for the disposal of sewage but excludes any allowance for
366 depreciation.

367 "Owner" means, with respect to a Bond, without distinction, the Beneficial Owner
368 or the Registered Owner.

369 "Parity Bond Fund" means the "Water Quality Revenue Bond Account"
370 designated pursuant to Ordinance 12076, Section 30, and continued pursuant to section 9
371 of this ordinance for the purpose of paying and securing the payment of the Parity Bonds.

372 "Parity Bond Reserve Account" means the bond reserve account in the Parity
373 Bond Fund securing the payment of the Parity Bonds.

374 "Parity Bonds" means the bonds identified in Attachment A, Section I, to this
375 ordinance, together with: (a) any Bonds issued under this ordinance with a lien on
376 Revenue of the System equal to the lien thereon of those bonds; and (b) any Future Parity

377 Bonds. "Parity Bonds" include any Parity Payment Agreements and parity
378 reimbursement agreements entered into with the provider of a Credit Facility securing
379 any Parity Bonds.

380 "Parity Lien Obligation Bond Fund" means the "Water Quality Limited Tax
381 General Obligation Bond Redemption Fund" established pursuant to Ordinance 11241,
382 Section 8, and continued pursuant to section 10 of this ordinance, to provide for payment
383 of Parity Lien Obligations.

384 "Parity Lien Obligation Payment Agreement" means a Payment Agreement under
385 which the county's payment obligations are expressly stated to constitute a charge and
386 lien on Revenue of the System equal in rank with the charge and lien on Revenue of the
387 System securing amounts required to be paid into the Parity Lien Obligation Bond Fund
388 to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

389 "Parity Lien Obligation Term Bonds" means Parity Lien Obligations that are
390 Term Bonds.

391 "Parity Lien Obligations" means bonds identified in Attachment A, Section II, to
392 this ordinance, together with: (a) any Bonds issued under this ordinance with a lien on
393 Revenue of the System equal to the lien thereon of those bonds; and (b) any Future Parity
394 Lien Obligations. "Parity Lien Obligations" include any Parity Lien Obligation Payment
395 Agreements and parity reimbursement agreements entered into with the provider of a
396 Credit Facility securing any Parity Lien Obligations.

397 "Parity Payment Agreement" means a Payment Agreement under which the
398 county's payment obligations are expressly stated to constitute a charge and lien on
399 Revenue of the System equal in rank with the charge and lien on Revenue of the System

400 securing amounts required to be paid into the Parity Bond Fund to pay and secure the
401 payment of principal of and interest on the Parity Bonds.

402 "Parity Term Bonds" means Parity Bonds that are Term Bonds.

403 "Participant" means each city, town, county, water-sewer district, municipal
404 corporation, person, firm, private corporation or other entity that disposes of any portion
405 of its sanitary sewage into the System and has entered into a Service Agreement with the
406 county.

407 "Payment Agreement" means, to the extent permitted from time to time by
408 applicable law, a written agreement entered into by the county: (a) in connection with or
409 incidental to the issuance, incurring or carrying of bonds or other obligations of the
410 county secured in whole or in part by a lien on Revenue of the System; (b) for the
411 purpose of managing or reducing the county's exposure to fluctuations or levels of
412 interest rates, currencies or commodities or for other interest rate, investment, asset or
413 liability management purposes; (c) with a Qualified Counterparty; and (d) which
414 provides, on either a current or forward basis, for an exchange of payments determined in
415 accordance with a formula specified therein.

416 "Payment Agreement Payments" means the amounts periodically required to be
417 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The
418 term "Payment Agreement Payments" does not include any termination payment required
419 to be paid with respect to a Payment Agreement.

420 "Payment Agreement Receipts" means the amounts periodically required to be
421 paid by the Qualified Counterparty to the county pursuant to a Payment Agreement.

422 "Permitted Investments" means any investment permitted by law, but only to the
423 extent that the same are acquired at Fair Market Value.

424 "Professional Utility Consultant" means a licensed professional engineer, a
425 Certified Public Accountant, or other independent person or firm selected by the county
426 having a favorable reputation for skill and experience with sewer systems of comparable
427 size and character to the System in such areas as are relevant to the purposes for which
428 they are retained.

429 "Project Bonds" means the bonds of the county authorized by this ordinance to be
430 issued in an aggregate principal amount not to exceed \$1,000,000,000 to pay costs of
431 acquiring and constructing improvements to the System, and any bond anticipation notes,
432 commercial paper or other interim financing issued in advance thereof to be repaid from
433 the proceeds of such bonds. The Project Bonds may be issued in one or more Series of
434 Parity Bonds or Parity Lien Obligations, as provided in this ordinance.

435 "Public Works Board Loans" means loans to the county by the State Department
436 of Commerce under the Public Works Board loan program pursuant to loan agreements
437 in effect as of the effective date of this ordinance and any loan agreements hereafter
438 entered into by the county under the Public Works Board loan program, the repayment
439 obligations of which are secured by a lien on Revenue of the System equal to the lien
440 thereon established by such loan agreements in effect as of the effective date of this
441 ordinance.

442 "Qualified Counterparty" means with respect to a Payment Agreement an entity:
443 (a) whose senior long-term debt obligations, other senior unsecured long-term obligations
444 or claims paying ability, or whose payment obligations under a Payment Agreement are

445 guaranteed by an entity whose senior long-term debt obligations, other senior unsecured
446 long-term obligations or claims paying ability, are rated, at the time the Payment
447 Agreement is entered into, at least as high as A3 by Moody's and A- by S&P, and A- by
448 Fitch for any Parity Lien Obligation Payment Agreement, or the equivalent thereof by
449 any successor thereto; and (b) who is otherwise qualified to act as the other party to a
450 Payment Agreement under any applicable laws of the State.

451 "Qualified Insurance" means any unconditional municipal bond insurance policy
452 or surety bond issued by any insurance company licensed to conduct an insurance
453 business in any state of the United States or by a service corporation acting on behalf of
454 one or more such insurance companies, which insurance company or service corporation,
455 as of the time of issuance of such policy or surety bond, is then rated in one of the two
456 highest rating categories by Moody's, S&P, and any other rating agency then maintaining
457 a rating on the Parity Bonds and maintains a policy owner's surplus in excess of
458 \$500,000,000.

459 "Qualified Letter of Credit" means any irrevocable letter of credit issued by a
460 bank for the account of the county and for the benefit of the registered owners of Parity
461 Bonds, provided that such bank maintains an office, agency or branch in the United
462 States, and provided further, that as of the time of issuance of such letter of credit, such
463 bank is currently rated in one of the two highest rating categories by Moody's, S&P, and
464 any other rating agency then maintaining a rating on the Parity Bonds.

465 "Rate Stabilization Fund" means the fund of that name created pursuant to
466 Ordinance 12314, Section 13.D., and continued pursuant to section 13.B. of this
467 ordinance.

468 "RCW" means the Revised Code of Washington.

469 "Rebate Amount" means the amount, if any, determined to be payable with
470 respect to the Bonds by the county to the United States of America in accordance with
471 Section 148(f) of the Code.

472 "Record Date" means, except as otherwise set forth in the applicable Sale
473 Document, for an interest or principal payment date or for a maturity date, the 15th day of
474 the calendar month next preceding that date. With respect to redemption of a Bond prior
475 to its maturity, "Record Date" means the Registrar's close of business on the date on
476 which the Registrar sends notice of the redemption.

477 "Refunded Bonds" means, for each Series of Refunding Bonds, all or a portion of
478 the Refunding Candidates that will be refunded, including by purchase or exchange, with
479 proceeds of or in exchange for that Series of Bonds, as determined by the Finance
480 Director pursuant to sections 16 and 28 of this ordinance and set forth in a closing
481 certificate or a Refunding Agreement in accordance with sections 16 and 28 of this
482 ordinance.

483 "Refunding Account" means any account authorized to be created pursuant to
484 section 16 of this ordinance to provide for the refunding of any Refunded Bonds.

485 "Refunding Agreement" means a refunding trust agreement entered into between
486 the county and a Refunding Trustee in connection with the refunding of Refunded Bonds.

487 "Refunding Bonds" means the bonds authorized to be issued by this ordinance to
488 be issued in one or more series to refund the Refunded Bonds, including by purchase or
489 exchange. The Refunding Bonds may be issued in one or more Series of Parity Bonds or
490 Parity Lien Obligations, as provided in this ordinance.

491 "Refunding Candidates" means any Parity Bonds, Parity Lien Obligations, Junior
492 Lien Obligations, Multi-Modal LTGO/Sewer Revenue Bonds, Subordinate Lien
493 Obligations, SRF Loans, or Public Works Board Loans, and any bond anticipation notes,
494 commercial paper or other interim financing issued in advance thereof to be repaid from
495 the proceeds of such bonds identified by the Finance Director as Refunding Candidates,
496 whether currently outstanding or issued after the effective date of this ordinance,
497 including any Series of Bonds issued under this ordinance.

498 "Refunding Trustee" means each corporate trustee chosen pursuant to the
499 provisions of section 16 of this ordinance to serve as refunding trustee or escrow agent in
500 connection with the refunding of Refunded Bonds.

501 "Registered Owner" means, with respect to a Bond, the person in whose name
502 that Bond is registered on the Bond Register.

503 "Registrar" means, unless otherwise designated in the Sale Document, the fiscal
504 agent of the State, as the same may be designated by the State from time to time, for the
505 purposes of registering and authenticating the Bonds, maintaining the Bond Register,
506 effecting the transfer of ownership of the Bonds and paying principal of and premium, if
507 any, and interest on the Bonds.

508 "Reserve Requirement" means \$0, except as otherwise set forth in any Sale
509 Document, or other ordinance or sale document authorized under such ordinance;
510 provided, the Reserve Requirement amount may in no event exceed maximum Annual
511 Parity Debt Service.

512 "Revenue Fund" means the "Water Quality Operating Account" as designated by
513 Ordinance 12076, Section 30.

514 "Revenue of the System" means all the earnings, revenues and money received by
515 the county from or on account of the operations of the System and the income from the
516 investment of money in the Revenue Fund or any account within such fund, but shall not
517 include any money collected pursuant to the Service Agreements applicable to
518 administrative costs of the county other than costs of administration of the System. For
519 certain purposes described in section 13.B. of this ordinance, deposits from the Rate
520 Stabilization Fund into the Revenue Fund may be included in calculations of "Revenue of
521 the System."

522 "Rule" means Securities and Exchange Commission Rule 15c2-12 under the Securities
523 and Exchange Act of 1934, as the same may be amended from time to time.

524 "S&P" means S&P Global Ratings and its successors and assigns, except that if
525 such entity is dissolved or liquidated or no longer performs the functions of a securities
526 rating agency, then the term "S&P" will be deemed to refer to any other nationally
527 recognized securities rating agency selected by the county.

528 "Sale Document" means the Bond Purchase Agreement, Certificate of Award or
529 Loan Agreement, as applicable, for a Series of Bonds.

530 "Securities Depository" means DTC, any successor thereto, any substitute
531 securities depository selected by the county that is qualified under applicable laws and
532 regulations to provide the services proposed to be provided by it, or the nominee of any
533 of the foregoing.

534 "Series" means any series of Parity Bonds or Parity Lien Obligations.

535 "Service Agreements" means the sewage disposal agreements entered into
536 between the county and municipal corporations, persons, firms, private corporations, or

537 governmental agencies providing for the disposal by the county of sewage collected from
538 such contracting parties.

539 "SRF Loans" means loans to the county by the State Department of Ecology
540 pursuant to loan agreements in effect as of the effective date of this ordinance and any
541 loans and loan agreements hereafter entered into by the county under the State water
542 pollution control revolving fund loan program, the repayment obligations of which are
543 secured by a lien on Revenue of the System equal to the lien thereon established by such
544 loan agreements in effect as of the effective date of this ordinance.

545 "State" means the State of Washington.

546 "Subordinate Lien Obligations" means those revenue bonds or other revenue
547 obligations that may be issued by the county in the future with a lien on Revenue of the
548 System junior and inferior to the lien thereon of the Multi-Modal LTGO/Sewer Revenue
549 Bonds, and payable from Revenue of the System that is available after first making the
550 payments required to be made under paragraph "First" through "Seventh" but before
551 making the payments required to be made under paragraph "Ninth" of section 14 of this
552 ordinance.

553 "System" means the sewers and sewage disposal facilities now or hereafter
554 acquired, constructed, used or operated by the county for the purpose of carrying out the
555 Comprehensive Plan.

556 "Taxable Obligations" means the Bonds of any Series determined to be issued on
557 a taxable basis pursuant to section 28 of this ordinance.

558 "Tax-Advantaged Obligations" means the Bonds of any Series determined to be
559 issued upon a tax-advantaged basis pursuant to section 28 of this ordinance.

560 "Tax-Exempt Obligations" means the Bonds of any Series determined to be
561 issued on a tax-exempt basis pursuant to section 28 of this ordinance.

562 "Term Bonds" means those bonds identified as such in the applicable Sale
563 Document, the principal of which is amortized by a schedule of mandatory redemptions.

564 "Trustee" means a trustee for the Parity Bonds authorized to be appointed by
565 registered owners of Parity Bonds, as provided by this ordinance.

566 "Variable Rate Parity Bonds" means Parity Bonds bearing interest at a variable
567 rate of interest, provided that at least one of the following conditions is met: (a) at the
568 time of issuance the county has entered into a Payment Agreement with respect to such
569 Parity Bonds, which Payment Agreement converts the effective interest rate to the county
570 on the Variable Rate Parity Bonds from a variable interest rate to a fixed interest rate; or
571 (b) the Parity Bonds bear interest at a variable rate but are issued concurrently in equal
572 par amounts with other Parity Bonds bearing interest at a variable rate and are required to
573 remain outstanding in equal amounts at all times, if the net effect of such equal par
574 amounts and variable rates at all times is a fixed rate of interest to the county.

575 "Variable Rate Parity Lien Obligations" means Parity Lien Obligations bearing
576 interest at a variable rate of interest, provided that at least one of the following conditions
577 is met: (a) at the time of issuance the county has entered into a Payment Agreement with
578 respect to such Parity Lien Obligations, which Payment Agreement converts the effective
579 interest rate to the county on the Variable Rate Parity Lien Obligations from a variable
580 interest rate to a fixed interest rate; or (b) the Parity Lien Obligations bear interest at a
581 variable rate but are issued concurrently in equal par amounts with other Parity Lien
582 Obligations bearing interest at a variable rate and which are required to remain

583 outstanding in equal amounts at all times, if the net effect of such equal par amounts and
584 variable rates at all times is a fixed rate of interest to the county.

585 "WIFIA" means the Water Infrastructure Finance and Innovation Act, § 5021 et
586 seq. of Public Law 113-121, codified as 33 U.S.C. §§ 3901-3914, as amended from time
587 to time.

588 SECTION 2. Findings. The county council hereby makes the following
589 findings:

590 A. Because conditions in the capital markets are volatile, it is in the best
591 interests of the county and ratepayers of the System that the county retain the flexibility
592 to issue the Bonds in one or more Series, as Parity Bonds or Parity Lien Obligations, to
593 maximize interest rate savings and, where possible, to achieve further savings by
594 refunding all or some of the Refunding Candidates, including by purchase or exchange.

595 B. To achieve this flexibility, it is in the best interests of the county and
596 ratepayers of the System to delegate to the Finance Director the authority to sell the
597 Bonds in one or more Series, as Parity Bonds or Parity Lien Obligations, as Tax-Exempt
598 Obligations, Tax-Advantaged Obligations or Taxable Obligations, by competitive bid or
599 negotiated sale, or to the federal government or another purchaser, for current or future
600 delivery, and to identify any Refunding Candidates to be refunded, including by purchase
601 or exchange, in consultation with the county's financial advisors and consistent with
602 terms and parameters established by this ordinance and county debt policy.

603 SECTION 3. Authorization of Bonds. To provide funds necessary to pay costs
604 of acquiring, constructing and equipping improvements, additions or betterments to the
605 System as set forth in the Comprehensive Plan and the Capital Improvement Budget, the

606 county is authorized to issue one or more Series of Project Bonds in an aggregate
607 principal amount not to exceed \$1,000,000,000. To provide funds to refund any of the
608 Refunding Candidates, including by purchase or exchange, the county is authorized to
609 issue one or more Series of Refunding Bonds in principal amounts to be established
610 within the parameters provided in sections 16 and 28 of this ordinance.

611 The Bonds may be issued in one or more Series of Parity Bonds or Parity Lien
612 Obligations, as provided in section 28 of this ordinance. Except as otherwise provided in
613 a Sale Document, each such Series of Parity Bonds shall be designated as "King County,
614 Washington, Sewer Revenue [and Refunding] Bonds [Bond Anticipation Notes]" with an
615 applicable year and Series designation, and each such Series of Parity Lien Obligations
616 shall be designated as "King County Limited Tax General Obligation [and Refunding]
617 Bonds [Bond Anticipation Notes] (Payable from Sewer Revenues)" with an applicable
618 year and Series designation. The Bonds shall be fully registered as to both principal and
619 interest; shall be in the denomination of \$5,000 or any integral multiple thereof within a
620 single Series, maturity and interest rate, except as provided in the Sale Document,
621 provided that no Bond shall represent more than one maturity within a Series; shall be
622 numbered separately in such manner and with any additional designation as the Registrar
623 deems necessary for purposes of identification; and shall be dated the date and mature on
624 the dates, in the years and in the amounts approved by the Finance Director, subject to the
625 parameters set forth in section 28.E. of this ordinance.

626 Each Series of Bonds shall bear interest, computed, unless otherwise provided in
627 the Sale Document, on the basis of a 360-day year of twelve 30-day months, from their
628 dated date, payable on interest payment dates and at the rate or rates approved by the

629 Finance Director, subject to the parameters set forth in section 28.E. of this ordinance.
630 The Accreted Values of any Bonds that are Capital Appreciation Bonds shall be set forth
631 in a Sale Document.

632 SECTION 4. Registration, Exchange and Payments.

633 A. Registrar/Bond Register. Unless otherwise specified in the Sale
634 Document, the county, in accordance with K.C.C. chapter 4.84, adopts for the Bonds the
635 system of registration specified and approved by the Washington State Finance
636 Committee, which utilizes the fiscal agent of the State as Registrar. The Registrar shall
637 keep, or cause to be kept, at its designated corporate trust office, the Bond Register,
638 which shall be open to inspection by the county at all times. The Bond Register shall
639 contain the name and mailing address of the Registered Owner of each Bond and the
640 principal amount and number of each of the Bonds held by each Registered Owner. The
641 Registrar is authorized, on behalf of the county, to authenticate and deliver Bonds
642 transferred or exchanged in accordance with the provisions of the Bonds and this
643 ordinance, to serve as the county's paying agent for the Bonds and to carry out all of the
644 Registrar's powers and duties under this ordinance.

645 The Registrar shall be responsible for the representations contained in its
646 Certificate of Authentication on the Bonds. The Registrar may become the Owner of
647 Bonds with the same rights it would have if it were not the Registrar and, to the extent
648 permitted by law, may act as depository for and permit any of its officers or directors to
649 act as members of, or in any other capacity with respect to, any committee formed to
650 protect the rights of Owners.

651 B. Registered Ownership. The Bonds shall be issued only in registered form
652 as to both principal and interest and shall be recorded on the Bond Register. The county
653 and the Registrar, each in its discretion, may deem and treat the Registered Owner of
654 each Bond as the absolute owner thereof for all purposes, and neither the county nor the
655 Registrar shall be affected by any notice to the contrary. Payment of each Bond shall be
656 made as described in subsection D. of this section, but registration of ownership of each
657 Bond may be transferred as provided herein. All payments made as described in
658 subsection D. of this section shall be valid and shall satisfy and discharge the liability of
659 the county upon such Bond to the extent of the amount or amounts so paid.

660 C. Use of Depository. Unless otherwise specified in the Sale Document, the
661 Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC.
662 Each Bond registered in the name of the Securities Depository shall be held fully
663 immobilized in book-entry only form by the Securities Depository in accordance with the
664 provisions of the Letter of Representations. Neither the county nor the Registrar shall
665 have any obligation to participants of any Securities Depository or the persons for whom
666 they act as nominees regarding the accuracy of any records maintained by the Securities
667 Depository or its participants. Neither the county nor the Registrar shall be responsible
668 for any notice that is permitted or required to be given to the Registered Owner of any
669 Bond registered in the name of the Securities Depository except such notice as is required
670 to be given by the Registrar to the Securities Depository.

671 If and for so long as the Bonds are registered in the name of the Securities
672 Depository, the Securities Depository shall be deemed to be the Registered Owner for all
673 purposes hereunder, and all references to Registered Owners shall mean the Securities

674 Depository and shall not mean the Beneficial Owners. Registered ownership of any
675 Bond registered in the name of the Securities Depository may not be transferred except:
676 (a) to any successor Securities Depository; (b) to any substitute Securities Depository
677 appointed by the county; or (c) to any person if the Bond is no longer to be held by a
678 Securities Depository.

679 Upon the resignation of the Securities Depository, or upon a termination of the
680 services of the Securities Depository by the county, the county may appoint a substitute
681 Securities Depository. If the Securities Depository resigns and the county does not
682 appoint a substitute Securities Depository, or if the county terminates the services of the
683 Securities Depository, the Bonds no longer shall be held in book-entry only form and the
684 registered ownership of each Bond may be transferred to any person as provided in this
685 ordinance or as set forth in the Sale Document.

686 D. Place and Medium of Payment. Principal of and premium, if any, and
687 interest on the Bonds are payable in lawful money of the United States of America.
688 Principal of and premium, if any, and interest on each Bond registered in the name of the
689 Securities Depository are payable in the manner set forth in the Letter of Representations.
690 Unless otherwise specified in the Sale Document, interest on each Bond not registered in
691 the name of the Securities Depository is payable by electronic transfer on the interest
692 payment date, or by check or draft of the Registrar mailed on the interest payment date to
693 the Registered Owner at the address appearing on the Bond Register on the Record Date.
694 The county is not required to make electronic transfers except pursuant to a request by a
695 Registered Owner in writing received on or prior to the Record Date and at the sole
696 expense of the Registered Owner. Unless otherwise specified in the Sale Document,

697 principal of and premium, if any, on each Bond not registered in the name of the
698 Securities Depository are payable upon presentation and surrender of the Bond by the
699 Registered Owner to the Registrar at maturity or upon prior redemption in full.

700 E. Transfer or Exchange of Registered Ownership; Change in
701 Denominations. The registered ownership of any Bond may be transferred or exchanged,
702 but no transfer of any Bond shall be valid unless it is surrendered to the Registrar with the
703 assignment form appearing on such Bond duly executed by the Registered Owner or such
704 Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon
705 such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and
706 deliver, without charge to the Registered Owner or transferee therefor, a new Bond or
707 Bonds, at the option of the new Registered Owner, of the same Series, date, maturity and
708 interest rate and for the same aggregate principal amount in any authorized denomination,
709 naming as Registered Owner the person or persons listed as the assignee on the
710 assignment form appearing on the surrendered Bond, in exchange for such surrendered
711 and cancelled Bond. Any Bond may be surrendered to the Registrar and exchanged,
712 without charge, for an equal aggregate principal amount of Bonds of the same Series,
713 date, maturity and interest rate, in any authorized denomination. The Registrar shall not
714 be obligated to exchange or transfer any Bond after the Record Date for any principal
715 payment or redemption date, or, in the case of any proposed redemption of a Bond, after
716 mailing of the notice of the call of the Bond for redemption.

717 SECTION 5. Redemption Provisions; Purchase of Bonds.

718 A. Optional Redemption. All or some of the Bonds of a Series may be
719 subject to redemption, including extraordinary redemption, prior to their stated maturity

720 dates at the option of the county at the times and on the terms set forth in the Sale
721 Document.

722 B. Mandatory Redemption. The county shall redeem any Term Bonds, if not
723 redeemed under the optional redemption provisions set forth in the Sale Document or
724 purchased under the provisions set forth herein, randomly, or in such other manner as set
725 forth in the Sale Document or as the Registrar shall determine, at par plus accrued interest
726 on the dates and in the years and principal amounts set forth in the Sale Document.

727 If the county redeems Term Bonds under the optional redemption provisions set
728 forth in the Sale Document or purchases for cancellation or defeases Term Bonds, the
729 Term Bonds so redeemed, purchased or defeased, irrespective of their redemption or
730 purchase prices, shall, unless otherwise provided in the Sale Document, be credited
731 against one or more scheduled mandatory redemption amounts for those Term Bonds.
732 The county shall determine the manner in which the credit is to be allocated and shall
733 notify the Registrar in writing of its allocation.

734 C. Partial Redemption. Whenever less than all of the Bonds of a single
735 maturity of a Series are to be redeemed, the Securities Depository shall select the Bonds
736 registered in the name of the Securities Depository to be redeemed in accordance with the
737 Letter of Representations, and the Registrar shall select all other Bonds to be redeemed
738 randomly, or in such other manner set forth in the Sale Document or as the Registrar shall
739 determine.

740 Portions of the principal amount of any Bond, in integral amounts of \$5,000
741 within a Series and maturity, may be redeemed, unless otherwise provided in the Sale
742 Document. If less than all of the principal amount of any Bond is redeemed, upon

743 surrender of that Bond to the Registrar, there shall be issued to the Registered Owner,
744 without charge therefor, a new Bond or Bonds, at the option of the Registered Owner, of
745 the same Series, maturity and interest rate in any authorized denomination in the
746 aggregate total principal amount of such Bond remaining outstanding.

747 D. Purchase. The county reserves the right and option to purchase for cash or
748 exchange consideration any or all of the Bonds offered to the county at any time at any
749 price acceptable to the county plus accrued interest to the date of purchase.

750 SECTION 6. Notice and Effect of Redemption. Notice of redemption of each
751 Bond registered in the name of the Securities Depository shall be given in accordance
752 with the Letter of Representations. Notice of redemption of each other Bond, unless
753 waived by the Registered Owner, shall be given by the Registrar not less than 20 nor
754 more than 60 days prior to the date fixed for redemption by first-class mail, postage
755 prepaid, to the Registered Owner at the address appearing on the Bond Register on the
756 Record Date, except as otherwise set forth in the Sale Document. The requirements of
757 the preceding sentences shall be deemed to have been fulfilled when notice has been
758 mailed as so provided, whether or not it is actually received by any Owner. Notice of
759 redemption shall also be mailed or sent electronically within the same period to the
760 MSRB, to any nationally recognized rating agency then maintaining a rating on the
761 Bonds at the request of the county, and to such other persons and with such additional
762 information as the Finance Director shall determine, but such further notice shall not be a
763 condition precedent to the redemption of any Bond.

764 In the case of an optional redemption, the notice of redemption may state that the
765 county retains the right to rescind the redemption notice and the redemption by giving a

766 notice of rescission to the affected Registered Owners at any time on or prior to the date
767 fixed for redemption. Any notice of optional redemption that is so rescinded shall be of
768 no effect, and each Bond for which a notice of optional redemption has been rescinded
769 shall remain outstanding.

770 Interest on each Bond called for redemption shall cease to accrue on the date fixed
771 for redemption, unless either the notice of optional redemption is rescinded as set forth
772 above, or money sufficient to effect such redemption is not on deposit in the Parity Bond
773 Fund or the Parity Lien Obligation Bond Fund, as applicable, or in a trust account
774 established to refund or defease the Bond.

775 SECTION 7. Form and Execution of Bonds. Bonds issued as Parity Bonds shall
776 be in substantially the form set forth in Attachment B to this ordinance. Bonds issued as
777 Parity Lien Obligations shall be in substantially the form set forth in Attachment C to this
778 ordinance. The Bonds shall be signed by the county executive and the clerk of the county
779 council, either or both of whose signatures may be manual or in facsimile, and the seal of
780 the county or a facsimile reproduction thereof shall be impressed or printed thereon.

781 Only a Bond bearing a Certificate of Authentication in the form set forth in
782 Attachment B or Attachment C to this ordinance, as applicable, manually signed by the
783 Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this
784 ordinance. The authorized signing of a Certificate of Authentication shall be conclusive
785 evidence that the Bond so authenticated has been duly executed, authenticated and
786 delivered and is entitled to the benefits of this ordinance.

787 If any officer whose manual or facsimile signature appears on a Bond ceases to be
788 an officer of the county authorized to sign bonds before the Bond bearing that officer's

789 manual or facsimile signature is authenticated by the Registrar or issued or delivered by
790 the county, that Bond nevertheless may be authenticated, issued and delivered and, when
791 authenticated, issued and delivered, shall be as binding on the county as though that
792 person had continued to be an officer of the county authorized to sign bonds. Any Bond
793 also may be signed on behalf of the county by any person who, on the actual date of
794 signing of the Bond, is an officer of the county authorized to sign bonds, although such
795 officer did not hold the required office on the dated date of the Bond.

796 SECTION 8. Lost, Stolen or Destroyed Bonds. If any Bond is lost, stolen or
797 destroyed, the Registrar may authenticate and deliver a new Bond or Bonds of like
798 amount, date, Series, interest rate and tenor to the Registered Owner thereof upon the
799 Registered Owner paying the expenses and charges of the county and the Registrar in
800 connection therewith and upon filing with the Registrar evidence satisfactory to the
801 Registrar that such Bond was actually lost, stolen or destroyed and of registered
802 ownership thereof, and upon furnishing the county and the Registrar with indemnity
803 satisfactory to the Finance Director and the Registrar.

804 SECTION 9. Parity Bond Fund. A special fund of the county known as the
805 "Water Quality Revenue Bond Account" (the "Parity Bond Fund") has heretofore been
806 created and is hereby continued, along with the accounts therein described in this section.
807 The Parity Bond Fund is at all times completely segregated and set apart from all other
808 funds and accounts of the county and is a trust fund for the security and payment of
809 principal of and premium, if any, and interest on Parity Bonds. All money credited to the
810 Parity Bond Fund is pledged and ordered to be used for the sole purpose of paying the
811 principal of and premium, if any, and interest on Parity Bonds.

812 A. Debt Service Account. A "Debt Service Account" has heretofore been
813 established in the Parity Bond Fund. The county hereby obligates and binds itself to set
814 aside and pay into that account out of Revenue of the System amounts sufficient, together
815 with accrued interest, if any, received at the time of delivery of any Series of Bonds that
816 are Parity Bonds and deposited therein, income from the investment of money in the Debt
817 Service Account and Parity Bond Reserve Account, and any other money on deposit in
818 the Debt Service Account and legally available, to pay the principal of and interest on
819 outstanding Parity Bonds as the same become due and payable.

820 For each Series of the Bonds that are Parity Bonds there is hereby authorized to
821 be created a special subaccount in the Debt Service Account. All money required by this
822 subsection A. to be deposited into the Debt Service Account for the payment of principal
823 of and interest on that Series of the Bonds shall be deposited into the subaccount created
824 for the Series, and the county hereby covenants to budget for each such payment of
825 principal and interest when due. Money in the subaccount will be treated in all respects
826 as all other money in the Debt Service Account, but will be accounted for separately for
827 the purpose of calculating any Rebate Amount payable with respect to that Series of the
828 Bonds.

829 Payments on account of each Series of the Bonds that are Parity Bonds will be
830 made out of Revenue of the System into the applicable debt service subaccount in the
831 Parity Bond Fund on or before the day each payment of interest on or principal of those
832 Bonds is due.

833 Notwithstanding the foregoing, the county may in its discretion establish and
834 designate such funds, including accounts and subaccounts contained therein, as deemed

835 expedient to pay the principal of and premium, if any, and interest on Parity Bonds as the
836 same become due and payable; provided, however, that the money in such funds,
837 accounts, and subaccounts must at all times be accounted for separately as necessary to
838 satisfy the provisions of this ordinance.

839 B. Term Bond Provisions. If any Bonds issued as Parity Bonds are
840 designated as Term Bonds pursuant to section 28 of this ordinance, the Sale Document
841 for that Series of Bonds shall set forth a mandatory redemption schedule to amortize the
842 principal of those Parity Term Bonds. Payments of principal of Parity Term Bonds under
843 any such mandatory redemption schedule shall be made from the Debt Service Account,
844 as provided in subsection A. of this section, to the extent not credited pursuant to section
845 5.B. of this ordinance.

846 The county covenants that if it issues any Future Parity Bonds as Term Bonds, it
847 will identify those Future Parity Bonds as Parity Term Bonds in the proceedings
848 authorizing their issuance and establish a schedule of mandatory redemptions, payable
849 from the Debt Service Account, to amortize the principal of the Parity Term Bonds prior
850 to their maturity.

851 C. Parity Bond Reserve Account. A Parity Bond Reserve Account has
852 heretofore been established in the Parity Bond Fund. The county hereby pledges that it
853 will pay into and maintain in the Parity Bond Reserve Account, an amount that, together
854 with other funds in the Parity Bond Reserve Account, will be at least equal to the Reserve
855 Requirement. The county may substitute Qualified Insurance or a Qualified Letter of
856 Credit for amounts required to be paid into or maintained in the Parity Bond Reserve
857 Account. The Qualified Letter of Credit or Qualified Insurance must not be cancelable

858 on less than five years' notice. In the event of any cancellation, the Parity Bond Reserve
859 Account will be funded in accordance with the provisions of this section providing for
860 payment in the event of a deficiency therein, as if the Parity Bonds that remain
861 outstanding had been issued on the date of such notice of cancellation.

862 On the date of Closing of a Series of Bonds that are Parity Bonds, an amount
863 sufficient to satisfy the Reserve Requirement, in the Parity Bond Reserve Account
864 required by the issuance of that Series of Bonds must be deposited therein from the
865 proceeds of Parity Bonds or other funds available therefor or provided for by Qualified
866 Insurance or a Qualified Letter of Credit, as herein permitted.

867 If there is a deficiency in the Debt Service Account to make any payment when
868 due of either principal of or interest on any Parity Bonds, the deficiency will be made up
869 from the Parity Bond Reserve Account by the withdrawal of money therefrom and by the
870 sale or redemption of obligations held in the Parity Bond Reserve Account, if necessary,
871 in such amounts as will provide cash in the Parity Bond Reserve Account sufficient to
872 make up any such deficiency. If a deficiency still exists immediately prior to an interest
873 payment date and after the withdrawal of cash, the county will then draw from any
874 Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in
875 sufficient amount to make up the deficiency. The draw will be made at such times and
876 under such conditions as the agreement for the Qualified Letter of Credit or Qualified
877 Insurance provides. If more than one Qualified Letter of Credit or Qualified Insurance is
878 available, draws will be made ratably thereon to make up the deficiency. Any deficiency
879 created in the Parity Bond Reserve Account by reason of any such withdrawal must then
880 be made up from Revenue of the System that is available after first making the payments

881 required to be made under paragraph "First" through "Third" of section 14 of this
882 ordinance.

883 Income from the investment of money in the Parity Bond Reserve Account will
884 be deposited in and become a part of the Parity Bond Fund.

885 SECTION 10. Parity Lien Obligation Bond Fund. A special fund of the county
886 known as the "Water Quality Limited Tax General Obligation Bond Redemption Fund"
887 (the "Parity Lien Obligation Bond Fund") has heretofore been created and is hereby
888 continued, along with the accounts therein described in this section. The Parity Lien
889 Obligation Bond Fund is at all times completely segregated and set apart from all other
890 funds and accounts of the county and is a trust fund for the security and payment of
891 principal of and premium, if any, and interest on Parity Lien Obligations. All money
892 credited to the Parity Lien Obligation Bond Fund is pledged and ordered to be used for
893 the sole purpose of paying principal of and premium, if any, and interest on Parity Lien
894 Obligations.

895 A. Debt Service Account. A "Debt Service Account" has heretofore been
896 established in the Parity Lien Obligation Bond Fund. The county hereby obligates and
897 binds itself to set aside and pay into that account out of Revenue of the System amounts
898 sufficient, together with accrued interest, if any, received at the time of delivery of any
899 Series of Bonds issued as Parity Lien Obligations and deposited therein, income from the
900 investment of money in the Debt Service Account and any other money on deposit in the
901 Debt Service Account and legally available, to pay the principal of and interest on
902 outstanding Parity Lien Obligations as the same become due and payable.

903 For each Series of the Bonds issued as Parity Lien Obligations, there is hereby
904 authorized to be created a special subaccount in the Debt Service Account. All money
905 required by this subsection A. to be deposited into the Debt Service Account for the
906 payment of principal of and interest on that Series of the Bonds will be deposited into the
907 subaccount created for the Series, and the county hereby covenants to budget for each
908 such payment of principal and interest when due. Money in that subaccount will be
909 treated in all respects as all other money in the Debt Service Account, but will be
910 accounted for separately for the purpose of calculating any Rebate Amount payable with
911 respect to that Series of the Bonds.

912 Payments on account of each Series of the Bonds issued as Parity Lien
913 Obligations will be made out of Revenue of the System into the applicable debt service
914 subaccount in the Parity Lien Obligation Bond Fund on or before the day each payment
915 of interest on or principal of those Bonds is due.

916 Notwithstanding the foregoing, the county may in its discretion establish and
917 designate such funds, including accounts and subaccounts contained therein, as deemed
918 expedient to pay the principal of and premium, if any, and interest on the Parity Lien
919 Obligations as the same become due and payable; provided, however, that the money in
920 such funds, accounts, and subaccounts must at all times be accounted for separately as
921 necessary to satisfy the provisions of this ordinance.

922 B. Term Bond Provisions. If any Bonds issued as Parity Lien Obligations are
923 designated as Term Bonds pursuant to section 28 of this ordinance, the Sale Document
924 for that Series of Bonds shall set forth a mandatory redemption schedule to amortize the
925 principal of those Parity Lien Obligation Term Bonds. Payments of principal of Parity

926 Lien Obligation Term Bonds under any such mandatory redemption schedule will be
927 made from the Debt Service Account, as provided in subsection A. of this section, to the
928 extent not credited pursuant to section 5.B. of this ordinance.

929 The county covenants that if it issues any Future Parity Lien Obligations as Term
930 Bonds, it will identify those Parity Lien Obligations as Term Bonds in the proceedings
931 authorizing their issuance and establish a schedule of mandatory redemptions, payable
932 from the Debt Service Account, to amortize the principal of those Parity Lien Obligation
933 Term Bonds prior to their maturity.

934 SECTION 11. Pledge of Taxation and Credit. The county hereby irrevocably
935 covenants and agrees that, for as long as any Bonds issued as Parity Lien Obligations are
936 outstanding and unpaid, each year it will include in its budget and levy an ad valorem tax
937 upon all the property within the county subject to taxation in an amount that will be
938 sufficient, together with all other revenues and money of the county legally available for
939 such purposes, to pay the principal of and interest on those Bonds issued as Parity Lien
940 Obligations as the same shall become due. All of the taxes so collected will be paid into
941 the Parity Lien Obligation Bond Fund no later than the date those funds are required for
942 the payment of principal of and interest on the Bonds issued as Parity Lien Obligations.

943 The county hereby irrevocably pledges that the annual tax herein authorized to be
944 levied for the payment of such principal and interest shall be within and a part of the tax
945 levy permitted to counties without a vote of the people, and that a sufficient portion of the
946 taxes to be levied and collected annually by the county prior to the full payment of the
947 principal of and interest on the Bonds issued as Parity Lien Obligations will be and is
948 hereby irrevocably set aside and pledged for the payment of the principal of and interest

949 on those Bonds, and the county hereby covenants to budget for each such payment of
950 principal and interest when due.

951 The full faith, credit and resources of the county are hereby irrevocably pledged
952 for the annual levy and collection of those taxes and for the prompt payment of the
953 principal of and interest on those Bonds issued as Parity Lien Obligations as the same
954 become due.

955 Any Bonds issued hereunder as Parity Bonds are not general obligations of the
956 county, and neither the full faith and credit nor the taxing power of the county are
957 pledged to pay or secure the payment of Bonds issued as Parity Bonds hereunder.

958 SECTION 12. Pledge of Sewer Revenues.

959 A. Parity Bonds. The amounts covenanted to be paid out of Revenue of the
960 System into the Parity Bond Fund and the accounts therein shall constitute a lien and
961 charge on Revenue of the System superior to all other charges of any kind or nature
962 except Operating and Maintenance Expenses, and of equal lien to any charges heretofore
963 or hereafter made on Revenue of the System for the payment of the principal of and
964 interest on any Parity Bonds.

965 If money and investments in the Debt Service Account of the Parity Bond Fund
966 and the Parity Bond Reserve Account are reduced below the amounts required to pay the
967 principal and/or interest then due and payable on any Parity Bonds, funds on deposit in
968 any reserve created in the Revenue Fund not then required for the payment of necessary
969 Operating and Maintenance Expenses will be transferred to the Debt Service Account of
970 the Parity Bond Fund to the extent required to pay that principal and interest.

971 B. Parity Lien Obligations. The amounts covenanted to be paid out of
972 Revenue of the System into the Parity Lien Obligation Bond Fund and the accounts
973 therein shall constitute a lien and charge on Revenue of the System subject to Operating
974 and Maintenance Expenses, and junior, subordinate and inferior to the lien and charge on
975 Revenue of the System for the payments required by the ordinances authorizing the
976 Parity Bonds to be made into the Parity Bond Fund and the accounts therein, and equal to
977 the lien and charge on Revenue of the System for the payments required to be made by
978 the ordinances authorizing the issuance of the outstanding Parity Lien Obligations and
979 any additional Parity Lien Obligations, and superior to all other liens and charges on
980 Revenue of the System whatsoever.

981 SECTION 13. Revenue Fund; Rate Stabilization Fund.

982 A. Revenue Fund. A special fund of the county known as the "Water Quality
983 Operating Account" (the "Revenue Fund") has heretofore been created and is hereby
984 continued. All Revenue of the System will be deposited in the Revenue Fund. All
985 Operating and Maintenance Expenses will be paid out of the Revenue Fund or
986 appropriate reserves therein.

987 B. Rate Stabilization Fund. In anticipation of increases in revenue
988 requirements of the System, a special fund of the county designated as the "Sewer Rate
989 Stabilization Fund" (the "Rate Stabilization Fund") has heretofore been established and is
990 hereby continued. The county may from time to time appropriate or budget amounts in
991 the Revenue Fund for deposit in the Rate Stabilization Fund, as provided in section 14 of
992 this ordinance, and may from time to time withdraw amounts therefrom for deposit in the
993 Revenue Fund to prevent or mitigate sewer rate increases or for other lawful purposes of

994 the county related to the System, including calculations of "Net Revenue" and "Revenue
995 of the System" for the purposes of satisfying requirements of sections 18, 24, and 25 of
996 this ordinance.

997 For any fiscal year: (a) amounts withdrawn from the Revenue Fund and deposited
998 into the Rate Stabilization Fund for that fiscal year must be subtracted from Net Revenue
999 for that fiscal year; and (b) amounts withdrawn from the Rate Stabilization Fund and
1000 deposited in the Revenue Fund for that fiscal year may be added to Revenue of the
1001 System for that fiscal year.

1002 SECTION 14. Sewer Revenue Priorities of Payment. So long as any Bond is
1003 outstanding, all Revenue of the System will be deposited into the Revenue Fund and used
1004 and applied in the following order of priority:

1005 First, to pay all Operating and Maintenance Expenses;

1006 Second, to make all required deposits into the Debt Service Account in the Parity
1007 Bond Fund to provide for the payment of principal of and interest on Parity Bonds as the
1008 same become due and payable and to make any Payment Agreement Payments with
1009 respect to any Parity Payment Agreements;

1010 Third, to make all payments required to be made pursuant to a reimbursement
1011 agreement or agreements or other equivalent documents in connection with Qualified
1012 Insurance or a Qualified Letter of Credit; provided, that if there is not sufficient money to
1013 make all payments under such reimbursement agreements, the payments will be made on
1014 a pro rata basis;

1015 Fourth, to establish and maintain the Parity Bond Reserve Account, including
1016 making deposits into such account and paying the costs of obtaining Qualified Insurance
1017 or a Qualified Letter of Credit therefor;

1018 Fifth, to make all required payments of principal of and interest on the Parity Lien
1019 Obligations and to make any Payment Agreement Payments with respect to any Parity
1020 Lien Obligation Payment Agreements;

1021 Sixth, to make all required payments of principal of and interest on the Junior
1022 Lien Obligations as the same become due and payable, to make all Payment Agreement
1023 Payments with respect to any Payment Agreements entered into with respect to Junior
1024 Lien Obligations, and to make any payments required to be made to providers of any
1025 credit enhancements or liquidity facilities for Junior Lien Obligations;

1026 Seventh, to make all required payments of principal of and interest on the Multi-
1027 Modal LTGO/Sewer Revenue Bonds as the same become due and payable, to make all
1028 Payment Agreement Payments for any Payment Agreements entered into with respect to
1029 Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments required to be
1030 made to providers of credit enhancements or liquidity facilities for any Multi-Modal
1031 LTGO/Sewer Revenue Bonds;

1032 Eighth, to make all required payments of principal of and interest on the
1033 Subordinate Lien Obligations as the same become due and payable;

1034 Ninth, to make all required payments of principal of and interest on bonds, notes,
1035 warrants and other evidences of indebtedness, the lien and charge on Revenue of the
1036 System of which are junior and inferior to the Subordinate Lien Obligations, as the same
1037 become due and payable; and

1038 Tenth, to make all required payments of principal of and interest due on the SRF
1039 Loans and the Public Works Board Loans.

1040 Any surplus money that the county may have on hand in the Revenue Fund after
1041 making all required payments set forth above may be used by the county: (a) to make
1042 necessary improvements, additions and repairs to and extensions and replacements of the
1043 System; (b) to purchase or redeem and retire outstanding sewer revenue bonds of the
1044 county; (c) to make deposits into the Rate Stabilization Fund; or (d) for any other lawful
1045 purposes of the county related to the System.

1046 SECTION 15. Construction Account; Disposition of Bond Proceeds.

1047 A. Construction Account. There has heretofore been created a special fund of
1048 the county known as the Construction Account. For purposes of separately accounting
1049 for investment earnings on the proceeds of the Project Bonds to facilitate compliance
1050 with the requirements of section 21 of this ordinance, there is hereby established for each
1051 Series of Project Bonds issued hereunder a special subaccount within the Construction
1052 Account to be designated as the "Series [applicable year designation] Construction
1053 Subaccount" (each a "Construction Subaccount").

1054 Money in each Construction Subaccount will be held and applied to pay costs of
1055 acquiring, constructing and equipping improvements, additions or betterments to the
1056 System as set forth in the Comprehensive Plan and the Capital Improvement Budget and
1057 all costs incidental thereto, including engineering, architectural, planning, financial, legal,
1058 urban design or any other incidental costs, and to repay any advances heretofore or
1059 hereafter made on account of such costs, provided that if deficiencies exist in the Parity
1060 Bond Fund or Parity Lien Obligation Bond Fund, money in any Construction Subaccount

1061 may be transferred to such fund in any amounts necessary to pay principal of and interest
1062 on Parity Bonds or Parity Lien Obligations, as applicable. Proceeds from the sale of a
1063 Series of Project Bonds may be designated to pay capitalized interest on those Project
1064 Bonds and may be held in the applicable Construction Subaccount or in a trust account to
1065 be established with an escrow agent or refunding trustee appointed by the Finance
1066 Director, as determined by the Finance Director upon the sale of such Series of Project
1067 Bonds.

1068 B. Disposition of Bond Proceeds. The proceeds of each Series of the Bonds
1069 will be deposited as follows:

1070 1. The amount equal to the interest, if any, accruing on each Series of
1071 the Bonds from their dated date to the date of their Closing will be deposited in the
1072 appropriate subaccount for the Series created in the Debt Service Account in the Parity
1073 Bond Fund or Parity Lien Obligation Bond Fund, as applicable;

1074 2. Proceeds of each Series of the Bonds issued as Parity Bonds may
1075 be deposited into the Parity Bond Reserve Account, as determined by the Finance
1076 Director upon the sale of any Bonds issued as Parity Bonds;

1077 3. The balance of the proceeds of any Series of Project Bonds will be
1078 deposited in the appropriate Construction Subaccount, including an escrow account that
1079 may be established for capitalized interest, as provided in subsection A. of this section
1080 and applied as provided therein; provided that the amount of such proceeds allocated by
1081 the Finance Director to pay the costs of issuing such Series of Project Bonds will be
1082 deposited in the appropriate fund or account as determined by the Finance Director, and
1083 used for such purpose; and

1084 4. The balance of the proceeds of any Series of Refunding Bonds will
1085 be deposited into the appropriate Refunding Account and applied as provided in section
1086 16 of this ordinance; provided that the amount of such proceeds allocated by the Finance
1087 Director to pay the costs of issuing such Series of Refunding Bonds will be deposited in
1088 the appropriate fund or account as determined by the Finance Director, and used for such
1089 purpose.

1090 SECTION 16. Refunding Account; Plan of Refunding.

1091 A. Refunding Account; Refunding Authorization. The Finance Director is
1092 hereby authorized to determine whether to (i) transfer the proceeds of the sale of a Series
1093 of the Bonds to the Registrar on or prior to the redemption or purchase date for payment
1094 of the purchase price, principal of and interest coming due on the Refunding Candidates
1095 selected for redemption, including by purchase or exchange, or (ii) establish one or more
1096 special accounts of the county to be maintained with the Refunding Trustee, each to be
1097 known as a "King County [year and Series designation] Sewer Revenue Bonds
1098 Refunding Account" (each a "Refunding Account"). Each Refunding Account will be
1099 drawn upon for the sole purpose of paying the purchase price, principal of and premium,
1100 if any, and interest on, the applicable Refunded Bonds and of paying costs of issuing that
1101 Series of Refunding Bonds and refunding the applicable Refunded Bonds. Proceeds of
1102 the sale of any Refunding Bonds, together with other county funds that may be
1103 designated for that purpose, will be transferred to the Registrar or deposited into the
1104 applicable Refunding Account to provide for refunding the applicable Refunded Bonds,
1105 including by purchase or exchange, in accordance with the ordinances authorizing the
1106 Refunded Bonds and to pay the costs of issuing the Refunding Bonds.

1107 The Finance Director is authorized to determine, in consultation with the county's
1108 financial advisors, which of the Refunding Candidates, if any, are to be refunded or
1109 purchased for cash or exchange consideration and whether such refunding shall be a
1110 current refunding, i.e., the redemption, purchase or exchange of Refunded Bonds paid for
1111 with proceeds of a Series of Bonds issued 90 or fewer days prior to the redemption date
1112 of the Refunded Bonds, or an advance refunding, i.e., the redemption, purchase, or
1113 exchange of Refunded Bonds paid for with proceeds of a Series of Bonds issued more
1114 than 90 days prior to the redemption date of the Refunded Bonds. The Finance Director
1115 is authorized to negotiate and approve terms for the acquisition of Refunding Candidates
1116 by purchase or exchange, and to negotiate, approve, and execute any offer, dealer
1117 manager agreements, or other documents in connection therewith, including amendments
1118 thereto from time to time.

1119 In determining which of the Refunding Candidates, if any, should be refunded
1120 under this ordinance, including by purchase or exchange, in order to effect a saving to the
1121 county and ratepayers of the System, the county council intends that the Finance Director
1122 adhere to the applicable present value savings targets identified in the adopted debt
1123 management policy of the county in effect at the time of sale. These requirements do not
1124 apply to the refunding of any Refunding Candidates, including by purchase or exchange,
1125 when necessary or in the best interest of the county and ratepayers of the System to
1126 modify debt service or reserve requirements, sources of payment, covenants or other
1127 terms of the Refunding Candidates.

1128 B. Plan of Refunding. Each plan of refunding and call for redemption,
1129 purchase or exchange of Refunded Bonds shall be set forth in the Refunding Agreement

1130 or set forth in a closing certificate. Bond proceeds held by the county may be invested
1131 for a period not to exceed 30 days prior to the transfer of such funds to the Registrar to
1132 accomplish the redemption, purchase or exchange and shall be invested by the county
1133 pending such transfer in any investments permitted for funds of the county consistent
1134 with the Federal Tax Certificate or otherwise as approved by the county's bond counsel.
1135 Money in each Refunding Account shall be used immediately upon receipt thereof to
1136 defease the applicable Refunded Bonds and discharge the other obligations of the county
1137 relating thereto under the ordinances that authorized the Refunded Bonds, by providing
1138 for the payment of the principal of and premium, if any, and interest on the Refunded
1139 Bonds as set forth in such agreement. The county will defease such bonds and discharge
1140 such obligations by the use of the money in each Refunding Account to purchase
1141 Government Obligations (should the purchase of such obligations be deemed by the
1142 Finance Director as being in the best interest of the County, and if so purchased,
1143 "Acquired Obligations") bearing interest and maturing as to principal in such amounts
1144 and at such times that, together with any necessary beginning cash balance, will provide
1145 for the payment of such Refunded Bonds, as set forth in the Refunding Agreement. Such
1146 Acquired Obligations shall be purchased at a yield not greater than the yield permitted by
1147 the Code and regulations relating to the obligations acquired in connection with refunding
1148 bond issues.

1149 In connection with any issuance of a Series of Refunding Bonds to carry out the
1150 refunding and defeasance of Refunded Bonds, the Finance Director is hereby authorized
1151 to appoint a Refunding Trustee qualified by law to perform the duties described herein.
1152 Any beginning cash balance and the Acquired Obligations will be irrevocably deposited

1153 with the Refunding Trustee in an amount sufficient to defease the Refunding Bonds in
1154 accordance with this section and the applicable Refunding Agreement.

1155 The county will take such actions as are found necessary to see that all necessary
1156 and proper fees, compensation and expenses of the Refunding Trustee are paid when due.
1157 The proper officers and agents of the county are directed to negotiate an agreement with
1158 each Refunding Trustee setting forth the duties, obligations and responsibilities of the
1159 Refunding Trustee in connection with the redemption and retirement of the Refunded
1160 Bonds as provided herein and setting forth provisions for the payment of the fees,
1161 compensation and expenses of the Refunding Trustee as are satisfactory to it. To carry
1162 out the Refunding Account purposes of this section, the Finance Director is authorized
1163 and directed to execute and deliver to each Refunding Trustee a Refunding Agreement
1164 and, if requested, a costs of issuance agreement, in forms approved by the county's bond
1165 counsel.

1166 C. Required Findings. The Refunding Agreement or closing certificate shall
1167 set forth the findings of the Finance Director made on behalf of the county that the sale of
1168 the Refunding Bonds accomplishes either:

1169 1. savings and defeasance regarding the Refunded Bonds authorized
1170 to be refunded, including by purchase or exchange, from the proceeds of each Series of
1171 Refunding Bonds; or

1172 2. the best interest of the county and ratepayers of the System from
1173 modifying debt service or reserve requirements, sources of payment, covenants or other
1174 terms of the Refunded Bonds authorized to be refunded from the proceeds of each Series
1175 of Refunding Bonds.

1176 SECTION 17. Due Regard for Expenses and Sewer Revenues Pledged. The
1177 county council hereby declares that, in fixing the amounts to be paid into the Parity Bond
1178 Fund and Parity Lien Obligation Bond Fund, as applicable, and the accounts therein, out
1179 of Revenue of the System, it has exercised due regard for the Operating and Maintenance
1180 Expenses and has not obligated the county to set aside in such funds and accounts a
1181 greater amount of Revenue of the System than in its judgment will be available over and
1182 above the Operating and Maintenance Expenses and Revenue of the System previously
1183 pledged.

1184 SECTION 18. Rate Covenants.

1185 A. Parity Bonds. The county hereby covenants with the Registered Owner of
1186 each of the Bonds issued as Parity Bonds that, for so long as any of the same are
1187 outstanding, the county will at all times establish, maintain and collect rates and charges
1188 for sewage disposal service that will provide in each calendar year Net Revenue in an
1189 amount that, together with the interest earned during that calendar year on investments of
1190 money in the Parity Bond Fund, Parity Bond Reserve Account and Construction Account,
1191 will equal or exceed 1.15 times the amount required to pay the Annual Parity Debt
1192 Service for such calendar year.

1193 At all times and in any event, rates and charges for sewage disposal service will
1194 be sufficient to provide funds adequate to operate and maintain the System, to make all
1195 payments and to establish and maintain all reserves required by this or any other
1196 ordinance authorizing obligations of the county payable from Revenue of the System, to
1197 make up any deficit in such payments remaining from prior years and to pay all costs
1198 incurred in the construction or acquisition of any portion of the Comprehensive Plan that

1199 may be ordered by the county and for the payment of which sewer revenue bonds, or
1200 other obligations payable from Revenue of the System, are not issued.

1201 B. Parity Lien Obligations. The county hereby covenants with the Registered
1202 Owner of each of the Bonds issued as Parity Lien Obligations that, for so long as any of
1203 the same are outstanding, the county will at all times establish, maintain and collect rates
1204 and charges for sewage disposal service that will be fair and nondiscriminatory and
1205 adequate to provide Revenue of the System sufficient for the proper operation and
1206 maintenance of the System; for the punctual payment of the principal of and interest on
1207 all outstanding Parity Bonds for which payment has not otherwise been provided and all
1208 amounts that the county is obligated to set aside in the Parity Bond Fund securing the
1209 Parity Bonds; for the punctual payment of the principal of and interest on all outstanding
1210 Parity Lien Obligations and for all amounts that the county is obligated to set aside in the
1211 Parity Lien Obligation Bond Fund; and for the payment of any and all other amounts that
1212 the county is now or may hereafter become obligated to pay from Revenue of the System.

1213 The county hereby further covenants with the Registered Owner of each of the
1214 Bonds issued as Parity Lien Obligations for so long as any of the same are outstanding
1215 that the county will at all times establish, maintain and collect rates and charges for
1216 sewage disposal service that will provide in each calendar year Net Revenue in an
1217 amount that, together with the interest earned during that calendar year on investments
1218 made of money in the Parity Bond Fund, Parity Bond Reserve Account, Parity Lien
1219 Obligation Bond Fund and Construction Account, is equal to at least 1.15 times the
1220 amounts required to pay the Annual Debt Service for such calendar year.

1221 C. Rate Stabilization Fund. In determining compliance with the requirements
1222 of this section, Revenue of the System and Net Revenue shall be calculated by taking into
1223 account deposits and withdrawals from the Rate Stabilization Fund as provided in section
1224 13.B. of this ordinance.

1225 SECTION 19. Certain Other Covenants of the County Regarding the Bonds. The
1226 county hereby covenants with the Registered Owner of each of the Bonds for as long as
1227 any of the Bonds are outstanding, as follows:

1228 A. Maintain in Good Order. The county will cause the System and the
1229 business in connection therewith to be operated in a safe, sound, efficient, and economic
1230 manner in compliance with all health, safety, and environmental laws, regulatory body
1231 rules, regulatory body orders and court orders applicable to the county's operation of the
1232 System, and will cause the System to be maintained, preserved, reconstructed, expanded
1233 and kept, with all appurtenances and every part and parcel thereof, in good repair,
1234 working order and condition, and will from time to time cause to be made, without undue
1235 deferral, all necessary or proper repairs, replacements and renewals, so that at all times
1236 the operation of the System will be properly and advantageously conducted;

1237 B. Books and Records. The county will cause proper books of record and
1238 accounts of operation of the System to be kept, including an annual financial report;

1239 C. Annual Audit. The county will cause its books of accounts, including its
1240 annual financial report, to be audited annually by the State auditor's office or other State
1241 department or agency or Certified Public Accountant as may be authorized and directed
1242 by law to make such audits. If such an audit is not completed within twelve months after
1243 the close of any fiscal year, the county must cause its books of accounts for such fiscal

1244 year, including its annual financial report, to be audited by a Certified Public Accountant.

1245 The county will furnish the audit to the Owner of any Bond upon written request therefor;

1246 D. Insurance. The county will at all times carry fire and extended coverage
1247 and such other forms of insurance on such of the buildings, equipment, facilities and
1248 properties of the System as under good practice are ordinarily carried on such buildings,
1249 equipment, facilities and properties by municipal or privately owned utilities engaged in
1250 the operation of sewer systems and will also carry adequate public liability insurance at
1251 all times, provided that the county may, if deemed advisable by the county council,
1252 institute or continue a self-insurance program for any or all of the aforementioned risks;

1253 E. Construction. The county will cause the construction of any duly
1254 authorized and ordered portions of the Comprehensive Plan to be performed and
1255 completed within a reasonable time and at the lowest reasonable cost;

1256 F. Collection of Revenue. The county will operate and maintain the System
1257 and conduct its affairs so as to entitle it at all times to receive and enforce payment to it
1258 of sewage disposal charges payable: (a) pursuant to the ordinance or ordinances
1259 establishing a tariff of rates and charges for sewage disposal services; and (b) under any
1260 Service Agreement that the county has now or may hereafter enter into and to entitle the
1261 county to collect all revenues derived from the operation of the System. The county shall
1262 not release the obligations of any person, corporation or political subdivision under such
1263 tariff of rates and charges or the Service Agreements and shall at all times, to the extent
1264 permitted by law, defend, enforce, preserve and protect the rights and privileges of the
1265 county and of the registered owners of the Parity Bonds and Parity Lien Obligations
1266 under or with respect thereto.

1267 In accordance with RCW 35.58.200(3), the county shall require any county, city,
1268 special district or other political subdivision to discharge to the System all sewage
1269 collected by that entity from any portion of the Seattle metropolitan area that can drain by
1270 gravity flow into facilities of the System that serve such areas if the county council
1271 declares that the health, safety or welfare of the people within the metropolitan area
1272 require such action;

1273 G. Legal Authority. The county has full legal right, power and authority to
1274 adopt this ordinance, to sell, issue and deliver the Bonds as provided herein, and to carry
1275 out and consummate all other transactions contemplated by this ordinance;

1276 H. Due Authorization. By all necessary official action prior to or
1277 concurrently herewith, the county has duly authorized and approved the execution and
1278 delivery of, and the performance by the county of its obligations contained in, the Bonds
1279 and this ordinance and the consummation by it of all other transactions necessary to
1280 effectuate this ordinance in connection with the issuance of Bonds, and such
1281 authorizations and approvals are in full force and effect and have not been amended,
1282 modified or supplemented in any material respect;

1283 I. Binding Obligation. This ordinance constitutes a legal, valid and binding
1284 obligation of the county;

1285 J. No Conflict. The county's adoption of this ordinance and its compliance
1286 with the provisions contained herein do not and shall not conflict with or constitute a
1287 breach of or default under any constitutional provision, law, administrative regulation,
1288 judgment, decree, loan agreement, indenture, bond, note, resolution, ordinance, Sale
1289 Document, agreement or other instrument to which the county is a party or to which the

1290 county or any of its property or assets are otherwise subject, nor will any such adoption
1291 or compliance result in the creation or imposition of any lien, charge or other security
1292 interest or encumbrance of any nature whatsoever upon any of the property or assets of
1293 the county or under the terms of any such law, regulation or instrument, except as
1294 permitted by this ordinance and the ordinances authorizing the issuance of other Parity
1295 Bonds and Parity Lien Obligations;

1296 K. Performance under Ordinance. None of the proceeds of the Bonds will be
1297 used for any purpose other than as provided in this ordinance, and except as otherwise
1298 expressly provided herein, the county shall not suffer any amendment or supplement to
1299 this ordinance, or any departure from the due performance of the obligations of the
1300 county hereunder, that might materially adversely affect the rights of the Registered
1301 Owners from time to time of the Bonds; and

1302 L. Sale or Disposition. The county will not sell or voluntarily dispose of all
1303 of the operating properties of the System unless provision is made for payment into the
1304 Parity Bond Fund and the Parity Lien Obligation Bond Fund of a sum sufficient to pay
1305 the principal of and interest on all outstanding Parity Bonds and Parity Lien Obligations
1306 in accordance with the terms thereof, nor will the county sell or voluntarily dispose of
1307 any part of the operating properties of the System unless provision is made: (a) for
1308 payment into the Parity Bond Fund of an amount that will bear at least the same
1309 proportion to the amount of the outstanding Parity Bonds that the estimated amount of
1310 any resulting reduction in Revenue of the System for the twelve months following such
1311 sale or disposition bears to the Revenue of the System that would have been realized if
1312 such sale or disposition had not been made; and (b) for payment into the Parity Lien

1313 Obligation Bond Fund of an amount that will bear at least the same proportion to the
1314 amount of the outstanding Parity Lien Obligations that the estimated amount of any
1315 resulting reduction in Revenue of the System for the twelve months following such sale
1316 or disposition bears to the Revenue of the System that would have been realized if such
1317 sale or disposition had not been made. Those estimates must be made by a Professional
1318 Utility Consultant. Any money so paid into the Parity Bond Fund and the Parity Lien
1319 Obligation Bond Fund must be used to retire outstanding Parity Bonds and Parity Lien
1320 Obligations as provided herein at the earliest possible date; provided, however, that the
1321 county may sell or otherwise dispose of any of the works, plant, properties and facilities
1322 of the System or any real or personal property comprising a part of the System with a
1323 value of less than 5% of the net utility plant of the System or that have become
1324 unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or
1325 no longer necessary, material to or useful in such operation, without making any deposit
1326 into the Parity Bond Fund or Parity Lien Obligation Bond Fund.

1327 SECTION 20. Certain Other Covenants of the County Regarding the Bonds

1328 Issued as Parity Lien Obligations. The county makes the following covenants and
1329 warranties to the Registered Owner of each of the Bonds issued as Parity Lien
1330 Obligations:

1331 A. The Bonds issued as Parity Lien Obligations, when issued, sold,
1332 authenticated and delivered, will constitute legal, valid and binding general obligations of
1333 the county.

1334 B. The county covenants that the Bonds issued as Parity Lien Obligations
1335 will be issued within all statutory and constitutional debt limitations applicable to the
1336 county.

1337 SECTION 21. Federal Tax Law Covenants. The county will take all actions
1338 necessary to assure the tax-advantaged status of the Tax-Advantaged Obligations, or the
1339 exclusion of interest on the Tax-Exempt Obligations from the gross income of the owners
1340 of the Tax-Exempt Obligations to the same extent as such interest is permitted to be
1341 excluded from gross income under the Code as in effect on the date of issuance of the
1342 Tax-Advantaged or Tax-Exempt Obligations, as applicable and as set forth in the Federal
1343 Tax Certificate, including but not limited to the following to the extent applicable:

1344 A. The county will assure that the proceeds of the Tax-Exempt Obligations
1345 are not so used as to cause the Tax-Exempt Obligations issued as governmental bonds to
1346 satisfy the private business tests of Section 141(b) of the Code or the private loan
1347 financing test of Section 141(c) of the Code or to cause any other Tax-Exempt
1348 Obligations to fail to qualify as exempt private activity bonds;

1349 B. The county will not sell or otherwise transfer or dispose of: (i) any
1350 personal property components of the projects financed or refinanced with proceeds of the
1351 Tax-Exempt Obligations (the "Tax-Exempt Projects") other than in the ordinary course of
1352 an established government program under Treasury Regulation § 1.141-2(d)(4); or (ii)
1353 any real property components of the Tax-Exempt Projects, unless it has received an
1354 opinion of nationally recognized bond counsel to the effect that such disposition will not
1355 affect the treatment of interest on the Tax-Exempt Obligations as excludable from gross
1356 income for federal income tax purposes, as applicable;

1357 C. The county will not take any action or permit or suffer any action to be
1358 taken if the result of such action would be to cause any of the Tax-Exempt Obligations to
1359 be "federally guaranteed" within the meaning of Section 149(b) of the Code;

1360 D. The county will take any and all actions necessary to assure compliance
1361 with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if
1362 any, to the federal government;

1363 E. The county will not take, or permit or suffer to be taken, any action with
1364 respect to the proceeds of the Tax-Exempt Obligations which, if such action had been
1365 reasonably expected to have been taken, or had been deliberately and intentionally taken,
1366 on the date of issuance of the Tax-Exempt Obligations would have caused the Tax-
1367 Exempt Obligations to be "arbitrage bonds" within the meaning of Section 148 of the
1368 Code;

1369 F. The county will maintain a system for recording the ownership of each
1370 Tax-Exempt Obligation that complies with the provisions of Section 149 of the Code
1371 until all Tax-Exempt Obligations have been surrendered and canceled;

1372 G. The county will retain its records of all accounting and monitoring it
1373 carries out with respect to the Tax-Exempt Obligations for at least three years after the
1374 Tax-Exempt Obligations mature or are redeemed, whichever is earlier; however, if the
1375 Tax-Exempt Obligations are redeemed and refunded, the county will retain its records of
1376 accounting and monitoring at least three years after the earlier of the maturity or
1377 redemption of the obligations that refunded the Tax-Exempt Obligations;

1378 H. In the event the county issues one or more Series of Tax-Advantaged
1379 Obligations eligible for federal tax credits, a federal interest subsidy, or other subsidy, the

1380 county will comply with the provisions of the Federal Tax Certificate setting forth or
1381 incorporating applicable requirements; and

1382 I. The county will comply with the provisions of the Federal Tax Certificate
1383 with respect to the applicable Tax-Exempt Obligations or Tax-Advantaged Obligations,
1384 which are incorporated herein as if fully set forth herein. In the event of any conflict
1385 between this section and the Federal Tax Certificate, the provisions of the Federal Tax
1386 Certificate will prevail. Additional tax covenants as necessary or desirable for any Series
1387 of Bonds may be set forth in the Sale Document or Federal Tax Certificate for that Series
1388 of Bonds.

1389 The covenants of this section will survive payment in full or defeasance of the
1390 applicable Tax-Exempt Obligations or Tax-Advantaged Obligations.

1391 SECTION 22. Trustee for Registered Owners of Parity Bonds.

1392 A. Appointment of Trustee. Upon the occurrence of any "event of default"
1393 described in section 23.A. of this ordinance, the Registered Owners of a majority in
1394 principal amount of the outstanding Parity Bonds may appoint a Trustee by an instrument
1395 or concurrent instruments in writing signed and acknowledged by such Registered
1396 Owners or by their attorneys-in-fact duly authorized and delivered to the Trustee,
1397 notification thereof being given to the county. Any Trustee appointed under the
1398 provisions of this subsection A. must be a bank or trust company organized under the
1399 laws of the State or the State of New York or a national banking association. The fees
1400 and expenses of a Trustee must be borne by the owners of the Parity Bonds and not by
1401 the county. The bank or trust company acting as a Trustee may be removed at any time
1402 and a successor Trustee may be appointed by the Registered Owners of a majority in

1403 principal amount of the outstanding Parity Bonds, by an instrument or concurrent
1404 instruments in writing signed and acknowledged by such Registered Owners or by their
1405 attorneys-in-fact duly authorized.

1406 The Trustee appointed in the manner herein provided, and each successor thereto,
1407 is hereby declared to be a trustee for the Registered Owners of all the Parity Bonds and is
1408 empowered to exercise all rights and powers herein conferred on the Trustee.

1409 B. Certain Rights and Obligations of Trustee. The Trustee will not be
1410 responsible for recitals in any ordinance or in the Parity Bonds, or for the validity of any
1411 Parity Bonds, nor will the Trustee be responsible for insuring the System or for collecting
1412 any insurance money or for the title to any property of the System.

1413 The Trustee will be protected in acting upon any notice, request, consent,
1414 certificate, order, affidavit, letter or other paper or document believed by it to be genuine
1415 and correct and to have been signed, sent or delivered by the person or persons by whom
1416 such paper or document is purported to have been signed, sent or delivered.

1417 The Trustee will not be answerable for any neglect or default of any person, firm
1418 or corporation employed and selected by it with reasonable care.

1419 The Trustee will permit the owner of any Parity Bonds to inspect any instrument,
1420 opinion or certificate filed with the Trustee by the county or by any person, firm or
1421 corporation acting for the county.

1422 The Trustee will not be bound to recognize any person as an owner of any Parity
1423 Bond until such person's title thereto, if disputed, has been established to the Trustee's
1424 reasonable satisfaction.

1425 The Trustee may consult with counsel, and the opinion of such counsel will be
1426 full and complete authorization and protection in respect of any action taken or suffered
1427 by it hereunder in good faith and in accordance with the opinion of such counsel.

1428 SECTION 23. Events of Default for Parity Bonds; Powers and Duties of Trustee.

1429 A. Events of Default. The occurrence of one or more of the following is an
1430 "event of default" with respect to any Bonds issued as Parity Bonds under this ordinance:

1431 1. default in the payment of principal of or interest on any Parity
1432 Bonds when the same becomes due; or

1433 2. default in the observance or performance of any of the other
1434 covenants applicable to Parity Bonds herein contained, and the default continues for a
1435 period of six months after written notice to the county from the registered owner of a
1436 Parity Bond specifying the default and requiring that it be remedied.

1437 B. Powers of Trustee. The Trustee in its own name and on behalf of and for
1438 the benefit and protection of the registered owners of all Parity Bonds may proceed, and
1439 upon the written request of the Registered Owners of not less than 25% in principal
1440 amount of the Parity Bonds then outstanding must proceed, to protect and enforce any
1441 rights of the Trustee and, to the full extent that Registered Owners of Parity Bonds
1442 themselves might do, the rights of such Registered Owners of Parity Bonds under the
1443 laws of the State or under the ordinances providing for the issuance of the Parity Bonds,
1444 by such suits, actions or proceedings in equity or at law, either for the specific
1445 performance of any covenant contained herein or in aid or execution of any power herein
1446 granted or for any proper legal or equitable remedy as the Trustee may deem most
1447 effectual to protect and enforce the rights of the Trustee and the Registered Owners of

1448 Parity Bonds. In the enforcement of any such rights under this or any other ordinance of
1449 the county, the Trustee is entitled to sue for, to enforce payment of and to receive any and
1450 all amounts due from the county for principal, interest or otherwise under any of the
1451 provisions of such ordinance, with interest on overdue payments at the rate or rates set
1452 forth in such Parity Bond or Parity Bonds, together with any and all costs and expenses of
1453 collection and of all proceedings taken by the Trustee without prejudice to any other right
1454 or remedy of the Trustee or of the owners of the Parity Bonds.

1455 If default is made in the payment of principal of any Parity Bond and the default
1456 continues for a period of 30 days, the Trustee may not accelerate payment of any Parity
1457 Bonds but may proceed to enforce payment thereof as hereinabove provided. If, in the
1458 sole judgment of the Trustee, any default is cured and the Trustee furnishes the county a
1459 certificate so stating, that default is conclusively deemed to be cured, and the county,
1460 Trustee and owners of Parity Bonds will be restored to the same rights and position they
1461 would have held if no event of default had occurred.

1462 C. Actions in Name of Trustee. All rights of action under this ordinance or
1463 upon any of the Parity Bonds enforceable by the Trustee may be enforced by the Trustee
1464 without the possession of any Parity Bonds or the production thereof in the trial or other
1465 proceedings relative thereto, and any such suit, action or proceeding instituted by the
1466 Trustee will be brought in its name for the ratable benefit of the Registered Owners of all
1467 Parity Bonds, subject to the provisions of this ordinance.

1468 D. Procedure by Bond Owners. No owner of any one or more of the Parity
1469 Bonds has any right to institute any action, suit or proceedings at law or in equity for the
1470 enforcement of the same, unless an event of default occurs and no Trustee has been

1471 appointed as herein provided, but any remedy herein authorized to be exercised by a
1472 Trustee may be exercised individually by any registered owner of a Parity Bond, in such
1473 Registered Owner's own name and on such Registered Owner's own behalf or for the
1474 benefit of all registered owners of Parity Bonds, if no Trustee is appointed, or with the
1475 consent of the Trustee if such Trustee has been appointed.

1476 E. Application of Money Collected by Trustee. Any money collected by the
1477 Trustee at any time pursuant to this section will be applied, first, to the payment of its
1478 charges, expenses, advances and compensation and the charges, expenses, counsel fees,
1479 disbursements and compensation of its agents and attorneys, and, second, toward
1480 payment of the amount then due and unpaid upon the Parity Bonds, ratably and without
1481 preference or priority of any kind not expressly provided in this ordinance, according to
1482 the amounts due and payable on the Parity Bonds at the date fixed by the Trustee for the
1483 distribution of such money, upon presentation of the several Parity Bonds and upon
1484 causing such payment to be stamped thereon, if partly paid, and upon surrender thereof, if
1485 fully paid.

1486 SECTION 24. Future Parity Bonds. The county further covenants and agrees
1487 with the Registered Owner of each of the Bonds issued as Parity Bonds for as long as the
1488 same are outstanding that it will not create any special fund for the payment of the
1489 principal of and interest on any revenue bonds that will rank on a parity with or have any
1490 priority over the payments out of Revenue of the System required to be made into the
1491 Parity Bond Fund and the accounts therein to pay or secure the payment of the
1492 outstanding Parity Bonds. The county reserves the right for: (a) the purpose of acquiring,
1493 constructing and installing any portion of the Comprehensive Plan; (b) the purpose of

1494 acquiring, constructing and installing any necessary renewals or replacements of the
1495 System; or (c) the purpose of refunding or purchasing, for cash or exchange
1496 consideration, and retiring at or prior to their maturity any outstanding obligations of the
1497 county payable from Revenue of the System, to issue additional or refunding Parity
1498 Bonds, including Variable Rate Parity Bonds, and to make payments into the Parity Bond
1499 Fund out of the Revenue Fund that will be sufficient to pay the principal of and interest
1500 on those additional or refunding Parity Bonds and to maintain required reserves, such
1501 payments out of the Revenue Fund to rank equally with the payments out of the Revenue
1502 Fund required to be made into the Parity Bond Fund and the accounts therein for the
1503 payment of the principal of and interest on outstanding Parity Bonds, but only upon
1504 compliance with the following conditions:

1505 A. At the time of the issuance of any Future Parity Bonds there is no
1506 deficiency in the Parity Bond Fund or any account therein;

1507 B. Each ordinance providing for the issuance of any Future Parity Bonds that
1508 are refunding bonds must require that all money held in any fund or account of the county
1509 created for the purpose of paying the principal of and interest on the bonds being
1510 refunded either be used to pay the principal of and interest on such bonds or be
1511 transferred or paid into the Parity Bond Fund;

1512 C. Each ordinance providing for the issuance of Future Parity Bonds must
1513 provide for the payment of the principal thereof and interest thereon out of the Parity
1514 Bond Fund. The Future Parity Bonds may bear such date of issue, interest payment
1515 dates, and principal payment dates, and may mature in such year or years, as the county
1516 council provides. Each such ordinance will further provide that upon the issuance of any

1517 Future Parity Bonds, the county will pay into the Parity Bond Reserve Account an
1518 amount that will be sufficient to satisfy the Reserve Requirement then applicable or
1519 provide Qualified Insurance or a Qualified Letter of Credit to satisfy the Reserve
1520 Requirement;

1521 D. At the time of the issuance of any Future Parity Bonds, the county must
1522 have on file a certificate from a Professional Utility Consultant, dated no more than 90
1523 days prior to the date of delivery of such Future Parity Bonds, showing that, in the
1524 Professional Utility Consultant's professional opinion, the "annual income available for
1525 debt service on Parity Bonds" for each year during the life of such Future Parity Bonds
1526 shall be at least equal to 1.25 times the amount required in each such year to pay the
1527 Annual Parity Debt Service for such year. Such "annual income available for debt service
1528 on Parity Bonds" must be determined as follows for each year following the proposed
1529 date of issue of such Future Parity Bonds:

1530 1. The Revenue of the System must be determined for a period of any
1531 12 consecutive months out of the 18 months immediately preceding the delivery of the
1532 Future Parity Bonds being issued;

1533 2. Such revenue may be adjusted to give effect on a 12-month basis
1534 to the rates in effect on the date of such certificate;

1535 3. If there were any Customers added to the System during such 12-
1536 month period or thereafter and prior to the date of the Professional Utility Consultant's
1537 certificate, such revenue may be further adjusted on the basis that added Customers were
1538 Customers of the System during the entire 12-month period;

1539 4. There will be deducted from such revenue the amount expended
1540 for Operating and Maintenance Expenses during such period;

1541 5. For each year following the proposed date of issuance of such
1542 Future Parity Bonds the Professional Utility Consultant may add to the annual revenue
1543 determined in subsections D.1. through 4. of this section an estimate of the income to be
1544 received in each such year from the investment of money in the Parity Bond Fund and
1545 any account therein, and the Construction Account, which is to be determined by and in
1546 the sole discretion of a firm of nationally recognized financial consultants selected by the
1547 county;

1548 6. Beginning with the second year following the proposed date of
1549 issue of such Future Parity Bonds and for each year thereafter, the Professional Utility
1550 Consultant may add to the annual revenue determined in subsection D.1. through 5. of
1551 this section the Professional Utility Consultant's estimate of any additional annual
1552 revenue to be received from anticipated growth in the number of Customers within the
1553 area served by the System on the date of such certificate, after deducting therefrom any
1554 increased Operating and Maintenance Expenses estimated to be incurred as a result of
1555 such growth; provided, that the Professional Utility Consultant's estimate of the number
1556 of Customers served may not assume growth of more than 1/4 of 1% over and above the
1557 number of Customers served or estimated to be served during the preceding year; and

1558 7. If extensions of or additions to the System are in the process of
1559 construction at the time of such certificate, or if the proceeds of the Future Parity Bonds
1560 being issued are to be used to acquire or construct extensions of or additions to the
1561 System, there may be added to the annual net revenue as above determined any revenue

1562 not included in subsections D.1. through 6. of this section that will be derived from such
1563 additions and extensions after deducting therefrom the estimated additional Operating
1564 and Maintenance Expenses to be incurred as a result of such additions and extensions;
1565 provided, that such estimated annual revenue will be based upon 75% of any estimated
1566 Customer growth in the four years following the first full year in which such additional
1567 revenue is to be collected and thereafter the estimated Customer growth may not exceed
1568 1/4 of 1% per year over and above such reduced estimate;

1569 E. Instead of the certificate described in subsection D. of this section, the
1570 county may elect to have on file a certificate of the Finance Director demonstrating that
1571 during any 12 consecutive calendar months out of the immediately preceding 18 calendar
1572 months Net Revenue was at least equal to 1.25 times the amount required to pay, in each
1573 year that such Future Parity Bonds would be outstanding, the Annual Parity Debt Service
1574 for such year;

1575 F. For the purpose of refunding at or prior to their maturity any outstanding
1576 Parity Bonds or any bonds or other obligations of the county payable from Revenue of
1577 the System, including refundings by purchase or exchange, the county may at any time
1578 issue Future Parity Bonds without complying with the provisions of subsections D. or E.
1579 of this section; provided, that the county may not issue Future Parity Bonds for such
1580 purpose under this subsection F. unless the Finance Director certifies that upon the
1581 issuance of such Future Parity Bonds: (a) total debt service required for all Parity Bonds,
1582 including the refunding bonds and not including the bonds to be refunded thereby, will
1583 decrease; and (b) the Annual Parity Debt Service for each year that any Parity Bonds,
1584 including the refunding bonds and not including the bonds to be refunded thereby, are

1585 then outstanding will not be increased by more than \$5,000 by reason of the issuance of
1586 such Future Parity Bonds.

1587 The principal amount of Future Parity Bonds issued pursuant to this subsection F.
1588 may include amounts necessary to pay the principal of the Parity Bonds or other
1589 obligations to be refunded, interest thereon to the date of payment or redemption thereof,
1590 any premium payable thereon upon such payment or redemption and the costs of issuance
1591 of such Future Parity Bonds, and if a Payment Agreement has been provided with respect
1592 to the obligations to be refunded, may include amounts necessary to make the payment of
1593 all amounts, if any, due and payable by the county under such Payment Agreement. The
1594 proceeds of such Future Parity Bonds will be held and applied in such manner as is
1595 provided for in the ordinance authorizing the issuance of the Parity Bonds or other
1596 obligations to be refunded, so that upon the delivery of such Future Parity Bonds, the
1597 Parity Bonds or other obligations to be refunded thereby will be deemed no longer
1598 outstanding in accordance with the ordinance authorizing their issuance; and

1599 G. Nothing contained in this ordinance prevents the county from issuing
1600 revenue bonds that are a charge on Revenue of the System and money in the Revenue
1601 Fund junior or inferior to the payments required to be made therefrom into the Parity
1602 Bond Fund and any account therein, nor shall anything herein contained prevent the
1603 county from issuing Future Parity Bonds to refund maturing Parity Bonds for the
1604 payment of which money is not otherwise available.

1605 SECTION 25. Additional Parity Lien Obligations. The county expressly reserves
1606 the right to issue additional Parity Bonds in accordance with the ordinances, including
1607 this ordinance, authorizing the Parity Bonds. Subject to this reservation of rights with

1608 respect to Parity Bonds, the county hereby covenants and agrees with the Registered
1609 Owner of each of the Bonds issued as Parity Lien Obligations, so long as such Bonds are
1610 outstanding, that it will not issue or incur any other additional indebtedness secured in
1611 whole or in part by a lien on Revenue of the System superior to the lien of such Bonds
1612 issued as Parity Lien Obligations.

1613 A. Parity Lien Obligations Other Than Refunding Bonds. The county
1614 expressly reserves the right to issue or enter into additional Parity Lien Obligations,
1615 including Variable Rate Parity Lien Obligations, for any lawful purpose of the county
1616 related to the System if at the time of issuing or entering into such Parity Lien
1617 Obligations:

1618 1. There is no deficiency in the Parity Bond Fund, the Parity Lien
1619 Obligation Bond Fund or any other bond fund or account securing Parity Lien
1620 Obligations;

1621 2. The county has on file a certificate from a Professional Utility
1622 Consultant, dated no more than 90 days prior to the date of delivery of such Parity Lien
1623 Obligations, showing that, in the Professional Utility Consultant's professional opinion,
1624 the "annual income available for debt service on Parity Bonds and Parity Lien
1625 Obligations" for each year during the life of such Parity Lien Obligations is at least equal
1626 to 1.25 times the amount required to pay Annual Debt Service in each such year. Such
1627 "annual income available for debt service on Parity Bonds and Parity Lien Obligations"
1628 shall be determined as follows for each year following the proposed date of issue of such
1629 additional Parity Lien Obligations:

- 1630 a. The Revenue of the System must be determined for a
1631 period of any 12 consecutive months out of the 18 months immediately preceding the
1632 delivery of the Parity Lien Obligations being issued;
- 1633 b. Such revenue may be adjusted to give effect on a 12-month
1634 basis to the rates in effect on the date of such certificate;
- 1635 c. If there were any Customers added to the System during
1636 such 12-month period or thereafter and prior to the date of the Professional Utility
1637 Consultant's certificate, such revenue may be further adjusted on the basis that added
1638 Customers were Customers of the System during the entire 12-month period;
- 1639 d. There will be deducted from such revenue the amount
1640 expended for Operating and Maintenance Expenses during such period;
- 1641 e. For each year following the proposed date of issuance of
1642 such Parity Lien Obligations the Professional Utility Consultant may add to the annual
1643 revenue determined in subsection A.2.a. through d. of this section an estimate of the
1644 income to be received in each such year from the investment of money in the Parity Bond
1645 Fund, the Parity Lien Obligation Bond Fund and the Construction Account, which is to
1646 be determined by and in the sole discretion of a firm of nationally recognized financial
1647 consultants selected by the county;
- 1648 f. Beginning with the second year following the proposed
1649 date of issue of such Parity Lien Obligations and for each year thereafter the Professional
1650 Utility Consultant may add to the annual revenue determined in subsection A.2.a. through
1651 e. of this section the Professional Utility Consultant's estimate of any additional annual
1652 revenue to be received from anticipated growth in the number of Customers within the

1653 area served by the System on the date of such certificate, after deducting therefrom any
1654 increased Operating and Maintenance Expenses estimated to be incurred as a result of
1655 such growth; provided, that the Professional Utility Consultant's estimate of the number
1656 of customers served may not assume a growth of more than 1/4 of 1% over and above the
1657 number of customers served or estimated to be served during the preceding year; and

1658 g. If extensions of or additions to the System are in the
1659 process of construction at the time of such certificate, or if the proceeds of the Parity Lien
1660 Obligations being issued are to be used to acquire or construct extensions of or additions
1661 to the System, there may be added to the annual net revenue as above determined any
1662 revenue not included in subsection A.2.a. through f. of this section that will be derived
1663 from such additions and extensions after deducting therefrom the estimated additional
1664 Operating and Maintenance Expenses to be incurred as a result of such additions and
1665 extensions; provided, that such estimated annual revenue must be based upon 75% of any
1666 estimated Customer growth in the four years following the first full year in which such
1667 additional revenue is to be collected and thereafter the estimated Customer growth may
1668 not exceed 1/4 of 1% per year over and above such reduced estimate; and

1669 3. Instead of the certificate described in subsection A.2. of this
1670 section, the county may elect to have on file a certificate of the Finance Director
1671 demonstrating that during any 12 consecutive calendar months out of the immediately
1672 preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount
1673 required to pay, in each year that such Parity Lien Obligations would be outstanding, the
1674 Annual Debt Service for such year.

1675 B. Parity Lien Obligations That Are Refunding Bonds.

1676 1. The county may at any time, for the purpose of refunding at or
1677 prior to their maturity any outstanding Parity Lien Obligations, Parity Bonds, or any
1678 bonds or other obligations of the county payable from Revenue of the System, including
1679 refundings by purchase or exchange, issue additional Parity Lien Obligations without
1680 complying with the provisions of subsection A.2. and 3. of this section if there is filed
1681 with the clerk of the county council a certificate of the Finance Director stating that upon
1682 the issuance of such additional Parity Lien Obligations: (a) total debt service on all Parity
1683 Bonds and Parity Lien Obligations, including the refunding bonds but not including the
1684 bonds to be refunded thereby, will decrease; and (b) the Annual Debt Service for each
1685 year that any Parity Bonds and any Parity Lien Obligations, including the refunding
1686 bonds but not including the bonds to be refunded thereby, are then outstanding will not be
1687 increased by more than \$5,000 by reason of the issuance of such additional Parity Lien
1688 Obligations.

1689 2. The principal amount of such Parity Lien Obligations may include
1690 amounts necessary to pay the principal of the bonds or other obligations to be refunded,
1691 interest thereon to the date of payment or redemption thereof and any premium payable
1692 thereon upon such payment or redemption and the costs of issuance of such Parity Lien
1693 Obligations and, if a Payment Agreement has been provided with respect to the
1694 obligations to be refunded, may include amounts necessary to make the payment of all
1695 amounts, if any, due and payable by the county under such Payment Agreement. The
1696 proceeds of such Parity Lien Obligations will be held and applied as provided in the
1697 ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the
1698 delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded

1699 thereby will be deemed no longer outstanding in accordance with the ordinance
1700 authorizing their issuance.

1701 3. At the election of the county, the provisions of this subsection B.
1702 need not apply to the refunding at one time of all the Parity Lien Obligations then
1703 outstanding.

1704 4. Nothing contained in this ordinance prohibits or prevents, or will
1705 be deemed or construed to prohibit or prevent, the county from issuing Parity Lien
1706 Obligations to refund maturing Parity Lien Obligations of the county for the payment of
1707 which money is not otherwise available.

1708 C. Subordinate Obligations. Nothing in this ordinance prohibits, or will be
1709 deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or
1710 other evidences of indebtedness for any purpose of the county related to the System
1711 payable in whole or in part from Revenue of the System and secured by a lien on
1712 Revenue of the System that is junior, subordinate and inferior to the lien of any Bonds
1713 issued as Parity Lien Obligations.

1714 SECTION 26. Reimbursement Obligations. If the county elects to secure any
1715 Bonds with a Credit Facility, the county may contract with the entity providing the Credit
1716 Facility that the reimbursement obligation, if any, to that entity will be a Parity Bond or
1717 Parity Lien Obligation, as applicable.

1718 SECTION 27. Payment Agreements.

1719 A. General. To the extent and for the purposes permitted from time to time
1720 by chapter 39.96 RCW, as it may be amended, and other applicable provisions of State

1721 law, the county may enter into Payment Agreements, subject to the conditions set forth in
1722 this section and in other provisions of this ordinance.

1723 B. Manner and Schedule of Payments. Each Payment Agreement must set
1724 forth the manner in which the Payment Agreement Payments and the Payment
1725 Agreement Receipts will be calculated and a schedule of payment dates.

1726 C. Authorizing Ordinance. Prior to entering into a Payment Agreement, the
1727 county council must adopt an ordinance authorizing such agreement and setting forth
1728 such provisions as the county deems necessary or desirable and are not inconsistent with
1729 the provisions of this ordinance.

1730 D. Calculation of Payment Agreement Payments and Debt Service on Bonds
1731 with Respect to which a Payment Agreement is in Force. It is the intent of the county, for
1732 purposes of section 18, 24, or 25 of this ordinance, that debt service on Parity Bonds with
1733 respect to which a Parity Payment Agreement is in force will be calculated to reflect the
1734 net economic effect on the county intended to be produced by the terms of such Parity
1735 Bonds and Parity Payment Agreement and that debt service on Parity Lien Obligation
1736 Bonds with respect to which a Parity Lien Obligation Payment Agreement is in force will
1737 be calculated to reflect the net economic effect on the county intended to be produced by
1738 the terms of such Parity Lien Obligation Bonds and Parity Lien Obligation Payment
1739 Agreement. In calculating such amounts, the county will be guided by the following
1740 requirements.

1741 1. The amount of interest deemed to be payable on any Bonds with
1742 respect to which a Payment Agreement is in force will be an amount equal to the amount

1743 of interest that would be payable at the rate or rates stated in those Bonds plus Payment
1744 Agreement Payments minus Payment Agreement Receipts.

1745 2. For any period during which Payment Agreement Payments are
1746 not taken into account in calculating interest on any outstanding Bonds because the
1747 Payment Agreement is not then related to any outstanding Bonds, Payment Agreement
1748 Payments on that Parity Payment Agreement will be calculated based upon the following
1749 assumptions:

1750 a. County Obligated to Make Payments Based on Fixed Rate.
1751 If the county is obligated to make Payment Agreement Payments based on a fixed rate
1752 and the Qualified Counterparty is obligated to make payments based on a variable rate
1753 index, payments by the county will be based on the assumed fixed payor rate, and
1754 payments by the Qualified Counterparty will be based on a rate equal to the average rate
1755 determined by the variable rate index specified by the Payment Agreement during the
1756 fiscal quarter preceding the quarter in which the calculation is made; and

1757 b. County Obligated to Make Payments Based on Variable
1758 Rate Index. If the county is obligated to make Payment Agreement Payments based on a
1759 variable rate index and the Qualified Counterparty is obligated to make payments based
1760 on a fixed rate, payments by the county will be based on a rate equal to the average rate
1761 determined by the variable rate index specified by the Payment Agreement during the
1762 fiscal quarter preceding the quarter in which the calculation is made, and the Qualified
1763 Counterparty will make payments based on the fixed rate specified by the Payment
1764 Agreement.

1765 E. Prior Notice to Rating Agencies. The county will give notice to Moody's
1766 and S&P 30 days prior to the date it intends to enter into a Parity Payment Agreement
1767 and will give notice to Fitch, Moody's and S&P 30 days prior to the date it intends to
1768 enter into a Parity Lien Obligation Payment Agreement.

1769 SECTION 28. Sale of Bonds. The county hereby authorizes the sale of the Bonds
1770 in one or more Series. The Finance Director is authorized to proceed with the sale of any
1771 Series of the Bonds pursuant to subsections B., C., or D. of this section to refund the
1772 Refunded Bonds and finance the costs of any project that has been approved by the
1773 county council or will have been approved by the county council prior to the sale date for
1774 such Bonds. The Finance Director is further authorized to proceed under this ordinance
1775 with the sale of the Project Bonds for any such project and with the sale of the Refunding
1776 Bonds to refund any Refunding Candidate(s), including by purchase or exchange,
1777 pursuant to the sale provisions set forth in this section and without regard to the
1778 requirements of any prior bond ordinance that authorized the financing of the project or
1779 the refunding of such Refunding Candidate(s).

1780 The Bonds will be sold in one or more Series, any of which may be sold in a
1781 combined offering with other bonds and/or notes of the county, at the option of the
1782 Finance Director. The Finance Director will determine, in consultation with the county's
1783 financial advisors, the principal amount of each Series of the Project Bonds, which of the
1784 Refunding Candidates will be refunded, whether such Refunding Candidates will be
1785 refunded by purchase or exchange, whether any Series of Project Bonds or Refunding
1786 Bonds will be sold separately or in one or more combined Series, whether each Series of
1787 Bonds will be sold by competitive bid or negotiated sale, or otherwise, and for current or

1788 future delivery, and whether such Series of Bonds will be issued and sold as Tax-
1789 Advantaged Obligations, Tax-Exempt Obligations or Taxable Obligations, and whether
1790 any Series will be designated as "green bonds," social impact bonds, sustainability bonds
1791 or otherwise.

1792 A. Satisfaction of Additional Bonds Tests. The Finance Director will provide
1793 or cause to be provided by a Professional Utility Consultant any certifications required to
1794 comply with the tests established in prior ordinances of the county for the issuance of
1795 additional Parity Bonds and additional Parity Lien Obligations, as applicable.

1796 B. Negotiated Sale. If the Finance Director determines that any Series of the
1797 Bonds will be sold by negotiated sale, the Finance Director shall, in accordance with
1798 applicable county procurement procedures, solicit one or more underwriting firms or
1799 other financial institutions with which to negotiate the sale of such Bonds. Subject to the
1800 parameters set forth in subsection E. of this section, the Bond Purchase Agreement for
1801 such Series of the Bonds will specify whether the Bonds of such Series are being issued
1802 and sold as Tax-Advantaged Obligations, Tax-Exempt Obligations or Taxable
1803 Obligations, and whether any Series of Bonds are designated as "green bonds," social
1804 impact bonds, sustainability bonds or otherwise, and will also identify any Term Bonds
1805 and the year and any applicable Series designation, date, principal amounts and maturity
1806 dates, interest rates and interest payment dates, redemption and/or purchase provisions
1807 and delivery date for such Series of Bonds.

1808 C. Sale by Competitive Bid. If the Finance Director determines that any
1809 Series of Bonds will be sold by competitive bid, bids for the purchase of such Series of
1810 Bonds will be received at such time and place and by such means as the Finance Director

1811 will direct. The Finance Director is authorized to prepare an Official Notice of Bond Sale
1812 for each Series of Bonds to be sold pursuant to competitive bid, which notice will be filed
1813 with the clerk of the county council. The Official Notice of Bond Sale will specify
1814 whether the Bonds of such Series are being issued and sold as Tax-Advantaged
1815 Obligations, Tax-Exempt Obligations or Taxable Obligations, and whether any Series
1816 will be designated as "green bonds," social impact bonds, sustainability bonds or
1817 otherwise, and will identify the year and any applicable Series designation, date, principal
1818 amounts and maturity dates, interest payment dates, redemption and/or purchase
1819 provisions and delivery date for such Series of Bonds.

1820 Upon the date and time established for the receipt of bids for a Series of the
1821 Bonds, the Finance Director or the Finance Director's designee will review the bids
1822 received, cause the bids to be mathematically verified, and accept the winning bid by
1823 executing the Certificate of Award, which shall designate any Term Bonds, subject to the
1824 parameters set forth in subsection E. of this section. The county, acting through the
1825 Finance Director, reserves the right to reject any and all bids for such Bonds.

1826 D. Other Sales. If the Finance Director determines that any Series of Bonds
1827 will be sold to the federal government or other purchaser to evidence a loan from that
1828 purchaser, the Finance Director, in consultation with the county financial advisors, will
1829 negotiate the sale of such Bonds and the terms of any Loan Agreement or other
1830 agreement with the purchaser, including any Master WIFIA Agreement to be
1831 supplemented or amended by WIFIA loan agreements for each WIFIA loan made
1832 thereunder. The terms of any Master WIFIA Agreement or any WIFIA loan agreements
1833 may include additional disbursement or other conditions, covenants, events of default,

1834 remedies and other provisions generally consistent with such provisions of the existing
1835 WIFIA loans, the forms of which were approved by Motion 15115 and 15789,
1836 respectively, or current WIFIA program terms. Subject to the parameters set forth in
1837 subsection E. of this section, the Loan Agreement or other agreement or closing
1838 certificates for such Series of Bonds will specify whether the Bonds of such Series are
1839 being issued and sold as Tax-Advantaged Obligations, Tax-Exempt Obligations or
1840 Taxable Obligations, and whether any Series of Bonds are designated as "green bonds,"
1841 social impact bonds, sustainability bonds or otherwise, and will also identify any Term
1842 Bonds and the year and any applicable Series designation, date, principal amounts and
1843 maturity dates, interest rates and interest payment dates, redemption and/or purchase
1844 provisions and delivery date for such Series of Bonds.

1845 E. Sale Parameters. Subject to the terms and conditions set forth in this
1846 subsection, the Finance Director is hereby authorized to approve the issuance and sale of
1847 any Series of the Bonds upon the Finance Director's approval of the final interest rates,
1848 maturity dates, aggregate principal amounts, principal maturities and redemption rights
1849 for the Series of the Bonds in accordance with the authority granted by this section so
1850 long as:

1851 1. The aggregate principal amount for the Series of Project Bonds
1852 does not cause the aggregate principal amount for all Project Bonds issued under this
1853 ordinance to exceed \$1,000,000,000;

1854 2. The aggregate principal amount of the Series of Refunding Bonds
1855 to be issued does not exceed the aggregate principal amount of the Refunded Bonds to be
1856 refunded, including by purchase or exchange, with such Series of Refunding Bonds, plus

1857 the amount deemed by the Finance Director as reasonably required to effect such
1858 refunding as described in RCW 39.53.050, including amounts reasonably required to pay
1859 the redemption or purchase price of the Refunded Bonds and costs of issuance and the
1860 refunding;

1861 3. The final maturity date for the Series of the Project Bonds to be
1862 issued is not later than 31 years after its date of issuance;

1863 4. The final maturity date for the Series of the Refunding Bonds to be
1864 issued is not later than the end of the fiscal year that includes the final maturity date for
1865 the Refunded Bonds to be refunded, including by purchase or exchange, with such Series
1866 of Bonds; provided, the final maturity date for any Series of the Refunding Bonds to be
1867 issued to refund Project Bonds issued as bond anticipation notes, commercial paper or
1868 other interim financing is not later than 31 years after the date of issuance of the interim
1869 financing;

1870 5. Notwithstanding subsection E.3. and 4. of this section, the final
1871 maturity date for any Series of Bonds to be delivered to evidence one or more WIFIA
1872 loans from the EPA is not later than the earlier of: (a) the date that is 35 years following
1873 substantial completion of the financed project as such terms are defined in the WIFIA
1874 loan agreement for that Series of Bonds; and (b) the date that is 40 years after the date the
1875 county initially draws on the WIFIA loan evidenced by that Series of Bonds;

1876 6. The Series of the Bonds to be issued is sold in the aggregate at a
1877 price not less than 95 percent;

1878 7. The true interest cost for the Series of Bonds does not exceed 5.0%
1879 if the Series of Bonds is issued as Tax-Exempt Obligations;

1880 8. The true interest cost for the Series of Bonds does not exceed 7.0%
1881 if the Series of Bonds is issued as Taxable or Tax-Advantaged Obligations; and

1882 9. The Series of Bonds conforms to all other terms of this ordinance.

1883 Subject to the terms and conditions set forth in this section, the Finance Director
1884 is hereby authorized to execute each Sale Document to be dated the date of sale of the
1885 applicable Series of Bonds. The Finance Director is further authorized to negotiate and
1886 approve terms for the acquisition of Refunding Candidates by purchase or exchange, and
1887 to negotiate, approve and execute any offer, dealer manager agreements, or other
1888 documents in connection therewith, including amendments thereto from time to time.
1889 The signature of the Finance Director shall be sufficient to bind the county.

1890 The Finance Director shall provide an annual report to the Executive Finance
1891 Committee and county council describing the sale of any series of Bonds approved
1892 pursuant to the authority delegated in this section. The annual report shall be
1893 electronically filed with the clerk of the county council, who shall retain an electronic
1894 copy and provide an electronic copy to all councilmembers. The requirement for an
1895 annual report provided by this subsection expires three years after the effective date of
1896 this ordinance.

1897 The authority granted to the Finance Director by this subsection E. to execute Sale
1898 Documents shall expire December 31, 2027; provided, that an amendment to a Sale
1899 Document may be executed, and performance pursuant to any Sale Document may be
1900 completed, at any time. In the case of a Sale Document in the form of a WIFIA Master
1901 Agreement, the authority granted to the Finance Director by this subsection E. to execute
1902 such WIFIA Master Agreement shall expire December 31, 2027; provided, that an

1903 amendment or supplement to such Sale Document, including any supplement in the form
1904 of a WIFIA loan agreement subject to the WIFIA Master Agreement, may be executed at
1905 any time, issuance and delivery of one or more Series of Parity Bonds to evidence the
1906 county's obligations under such Sale Document as supplemented may be completed at
1907 any time, and performance pursuant to the Sale Document may be completed at any time.
1908 All other provisions of this ordinance will remain in full force and effect. If a Sale
1909 Document for a Series of the Bonds has not been executed by December 31, 2027, the
1910 authorization for the issuance of the Bonds shall be rescinded and the Bonds shall not be
1911 issued nor their sale approved unless such Bonds shall have been reauthorized by
1912 ordinance of the county council. The ordinance reauthorizing the issuance and sale of
1913 such Bonds may be in the form of a new ordinance repealing this ordinance in whole or
1914 in part or may be in the form of an amendatory ordinance approving a bond purchase
1915 agreement, certificate of award or loan agreement or establishing terms and conditions
1916 for the authority delegated under this section.

1917 The authority of the county to sell bonds, e.g., enter into a bond purchase
1918 agreement, accept a bid to sell any bonds or enter into a loan or other agreement for the
1919 sale of the bonds, as defined in and pursuant to Ordinance 19785, will terminate on the
1920 effective date of this ordinance, but all other provisions of Ordinance 19785, will remain
1921 in full force and effect.

1922 SECTION 29. Delivery of Bonds. Following the sale of each Series of the Bonds,
1923 the county will cause definitive Bonds to be prepared, executed and delivered in
1924 accordance with the provisions of this ordinance and in a form acceptable to DTC as

1925 initial depository for the Bonds, with the approving legal opinion of municipal bond
1926 counsel regarding such Series of Bonds.

1927 SECTION 30. Preliminary Official Statement and Final Official Statement. The
1928 county hereby authorizes and directs the Finance Director: (a) to review and approve the
1929 information contained in any preliminary official statement (each, a "Preliminary Official
1930 Statement") prepared in connection with the sale of each Series of Bonds; and (b) for the
1931 sole purpose of compliance by the purchasers of such Series of Bonds with subsection
1932 (b)(1) of the Rule, to "deem final" the related Preliminary Official Statement as of its
1933 date, except for such omissions as are permitted under the Rule. After each Preliminary
1934 Official Statement has been reviewed and approved in accordance with the provisions of
1935 this section, the county hereby authorizes the distribution of such Preliminary Official
1936 Statement to prospective purchasers of such related Series of Bonds.

1937 Following the sale of each Series of Bonds, the Finance Director is hereby
1938 authorized to review and approve on behalf of the county a final official statement with
1939 respect to such Series of Bonds. The county agrees to cooperate with the purchaser of
1940 each Series of Bonds to deliver or cause to be delivered, within seven business days from
1941 the date of the Sale Document, and in sufficient time to accompany any confirmation that
1942 requests payment from any customer of the purchaser, copies of a final official statement
1943 pertaining to such Series of Bonds in sufficient quantity to allow compliance with
1944 subsection (b)(4) of the Rule and the rules of the MSRB.

1945 The county further authorizes and directs the Finance Director to review and
1946 approve the information contained in any invitation to tender prepared in connection with
1947 the county's acquisition of Refunding Candidates by purchase or exchange.

1948 SECTION 31. Undertaking to Provide Ongoing Disclosure. The Finance Director
1949 is authorized to enter into an undertaking to provide ongoing disclosure with respect to
1950 each Series of Bonds, as required by subsection (b)(5) of the Rule. The form of the
1951 undertaking may be set forth in the Sale Document or the Official Statement for the
1952 Bonds.

1953 SECTION 32. General Authorization. The appropriate county officials, agents
1954 and representatives are hereby authorized and directed to do everything necessary for the
1955 prompt sale, issuance, execution and delivery of each Series of Bonds, and for the proper
1956 use and application of the proceeds of the sale thereof.

1957 SECTION 33. Investment of Funds and Accounts. Money in the Parity Bond
1958 Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, Revenue Fund
1959 and Construction Account may be invested in any Permitted Investments. Obligations
1960 purchased as an investment of money in the Parity Bond Fund, Parity Bond Reserve
1961 Account, Parity Lien Obligation Bond Fund, Revenue Fund and Construction Account
1962 and accounts or subaccounts therein will be deemed at all times to be a part of such
1963 respective fund, account or subaccount, and the income or interest earned and profits
1964 realized or losses suffered by a fund, account or subaccount due to the investment thereof
1965 will be retained in, credited or charged, as the case may be, to such fund or account.

1966 SECTION 34. Refunding or Defeasance of Bonds. The Bonds are designated as
1967 Refunding Candidates for purposes of ordinances of the county authorizing the issuance
1968 of bonds to refund outstanding obligations of the county. The county may issue
1969 refunding obligations pursuant to the laws of the State or use money available from any
1970 other lawful source to pay when due the purchase price, principal of, premium, if any,

1971 and interest on the Bonds of any Series, or any portion thereof included in a refunding or
1972 defeasance plan and to redeem and retire, refund, including by purchase or exchange, or
1973 defease all or a portion of such then-outstanding Bonds of such Series (hereinafter
1974 collectively called the "Defeased Bonds"), and to pay the costs of the refunding or
1975 defeasance.

1976 If money and/or noncallable Government Obligations maturing at such time or
1977 times and bearing interest to be earned thereon in amounts together with such money, if
1978 necessary, sufficient to redeem and retire, refund or defease the Defeased Bonds in
1979 accordance with their terms are set aside in a special trust or escrow fund or account
1980 irrevocably pledged to that redemption, retirement or defeasance of Defeased Bonds
1981 (hereinafter called the "trust account"), then the Defeased Bonds will be deemed not to be
1982 outstanding hereunder, no further payments need be made into the related bond fund for
1983 the payment of the principal of and interest on the Defeased Bonds and the Registered
1984 Owners of the Defeased Bonds will cease to be entitled to any covenant, pledge, benefit
1985 or security of this ordinance. The Registered Owners of Defeased Bonds will have the
1986 right to receive payment of the principal of, premium, if any, and interest on the Defeased
1987 Bonds from the trust account.

1988 The county will provide or cause to be provided notice of defeasance of such
1989 Bonds to the MSRB in accordance with the undertaking for ongoing disclosure to be
1990 adopted pursuant to section 31 of this ordinance.

1991 SECTION 35. Supplemental Ordinances.

1992 A. Without Bondowner Consent. The county council from time to time and
1993 at any time may adopt an ordinance or ordinances supplemental to this ordinance, without

1994 the consent of owners of any of the Bonds, for any one or more of the following
1995 purposes:

1996 1. To add to the covenants and agreements of the county in this
1997 ordinance such other covenants and agreements thereafter to be observed that will not
1998 adversely affect the interests of the registered owners of any Parity Bonds or Parity Lien
1999 Obligations, as applicable, or to surrender any right or power herein reserved to or
2000 conferred upon the county.

2001 2. To make such provisions for the purpose of curing any ambiguities
2002 or of curing, correcting or supplementing any defective provision contained in this
2003 ordinance or any ordinance authorizing Parity Bonds or Parity Lien Obligations in regard
2004 to matters or questions arising under such ordinances as the county council may deem
2005 necessary or desirable and not inconsistent with such ordinances and that will not
2006 adversely affect the interest of the registered owners of Parity Bonds or Parity Lien
2007 Obligations, as applicable.

2008 B. With Bondowner Consent.

2009 1. With the consent of the registered owners of not less than 51% in
2010 aggregate principal amount of all Parity Bonds at the time outstanding, the county council
2011 may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any
2012 provisions to or changing in any manner or eliminating any of the provisions of this
2013 ordinance or of any supplemental ordinance applicable to Parity Bonds, except as
2014 described in subsection B.3. of this section.

2015 2. With the consent of the registered owners of not less than 51% in
2016 aggregate principal amount of all Parity Lien Obligations at the time outstanding, the

2017 county council may adopt an ordinance or ordinances supplemental hereto for the
2018 purpose of adding any provisions to or changing in any manner or eliminating any of the
2019 provisions of this ordinance or of any supplemental ordinance applicable to Parity Lien
2020 Obligations, except as described in subsection B.3. of this section.

2021 3. No supplemental ordinance entered into pursuant to this subsection
2022 B. may:

2023 a. Extend the fixed maturity of any Parity Bonds or Parity
2024 Lien Obligations, or reduce the rate of interest thereon, or extend the time of payments of
2025 interest from their due date, or reduce the amount of the principal thereof, or reduce any
2026 premium payable on the redemption thereof, without the consent of the registered owner
2027 of each bond so affected; or

2028 b. Reduce the aforesaid percentage of registered owners of
2029 Parity Bonds or Parity Lien Obligations required to approve any such supplemental
2030 ordinance, without the consent of the registered owners of all of such bonds.

2031 4. It is not necessary for the consent of registered owners of bonds
2032 under this subsection B. to approve the particular form of any proposed supplemental
2033 ordinance, but it is sufficient if such consent approves the substance thereof.

2034 SECTION 36. Contract; Severability. The covenants contained in this ordinance
2035 constitute a contract between the county and: (a) the Registered Owner of each Bond; (b)
2036 the Qualified Counterparty to any Payment Agreement entered into with respect to any
2037 Bonds; and (c) the provider of any Credit Facility, Qualified Insurance or Qualified Letter
2038 of Credit with respect to any Bonds. If any court of competent jurisdiction determines
2039 that any covenant or agreement provided in this ordinance to be performed on the part of

2040 the county is contrary to law, then such covenant or agreement shall be null and void and
2041 shall be deemed separable from the remaining covenants and agreements of this
2042 ordinance and shall in no way affect the validity of the other provisions of this ordinance
2043 or of the Bonds.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, _____.

Girmay Zahilay, County Executive

Attachments: A. Outstanding Obligation of the System, B. Form of Parity Bond, C. Form Parity Lien Obligation

ATTACHMENT A – OUTSTANDING OBLIGATIONS

I. OUTSTANDING PARITY BONDS

Series	Ordinance	Date of Issue	Original Principal	Outstanding Principal (as of 12/31/25)
2015A	17599	02/18/2015	\$474,025,000	\$177,825,000
2015B	18111	11/17/2015	93,345,000	31,925,000
2016A	18116	02/17/2016	281,535,000	135,285,000
2016B	18111	10/12/2016	499,655,000	230,025,000
2017	18587	12/19/2017	149,485,000	42,810,000
2018A ⁽¹⁾	18588	04/19/2018	134,500,000	17,686,000
2018B	18588	11/15/2018	124,455,000	67,125,000
2020A	19112	08/04/2020	179,530,000	124,430,000
2020B	19112	08/04/2020	186,745,000	132,165,000
2021 ⁽¹⁾	19112	01/19/2021	96,844,510	42,957,409
2021A	19112	08/10/2021	231,200,000	167,275,000
2023	19377	07/19/2023	129,970,000	129,530,000
2024 ⁽²⁾	19377	01/25/2024	194,125,628	-
2024A	19785	08/08/2024	392,575,000	392,190,000
2024 ⁽²⁾	19377	12/04/2024	89,891,562	-
2024B	19785	12/23/2024	169,905,000	168,555,000
2025A	19785	11/25/2025	263,975,000	263,975,000
Total			\$3,691,761,700	\$2,123,758,409

⁽¹⁾ WIFIA loan. “Original Principal” represents the total authorized amount of the loan, and “Outstanding Principal” represents amounts drawn on the loan as of 12/31/25.

⁽²⁾ WIFIA loan. “Original Principal” represents the authorized amount of the first and second loans issued under a WIFIA Master Agreement with a total authorized amount of \$498,344,408. “Outstanding Principal” represents amounts drawn on the loans as of 12/31/25.

II. OUTSTANDING PARITY LIEN OBLIGATIONS

Series	Ordinance	Date of Issue	Original Principal	Outstanding Principal (as of 12/31/25)
2017	18116	10/25/2017	\$154,560,000	\$102,925,000
2019	18588	10/24/2019	101,035,000	97,350,000
2021A	19112	08/10/2021	239,585,000	188,215,000
2021B	19112	08/10/2021	94,510,000	67,670,000
2024A	19785	12/23/2024	229,950,000	212,790,000
Total			\$819,640,000	\$668,950,000

III. OUTSTANDING JUNIOR LIEN OBLIGATIONS

<u>Series</u>	<u>Ordinance</u>	<u>Date of Issue</u>	<u>Original Principal</u>	<u>Outstanding Principal (as of 12/31/25)</u>
2021A	18898/19324	12/16/2021	\$140,000,000	\$140,000,000
2024	18898/19324	06/06/2024	115,580,000	115,580,000
2025	19955	07/31/2025	200,000,000	200,000,000
2025B	19955	10/23/2025	101,030,000	101,030,000
		Total	\$556,610,000	\$556,610,000

IV. OUTSTANDING MULTI-MODAL LTGO/SEWER REVENUE BONDS

<u>Series</u>	<u>Ordinance</u>	<u>Date of Issue</u>	<u>Original Principal</u>	<u>Outstanding Principal (as of 3/12/25)</u>
Commercial Paper	19955	01/01/2021	Up to \$250,000,000	\$243,900,000
		Total	Up to \$250,000,000	\$243,900,000

ATTACHMENT B –

FORM OF PARITY BOND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the County or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL** inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

R- _____

\$ _____

STATE OF WASHINGTON

KING COUNTY

SEWER REVENUE [AND] [REFUNDING] BOND, [YEAR], SERIES _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
_____ %	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO 100/DOLLARS

KING COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from the date of this bond, or the most recent date to which interest has been paid or duly provided for, until payment of this bond, at the Interest Rate specified, payable on _____, and semiannually thereafter on each succeeding _____ and _____.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as this bond is registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), principal of and premium, if any, and interest on this bond are payable in the manner set forth in the Blanket Issuer Letter of Representations by and between the County and DTC. When this bond is not registered in the name of the Securities Depository, interest on this bond is payable by electronic transfer on the interest payment date, or by check or draft of the fiscal agent of the State of Washington (as the same may be designated by the State of Washington from time to time, the "Registrar") mailed on the interest payment date to

the Registered Owner at the address appearing on the Bond Register on the Record Date. The County is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. When this bond is not registered in the name of the Securities Depository, principal of and premium, if any, on this bond are payable upon presentation and surrender of this bond by the Registered Owner to the Registrar at maturity or upon prior redemption in full.

This bond is one of an authorized issue of bonds in the aggregate principal amount of \$ _____ (the "Bonds"), and is issued to provide funds [to acquire and construct improvements to the System] [to refund certain outstanding obligations of the County payable from Revenue of the System] [and to pay the costs of issuing the Bonds].

The Bonds are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington (the "State"), the County Charter and applicable ordinances duly adopted by the County, including Ordinance _____ (the "Bond Legislation"). Capitalized terms used in this bond and not defined herein have the meanings given such terms in the Bond Legislation.

The Bonds are subject to redemption as provided for in the Bond Legislation.

The Bonds are special limited obligations of the County, payable solely from the special fund of the County known as the Water Quality Revenue Bond Account (the "Parity Bond Fund"), and are not obligations of the State or any political subdivision thereof other than the County, and neither the full faith and credit nor the taxing power of the County or the State or any political subdivision thereof is pledged to the payment of this bond or the Bonds.

The County hereby covenants and agrees with the Registered Owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Legislation to be kept and performed by it. The County has obligated and bound itself to set aside and pay into the Parity Bond Fund out of Revenue of the System the various amounts required by the Bond Legislation to be paid into and maintained in the Parity Bond Fund all within the times provided by the Bond Legislation.

The amounts so pledged to be paid out of Revenue of the System are hereby declared to be a prior lien and charge thereon superior to all other liens and charges of any kind or nature except Operating and Maintenance Expenses. The amounts so pledged out of Revenue of the System are further declared to be of equal lien to charges that have been or may be made thereon to pay the principal of and interest on outstanding Parity Bonds and any Future Parity Bonds.

The County has pledged that it will cause the System to be maintained in good condition and repair and to be operated in an efficient manner and at a reasonable cost. The County has further pledged that it will at all times establish, maintain and collect adequate rates and charges for sewage disposal service as provided in the Bond Legislation. Reference to the Bond Legislation is made for a description of the nature and extent of the security for the Bonds, the funds or revenues pledged, and the terms and conditions upon which the Bonds are issued.

The pledge of revenues and other obligations of the County under the Bond Legislation may be discharged prior to the maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Legislation.

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Legislation until the Certificate of Authentication hereon has been manually signed by the Registrar.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State and the Charter and ordinances of the County to exist and to have happened, have been done and performed precedent to and in the issuance of this bond do exist and have happened, been done and performed and that the issuance of this bond and the Bonds does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the County may incur.

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and the seal of the County to be impressed or imprinted hereon, all as of _____.

KING COUNTY, WASHINGTON

By: _____
King County Executive

ATTEST:

Clerk of the County Council

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____.

This is one of the fully registered Sewer Revenue [and] [Refunding] Bonds, [Year], Series _____, of King County, Washington, dated _____, described in the within mentioned Bond Legislation.

WASHINGTON STATE FISCAL AGENT
as Registrar

By _____
Authorized Signer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto
PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF
TRANSFeree

[Empty rectangular box for Social Security or Taxpayer Identification Number]

(Please print or typewrite name and address, including zip code of Transferee)

the within bond and does hereby irrevocably constitute and appoint _____
or its successor, as Registrar to transfer this bond on the books kept for registration thereof with
full power of substation in the premises.

DATED: _____, 20__.

NOTE: The signature on this Assignment must
correspond with the name of the registered owner as
it appears upon the face of the within bond in every
particular, without alteration or enlargement or any
change whatever.

SIGNATURE GUARANTEED:

NOTICE: Signatures must be guaranteed
pursuant to law.

ATTACHMENT C –

FORM OF PARITY LIEN OBLIGATION

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the County or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

R- _____

\$ _____

STATE OF WASHINGTON

KING COUNTY

LIMITED TAX GENERAL OBLIGATION [AND] [REFUNDING] BOND (PAYABLE FROM SEWER REVENUES), [YEAR], SERIES _____

INTEREST RATE _____ MATURITY DATE _____ CUSIP NO. _____
_____ % _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO 100/DOLLARS

KING COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from the date of this bond, or the most recent date to which interest has been paid or duly provided for, until payment of this bond, at the Interest Rate specified, payable on _____, and semiannually thereafter on each succeeding _____ and _____.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as this bond is registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), principal of and premium, if any, and interest on this bond are payable in the manner set forth in the Blanket Issuer Letter of Representations by and between the County and DTC. When this bond is not registered in the name of the Securities Depository, interest on this bond is payable by electronic transfer on the interest payment date, or by check or draft of the fiscal agent of the State of Washington (as the same may be designated by

the State of Washington from time to time, the "Registrar") mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The County is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. When this bond is not registered in the name of the Securities Depository, principal of and premium, if any, on this bond are payable upon presentation and surrender of this bond by the Registered Owner to the Registrar at maturity or upon prior redemption in full.

This bond is one of an authorized issue of bonds in the aggregate principal amount of \$_____ (the "Bonds"), and is issued to provide funds [to acquire and construct improvements to the System] [to refund certain outstanding obligations of the County payable from Revenue of the System] [and to pay the costs of issuing the Bonds].

The Bonds are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington (the "State"), the County Charter and applicable ordinances duly adopted by the County, including Ordinance _____ (the "Bond Legislation"). Capitalized terms used in this bond and not defined herein have the meanings given such terms in the Bond Legislation.

The Bonds are subject to redemption as provided for in the Bond Legislation.

The Bonds are general obligations of the County. The County has irrevocably covenanted and agreed for as long as any of the Bonds are outstanding and unpaid, that each year it will include in its budget and levy an ad valorem tax upon all property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the Bonds as the same becomes due. The County has pledged that the annual tax authorized to be levied for the payment of such principal and interest shall be within and a part of the tax levy permitted to counties without a vote of the people. The full faith, credit and resources of the County have been irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds as the same becomes due.

The County has further obligated and bound itself to set aside and pay into the Parity Lien Obligation Bond Fund out of Revenue of the System amounts sufficient to pay when due the principal of and interest on the Bonds. The pledge of Revenue of the System constitutes a lien and charge on Revenue of the System subject to Operating and Maintenance Expenses and junior, subordinate and inferior to the lien and charge on Revenue of the System securing the Parity Bonds, equal to the lien and charge securing the outstanding Parity Lien Obligations and any additional Parity Lien Obligations hereafter issued, and superior to any other charges whatsoever. The County has reserved the right to issue additional Parity Lien Obligations on the terms and conditions set forth in the Bond Legislation.

The County has pledged that it will cause the System to be maintained in good condition and repair and to be operated in an efficient manner and at a reasonable cost. The County has further pledged that it will at all times establish, maintain and collect adequate rates and charges for sewage disposal service as provided in the Bond Legislation. Reference to the Bond

Legislation is made for a description of the nature and extent of the security for the Bonds, the funds or revenues pledged, and the terms and conditions upon which the Bonds are issued.

The pledge of tax levies and revenues and other obligations of the County under the Bond Legislation may be discharged prior to maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Legislation.

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Legislation until the Certificate of Authentication hereon has been manually signed by the Registrar.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State and the Charter and ordinances of the County to exist and to have happened, have been done and performed precedent to and in the issuance of this bond do exist and have happened, been done and performed and that the issuance of this bond and the Bonds does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the County may incur.

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and the seal of the County to be impressed or imprinted hereon, all as of _____.

KING COUNTY, WASHINGTON

By: _____
King County Executive

ATTEST:

Clerk of the County Council

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____.

This is one of the fully registered Limited Tax General Obligation [and] [Refunding] Bonds (Payable from Sewer Revenues), [Year], Series _____, of King County, Washington, dated _____, described in the within mentioned Bond Legislation.

WASHINGTON STATE FISCAL AGENT
as Registrar

By _____
Authorized Signer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto
PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF
TRANSFeree

(Please print or typewrite name and address, including zip code of Transferee)

the within bond and does hereby irrevocably constitute and appoint _____
or its successor, as Registrar to transfer this bond on the books kept for registration thereof with
full power of substitution in the premises.

DATED: _____, 20__.

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

SIGNATURE GUARANTEED:

NOTICE: Signatures must be guaranteed pursuant to law.



Executive Girmay Zahilay

Chinook Building, CNK-EX-0800
 401 Fifth Avenue, Suite 800
 Seattle, WA 98104-2391

April 24, 2026

The Honorable Sarah Perry
 Chair, King County Council
 Room 1200
 COURTHOUSE

Dear Councilmember Perry:

This letter transmits a proposed Ordinance that would, if enacted, authorize the issuance of senior lien bonds (bonds) on behalf of the King County Department of Natural Resources (DNRP) Wastewater Treatment Division (WTD). It would authorize the issuance of: (1) new-money bonds to finance the WTD capital program through the 2026-2027 biennial budget which is the effective term of the proposed Ordinance; and (2) refunding bonds to refinance outstanding debt of WTD provided certain debt service savings thresholds can be achieved.

The proposed authorization for new-money bonds to provide funding for the WTD capital program is limited to the amount of \$1.0 billion. This amount is projected to be sufficient to accommodate WTD's bond financing needs through 2027 and to allow for the incurrence of additional loan commitments from the US Environmental Protection Agency under the Water Infrastructure Finance and Innovation Act (WIFIA loans), which are also issued as senior lien bonds, during the same timeframe. Consistent with previous WTD bond authorizations, there is no dollar limitation on the proposed authorization for refunding bonds to ensure that the County can take advantage of favorable market conditions as available and maximize debt service savings for ratepayers. The issuance of any refunding bonds will only be undertaken when market conditions permit the County to achieve its established debt service savings targets.

The bonds can be sold as either sewer revenue bonds or as so-called 'double-barreled' limited tax general obligation bonds (LTGO bonds), which utilize net sewer revenues as the primary source of repayment with the added security to bondholders of pledging the full faith and credit of the County's General Fund. Prior to any issue, the County's Financial Advisor will advise the Finance Director on the most cost-effective type of debt for any proposed issuance of bonds.

Consistent with previous WTD bond authorizations, the proposed Ordinance delegates authority to the director of the Finance and Business Operations Division (Finance Director) to approve future WTD bond sales. The primary benefit of continuing to grant such authority is expanding the number of days on which bonds can be sold throughout the year, as no Council meeting is required. This has provided more flexibility for the County to take advantage of favorable market opportunities.

The Honorable Sarah Perry

April 24, 2026

Page 2

The exact terms of each series of bonds will be approved by the Finance Director in consultation with the County's Financial Advisor on the day of each bond sale, subject to such terms conforming to certain parameters identified in the proposed Ordinance. The Finance Director will provide an annual report to the County Council and the Executive Finance Committee describing each series of bonds sold pursuant to this proposed Ordinance.

I request the Council's action on this proposed Ordinance by September 1, 2026 meet the planned fall WTD bond financing schedule. The proposed Ordinance includes an effective term through December 31, 2027. The intent is that a new future bond authorization request will be adopted in the fall of 2027 in conjunction with the adoption of WTD's 2028-29 biennial budget.

Thank you for your consideration of this proposed Ordinance. If your staff have any questions, please contact Ken Guy, Director, Finance and Business Operations Division of the Department of Executive Services, at 206-263-9254.

Sincerely,



for

Girmay Zahilay
King County Executive

Enclosure

cc: King County Councilmembers

cc: King County Councilmembers
ATTN: Stephanie Cirkovich, Chief of Staff, King County Council
Melani Hay, Clerk of the Council
Karan Gill, Deputy Executive, Office of the Executive
Jasmin Weaver, Chief of Staff, Office of the Executive
Hyeok Kim, Chief Operating Officer, Office of the Executive
Sierra Howlett Browne, Director of Government Relations, Office of the Executive
Garrett Holbrook, Council Relations Manager, Office of the Executive
Aaron Rubardt, Chief Budget Officer, Office of the Executive
Lorraine Patterson-Harris, County Administrative Officer, Department of Executive Services (DES)
Ken Guy, Director, Finance and Business Operations Division (FBOD), DES
Danielle Hinz, Deputy Director, FBOD, DES
Carol Basile, Public Finance Officer, FBOD, DES

2026 FISCAL NOTE

Ordinance/Motion: 2026-xxxx
 Title: AN ORDINANCE authorizing the issuance of sewer revenue bonds and limited tax general obligation bonds (payable from sewer revenues) of the county in an aggregate principal amount not to exceed \$1,000,000,000 to provide funds for acquiring and constructing improvements to the sewer system through 2027 and the issuance of refunding bonds without limitation to refund outstanding sewer system debt to reduce future debt service costs.

Affected Agency and/or Agencies: The Wastewater Treatment Division (WTD), Department of Natural Resources and Parks (DNRP)
 Note Prepared By: Himanshu Narang
 Date Prepared: 3/12/2026
 Note Reviewed By: Luke Slaughterbeck
 Date Reviewed: 3/17/2026

Description of request:

WTD's financial plan that supports its proposed 2027 monthly sewer rate includes approximately \$1.419 billion in capital spending for the period 2026-2027. The requested new money authorization of \$1.0 billion provides sufficient capacity to allow for issuance of parity bonds for WTD's capital program and possible defeasance transactions. Included in the new money authorization is \$149.3 million in anticipated new WIFIA loans in this period, which is expected to be drawn through 2032.

Revenue to:

Agency	Fund Code	Revenue Source	2026-2027	2028-2029	2030-2031
Water Quality Capital Improvement Fund/Wastewater	3611	Revenue Bond Proceeds	\$1,000,000,000	\$0	\$0
TOTAL			\$1,000,000,000	\$0	\$0

Expenditures from:

Agency	Fund Code	Department	2026-2027	2028-2029	2030-2031
Water Quality Capital Improvement Fund/Wastewater	8920	DNRP	\$47,622,287	\$130,102,870	\$130,102,870
TOTAL			\$47,622,287	\$130,102,870	\$130,102,870

Expenditures by Categories

	2026-2027	2028-2029	2030-2031
Debt Service	\$47,622,287	\$130,102,870	\$130,102,870
TOTAL	\$47,622,287	\$130,102,870	\$130,102,870

Does this legislation require a budget supplemental? No

Notes and Assumptions: This legislation has no impact on any prior biennium. Projected debt service costs assumes the bond sales take place at mid-year at a 5% interest rate. No issuance of refunding bonds is assumed.

Total debt authorization amount mentioned above includes \$453.8 million of bonds issuance, \$149.3 million of WIFIA loan agreements, \$300.0 million of defeasance, and \$96.0 million of buffer debt issuance. Defeasance is the process of setting aside funds or assets to repay a debt or obligation, thereby releasing the debtor from further liability.



King County

**Metropolitan King County Council
Budget and Fiscal Management Committee**

STAFF REPORT

Agenda Item:	6	Name:	Jenny Giambattista and Andy Micklow
Proposed No.:	2026-0103	Date:	May 27, 2026

SUBJECT

Proposed Ordinance 2026-0103 would increase the monthly sewer rate, effective in 2027, from \$62.66 to \$70.65. The proposed ordinance would also set the monthly capacity charge for new connections to the regional system occurring in 2027 at \$83.10.

SUMMARY

The sewer rate is the primary funding source of the Wastewater Treatment Division (WTD). Proposed Ordinance 2026-0103 would increase the monthly sewer rate effective in 2027 by 12.75% from \$62.66 to \$70.65. This increase is the same as projected in the forecast for the 2026 rate. The 2027 proposed sewer rate is projected to generate \$675.2 million in revenue in 2027.

WTD has extended the sewer rate forecast to 20 years through 2046, and this extended forecast shows the 12.75% annual increase continuing until 2030, followed by increases of 11.25% in 2031 and 2032, followed by lower increases in 2033 and beyond until eventually reaching 0.0% annual increase at the end of the forecast in 2046.

WTD reports that the largest drivers of near-term rate increases are the \$6.2 billion of capital projects with fixed and concurrent deadlines required by the Combined Sewer Overflow modified consent decree.¹

As required by a proviso² in the 2026-2027 adopted Biennial Budget, the Executive has included two additional rate options for Council consideration which could reduce the annual rate increase by 2% to 3% over the next 3 years when compared to the Executive’s proposal. Both options assume capital projects would be deferred. The Executive did not support these options because of concerns³ The Executive did not support these alternative options because of concerns that project deferral could result in operational and legal risk. Council staff analysis is ongoing.

¹ Ordinance 19801

² Ordinance 20023, Section 115, Proviso P4

The proposed ordinance would also set the capacity charge for new connections to the regional system occurring in 2027 at \$83.10 per Residential Customer Equivalent (RCE) per month, a 6.55% increase over the 2026 monthly charge of \$77.99. The capacity charge is expected to generate approximately \$111.3 million in revenue for 2027.

After the transmittal of this ordinance, WTD identified an error in the assumption in the proposed methodology used to calculate the capacity charge. The Executive is requesting an amendment to Proposed Ordinance 2026-0103 to correct the 2027 proposed capacity charge and reduce it from \$83.10 to \$78.94.

The schedule for Council consideration is listed below:

- Transmittal of Sewer Rate— April 23
- Budget and Fiscal Management Committee—Discussion only May 27 and Discussion/Possible Action —June 10
 - Striker Direction —June 3
 - Striker Distribution—June 5
 - Line Amendment Direction—June 8
- Briefing only at Regional Water Quality Committee (RWQC)—May 5 and June 3
- Council consideration/action—16, if needed June 23 as emergency, assuming action by BFM on June 10
- Approval date requirement for sewer rate—June 30 (Prior to July 1)

Council staff analysis is ongoing.

Links are provided below to the topics discussed in this staff report.

- [Background](#)
 - [Sewer rate](#)
 - [Capacity charge](#)
 - [Combined Sewer Overflows \(CSOs\)](#)
 - [Required transmittal information](#)
 - [Recent Rate Related Legislation and 2026-2027 Budget Requirement](#)
- [Analysis of the proposed sewer rate and 10-year forecast](#)
 - [Comparing 2026 and 2027 10-year forecasts](#)
 - [Second decade forecast](#)
 - [Capital expenditure forecast](#)
 - [Updated approach to developing a capital forecast](#)
 - [Capital expenditures by category](#)
 - [Regulatory projects](#)
 - [CSO costs](#)
 - [Nutrient reduction projects](#)
 - [Other large CIPs](#)
 - [Forecasted capital expenditures versus actual expenditures](#)
 - [Comparison of 2027 10-year capital forecast to prior capital forecast](#)
 - [Capital Improvement Program funding](#)
 - [Operating expenditures](#)
 - [Rate smoothing](#)

- [Alternative rate scenarios](#)
- [Capacity Charge](#)
- [Rate Letters](#)

BACKGROUND

The regional wastewater system is almost entirely funded by the monthly sewer rate and the capacity charge.

Monthly Sewer Rate Charged to Local Sewer Agencies. The sewer rate is WTD's primary funding source. The monthly sewer rate collected by the County supports all Wastewater Treatment Division (WTD) expenses, including operating costs, debt service, and capital expenses. The County charges a sewer rate to utilities that deliver wastewater to the County for treatment and discharge. The monthly sewer rate charged by WTD is a wholesale rate and is billed to local sewer agencies, not ratepayers. The local utility providers, as direct service providers, set their own rates to recoup the payments required by the County plus their own "local" cost of service. The local agency sends the sewer customers the sewer utility bill.

Single-Family versus Volume-Based (Commercial, Multifamily, Industrial). Since the formation of Metro, and as directed in King County Code⁴ and all 34 local sewer contracts, King County has had a sewer rate structure based on two classes of customers: single-family and volume-based. The fee structure, as specified in the code and contract, relies on a billing unit referred to as "Residential Customer Equivalent (RCE)" to charge the two customer classes and to determine how costs are shared between the classes. One RCE unit is 750 cubic feet of wastewater and represents the assumed wastewater generated by a single-family home in a month, based on flow data from 1989. Single-family homes are charged one RCE. Volume-based customers are converted to an RCE unit by dividing the customer's monthly volume of water use by 750 cubic feet (cf) of wastewater (the "conversion factor"). This results in a usage amount for volume-based customers reported in RCEs.⁵

Using the Number of RCEs to Calculate the Monthly Rate. WTD estimates the total number of RCEs for a given year and then divides the total projected revenue required (from sewer rates) by the number of RCEs to obtain the cost per RCE. King County then charges local sewer agencies the monthly sewer rate for each RCE in their utility.

Customer Affordability to be Considered During RWSP Update. As discussed later in this staff report, WTD is updating the long-term Regional Wastewater Services Plan. The update to the RWSP will address issues related to rate structure, customer affordability, and rate equity.

Historical Sewer Rate. Table 1 depicts the anticipated sewer rates through 2030. Prior to 2021, rates were structured effectively as biennial rates, with rate adjustments in alternating years. In 2021, after engagement with cities and sewer districts through the

⁴ K.C.C. 28.86.160.C Financial Policy 15

⁵ Industrial users pay an additional fee beyond the monthly sewer rate. These fees help the King County Industrial Waste Program recover the costs associated with monitoring and administering the pretreatment program.

Metropolitan Pollution Abatement Advisory Committee (MWPAAC), the Executive recommended annual rather than biennial adjustments to sewer rates.

Table 1.⁶
Sewer Rate (2017-2026 Actual; 2027 Proposed; 2028-2030 Projected)

Year(s)	Rate (\$/RCE/ Month)	% Increase
2017	\$44.22	5.20%
2018	\$44.22	0.00%
2019	\$45.33	2.50%
2020	\$45.33	0.00%
2021	\$47.37	4.50%
2022	\$49.27	4.00%
2023	\$52.11	5.75%
2024	\$55.11	5.75%
2025	\$58.28	5.75%
2026	\$62.66	7.50%
2027	\$70.65	12.75%
2028	\$79.66	12.75%
2029	\$89.82	12.75%
2030	\$101.28	12.75%

Capacity Charge Billed to New Customers by King County. Since 1990, a capacity charge has been levied on new connections to the sewer system. The purpose of the capacity charge is to ensure that new customers pay the "growth" costs of expanding the wastewater system.

The capacity charge is a one-time development charge, much like a new development fee or impact fee. State statute⁷ does not allow the County to require up-front payment of the capacity charge by the developer. Unless a developer voluntarily pays the capacity charge, it becomes an additional cost that buyers will encounter when purchasing properties with new sewer connections. It can be paid as a total payment up-front with a discount or as a monthly charge amortized over 15 years. If a buyer purchases property with an outstanding capacity charge, the new buyer becomes responsible for the capacity charge payments. Unlike the wholesale sewer rate, the capacity charge is billed directly to customers by King County.

⁶ 2027 Sewer Rate Technical Memo, page 30

⁷ RCW 35.58.570

PO 2026-0066 Would Update the Methodology For Determining the Capacity Charge. In previous years, the capacity charged was determined, as defined in code,⁸ by:

1. Calculating what new growth will cost by subtracting rate revenue from existing customers from the total system costs,
2. Subtracting what new customers will already pay in monthly rates, and then
3. Dividing the remaining growth cost evenly across all new sewer connections.

The proposed approach⁹ would calculate the capacity charge using the average cost approach to system development costs, where *eligible system facility costs* are divided by the *applicable system capacity* to derive a residential cost per unit (RCE). According to WTD, industry practice defines *eligible system facility costs* as the existing system cost plus future system costs. Applicable system capacity means the *total system capacity* of the existing and future system, in RCEs.

By dividing the eligible system facility costs by the total system capacity, the *cost per unit* is calculated. The monthly capacity charge is calculated by dividing the cost per unit over 15 years. In calculating the monthly charge, WTD reports that it applies a "discount" rate of 5.14% to the cost per unit to ensure that customers paying over time are not effectively being charged less than customers who pay in a lump sum.

Combined Sewer Overflows. WTD has been implementing King County's Combined Sewer Overflow (CSO) program for over three decades to control the County's CSO outfalls to the Washington State standard of no more than one untreated CSO discharge per year on a 20-year average. WTD reports it has spent over \$1.1 billion on CSO control since the early 1990s.

In 2013, King County entered into a federal consent decree to complete its CSO control projects in compliance with the federal Clean Water Act by December 31, 2030. In mid-2024, King County, Ecology, and the EPA reached an agreement in principle on the First Material Modification to the 2013 Consent Decree on Combined Sewer Overflow (CSO), which extends the compliance milestones for the remaining CSO control projects and extends the overall compliance schedule from 2030 to 2037. All CSO costs associated with the modified consent decree are now included in the 10-year forecast.

Past CSO Expenditures. Since the 2013 consent decree, the following completed CSO projects have cost an estimated \$538M:

- Ballard Siphon
- North Beach Wet Weather Storage
- Murray Pump Station Upgrade
- Barton Pump Station Upgrade and Green Stormwater Infrastructure
- South Magnolia
- Rainier Valley Storage
- Georgetown Wet Weather Storage

The following additional projects are underway with an estimated \$258M spent to date:

⁸ K.C.C. 28.86.160.C FP-15

⁹ The proposed changes to the capacity change methodology are being considered under Proposed Ordinance 2026-0066.

- Ship Canal Water Quality Project
- West Duwamish Wet Weather Storage
- Elliot West Wet Weather Treatment Station Upgrade
- Mouth of Duwamish CSO Control Program

Regional Wastewater Services Plan. The Regional Wastewater Services Plan (RWSP) was adopted by Ordinance 13680 in November 1999 to ensure the continuation of high-quality wastewater treatment services through 2030. The RWSP is codified in K.C.C. 28.86.010 and 28.86.040 through 28.86.150. 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.

Many of the major projects outlined in the RWSP have been completed as the plan reaches the end of its intended planning period of 2030. WTD has re-launched¹⁰ a planning effort to update the Regional Wastewater Services Plan. This planning effort has the potential to impact future capital and operating expenses.

Required Rate Transmittal Information. The financial policies listed below specify the contextual information that is to accompany the rate transmittal. WTD has prepared a technical memo (Attachment 4) with the required information on revenues, expenditures, debt service, operations, and capital programs that inform the rate. Additionally, as required by Motion 16434, beginning with the 2025 sewer rate forecast, the technical memorandum submitted with the annual sewer rate identifies the cost of activities WTD has undertaken and plans to undertake to address contaminants.

Financial Policy-16¹¹: The executive shall prepare and submit to the council a report in support of the proposed monthly sewer rates for the next year, including the following information:

Key assumptions: key financial assumptions such as inflation, bond interest rates, investment income, size and timing of bond issues, and the considerations underlying the projection of future growth in residential customer equivalents.

Significant financial projections: all key projections, including the annual projection of operating and capital costs, debt service coverage, cash balances, revenue requirements, revenue projections and a discussion of significant factors that impact the degree of uncertainty associated with the projections.

Historical data: a discussion of the accuracy of the projections of costs and revenues from previous recent budgets, and

Policy options: calculations or analyses, or both, of the effect of certain policy options on the overall revenue requirement. These options should include alternative capital program accomplishment rates (including a 90%, a 95%, and a 100% accomplishment

¹⁰ The process to update the RWSP started in 2019 as the Clean Water Plan, which WTD paused at the end of 2021 to consider feedback it had received. The planning process restarted in 2024.

rate), and the rate shall be selected that most accurately matches historical performance in accomplishing the capital program and that shall not negatively impair the bond rating.

Recent Rate Related Legislation and 2026-2027 Budget Requirement. The following section summarizes the recent legislation and 2026-2027 budget language related to the sewer rate.

Capital Forecasting Motion 16410. [Motion 16410](#) (September 2023) was initiated by the Regional Water Quality and adopted by the County Council in 2023. It requests WTD research and identify methodologies for forecasting the long-term costs of its capital improvement needs. This was completed.

Long-term Rate Forecasting Motion 16449. [Motion 16449](#) (October 2023) was initiated by the Regional Water Quality Committee and requests WTD develop a long-term financial and sewer rate forecast. A final report was presented to RWQC in [September 2025](#).

Motion 16900 WTD Sewer Rate and Capital Work Plan to Improve Engagement, Transparency, and Accountability. [Motion 16900](#) (November 2025) requests that WTD implement a work plan to continue to improve engagement, transparency, and accountability in the sewer rate-setting process. The work plan is Attachment A to Motion 16900. WTD provides a monthly status report to RWQC on each task and the latest status report is Attachment 5.

Key Topics in the Work Program Include:

- Develop and implement a process for MWPAAC and RWQC (as requested) to review a limited number of large capital projects selected by MWPAAC that substantively affect the rate.
- Develop public engagement strategy for rate payers in coordination with local contract agencies to explain why wholesale WTD rates are increasing and provide opportunities for public engagement.
- Independent consultant to review WTD's capital program.
- Evaluate regulatory requirements.
- Significant changes in capital project costs.
- Options for multi-year rate predictability.

2026-2027 Adopted Budget Proviso Requesting Rate Options for 2027 Sewer Rate. This proviso encumbers \$1 million until the executive includes an analysis of a range of policy choices resulting in at least two rate options for 2027 in addition to the executive's recommended rate for 2027. The transmitted options are discussed later in the staff report.

Timing of Rate Adoption. By contract with partner cities and sewer districts, the County is to complete its consideration of the sewer rate for the following year by July 1 of each year.

ANALYSIS

Proposed Ordinance 2026-0103 would adopt the 2027 sewer rate and capacity charge. It would increase the monthly sewer rate, effective in 2027, by 12.75%, from \$62.66 to \$70.65. The proposed ordinance would also set the capacity charge for new connections to the regional system occurring in 2027 at \$83.10 per Residential Customer Equivalent (RCE) per month, a 6.6% increase over the 2026 monthly charge of \$77.99

The first part of this analysis section discusses the Sewer Rate and the key assumptions and changes influencing the proposed rate and the forecast. The [Capacity Charge](#) is discussed later in the staff report.

Sewer Rate. This section of the staff report will compare the 2026 and 2027 sewer rate forecasts, capital cost drivers, financing, operating expenses, and alternative rate scenarios.

Comparing 2026 and 2027 10-Year Sewer Rate Forecasts. As shown in Tables 2 and 3, the proposed 2027 rate increase of 12.75% is the same as the prior forecast, even though, as discussed later in the staff report, capital expenditures are increasing relative to the prior forecast. This consistency in the 2027 rate increase with the prior year reflects the Executive's policy decision to maintain the predictability of the prior year's forecast. This is possible because WTD sets its cash revenue (rate) requirements based on a 10-year average over the forecast period, allowing it to adjust the annual rates.

**Table 2.¹²
Proposed 2027 Sewer Rate and Forecast**

	Adopted	Proposed									
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rate Increase %	7.50%	12.75%	12.75%	12.75%	12.75%	11.25%	11.25%	8.00%	8.00%	8.00%	1.75%
Monthly Sewer Rate	\$62.66	\$70.65	\$79.66	\$89.82	\$101.28	\$112.68	\$125.36	\$135.39	\$146.23	\$157.93	\$160.70
Rate Increase \$	\$4.38	\$7.99	\$9.01	\$10.16	\$11.46	\$11.40	\$12.68	\$10.03	\$10.84	\$11.70	\$2.77
All-In Debt Service Coverage	1.62x	1.60x	1.74x	1.68x	1.60x	1.58x	1.61x	1.49x	1.51x	1.55x	1.55x
		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Rate Increase %		1.75%	3.75%	3.75%	3.75%	2.25%	2.25%	2.25%	0.50%	0.50%	0.00%
Monthly Sewer Rate		\$163.52	\$169.66	\$176.03	\$182.64	\$186.75	\$190.96	\$195.26	\$196.24	\$197.23	\$197.23
Rate Increase \$		\$2.82	\$6.14	\$6.37	\$6.61	\$4.11	\$4.21	\$4.30	\$0.98	\$0.99	\$0.00
All-In Debt Service Coverage		1.52x	1.54x	1.58x	1.61x	1.60x	1.63x	1.64x	1.66x	1.67x	1.69x

**Table 3.¹³
Adopted 2026 Sewer Rate and Forecast**

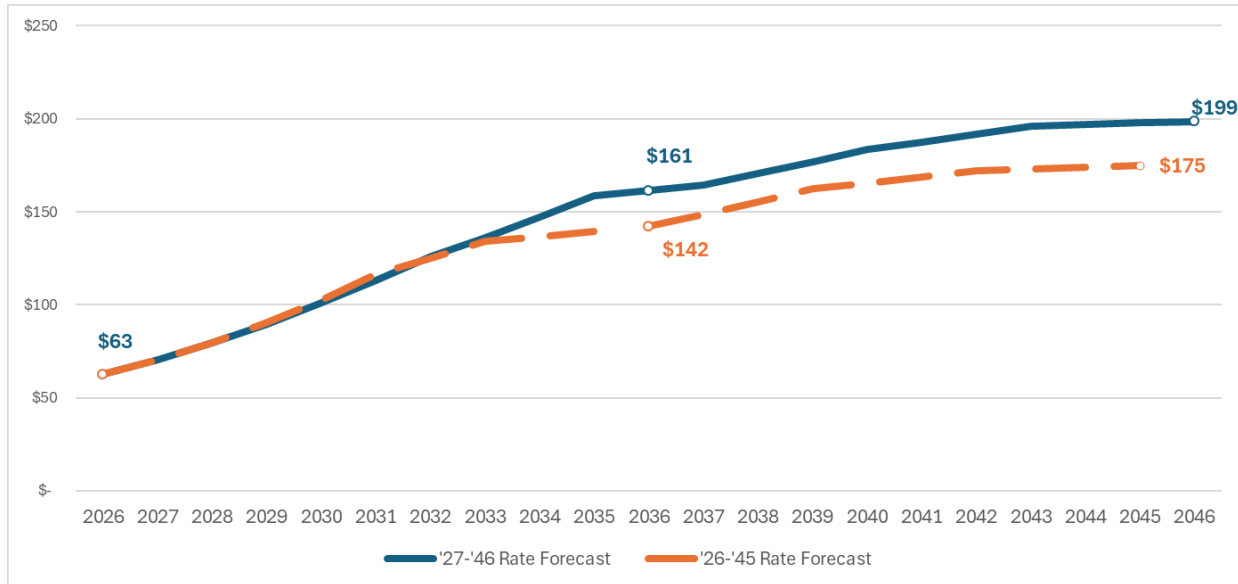
	Adopted	Adopted									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Rate Increase %	5.75%	7.50%	12.75%	12.75%	13.50%	13.50%	13.50%	7.25%	7.25%	2.00%	2.00%
Monthly Sewer Rate	\$58.28	\$62.66	\$70.65	\$79.66	\$90.42	\$102.63	\$116.49	\$124.94	\$134.00	\$136.68	\$139.42
Rate Increase \$	\$3.17	\$4.38	\$7.99	\$9.01	\$10.76	\$12.21	\$13.86	\$8.45	\$9.06	\$2.68	\$2.74
All-In Debt Service Coverage	1.65x	1.48x	1.47x	1.57x	1.50x	1.47x	1.57x	1.59x	1.57x	1.55x	1.53x
		2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Rate Increase %		2.00%	4.50%	4.50%	4.50%	1.75%	1.75%	1.75%	0.50%	0.50%	0.50%
Monthly Sewer Rate		\$142.21	\$148.61	\$155.30	\$162.29	\$165.14	\$168.03	\$170.98	\$171.84	\$172.70	\$173.57
Rate Increase \$		\$2.79	\$6.40	\$6.69	\$6.99	\$2.85	\$2.89	\$2.95	\$0.86	\$0.86	\$0.87
All-In Debt Service Coverage		1.44x	1.55x	1.66x	1.78x	1.83x	1.88x	1.93x	1.95x	1.96x	1.98x

As shown in Figure 1, the 2027 monthly rate forecast begins to increase when compared to the prior 10-year forecast in 2034.

¹² 2027 Sewer Rate Technical Memo, page 6

¹³ 2027 Sewer Rate Technical Memo, page 6

**Figure 1.¹⁴
Comparing 2026 and 2027 Sewer Rate Path**

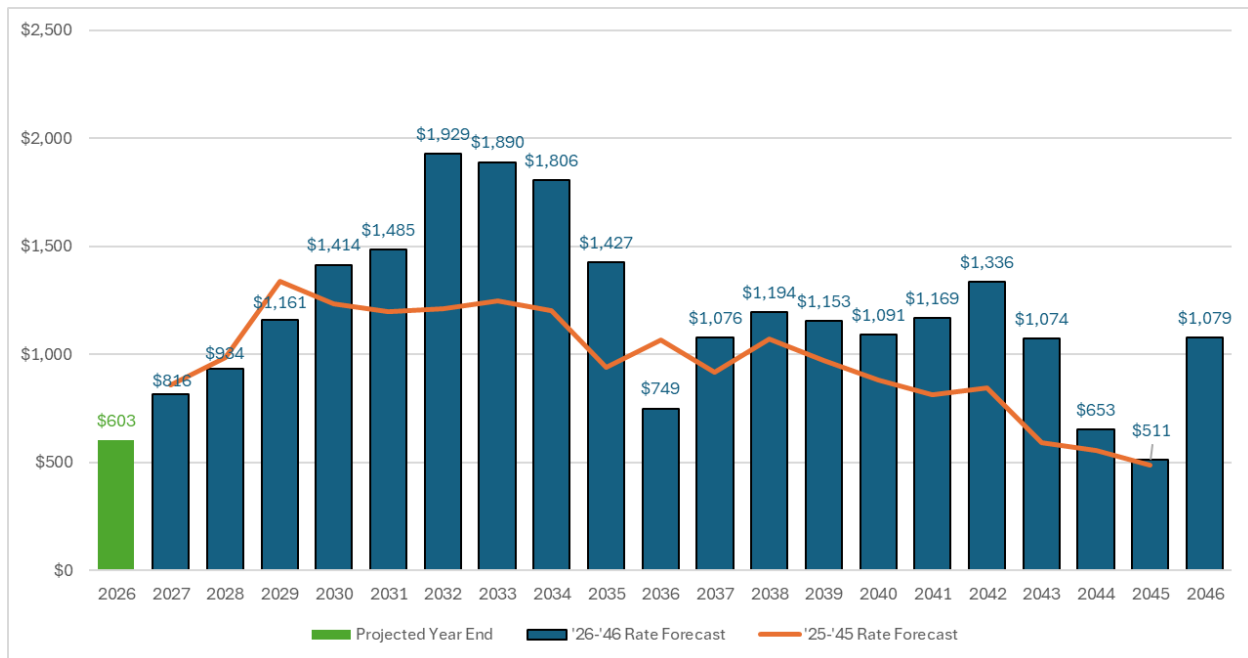


Second Decade Forecast. As shown in Table 2, the 2027 sewer rate forecast extends the forecast period by an additional 10 years. The declining annual rate increases in the second decade of the 2027 forecast reflect a reduction in capital expenditures expected in the second decade compared to the first ten years, including no regulatory expenditures projected beyond 2038, no costs related to contaminants of emerging concern, and no nutrient removal costs beyond the first permit. WTD reports that the forecast for this second decade has significant uncertainty.

Capital Forecast Continues to Project Significant Growth. The projected sewer rate increases over the forecast period are primarily driven by the increasing capital portfolio of projects and the need for cash to fund capital projects and pay new and existing debt services. The 2027-2036 10-year capital forecast is \$14.2 billion and reflects the steep increase in capital expenditures over the forecast period. WTD's capital expenditures are forecast to climb to a peak of \$1.9 billion in 2032. As WTD reports, the CIP projection continues to reflect the challenge of a "stacking" problem of multiple, large projects needing to happen at the same time. This staff report will compare the 2026 and 2027 10-year forecasts, the major CIP projects in the 10-year forecast, forecast uncertainty, and the proposed approach to financing the capital forecast.

¹⁴ Provided by WTD

**Figure 2.
Proposed 2027 Capital Forecast vs. Adopted 2026 Plan**



Comparing 2026 and 2027 10-year capital forecasts. The 2027-2036 total capital forecast is \$14.2 billion, \$2.8 billion higher than the previous 10-year forecast. Revised estimates resulted in higher capital costs, but also a slightly deferred schedule, resulting in a slight decrease in projected expenditures over the next several years and a slight reduction in projected rate increases in the next five years.

WTD provided the following information to explain the \$2.8 billion increase in the forecast¹⁵:

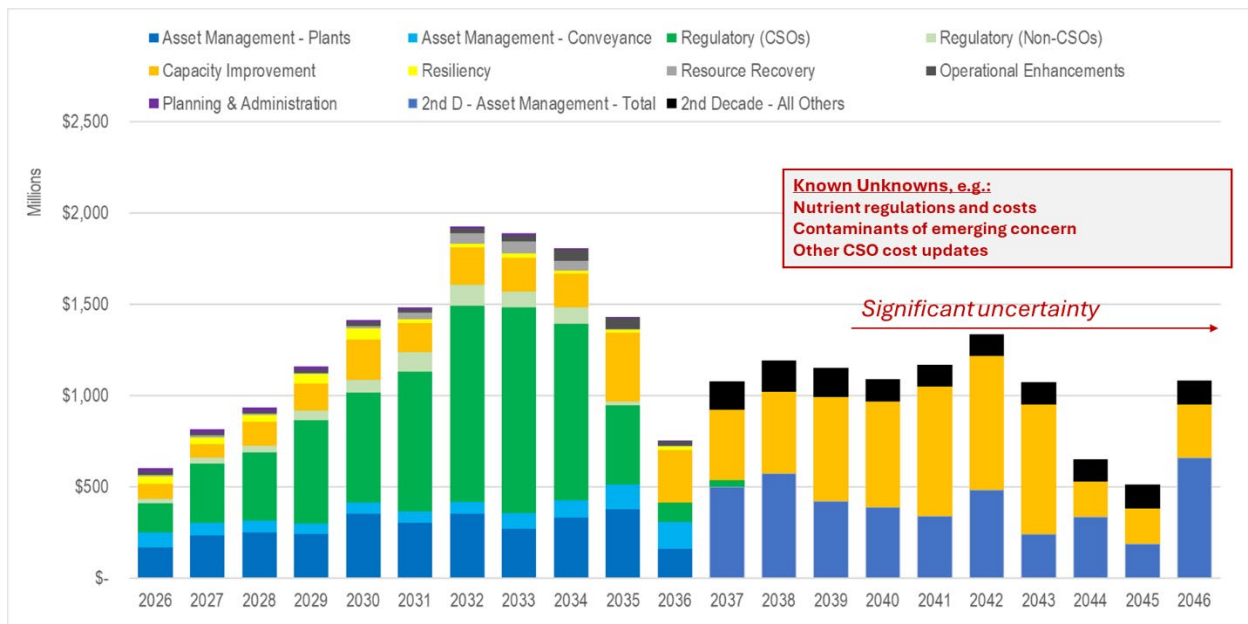
- Increase of \$290 million reflects the effect of 2025 leaving the forecast window and 2036 entering the forecast window.
- Notable regulatory cost increases include:
 - \$320 million increase to the Elliott West Wet Weather Treatment Station
 - \$270 million increase to the East Ship Canal CSO Program
 - Addition of South Magnolia Supplemental Compliance project for an overall increase of \$235 million.
- Other notable project increases include:
 - \$490 million increase to minor asset management programs to address critical small asset replacements that reduce risk, based on past cost data for small asset replacements.

¹⁵ These changes reflect project cost estimates assumed at the time of the 2027 sewer rate proposal development. WTD notes that any additional changes to cost estimates will be reflected in the separate proviso response letter. Those changes have not yet gone through a full governance board review process, and may ultimately not be approved and adopted, therefore the estimates included in the sewer rate process are still the most certain.

- \$460 million increase to the Sammamish Plateau Diversion,
- \$170 million increase to South Plant Electrical Improvements
- \$110 million increase to the Lake Hills Trunk and NW Lake Sammamish Interceptor Upgrade
- \$85 million increase to the Brightwater Aeration Basin No. 4 project, based on an updated Class 10 or Unclassified cost estimate.
- Additional increases in the 10-year forecast reflect cumulative smaller adjustments across individual projects and escalation that occurs when projects are deferred into the second half of the decade to help reduce impacts on near-term rates.

Figure 3 shows that regulatory compliance and asset management projects are the largest categories of projects in the first 10 years of this forecast. The second 10 years of the forecast contain significant uncertainty, largely due to unknown future regulatory requirements.

Figure 3.¹⁶
CIP Components for 2027-2046 Financial Forecast



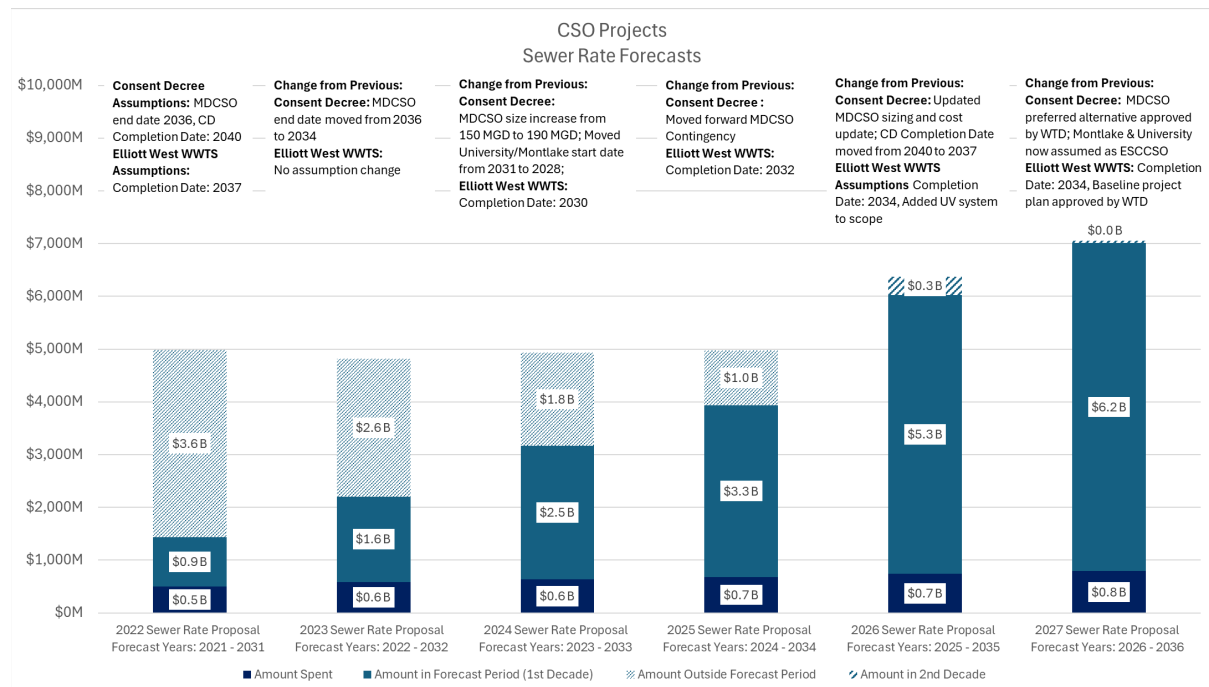
Forecast Methodology. With every rate proposal, WTD updates its 10-year forecast of capital expenditures to determine the amount of funding (cash and debt) needed to pay for the CIP and to directly impact the forecast. With the 2027 10-year rate forecast, WTD is continuing the approach it used for the 2026 capital forecast, in which, for purposes of determining revenue requirements for non-regulatory projects, WTD assumes that only 80% of the expenditures will be spent in the projected year. The remaining 20% is carried over into a future year. Council staff are preparing a summary of the methodology for the next staff report.

¹⁶ 2027 Sewer Rate Technical Memo, page 17

Regulatory Projects

Modified Combined Sewer Overflow (CSO) Consent Decree Costs. When the Council adopted the Modified Consent Decree in July 2024 (Ordinance 19801), the estimated total cost to complete the remaining projects was \$1.7 billion. The cost to complete the CSO projects assumed for the 10-year 2027 forecast is now \$6.2 billion. Figure 4 shows the increasing CSO costs in the 10-year rate forecasts over the last six rate forecasts. CSO costs have increased in each forecast for several reasons: new cost estimates for the Mouth of Duwamish CSO, the completion date for other CSOs moved from 2040 to 2037, and a new year (2036) replacing a lower-cost year. The 2027 10-year forecast shows CSO costs are now \$900 million higher than in the previous 10-year forecast. WTD received updated cost and schedule estimates for multiple projects (such as the Mouth of the Duwamish CSO control project). These revised estimates resulted in higher capital costs and a slightly deferred schedule.

**Figure 4.¹⁷
Evolving CSO Costs in Rate Forecasts**



In addition to the project costs listed above, the modified Consent Decree requires supplemental compliance activities for projects that were completed but have not brought an outfall into control. WTD currently has supplemental compliance plans for four uncontrolled outfalls. An estimated \$127.1 million (escalated) is forecast in the 2027 Sewer Rate Forecast CIP to bring these outfalls into control by 2037 based on early planning-level estimates.

Expenditure Schedule for CSO. As discussed later in the staff report, the capital expenditure forecast for CSO projects reflects the policy decision to assume that 100%

¹⁷ Prepared by Wastewater Treatment Division

of the costs for regulatory projects will be expended as required by regulation. As such, the project schedule is based on legal obligations to meet the modified consent decree deadlines and avoid penalties. Council staff asked how realistic the spending plan is for the CSO projects. WTD reports that the spending projections are considered realistic based on the current phase of the Program and WTD Capital Project delivery practices at the time the forecast was developed. WTD reports it has resourced the program with internal staff and consultants to meet the schedule.

Nutrient Reduction Projects. According to the Department of Ecology, discharges of excess nutrients, particularly nitrogen, from wastewater treatment facilities are contributing to the existing low oxygen levels in Puget Sound. Since the regulatory framework for nutrients has not been finalized, there is uncertainty about the nutrient investments required in the forecast. The 2027-2036 forecast includes about \$410 million related to nutrient reduction. Depending upon the final regulatory requirements issued by the Department of Ecology, compliance costs may be much greater.

Other Large CIP Projects. In addition to the regulatory projects described earlier in the staff report, there are over 200 other capital projects in the forecast, including the following five projects over \$200 million:

- Sammamish Plateau Diversion (\$571.3 million)
- Offsite Level Controls and Communication Upgrade. (\$500.1 million)
- West Point (WP) Electrical Improvements (\$397.5 million)
- West Point Digestion Capacity Expansion (\$279.7 million)
- South Plant Electrical Improvements (\$242.4)
- WPTP Critical Gate Refurbishment (\$206.3)

A complete list of all projects in the 10-year forecast is included in Attachment 6. This project list represents a placeholder list of projects until the final list of projects to be funded is selected each year as part of the budget process and the development of the six-year CIP.

Uncertainty in Capital Expenditure Forecasts. The 10-year capital forecast associated with WTD's proposed 2027 sewer rate includes projects and programs at different stages of scope development and with varying degrees of cost uncertainty. WTD uses the industry standard AACEi¹⁸ classification system to identify the status of a project throughout its lifecycle. The class level ranges can range from planning-level conceptual AACEi Class 10 cost estimates with an anticipated range of -100% to +300% to construction-phase detailed AACEi Class 1 cost estimates with an anticipated range of -10% to +15%. Projects early in the planning process have more uncertainty due to many factors, including staffing capacity to deliver projects, contractor availability, project delays, scoping changes, cost increases, and regulatory decisions. The narrowing of the anticipated cost estimate range over a project's lifecycle is meant to account for the decreasing level of uncertainty as impacts such as inflation, project delays, scope refinements, and macroeconomic effects are realized as projects achieve greater definition through design.

¹⁸ Association for the Advancement of Cost Engineering

Many of the largest projects in the forecast are at Class 4 or 5, which is still early in the project life cycle. This can contribute a high level of uncertainty to the capital portfolio and may represent a potential for increased costs in the forecast. While individual projects are classified using AACEi, at this time WTD does not have a broader assessment of the level of uncertainty for the overall forecast based on the class status of individual projects in the portfolio. For future forecasts, the Council may wish to request that WTD assess the level of uncertainty in the 10-year forecast based on the class status of the projects in the forecast.

Asset Management Expenditures. The forecast for asset management categories for 2027-2036 is \$3.9 billion. (This includes some of the projects listed above.) As the system continues to age, the scope and cost of Tier 1 projects, the highest priority project, have continued to increase. In the 2027 10-year forecast, WTD intends to address 76% (\$3.8 billion) of Tier 1 asset management projects and 24% (\$1.2 billion) of Tier 1 projects in the second decade.

Forecasted Capital Expenditures Versus Actual Expenditures. The capital accomplishment rate is the amount of actual capital spending that occurs in the year compared with the amount of capital spending planned after the expenditure plan is adjusted for schedule risk. The accomplishment rate is an important metric because it shows how accurately WTD predicts capital expenditures and the necessary revenue requirements in a given forecast. As shown in Table 4, WTD has achieved high accomplishment rates in recent years while rapidly increasing its capital program.

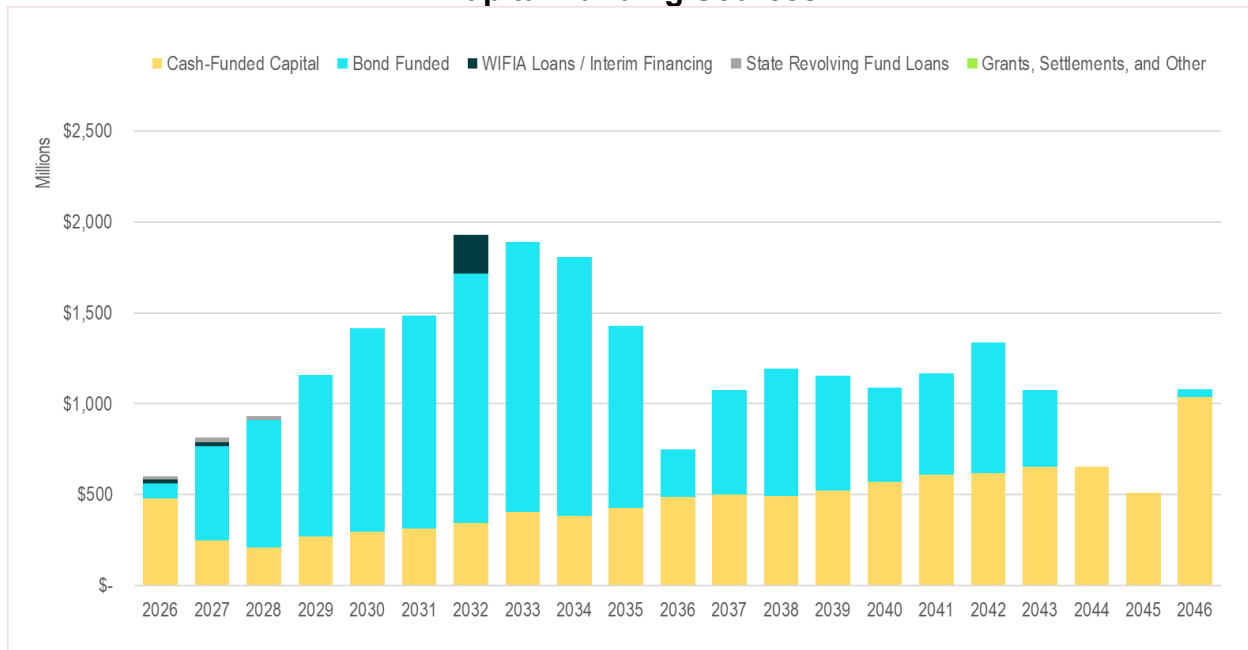
Table 4.¹⁹
Historical Accomplishment Rates for the Capital Program (\$ in millions)

Accomplishment Rate (AR)	2022	2023	2024	2025
Risk and Resource Adjusted CIP	\$283	\$362	\$316	\$462
Actual Annual CIP Spend	\$259	\$361	\$313	\$429
Actual Accomplishment Rate of Adj. CIP	91%	100%	99%	93%

Capital Improvement Program Funding. Two primary sources fund the capital improvement program: 1) cash generated from the sewer rate and capacity charge revenues, and 2) debt financing from revenue bonds or low-interest state and federal loan programs. Figure 5 shows the amount of forecasted cash and debt funding.

¹⁹ 2027 Sewer Rate Technical Memo, page 13

Figure 5.²⁰
Capital Funding Sources



Cash Funding. Since 2023, WTD has used an original cost depreciation²¹ method to set cash funding targets for its CIP. With this method, the average annual cash contribution is equivalent to the average annual depreciation over the forecast period. This means that WTD uses the total expected depreciation over the forecast period to determine the total cash contributions required in the next 10 years. Cash-funding requirements are averaged over the next 10 years of the forecast period, allowing WTD to smooth rate increases and produce a more stable rate path. According to WTD, this original depreciation approach reduces near-term rate spikes caused by large CIP investments in a given year because the fiscal impact of the CIP investment is spread over the asset's useful life. A 2022 WTD presentation notes, "this methodology is widely accepted in the industry, reduces the volatility in rate forecasting, and achieves lower rate increases given projected CIP forecasts."

According to the technical memo, the total forecasted depreciation over the next 10 years translates into approximately 27% of the total CIP. WTD reports that the cash funding approach is set for review and reconsideration on a five-year cadence. WTD reports that the next substantive review will occur again in 2027 for 2028 implementation of any potential updates. Additionally, Council staff note that analysis of financial policies for capital financing and debt management, and financial planning and revenue sufficiency, is also set to occur as part of the RWSP Update in 2026, according to the RWSP Charter.

Debt Financing. WTD uses debt financing to provide the remaining funds needed after the use of cash. Debt financing represents 73% of total project funding over the next 10

²⁰ 2027 Sewer Rate Technical Memo, page 18

²¹ Depreciation is an accounting concept calculated by dividing an asset's cost by its estimated useful life, representing how much that asset is expected to wear out or lose value every year. Original cost refers to the actual cost of an asset, rather than the cost adjusted for inflation.

years. The main sources of debt available to WTD include state loans, federal Water Infrastructure Finance and Innovation Act (WIFIA) loans, and revenue bonds. Figure 5 above shows the capital funding forecast and capital funding sources.

Operating Expenditures. Operating expenditures are forecast to account for 32% of the revenue requirements for the sewer rate in 2027. During the 2026 rate process, WTD forecasted 2027 operating expenditures of \$267.7 million. The proposed 2027 rate forecast maintains this projection. Beyond 2027, incremental operating costs are forecast to increase by 4% per year for general and labor costs.

This \$267.7 million in operating expenditures for 2027 reflects all annualized budget adds from the 2026-2027 adopted budget, including inflationary operational costs, additional funding for major maintenance repairs, and additional staffing for operations, capital, and administrative support.

The \$267.7 million in operating expenditure also assumes other expenses for 2027 identified after the budget adoption, such as large nondiscretionary adds related to utilities (primarily electricity), chemicals, biosolids hauling, and multiple labor agreement updates (totaling approximately \$9 million in labor costs). Because these expenses were not included in the 2026-2027 budget, WTD will be requesting additional appropriation authority in a supplemental budget for some or all of these costs while seeking to maintain expenditures below the operating forecast of \$267.7 million.

Rate Smoothing. Over the forecast period, WTD aims to develop a "smooth" sewer rate forecast that provides for fewer steep spikes. According to the technical memo, a smoothed sewer rate forecast allows for the collection of revenues that exceed expenditures in a given year and are less than expenditures in subsequent years to fully fund the utility over the forecast period with less volatility.

Smoothing rates means moving from considering only revenue needs in a particular year to considering them over a longer period to smooth year-to-year increases. The first step in rate smoothing is to set the cash target for each year of the forecast to match the estimated annual depreciation. As shown in Table 5, using only the original cost depreciation method would still result in spikes in the sewer rate during the forecast period. To smooth those spikes, WTD reviews the entire forecast period and, when necessary, creates a gradual trajectory of rate increases by anticipating transferring more cash to the capital fund than the cash-funding target for that year. The same amount is reduced from the transfer in a later year of the forecast. At the end of the 10-year forecast, total cumulative revenues and expenditures²² are balanced.

²² Expenditures include depreciation-based cash transfers to capital

Table 5.²³
2027 Forecast Before and After Rate Smoothing

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	'26-'36
Rev. Req. Pre Smoothing (\$m)	\$759	\$862	\$912	\$1,018	\$1,156	\$1,280	\$1,390	\$1,567	\$1,684	\$1,781	\$1,833	\$14,242
Rate Increase %	7.50%	17.97%	5.63%	12.87%	14.67%	11.32%	8.76%	13.56%	7.52%	5.45%	2.07%	
Rev. Req. Post Smoothing (\$m)	\$759	\$831	\$926	\$1,035	\$1,158	\$1,284	\$1,425	\$1,538	\$1,657	\$1,791	\$1,839	\$14,242
Rate Increase %	7.50%	12.75%	12.75%	12.75%	12.75%	11.50%	11.50%	8.00%	8.00%	8.00%	1.75%	

Table 5 shows the impact of rate smoothing on the sewer rate. The second row of the table shows that even with the original cost depreciation method, the proposed rates would still exhibit steep ups and downs. The smoothed rate is shown in the fourth row. WTD notes that rate smoothing is part science and part art. Part of this is balancing customer impact (avoiding "rate shock") with financial risk. The financial risk comes from collecting revenues below cash-funding target in the first years, expecting to make up for it in the following years. Any stair-stepping more gradual than the current proposal would either incur higher financial risk in the short term or require a higher rate increase peak in the middle of the forecast.

With each new forecast, more information becomes available about the timing of future expenditures. WTD reports that the projected rate path may need to be re-smoothed by making adjustments from the prior forecast.

Alternative Rate Scenarios. The 2026-2027 adopted Biennial Budget includes a proviso²⁴ requiring WTD to provide two alternative scenarios in addition to the Executive's proposed sewer rate, including at least one rate that is 2% lower than the Executive's proposed rate. Each of the proposed scenarios is briefly discussed below.

Scenario 1: Two Percent Below Executive's Proposal. As shown in Figure 6, the Executive achieved the 2% reduction by deferring capital expenditures, with deferrals shown in gray. WTD reports that deferrals in this scenario would impact asset replacement and capacity projects, resulting in increased likelihood of detrimental impacts such as overflows, sinkholes, equipment damage, permit violations, and life-safety risks, as well as introducing additional risk of bond rating downgrades and higher costs of borrowing. This scenario does not achieve long-term rate relief, and the 20-year forecast rate is slightly higher than the proposed rate forecast.

²³ Provided by Wastewater Treatment Division

²⁴ Ordinance 20023, Proviso Section 115 P4

Figure 6.²⁵
Scenario 1: Two Percent Below Executive's Rate Proposal

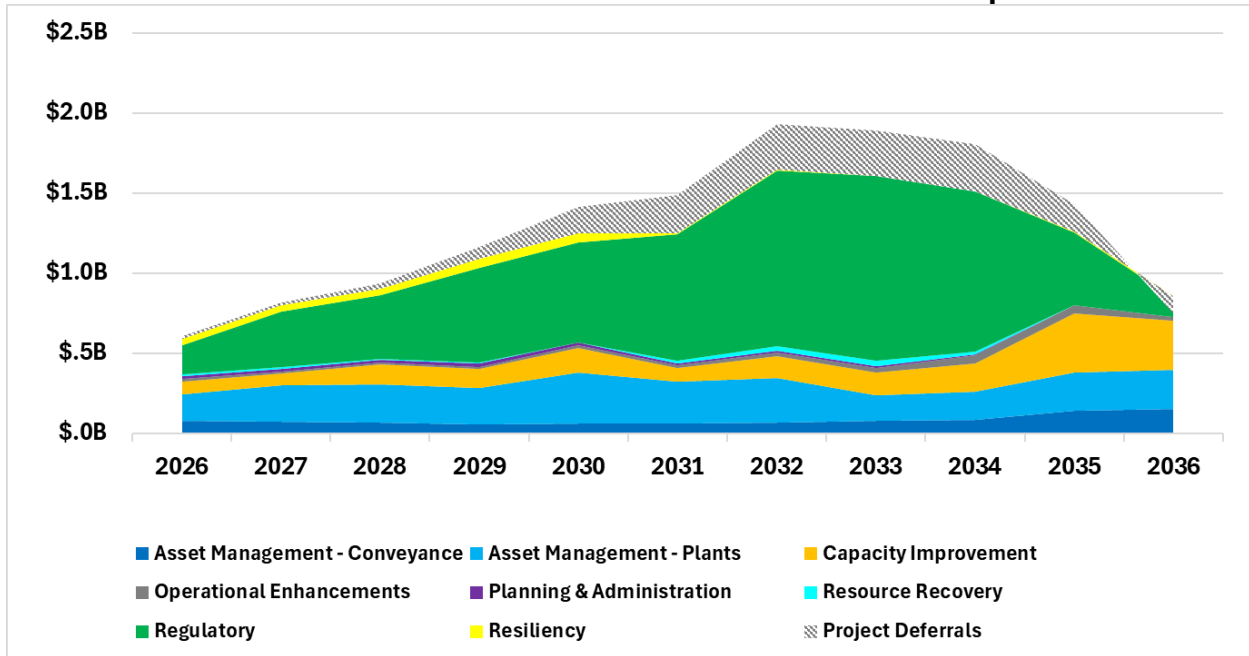


Table 6.²⁶
Scenario 1: Two Percent Below Executive's Rate Proposal and 2027-46 Rate Forecast

	Adopted	Proposed									
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rate Increase %	7.50%	10.75%	10.75%	10.75%	12.75%	12.75%	10.00%	10.00%	5.75%	5.75%	1.25%
Monthly Sewer Rate	\$62.66	\$69.40	\$76.87	\$85.14	\$96.00	\$108.24	\$119.07	\$130.98	\$138.52	\$146.49	\$148.33
Rate Increase \$	\$4.38	\$6.74	\$7.47	\$8.27	\$10.86	\$12.24	\$10.83	\$11.91	\$7.54	\$7.97	\$1.84
All-In Debt Service Coverage	1.62x	1.58x	1.68x	1.60x	1.54x	1.57x	1.62x	1.56x	1.57x	1.59x	1.56x
		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Rate Increase %		1.25%	5.25%	5.25%	5.25%	3.25%	3.25%	3.25%	1.50%	1.50%	1.00%
Monthly Sewer Rate		\$150.19	\$158.08	\$166.38	\$175.12	\$180.82	\$186.70	\$192.77	\$195.67	\$198.61	\$200.60
Rate Increase \$		\$1.86	\$7.89	\$8.30	\$8.74	\$5.70	\$5.88	\$6.07	\$2.90	\$2.94	\$1.99
All-In Debt Service Coverage		1.51x	1.54x	1.59x	1.60x	1.59x	1.63x	1.64x	1.66x	1.68x	1.68x

Council staff have asked WTD to consider whether the 2% rate reduction could be achieved by applying an 80% approach to regulatory project forecasting, lowering the debt service coverage (DSC) ratio to 1.45, and removing \$100 million of CIP spending from the forecast period. WTD reports this would result in a 1.5% reduction in rates from 2027-2030, and higher increases in the early 2030s. WTD noted that the risks of such a scenario could include the potential or perceived risk of not completing the CSO projects on time, and could worsen the credit position with rating agencies, and deferring any capital projects increases costs because project costs increase with delays. Council staff analysis is ongoing.

²⁵ 2027 Sewer Rate Technical Memo, page 32

²⁶ 2027 Sewer Rate Technical Memo, page 33

Scenario 2: Theoretical Regulatory Deadline Extension. The Theoretical Regulatory Deadline Extension Scenario assumes successful renegotiation of the federal and state regulatory consent decree and, as shown in Figure 7, defers \$1.8 billion in planned projects from the first decade of the forecast. This scenario offers near-term rate relief by deferring project costs and results in a higher 20-year forecast rate than the proposed rate forecast. Asset reliability and safety risk, as well as system capacity risk, remain the same as in the proposed scenario, but regulatory compliance projects are no longer assumed to meet established deadlines, with additional potential risks including future borrowing costs and legal risks.

Figure 7.²⁷
Scenario 2: Capital Forecast—Theoretical Regulatory Deadline Extension

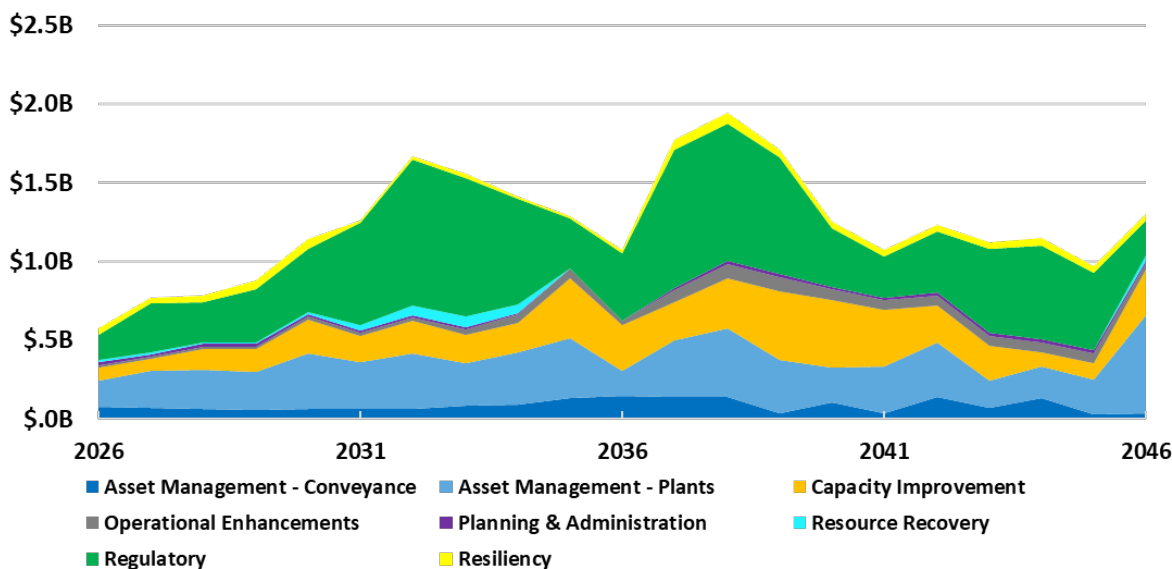


Table 7 shows the Theoretical Regulatory Deadline Extension Rate and associated rate forecast.

Table 7.²⁸
Scenario 2: Theoretical Regulatory Deadline Extension Rate and 2027-46 Rate Forecast

	Adopted	Proposed										
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
Rate Increase %	7.50%	9.75%	9.75%	9.75%	11.50%	11.50%	11.50%	8.75%	8.75%	4.00%	4.00%	
Monthly Sewer Rate	\$62.66	\$68.77	\$75.48	\$82.84	\$92.37	\$103.00	\$114.85	\$124.90	\$135.83	\$141.27	\$146.93	
Rate Increase \$	\$4.38	\$6.11	\$6.71	\$7.36	\$9.53	\$10.63	\$11.85	\$10.05	\$10.93	\$5.44	\$5.66	
All-In Debt Service Coverage	1.62x	1.58x	1.69x	1.64x	1.57x	1.57x	1.63x	1.54x	1.60x	1.59x	1.57x	
		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	
Rate Increase %		6.25%	6.25%	3.75%	3.75%	3.75%	3.75%	2.00%	2.00%	2.00%	1.00%	
Monthly Sewer Rate		\$156.12	\$165.88	\$172.11	\$178.57	\$185.27	\$192.22	\$196.07	\$200.00	\$204.00	\$206.04	
Rate Increase \$		\$9.19	\$9.76	\$6.23	\$6.46	\$6.70	\$6.95	\$3.85	\$3.93	\$4.00	\$2.04	
All-In Debt Service Coverage		1.55x	1.57x	1.59x	1.58x	1.58x	1.61x	1.59x	1.63x	1.66x	1.66x	

²⁷ 2027 Sewer Rate Technical Memo, page 33

²⁸ 2027 Sewer Rate Technical Memo, page 34

WTD notes that the theoretical regulatory deadline extension scenario depends on federal and state regulators agreeing to modify further the [CSO consent decree](#), which was recently modified and finalized in 2025 after a six-year negotiation process. Other scenarios may illustrate circumstances under which projects with specific federal or state requirements and/or funding agreements would be deferred. **The scenarios are purely intended to outline potential impacts over time. They do not represent, imply, or establish any plan, commitment, or intent by WTD or the Department of Natural Resources and Parks.**

Capacity Charge. The amount of the capacity charge is set each year by the Council. See the [Background Section](#) of this staff report for more information on the capacity charge.

Proposed Ordinance 2026-0103 would set the 2027 capacity charge at \$83.10 each month, assuming payment over 15 years. This would reflect a 6.55% increase from \$77.99 in 2026. According to the transmittal, in 2027, the capacity charge is expected to generate \$111.2 million and account for about 13.4% of WTD's revenues.

**Table 8.²⁹
Proposed 2027 Capacity Charge and 2028-2031 Forecast³⁰**

Capacity Charge	Adopted	Proposed	Forecast			
	2026	2027	2028	2029	2030	2031
Monthly Charge	\$77.99	\$83.10	\$85.86	\$88.71	\$91.65	\$94.69
Increase %	2.50%	6.55%	3.32%	3.32%	3.31%	3.32%
Increase \$	\$1.90	\$5.11	\$2.76	\$2.85	\$2.94	\$3.04
Annual Total	\$936	\$997	\$1,030	\$1,065	\$1,100	\$1,136
Total Payments	\$14,038	\$14,958	\$15,455	\$15,968	\$16,497	\$17,044
Upfront Payment*	\$9,870	\$10,508	\$10,857	\$11,217	\$11,589	\$11,974

*Discount Rate of 5.14%

After the transmittal of this ordinance and the capacity charge methodology update (Proposed Ordinance 2026-0066), WTD identified an error in an assumption in the proposed methodology used to calculate the capacity charge. WTD reports that, under the current approach, as permitted by code, it allocated only 95% of growth costs to new customers to avoid overcharging new connections. As explained by WTD, because the proposed methodology is now more precise, WTD calculated the 2027 capacity charge using 100% of growth costs. WTD has since recognized that five of thirty-four sewer contracts contain a provision setting the amount at 95%, and charging more than 95% of growth costs could conflict with those contract provisions.

Since this proposed ordinance assumed revenue from a capacity charge with 100% recovery, WTD is now requesting an amendment to decrease the capacity charge amount from \$83.10 to \$78.94 for 2027. This would reduce the projected capacity charge

²⁹ 2027 Sewer Rate Technical Memo, page 36

³⁰ As transmitted.

revenues in 2027 by \$563,645. WTD reports this change will not impact the near-term sewer rate.

Letters from RWQC, MWPAAC, and contract cities. The following letters from RWQC, MWPAAC, and contract cities regarding the 2027 proposed sewer rate and capacity charge have been received.

- Regional Water Quality Committee April 9, 2026 2027 Sewer Rate and Capacity Charge (Attachment 7)
- Metropolitan Water Pollution Abatement Advisory Committee April 29, 2026 WTD 2027 Rate Recommendation (Attachment 8)
- City of Seattle May 5, 2026 Proposed 2027 Sewer Rate and Future Projections (Attachment 9)
- King County Executive May 18, 2026 (Attachment 10)
- City of Bothell May 12, 2026 King County King County 2027 Wastewater Treatment Rates

AMENDMENTS

As discussed above, the Executive is requesting an amendment to PO 2026-0103 to decrease the capacity charge amount from \$83.10 to \$78.94 for 2027 to address an error in the calculation of the capacity charge.

INVITED

- Kamuron Gurol, Director, Wastewater Treatment Division
- Caitlyn Hall, Financial Services Manager, Wastewater Treatment Division
- Crystal Fleet, Capital Portfolio Planning and Analysis Unit Manager, Wastewater Treatment Division

ATTACHMENTS

1. Proposed Ordinance 2026-0103 (and its attachments)
2. Transmittal Letter
3. Fiscal Note
4. Technical Memo Proposed 2027 Sewer Rate and Capacity Charge
5. Monthly Status Update on WTD's Rate Work Plan to Improve Engagement, Transparency, and Accountability
6. List of capital projects in 10-year capital spending forecast
7. RWQC Letter April 9, 2026 2027 Sewer Rate and Capacity Charge
8. MWPAAC Letter April 29, 2026 WTD 2027 Rate Recommendation
9. City of Seattle Letter May 5, 2026 Proposed 2027 Sewer Rate and Future Projections
10. King County Executive Letter May 18, 2026
11. City of Bothell Letter May 12, 2026 King County King County 2027 Wastewater Treatment Rates



KING COUNTY
Signature Report

ATTACHMENT 1
1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Ordinance

Proposed No. 2026-0103.1

Sponsors Dembowski

1 AN ORDINANCE relating to rates and charges for sewage
2 treatment and disposal; and amending Ordinance 12353,
3 Section 2, as amended, and K.C.C. 4A.670.100, Ordinance
4 18745, Section 2, as amended, and Ordinance 11398,
5 Section 1, as amended, and K.C.C. 28.84.055.

6 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

7 SECTION 1. Ordinance 12353, Section 2, as amended, and K.C.C. 4A.670.100
8 are hereby amended to read as follows:

9 A. Having determined the monetary requirements for the disposal of sewage, the
10 council hereby adopts a ~~((2026))~~ 2027 sewer rate of ~~((sixty-two))~~ seventy dollars and
11 ~~((sixty-six))~~ sixty-five cents per residential customer equivalent per month. Once a sewer
12 rate ordinance becomes effective, the clerk of the council is directed to deliver a copy of
13 that ordinance to each agency having an agreement for sewage disposal with King County.

14 B. The King County council approves the application of Statement No. 62 of the
15 Governmental Accounting Standards Board (GASB-62) as it pertains to regulatory assets
16 and liabilities to treat pollution remediation obligations and RainWise Program
17 expenditures and strategic planning costs as regulatory assets, recovered ratably over the
18 life of the underlying financing, and to establish a rate stabilization reserve for the
19 purpose of leveling rates between years.

20 C. As required for GASB-62 application, amounts are to be placed in the rate
21 stabilization reserve from operating revenues and removed from the calculation of debt
22 service coverage. The reserve balance shall be an amount at least sufficient to maintain a
23 level sewer rate between ~~((2026))~~ 2027 and ~~((2027))~~ 2028, and shall be used solely for
24 the purposes of: maintaining the level sewer rate in ~~((2027))~~ 2028; and if additional
25 reserve balance is available, moderating future rate increases beyond ~~((2027))~~ 2028. The
26 estimated amount of the reserve, as shown in the financial forecast, Attachment A to
27 ~~((Ordinance 19942))~~ this ordinance, shall be revised in accordance with the 2026-2027
28 Biennial Budget Ordinance and financial plan. If the reserve needs to be reduced to meet
29 debt service coverage requirements for ~~((2025))~~ 2026, the county executive shall notify
30 the council of the change by providing an updated financial plan.

31 SECTION 2. Ordinance 18745, Section 2, as amended, is hereby amended to
32 read as follows:

33 Monetary requirements for the disposal of sewage as defined by contract with the
34 component sewer agencies for the fiscal year beginning January 1, ~~((2026))~~ 2027, and
35 ending December 31, ~~((2026))~~ 2027. The council hereby determines the monetary
36 requirements for the disposal of sewage as follows:

37 Administration, operating, maintenance repair and replacement (net of other
38 income): ~~(((\$123,844,438))~~ \$133,892,543.

39 Establishment and maintenance of necessary working capital reserves:
40 ~~(((\$107,549,086))~~ \$159,543,545.

41 Requirements of revenue bond resolutions (not included in above items and net of
42 interest income): ~~(((\$360,794,645))~~ \$381,765,400.

43 TOTAL: (~~(\$592,188,168)~~) \$675,201,489.

44 SECTION 3. Ordinance 11398, Section 1, as amended, and K.C.C. 28.84.055 are
45 hereby amended as follows:

46 A. The amount of the metropolitan sewage facility capacity charge adopted by
47 K.C.C. 28.84.050.O. that is charged monthly for fifteen years per residential customer or
48 residential customer equivalent shall be:

49 1. Seven dollars for sewer connections occurring between and including January
50 1, 1994, and December 31, 1997;

51 2. Ten dollars and fifty cents for sewer connections occurring between and
52 including January 1, 1998, and December 31, 2001;

53 3. Seventeen dollars and twenty cents for sewer connections occurring between
54 and including January 1, 2002, and December 31, 2002;

55 4. Seventeen dollars and sixty cents for sewer connections occurring between
56 and including January 1, 2003, and December 31, 2003;

57 5. Eighteen dollars for sewer connections occurring between and including
58 January 1, 2004, and December 31, 2004;

59 6. Thirty-four dollars and five cents for sewer connections occurring between
60 and including January 1, 2005, and December 31, 2006;

61 7. Forty-two dollars for sewer connections occurring between and including
62 January 1, 2007, and December 31, 2007;

63 8. Forty-six dollars and twenty-five cents for sewer connections occurring
64 between and including January 1, 2008, and December 31, 2008;

65 9. Forty-seven dollars and sixty-four cents for sewer connections occurring
66 between and including January 1, 2009, and December 31, 2009;

67 10. Forty-nine dollars and seven cents for sewer connections occurring between
68 and including January 1, 2010, and December 31, 2010;

69 11. Fifty dollars and forty-five cents for sewer connections occurring between
70 and including January 1, 2011, and December 31, 2011;

71 12. Fifty-one dollars and ninety-five cents for sewer connections occurring
72 between and including January 1, 2012, and December 31, 2012;

73 13. Fifty-three dollars and fifty cents for sewer connections occurring between
74 and including January 1, 2013, and December 31, 2013;

75 14. Fifty-five dollars and thirty-five cents for sewer connections occurring
76 between and including January 1, 2014, and December 31, 2014;

77 15. Fifty-seven dollars for sewer connections occurring between and including
78 January 1, 2015, and December 31, 2015;

79 16. Fifty-eight dollars and seventy cents for sewer connections occurring
80 between and including January 1, 2016, and December 31, 2016;

81 17. Sixty dollars and eighty cents for sewer connections occurring between and
82 including January 1, 2017, and December 31, 2017;

83 18. Sixty-two dollars and sixty cents for sewer connections occurring between
84 and including January 1, 2018, and December 31, 2018;

85 19. Sixty-four dollars and fifty cents for sewer connections occurring between
86 and including January 1, 2019, and December 31, 2019;

87 20. Sixty-six dollars and thirty-five cents for sewer connections occurring
88 between and including January 1, 2020, and December 31, 2020;

89 21. Sixty-eight dollars and thirty-four cents for sewer connections occurring
90 between and including January 1, 2021, and December 31, 2021;

91 22. Seventy dollars and thirty-nine cents for sewer connections occurring
92 between and including January 1, 2022, and December 31, 2022;

93 23. Seventy-two dollars and fifty cents for sewer connections occurring between
94 and including January 1, 2023, and December 31, 2023;

95 24. Seventy-four dollars and twenty-three cents for sewer connections occurring
96 between and including January 1, 2024, and December 31, 2024;

97 25. Seventy-six dollars and nine cents for sewer connections occurring between
98 and including January 1, 2025, and December 31, 2025; ~~((and))~~

99 26. Seventy-seven dollars and ninety-nine cents for sewer connections occurring
100 between and including January 1, 2026, and December 31, 2026~~((:)); and~~

101 27. Eighty-three dollars and ten cents for sewer connections occurring between
102 and including January 1, 2027, and December 31, 2027.

103 B.1. In accordance with adopted policy FP-15.3.d. in the Regional Wastewater
104 Services Plan, K.C.C. 28.86.160.C., it is the council's intent to base the capacity charge
105 upon the costs, customer growth and related financial assumptions used in the Regional
106 Wastewater Services Plan.

107 2. In accordance with adopted policy FP- 6 in the Regional Wastewater Services
108 Plan, K.C.C. 28.86.160.C., the council hereby approves the cash balance and reserves as

109 contained in the attached financial plan for ((2026)) 2027, which is Attachment A to
110 ((~~Ordinance 19942~~) this ordinance).

111 3. In accordance with adopted policy FP-15.3.c., King County shall pursue
112 changes in state legislation to enable the county to require payment of the capacity charge

113 in a single payment, while preserving the option for new ratepayers to finance the
114 capacity charge.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Sarah Perry, Chair

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this ____ day of _____, ____.

Girmay Zahilay, County Executive

Attachments: A. Wastewater Treatment Division Financial Plan

King County WTD - Sewer Rate Financial Model		2025	2026
Wastewater Treatment Division		Actual	Budget
Attachment A - Financial Forecast		2025	2026
Operating Financial Forecast - 4611 (\$ '000)			
Monthly Sewer Rate		\$58.28	\$62.66
Rate Increase		5.75%	7.50%
Residential Customer Equivalents (RCEs)		782,424	792,053
Revenue			
Sewer Rate ¹	\$	546,926	\$ 595,561
Capacity Charge		104,386	104,147
Industrial Waste		9,975	10,025
Resource Recovery		9,837	8,184
Other Income		4,224	4,000
Investment Income		30,175	37,198
Use (Transfer to) Rate Stabilization Reserve		-	-
Total - Revenue	\$	705,523	\$ 759,115
Expenditures & Transfers			
O&M Expenses	\$	(218,707)	\$ (249,295)
Existing Debt Service		(274,273)	(304,063)
New Debt Service		-	(11,051)
Debt Retirement/ Defeasance Use of Cash		(99,473)	-
Transfer to Voluntary Reserve		(20,550)	-
Minimum Operating Reserve Contribution		(2,050)	(2,544)
Total - Expenditures & Transfers	\$	(615,052)	\$ (566,953)
Net Cash Flow	\$	90,471	\$ 192,162
Beginning Balance	\$	90,004	\$ 8,766
Net Cash Flow		90,471	192,162
Policy Cash-Funded Capital (Transfer to Capital Fund)		(170,000)	(200,928)
Ending Balance ²	\$	10,475	\$ -
Ending Reserve Balances			
Water Quality Operating Liquidity Reserve	\$	21,871	\$ 24,929
Voluntary Reserve	\$	103,723	\$ 103,723
Rate Stabilization Reserve Account	\$	46,250	\$ 46,250
Debt Service Coverage - Parity Bonds (Senior Lien)		3.59x	3.27x
Debt Service Coverage - All-In Debt Service		1.77x	1.62x
¹ Sewer rate revenue includes a billing adj. of \$270k			
² Difference between 2025 ending balance and 2026 beginning balance driven by reconciliation of			
Capital Funding Forecast - 3611 & 3612 (\$ '000)			
Beginning Balance	\$	218,149	\$ 528,905
WIFIA Proceeds		33,792	20,484
State Loan Proceeds		43,865	18,796
Variable Rate Debt Proceeds		-	16,954
Commercial Paper / Interim Financing		126,000	106,768
Retirement of Interim Financing		(42,300)	(41,072)
Net Bond Proceeds		399,180	-

Debt Reserve Contribution/(Requirement)	-	-
Grants, Settlements, and Other	2,817	-
Capital Expenditures	(428,999)	(603,174)
Ending Balance Before Transfers	\$ 352,505	\$ 47,661
Year-end Transfers from Operating Fund	170,000	200,928
Ending Balance ³	\$ 522,505	\$ 248,589
Ending Reserve Balances		
Capital Liquidity Reserve / Capital Liquidity Threshold	40,000	40,000
Emergency Capital Reserve	15,000	15,000
Revenue Bonds Reserve Account	-	-
State Revolving Fund Reserve Account	219	176

³Difference between 2025 ending balance and 2026 beginning balance driven by reconciliation of

Note: Bond covenants are written to allow that in any given year, use of the Rates Stabilization Re

Unit Conversion

1,000

Check

TRUE

	2027	2028	2029	2030	2031
Rate Proposal	Projected	Projected	Projected	Projected	Projected
2027	2028	2029	2030	2031	
	\$70.65	\$79.66	\$89.82	\$101.28	\$112.68
	12.75%	12.75%	12.75%	12.75%	11.25%
	796,416	801,374	806,340	811,316	816,300
\$	675,201	\$ 766,049	\$ 869,106	\$ 986,041	\$ 1,103,768
	111,253	117,245	122,689	128,147	133,791
	10,076	10,127	10,179	10,231	10,283
	8,430	8,683	8,943	9,211	9,488
	4,013	4,026	4,039	4,053	4,067
	22,229	20,819	21,860	22,811	23,348
	-	-	-	-	-
\$	831,202	\$ 926,949	\$ 1,036,816	\$ 1,160,494	\$ 1,284,745
\$	(267,664)	\$ (283,528)	\$ (299,973)	\$ (317,417)	\$ (333,056)
	(306,539)	(279,271)	(289,773)	(308,606)	(309,115)
	(44,850)	(90,906)	(147,965)	(219,777)	(295,010)
	-	-	-	-	-
	-	-	-	-	-
	(1,837)	(1,586)	(1,644)	(1,744)	(1,564)
\$	(620,890)	\$ (655,293)	\$ (739,356)	\$ (847,545)	\$ (938,746)
\$	210,312	\$ 271,656	\$ 297,460	\$ 312,949	\$ 345,999
\$	-	\$ (0)	\$ -	\$ -	\$ -
	210,312	271,656	297,460	312,949	345,999
	(210,312)	(271,656)	(297,460)	(312,949)	(345,999)
\$	(0)	\$ -	\$ -	\$ -	\$ -
\$	26,766	\$ 28,353	\$ 29,997	\$ 31,742	\$ 33,306
\$	103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723
\$	46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250
	2.81x	2.94x	2.85x	2.41x	2.24x
	1.60x	1.74x	1.68x	1.60x	1.58x

cash and accrual, timing of transfers between funds

\$	248,589	\$ 210,312	\$ 271,656	\$ 297,460	\$ 312,949
	20,636	-	-	-	-
	29,141	24,650	-	-	-
	63,708	62,222	110,013	128,580	165,534
	93,853	-	-	-	-
	(97,048)	-	-	-	-
	456,780	636,515	778,925	988,124	1,006,316

	43		43		-		-		65
	-		-		-		-		-
	(815,701)		(933,742)		(1,160,595)		(1,414,163)		(1,484,865)
\$	-	\$	-	\$	-	\$	-	\$	-
	210,312		271,656		297,460		312,949		345,999
\$	210,312	\$	271,656	\$	297,460	\$	312,949	\$	345,999
	40,000		40,000		40,000		40,000		40,000
	15,000		15,000		15,000		15,000		15,000
	-		-		-		-		-
	133		133		133		68		-

cash and accrual, timing of transfers between funds

reserve can be recognized as revenue eligible for inclusion in the bond coverage calculation. In ye

	2032	2033	2034	2035	2036
	Projected 2032	Projected 2033	Projected 2034	Projected 2035	Projected 2036
	\$125.36	\$135.39	\$146.23	\$157.93	\$160.70
	11.25%	8.00%	8.00%	8.00%	1.75%
	821,293	826,296	831,307	836,327	841,356
\$	1,235,488	\$ 1,342,466	\$ 1,458,744	\$ 1,584,974	\$ 1,622,472
	138,655	142,676	146,327	151,548	160,035
	10,335	10,388	10,441	10,494	10,548
	9,772	10,065	10,367	10,678	10,999
	4,082	4,097	4,113	4,129	4,145
	24,439	26,404	25,809	27,264	29,667
	-	-	-	-	-
\$	1,422,771	\$ 1,536,096	\$ 1,655,800	\$ 1,789,087	\$ 1,837,865
\$	(349,475)	\$ (366,713)	\$ (384,811)	\$ (403,813)	\$ (423,765)
	(280,090)	(284,976)	(255,211)	(243,297)	(246,462)
	(388,214)	(498,590)	(588,791)	(650,974)	(664,059)
	-	-	-	-	-
	-	-	-	-	-
	(1,642)	(1,724)	(1,810)	(1,900)	(1,995)
\$	(1,019,420)	\$ (1,152,002)	\$ (1,230,623)	\$ (1,299,985)	\$ (1,336,281)
\$	403,351	\$ 384,094	\$ 425,178	\$ 489,102	\$ 501,584
\$	-	\$ 0	\$ 0	\$ 0	\$ 0
	403,351	384,094	425,178	489,102	501,584
	(403,351)	(384,094)	(425,178)	(489,102)	(501,584)
\$	0	\$ 0	\$ 0	\$ 0	\$ 0
\$	34,947	\$ 36,671	\$ 38,481	\$ 40,381	\$ 42,377
\$	103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723
\$	46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250
	2.20x	1.92x	1.85x	1.95x	1.97x
	1.61x	1.49x	1.51x	1.55x	1.55x
\$	345,999	\$ 403,351	\$ 384,094	\$ 425,178	\$ 489,102
	214,327	-	-	-	-
	-	-	-	-	-
	173,415	262,185	221,620	240,414	173,062
	-	-	-	-	-
	(182,601)	(63,800)	-	-	-
	1,377,362	1,288,242	1,200,066	761,342	86,831

68	-	-	-	-
-	-	-	-	-
(1,928,571)	(1,889,978)	(1,805,781)	(1,426,934)	(748,996)
\$ -	\$ -	\$ -	\$ -	\$ -
403,351	384,094	425,178	489,102	501,584
\$ 403,351	\$ 384,094	\$ 425,178	\$ 489,102	\$ 501,584
40,000	40,000	40,000	40,000	40,000
15,000	15,000	15,000	15,000	15,000
-	-	-	-	-
-	-	-	-	-

ears that WTD contributes to this reserve, that portion of revenue is deducted from the revenue basis for calcula

**Executive Girmay Zahilay**

Chinook Building, CNK-EX-0800
401 Fifth Avenue, Suite 800
Seattle, WA 98104-2391

April 23, 2026

The Honorable Sarah Perry
Chair, King County Council
Room 1200
COURTHOUSE

Dear Councilmember Perry:

This letter transmits a proposed Ordinance that would, if enacted, set the 2027 monthly wholesale sewer rate and capacity charge. The proposed Ordinance increases the monthly sewer rate by 12.75 percent, from \$62.66 to \$70.65, and increases the capacity charge by 6.55 percent, from \$77.99 to \$83.10. An enclosed technical memorandum provides detailed information on the revenues, expenditures, debt service, operations, and capital programs that inform the rate development process. The technical memorandum also responds to Ordinance 20023, Section 115, P4, by providing two additional rate options with one option that is two percentage points lower than the proposed rate.

The proposed rate for 2027 is the first in several currently forecasted annual sewer rate increases driven primarily by capital projects needed to meet regulatory requirements, upgrade aging infrastructure, and meet population growth capacity contract obligations. Sufficient revenue is required to continue achieving the Department of Natural Resources and Parks (DNRP) Wastewater Treatment Division (WTD) mission of protecting water quality and human health. Along with maintaining regulatory compliance, the proposed 2027 sewer rate funds the proactive replacement of high-priority critical assets to prevent failure and expansion in support of new homes and businesses. These investments would also underscore the WTD's continued commitment to achieving tangible results for water quality and the environment across Puget Sound.

For the coming rate development period, I have directed staff to work with our partners on affordability strategies which include enhancing efforts to contain capital and operational costs, and to identify best practices in cost containment in collaboration with national associations. In 2026, WTD initiated an independent third-party review of its capital program. The King County Auditor's Office is managing this work which will be underway soon. In addition, we will continue to utilize low-interest loans for WTD capital

projects through the Washington State Revolving Fund, Washington Public Works Trust Fund, and the federal Water Infrastructure Finance and Innovation Act to lessen the financial burden on ratepayers. Using low-interest loans continues the County's prudent financial approach, helps maintain high credit ratings, keeps interest rates low, and produces savings for ratepayers.

WTD has continued to improve transparency in the development of the sewer rate, its capital program, and around the complex decisions ahead to address affordability and maintaining a reliable system. I understand that two Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) representatives will attend select WTD capital portfolio management meetings this year to further inform MWPAAC on project prioritization decisions. WTD must continue to communicate the capital drivers for the sewer rate increases and engage with our local agency partners and collaborate on sharing information about increases with ratepayers. In addition, WTD has identified options for rate predictability and there will be more discussion with MWPAAC on this topic in summer 2026.

The 2027 sewer rate process builds on changes incorporated into the 2026 rate process, including a 20-year rate forecast. It also incorporates the modified Combined Sewer Overflow (CSO) Consent Decree schedule reflecting an extended 2037 completion date. While these changes are substantive, WTD will continue to work to further improve rate-setting processes and long-term planning approaches. I have directed staff to engage with local, state, and federal partners, including cities, sewer districts, and regulatory agencies, to identify necessary steps for an environmentally protective and financially sustainable rate path. I also invite the Council's continued partnership to work with the Sound Cities Association, MWPAAC, and Regional Water Quality Committee (RWQC) to build on initial steps taken at the November 2025 Regional Utility Rate Summit. We will also incorporate affordability into the planning process for the Regional Wastewater Services Plan Update, including developing metrics and evaluating innovative rate relief approaches for low-income customers.

From January to April 2026, WTD provided monthly rate briefings to MWPAAC. A copy of MWPAAC's letter on the proposed 2027 sewer rate is enclosed. WTD also briefed the RWQC on the proposed 2027 rate and forecast at its meetings in February, March, and April 2026, and provided requested rate briefings to the City of Pacific's Council in March and Seattle Public Utilities' Customer Review Panel in April. A rate briefing is also tentatively scheduled for the City of Bellevue Council on May 12, 2026.

In the last few years, WTD has improved transparency in the rate development process. New efforts will build on longstanding engagement with key local agencies, which will continue for the 2027 sewer rate process and beyond. I recognize the importance of earlier engagement on the rate as our regional partners must also plan for local rate increases to fund their systems. In that vein, we will be working collaboratively with our regional partners and the County Council to develop a multi-year rate option that would provide a longer timeline and further improved engagement and predictability in the rate development process.

The Honorable Sarah Perry
April 23, 2026
Page 3

Thank you for your consideration of this proposed Ordinance. This important legislation will help King County residents by continuing to protect water quality, support safe and reliable infrastructure, and provide a needed system for people and the economy to thrive.

If your staff have questions, please contact Kamuron Gurol, Wastewater Treatment Division Director, Department of Natural Resources and Parks, at 206-549-1190.

Sincerely,



for

Girmay Zahilay
King County Executive

Enclosure

cc: King County Councilmembers

ATTN: Stephanie Cirkovich, Chief of Staff, King County Council

Melani Hay, Clerk of the Council

Karan Gill, Deputy Executive, Office of the Executive

Jasmin Weaver, Chief of Staff, Office of the Executive

Sierra Howlett Browne, Director of Government Relations, Office of the Executive

Garrett Holbrook, Council Relations Manager, Office of the Executive

John Taylor, Director, Department Natural Resources and Parks

Kamuron Gurol, Director, Wastewater Treatment Division, DNRP

Proposed 2027 Sewer Rate and Capacity Charge and 2027-2046 Financial Forecast

April 23, 2026



King County

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2027 Sewer Rate Technical Memorandum

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Executive Summary

Key Assumptions for the Proposed 2026 Sewer Rate and 2027-2045 Financial Forecast

The 2027 sewer rate process builds on the substantive changes incorporated into the 2026 rate process, including an extension of the forecast period to 20 years (Council Motion 16449), an updated Combined Sewer Overflow (CSO) consent decree schedule reflecting 2037 completion (see Capital Improvement Program section for greater detail), and updated cost estimates for large CSO projects including the Mouth of the Duwamish Wet Weather Facilities.^{1,2,3}

The 2027 sewer rate process sought to incorporate additional project cost updates while also:

- moderating near-term rate increases;
- responding to 2026/27 budget proviso Section 115 P4 and Sewer Rate and Capital Work Plan requirements of Capital Improvement Program (CIP) scenarios with clear policy choices and tradeoffs;⁴
- balancing to a status quo operating expenditure forecast; and
- maintaining King County Wastewater Treatment Division's (WTD) strong financial policies to minimize debt burden and risk.

A continued challenge for the County's WTD CIP includes the "stacking" problem of multiple concurrent and large capital needs. The three main drivers continue to be high-risk priority asset replacement and renewal investments, meeting contract obligations to serve new growth capacity, and substantial regulatory requirements. These regulatory requirements have fixed and concurrent deadlines for large CSO projects, making up the largest driver of near-term rate increases.

There are also continued significant regulatory "known unknowns," including how nutrient regulations will affect CIP needs, especially since the Puget Sound General Nutrient Permit was recently invalidated by the state Pollution Control Hearings Board (PCHB No. 21-085).⁵ Given the uncertainty, WTD continues to include comparably modest costs for initial optimization-level nutrient reduction in its CIP. WTD and legal counsel will continue to monitor the status of nutrient litigation and regulation and endeavor to anticipate and respond to regulatory requirements and options.

This 2027 sewer rate proposal and forecast prioritize regulatory compliance and positions WTD to proactively replace some of the most critical assets prior to failure and avoid building moratoria driven by insufficient capacity. The proposed scenario limits the rate increase forecast through 2034 as the County continues to better define the affordability challenges in the region, make concerted efforts to contain internal cost growth, and support local and national efforts to address affordability.

Committee Engagement

Throughout 2025, WTD engaged the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) on the sewer rate and related topics, including rate-setting methodology, cost estimation methodology, and capital program needs and forecasting. Beginning in January 2026, WTD engaged with MWPAAC and its Rates and Finance Subcommittee to share the preliminary sewer rate forecast for 2027-2046, including multiple potential capital scenarios designed to reduce rate impacts. Details, rationale, and methodology were shared by WTD staff in these forums, including costs and timing of capital investments.

The process to develop the proposed 2027 sewer rate also included providing briefings to the Regional Water Quality Committee (RWQC) beyond the level of engagement provided to RWQC in past years. These included briefings on the preliminary sewer rate forecast in February 2026 and on WTD's proposed sewer rate in March.

In recent years, comments from MPWAAC and RWQC include desire for more predictability in the rate forecast and concern for the higher rate increases after 2026. WTD shares their interest in predictability and their concern for customer affordability. WTD recently shared options for better predictability at MWPAAC and, as part of the Regional

2027 Sewer Rate Technical Memorandum

Wastewater Services Plan (RWSP) update, WTD is working to better characterize local affordability, develop metrics to measure it, and focus on actionable solutions.

Proposed Sewer Rate and Capacity Charge

The proposed 2027 sewer rate is \$70.65, or a 12.75 percent increase over the 2026 rate of \$62.66. The 2027-2046 sewer rate forecast shown in Figure 1 includes smoothed annual increases of 12.75 percent through 2030, followed by increases of 11.25 percent in 2031 and 2032, followed by lower rate increases in 2033 and beyond.⁶ A smoothed sewer rate forecast allows for the collection of revenues that exceed expenditures in a given year and are less than expenditures in subsequent years to fully fund the utility over the forecast period with less volatility. These proposed rate increases enable WTD to fund the projected CIP and sufficiently perform operations and maintenance.

Figure 1 Proposed 2027 Sewer Rate and 2027-2046 Forecast

	Adopted	Proposed	Forecast								
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rate Increase %	7.50%	12.75%	12.75%	12.75%	12.75%	11.25%	11.25%	8.00%	8.00%	8.00%	1.75%
Monthly Sewer Rate	\$62.66	\$70.65	\$79.66	\$89.82	\$101.28	\$112.68	\$125.36	\$135.39	\$146.23	\$157.93	\$160.70
Rate Increase \$	\$4.38	\$7.99	\$9.01	\$10.16	\$11.46	\$11.40	\$12.68	\$10.03	\$10.84	\$11.70	\$2.77
All-In Debt Service Coverage	1.62x	1.60x	1.74x	1.68x	1.60x	1.58x	1.61x	1.49x	1.51x	1.55x	1.55x

		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Rate Increase %		1.75%	3.75%	3.75%	3.75%	2.25%	2.25%	2.25%	0.50%	0.50%	0.00%
Monthly Sewer Rate		\$163.52	\$169.66	\$176.03	\$182.64	\$186.75	\$190.96	\$195.26	\$196.24	\$197.23	\$197.23
Rate Increase \$		\$2.82	\$6.14	\$6.37	\$6.61	\$4.11	\$4.21	\$4.30	\$0.98	\$0.99	\$0.00
All-In Debt Service Coverage		1.52x	1.54x	1.58x	1.61x	1.60x	1.63x	1.64x	1.66x	1.67x	1.69x

For reference, the 2026 sewer rate forecast is shown in Figure 2.

Figure 2 Adopted 2026 Sewer Rate and 2026-2045 Forecast

	Adopted	Adopted	Forecast								
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Rate Increase %	5.75%	7.50%	12.75%	12.75%	13.50%	13.50%	13.50%	7.25%	7.25%	2.00%	2.00%
Monthly Sewer Rate	\$58.28	\$62.66	\$70.65	\$79.66	\$90.42	\$102.63	\$116.49	\$124.94	\$134.00	\$136.68	\$139.42
Rate Increase \$	\$3.17	\$4.38	\$7.99	\$9.01	\$10.76	\$12.21	\$13.86	\$8.45	\$9.06	\$2.68	\$2.74
All-In Debt Service Coverage	1.65x	1.48x	1.47x	1.57x	1.50x	1.47x	1.57x	1.59x	1.57x	1.55x	1.53x

		2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Rate Increase %		2.00%	4.50%	4.50%	4.50%	1.75%	1.75%	1.75%	0.50%	0.50%	0.50%
Monthly Sewer Rate		\$142.21	\$148.61	\$155.30	\$162.29	\$165.14	\$168.03	\$170.98	\$171.84	\$172.70	\$173.57
Rate Increase \$		\$2.79	\$6.40	\$6.69	\$6.99	\$2.85	\$2.89	\$2.95	\$0.86	\$0.86	\$0.87
All-In Debt Service Coverage		1.44x	1.55x	1.66x	1.78x	1.83x	1.88x	1.93x	1.95x	1.96x	1.98x

The proposed capacity charge is \$83.10, or a 6.6 percent increase over the 2025 rate of \$77.99. The financial forecast incorporates capacity charge revenue increases as shown in Figure 3.

Figure 3 Proposed 2027 Capacity Charge and 2028-2031 Forecast

	Adopted	Proposed	Forecast			
Capacity Charge	2026	2027	2028	2029	2030	2031
Monthly Charge	\$77.99	\$83.10	\$85.86	\$88.71	\$91.65	\$94.69
Increase %	2.50%	6.55%	3.32%	3.32%	3.31%	3.32%
Increase \$	\$1.90	\$5.11	\$2.76	\$2.85	\$2.94	\$3.04
Annual Total	\$936	\$997	\$1,030	\$1,065	\$1,100	\$1,136
Total Payments	\$14,038	\$14,958	\$15,455	\$15,968	\$16,497	\$17,044
Upfront Payment*	\$9,870	\$10,508	\$10,857	\$11,217	\$11,589	\$11,974

*Discount Rate of 5.14%

Introduction

King County Wastewater Treatment Division

The Wastewater Treatment Division (WTD) of the Department of Natural Resources and Parks (DNRP) is a utility providing wholesale wastewater treatment and major conveyance for 34 local sewer agencies (18 cities, 15 sewer districts, and the Muckleshoot Indian Tribe) in the Puget Sound region. Distributed over a 424-square-mile service area, the King County (County) sewer system collects and treats an average of 182 million gallons of sewage a day from approximately 2 million residents. WTD's service area map can be found in Figure 4.

WTD is responsible for the construction, operation, and maintenance of the County's regional wastewater conveyance and treatment system. The system includes three regional secondary treatment plants (West Point in Seattle, South Plant in Renton, and Brightwater in southern Snohomish County); 400 miles of conveyance lines; 48 pump stations; and 26 regulator stations.⁷ Other WTD facilities include five combined sewer overflow (CSO) treatment plants, four CSO storage facilities, 39 CSO outfall locations, two secondary community-scale treatment plants (Vashon Island and Carnation), and one community septic system on Vashon Island.⁸

Local Sewer Agencies

WTD's service area is comprised of Local Sewer Agencies (LSAs), which include 18 cities and 15 sewer districts in King County, southern Snohomish County, northern Pierce County, and the Muckleshoot Indian Tribe.

LSAs contract directly with WTD for wholesale wastewater treatment services. WTD does not have a direct relationship with individual sewer ratepayers, except for Capacity Charge, High-Strength Surcharge, and Industrial Waste customers.^{9, 10} Engagement with the LSAs is accomplished through the MWPAAC and the Regional Water Quality Committee (RWQC). The sewage disposal contracts with the LSAs specify that the following year's sewer rate must be determined before July 1 of the current year. This provides time for the LSAs to include the WTD rate in preparing budgets and proposing local sewer collection rates for the following year.

The LSA contracts define two customer classes for billing the sewer rate: single-family residential (SFR) and flow-based residential customer equivalents (RCEs). Flow-based RCEs include all other customer classes (commercial, multifamily, and industrial), and one flow-based RCE is equivalent to one SFR. The service contracts specify that each flow-based RCE equals 750 cubic feet per month of water usage. In addition to sewer fees, LSAs are invoiced for their customers' high-strength surcharge and industrial waste compliance and monitoring fees.¹¹ To compensate for seasonal variation in water use, the service contracts provide for a quarterly rolling average to convert reported water use to billed RCEs. A list of the LSAs and their average 2025 reported RCEs is provided in Figure 5.

Financial Forecast

Utilities such as WTD are self-supporting enterprise funds and, therefore, must set fees to recover the cost of providing services.¹² Utility costs include operations, maintenance, debt service, and building new capital infrastructure. Utilities must also account for cash requirements from financial policies, such as funding reserves and how capital projects are funded. The total revenue that must be generated by a utility, in any given year, to cover costs and meet financial policies is referred to as a utility's revenue requirement.

WTD's sewer rate and capacity charge are adopted annually and include development of a longer-term financial forecast. Initiated in response to Council Motion 16449, the rate forecast now extends to 20 years, instead of the previous 10. The proposed 2027 sewer rate and capacity charge are prepared in the context of the utility's revenue requirements over the 20-year financial forecast. This document will cover each element of the financial forecast (Operating Expenditures, Capital Expenditures, Reserves Management, and Revenue).

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Figure 4 System Map

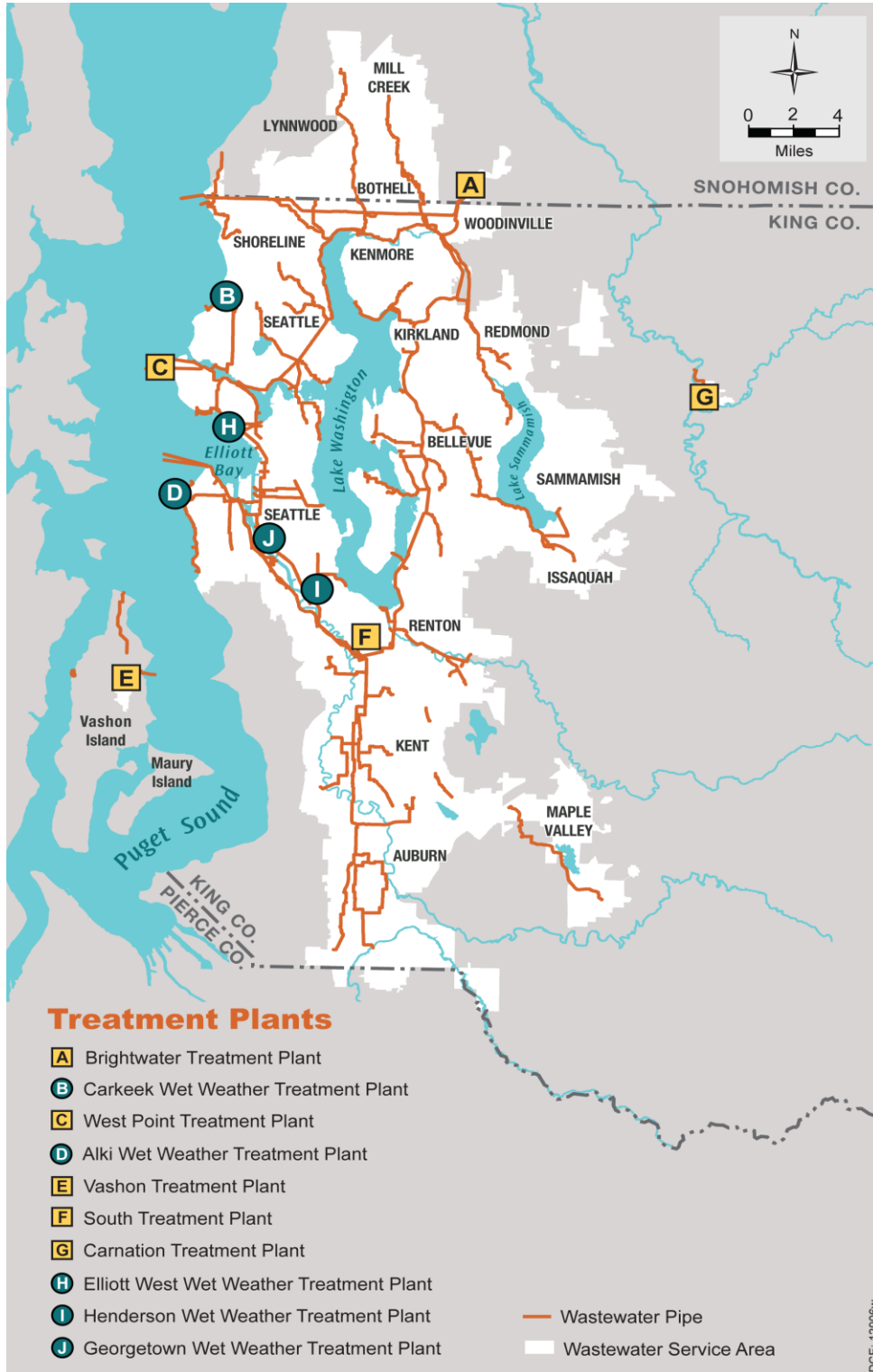


Figure 5 2025 Average Reported Residential Capacity Equivalents by Local Sewer Agency

	<u>Single Family RCEs</u>	<u>Flow-Based RCEs</u>	<u>Total RCEs</u>	<u>Percentage of Total (%)</u>
Local Sewer Agencies - Cities				
Algona	1,019	687	1,706	0.22%
Auburn	13,465	18,859	32,323	4.08%
Bellevue	33,303	34,742	68,045	8.59%
Black Diamond	2,243	155	2,398	0.30%
Bothell	5,201	3,105	8,306	1.05%
Brier	1,577	228	1,806	0.23%
Carnation	1,012	140	1,151	0.15%
Issaquah	7,083	6,353	13,436	1.70%
Kent	13,623	23,270	36,892	4.65%
Kirkland	10,601	5,753	16,354	2.06%
Lake Forest Park	3,611	500	4,111	0.52%
Mercer Island	7,184	1,508	8,692	1.10%
Pacific	1,562	967	2,529	0.32%
Redmond	15,761	19,438	35,199	4.44%
Renton	16,528	15,963	32,491	4.10%
Seattle	156,810	149,372	306,181	38.63%
Shoreline	15,537	5,108	20,644	2.60%
Tukwila	1,077	6,760	7,837	0.99%
Subtotal	307,194	292,905	600,100	75.72%
Local Sewer Agencies - Districts and Tribes				
Alderwood Water & Wastewater District	37,577	17,110	54,687	6.90%
Cedar River Water & Sewer District	4,170	1,356	5,525	0.70%
Coal Creek Utility District	3,419	1,543	4,962	0.63%
Cross Valley Water District	-	435	435	0.05%
Highlands Sewer District	106	1	107	0.01%
Lakehaven Utility District	1,144	9	1,153	0.15%
Muckleshoot Indian Tribe	357	136	493	0.06%
NE Sammamish Sewer & Water District	4,725	115	4,840	0.61%
Northshore Utility District	20,991	10,553	31,544	3.98%
Olympic View Water & Sewer District	215	-	215	0.03%
Sammamish Plateau Water & Sewer District	12,075	4,614	16,689	2.11%
Skyway Water & Sewer District	4,035	1,261	5,296	0.67%
Soos Creek Water & Sewer District	33,473	6,186	39,659	5.00%
Valley View Sewer District	7,161	9,426	16,587	2.09%
Vashon Sewer District	437	470	907	0.11%
Woodinville Water District	3,068	2,955	6,023	0.76%
Subtotal	132,952	56,170	189,121	23.86%
Non-Municipal Participants and Other Customers	-	3,329	3,329	0.42%
Grand Total	440,146	352,404	792,550	100.00%

Operating Expenditures

WTD's 2026 operating budget is the basis for forecasting operating costs for future years. The 2026 sewer rate and financial forecast included budgeted operating expenditures at \$249 million.

Figure 6 shows the 2025 preliminary actuals compared to the adopted budget, along with the 2025 budget with percentage change, year over year. Of note, the County typically budgets on a biennial schedule, while the sewer rate is based on annual requirements. An annualized version of the biennial appropriation is used in rate-setting.

The 2025 operating expenses shown in Figure 6 reflect the existing operating budget as adopted, including the mid-year supplemental budget capturing unspent contractual commitments carried forward from 2024 as well as unplanned major repairs to the West Point access road.

Figure 6 2025-2026 WTD Operating Expenses (\$ '000s)

Expenditure Category	2025 Revised Budget	2025 Unaudited Actuals	2025 Budget to Actuals Variance	2025 % Budget Spent	2026 Budget	% Change 2025 to 2026
Salaries & Benefits	\$89,525	\$82,662	-\$6,863	92.3%	\$97,485	17.9%
Supplies	\$32,882	\$31,565	-\$1,317	96.0%	\$33,999	7.7%
Services	\$51,738	\$50,162	-\$1,576	97.0%	\$54,958	9.6%
WWGP	\$9,368	\$3,327	-\$6,041	35.5%	\$3,739	12.4%
C&E	\$556	\$393	-\$162	70.8%	\$556	41.3%
Intra-governmental	\$52,628	\$50,597	-\$2,031	96.1%	\$58,563	15.7%
Other	\$0	\$0	\$0	n/a	\$0	n/a
Total	\$236,697	\$218,707	-\$17,991	92.4%	\$249,300	14.0%

Operating Forecast

Before the inflation surge that began in 2022, annual growth in WTD operating expenditures averaged nearly four percent per year. Including the recent high inflation years results in an annual average of 5.3 percent between 2014 and 2025. This growth represents a composite of inflation, supporting new facilities that come online, and maintaining an aging and growing system. Figure 7 shows the annual growth in operating expenditures going back to 2014.

Figure 7 Historical Annual Increase in WTD Operating Expenditures

Year	Operating Expenses	Annual Growth
2014	124,201	6.0%
2015	128,926	3.8%
2016	136,321	5.7%
2017	148,199	8.7%
2018	152,589	3.0%
2019	155,785	2.1%
2020	158,660	1.8%
2021	158,628	0.0%
2022	173,870	9.6%
2023	187,593	7.9%
2024	205,478	9.5%
2025	218,707	6.4%
Average		5.3%

WTD Operating Expenditures Forecast

WTD is maintaining the same bottom-line operating expenses for 2027 as was forecast during the 2026 rate process. This assumes all the budget adds from 2026 are maintained, plus large nondiscretionary adds related to utilities (primarily electricity), chemicals, biosolids hauling, and multiple labor agreement updates, totaling approximately \$13 million in unbudgeted labor costs for the 2026/27 biennium based on current estimates. Given the size of the labor agreement costs and WTD's commitment to focus on the highest efficient use of existing resources, additional staff are not proposed at this time. This will be revisited for the 2028 rate process and 2028-29 proposed budget.

Beyond 2027, incremental operating costs are forecast based on general cost and labor cost inflation at four percent. Growth in operating costs is forecast as shown in Figure 36.

WTD is preparing the specific decision packages for submittal in the 2026-2027 supplemental budget process.

Capital Improvement Program

Portfolio Management

Beginning in 2017, WTD focused on developing a more comprehensive and structured approach to managing its capital program. This work included the goal of aligning the mix of projects in WTD's Capital Improvement Plan (CIP) with its strategic initiatives and overall mission. A pilot of this prioritization approach informed the 2019 sewer rate development and, since then, has been used to inform rate and budget-setting processes.

Projects are organized and prioritized within the following categories:

Figure 8 Capital Portfolio Category Descriptions

Category	Description
Asset Management Plants and Conveyance	Maintain level of service through the rehabilitation or replacement of critical assets.
Capacity Improvement	Increase capacity in WTD facilities to accommodate future growth.
Operational Enhancements	Reduce/improve operating costs at treatment plants through the delivery of projects that create efficiencies.
Regulatory	Deliver projects and programs that respond to permit, regulation, and/or consent decree legal deadlines.
Resiliency	Improve the survivability and operability of core assets against natural disasters through the delivery of projects that address known deficiencies.
Resource Recovery	Support the King County Strategic Climate Action Plan (SCAP) initiative through the delivery of projects that reduce energy use or recover valuable resources from wastewater.
Planning and Administration	Incorporate programs and projects that facilitate execution of the overall capital portfolio through a series of planning- and administration-related efforts.

2025 Performance and Accomplishment Rate

The capital accomplishment rate is the amount of actual or forecasted capital spending that occurs in the year compared with the amount of capital spending planned. WTD's capital program accomplishment rate internal performance target

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of 85 percent for annual expenditures is evaluated against the actual spending in recent years to ensure that it remains a valid performance indicator.

The 2025 aggregated projects forecast was \$534 million. Actual spending totaled \$429 million or 80 percent of the forecast.

Drivers for the 80 percent accomplishment rate against WTD’s internal performance target include two large projects with significant underspend in 2025:

- The West Point Primary Effluent and Return Activated Sludge Pipe Restoration/Replacement project is currently under construction and involves multiple work packages that are dependent on dry season work. Because of this seasonal dependency to accommodate operation of the plant, scope needed to be re-phased and an additional work window in 2028 was added to the schedule. The project finished 2025 spending at \$18 million, or 68 percent of the \$26 million forecast.
- The North Mercer Island and Enatai Interceptors project also is currently under construction; however, the project is experiencing a delay in meeting contractual milestones. The external construction contractors are currently repairing defective work on a portion of the newly installed conveyance line, which has delayed progress on the pump station as well as the remaining work under the conveyance contract. King County is monitoring these contractors on daily activities to get the project back on schedule. The project finished 2025 spending at \$18 million, or 75 percent of the \$24 million forecast.

Figure 9 Previous Accomplishment Rate Measurement

Accomplishment Rate (AR)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital Improvement Program	\$207	\$211	\$246	\$262	\$247	\$291	\$360	\$386	\$401	\$534
Actual Annual CIP Spend	\$168	\$188	\$231	\$211	\$199	\$201	\$259	\$351	\$313	\$429
Actual Accomplishment Rate	81%	89%	94%	81%	81%	69%	72%	91%	78%	80%

Risk-Adjusted Accomplishment Rates

Since 2022, as part of developing the proposed 2023 sewer rate, WTD has incorporated an assessment of expected staffing resources and schedule risks into its capital spending assumptions. This approach ensures that WTD does not secure funding for work it does not reasonably expect to deliver. By integrating this risk-based analysis, WTD produced portfolio-level capital forecasts that were lower than the sum of project-by-project estimates traditionally used in the sewer rate model. Since adopting this practice, the difference between actual capital spending and the assumptions used in the sewer rate model has narrowed, indicating improved alignment between planned and achievable capital delivery, as shown in Figure 10.

In developing the 2026 sewer rate proposal, the capital program forecast was reviewed to account for schedule risk and the likelihood that some project expenditures may shift into later years. This review resulted in a risk-adjusted forecast of \$462 million. Compared to this adjusted target, 2025 actual spending of \$429 million represents a 93 percent accomplishment rate.

Figure 10 Historical Accomplishment Rates for the Capital Program (\$ in millions)

Accomplishment Rate (AR)	2022	2023	2024	2025
Risk and Resource Adjusted CIP	\$283	\$362	\$316	\$462
Actual Annual CIP Spend	\$259	\$361	\$313	\$429
Actual Accomplishment Rate of Adj. CIP	91%	100%	99%	93%

Estimated CIP Spending for 2027-2046 Financial Forecast

To develop the 20-year financial forecast, WTD estimates spending for active projects and develops conceptual forecasts for future projects and programs. Updates to project and program spending estimates consider changes in scope, risk, and schedule. The capital component of the forecast’s second decade also incorporates long-term forecast methodology developed by a consultant, Raftelis, to support WTD in response to Council Motion 16449 as interim financial estimates until the Regional Wastewater Services Plan Update provides the long-term capital project plan.

While WTD has prepared a 20-year capital forecast for sewer rate planning, the County budgets capital projects on a six-year CIP schedule. The following five projects are the largest individual components of WTD’s six-year CIP.

Mouth of Duwamish Combined Sewer Overflow

The Mouth of Duwamish Combined Sewer Overflow Program (MDCSO) will control five CSO outfalls in the area of the mouth of the Duwamish River.¹³ The outfalls (called Chelan, Hanford #2, Lander, Kingdome, and King Street) are located in the east and west waterways of the Duwamish River on both sides of Harbor Island and along the Seattle shoreline of Elliott Bay in the neighborhoods of SODO and West Seattle. This work fulfills consent decree requirements with the Washington State Environmental Protection Agency (EPA) and Department of Ecology (Ecology).¹⁴ The program team shared the proposed solution to control the five MDCSO outfalls in May 2025 and is currently doing on-the-ground surveys in the area around the planned facilities.

West Point Electrical Improvements

This program will replace approximately 300 electrical assets, relocate an additional nine electrical assets, and coordinate these efforts with other electrical and asset replacement projects at West Point Treatment Plant (WPTP) in Seattle. WPTP was constructed in the early 1960s and underwent a major expansion during the 1991 Secondary Treatment Facilities project. WPTP electrical assets from the Secondary Treatment Facilities project are now more than 25 years old and reaching the end of their life cycle. Additionally, assets installed during earlier WPTP construction are beyond the end of their life cycle and need replacement as soon as possible. Failure to replace these critical assets may result in diminished reliability, interrupted facility operations, and potential National Pollutant Discharge Elimination System (NPDES) permit violations. The program team forecasts that the improvements will be completed by 2033.

Elliott West Wet Weather Treatment Station

The Elliott West Wet Weather Treatment Station (EWWTS) project consists of new and upgraded treatment facilities to treat CSOs prior to discharge through the existing outfall in Elliott Bay. The project will make improvements that will result in full NPDES permit compliance at the EWWTS. Construction is anticipated to begin in 2027 and extend through 2033.

East Ship Canal Wet Weather Facilities

The conceptual project scope anticipates construction of a large storage facility around the University of Washington and Montlake areas to control and bring into compliance the University and Montlake Regulator Stations, the Belvoir Pump Station, and upgrade the Densmore Pump Station. This project is required by the modified 2013 federal consent decree with the U.S. Department of Justice, the EPA, and Ecology. The project recently secured budget appropriation in the 2026-2027 biennial budget to begin planning and preliminary design activities.

West Point Treatment Plant Critical Gate Refurbishment

The project will restore full functionality to critical treatment plant wastewater flow control gates and their support systems at the WPTP in Seattle. Support systems include operators, hydraulics, and controls. Gates and support systems will be renewed or replaced in kind. The first two major projects identified under this program address the WPTP primary effluent gate and the chlorine mix structure gate. These projects are currently forecasted to be completed by 2029 and 2030, respectively.

Other Capital Projects

New projects, along with updated spending forecasts and schedules for the existing capital program, form the basis for developing the CIP for the financial forecast. The updated forecast includes continued deferral of pipeline capacity projects that have neither a population growth driver nor overflows within the last five years, so that capital delivery capacity can be dedicated to higher-priority system investments.

Figure 110 summarizes the capital investment strategy used to develop the proposed sewer rate forecast.

Figure 11 WTD CIP Investment Strategy

CIP Policy Topic	Basis for Investment Strategy
CSO Consent Decree Cost & Schedule	Maintains project cashflows related to the CSO consent decree to meet 2037 end date. Includes recent cost updates to the Mouth of the Duwamish CSO control program.
Nutrient Removal - Ecology Permit	Includes Nitrogen Reduction Planning, Nutrient Reduction Evaluation Study, and Near-Term Optimization Capital Investments. Includes proactive/multibenefit investment to optimize nitrogen removal at South Plant as comparably modest investments while nutrient regulations are uncertain.
Asset Management (Plants & Conveyance)	Continues sequencing of projects remaining in the current high-risk inventory, then transitions to replacing assets at end of useful life; cost projected to year of replacement
Building for Capacity	Includes conceptual forecasts for projects identified by the Treatment Planning Program and Conveyance System Improvements Program to address plant and conveyance system capacity limitations. Deprioritizes conveyance system projects resulting from inflow and infiltration in the first decade.
Capital Program Staffing	Assumes that a ramp-up of capital delivery continues as WTD continues to hire, onboard, and train additional staff added in previous budget cycles. No additional staffing assumed for 2027.

Capital Expenditure Delivery Capacity Analysis

WTD is preparing for a significant increase in the volume of capital projects it will need to deliver to meet regulatory requirements, address aging infrastructure, and meet the needs of a growing regional population. As the capital program expands, the division is intentionally aligning commitments and funding requests with realistic delivery capacity so that WTD does not secure funding for work that it does not anticipate having resources to deliver.

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Expansion of Full Time Equivalent (FTE) Positions

Between 2021 and 2025, WTD steadily increased the number for FTEs dedicated to capital delivery. This investment has expanded the division's ability to plan, design, and construct projects. During the same period, annual capital expenditures have increased from approximately \$200 million in 2021 to \$429 million in 2025.

Many of the recently added staff are currently assigned to projects in early design phases. As these projects advance to construction, WTD expects a corresponding increase in project throughput and capital spending.

Additional Strategies to Increase Throughput

WTD has implemented several additional strategies to increase delivery capacity. These include:

- Aligned project delivery staff with operational facilities, which reduces onboarding time and improves coordination.
- Expanded consultant support in engineering and program management to support internal staff.
- Bundled discrete scopes of work into larger contract packages to reduce the number of procurements and accelerate delivery.
- Increased use of alternative delivery when appropriate to improve schedule and cost certainty.
- Enhanced contractor outreach to strengthen WTD's position as an owner of choice and encourage competitive bidding.

Mega Project Delivery Considerations

A significant portion of forecasted spending through 2036 is being driven by mega projects with costs exceeding \$1 billion. These projects benefit from economies of scale in staffing, as they typically rely on a relatively small team of internal staff, supported by large consultant teams. Construction costs also represent a larger share of total overall costs when compared to typical projects.

For example, to deliver the Brightwater Treatment Plant, which cost \$900 million, about three percent of the total cost was WTD staff labor and about 13 percent was consultant labor. The remaining costs were land purchases, permitting, and construction.

Pre-Budget Capacity Analysis

The 2026-2027 Biennial budget and six-year CIP form the basis of the WTD capital forecast. To assess delivery capacity, WTD performed two complementary analyses during budget request development.

Model 1: Qualitative Assessment by Project Delivery Managers

WTD delivers projects using a matrixed staffing model. Project teams are composed of cross-functional staff from managerial units organized by functional discipline, such as engineering or construction management. Each discipline is managed by a functional unit manager responsible for assigning staff to cross-functional project teams.

These functional unit managers conducted a qualitative review of staffing based on professional judgement and knowledge of anticipated workloads. Because capital projects vary widely in scope and complexity, this approach focused on understanding the nature of upcoming work and the cross-functional labor required.

Each unit evaluated its current workload and identified available capacity to initiate new projects in 2026. This established a baseline for near-term delivery capacity. Managers then projected staffing needs for 2027 and identified the additional positions needed to deliver the planned work. This resulting staffing gap informed the 2026 FTE request. Division leadership refined this request prior to budget submittal.

Model 2: Quantitative Forecasting Using Project Level Labor Data

WTD also piloted a quantitative resource forecasting model that estimates staffing needs based on the project-level labor forecast included in the 2026–2027 capital budget requests. The model incorporates historical project labor

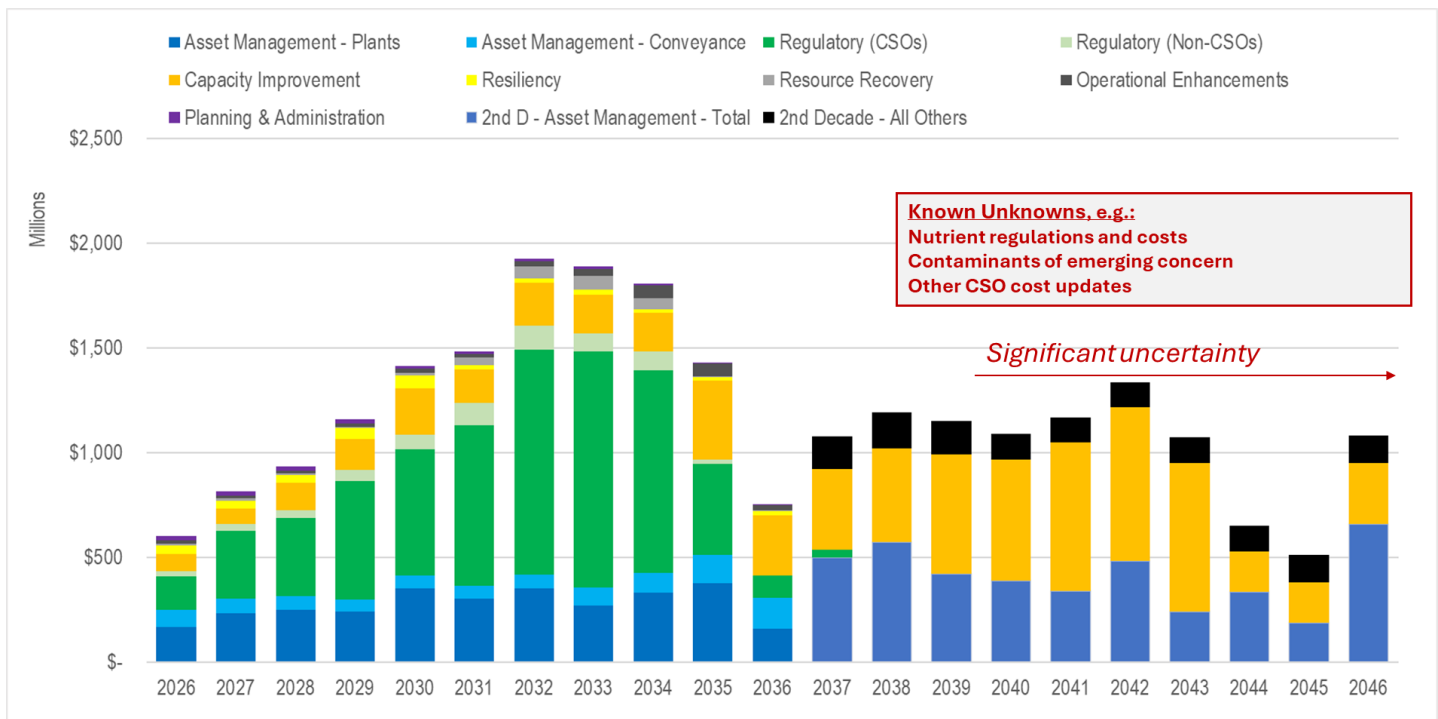
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expenditure data, forecasted labor needs for ongoing projects, and standard labor-hour assumptions to convert hours into FTEs.

The model's results closely aligned with the staffing needs identified through qualitative assessment, validating its results. WTD will continue to refine the model by comparing forecasted labor demand with actual labor data. Over time, WTD anticipates using this tool to help model staff labor demand and capacity.

Figure 12 shows the annual capital investments included in the proposed sewer rate and financial forecast in their respective portfolio categories.

Figure 12 Proposed Capital Investments by Portfolio Category for 20-Year Forecast



Capital Improvement Program Funding

The capital improvement program is funded by two primary sources: 1) cash generated from the sewer rate and capacity charge revenues; and 2) debt financing from revenue bonds or low-interest state and federal loan programs.

Cash Funding

Since 2023, WTD has used an original cost depreciation method for setting cash funding targets for its capital program.¹⁵ This method consists of targeting annual cash funding generated from sewer rate revenue, equivalent to WTD’s annual depreciation (including estimated new depreciation resulting from completion of projects in the CIP that become depreciating assets). The total forecasted depreciation over the next 10 years translates into approximately 27 percent of the total CIP. Cash-funding requirements are averaged over the next 10 years of the forecast period, allowing WTD to smooth rate increases and produce a more stable rate path.

Since the target cash funding is accumulated over the course of the year, a single year-end transfer to the construction fund from the operating fund makes the cash available for funding capital projects in the following year.

Debt Financing

Debt financing is used to provide the remaining funds needed after the use of cash. Debt financing represents 73 percent of total project funding over the next 10 years. The main sources of debt available to WTD include state loans, federal Water Infrastructure Finance and Innovation Act (WIFIA) loans, and revenue bonds.¹⁶

As interest rates began rising in 2022, WTD successfully reduced its reliance on issuing new high-interest revenue bonds in 2022 and 2023. This was possible due to a large bond issuance in 2020 at record-low interest rates, low-cost commercial paper for interim financing, and the availability of state and federal loans at below-market interest rates.

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With reduction in interest rates beginning in the second half of 2024, WTD raised funds again from the bond markets. In 2025, WTD raised \$565.0 million from new bond issuances, including \$400.0 million new money for capital funding and balance \$165.0 million for refunding. WTD also signed Tranche 3 under the WIFIA Master Agreement for \$65.0 million for its Black Diamond Trunk Capacity upgrade project in January 2026.

Figure 13 Capital Funding Sources Figure 13 shows the capital funding forecast and the use of various debt instruments secured to fund the capital program. The higher cash funding shown in 2026 is the result of WTD’s debt issuance in November 2025 to fund capital programs in 2026.

Since state and federal loans work on a reimbursement basis, WTD needs to issue interim debt prior to being reimbursed for the project costs. Once reimbursed, WTD can retire the interim debt, which is then available for future projects that require interim financing. By 2032, WTD plans to draw on its \$255.4 million WIFIA loan to reimburse interim debt. This strategy is beneficial as WTD can use low-interest interim debt during the construction period while remaining eligible for an interest rate reduction, provided the loan remains undrawn, capital expenditure does not exceed 51 percent of total costs, and the State and Local Government Services (SLGS) rate is lower than when the loan agreement was first signed.¹⁷

Figure 13 Capital Funding Sources

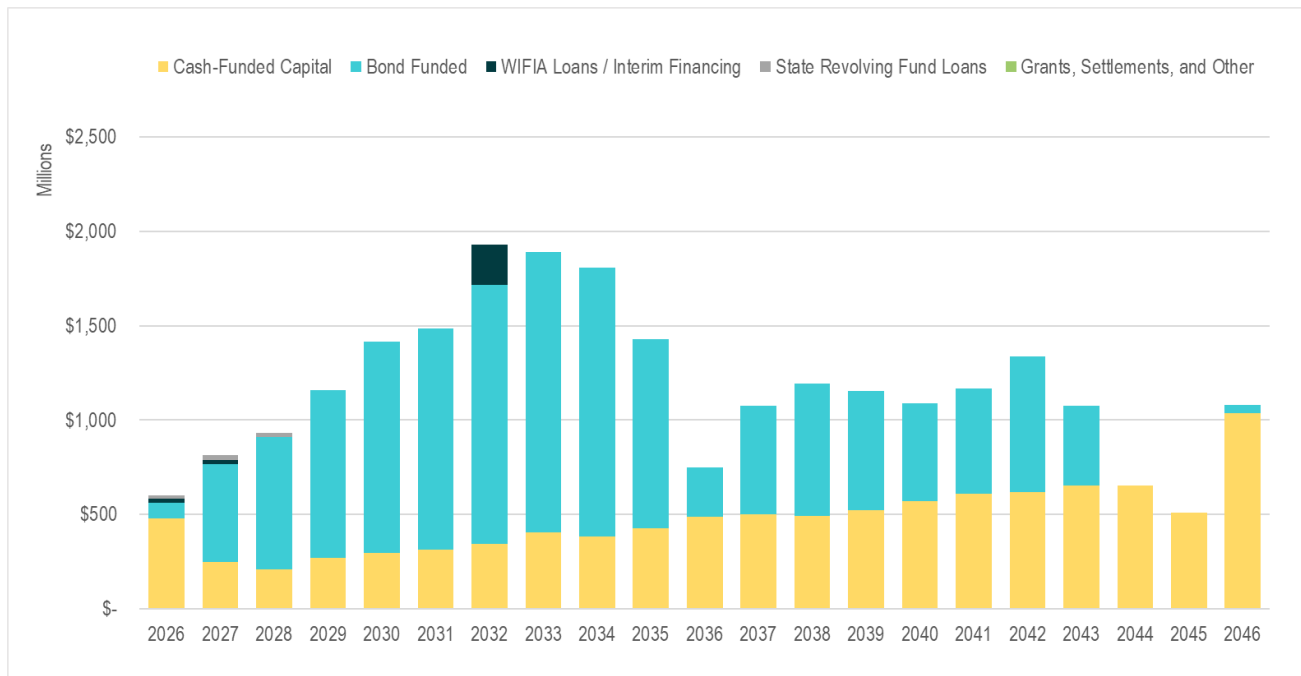


Figure 14 illustrates how, as existing debt is retired, repayment capacity is replaced by new debt issued to fund the capital program.

Figure 15 shows how WTD’s debt-to-asset ratio declines over time, demonstrating the higher cash funding percentage over time and an increase in the total asset base as capital expenditure ramps up.

Figure 14 Existing and New Debt Balances

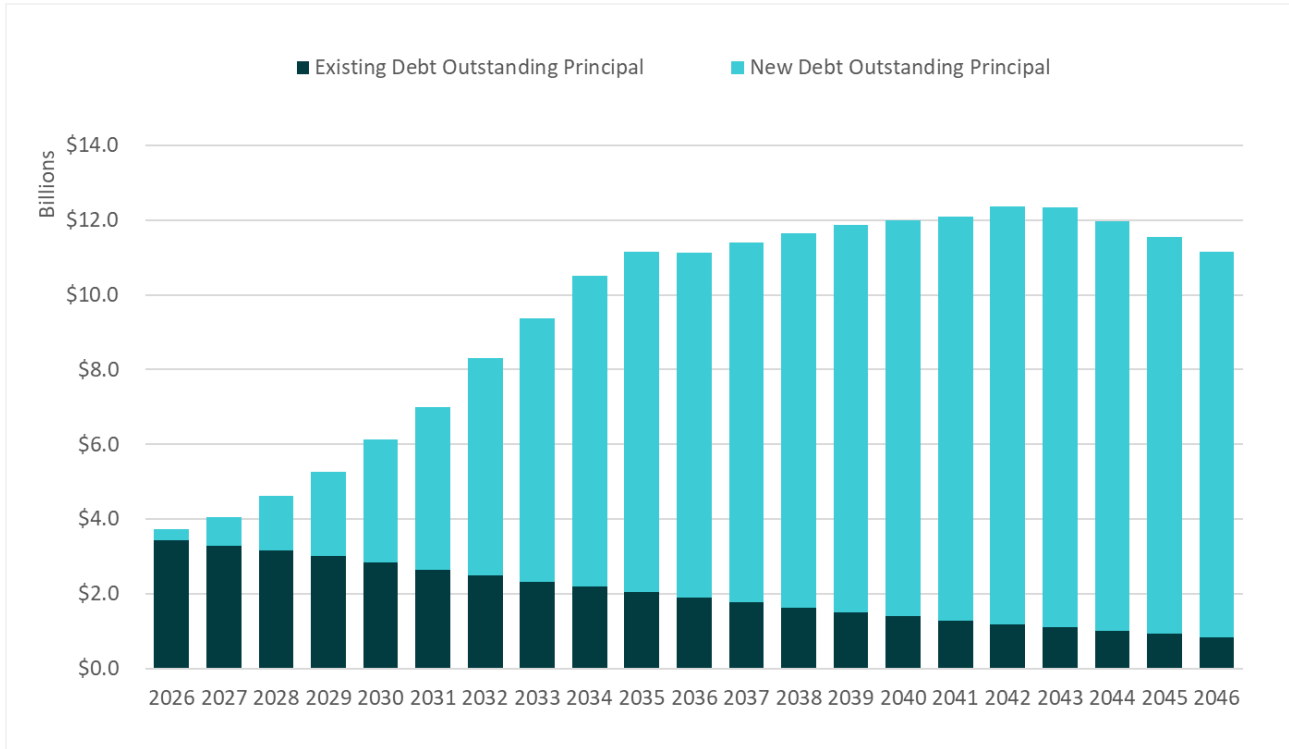
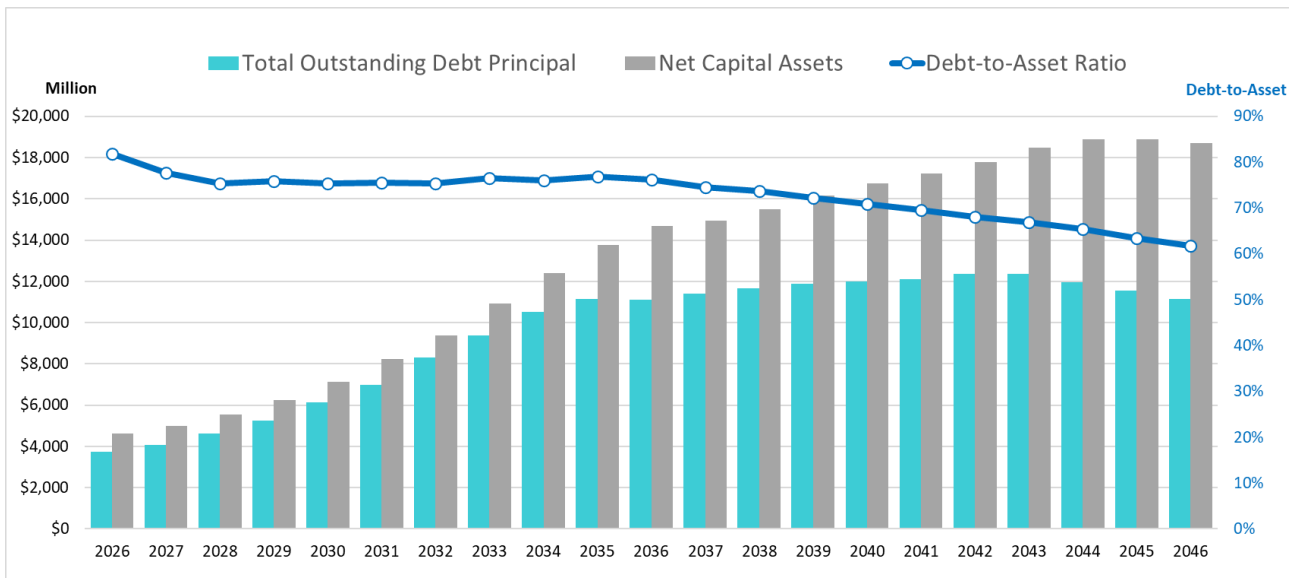


Figure 15 Debt to Asset Balance



State Revolving Fund Loans

Joint Ship Canal Water Quality Project. In 2022, the Joint Ship Canal project was awarded \$3 million in addition to \$23 million awarded in 2021, for a total of \$26 million at a 1.4 percent interest rate. The \$26 million state revolving fund (SRF) loan amendment was approved by Ordinance 19575 in February 2023. It will provide \$12.6 million in total savings

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over a 30-year period due to a low interest rate.¹⁸ WTD drew \$11.4 million from this loan and expects to fund the balance costs via the WIFIA loan as construction progresses over the course of 2026 and 2027.

Multiple SRF Loan Agreements. In 2024, Council approved multiple SRF loan agreements with Ecology to support key wastewater projects. On February 27, 2024, Council approved a \$9.4 million SRF loan at 1.4 percent interest over 30 years for the West Point Passive Weir Emergency Bypass project.¹⁹ On September 24, 2024, Council approved two 20-year SRF loan agreements to fund \$10.2 million for the West Duwamish CSO Control project's design and \$14.9 million for the West Point Treatment Plant Raw Sewage Pump Replacement project at 1.2 percent interest.²⁰ On December 10, 2024, Council approved two additional 20-year SRF loans at 1.2 percent interest, including \$1.1 million for the West Point Treatment Plant Grit Classifier Replacement project and \$8.1 million for the Sammamish Plateau Diversion project.²¹ The \$43.7 million in SRF funding will provide an estimated \$22.6 million in total savings over the life of the loans.

In 2025, Council approved additional \$43.9 million loan at 1.6 percent for West Duwamish CSO Control project's construction.

Water Infrastructure Finance and Innovation Act Loans

Joint Ship Canal Water Quality Project. In January 2021, WTD was awarded a \$96.8 million WIFIA loan at 1.69 percent interest, which will provide an estimated \$32.5 million in total savings over a 35-year period due to a low interest rate. In April 2024, WTD made its first \$9.6 million draw and in December 2025, WTD made an additional \$33.3 million draw, with the final draw to occur by March 2028. WTD plans on drawing from this loan as construction progresses over the course of 2026 and 2027.

WIFIA Master Agreement. In January 2024, the County was awarded its first WIFIA Master Agreement for the King County Wastewater 2024 Improvement Projects in the amount of \$498.3 million. The Master Agreement will finance 11 water quality projects across four separate loan tranches over the eight years of construction. The first loan tranche was signed in conjunction with the Master Agreement in the amount of \$194.1 million at 4.4 percent interest for the group of West Point Treatment Plant projects. In December 2024, WTD signed its second loan tranche in the amount of \$89.9 million at 4.44 percent interest for two projects at South Plant. In January 2026, WTD signed its third tranche in the amount of \$65.0 million at 4.79 percent interest for the Black Diamond Trunk Capacity upgrade project. WTD plans to initially fund these projects with low-cost interim commercial paper and draw from the loans later.²² Although the interest rate is higher than prior WIFIA loan agreements, WTD can apply for an interest rate reduction over the next several years, which would reduce WTD's expected debt service. The subsequent loan tranche (totaling \$149.3 million) is slated to be signed in 2026.

Proposed Legislation to Restore Tax-Exempt Advanced Refunding

Tax-exempt bonds are issued by state and local governments for public infrastructure projects. WTD uses tax-exempt bond financing as its primary source of long-term financing for the capital program. Investors who purchase these bonds are exempt from paying federal income tax on interest earnings, so they are willing to buy the bonds at a lower interest rate than those of conventional bonds, which translates as lower-cost debt to the borrower. Prior to the 2017 federal Tax Cuts and Jobs Act (TCJA), tax-exempt advance refunding bonds could be issued to refund outstanding tax-exempt debt with higher-than-current-market interest rates.²³ The TCJA eliminated tax-exempt advance refunding bonds.

In April 2025, proposed federal legislation, S.1481–LOCAL Infrastructure ACT, the Lifting Our Communities through Advance Liquidity for Infrastructure Act, was introduced in the U.S. House of Representatives. This is the most recent piece of legislation that would restore the tax-exempt status of advance refunding bonds.²⁴ WTD is closely monitoring the viability of this effort as it moves through the legislative process and has prepared a list of potential refunding opportunities should the legislation be enacted.

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The current restriction resulting from the TCJA on issuing tax-exempt advance refunding bonds does not limit the use of cash for advance refunding. In comparison with issuing tax-exempt advance refunding bonds, the ability to take high-interest-rate debt off the books through defeasance is limited by the utility's ability to generate cash from ongoing revenue sources.

The Financial Data Transparency Act of 2022

Former President Biden signed the Financial Data Transparency Act of 2022 (FDTA) into law in December 2022.²⁵ The FDTA sets forth a sequence of regulatory steps to implement structured data requirements for the securities markets, including the municipal bond market, with the goal of providing machine-readable, searchable, comparable (e.g., standardized), structured financial data to investors and others. Along with other federal financial regulatory agencies, the federal Securities and Exchange Commission (SEC) is required to adopt data standards, including municipal market data standards for information submitted to the Municipal Securities Rulemaking Board (MSRB).

The sequence of regulatory steps is expected to take place during 2026, with municipal market data standards adopted by December 2026. Compliance is expected to begin in 2027. WTD is following this development closely with bond counsel and the County's financial advisor.

Defeasance

Defeasance is the process of setting aside funds or assets to repay a debt or obligation, thereby releasing the debtor from further liability. Cash generated from WTD's funding policy (see cash funding section above) can be used to directly fund capital spending or to pay down higher-interest outstanding debt. This accomplishes the same debt-balance outcome as directly cash-funding the CIP, while replacing high-interest-rate debt with lower-interest-rate new debt in the current market. A defeasance transaction usually occurs when interest rates are favorable enough to achieve maximum savings and meet the County's minimum savings threshold of five percent of the par amount of the refunded bond.²⁶ In February 2025, WTD defeased \$92.3 million of bonds and generated \$8.6 million in total savings and \$7.2 million in present-value savings through this mechanism.²⁷

Figure 16 demonstrates how the use of the cash collected from sewer rate revenue for CIP funding can be used for defeasance and accomplish the same debt-balance management goal.

In the no-defeasance scenario, new bonds are issued and added to the debt balance at 60 percent of the annual CIP, while the remaining 40 percent is cash-funded. The sample ending debt balance in this scenario is \$800.

In the defeasance scenario, additional debt is issued to cover the full CIP (rather than 60 percent), which frees the cash from rates to pay down outstanding higher-interest-rate debt. There is an effective exchange of higher-interest-rate debt on the books for lower-interest-rate debt available at current market conditions. The sample ending debt balance in this scenario is also \$800.

Figure 16 Sample Defeasance

Capital Funding No Defeasance					
CIP	100	100	100	100	100
Cash from Sewer Rate Revenue	40	40	40	40	40
New Debt Proceeds	60	60	60	60	60
Total Funding	100	100	100	100	100
Beginning Debt Balance	500	560	620	680	740
Plus New Issuance	60	60	60	60	60
less: Defeasance	-	-	-	-	-
Outstanding Debt Balance Y-E	560	620	680	740	800
Capital Funding 100% Use of Cash for Defeasance					
CIP	100	100	100	100	100
Cash from Sewer Rate Revenue	40	40	40	40	40
New Debt Proceeds	100	100	100	100	100
Total Funding	140	140	140	140	140
Beginning Debt Balance	500	560	620	680	740
Plus New Issuance	100	100	100	100	100
less: Defeasance	(40)	(40)	(40)	(40)	(40)
Outstanding Debt Balance Y-E	560	620	680	740	800

Reserves Management

WTD maintains financial reserves that address minimums required by debt covenants (contracts), working capital targets, management of loan proceeds, and other capital resources, rate increase smoothing, and mitigation of revenue risk. This section describes those reserves and the reserve levels targeted in the financial forecast.

Figure 17 Summary of WTD Reserves²⁸

Reserve Name	Policy Goal or Purpose	Establishment	American Water Works Assoc. Description
Liquidity Reserve	10% of operating expenses (equivalent to 36 "days" of cash) plus \$5 million of ending cash balance in the capital fund. In addition, WTD maintains a \$35 million 'Capital Liquidity Threshold' to manage monthly cash flow fluctuations	In 2012 by Motion 13798	Maintaining adequate operating reserves enhance a system's ability to manage potential risks, provides the ability to manage fluctuations in revenue, and the ability to meet working capital needs
Capital Emergency Reserve	\$15 million for "unanticipated system repairs or equipment replacement in the event of a natural disaster or some unforeseen system failure"	In 2012 by Motion 13798	Even with the most diligent capital planning efforts, utilities must be prepared for unplanned or accelerated capital projects
Rate Stabilization Reserve	Allow WTD to "adopt a multiyear sewer rate to provide stable costs to sewer customers" and "ensure that adequate funds are available to sustain the rate through completion of the rate cycle"	In 1999 by the RWSP adopted by Ordinance 13680	When specifically included in a utility's bond indenture, rate stabilization reserves can be used to help meet debt service coverage requirements during times of revenue shortfalls
Voluntary Operating Reserve	Supports debt service obligations but is not legally or contractually restricted. Improves overall liquidity and financial metrics by increasing current assets.	In 2025 from the released debt service reserve, as per the springing amendment.	
SRF Loans Debt Service Reserve*	Amount equivalent to the average annual debt service of each loan	Loan agreements adopted by individual ordinances	

*Ecology eliminated this provision for loans awarded after 2018

WTD Operating Fund 4611

Unrestricted Operating Balances

The Operating Fund is where WTD's daily expenses, such as most personnel costs, supplies, and other costs associated with operating and maintaining the utility, are funded. Funds exceeding minimum reserve levels in the Operating Fund at year-end are unrestricted and evaluated for optimal use. Some uses for unrestricted funds include potential transfer to the Construction Fund or contribution to defeasance transactions.

Liquidity Reserve

The Liquidity Reserve is targeted to provide sufficient cash balances for variance of revenue and expenditure cycles throughout the year. The working capital target is established as 10 percent of operating expenditures in any given year. As a result, a reserve increase must be funded each year as operating expenditures increase. The proposed 2027-2046 financial forecast includes \$26.8 million in Operating Liquidity Reserve, \$5 million in the Capital Liquidity Reserve, and \$35 million in the Capital Liquidity Threshold for 2027.

Voluntary Operating Reserve

The Washington State Auditor's Office publishes financial ratios for government agencies in its Financial Intelligence Tool (FIT). In mid-2024, the State Auditor began publishing ratios for King County's major enterprise funds for the first time and WTD showed a "concerning" indicator.

One of those indicators is the current ratio (current assets divided by current liabilities), which should be at least 1.0. For 2023, WTD's ratio was 1.05, only slightly above the minimum target. Given the current ratio concerns and the importance ratings agencies place on unrestricted liquidity, WTD is establishing a "voluntary reserve" in Fund 4611. These funds are not legally restricted by bond covenants but using those funds would likely result in negative consequences from bondholders and ratings agencies, including potentially higher future borrowing costs. The voluntary reserve currently consists of \$103 million in the operating fund.

Rate Stabilization Reserve

A Rate Stabilization Reserve (RSR) is unique in that bond covenants are written to allow that, in any given year, use of this reserve can be recognized as revenue eligible for inclusion in the bond coverage calculation. In years that WTD contributes to this reserve from WTD Fund revenues, that portion of revenue is deducted from the revenue basis for calculating bond coverage. This allows WTD to use reserves to manage rate levels without compromising the ability to meet annual bond coverage targets. Funds in the RSR also enhance the liquidity metrics used by the rating agencies when they evaluate WTD's credit quality.²⁹

WTD considers the use of reserve balances in the context of Ordinance 19782, which states that the RSR is for the purpose of smoothing rates between years.³⁰ Use of reserves represents a one-time resource, and excess reserves should be applied to one-time expenditures. There is no planned use of the RSR (\$46.25 million) in the proposed 2027-2036 sewer rate forecast. There has been interest from stakeholders in WTD transitioning to a multiyear rate proposal beginning in 2028. If implemented, the RSR could be used in the event of a revenue shortfall in later years of the rate cycle.

WTD Construction Fund 3611

Unrestricted Construction Fund Balances

WTD's Construction Fund is where capital project costs are charged, loan proceeds are reserved and spent, transfers are received for cash-funded capital from the Operating Fund, and capital reserves, such as the Asset Management Reserve, are maintained. Accumulated reserves above the policy minimum are used to fund projects.

Capital Liquidity Reserve and Threshold

In 2024, WTD established a minimum \$35 million ending balance in the capital fund (Capital Liquidity Threshold) to complement its \$5 million Capital Liquidity Reserve. This change reflects the increase in monthly capital spending since the inception of the policy. The Construction Fund balance is projected to end at the \$40 million liquidity reserve (\$5 million reserve + \$35 million threshold) target in each year of the financial forecast.

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Asset Management Reserve

The Asset Management Reserve is maintained as an emergency reserve and, as such, is not forecast to deviate from the \$15 million balance. This reserve could be an important resource if an asset failure should occur during a period of significant revenue constraint.

Debt Reserve Funds 8921 and 8922

WTD's debt reserve minimums were originally established as a requirement in bond covenants or by the loan-granting agency. However, with 51 percent of bondholders consenting to the "Springing Amendment" through their purchase of parity bonds, WTD is no longer required to maintain an amount equal to the maximum annual debt service on outstanding parity bonds in the Debt Service Reserve Fund (DSRF).^{31, 32, 33} In June 2024, Council approved Ordinance 19785, which not only authorized the issuance of \$1.2 billion in senior lien debt through December 2026, but it also provided the framework for the King County Finance Director to change the definition of reserve requirement. This means the County can create different reserve requirements for different sets of parity bonds, including the bonds themselves. The County could also lower any reserve requirement, even down to zero, in any calendar year, as long as it is less than the maximum annual parity debt service. In 2025, WTD sprung the entire cash portion of the DSRF into a Redemption Account (\$37.0 million) to fund future bond payments, a Voluntary Reserve (\$83.2 million) to act as cash on hand to manage short-term liquidity, and into longer dated investments managed by the County (\$10.6 million).³⁴ A Debt Redemption Account is a restricted account used to accumulate funds designated for the repayment, redemption, or defeasance of outstanding debt obligations. Amounts held in the account may be used to pay scheduled principal and interest or to retire debt prior to maturity in accordance with bond covenants or applicable financial policies. Currently, there are no funds in the DSRF. WTD has still maintained its investments of \$29.6 million in surety bonds.

Ecology had a reserve requirement but eliminated this provision for loans awarded after 2018. Reserves for pre-2018 Ecology loans decreased from \$13.5 million to just \$219,400 after the refunding of a group of loans in 2021 and the repayment of the Denny Way Elliott West Pipeline SRF loan. The current balance is also \$219,400 as of December 31, 2025.

Figure 18 Surety Bond Summary

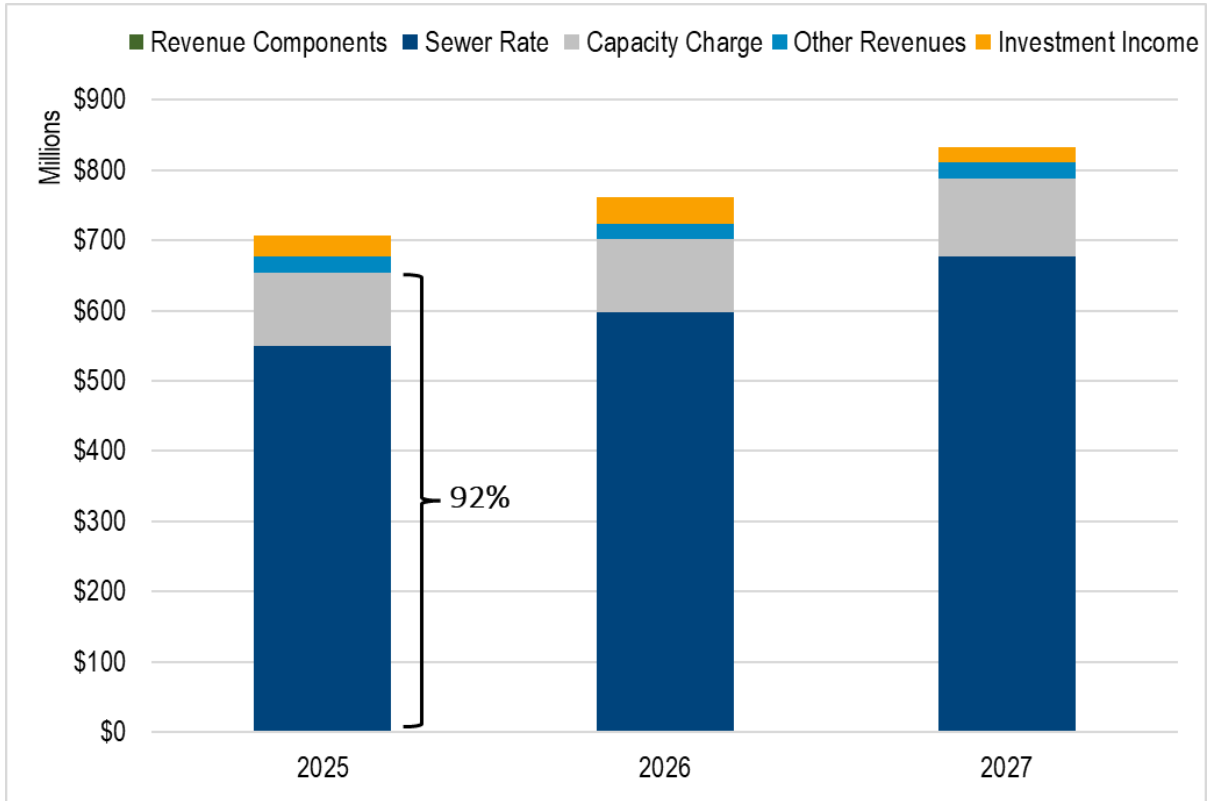
Source	Provider	Amount	Moody's/S&P Rating	Expiration
Surety Bonds	National Public Finance Guaranty Corp.	\$ 5,010,273	A3/A	2035
	Assured Guaranty Municipal Corp.	\$ 4,880,916	A3/AA	2036
	Assured Guaranty Municipal Corp.	\$ 7,189,850	A3/AA	2036
	Assured Guaranty Municipal Corp.	\$ 12,500,001	A3/AA	2047
	Subtotal	\$ 29,581,040		

Revenue

Once WTD's operating and capital obligations have been forecast, the revenue requirement can be calculated. The sewer rate and capacity charge, together, made up 92 percent of total operating revenues for 2025. Figure 19 shows WTD's 2025 revenue and projected 2026 and 2027 revenue by source.

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Figure 19 Operating Revenue Components Sorted by Size



Revenue Requirement

Two tests guide rate setting and determine a utility’s annual revenue requirement: the cash test and the debt service coverage test.

Cash Test

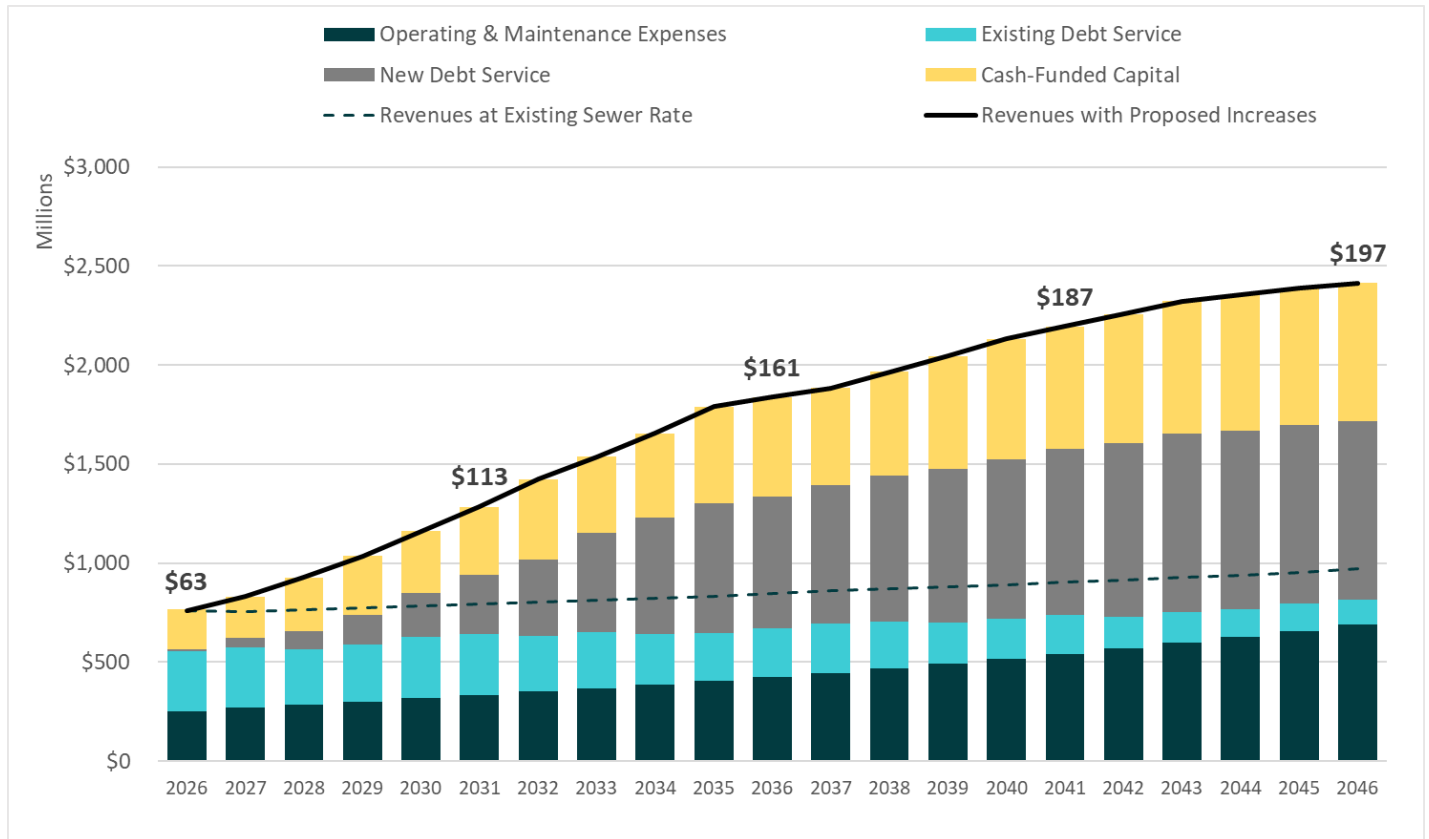
The utility must first ensure that it can support its cash obligations, including operating expenditures, debt service repayment, and any financial policy targets, such as cash to fund the capital program.

King County Code 28.86.160 Financial Policies state:

King County shall charge its customers sewer rates and capacity charges sufficient to cover the costs of constructing and operating its wastewater system. Revenues shall be sufficient to maintain capital assets in sound working condition, providing for maintenance and rehabilitation of facilities so that total system costs are minimized while continuing to provide reliable, high-quality service and maintaining high water quality standards.³⁵

Figure 20 shows the components that make up the total annual revenue requirement, compared with revenue under the existing sewer rate.

Figure 20 2026 - 2046 Sewer Rate Forecast Revenue Requirement



Beginning from the bottom of Figure 20, the first stack (dark blue) in the bar represents the annual operating and maintenance (O&M) expenses with projected inflation and growth. The second stack (teal) shows the debt service obligations for existing outstanding WTD debt. The third stack (gray) represents new debt service repayments generated by funding the capital program in this forecast. The top stack (yellow) represents the policy to cash-fund the capital program from revenue, at an amount based on annual depreciation.

The dashed line shows the forecasted level of revenue generated if the sewer rate were to remain at the current 2026 rate of \$62.66 for all years of the forecast, to demonstrate the utility’s funding gap at the current rate. The solid line at the top of the bars shows the revenue meeting the annual requirement in each year based on the proposed rate forecast.

Figure 21 Proposed 2026 Sewer Rate and 2027-2045 Forecast [also available on page 6]

	Adopted	Proposed									
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rate Increase %	7.50%	12.75%	12.75%	12.75%	12.75%	11.25%	11.25%	8.00%	8.00%	8.00%	1.75%
Monthly Sewer Rate	\$62.66	\$70.65	\$79.66	\$89.82	\$101.28	\$112.68	\$125.36	\$135.39	\$146.23	\$157.93	\$160.70
Rate Increase \$	\$4.38	\$7.99	\$9.01	\$10.16	\$11.46	\$11.40	\$12.68	\$10.03	\$10.84	\$11.70	\$2.77
All-In Debt Service Coverage	1.62x	1.60x	1.74x	1.68x	1.60x	1.58x	1.61x	1.49x	1.51x	1.55x	1.55x
		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Rate Increase %		1.75%	3.75%	3.75%	3.75%	2.25%	2.25%	2.25%	0.50%	0.50%	0.00%
Monthly Sewer Rate		\$163.52	\$169.66	\$176.03	\$182.64	\$186.75	\$190.96	\$195.26	\$196.24	\$197.23	\$197.23
Rate Increase \$		\$2.82	\$6.14	\$6.37	\$6.61	\$4.11	\$4.21	\$4.30	\$0.98	\$0.99	\$0.00
All-In Debt Service Coverage		1.52x	1.54x	1.58x	1.61x	1.60x	1.63x	1.64x	1.66x	1.67x	1.69x

Debt Service Coverage Ratio Test

The second revenue requirement test is the debt service coverage ratio (DSC) test. DSC is a financial metric used to assess an entity's ability to generate enough cash to cover its debt service obligations. DSC is calculated by taking free cash flow, cash available after paying for operation and maintenance, and dividing it by current debt obligations. DSC is broadly used in the industry and is of particular interest to rating agencies. MWPAAC recommended WTD maintain a DSC ratio above 1.40 in 2017 and WTD must maintain a DSC above 1.15 per bond Ordinance. The sewer rate proposal and financial forecast produce a DSC ratio of free cash flow to current debt obligations ranging from 1.49 to 1.74. As shown in Figure 22, WTD's historical coverage performance has increased steadily since 2016 and achieved a record-high DSC in 2024. WTD's bond ratings did not change in 2025, although the DSC decreased slightly to 1.86.

Figure 22 History of WTD DSC and Ratings

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
WTD All-in DSC Ratio	1.24x	1.33x	1.30x	1.32x	1.28x	1.33x	1.33x	1.36x	1.41x	1.51x	1.49x	1.58x	1.56x	1.57x	1.72x	1.77x	1.91x	1.86x
S&P Rating	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+
Moody's Rating	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1

Sewer Rate

Sewer rate revenue is the largest component of WTD operating revenues at 78 percent. Single-Family Residential (SFR) customers make up 56 percent of the sewer rate customer base and are billed at one unit per household, regardless of water use. The remaining 44 percent of residential customer equivalents (RCEs) are comprised of commercial and multifamily customers in a combined rate class. An RCE is a unit used for billing purposes that converts reported water use (as a proxy for sewage flows) to the approximate equivalent of one SFR. As defined in the LSA contracts and King County Code 28.86.160, Financial Policy 15, one RCE is equal to 750 cubic feet of water usage per month.

Billing Structure

In contrast to the retail agencies that read meters and bill customers, either monthly or bimonthly, RCE reporting and billing are performed on a quarterly cycle. As shown in Figure 230, billings for the SFR class in a given quarter are based on RCEs reported in the quarter before the previous one (e.g., Q2 billing is based on Q4 reported).

The commercial and multifamily billing structure includes additional delays because these billings are based on a quarterly rolling average of RCEs, with the intent of minimizing variability of billings to the agencies. Figure 24 shows there is significant seasonal variability to flow, which the quarterly rolling average smooths. There was a significant drop in flow-based RCEs in 2020 as a result of the COVID-19 pandemic, but they have now recovered to pre-pandemic levels.

Figure 23 RCE Reporting to Sewer Rate Billing Lag

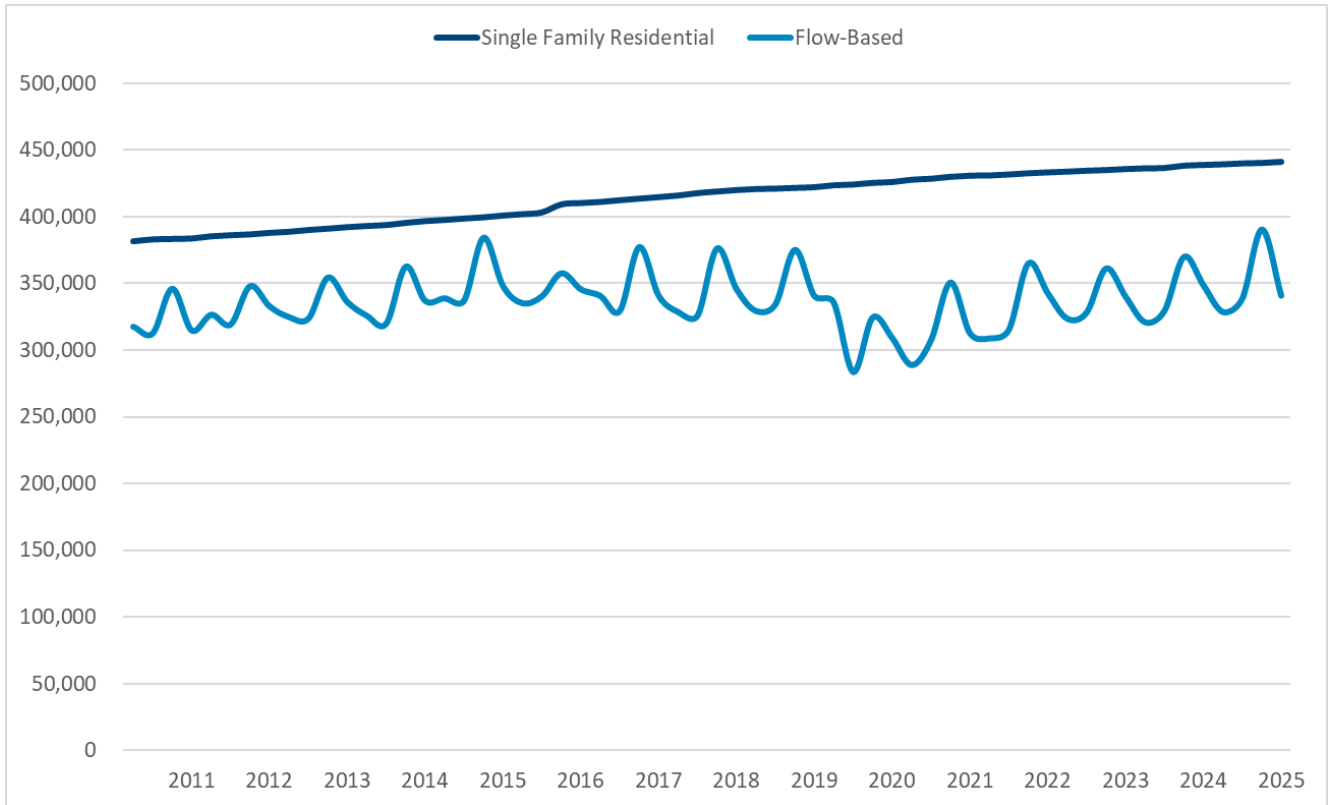
	2024				2025	
	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24
Single Family Residential				Reported		Billed
Commercial / Multi-Family	Four quarter average					Billed

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Figure 24 shows the historical trend in total customers billed since 2011.

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Figure 24 Reported SFRs and Flow-Based RCEs by Quarter (2011-2025)



Historical Sewer Rate Increases

To provide context for the historical rate of growth to the revenue needs of the utility, rate increases since 1990 are provided in Figure 25. Since 1990, the average annual rate increase is 4.7 percent.

Figure 25 Historical Sewer Rate Increases (1990-2026)

Year	Sewer Rate	Percent Increase	Year	Sewer Rate	Percent Increase
1990	\$11.90	-	2009	\$31.90	14.1%
1991	\$13.20	10.9%	2010	\$31.90	0.0%
1992	\$13.80	4.5%	2011	\$36.10	13.2%
1993	\$13.62	-1.3%	2012	\$36.10	0.0%
1994	\$15.90	16.7%	2013	\$39.79	10.2%
1995	\$17.95	12.9%	2014	\$39.79	0.0%
1996	\$19.10	6.4%	2015	\$42.03	5.6%
1997	\$19.10	0.0%	2016	\$42.03	0.0%
1998	\$19.10	0.0%	2017	\$44.22	5.2%
1999	\$19.10	0.0%	2018	\$44.22	0.0%
2000	\$19.50	2.1%	2019	\$45.33	2.5%
2001	\$19.75	1.3%	2020	\$45.33	0.0%
2002	\$23.40	18.5%	2021	\$47.37	4.5%
2003	\$23.40	0.0%	2022	\$49.27	4.0%
2004	\$23.40	0.0%	2023	\$52.11	5.8%
2005	\$25.60	9.4%	2024	\$55.11	5.8%
2006	\$25.60	0.0%	2025	\$58.28	5.8%
2007	\$27.95	9.2%	2026	\$62.66	7.5%
2008	\$27.95	0.0%			
Annual Average Change:				4.7%	
Biennial Average Change:				9.7%	

2027 Sewer Rate Proposal and 2027-2046 Forecast

After determining revenue requirements and revenue generated from other sources, the sewer rate proposal is developed to meet both the cash test and the DSC test. A monthly sewer rate of \$70.65 in 2027, which is a 12.75 percent increase, is proposed in the Ordinance.

While an increase in the rate forecast is proposed, the 2027 proposed rate is the same as the 12.75 percent increase forecasted in the 2026 rate forecast. The 2027 updated rate forecast beyond the 2027 proposed rate includes higher rate increases as shown in Figure 26 and

Figure 27 below. Highlighted changes between rate forecasts include:

1. **Multiple Scenarios**—Per Council Budget Ordinance 20023, Proviso Section 115 P4, WTD is required to provide two alternative scenarios in addition to the Executive’s proposed rate, including at least one that is two percentage points lower than the Executive’s proposed rate. These two scenarios are presented in detail later in this memorandum. Although both achieve some short-term rate relief within the next few years, neither result in a sustained lower rate path compared to the proposed rate.
2. **Updated capital cost estimates and schedule**—WTD received updated cost and schedule estimates for multiple projects (such as the Mouth of the Duwamish CSO control project) mandated by the federal CSO consent decree. These revised estimates resulted in higher capital costs, but also a slightly deferred

schedule, resulting in a slight decrease in projected rate increases in the next five years compared to the 2026 forecast.

3. **Schedule Risk Adjustment**—This is the second year of WTD’s new capital forecasting approach. Previously, WTD applied an 85 percent accomplishment rate, where rates were set to fund 85 percent of the projected capital project expenditures in a given year based on WTD’s experience with how much capital spending could reasonably be accomplished. This had the effect of applying a “haircut” to the forecast, rather than showing the additional 15 percent in future forecast years. WTD now implements a “schedule risk adjustment,” where deferred costs (20 percent of early years) are now shown in future years of the forecast.

Figure 26 Adopted 2026 Sewer Rate and 2026-2045 Forecast

	Adopted	Adopted									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Rate Increase %	5.75%	7.50%	12.75%	12.75%	13.50%	13.50%	13.50%	7.25%	7.25%	2.00%	2.00%
Monthly Sewer Rate	\$58.28	\$62.66	\$70.65	\$79.66	\$90.42	\$102.63	\$116.49	\$124.94	\$134.00	\$136.68	\$139.42
Rate Increase \$	\$3.17	\$4.38	\$7.99	\$9.01	\$10.76	\$12.21	\$13.86	\$8.45	\$9.06	\$2.68	\$2.74
All-In Debt Service Coverage	1.65x	1.48x	1.47x	1.57x	1.50x	1.47x	1.57x	1.59x	1.57x	1.55x	1.53x
		2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Rate Increase %		2.00%	4.50%	4.50%	4.50%	1.75%	1.75%	1.75%	0.50%	0.50%	0.50%
Monthly Sewer Rate		\$142.21	\$148.61	\$155.30	\$162.29	\$165.14	\$168.03	\$170.98	\$171.84	\$172.70	\$173.57
Rate Increase \$		\$2.79	\$6.40	\$6.69	\$6.99	\$2.85	\$2.89	\$2.95	\$0.86	\$0.86	\$0.87
All-In Debt Service Coverage		1.44x	1.55x	1.66x	1.78x	1.83x	1.88x	1.93x	1.95x	1.96x	1.98x

Figure 27 Proposed 2027 Sewer Rate and 2027-2046 Forecast [also available on page 6]

	Adopted	Proposed									
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rate Increase %	7.50%	12.75%	12.75%	12.75%	12.75%	11.25%	11.25%	8.00%	8.00%	8.00%	1.75%
Monthly Sewer Rate	\$62.66	\$70.65	\$79.66	\$89.82	\$101.28	\$112.68	\$125.36	\$135.39	\$146.23	\$157.93	\$160.70
Rate Increase \$	\$4.38	\$7.99	\$9.01	\$10.16	\$11.46	\$11.40	\$12.68	\$10.03	\$10.84	\$11.70	\$2.77
All-In Debt Service Coverage	1.62x	1.60x	1.74x	1.68x	1.60x	1.58x	1.61x	1.49x	1.51x	1.55x	1.55x
		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Rate Increase %		1.75%	3.75%	3.75%	3.75%	2.25%	2.25%	2.25%	0.50%	0.50%	0.00%
Monthly Sewer Rate		\$163.52	\$169.66	\$176.03	\$182.64	\$186.75	\$190.96	\$195.26	\$196.24	\$197.23	\$197.23
Rate Increase \$		\$2.82	\$6.14	\$6.37	\$6.61	\$4.11	\$4.21	\$4.30	\$0.98	\$0.99	\$0.00
All-In Debt Service Coverage		1.52x	1.54x	1.58x	1.61x	1.60x	1.63x	1.64x	1.66x	1.67x	1.69x

Legal Disclaimer

The rate forecast above projects approximately \$14 billion over the next decade to meet state and federal regulations, serve the needs of new population growth, and maintain and modernize King County’s aging infrastructure. Investments in this system are essential to protect water quality and public health for decades to come.

The rate forecast proposes significantly higher rates beginning in 2027, and extending for several years. This increase is driven by multiple factors, the largest of which are capital projects required under federal and state clean water regulations.

WTD recognizes that higher sewer rates add to the already high cost of living in the Puget Sound region and have the greatest impact on lower-income households. As stewards of public dollars, WTD is committed to a rate-setting process that is transparent, fact-informed, and thorough, and exploring cost-effective ways to keep rates as affordable as possible for all King County families.

As part of this work, the King County Council requested that WTD develop several rate scenarios outlining the benefits, risks, and other impacts associated with each approach.

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While these scenarios show that deferring some current and planned capital projects may provide short-term rate relief, delaying capital investments can also introduce significant long-term risks that ultimately increase costs and operational challenges exponentially.

The theoretical regulatory deadline extension scenario is dependent on federal and state regulators agreeing to further modify the [CSO consent decree](#), which was recently modified and finalized in 2025 after a six-year negotiation process. Others may illustrate circumstances under which projects with specific federal or state requirements and/or funding agreements would be deferred. **The scenarios are purely intended to outline potential impacts over time. They do not represent, imply, or establish any plan, commitment, or intent by WTD or the Department of Natural Resources and Parks.**

Alternative Scenarios

As part of the 2026-27 budget process, Council developed a proviso requiring the Executive to transmit a proposed sewer rate, plus two additional scenarios, one of which must be two percent lower than the Executive Proposed Rate. WTD has developed the following rate scenarios in addition to the proposed rate:

- The “Council Request Scenario” was required to be at least two percent less than the Executive’s proposed rate.
- The “Theoretical Regulatory Deadline Extension Scenario” represents a hypothetical scenario where WTD has renegotiated its consent decree requirements related to CSOs to allow for a longer implementation period. Successful negotiations with state and federal regulators would be needed to implement a similar scenario.

Council Request Scenario

The Council Request Scenario accepts higher additional risk of asset failure and some financial risk compared to the proposed rate by deferring \$1.4 billion of asset reliability and system capacity projects out of the first decade of the forecast to slightly mitigate rate increases in the near term. Deferrals in this scenario would impact asset replacement and capacity projects, resulting in increased likelihood of detrimental impacts such as overflows, sinkholes, equipment damage, permit violations, and life-safety risks, as well as introducing additional risk of bond rating downgrades and higher costs of borrowing. This scenario does not achieve long-term rate relief, and the 20-year forecast rate is slightly higher than the proposed rate forecast. Figure 28Error! Reference source not found. shows the 10-year capital forecast for this scenario, with the deferrals shown in gray.

Figure 28 Capital Forecast—Council Requested Rate

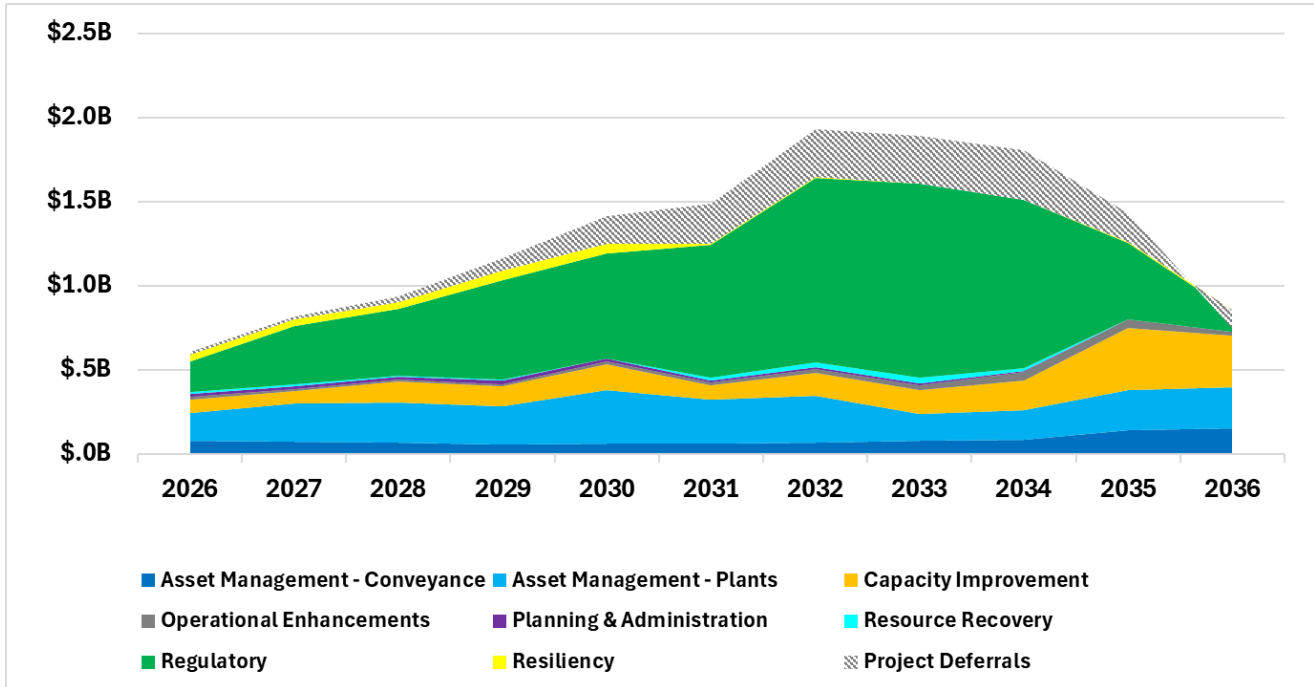


Figure 29 shows the Council Requested Rate and associated rate forecast.

Figure 29 2027 Council Requested Rate and 2027-46 Rate Forecast

	Adopted	Proposed									
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rate Increase %	7.50%	10.75%	10.75%	10.75%	12.75%	12.75%	10.00%	10.00%	5.75%	5.75%	1.25%
Monthly Sewer Rate	\$62.66	\$69.40	\$76.87	\$85.14	\$96.00	\$108.24	\$119.07	\$130.98	\$138.52	\$146.49	\$148.33
Rate Increase \$	\$4.38	\$6.74	\$7.47	\$8.27	\$10.86	\$12.24	\$10.83	\$11.91	\$7.54	\$7.97	\$1.84
All-In Debt Service Coverage	1.62x	1.58x	1.68x	1.60x	1.54x	1.57x	1.62x	1.56x	1.57x	1.59x	1.56x
		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Rate Increase %		1.25%	5.25%	5.25%	5.25%	3.25%	3.25%	3.25%	1.50%	1.50%	1.00%
Monthly Sewer Rate		\$150.19	\$158.08	\$166.38	\$175.12	\$180.82	\$186.70	\$192.77	\$195.67	\$198.61	\$200.60
Rate Increase \$		\$1.86	\$7.89	\$8.30	\$8.74	\$5.70	\$5.88	\$6.07	\$2.90	\$2.94	\$1.99
All-In Debt Service Coverage		1.51x	1.54x	1.59x	1.60x	1.59x	1.63x	1.64x	1.66x	1.68x	1.68x

Theoretical Regulatory Deadline Extension Scenario

The Theoretical Regulatory Deadline Extension Scenario assumes successful renegotiation of the federal and state regulatory consent decree, adds compliance and financial risk, and defers \$1.8 billion of planned projects out of the first decade of the forecast. Although this scenario offers some near-term rate relief by deferring project costs, it results in a higher 20-year forecast rate than the proposed rate forecast. Asset reliability and safety risk, as well as system capacity risk remain the same as the proposed scenario, but regulatory compliance projects are no longer assumed to meet established deadlines, with additional potential risks including future borrowing costs, civil contempt sanctions, injunctive relief, and criminal contempt proceedings. **Error! Reference source not found.**30 shows the 10-year capital forecast for this scenario.

Figure 30 Capital Forecast—Theoretical Regulatory Deadline Extension

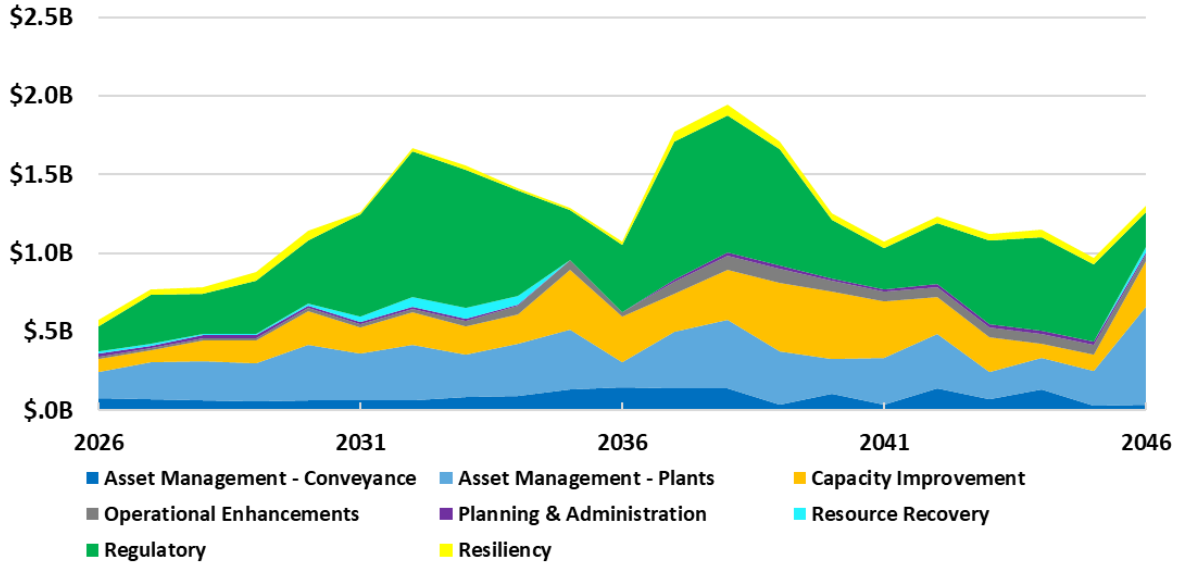


Figure 31 shows the Theoretical Regulatory Deadline Extension Rate and associated rate forecast.

Figure 31 2027 Theoretical Regulatory Deadline Extension Rate and 2027-46 Rate Forecast

	Adopted	Proposed										
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
Rate Increase %	7.50%	9.75%	9.75%	9.75%	11.50%	11.50%	11.50%	8.75%	8.75%	4.00%	4.00%	
Monthly Sewer Rate	\$62.66	\$68.77	\$75.48	\$82.84	\$92.37	\$103.00	\$114.85	\$124.90	\$135.83	\$141.27	\$146.93	
Rate Increase \$	\$4.38	\$6.11	\$6.71	\$7.36	\$9.53	\$10.63	\$11.85	\$10.05	\$10.93	\$5.44	\$5.66	
All-In Debt Service Coverage	1.62x	1.58x	1.69x	1.64x	1.57x	1.57x	1.63x	1.54x	1.60x	1.59x	1.57x	
		2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	
Rate Increase %		6.25%	6.25%	3.75%	3.75%	3.75%	3.75%	2.00%	2.00%	2.00%	1.00%	
Monthly Sewer Rate		\$156.12	\$165.88	\$172.11	\$178.57	\$185.27	\$192.22	\$196.07	\$200.00	\$204.00	\$206.04	
Rate Increase \$		\$9.19	\$9.76	\$6.23	\$6.46	\$6.70	\$6.95	\$3.85	\$3.93	\$4.00	\$2.04	
All-In Debt Service Coverage		1.55x	1.57x	1.59x	1.58x	1.58x	1.61x	1.59x	1.63x	1.66x	1.66x	

Capacity Charge

Since 1990, King County has levied a capacity charge on structures with new connections to the sanitary sewer system.^{36, 37, 38} This charge is paid over 15 years and is in addition to the monthly sewer bill assessed by the LSA. Newly connecting customers are directly billed by King County for the capacity charge. The capacity charge rate is set annually by the County Council and is \$77.99 per month over the 15-year payment period for properties connecting in 2026.

The Revised Code of Washington (RCW) 35.58.570 authorizing the capacity charge states:

(1) A metropolitan municipal corporation that is engaged in the transmission, treatment, and disposal of sewage may impose a capacity charge on users of the metropolitan municipal corporation's sewage facilities when the user connects, reconnects, or establishes a new service to sewer facilities of a city, county, or special district that discharges into the metropolitan facilities. The capacity charge shall be based upon the cost of the sewage facilities' excess capacity that is necessary to provide sewerage treatment for new users to the system.

(2) The capacity charge is a *monthly charge* reviewed and approved annually by the metropolitan council.³⁹

Currently, state statute does not allow the County to require up-front payment of the capacity charge, which is the most common industry approach to new development charges, such as impact fees and utility connection charges.⁴⁰ The monthly charge reference is unique to the authorizing language for metropolitan municipal corporations and is not included in RCW authority for city and special-purpose district connection charges that share much of the same language.⁴¹

King County Code 28.86.160 Financial Policies state: “The capacity charge may be paid by new customers in a single payment or as a monthly charge at the rate established by the council...”

Customers may elect to pay the capacity charge in one lump sum or be billed quarterly based on the monthly rate for 15 years. The charge is linked to the property, meaning that the charge transfers between owners of the property until the capacity charge is paid off.

Capacity Charge Rate Structure

In 2020, the County approved updates to the rate structure of the capacity charge.⁴² As of January 1, 2021, the County began using small, medium, and large classes for newly connecting single-family residential properties. The classification differential is based on data that links the home size to average persons per household, and average persons per household to capacity demands from the connecting property.

The RCEs assigned to single-family homes is based on size: small (<1,500 sq. ft. = 0.81 RCE), medium (1,500–2,999 sq. ft. = 1 RCE), and large (>3,000 sq. ft. = 1.16 RCE).

Using persons-per-household data also resulted in an update to RCEs assigned to multifamily units. King County Code provides a permanent classification for accessory dwelling units, such as backyard cottages and basement apartments, set at 0.59 RCE per unit.⁴³

Multifamily structures are billed by unit at 0.81 RCEs for two to four units and 0.64 RCEs for five or more units.

Commercial structures are billed based on fixture counts and/or flows.

A list of historical capacity charge rates from 2003 is provided in Figure 32 below.

Figure 32 Historical Capacity Charge Increases (2003-2026)

Year	Capacity Charge	
	(Monthly)	Percent Increase
2003	\$17.60	
2004	\$18.00	2.3%
2005	\$34.05	89.2%
2006	\$34.05	0.0%
2007	\$42.00	23.3%
2008	\$46.25	10.1%
2009	\$47.64	3.0%
2010	\$49.07	3.0%
2011	\$50.45	2.8%
2012	\$51.95	3.0%
2013	\$53.50	3.0%
2014	\$55.35	3.5%
2015	\$57.00	3.0%
2016	\$58.70	3.0%
2017	\$60.80	3.6%
2018	\$62.60	3.0%
2019	\$64.50	3.0%
2020	\$66.35	2.9%
2021	\$68.34	3.0%
2022	\$70.39	3.0%
2023	\$72.50	3.0%
2024	\$74.23	2.4%
2025	\$76.09	2.5%
2026	\$77.99	2.5%

Capacity Charge Updates

WTD’s regular updates to the underlying assumptions are guided by the King County Code 28.86.160, Financial Policy 15, which states: “Customer growth and projected costs, including inflation, shall be updated every three years beginning in 2003. The county should periodically review the capacity charge to ensure that the actual costs of system expansion to serve new customers are reflected in the charge.”⁴⁴

The 2023 capacity charge update was planned to be a transition from the County’s Regional Wastewater Service Plan (RWSP) to an updated comprehensive plan for the WTD system. The comprehensive plan for the utility serves as the basis for projecting the number of customers, capital projects needed for capacity, and financial assumptions.⁴⁵ The timing of this transition depended on progress of the regional plan update. The plan update was paused in 2021 to consider feedback and because of regulatory uncertainty for the Nutrients and Combined Sewer Overflow consent decree; the update resumed in 2024, concluded in 2025, allowing WTD to propose a new methodology that would take effect in 2027, based on an industry-standard “average cost” approach. The methodology was updated to comply with the 2016 KC Auditor’s report recommending a more transparent model, and aims to:

- Align with Revised Code of Washington (RCW) Requirements, including RCW 35.58.570’s “equitable share” requirement
- Account for current system investments and capacity, and future expanded capacity investments

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- Apply a cost-based approach based on the value of system assets (existing and future)
- Determine cost per Residential Customer Equivalent (RCE) based on existing and future capacity
- Achieve a more transparent and predictable calculation

The updated methodology resulted in a 6.6 percent proposed increase in 2027 and will be indexed to the Construction Cost Index over time. The capacity charge will be re-evaluated as part of the RWSP planning process.

Figure 33 shows the 2027 proposed capacity charge of \$83.10 and projects the charge and related lump-sum elective payment option for the forecast period.

Figure 33 Proposed 2027 Capacity Charge and 2028-2031 Forecast [also available on page 6]

	Adopted	Proposed	Forecast			
Capacity Charge	2026	2027	2028	2029	2030	2031
Monthly Charge	\$77.99	\$83.10	\$85.86	\$88.71	\$91.65	\$94.69
Increase %	2.50%	6.55%	3.32%	3.32%	3.31%	3.32%
Increase \$	\$1.90	\$5.11	\$2.76	\$2.85	\$2.94	\$3.04
Annual Total	\$936	\$997	\$1,030	\$1,065	\$1,100	\$1,136
Total Payments	\$14,038	\$14,958	\$15,455	\$15,968	\$16,497	\$17,044
Upfront Payment*	\$9,870	\$10,508	\$10,857	\$11,217	\$11,589	\$11,974

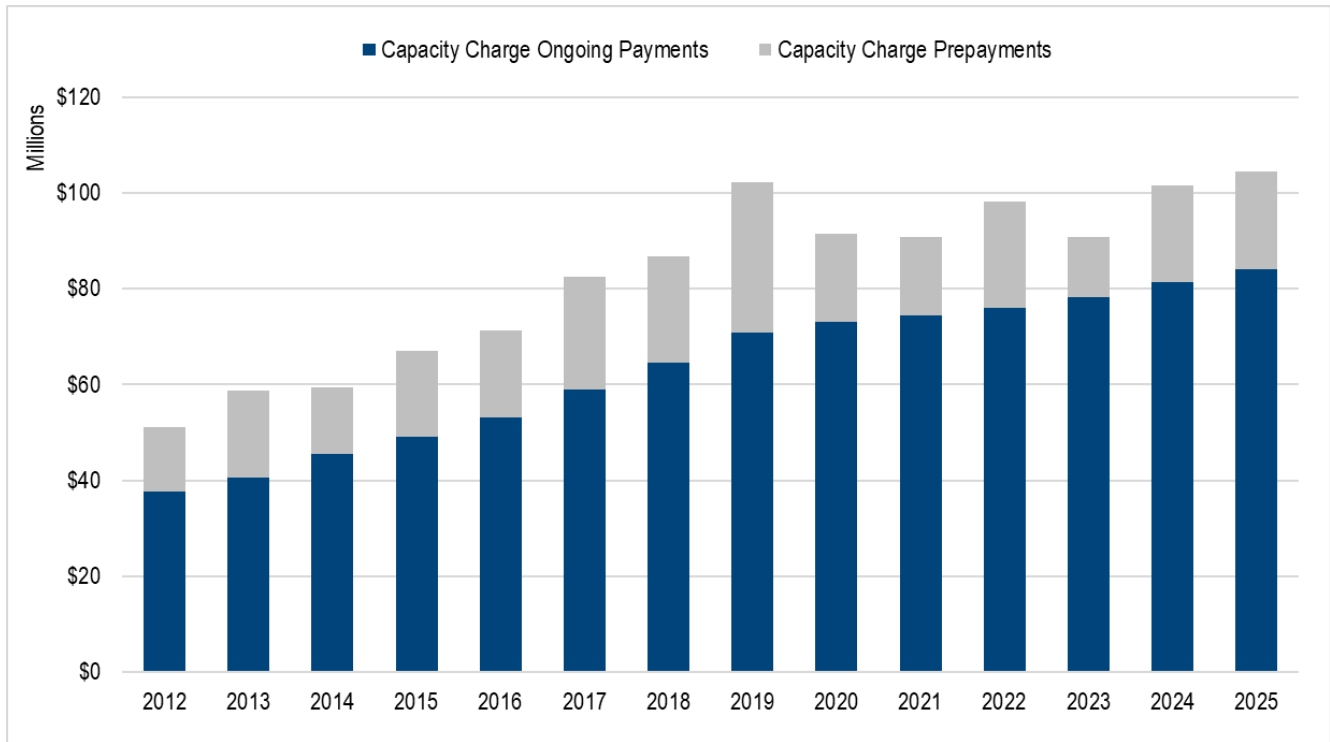
*Discount Rate of 5.14%

Capacity Charge Revenue Forecast

The majority of capacity charge revenue comes from regular capacity charge customer billings, with the rest coming from elective pre-payments. Ongoing payments are stable, while pre-payments vary significantly from year to year and are difficult to forecast.

Figure 34 shows the historical split between ongoing payments and elective pre-payments for the last 13 years (2012-2025). Until 2019, ongoing capacity charge pre-payment revenues grew at an average annual rate of more than nine percent, driven by a regional construction boom that added large numbers of new connections every year. The growth rate slowed significantly during 2020-23, before increasing again in 2024 and 2025. Capacity charge pre-payments have ranged between 14 to 31 percent of total capacity charge revenues, without a clear, discernible pattern from one year to the next. Pre-payments in the global COVID-19 pandemic-impacted years of 2020 and 2021 decreased to levels close to the averages seen before the record-high years of 2017, 2018, and 2019. The full capacity charge revenue forecast can be found in the Appendix.

Figure 34 Historical Capacity Charge Ongoing Payments and Prepayments (2012-2025)⁴⁶



Capacity charge revenues are forecasted based on an analysis of connection growth and the percentage of prepayments in any given year. This results in an overall capacity charge revenue increase of three to seven percent per year throughout the forecast period, as shown in Figure 36.

Other Revenues

Interest earnings

Interest earnings, also known as investment income, is revenue obtained by the County’s Water Quality Fund through investments of its cash balances in the King County Investment Pool (Pool). The Pool pursues a low-risk investment strategy that prioritizes the availability of funds for its participating agencies to meet daily cash-flow requirements. In 2025, WTD cash balances averaged approximately \$793 million throughout the year, which included cash balances for all WTD reserve accounts.

Interest-rate forecasts for the Pool come from King County’s Office of Economic and Financial Analysis. The 2026 interest rate is estimated to be four percent.⁴⁷ Changes to interest rates have a limited impact on WTD revenues, representing less than one percent of total revenue. Any reduction of interest earnings is significantly offset by savings from a lower cost of debt.

High-Strength Surcharge, Septage, Resource Recovery

Other WTD income is generated from more than 25 separate revenue sources. The largest of these sources come from the high-strength surcharge, resource recovery activities (methane sales with renewable identification numbers, or RINs), and septic hauler fees.⁴⁸ The high-strength surcharge recovers the additional operating costs imposed by treating high-strength wastewater and is defined by King County Code.⁴⁹ In 2026, the rate is \$0.4890 per pound of biological oxygen demand, and \$0.5675 per pound of total suspended solids. WTD conservatively assumes that RINs revenue will decrease from over \$7 million in the last few years to \$4 million in 2026, due to the risk of changes to existing regulatory

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framework under a new federal administration. Septic hauler fees had declined by about 25 percent since 2022, from \$4 million to \$3 million, but increased to \$3.6 million in 2025. Per conversations with septic haulers, this is related to the opening of a private facility in Sumner that opened at that time and diverted some of the septage typically treated at WTD facilities. Due to this uncertainty, septage revenues are not forecast to increase. Most of the other revenue components are forecast at three percent annual growth.

Reference and Additional Information

This section contains additional reference information about WTD’s funding strategies, forecast assumptions, historical financial performance, and costs of contaminants of emerging concern.

Supplemental WTD Debt Information

Figure 35 2025 Year-End Outstanding Debt Balances⁵⁰

System Sewer Obligations	Amount Outstanding	Final Maturity	Ratings
Parity Bonds (Senior Lien)	\$2,049,445,000	2055	Aa1/AA+
Parity Lien Obligations (LTGO)	\$641,815,000	2045	Aaa/AAA
Junior Lien Obligations	\$356,610,000	2041	Aa2/AA
Multi-Model LTGO / Sewer Revenue Bonds	\$183,900,000	2050	Aaa/AAA
State SRF and PWB Loans	\$339,900,878	2056	
Total Sewer Obligations	\$3,571,670,878		

Types of WTD Financing

Bonds

Sewer revenue bonds are secured by a pledge of revenue of the sewer system, subject to payment of all operating and maintenance expenses of the sewer system. When revenue bonds are additionally backed by a pledge of the full faith and credit of the issuer (meaning the County’s General Fund revenue and taxing power), the bonds are referred to as limited tax general obligation (LTGO) bonds. Sewer revenue bonds can also be issued at the junior lien, which is subordinate to both senior lien sewer revenue bonds and LTGO bonds.

State Loans

WTD receives loans from Ecology under the SRF Loan Program and from the Washington State Department of Commerce’s Public Works Board.⁵¹ The loans require either semi-annual or annual payments of principal and interest from 2025 through 2056, and bear interest at stated rates from 0.5 percent to 2.7 percent. As of December 31, 2025, the balance due on all state loans is \$339.9 million. State loans are secured by a subordinate lien on the net revenues of the system.⁵²

WIFIA Loans

WIFIA is an established federal loan program administered by the EPA for eligible water and wastewater infrastructure projects. The WIFIA program accelerates investment in the nation's water infrastructure by providing long-term, low-cost supplemental loans for regionally and nationally significant projects at a maturity similar to the U.S. Treasury rates. The WIFIA loans, after draws are made, are secured by a pledge of revenue from the sewer system, subject to payment of all operating and maintenance expenses of the sewer system. As of December 31, 2025, WTD has successfully secured and received five federal WIFIA loan agreements, totaling \$463.5 million.⁵³ These loans bear interest rates ranging from 1.69 percent to 4.79 percent. The most recent WIFIA loan, signed in January 2026, carries an interest rate of 4.79

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percent signed, compared to WTD’s most recent bond interest rate of 4.14 percent issued in November 2025. WIFIA allows an interest rate reset prior to spending 50 percent of the project cost, and WTD is hoping to utilize this on the Tranche 3 loan and lower the interest rate in the future before drawing on the loan.

Commercial Paper

The Commercial Paper (CP) program provides low-cost, flexible, interim financing for WTD capital projects. Its main purpose is to provide interim financing to pay for WTD’s capital projects pending permanent financing from state and federal loans. CP has also been utilized to refund high-interest outstanding debt and serve as a permanent element of WTD’s variable-rate debt portfolio. As of December 31, 2025, WTD has \$183.9 million in outstanding commercial paper debt.

Variable-Rate Debt

King County Code 28.86.160, Financial Policy 14, limits the utility’s variable-rate debt exposure to a maximum amount equal to 20 percent of all outstanding debt and, currently, WTD uses a target of 15 percent in the financial forecast. This limits WTD’s interest rate risk on its outstanding debt, i.e., increased borrowing cost in case of increase in interest rates. Also, typically an investor can sell variable-rate bonds back with just a week’s notice. Variable-rate debt allows WTD to achieve a borrowing cost that historically has been much lower than traditional fixed-rate debt. This type of investment warrants the lowest borrowing cost in any given interest rate environment. Variable-rate debt is issued on the junior lien level, which is subordinate to parity bonds (senior lien sewer revenue bonds) and parity bond lien obligations (LTGO). WTD’s initial variable-rate issuance was its \$100.0 million CP program in 1996. As of December 31, 2025, WTD has expanded its variable-rate portfolio to \$556.6 million.⁵⁴

Forecast Assumptions

Figure 36 summarizes the assumptions used to forecast revenues and expenditures in the 20-year financial forecast (2027-2046).

Figure 36 Forecast Assumptions Used in Financial Forecast

Forecast Assumptions:	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Single-Family Residences RCE Growth	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Multi-Family & Commercial RCE Growth	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Capacity Charge Ongoing Payments	7.2%	5.6%	4.8%	4.7%	4.7%	3.8%	3.0%	2.6%	3.8%	6.1%
Capacity Charge Prepayments	4.2%	3.8%	3.3%	2.8%	2.5%	2.2%	2.0%	1.9%	1.9%	1.6%
General Cost Inflation		4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Labor Cost Inflation		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Expenditure Growth*		2.0%	2.0%	2.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Capital Cost Escalation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Revenue Bond Rate (30 Year Term)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Blended Variable Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Investment Pool Earnings Rate	3.1%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%

*Excludes Joint Ship Canal Close-Out Costs in 2027

2025 Wastewater Treatment Division Financial Performance

Revenue

Figure 37 shows that total RCEs were 0.2 percent higher than projected and related sewer rate revenues were 0.1 percent higher in 2025.

Capacity charge revenues were \$6.2 million higher than previously forecast, due to higher-than-expected elective early payoff activity.

Other operating revenues presented better-than-forecast results, mostly due to increased septage revenues, although high-strength surcharge revenue decreased.

Investment income exceeded the forecast, with interest rates from the King County Investment Pool averaging 4.15 percent in 2025.

Overall, revenues exceeded the 2025 forecast by 1.8 percent, 88 percent of which was driven by investment returns and early payoffs of the capacity charge.

Figure 37 Wastewater Treatment 2025 Forecast vs. Preliminary 2025 Actuals⁵⁵

Wastewater Treatment Division 2025 Financial Performance ('000s)	Forecast 2025	Preliminary 2025	Variance (\$)	Variance (%)
Monthly Sewer Rate	\$58.28	\$58.28	\$0.00	0.0%
Rate Increase	5.75%	5.75%	0.00%	0.0%
Residential Customer Equivalents (RCEs)	780,874	782,424	1,550	0.2%
Revenue				
Sewer Rate*	\$ 546,112	\$ 546,926	\$ 814	0.1%
Capacity Charge	98,149	104,386	6,237	6.4%
Industrial Waste Program	10,258	9,975	(283)	-2.8%
Resource Recovery	9,509	9,837	328	3.5%
Other Income	3,578	4,224	646	18.1%
Investment Income	25,484	30,175	4,691	18.4%
Use (Transfer to) Rate Stabilization Reserve	-	-	-	n.a.
Total - Revenue	\$ 693,090	\$ 705,523	\$ 12,433	1.8%
Expenditures & Transfers				
O&M Expenses	\$ (227,606)	\$ (218,707)	\$ 8,899	-3.9%
Debt Service on Parity Bonds	(139,341)	(135,679)	3,662	-2.6%
Debt Service on Parity Lien Obligations	(87,242)	(87,169)	73	-0.1%
Debt Service on Subordinate Lien	(39,088)	(33,951)	5,137	-13.1%
Debt Retirement/ Defeasance Use of Cash	(97,867)	(116,166)	(18,300)	18.7%
Transfer to Voluntary Operating Reserve	-	(20,550)	(20,550)	n.a.
Minimum Operating Reserve Contribution	(2,940)	(2,050)	890	-30.3%
Total - Expenditures & Transfers	\$ (594,082)	\$ (614,271)	\$ (20,189)	3.4%
Net Cash Flow	\$ 99,008	\$ 91,252	\$ (7,756)	-7.8%
Beginning Balance	\$ 90,004	\$ 90,004	\$ -	0.0%
Net Cash Flow	99,008	91,252	(7,756)	-7.8%
Policy Cash-Funded Capital (Transfer to Capital Fund)	(189,012)	(170,000)	19,012	-10.1%
Ending Balance	\$ -	\$ 11,256	\$ 11,256	n.a.
Ending Reserve Balances				
Water Quality Operating Liquidity Reserve	\$ 22,761	\$ 21,871	\$ (890)	-3.9%
Voluntary Reserve	\$ -	\$ 103,723	\$ 103,723	n.a.
Rate Stabilization Reserve Account	\$ 46,250	\$ 46,250	\$ -	0.0%
Debt Service Coverage on Parity Bonds	3.34x	3.59x	0.25x	7.4%
Debt Service Coverage on Parity Bonds and Parity Lien Obligations	2.05x	2.18x	0.13x	6.3%
Debt Service Coverage on Total Debt Payments	1.75x	1.90x	0.14x	8.2%
*Sewer rate revenue includes a billing adjustment of \$270k				

Expenditures

In 2025, WTD realized operating expenditure savings of \$18 million below the revised budget, and \$8.9 million below the 2026 sewer rate forecast. The largest contributors to underspend were staffing vacancies and delays in the WaterWorks Grant Program, the latter of which was due to a change in the King County budget schedule. The remainder is made up of lower-than-expected purchases of supplies and services. Vacancy savings are those related to supplies and services that are not expected to continue as WTD has aggressively filled vacancies throughout 2025 and into early 2026,

2027 Sewer Rate Technical Memorandum

and prices of the affected supplies and services are projected to increase. WaterWorks savings are designated by ordinance to their specific use and may not be repurposed. This underspend will either be utilized by the grantees over their contract period or could be rolled into future granting cycles.

Debt

On February 26, 2025, WTD issued \$64.0 million in commercial paper and on July 2, 2025, WTD issued \$62.0 million in commercial paper to provide interim funding for its WIFIA and Joint Ship Canal projects. This financing will be redeemed when WTD gets reimbursements from the respective SRF/WIFIA projects, financing for which has already been signed through respective loan agreements.

On July 31, 2025, WTD issued \$200.0 million of Junior Lien Variable Rate Sewer Revenue Bonds, for which liquidity support will be provided by a Standby Purchase Agreement. The proceeds will provide financing for various capital projects.

On October 23, 2025, WTD issued \$101.0 million of Junior Lien Variable Rate Sewer Revenue Bonds, for which liquidity support will be provided by a Standby Purchase Agreement. The issuance refunded RV2020B Variable Rate Sewer Bonds, which were due January 1, 2026.

On November 25, 2025, WTD issued \$264.0 million of Sewer Revenue Bonds at par amount of \$264.0 million, plus a premium of \$24.1 million. The proceeds were used for refunding \$9.5 million of RF2015B, refunding \$78.1 million of RF2016A, and \$200.0 million of new money for financing various capital projects through H1 2026. Refunding RF2015B and RF2016A produced \$4.8 million in total savings and \$4.6 million in present value savings.

Due to the higher net revenue, WTD projects that, despite slightly higher debt, it will comfortably exceed each of its key coverage targets in 2025, namely 1.25 times senior lien debt service and 1.15 times total debt service.

Cash Funding and Defeasance

A new money par issuance of \$85.9 million of senior lien 2024A Sewer Revenue Bonds was sold in August 2024. The net proceeds, in the amount of \$98.1 million, were deposited into the construction fund, freeing up the same amount of operating cash that was subsequently used in February 2025 to defease outstanding high-coupon bonds. This transaction produced \$8.6 million in total savings and \$7.2 million in present value savings.

Net Cash Flow

WTD transferred \$170 million of operating revenue to the capital fund at year-end, in addition to a \$20.5 million transfer to the new Voluntary Operating Reserve from the DSRF. This left an ending fund balance of about \$11 million in unrestricted cash in the operating fund.

Contaminants of Emerging Concern (e.g., PFAS) – Cost Tracking

Per Council Motion 16434: “Beginning with the 2025 sewer rate forecast, the wastewater treatment division shall include in its technical memorandum submitted with the annual sewer rate Ordinance a section identifying the cost of activities it has undertaken and plans to undertake to address contaminants of emerging concern, including PFAS.”⁵⁶

PFAS Costs to Date

Between 2019 and 2021, King County evaluated the use of recycled water from the Brightwater Treatment Plant and its effects on soil, groundwater, and plant tissue. Samples were analyzed for PFAS and other chemicals of emerging concern. PFAS compounds were detected in river water, recycled (reuse) water, soils, and in plants that were grown in this soil and irrigated with either river water or reuse water. These actions total an estimated \$93,750 in costs, to date, for the PFAS-portion of this work.

Between 2021-2022, King County conducted an investigation and published a report on Toxics in King County Wastewater Effluent, Evaluating the Presence of Toxic Elements in the Effluent of Treatment Plants.⁵⁷ This investigation included the sampling of wastewater effluent for PFAS compounds at three County wastewater treatment plants. Estimated out-of-pocket costs connected to this project totaled \$24,990, related specifically to PFAS.

In 2023, King County allocated approximately \$421,000 for a further investigation of PFAS in King County wastewater facilities and landfill leachate, anticipated to be completed by mid-2025. In mid-2024, King County began tracking staff hours associated with PFAS on a regular basis; 2024 data estimates that 300 hours and \$27,300 in costs were spent. About \$30,000 was spent on PFAS testing in 2025.

Costs associated with the Nutrient Reduction Evaluation (total estimate of approximately \$8 million) include hiring an external consultant to conduct analyses of nitrogen removal but also with potential compounds of emerging concern and toxics removal, including PFAS chemicals. To date, an estimated \$63,500 has been spent on work attributable to PFAS chemicals.

Between 2023 and 2025, King County spent approximately \$717,000 to sample monthly for PFAS in influent, effluent, and biosolids from WTD’s three major treatment plants, as well as Cedar Hills Landfill leachate.

Future Costs

WTD incurred costs to comply with Ecology’s draft NPDES permit for the West Point Treatment Plant, which required the County to update its industrial user survey by April 30, 2025, and begin to include requirements for industries to complete PFAS pollution prevention and source reduction evaluations starting in July 2025. The draft permit also requires the County to include best management practices and pollution prevention strategies in its permits to industries beginning in July 2025. The cost estimate for this work is \$1 million over five years.

Other future unknown costs include monitoring for PFAS in stormwater, wastewater treatment plant influent and effluent, biosolids, and industrial waste.

Appendix. Attachment A

Wastewater Treatment Division Attachment A - Financial Forecast	Actual 2025	Budget 2026	Rate Proposal 2027	Projected 2028	Projected 2029	Projected 2030	Projected 2031	Projected 2032	Projected 2033	Projected 2034	Projected 2035	Projected 2036
Operating Financial Forecast - 4611 (\$ '000)												
Monthly Sewer Rate	\$58.28	\$62.66	\$70.65	\$79.66	\$89.82	\$101.28	\$112.68	\$125.36	\$135.39	\$146.23	\$157.93	\$160.70
Rate Increase	5.75%	7.50%	12.75%	12.75%	12.75%	12.75%	11.25%	11.25%	8.00%	8.00%	8.00%	1.75%
Residential Customer Equivalents (RCEs)	782,424	792,053	796,416	801,374	806,340	811,316	816,300	821,293	826,296	831,307	836,327	841,356
Revenue												
Sewer Rate ¹	\$ 546,926	\$ 595,561	\$ 675,201	\$ 766,049	\$ 869,106	\$ 986,041	\$ 1,103,768	\$ 1,235,488	\$ 1,342,466	\$ 1,458,744	\$ 1,584,974	\$ 1,622,472
Capacity Charge	104,386	104,147	111,253	117,245	122,689	128,147	133,791	138,655	142,676	146,327	151,548	160,035
Industrial Waste	9,975	10,025	10,076	10,127	10,179	10,231	10,283	10,335	10,388	10,441	10,494	10,548
Resource Recovery	9,837	8,184	8,430	8,683	8,943	9,211	9,488	9,772	10,065	10,367	10,678	10,999
Other Income	4,224	4,000	4,013	4,026	4,039	4,053	4,067	4,082	4,097	4,113	4,129	4,145
Investment Income	30,175	37,198	22,587	20,891	21,922	22,878	23,418	24,514	26,483	25,890	27,350	29,758
Use (Transfer to) Rate Stabilization Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Total - Revenue	\$ 705,523	\$ 759,115	\$ 831,560	\$ 927,020	\$ 1,036,879	\$ 1,160,560	\$ 1,284,815	\$ 1,422,846	\$ 1,536,176	\$ 1,655,882	\$ 1,789,173	\$ 1,837,957
Expenditures & Transfers												
O&M Expenses	\$ (218,707)	\$ (249,295)	\$ (267,664)	\$ (283,528)	\$ (299,973)	\$ (317,417)	\$ (333,056)	\$ (349,475)	\$ (366,713)	\$ (384,811)	\$ (403,813)	\$ (423,765)
Existing Debt Service	(273,492)	(304,063)	(306,541)	(279,275)	(289,777)	(308,610)	(309,120)	(280,095)	(284,981)	(255,217)	(243,303)	(246,468)
New Debt Service	-	(10,601)	(43,212)	(89,138)	(146,082)	(217,773)	(292,878)	(385,945)	(496,266)	(586,318)	(648,344)	(661,260)
Debt Retirement/ Defeasance Use of Cash	(99,473)	-	-	-	-	-	-	-	-	-	-	-
Transfer to Voluntary Reserve	(20,550)	-	-	-	-	-	-	-	-	-	-	-
Minimum Operating Reserve Contribution	(2,050)	(2,544)	(1,837)	(1,586)	(1,644)	(1,744)	(1,564)	(1,642)	(1,724)	(1,810)	(1,900)	(1,995)
Total - Expenditures & Transfers	\$ (614,271)	\$ (566,504)	\$ (619,254)	\$ (653,528)	\$ (737,477)	\$ (845,545)	\$ (936,618)	\$ (1,017,157)	\$ (1,149,683)	\$ (1,228,155)	\$ (1,297,360)	\$ (1,333,488)
Net Cash Flow	\$ 91,252	\$ 192,611	\$ 212,306	\$ 273,493	\$ 299,402	\$ 315,015	\$ 348,197	\$ 405,689	\$ 386,492	\$ 427,726	\$ 491,813	\$ 504,469
Beginning Balance	\$ 90,004	\$ 8,766	\$ -	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	91,252	192,611	212,306	273,493	299,402	315,015	348,197	405,689	386,492	427,726	491,813	504,469
Policy Cash-Funded Capital (Transfer to Capital Fund)	(170,000)	(201,377)	(212,306)	(273,493)	(299,402)	(315,015)	(348,197)	(405,689)	(386,492)	(427,726)	(491,813)	(504,469)
Ending Balance ²	\$ 11,256	\$ -	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Reserve Balances												
Water Quality Operating Liquidity Reserve	\$ 21,871	\$ 24,929	\$ 26,766	\$ 28,353	\$ 29,997	\$ 31,742	\$ 33,306	\$ 34,947	\$ 36,671	\$ 38,481	\$ 40,381	\$ 42,377
Voluntary Reserve	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723	\$ 103,723
Rate Stabilization Reserve Account	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250	\$ 46,250
Debt Service Coverage - Parity Bonds (Senior Lien)	3.59x	3.27x	2.83x	2.97x	2.87x	2.43x	2.25x	2.21x	1.93x	1.86x	1.95x	1.97x
Debt Service Coverage - All-In Debt Service	1.78x	1.62x	1.61x	1.75x	1.69x	1.60x	1.58x	1.61x	1.50x	1.51x	1.55x	1.56x
¹ Sewer rate revenue includes a billing adj. of \$270k												
² Difference between 2025 ending balance and 2026 beginning balance driven by reconciliation of cash and accrual, timing of transfers between funds												
Capital Funding Forecast - 3611 & 3612 (\$ '000)												
Beginning Balance	\$ 218,149	\$ 528,905	\$ 258,478	\$ 212,306	\$ 273,493	\$ 299,402	\$ 315,015	\$ 348,197	\$ 405,689	\$ 386,492	\$ 427,726	\$ 491,813
WIFIA Proceeds	33,792	20,484	20,636	-	-	-	-	214,327	-	-	-	-
State Loan Proceeds	43,865	18,796	29,141	24,650	-	-	-	-	-	-	-	-
Variable Rate Debt Proceeds	-	16,693	62,151	60,842	109,612	128,118	165,208	173,048	261,824	221,233	240,020	172,646
Commercial Paper / Interim Financing	126,000	116,468	108,853	-	-	-	-	-	-	-	-	-
Retirement of Interim Financing	(40,519)	(41,072)	(94,048)	-	-	-	-	(182,601)	(66,800)	-	-	-
Net Bond Proceeds	399,180	-	430,447	635,900	777,490	986,644	1,004,577	1,375,532	1,289,265	1,198,056	759,188	84,536
Debt Reserve Contribution/(Requirement)	-	-	43	43	-	-	65	68	-	-	-	-
Grants, Settlements, and Other	2,817	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	(428,999)	(603,174)	(815,701)	(933,742)	(1,160,595)	(1,414,163)	(1,484,865)	(1,928,571)	(1,889,978)	(1,805,781)	(1,426,934)	(748,996)
Ending Balance Before Transfers	\$ 354,286	\$ 57,101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year-end Transfers from Operating Fund	170,000	201,377	212,306	273,493	299,402	315,015	348,197	405,689	386,492	427,726	491,813	504,469
Ending Balance ³	\$ 524,286	\$ 258,478	\$ 212,306	\$ 273,493	\$ 299,402	\$ 315,015	\$ 348,197	\$ 405,689	\$ 386,492	\$ 427,726	\$ 491,813	\$ 504,469
Ending Reserve Balances												
Capital Liquidity Reserve / Capital Liquidity Threshold	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Emergency Capital Reserve	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Revenue Bonds Reserve Account	-	-	-	-	-	-	-	-	-	-	-	-
State Revolving Fund Reserve Account	219	176	133	133	133	68	-	-	-	-	-	-
³ Difference between 2025 ending balance and 2026 beginning balance driven by reconciliation of cash and accrual, timing of transfers between funds												

Endnotes

¹ Motion 16449 can be found [here](#).

² The modified consent decree schedule can be found [here](#).

³ More information on WTD's CSO program can be found [here](#).

⁴ WTD's 2026-27 budget book can be found [here](#).

⁵ More information on the case is available [here](#).

⁶ In this context "smoothed annual increases" refers to avoidance of year-to-year volatility in the sewer rate.

⁷ Secondary treatment includes aeration, settling, disinfection, and discharge through an outfall. Secondary treatment in conjunction with primary treatment removes about 85 to 90 percent of suspended solids in wastewater.

⁸ Combined sewer overflows (CSOs) are relief points in sewer systems that carry sewage and stormwater in the same pipe. When heavy rains fill the pipes, CSOs release sewage and stormwater into rivers, lakes, or Puget Sound. They prevent sewage backups into homes and businesses but can harm people and animals living in the water because they carry chemicals and germs.

⁹ "High strength" refers to more concentrated waste. The surcharge covers the additional operating cost of treating this waste at the treatment plant.

¹⁰ The [capacity charge](#) is billed to new connections to the system. The charge is assessed monthly for a term of 15 years from the date the new service is established and is based on the cost of system capacity necessary to serve a new connection.

¹¹ More information on compliance and monitoring fees can be found [here](#).

¹² More information on enterprise funds can be found in the [WA State Administrative and Accounting Manual](#).

¹³ A combined sewer system collects rainwater runoff and domestic wastewater into a single pipe and conveys it to a wastewater treatment plant. During heavy rain events, the amount of runoff can exceed the capacity of the system, resulting in a combined sewer overflow (CSO), where untreated wastewater and stormwater flows into nearby receiving waters. More information on WTD's CSO control program can be found [here](#).

¹⁴ More information on CSO regulations and requirements can be found [here](#).

¹⁵ Depreciation is an accounting concept that divides an asset's cost by its estimated useful life, representing how much that asset is expected to wear out or lose value every year. Original cost refers to the actual cost of an asset, rather than the cost adjusted for inflation.

¹⁶ Debt financing occurs when WTD borrows from investors in the municipal bond capital markets, or financial institutions directly, or avails financing from state and federal agencies.

¹⁷ The State and Local Government Series securities program was established in 1972 to restricted state and local governments from earning arbitrage profits by investing bond proceeds in higher yielding investments. More information is available [here](#).

¹⁸ Ordinance 19575 can be found [here](#).

¹⁹ Ordinance 19739 can be found [here](#).

²⁰ Ordinance 19821 can be found [here](#) and Ordinance 19822 [here](#).

²¹ Ordinance 19876 can be found [here](#) and Ordinance 19874 [here](#).

²² Commercial paper is a commonly used type of unsecured, short-term debt typically used for interim financing purposes with maturities ranging between one and 270 days. WTD can issue up to \$250 million in commercial paper in aggregate for both new money interim financing and refunding purposes per [Ordinance 19955](#).

²³ The Tax Cuts and Jobs Act can be found [here](#).

²⁴ The LOCAL Infrastructure Act - Lifting Our Communities through Advance Liquidity for Infrastructure Act - can be found [here](#).

²⁵ The Financial Data Transparency Act can be found [here](#).

²⁶ Par value is the amount that the issuer agrees to pay the bondholder upon maturity of the bond. It is also used to calculate the interest payments on the bond.

²⁷ "Present-value savings" assists in analyzing the current worth of future savings by taking the time value of money and interest rates into account. This can change based on interest rates and the year savings are realized.

²⁸ The following legislation is available on the King County Council website: [Motion 13798](#), [Ordinance 13680](#), and [Ordinance 19785](#)

²⁹ Liquidity metrics refer to quantitative measures that evaluate an agency's ability to meet its financial obligations by assessing the availability of liquid assets (cash).

³⁰ [Ordinance 19782](#) is available on the King County website.

³¹ [Ordinance 19785](#) is available on the King County website.

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- ³² Parity Bonds are secured by a lien on sewer revenue and hold a priority in payment second only to operating and maintenance expenses.
- ³³ "Springing" refers to a provision within an Ordinance that activates certain conditions or changes to the current terms or requirements.
- ³⁴ The remainder of the Voluntary Operating Reserve was funded from the Operating Fund
- ³⁵ The King County Code Title 28 can be found [here](#).
- ³⁶ More information on the King County Capacity Charge can be found [here](#).
- ³⁷ In 1992, voters approved an amendment to the County's charter that authorized the merger of King County with the Municipality of Metropolitan Seattle (Metro), with the phased merger effective in 1994. More information on the merger is available [here](#). As successor to Metro, the County assumed Metro's rights and obligations, including authority to impose the capacity charge.
- ³⁸ Revised Code of Washington [35.58.350](#)
- ³⁹ Revised Code of Washington [35.58.570](#)
- ⁴⁰ A 2015 internal WTD survey of utility connection charges for 18 comparable agencies nationwide included data on when the charge is assessed to new connections for 13 of the 18 agencies. Of the 13, 100 percent required payment at the time of permitting or service application. Only WTD did not require payment as a condition of development through the permitting/service application process.
- ⁴¹ [RCW 35.92.025](#) for Cities and Towns, and [RCW 57.08.005](#) for Districts.
- ⁴² More information on the capacity charge review study can be found [here](#).
- ⁴³ [King County Code 28.84.050 O.3](#).
- ⁴⁴ The King County Code Title 28 can be found [here](#).
- ⁴⁵ Information on the RWSP is available [here](#).
- ⁴⁶ Ongoing payments include penalty fees that have ranged between \$400,000 and \$1.3 million a year.
- ⁴⁷ The August 2025 forecast is available [here](#).
- ⁴⁸ A RIN is a serial number assigned to a batch of [biofuel](#) for the purpose of tracking its production, use, and trading.
- ⁴⁹ The relevant section of the King County Code (KCC 28.84.060 (M) (3)) can be found [here](#).
- ⁵⁰ Excludes principal payments from January 1, 2026, that had already been transferred to the debt service fund in December 2025.
- ⁵¹ More information on the Public Works Board can be found [here](#).
- ⁵² "Subordinate" liens are those that can only be paid after more senior liens are released.
- ⁵³ Includes the following loan agreements: \$17.7 million for Georgetown Wet Weather Treatment Station, \$96.8 million for Joint Ship Canal, \$194.1 million for Tranche 1 Projects, \$89.9 million for Tranche 2 Projects, and \$65.0 million for Tranche 3 Project.
- ⁵⁴ Excludes commercial paper used for interim financing and the refunding of the 2013B Sewer Revenue Bonds.
- ⁵⁵ Audited 2025 financial information will be available in May 2026. Preliminary (unaudited) year-end financial data is presented for comparison to the 2025 forecast from the 2026-2045 Financial Forecast.
- ⁵⁶ Per- and Polyfluoroalkyl Substances. PFAS are a group of chemicals used to make fluoropolymer coatings and products that are widely used in consumer products. PFAS are a concern because they do not break down in the environment, are able to move through soils and water sources, and build up in fish and wildlife. More information about PFAS can be found [here](#).
- ⁵⁷ Report submitted as part of Motion 16384 can be found [here](#).

Note: Changes from the last month's update are in bold, blue font.

Major Recommendations from RWQC Letter	Wastewater Treatment Division Tasks	Working Timeline	Status
<p>1. Meaningful and Timely Engagement in Development of Sewer Rate. For the 2027 rate process and on-going, Wastewater Treatment Division (WTD) should implement an updated rate process that includes:</p> <ul style="list-style-type: none"> a. Regular discussions throughout the year with the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC), Regional Water Quality Committee (RWQC), and King County Council at the relevant level of detail for each body on key factors and assumptions affecting the rate and forecast. This includes transparency on capital improvement program assumptions. b. Time for more in-depth review and understanding of costs, discussion of specific rate scenarios/options, and effects during rate discussions with MWPAAC, RWQC, and other stakeholders, at the relevant level of detail for each body. c. Ensure that the long-term rate forecast methodology requested by Motion 16449 is used to develop scenarios to evaluate options. 	<ul style="list-style-type: none"> • To promote meaningful and timely engagement, WTD will host regular meetings with MWPAAC and/or its subcommittees to review: <ul style="list-style-type: none"> • 10-year Capital Improvement Program. • Project prioritization, including transparency on how decisions are made and policy drivers of capital prioritization. • Timely updates on changes in large project costs that may impact rates as information becomes available. • Expenditure forecast assumptions and impacts to different types of projects across the capital program. • Work with King County Executive's Office to schedule early 'look ahead' presentations on known and potential factors affecting the 2027 rate proposal and forecast. • As part of the 2027 rate proposal, include options for multiple rate scenarios, including those that offer various capital portfolio options. Scenarios should detail tradeoffs and associated risks and benefits. This should include a discussion about the level of service WTD is able to deliver under each option. • The report on long-term forecasting model required by Motion 16449 was presented to RWQC in September 2025. To increase transparency and credibility in the long-term forecasting model, WTD will work with a MWPAAC work group to identify the model details that should be shared and further refined in order to improve understanding of the assumptions, formulas, data sets, and policy implications embedded in the long-term rate model and allow for 	<p>Q4 2025 and ongoing</p> <p>Q1/Q2 2026</p> <p>Q2 2026</p> <p>Q3 2025 and ongoing</p>	<p>Briefings provided on WTD's capital project prioritization process and key capital projects impacting the rate in Q3/Q4 2025.</p> <p>"Look Ahead" briefings to MWPAAC scheduled for Q4 2025 and Q1 2026. WTD briefed MWPAAC on 1/28/26 on the rate strategy for 2027 and assumptions. WTD provided a preliminary sewer rate and capacity charge briefing to MWPAAC on 2/5/26 and 2/25/26, and a briefing on WTD's proposed rate on 3/5.</p> <p>WTD presented preliminary scenarios for illustrative purposes to RWQC on 2/4/26 and MWPAAC Rates and Finance Subcommittee on 2/5/26, and as part of WTD's proposed rate on 3/5/26. Two scenarios, in addition to the Executive's proposed rate, are included in the Technical Memorandum transmitted to Council with proposed Ordinance 2026-0066.</p> <p>An independent consultant selected by MWPAAC members briefed MWPAAC on 1/28/26 and a video of the presentation can be found here. Further briefings on implementation of the long-term forecasting model will be provided to MWPAAC with an opportunity to suggest any further improvements to align with</p>

Wastewater Treatment Division (WTD's) Sewer Rate and Capital Work Plan to Continue to Improve Engagement, Transparency, and Accountability – May 6, 2026, Status Update

Note: Changes from the last month's update are in bold, blue font.

Major Recommendations from RWQC Letter	Wastewater Treatment Division Tasks	Working Timeline	Status
	<p>informed questions. The MWPAAC work group should identify areas of improvement to continue to align with industry best practices to inform suggestions for improvements.</p> <ul style="list-style-type: none"> Work with MWPAAC Executive Board member(s) to develop a process for members to observe WTD Capital Portfolio management staff meetings while not hampering WTD's process and progress. 	Q1/Q2 2026	<p>industry standards.</p> <p>WTD is engaged with MWPAAC's Executive Board to provide an opportunity to observe the Definition and/or Delivery Board meetings in the Portfolio Management process beginning in Q1 2026. MWPAAC's Executive Board selected two representatives to attend WTD Capital Portfolio management meetings beginning in Q2 2026.</p>
<p>2. Early visibility and transparency on large project planning. Develop mechanisms for MWPAAC and RWQC to engage in the planning and development process for large capital projects prior to decision-making to improve knowledge and confidence.</p>	<ul style="list-style-type: none"> Develop and implement a process for MWPAAC and RWQC (as requested) to review a limited number of large capital projects selected by MWPAAC that substantively affect the rate. These reviews will happen at key phases in the development of these selected projects, including concept definition, alternatives analysis, alternative selection, and final design. Each engagement will create an opportunity to influence outcomes by collaboratively discussing comments and questions with WTD before a decision in each phase identified above is finalized. 	Q1 2026	<p>MWPAAC representatives at WTD Portfolio management meetings will help inform MWPAAC members regarding WTD's process for project prioritization and decisions. The topic of alternatives analysis for selected projects will be revisited at the next MWPAAC Executive Board in Q2 2026.</p>
<p>3. Improve multi-year rate predictability. Develop options and implement a mechanism to improve rate predictability to help partner agencies better plan and lessen large changes in rate proposals, especially for the first three years of the rate. A multi-year rate would provide more time for an in-depth review and understanding of costs and how investments are prioritized, and discussion of options and tradeoffs.</p>	<ul style="list-style-type: none"> Prepare and deliver options for multi-year rate predictability, including options for a multi-year rate commitment. Options should be prepared in discussion with MWPAAC's Executive Board and partner agencies and in coordination with King County Executive's Office and county budget process. Any multi-year option should include a process for WTD to update the rate if there are significant changes that impact the rate forecast. 	Q3 2025 – Q2 2026 (Options identified by end 2025 and multi-year rate implementation by end of Q2 2027 for 2028 and 2029 rates)	<p>WTD began discussions with MWPAAC's Executive Board and King County's budget office in Q3/Q4 2025 on options for rate predictability. MWPAAC received an initial briefing and provided feedback on potential options at its 12/4/25, Rates and Finance Subcommittee meeting. Further discussion of options for rate predictability is planned for MWPAAC's Rates and Finance Subcommittee on June 4, 2026.</p>
<p>4. Evaluate regulatory requirements and develop options to</p>	<ul style="list-style-type: none"> Evaluate the costs/benefits of seeking regulatory changes to 	Q3 2025 – 2026	<p>WTD's Planning team is meeting in Q1</p>

Wastewater Treatment Division (WTD's) Sewer Rate and Capital Work Plan to Continue to Improve Engagement, Transparency, and Accountability – May 6, 2026, Status Update

Note: Changes from the last month's update are in bold, blue font.

Major Recommendations from RWQC Letter	Wastewater Treatment Division Tasks	Working Timeline	Status
<p>address financial sustainability. Evaluate consent decree and permit deadlines for major projects and investments associated with multiple and concurrent requirements and identify options to address financial sustainability while optimizing water quality benefits and maintaining permit compliance.</p>	<p>improve the environmental and financial sustainability of the regional system.</p> <ul style="list-style-type: none"> Coordinate on outreach plan with local agency partners, to state and federal government. The outreach plan should address regulatory issues and funding availability from state and federal agencies. 	<p>Q3 2025 – 2026</p>	<p>2026 and will coordinate with the King County Prosecuting Attorney's Office and County Executive's Office to evaluate potential regulatory changes.</p> <p>WTD is initiating outreach with its local agency partners on a federal/state outreach strategy. WTD and Seattle Public Utilities (SPU) coordinated on delegation meetings as part of Water Week (April 12 – 18, 2026) in Washington, D.C. Additionally, WTD is coordinating with City of Bellevue on key messages in advance of the city's D.C. trip in June 2026.</p>
<p>5. Independent, third-party oversight. Provide for independent third-party review for WTD's capital program, including <i>mega</i> capital projects such as the Mouth of Duwamish Combined Sewer Overflow Program.</p>	<ul style="list-style-type: none"> Develop a proposal in coordination with MWPAAC's Executive Board for review by the Executive's Office to procure an independent consultant to review WTD's capital program, including large capital projects. 	<p>Q4 2025 – Q2 2026</p>	<p>WTD provided an opportunity for MWPAAC's Executive Board to review the scope of work to procure an independent third-party consultant. The King County Auditor's Office has agreed to serve as the Project Representative. MWPAAC has selected a representative from its Executive Board to participate in the consultant proposal and interview process. The advertisement for the independent consultant contract opened on 2/10/26 and closed on 3/11/26. A consultant, <u>PMA Consultants</u>, has been selected and work is scheduled to begin in Q3 2026.</p>
<p>6. Regional Utility Affordability Summit. In partnership with local municipal leaders, prepare a multi-jurisdictional summit to address affordability and access to essential utilities.</p>	<ul style="list-style-type: none"> Work with RWQC, Sound Cities Association, Seattle, and sewer districts to bring a wastewater perspective to the development and planning of the regional utility affordability summit. Identify and implement resources to execute follow-up steps agreed upon at the summit. 	<p>Q3 2025 – Q1 2026</p> <p>Q4 2025-Q1 2026</p>	<p>The Regional Utility Rate Summit was held in SeaTac on November 14, 2025, with approximately 150 attendees. WTD participated in the Staff Committee and Steering Committee for planning the Summit and as a participant presenting at the Summit.</p> <p>Follow-up will be coordinated with participants, including a potential</p>

Wastewater Treatment Division (WTD's) Sewer Rate and Capital Work Plan to Continue to Improve Engagement, Transparency, and Accountability – May 6, 2026, Status Update

Note: Changes from the last month's update are in bold, blue font.

Major Recommendations from RWQC Letter	Wastewater Treatment Division Tasks	Working Timeline	Status
	<ul style="list-style-type: none"> Develop public engagement strategy for rate payers in coordination with local contract agencies to explain why wholesale WTD rates are increasing and provide opportunities for public engagement. 	Q1 2026	<p>second summit in 2026. Sound Cities Association (SCA) and County staff participated in a discussion with MWPAAC at its April 28 General Meeting to solicit input on next steps.</p> <p>WTD held two sessions in January 2026 with local agency public information officers and similar staff to gather feedback. The sessions included discussion of what local agencies are hearing from customers, more information on current outreach efforts, and ideas for coordination with WTD on rate messages. This feedback will inform WTD's communications strategy development in Q1/Q2 2026. WTD hosted a virtual meeting local agency public information staff on 4/28/26 and shared a communications tool kit for the proposed 2027 sewer rate. WTD's Director also participated in an interview with Bellevue TV regarding utility rates.</p>

King County WTD - Sewer Rate Financial Model

Capital Spending Forecast_2027 Proposal

CIP

Asset Management - Conveyance
 Asset Management - Plants
 Capacity Improvement
 Operational Enhancements
 Planning & Administration
 Resource Recovery
 Regulatory
 Resiliency

Total - CIP

CIP - Capital Spending Forecast_2027 Proposal

Asset Management - Conveyance

Bellevue Interceptor Rehabilitation
 BWO West North Creek Force Main Rehabilitation
 Cathodic Protection Program
 Conveyance System H2S Corrosion Rehabilitation
 Coordinate with WSDOT on I-405N
 Division Wide Force Main Inspection Access Program
 East North Creek Force Main Structural Lining or Replacement
 ESI Section 10 Rehabilitation
 ESI Section 13 Rehabilitation Phase II
 ESI Section 2 Rehabilitation Phase III
 Interbay Force Main & Odor Control
 Issaquah Interceptor Rehabilitation
 Juanita Interceptor Rehabilitation
 Kenmore Interceptor Landfall Structure Rehabilitation
 Lake Hills Boulevard Siphon Replacement
 M Street Trunk Rehabilitation
 Murray Forcemain Rehabilitation
 Murray West Force Main Rehabilitation
 Odor / Corrosion Control
 Pipeline Replacement
 Redmond Interceptor Rehabilitation
 South Interceptor Rehabilitation
 SPC Yarrow Bay PS Overflow Pipe Rehabilitation
 SPO Eastgate Interceptor Rehabilitation Phase IV
 SPO Heathfield Forece Main Rehabilitation
 SPO Kent Cross Valley and May Creek Interceptors Rehabilitation
 Vashon WWTP Outfall Upgrade

Asset Management - Plants

Alki Primary Treatment Tanks and Alki Influent Screening Roof Replacements
 Biosolids Agricultural Equipment
 Biosolids Forestry Equipment
 Biosolids Site Development
 Biosolids Transportation
 Brightwater Chemical Pipe System Replacement
 Brightwater Neuros NX-300 Blower Replacement
 Brightwater Operations Center Roof & HVAC Replacement

Chinook Research Vessel Replacement
Division Wide Offsite Level Controls and Communication Upgrade
Division Wide VFD Replacement Program
Division-Wide UPS Replacement Program
Electrical / I&C
Generator Power Systems Lifecycle Management Program
Hidden Lake PS Raw Sewage Pump Replacement
HVAC Replacements and Refurbishments
Kenmore PS and Storage Facility Upgrade
Lab Camp
Lake Ballinger PS Upgrade
Lakeland Hills PS Facility Replacement
Matthews Park PS Odor Control Replacement
Mechanical Upgrade & Replacement
Membrane Lifecycle Replacement Program Brightwater and Carnation
Murray PS Raw Sewage Pump Upgrade
Offsite Standby Generator Retrofit with Load Bank Connections
Ovation Evergreen Control Systems Lifecycle Management Program
PIMS Replacement
Roof Replacements for WTD Facilities
Small Generator Replacement at Various Offsite Stations
South Plant Barscreen Upgrade
South Plant Biogas Scrubbing System Upgrade
South Plant C2, C3 LP and C3 HP Piping Replacement
South Plant Chemical ORT System and Dewatering Carbon Scrubber Improvements
South Plant Electrical Improvements
South Plant Flow Control Structures (#1-4) Component Replacement
South Plant Influent Gates & Actuators Replacement
South Plant Raw Sewage Pump #3 Replacement
South Plant Santler Building Redevelopment
South Plant Screening Dewatering Units Replacement
South Plant Secondary Odor Control Storage System Improvements
South Plant Water Tower Lead Abatement
SP Biogas and Heat Systems Improvements
SP DAFT Tank Rehabilitation
SPO Medina - Wilburton Siphons Odor Control
STP Aeration Tank Rehabilitation
STP Mixed Sludge Line Replacement
STP RAS Piping and Component Replacement
STP Septage Receiving
Structures / Site Improvement
Vashon TP Clarifier 1 & 2 Refurbishment (Standalone)
West Point Electrical Improvements
West Point EPS Isolation Gate Rehabilitation
West Point IPS / EPS Pump Refurbishment Program
West Point Primary Sediment Tank Corrosion Protection
West Point Propane System Improvements
West Point Secondary Clarifier Mechanism Refurbishment
West Point Sodium Hypochlorite System
WLRD Environmental Lab MCC Replacement
WPO Alki Bar Screen Replacement
WPO Denny Way Regulator Station Back-up Power
WPO Murray PS Upgrade
WPO North Beach Pump Station Upgrade
WPTP C1/C2 Pipeline Replacement

WPTP Cathodic Protection System Upgrade
WPTP Centrifuge, Centrate and SR lines Replacement
WPTP Co-Gen Replacement
WPTP Cogeneration Refurbishment
WPTP Critical Gate Refurbishment Program
WPTP CW Pipeline Replacement
WPTP GBT Replacement
WPTP Grit Classifier Replacement
WPTP Heat Loop Refurbishment
WPTP Instrument & Service Air Replacement
WPTP LSG Piping Replacement
WPTP OGADS System Replacement
WPTP Oxygen Generation System Refurbishment
WPTP PE and RAS Pipe Restoration/Replacement
WPTP Sand filter Replacement
WTD CMMS Upgrade
WTD Offsite Facilities Security Upgrade Project
WTD Ovation Control Systems Upgrades
WTD Roofing Program 2024-2028
WTD Standby Generator Fuel Storage ATG (Automatic Tank Gauging) Upgrade Program
Yarrow Bay PS Permanent Emergency Backup Generator

Capacity Improvement

Black Diamond Payments
Black Diamond Trunk Capacity Upgrade
Boeing Creek Trunk Replacement and Parallel
Brightwater Aeration Basin No. 4
Brightwater Aeration Basin No. 5
Brightwater Centrifuge No. 3
Brightwater Digester Capacity
Brightwater Grit Removal Expansion (Placeholder)
Brightwater Membrane 9 & 10 Cassettes
Brightwater Primary Clarifier Expansion (Placeholder)
BW Basins & Cassettes (11 & 12)
Coal Creek Siphon & Trunk Parallel
East Section Permanent Flow Monitors
Garrison Creek Interceptor Upgrade
Lake Hills and NW Lake Sammamish Interceptor Upgrade
Medina Pump Station Upgrade
Medina Trunk Replacement
North Mercer Island & Enatai Interceptors Upgrade
Richmond Beach Edmonds Interceptor Parallel
Richmond Beach Force Main Parallel
Richmond Beach PS Upgrade
Sammamish Plateau Diversion
Sammamish Plateau Interim Capacity
Soos Creek Cascade Relief Interceptor No. 2 Upgrade
South Park Conveyance Rerouting to Rainier Vista Interceptor
South Plant Digester Capacity
South Plant ETS Expansion (Placeholder)
South Plant Primary and Secondary Clarifier Upgrade
SPC North Lake Sammamish Flow Diversion
STP Secondary Sedimentation Tanks Retrofit
Treatment Planning Program
Tukwila Freeway Crossing Replacement

West Point Digestion Capacity Expansion
West Point Secondary Clarifier Capacity Expansion
WPTP OGADS Replacement

Operational Enhancements

Alki Permanent Standby Generator
Brightwater Biogas Conditioning
Brightwater Influent Pump Station Optimization
Carkeek CSO Dechlorination System Modifications
Lake Union HVAC Improvements
Process Replacement/Improvement
SPO Black Diamond PS RSP Rehabilitation
Sunset/Heathfield RSP Replacement
Technology Assessment and Innovation Project
West Point Additional IPS Pump
West Point Digester Mixing System Improvements
West Point Sludge Blend Tank Mixing System
WPTP GBT Foul Air System Improvement

Planning & Administration

Capital Project Oversight
Regional Wastewater Services Plan (RWSP) Update
RWSP Conveyance System Improvements
RWSP Local Systems I/I Control
Water Quality Capital Outlay
WTD Capital Project Formulation
WTD Capital Projects Closeout

Resource Recovery

Brightwater Digester Circulation Pump Replacement
Brightwater Digester Gas Optimization
Brightwater Odor Control Optimization
Brightwater Space Heating - Heat Pump Installation
BW Reclaimed Water Storage
Class A Loop Biosolids Facility
Loop Biosolids Compost Pilot at SP
Reclaimed Water Planning & Infrastructure
Sewer Heat Recovery, Renewable energy projects - Long term planning
South Plant Digester Circulation Pump Replacement
West Point Digester Circulation Pump Replacement
West Point Digester Gas Optimization - Phase 2
West Point Solar PV installation Over Primary Clarifiers
WP Biogas Utilization Improvement Program
WTD Electric Vehicle Charging Stations
WTD Solar Program

Regulatory

Comp Planning & Reporting
CSO Control & Improvement
CSO Supplemental Compliance and Corrective Action
East Ship Canal Wet Weather Facilities
Elliott West CSO Compliance
Elliott West Wet Weather Treatment Station
Georgetown Wet Weather Treatment Station
Joint Ship Canal WQ CSO Control

Lower Duwamish Waterway Superfund
Mitigation Site Maintenance and Monitoring
Mouth of the Duwamish - Chelan Storage Parent
Mouth of the Duwamish - Wet Weather Treatment Station and Conveyance Parent
Mouth of the Duwamish Facility Plan
Nitrogen Removal Optimization Mid-term Capital – Sidestream Treatment
Nitrogen Removal Optimization: Near-term Capital Program
PSNGP Nutrient Reduction Strategy
Sediment Management Plan
STP Aeration Tank Foam Wasting Control
STP Secondary Aeration Modified Ludzak Ettinger Retrofit
Water Quality Improvement Alternatives
West Duwamish Wet Weather Storage
WP Power Quality Improvements
WP Power Reliability Improvements
WPO South Magnolia Supplemental Compliance

Resiliency

30th Avenue PS Structural Retrofits
63rd Avenue PS flood Protection Upgrade
63rd Avenue PS Liquefaction Retrofits
Climate Adaptation Planning Program
Duwamish PS Structural Retrofits
Henderson PS Liquefaction Retrofit
Interbay Pump Station Structural Retrofits
Interurban PS Liquefaction Retrofit
Matthews Park PS Flood Protection Upgrade
Matthews Park PS Structural Retrofits
Murray PS Flood Protection Upgrade
South Mercer PS Landslide Protection Upgrade
South Plant Digester Equipment Building Structural Retrofits
South Plant Effluent Pump Station Structural Retrofits
South Plant Santler Building Structural Retrofits
SPTP Influent Pump Station Seismic Upgrades
Sweylocken PS Structural Retrofits
W. Marginal Way PS Structural Retrofits
West Point Maintenance/Effluent Pump Station Structural Retrofits
West Point Primary Sedimentation Area Roof Structure
Woodinville PS Flood Protection Upgrade
WP Life Safety Capital Improvements Program
WPTP Admin/Ops Center Seismic Upgrades
WPTP Passive Weir for Emergency Bypass
WPTP Raw Sewage Pump Replacement
WTD Resiliency Rollup
York PS Flood Protection Upgrade

Total - CIP - Capital Spending Forecast_2027 Proposal

2026-2036

\$ 927,662,868
3,021,207,691
2,044,336,734
301,352,361
137,809,723
271,023,881
7,139,647,190
344,237,542
\$ 14,187,277,990

2026-2036

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\$ 40,474,049
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5,203,493
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2,591,052
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50,495,851
11,154,533
30,458,203
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59,880,700
1,526,392
7,015,731
1,204,242
8,821,831
63,687,692
6,036,519
9,679,758
105,516,775
79,821,099
590,704
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7,912,892
27,958,800
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29,579,575
22,685,189

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\$ 1,011,722
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3,134,145
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\$ 21,901,398
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24,607,599
11,113,466
494,050
3,880,463
33,816,424
1,942,897
147,634,118
15,155,102
3,056,039

\$ 14,187,277,990



King County

**Metropolitan King County Council
Regional Water Quality Committee**

April 9, 2026

The Honorable Girmay Zahilay
King County Executive
401 5th Ave., Suite 800
Seattle, WA 98104

RE: 2027 Sewer Rate and Capacity Charge

Dear Executive Zahilay,

At the April 1, 2026 Regional Water Quality Committee (RWQC) meeting, committee members discussed the 2027 sewer rate and capacity charge you will be transmitting for consideration and adoption by the King County Council. On behalf of the members of the RWQC, thank you for the opportunity to review WTD's rate in development and for the opportunity to provide comments to help inform your recommendation to the Council.

As you know, for the last several years, the sewer rate trajectory has included double-digit increases projected out for the foreseeable future. WTD's presentation at the April RWQC meeting included a department recommendation and alternative scenarios presented which continue this trajectory.

As a committee, RWQC views these increases from a ratepayer perspective. The projected increases significantly affect the affordability of living in our region, and we are deeply concerned the proposed rate trajectory is unsustainable. Our ratepayers are already facing increases across the board in their monthly expenses, including local sewer rates, other utility bills, housing, fuel, and food. Additionally, we recognize that the county's significant wastewater rate increases impact the ability of local sewer utilities to fund their system needs as they are concerned about compounding rate increases to fund both the regional and local system.

The RWQC acknowledges and appreciates the work that WTD has done thus far to implement the division's work plan for improving engagement and transparency in the rate process. However, many of the action items are still in the early stages of implementation. We are eager to see more progress in the coming months in:

- pursuing state regulatory flexibility with a focus on what matters most for improving water quality

The Honorable Girmay Zahilay

April 9, 2026

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- implementing a multi-year rate to improve predictability for local utilities and the ratepaying public;
- improving transparency in the capital planning process; and
- advancing the independent review of the capital program, with a goal of ensuring that planned projects are delivered within promised timelines.

In addition, RWQC strongly encourages you to advocate for state and federal support for the types of investments needed to create and maintain a modern, effective and efficient system that will protect the water quality in King County and the central Puget Sound.

RWQC values the expert advisory review of the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) and looks to MWPAAC to identify policy issues for RWQC and Council consideration. RWQC supports the MWPAAC letter calling for transformational change and concurs with its specific recommendations. In short, we can't keep doing the same thing and expect better results.

Regarding your upcoming rate proposal, you have a difficult decision to make. We agree with MWPAAC that a forecast of this magnitude warrants an extended review period to allow policymakers and regional partners sufficient time to evaluate alternatives, understand tradeoffs, and reach informed policy decisions.

Sincerely,



Claudia Balducci, Chair
Regional Water Quality Committee

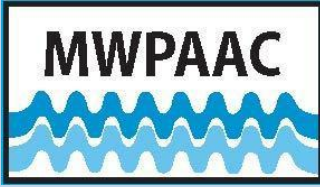


Laura Mork (Apr 10, 2026 11:38:46 PDT)

Laura Mork, Vice Chair
Regional Water Quality Committee

CC: Regional Water Quality Committee Members

Jenny Giambattista
Andy Micklow
Garrett Holbrook
Jeannie Macnab
Blake Trask
Kamuron Gurol



Metropolitan Water Pollution Abatement Advisory Committee

King Street Center
 201 S Jackson St, MS: KSC-NR-6200
 Seattle, WA 98104

MEMBERS:

- Alderwood Water and Wastewater District*
- City of Algona*
- City of Auburn*
- City of Bellevue*
- City of Black Diamond*
- City of Bothell*
- City of Brier*
- City of Carnation*
- Cedar River Water and Sewer District*
- Coal Creek Utility District*
- Cross Valley Water District*
- Highlands Sewer District*
- City of Issaquah*
- City of Kent*
- City of Kirkland*
- City of Lake Forest Park*
- Lakehaven Water and Sewer District*
- City of Mercer Island*
- Muckleshoot Indian Tribe*
- Northeast Sammamish Sewer and Water District*
- Northshore Utility District*
- Olympic View Water and Sewer District*
- City of Pacific*
- City of Redmond*
- City of Renton*
- Sammamish Plateau Water and Sewer District*
- City of Seattle*
- City of Shoreline*
- Skyway Water and Sewer District*
- Soos Creek Water and Sewer District*
- City of Tukwila*
- Valley View Sewer District*
- Vashon Sewer District*
- Woodinville Water District*

April 29, 2026

The Honorable Sarah Perry
 Chair, King County Council
 516 Third Avenue, Room 1200
 Seattle, WA 98104

Subject: Wastewater Treatment Division 2027 Rate Recommendation

Dear Councilmember Perry:

The Metropolitan Water Pollution Abatement Advisory Committee (MWWPAAC) champions a financially sustainable regional wastewater treatment system. We embrace our role to advise the county on wastewater treatment matters, including the county’s recommended rate. MWWPAAC remains concerned with the current trajectory for substantial sewer rate increases. Faced with considering such impactful increases, the annual rate process does not provide the necessary look ahead to adequately inform decision makers.

We appreciate that the rate trajectory is driven by Wastewater Treatment Division (WTD)’s substantial capital program, and that large rate increases are also needed over the next ten years to satisfy costly regulatory requirements. However, the current annual rate setting process does not allow adequate time to fully understand the planning information for the capital program. Nor does it allow sufficient time to evaluate the assumed risks and long-term financial implications of the recommended rate forecast.

The rate recommendation and alternative scenarios presented to MWWPAAC all include double-digit rate increases over the next several years. A forecast this significant demands a longer period of review to fully understand and discuss options before choosing a path forward. MWWPAAC requests that WTD develop and conduct a longer review process, ideally in place of the annual rate setting process, to better inform and build support for the next decade of rate increases.

As highlighted during the recent Rate Summit, year-over-year rate increases of this magnitude are a significant contributor to affordability challenges for families across the region. These increases also severely constrain our individual member utilities’ ability to fund our own systems’ needs, creating compounding financial pressure on local jurisdictions and ratepayers alike. We all share the responsibility of ensuring that wastewater services remain reliable, compliant, and affordable well into the future. We must work collaboratively toward solutions that seek a balance between affordability, regulatory compliance, and long-term system sustainability.

The Honorable Sarah Perry

April 29, 2026

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MWPAAC members deeply appreciate the opportunity to engage with WTD in discussions about the system's financial outlook. We share the concerns expressed by the Regional Water Quality Committee that the process would benefit from a clearer structure and stronger policy direction, which should include:


- a thorough assessment of long-term asset renewal and replacement needs of the regional utility - this would provide for broad policy direction for a multi-year system reinvestment strategy to promote financial sustainability;
- regional policy guidance to define wastewater rate affordability goals, which can be used as benchmarks to consider future rate adjustments – this guidance should recognize that rate affordability and system sustainability are at odds;
- strategic and ongoing collaboration, a partnership, with regulators to develop financially sustainable strategies to comply with clear, measurable, and effective environmental outcomes; and
- a long-term financial management plan that provides for the immediate funding needs for the system and plans for long-term system reinvestment - the long-term financial plan should be designed to provide deeper evaluation and risk assessment of capital program and rate scenarios to create meaningful choices for policymakers.

MWPAAC is dedicated to partnering constructively in this work. We welcome continued opportunities to:

- participate in facilitated workshops focused on project prioritization and sequencing;
- provide jurisdictional perspectives on affordability impacts and cumulative utility burdens;
- engage early in the development of alternative scenarios to help test assumptions and identify workable trade-offs; and
- collaborate on communicating the financial strategy and its implications to our shared constituents.

Our goal is to ensure that the rate path reflects clear policy choices, rigorous analysis, and broad confidence among partner jurisdictions. We need to step off the annual hamster wheel and open the curtain on a longer view. We are asking for transformational change - with strengthening collaboration and leadership, we can achieve this.

Sincerely,

Signed by:

4ED96DE8E6FC467...
John McClellan
MWPAAC Chair

cc: The Honorable Girmay Zahilay, County Executive, King County
King County Councilmembers
MWPAAC members
Regional Water Quality Committee members
John Taylor, Director, Department of Natural Resources and Parks (DNRP)
Kamuron Gurol, Director, Wastewater Treatment Division (WTD), DNRP



City of Seattle

May 5, 2026

Councilmember Sarah Perry
Chair, King County Council

Councilmember Claudia Balducci
Chair, Regional Water Quality Committee

Re: Proposed 2027 King County Sewer Rate and future projections

Dear Council Chair Perry and Regional Water Quality Committee Chair Balducci,

We are writing to express the City of Seattle's serious concerns about King County's proposed sewer rate increase of 12.75% for 2027 and the projected double-digit rate increases through 2032. If enacted, these increases would more than double the monthly wastewater treatment bill in the next five years, from \$62.66 to \$125.36. This cost significantly adds to the affordability challenge already facing households and local businesses in our region. More needs to be done to reduce these proposed increases.

We know you share our concern that the proposed sewer treatment rate adds to our regional affordability problems and we appreciate the County's leadership in bringing the region together for this discussion. We particularly want to acknowledge Councilmember Balducci's leadership on the Regional Water Quality Committee to champion affordability, transparency, and accountability and look forward to supporting this ongoing effort.

We urge the King County Council to address both the rate for 2027 and the proposed rate path and projected rate increases through 2032. Recognizing there are costly demands on the system, we believe the County Council should support a 2027 rate of no more than 10.75%, at least 2% below the proposal of 12.75%. This number is in line with the 2026-27 King County Budget Proviso that required the Wastewater Treatment Division to provide rate options, including one that is at least 2% less than the Executive proposed rate. We recognize that this rate would not meet all the system asset and capacity needs beyond 2027. We also acknowledge that even a 10.75% rate increase would heavily impact ratepayers, who are already facing significant affordability challenges.

Our priority is to make Seattle an affordable city for people of all income levels and for local businesses to thrive. Utility costs are an important part of our affordability agenda. The proposed 2027 regional sewer system rate and rate path place an unsustainable burden on our ratepayers, and this increase is only one of many rising costs impacting our region. The County's proposed rate also impacts Seattle's ability to invest in our own sewer system. With Seattle's commitment to three-year rate paths for our residents and utilities, we end up absorbing the County's rate increases, forcing us to delay meeting our own planned infrastructure needs. The compounded rate forecast will make this an ongoing issue.

As a public utility owner, the City of Seattle understands the complexities and challenges that King County must manage to operate and maintain the regional sewer treatment system. We face the same challenges of navigating costly regulatory requirements, rising construction costs, and investing in aging infrastructure and growth. In Seattle, we require Strategic Business Plans from our utilities, which provide predictable rate commitments and strategic planning over a 6-year period, with rates locked in every 3 years. This approach helps Seattle provide predictable rate path and commitment for our residents and utilities. We urge King County to require a similar type of planning and prioritization for the Wastewater Treatment Division before approving large rate increases. Until this type of planning is completed, we strongly recommend that annual rate increases be carefully constrained to what is necessary and realistically can be accomplished for the coming year.

The City of Seattle also strongly encourages King County to develop and implement a proactive strategy for regulation-driven projects. Regulatory requirements are driving much of the rate increases and we recommend continued discussion of the rate impacts of regulation-driven projects and rate affordability with the three regulatory agencies. We appreciate our partnership with King County on this work and are committed to continuing to work closely with you on the timing and substance of these conversations. Environmental stewardship is a core value of the communities we serve, and we must work hard to achieve the best value for our customers.

We strongly support the sound advice from the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC). Our region needs transformational change in the ways sewer treatment rates are set. We concur that a forecast of this magnitude needs extended review to allow sufficient time to evaluate alternatives, understand tradeoffs, and reach informed policy decisions.

As elected officials with members on the Regional Water Quality Committee (RWQC), we also want to emphasize the points in the RWQC letter to Executive Zahilay. We support more substantive, timely progress toward pursuing state regulatory flexibility to address water quality needs, implementing a multi-year rate to improve rate predictability, improving transparency in the capital planning process, and advancing the independent review of the capital program with a goal of ensuring projects are prioritized and delivered on time and within budget.

In addition, Seattle appreciates our partnership with King County and the work of the Wastewater Treatment Division to improve transparency and collaboration with member agencies. Our agencies have a productive relationship that has provided more efficient, cost-effective solutions for our

ratepayers. More strategic, collaborative planning will further enhance the value for our region. We look forward to working together on these issues and on regional affordability.

Sincerely,



Katie Wilson
Mayor, City of Seattle



Joy Hollingsworth
Council President, Seattle City Council



Eddie Lin
Councilmember, Seattle City Council



Alexis Mercedes Rinck
Councilmember, Seattle City Council



Maritza Rivera
Councilmember, Seattle City Council



Rob Saka
Councilmember, Seattle City Council



Dan Strauss
Councilmember, Seattle City Council



Dionne Foster
Councilmember, Seattle City Council

CC: Girmay Zahilay, King County Executive
John Taylor, Director, King County Department of Natural Resources and Parks
Kamuron Gurol, Director, King County Wastewater Treatment Division
Andrew Lee, CEO/General Manager, Seattle Public Utilities

**Executive Girmay Zahilay**

Chinook Building, CNK-EX-0800
401 Fifth Avenue, Suite 800
Seattle, WA 98104-2391

May 18, 2026

The Honorable Sarah Perry
Chair, King County Council
Room 1200
COURTHOUSE

Dear Chair Perry and Councilmembers,

I write regarding my sewer rate and capacity charge recommendation for 2027 in proposed Ordinance 2026-0103, and in response to a recent letter from the City of Seattle. I intend to offer responses to other rate comment letters in the coming weeks, as well.

My commitment to improving affordability for ratepaying households is strong. There is much we can do working with cities, sewer districts, regulators and others to create a sustainable rate path. However, I must express deep concern with the City of Seattle's call for a 2027 rate that is substantially lower than we need, and I want the Council to have the information it needs regarding potential consequences of adopting an insufficient rate.

I did not recommend a 12.75% rate increase lightly. Adopting a rate two percent lower than recommended would offer minimal, short-term rate reduction while increasing risks to communities, the environment, King County's legal standing and possibly our utility bond ratings. Because the Wastewater Treatment Division (WTD) must prioritize projects tied to legally binding requirements, deficient funding for 2027 would require WTD to delay upgrades to aging infrastructure. This would endanger reliability, force higher costs on future generations, and increase the chance of disruptions to service and impacts to public health and the environment.

I want to be clear that the single largest driver of proposed rate increases is a regulatory requirement to build facilities in the City of Seattle to reduce combined sewer overflows, which arise because of Seattle's combined sewer system. For years, some jurisdictions have raised the possibility of Seattle taking on a larger share of these costs, which would

The Honorable Sarah Perry

May 18, 2026

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have an immediate and significant impact on reducing the rate for other cities and sewer districts. As we move forward, this should be part of the larger regional discussion of sewer rates that is currently playing out as we continue our work on the Regional Wastewater Services Plan.

King County staff are pursuing multiple efforts to develop a more sustainable, affordable rate path, and we are working hard to contain costs in a rapidly changing environment. WTD implements robust capital planning processes, employing a rigorous portfolio management process for capital projects. In addition to our prioritization and governance structure, WTD utilizes a data-informed schedule risk adjustment factor in rate setting to right-size our forecasted spending and sewer rate proposal. This ensures annual rate increases are carefully constrained to what is necessary and can realistically be accomplished for the coming year. WTD is also collaborating with an independent review by a third-party consultant overseen by the King County's legislative branch to identify further improvements to capital planning and delivery programs.

For decades, King County has worked alongside local cities, sewer districts, Tribes, and regulators to protect Puget Sound and provide essential infrastructure for our communities and economy. We cannot, on our watch, endanger our frontline workers or community members by failing to replace aging infrastructure. We cannot fall short in providing enough capacity for our growing region. We cannot disregard federal and state regulations, a federal consent decree, or other legal commitments without adding to risk and consequence. The 12.75% rate proposal allows King County to honor our immediate and ongoing commitments while we make strong efforts toward a more sustainable long-term financial path. The 10.75% (or lower) recommendation does not.

I am grateful to serve alongside the County Council to honor our commitment to our workers, our communities, and to a healthy Puget Sound. I look forward to working together to chart a path toward sustainable rates for local households. Thank you for your consideration.

The Honorable Sarah Perry

May 18, 2026

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Sincerely,



Girmay Zahilay

King County Executive

Enclosure

cc: King County Councilmembers

ATTN: Stephanie Cirkovich, Chief of Staff, King County Council

Melani Hay, Clerk of the Council

Karan Gill, Deputy Executive, Office of the Executive

Jasmin Weaver, Chief of Staff, Office of the Executive

Hyeok Kim, Chief Operating Officer, Office of the Executive

Sierra Howlett Browne, Director of Government Relations, Office of the Executive

Garrett Holbrook, Council Relations Manager, Office of the Executive

Mo McBroom, Interim Director, King County Department of Natural Resources and
Parks

Kamuron Gurol, Director, King County Wastewater Treatment Division

Andrew Lee, CEO/General Manager, Seattle Public Utilities

Katie Wilson, Mayor, City of Seattle

Joy Hollingsworth, Council President, Seattle City Council

Eddie Lin, Councilmember, Seattle City Council

Alexis Mercedes Rinck, Councilmember, Seattle City Council

Maritza Rivera, Councilmember, Seattle City Council

Rob Saka, Councilmember, Seattle City Council

Dan Strauss, Councilmember, Seattle City Council

Dionne Foster, Councilmember, Seattle City Council



City of Bothell

May 12, 2026

Metropolitan King County Council
 Email clerk.council@kingcounty.gov

Subject: King County 2027 Wastewater Treatment Rates

Dear Chair Perry and King County Council:

As a city that operates a utility within the King County Wastewater service area, Bothell is extremely concerned about impacts to rate-payer affordability and equity from the proposed 2027 wastewater treatment rate increases. The Wastewater Treatment Division is currently scoping for the King County Regional Wastewater Service Plan (RWSP) to address long-range planning that will influence future rates. Bothell requests that the RWSP scoping include an evaluation of more equitable sewer treatment charges for regional jurisdictions.

The current rate forecast includes 12.75 percent annual rate increase for 2027-2030 and an 11.25 percent annual rate increase for 2031 and 2032. These increases will double current rates by 2032. Much of the forecasted increase can be attributed to projects that are essential to accommodating current customers and future regional growth. However, \$3.4 billion of the total \$11.4 billion capital plan is associated with construction of a new combined sewer overflow (CSO) storage facility at the mouth of the Duwamish River that will be used to store high sewer flows resulting from stormwater draining directly into Seattle sewer mains. The CSO project cost is responsible for much of the rate increase without consideration that Bothell, along with many other jurisdictions, will not contribute flow to this facility.

While we understand that the CSO project must move forward to meet consent decree requirements, Bothell ratepayers should not have to pay for this expensive project that addresses excess combined sewer flow from another agency. Bothell, along with other contract agencies, performs proactive sewer restoration activities to reduce this sort of inflow and infiltration (I/I) at the source. The proposed treatment rate increases would negatively impact our ability to complete additional I/I mitigation projects and reduce sewer flow from Bothell.

Scoping for the King County RWSP update should include equitable rate structure alternatives. Jurisdictions with combined sewer, high I/I, and excess flow to treatment/CSO facilities should pay more than jurisdictions with low I/I. One option that should be considered is to charge

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Metropolitan King County Council

May 12, 2026

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jurisdictions for actual/metered sewer flow and their proportionate share of necessary capital improvements – excluding CSO projects that benefit only specific jurisdictions. Such an evaluation would enable King County to consider a more equitable rate structure for all partner jurisdictions.

We appreciate your consideration and would welcome the opportunity to speak with you and/or the Metropolitan King County Council on this matter.

Sincerely on behalf of the Bothell City Council,

A handwritten signature in black ink, appearing to read 'Mason Thompson', with a long horizontal flourish extending to the right.

Mason Thompson

Mayor

cc: Girmay Zahilay, King County Executive, kcexec@kingcounty.gov
John Taylor, Director, Department of Natural Resources and Parks, jtaylor@kingcounty.gov
Kamuron Gurol, Director, Wastewater Treatment Division, kgurol@kingcounty.gov