

6/8/26
ATT A update

J. Giambattista

Sponsor: Dembowski

Proposed No.: 2026-0103

1 **AMENDMENT TO PROPOSED ORDINANCE 2026-0103, VERSION 1**

2 Strike Attachment A, Wastewater Treatment Division Financial Plan and insert

3 Attachment A, Wastewater Treatment Division Financial Plan June 10, 2026

4

5 **EFFECT prepared by *Jenny Giambattista*: The amendment would replace**

6 **Attachment A with an updated version dated June 10, 2026. The updated version**

7 **reflects the change to a lower monthly capacity charge due to an error in the**

8 **Wastewater Treatment Division's calculation of the capacity charge.**

Wastewater Treatment Division Attachment A - June 10, 2026	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	\$112.93	\$125.92	\$136.00	\$146.88	\$158.64	\$161.42
Rate Increase	5.75%	7.50%	12.75%	12.75%	12.75%	12.75%	11.50%	11.50%	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	\$ 1,106,217	\$ 1,241,007	\$ 1,348,514	\$ 1,465,228	\$ 1,592,099	\$ 1,629,741
Capacity Charge	104,386	104,147	110,689	116,056	120,877	125,713	130,735	134,972	138,361	141,374	145,949	153,779
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	22,229	20,798	21,817	22,744	23,254	24,401	26,448	25,855	27,306	29,712
Use (Transfer to) Rate Stabilization Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Total - Revenue	\$ 705,523	\$ 759,115	\$ 830,638	\$ 925,739	\$ 1,034,962	\$ 1,157,993	\$ 1,284,044	\$ 1,424,569	\$ 1,537,874	\$ 1,657,378	\$ 1,790,656	\$ 1,838,924
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	(274,273)	(304,063)	(306,539)	(279,271)	(289,773)	(308,606)	(309,114)	(280,089)	(284,974)	(255,210)	(243,296)	(246,461)
New Debt Service	-	(11,051)	(44,850)	(90,944)	(148,085)	(220,026)	(295,440)	(388,718)	(499,008)	(589,116)	(651,215)	(664,210)
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	\$ (615,052)	\$ (566,953)	\$ (620,890)	\$ (655,330)	\$ (739,475)	\$ (847,794)	\$ (939,175)	\$ (1,019,923)	\$ (1,152,418)	\$ (1,230,947)	\$ (1,300,224)	\$ (1,336,431)
Net Cash Flow	\$ 90,471	\$ 192,162	\$ 209,749	\$ 270,410	\$ 295,487	\$ 310,199	\$ 344,869	\$ 404,646	\$ 385,456	\$ 426,431	\$ 490,432	\$ 502,493
Beginning Balance	\$ 90,004	\$ 8,766	\$ -	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0
Net Cash Flow	90,471	192,162	209,749	270,410	295,487	310,199	344,869	404,646	385,456	426,431	490,432	502,493
Policy Cash-Funded Capital (Transfer to Capital Fund)	(170,000)	(200,928)	(209,749)	(270,410)	(295,487)	(310,199)	(344,869)	(404,646)	(385,456)	(426,431)	(490,432)	(502,493)
Ending Balance ²	\$ 10,475	\$ -	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0	\$ 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	2.81x	2.94x	2.84x	2.40x	2.23x	2.20x	1.92x	1.86x	1.95x	1.97x
Debt Service Coverage - All-In Debt Service	1.77x	1.62x	1.60x	1.73x	1.68x	1.59x	1.57x	1.61x	1.49x	1.51x	1.55x	1.55x

¹Sewer rate revenue includes a billing adj. of \$270k

²Difference 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	\$ 248,589	\$ 209,749	\$ 270,410	\$ 295,487	\$ 310,199	\$ 344,869	\$ 404,646	\$ 385,456	\$ 426,431	\$ 490,432
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	-	16,954	63,708	62,222	110,097	128,757	165,825	173,826	262,362	221,481	240,263	172,878
Commercial Paper / Interim Financing	126,000	106,768	93,853	-	-	-	-	-	-	-	-	-
Retirement of Interim Financing	(42,300)	(41,072)	(97,048)	-	-	-	-	(182,601)	(63,800)	-	-	-
Net Bond Proceeds	399,180	-	456,780	637,079	780,088	989,919	1,008,775	1,378,081	1,286,769	1,198,844	760,240	85,686
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	\$ 352,505	\$ 47,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year-end Transfers from Operating Fund	170,000	200,928	209,749	270,410	295,487	310,199	344,869	404,646	385,456	426,431	490,432	502,493
Ending Balance ³	\$ 522,505	\$ 248,589	\$ 209,749	\$ 270,410	\$ 295,487	\$ 310,199	\$ 344,869	\$ 404,646	\$ 385,456	\$ 426,431	\$ 490,432	\$ 502,493
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	-	-	-	-	-	-

³Difference between 2025 ending balance and 2026 beginning balance driven by reconciliation of cash and accrual, timing of transfers between funds

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

Revised – June 8, 2026



King County

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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

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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 11.50 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									
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rate Increase %	7.50%	12.75%	12.75%	12.75%	12.75%	11.50%	11.50%	8.00%	8.00%	8.00%	1.75%
Monthly Sewer Rate	\$62.66	\$70.65	\$79.66	\$89.82	\$101.28	\$112.93	\$125.92	\$136.00	\$146.88	\$158.64	\$161.42
Rate Increase \$	\$4.38	\$7.99	\$9.01	\$10.16	\$11.46	\$11.65	\$12.99	\$10.08	\$10.88	\$11.76	\$2.78
All-In Debt Service Coverage	1.62x	1.60x	1.73x	1.68x	1.59x	1.57x	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%	0.25%
Monthly Sewer Rate		\$164.25	\$170.41	\$176.81	\$183.45	\$187.58	\$191.81	\$196.13	\$197.12	\$198.11	\$198.61
Rate Increase \$		\$2.83	\$6.16	\$6.40	\$6.64	\$4.13	\$4.23	\$4.32	\$0.99	\$0.99	\$0.50
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									
	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 \$78.94, or a 1.2 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	\$78.94	\$81.56	\$84.27	\$87.07	\$89.96
Increase %	2.50%	1.22%	3.32%	3.32%	3.32%	3.32%
Increase \$	\$1.90	\$0.95	\$2.62	\$2.71	\$2.80	\$2.89
Annual Total	\$936	\$947	\$979	\$1,011	\$1,045	\$1,080
Total Payments	\$14,038	\$14,209	\$14,681	\$15,169	\$15,673	\$16,193
Upfront Payment*	\$9,870	\$9,983	\$10,314	\$10,657	\$11,011	\$11,376

*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

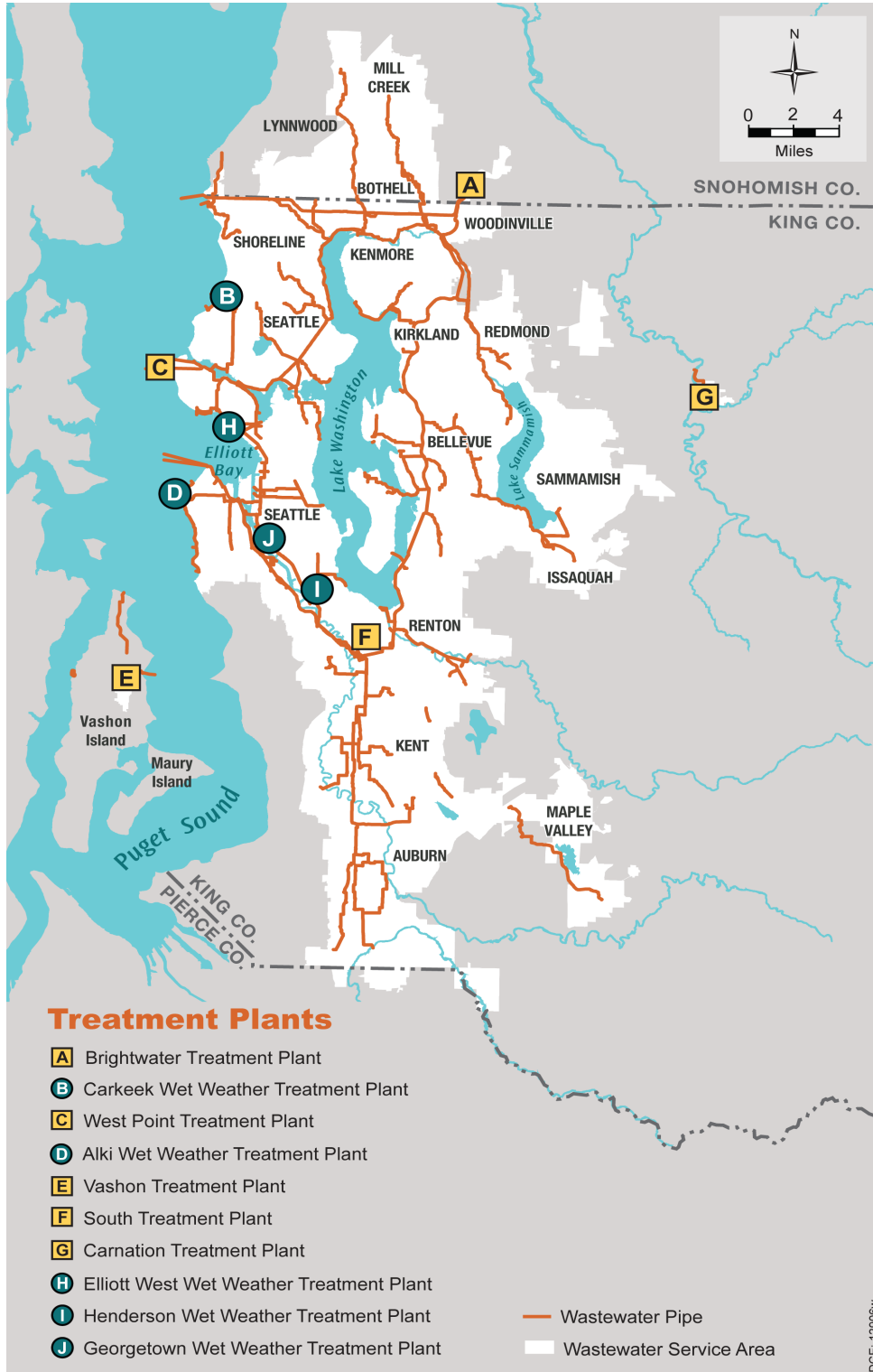


Figure 5 2025 Average Reported Residential Customer Equivalents by Local Sewer Agency

	<u>Single Family</u> <u>RCEs</u>	<u>Flow-Based</u> <u>RCEs</u>	<u>Total RCEs</u>	<u>Percentage of</u> <u>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 11 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

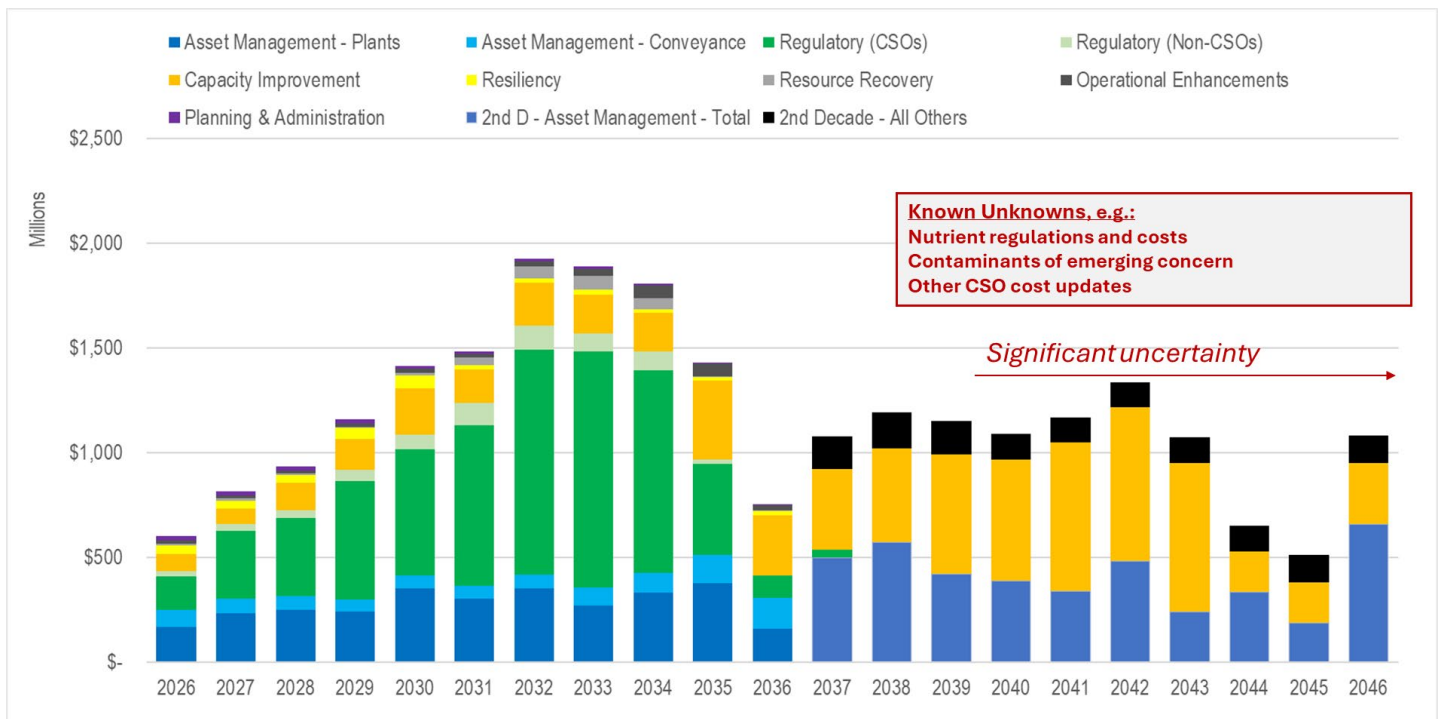
WTD also piloted a quantitative resource forecasting model that estimates staffing needs based on the project-level labor forecast included in the 2026–2027 capital budget requests. The model incorporates historical project labor

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 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

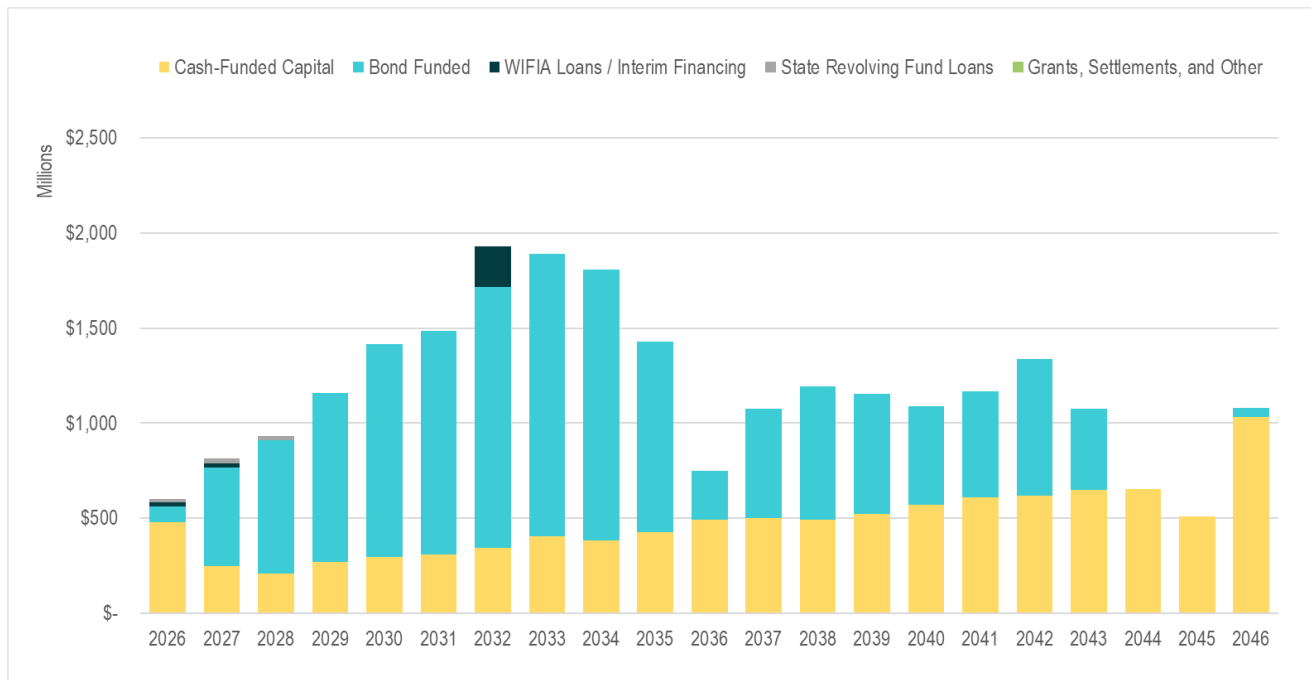


Figure 14 illustrates how, as existing debt is retired, repayment capacity is replaced by new debt issued to fund the capital program.

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

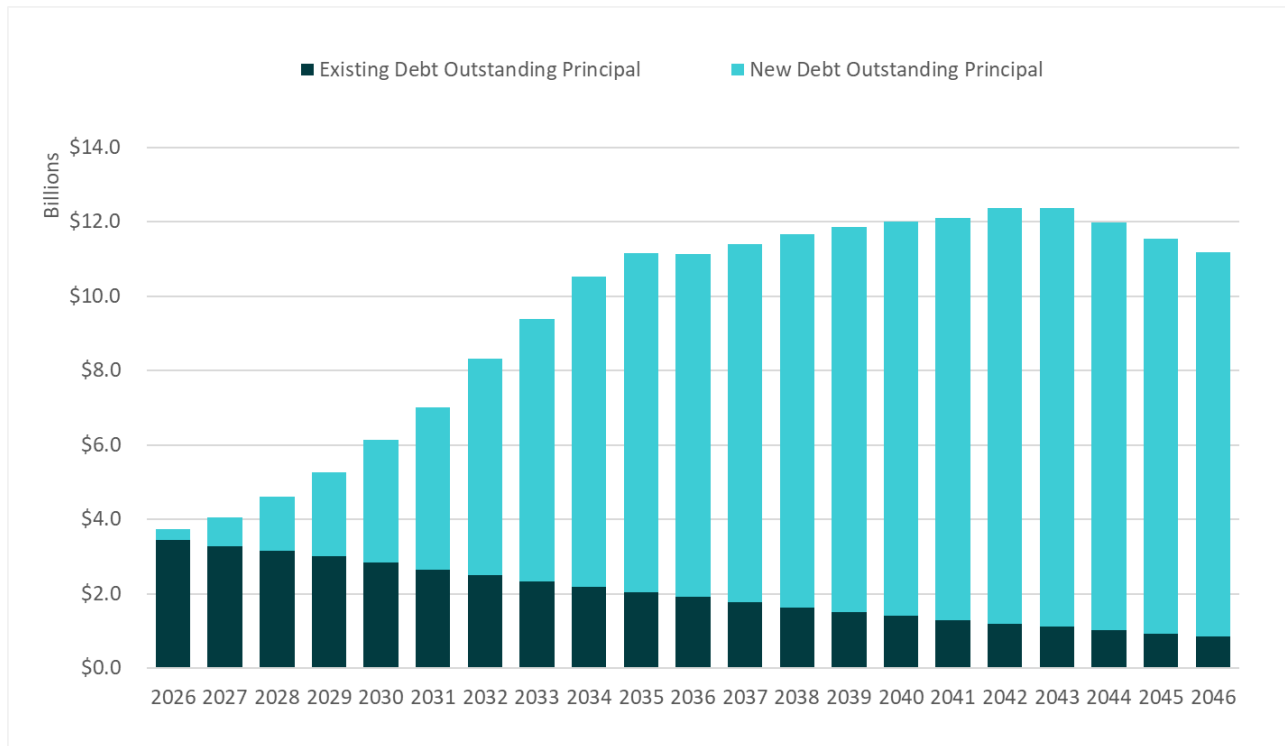
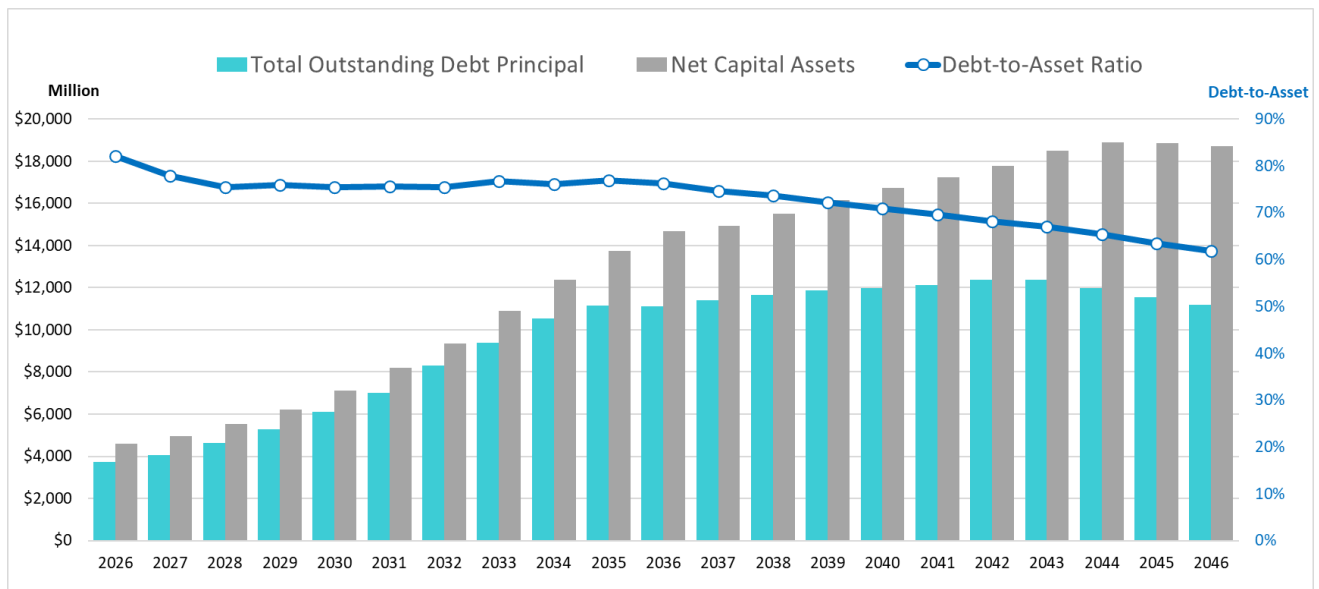


Figure 15 Debt to Asset Balance



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

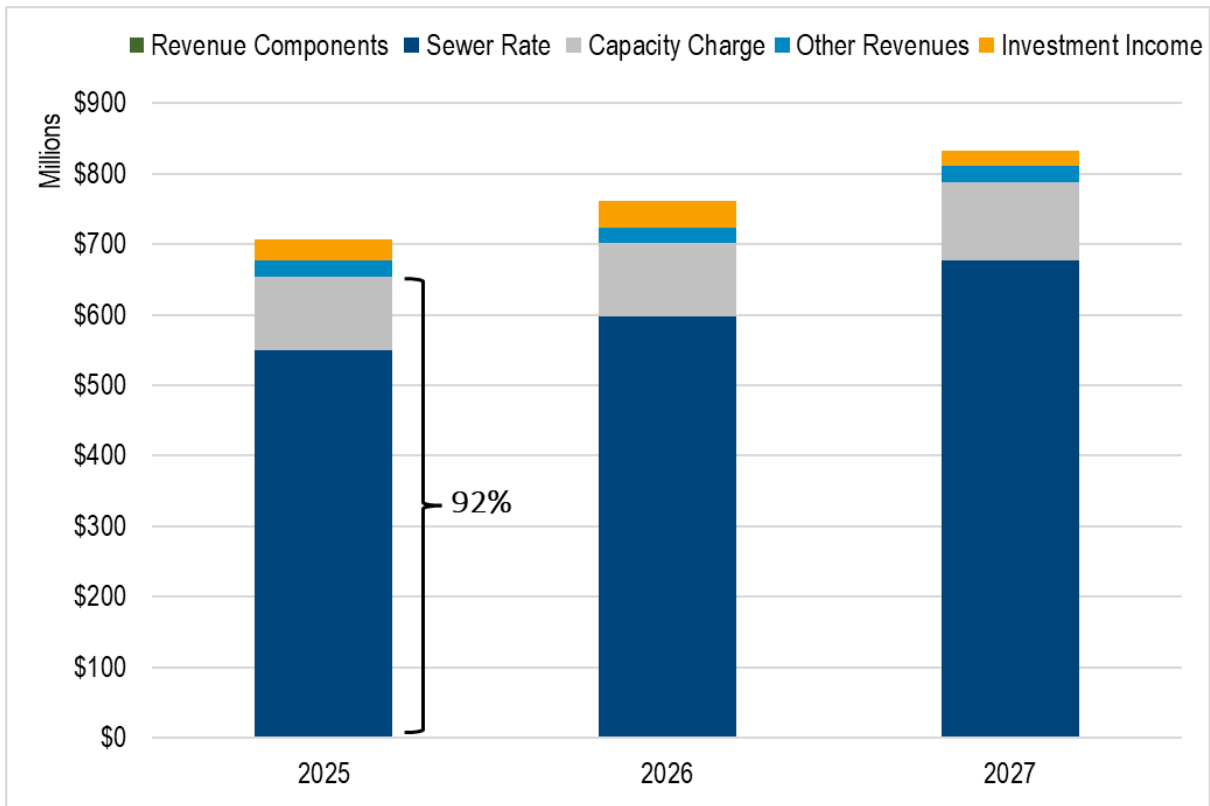
Source	Provider	Amount	Moody's/S&P Rating	Expiration
Surety Bonds	National Public Finance Guaranty Corp.	\$ 5,010,273	A3/A	2035
	Assured Guaranty Municipal Corp.	\$ 4,880,916	A3/AA	2036
	Assured Guaranty Municipal Corp.	\$ 7,189,850	A3/AA	2036
	Assured Guaranty Municipal Corp.	\$ 12,500,001	A3/AA	2047
	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.

Figure 19 Operating Revenue Components Sorted by Size

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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

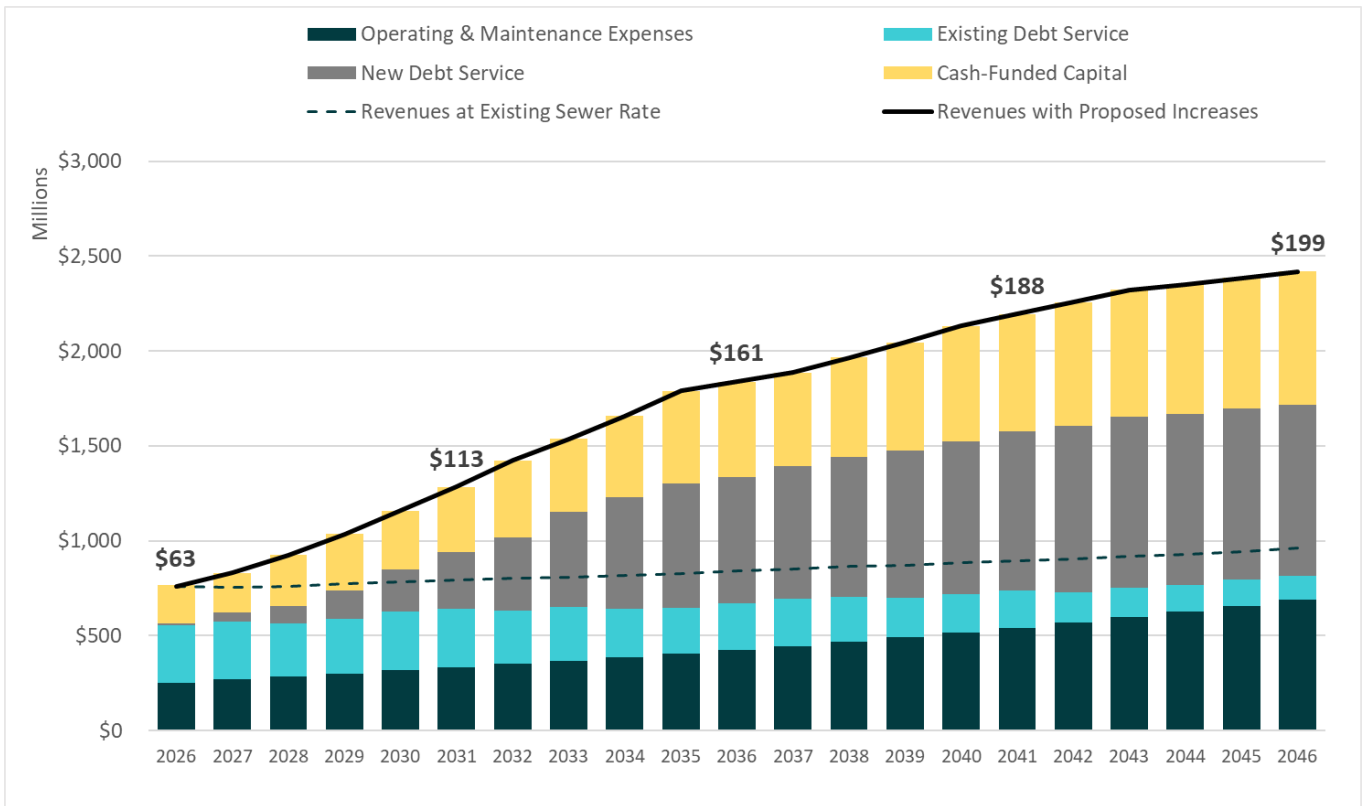
The utility must first ensure that it can support its cash obligations, including operating expenditures, debt service repayment, and any financial policy targets, such as cash to fund the capital program.

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 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%	11.50%	11.50%	8.00%	8.00%	8.00%	1.75%
Monthly Sewer Rate	\$62.66	\$70.65	\$79.66	\$89.82	\$101.28	\$112.93	\$125.92	\$136.00	\$146.88	\$158.64	\$161.42
Rate Increase \$	\$4.38	\$7.99	\$9.01	\$10.16	\$11.46	\$11.65	\$12.99	\$10.08	\$10.88	\$11.76	\$2.78
All-In Debt Service Coverage	1.62x	1.60x	1.73x	1.68x	1.59x	1.57x	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%	0.25%
Monthly Sewer Rate		\$164.25	\$170.41	\$176.81	\$183.45	\$187.58	\$191.81	\$196.13	\$197.12	\$198.11	\$198.61
Rate Increase \$		\$2.83	\$6.16	\$6.40	\$6.64	\$4.13	\$4.23	\$4.32	\$0.99	\$0.99	\$0.50
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

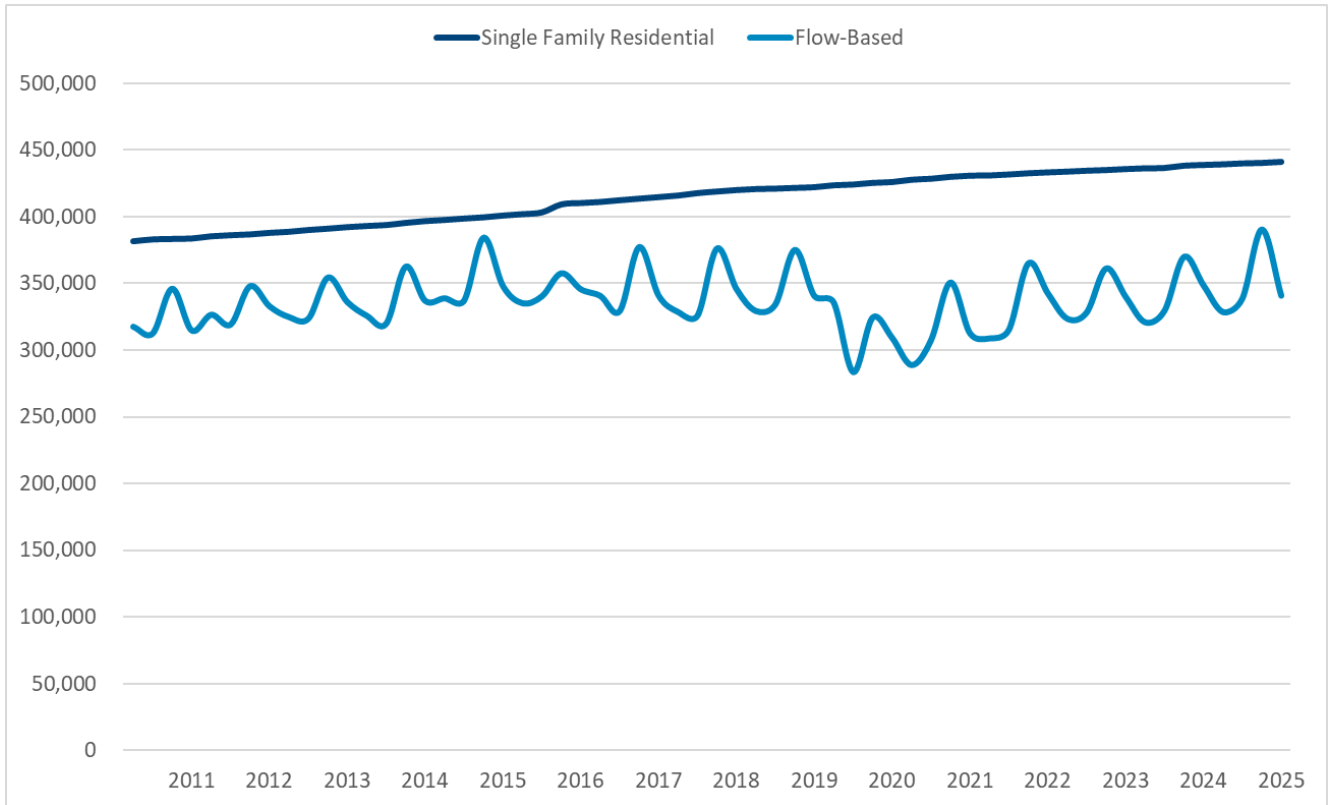
	2024				2025	
	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24
Single Family Residential				Reported		Billed
Commercial / Multi-Family	Four quarter average					Billed

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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.

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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%	11.50%	11.50%	8.00%	8.00%	8.00%	1.75%	
Monthly Sewer Rate	\$62.66	\$70.65	\$79.66	\$89.82	\$101.28	\$112.93	\$125.92	\$136.00	\$146.88	\$158.64	\$161.42	
Rate Increase \$	\$4.38	\$7.99	\$9.01	\$10.16	\$11.46	\$11.65	\$12.99	\$10.08	\$10.88	\$11.76	\$2.78	
All-In Debt Service Coverage	1.62x	1.60x	1.73x	1.68x	1.59x	1.57x	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%	0.25%	
Monthly Sewer Rate		\$164.25	\$170.41	\$176.81	\$183.45	\$187.58	\$191.81	\$196.13	\$197.12	\$198.11	\$198.61	
Rate Increase \$		\$2.83	\$6.16	\$6.40	\$6.64	\$4.13	\$4.23	\$4.32	\$0.99	\$0.99	\$0.50	
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.

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.

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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 28 shows the 10-year capital forecast for this scenario, with the deferrals shown in gray.

Figure 28 Capital Forecast—Council Requested Rate

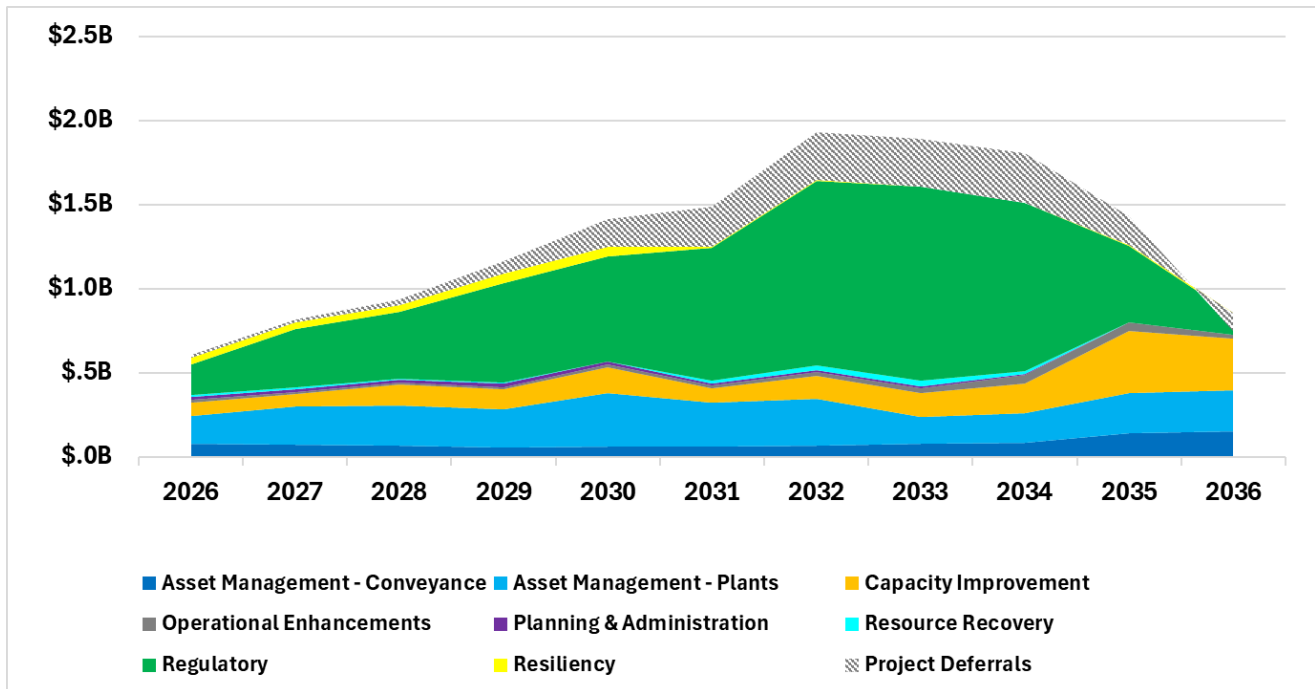


Figure 29 shows the Council Requested Rate and associated rate forecast.

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%	10.25%	10.25%	5.75%	5.75%	1.25%
Monthly Sewer Rate	\$62.66	\$69.40	\$76.87	\$85.14	\$96.00	\$108.24	\$119.34	\$131.58	\$139.15	\$147.16	\$149.00
Rate Increase \$	\$4.38	\$6.74	\$7.47	\$8.27	\$10.86	\$12.24	\$11.10	\$12.24	\$7.57	\$8.01	\$1.84
All-In Debt Service Coverage	1.62x	1.58x	1.68x	1.60x	1.53x	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%	1.75%	1.75%	0.50%
Monthly Sewer Rate		\$150.87	\$158.80	\$167.14	\$175.92	\$181.64	\$187.55	\$193.65	\$197.04	\$200.49	\$201.50
Rate Increase \$		\$1.87	\$7.93	\$8.34	\$8.78	\$5.72	\$5.91	\$6.10	\$3.39	\$3.45	\$1.01
All-In Debt Service Coverage		1.51x	1.54x	1.59x	1.60x	1.59x	1.62x	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. Figure 30 shows the 10-year capital forecast for this scenario.

Figure 30 Capital Forecast—Theoretical Regulatory Deadline Extension

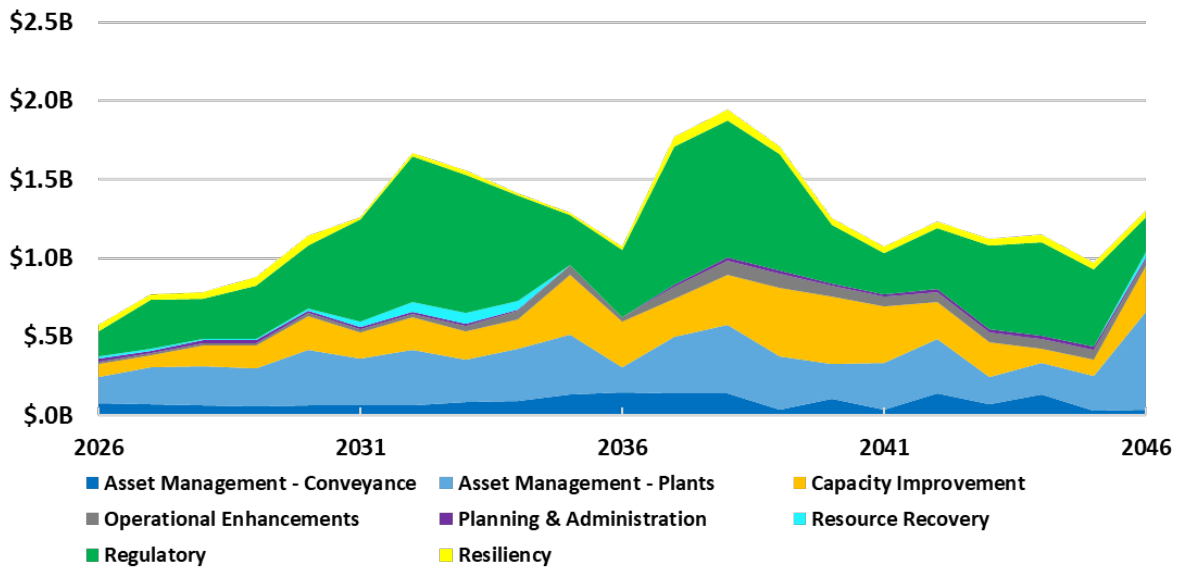


Figure 31 shows the Theoretical Regulatory Deadline Extension Rate and associated rate forecast.

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%	9.00%	9.00%	4.00%	4.00%
Monthly Sewer Rate	\$62.66	\$68.77	\$75.48	\$82.84	\$92.37	\$103.00	\$114.85	\$125.19	\$136.46	\$141.92	\$147.60
Rate Increase \$	\$4.38	\$6.11	\$6.71	\$7.36	\$9.53	\$10.63	\$11.85	\$10.34	\$11.27	\$5.46	\$5.68
All-In Debt Service Coverage	1.62x	1.58x	1.69x	1.64x	1.56x	1.56x	1.62x	1.53x	1.60x	1.58x	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%	2.25%	2.00%	2.00%	0.75%
Monthly Sewer Rate		\$156.83	\$166.64	\$172.89	\$179.38	\$186.11	\$193.09	\$197.44	\$201.39	\$205.42	\$206.97
Rate Increase \$		\$9.23	\$9.81	\$6.25	\$6.49	\$6.73	\$6.98	\$4.35	\$3.95	\$4.03	\$1.55
All-In Debt Service Coverage		1.55x	1.57x	1.59x	1.58x	1.57x	1.61x	1.59x	1.63x	1.67x	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).

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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

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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
- 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

WTD is required by contracts to only charge 95 percent of the recoverable costs of the capacity charge. The updated methodology resulted in a 1.2 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 \$78.94 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]

Capacity Charge	Adopted	Proposed	Forecast			
	2026	2027	2028	2029	2030	2031
Monthly Charge	\$77.99	\$78.94	\$81.56	\$84.27	\$87.07	\$89.96
Increase %	2.50%	1.22%	3.32%	3.32%	3.32%	3.32%
Increase \$	\$1.90	\$0.95	\$2.62	\$2.71	\$2.80	\$2.89
Annual Total	\$936	\$947	\$979	\$1,011	\$1,045	\$1,080
Total Payments	\$14,038	\$14,209	\$14,681	\$15,169	\$15,673	\$16,193
Upfront Payment*	\$9,870	\$9,983	\$10,314	\$10,657	\$11,011	\$11,376

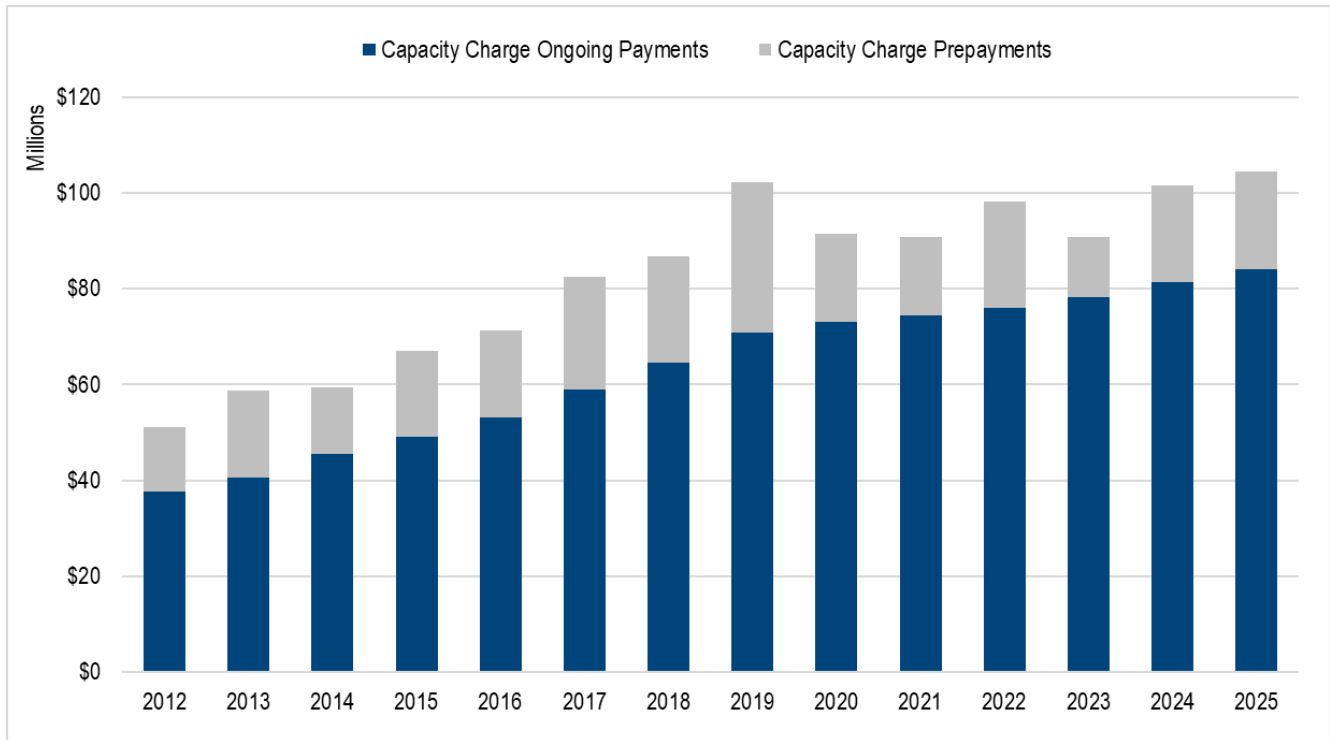
*Discount Rate of 5.14%

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,

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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	\$112.93	\$125.92	\$136.00	\$146.88	\$158.64	\$161.42
Rate Increase	5.75%	7.50%	12.75%	12.75%	12.75%	12.75%	11.50%	11.50%	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	\$ 1,106,217	\$ 1,241,007	\$ 1,348,514	\$ 1,465,228	\$ 1,592,099	\$ 1,629,741
Capacity Charge	104,386	104,147	110,689	116,056	120,877	125,713	130,735	134,972	138,361	141,374	145,949	153,779
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	22,229	20,798	21,817	22,744	23,254	24,401	26,448	25,855	27,306	29,712
Use (Transfer to) Rate Stabilization Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Total - Revenue	\$ 705,523	\$ 759,115	\$ 830,638	\$ 925,739	\$ 1,034,962	\$ 1,157,993	\$ 1,284,044	\$ 1,424,569	\$ 1,537,874	\$ 1,657,378	\$ 1,790,656	\$ 1,838,924
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	(274,273)	(304,063)	(306,539)	(279,271)	(289,773)	(308,606)	(309,114)	(280,089)	(284,974)	(255,210)	(243,296)	(246,461)
New Debt Service	-	(11,051)	(44,850)	(90,944)	(148,085)	(220,026)	(295,440)	(388,718)	(499,008)	(589,116)	(651,215)	(664,210)
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	\$ (615,052)	\$ (566,953)	\$ (620,890)	\$ (655,330)	\$ (739,475)	\$ (847,794)	\$ (939,175)	\$ (1,019,923)	\$ (1,152,418)	\$ (1,230,947)	\$ (1,300,224)	\$ (1,336,431)
Net Cash Flow	\$ 90,471	\$ 192,162	\$ 209,749	\$ 270,410	\$ 295,487	\$ 310,199	\$ 344,869	\$ 404,646	\$ 385,456	\$ 426,431	\$ 490,432	\$ 502,493
Beginning Balance	\$ 90,004	\$ 8,766	\$ -	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0
Net Cash Flow	90,471	192,162	209,749	270,410	295,487	310,199	344,869	404,646	385,456	426,431	490,432	502,493
Policy Cash-Funded Capital (Transfer to Capital Fund)	(170,000)	(200,928)	(209,749)	(270,410)	(295,487)	(310,199)	(344,869)	(404,646)	(385,456)	(426,431)	(490,432)	(502,493)
Ending Balance ²	\$ 10,475	\$ -	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0	\$ 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	2.81x	2.94x	2.84x	2.40x	2.23x	2.20x	1.92x	1.86x	1.95x	1.97x
Debt Service Coverage - All-In Debt Service	1.77x	1.62x	1.60x	1.73x	1.68x	1.59x	1.57x	1.61x	1.49x	1.51x	1.55x	1.55x
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	\$ 248,589	\$ 209,749	\$ 270,410	\$ 295,487	\$ 310,199	\$ 344,869	\$ 404,646	\$ 385,456	\$ 426,431	\$ 490,432
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	-	16,954	63,708	62,222	110,097	128,757	165,825	173,826	262,362	221,481	240,263	172,878
Commercial Paper / Interim Financing	126,000	106,768	93,853	-	-	-	-	-	-	-	-	-
Retirement of Interim Financing	(42,300)	(41,072)	(97,048)	-	-	-	-	(182,601)	(63,800)	-	-	-
Net Bond Proceeds	399,180	-	456,780	637,079	780,088	989,919	1,008,775	1,378,081	1,286,769	1,198,844	760,240	85,686
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	\$ 352,505	\$ 47,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year-end Transfers from Operating Fund	170,000	200,928	209,749	270,410	295,487	310,199	344,869	404,646	385,456	426,431	490,432	502,493
Ending Balance ³	\$ 522,505	\$ 248,589	\$ 209,749	\$ 270,410	\$ 295,487	\$ 310,199	\$ 344,869	\$ 404,646	\$ 385,456	\$ 426,431	\$ 490,432	\$ 502,493
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												

2027 Sewer Rate Technical Memorandum

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.

-
- 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](#).

2026-2027 FISCAL NOTE

Ordinance/Motion: 2026-XXXX
 Title: 2027 Sewer Rate and Capacity Charge Ordinance
 Affected Agency and/or Agencies: Wastewater Treatment Division, Department of Natural Resources and Parks
 Note Prepared By: Luke Slaughterbeck
 Date Prepared: 4/30/2026
 Note Reviewed By: Caitlyn Hall Elena Davert, Exec Budget
 Date Reviewed: 5/1/2026 6/8/2026

Description of request:

This legislation increases the sewer rate 12.75 percent from \$62.66 in 2026 to \$70.65 in 2027. The capacity charge would increase 1.22 percent from \$77.99 to \$78.94 for each residential customer equivalent for customers who connect in 2027. The revenue impact for the capacity charges continues after 2031 due to the 15-year billing period. The capacity charge for customers connecting in previous years remains at rates established for their year of connection.

Revenue to:

Agency	Fund Code	Revenue Source	2026-2027	2028-2029	2030-2031
Water Quality/WTD	4611	Customer Charges	76,360,367	154,147,639	156,055,819
Water Quality/WTD	4611	Capacity Charges	116,280	581,400	1,046,520
TOTAL			76,476,647	154,729,039	157,102,339

Expenditures from:

Agency	Fund Code	Department	2026-2027	2028-2029	2030-2031
Water Quality	4611	WTD	0	0	0
TOTAL			0	0	0

Expenditures by Categories

			2026-2027	2028-2029	2030-2031
			0	0	0
TOTAL			0	0	0

Does this legislation require a budget supplemental? No.

Notes and Assumptions: This legislation has no impact on any prior biennium. Revenue impacts were developed from assumptions included in the Attachment A submitted with this legislation.

1st Omnibus (Proposed Ordinance 2026-0071) Amendment Tracker

June 10, 2026, Budget and Fiscal Management Committee Meeting

#	1 st Page & Line #	Sponsor	Appropriation Unit(s)	Amendment Description	Outcome
S1	Pg. 1, Line 16	Dembowski, Barón, Fain	N/A	Striking Amendment S1. Please refer to main meeting packet for effects statement.	
1 to S1	S1 Pg. 22, Line 484	Balducci	Office of the Executive	Would proviso \$50,000 of the Executive Office's appropriation until a detailed organizational chart of all staff in the Executive Office is provided.	
2 to S1	S1 Pg. 22, Line 484	Balducci	Office of the Executive	Would proviso \$100,000 of the Executive Office's appropriation until a report providing an approach to keeping Harbor Island Studios open until future planning is complete is provided to the Council.	
3A to S1	S1 Pg. 31, Line 683	Balducci	Internal Support	Would allocate \$2.2 million from the General Fund to support Harbor Island Studios rent for the remainder of the 2026-2027 biennium. NOTE: Amendment 3A competes with Amendment 3B.	
3B to S1	S1 Pg. 31, Line 683	Balducci	Internal Support	Would allocate \$740,000 from the General Fund to support Harbor Island Studios rent for the remainder of 2026. NOTE: Amendment 3A competes with Amendment 3B.	
4 to S1	S1 Pg. 94, Line 2111	Mosqueda	Local Services Administration	Would amend ER6 in the Local Services Administration appropriation unit to provide the addresses where murals would be located.	
5 to S1	S1 Pg. 117, Line 2631	Dembowski, Barón, Fain	Best Starts for Kids	Would require the Director of DCHS to provide a notification letter to the Council regarding the qualifications, ability to fulfill program objectives, and financial management practices of the grant recipient or contractor to the Council ten days before any new	

				contracts or grants or amendments to contracts or grants are executed.	
6 to S1	S1 Pg. 134, Line 3025	Barón, Fain	Public Health	Would add appropriation of fund balance and restrict \$250,000 to be added to an existing program for individuals expected to lose eligibility for public health insurance coverage or tax credits.	
7 to S1	S1 Pg. 136, Line 3066	Mosqueda	Public Health	Would add a proviso requiring the Executive to provide a briefing on a public health revenue analysis.	
8 to S1	S1 Pg. 137, Line 3080	Mosqueda	Housing and Community Development	Would amend Proviso P1 to add a requirement to consider updates to the credit enhancement guidelines and would extend the due date.	
9 to S1	S1 Pg. 158, Line 3560	Lewis	Wastewater Treatment	Would change the amount withheld and the language in proviso P3 in the Wastewater Treatment appropriation unit.	
10 to S1	S1 Pg. 201, Line 4535	Balducci, Barón	Capital	Would add a proviso to withhold moneys intended for the activation of the Administration building required for the Return to Office (RTO) initiative until the Executive transmits a plan outlining the RTO alternatives analysis, expense, and timeline.	
T1	Pg. 1, Line 1	Dembowski	N/A	Would amend the title to comport with the changes made in Striking Amendment S1.	
T2	Pg. 1, Line 1	Dembowski	N/A	Title amendment to correspond to Striking Amendment S1 and all adopted line amendments. <i>[Title Amendment T2 will be emailed to all members after all line amendments have been considered.]</i>	

18 electronic copy and provide an electronic copy to all councilmembers, the council chief
19 of staff, and the lead staff for the committee of the whole or its successor."

20

21 **EFFECT prepared by G. Paul: *Would proviso \$50,000 of the Executive Office's***
22 ***appropriation until a detailed organizational chart of all staff in the Executive Office is***
23 ***provided.***

6/8/26

Executive Office Harbor
Island Plan

[G. Paul]

Sponsor: Balducci

Proposed No.: 2026-0071

1 **AMENDMENT TO STRIKING AMENDMENT S1 TO PROPOSED ORDINANCE**
2 **2026-0071, VERSION 1**

3 On page 22, after line 484, insert:

4 "P15 PROVIDED FURTHER THAT:

5 Of this appropriation, \$100,000 shall not be expended or encumbered until the
6 executive transmits a report on keeping Harbor Island Studios open to allow for future
7 planning and a motion that should acknowledge receipt of the report, and motion
8 acknowledging receipt of the report is passed by the council. The motion should
9 reference the subject matter, the proviso's ordinance, ordinance section, and proviso
10 number in both the title and body of the motion.

11 The report shall include, but not be limited to, an approach to keeping Harbor
12 Island Studios open, with no lapse in services available, until the study being requested of
13 Wheelhouse on potential operating models and suitable locations for continued local
14 production in King County is complete and a plan can be produced for an alternative
15 location that can viably support the local production of music, digital, television, video,
16 and film.

17 The executive should electronically file the plan and motion required by this
18 proviso by September 30, 2026, with the clerk of the council, who shall retain an

19 electronic copy and provide an electronic copy to all councilmembers, the council chief
20 of staff, and the lead staff for the committee of the whole or its successor."

21

22 **EFFECT prepared by G. Paul: *Would proviso \$100,000 of the Executive Office's***
23 ***appropriation until a report providing an approach to keeping Harbor Island Studios***
24 ***open until future planning is complete is provided to the Council.***

6/5/26

6 months of Harbor Island
Studios Rent

[G. Paul]

Sponsor: Balducci

Proposed No.: 2026-0071

1 **AMENDMENT TO STRIKING AMENDMENT S1 TO PROPOSED ORDINANCE**
2 **2026-0071, VERSION 1**

3 On page 31, after line 683, insert:

4 "SECTION 18. Ordinance 20023, Section 42, as amended, is hereby amended as
5 follows:

6 INTERNAL SUPPORT - From the general fund there is hereby appropriated to:

7 Internal support \$740,000"

8

9 Renumber the remaining sections consecutively and correct any internal references
10 accordingly.

11 **EFFECT prepared by G. Paul: Would allocate \$740,000 from the General Fund to**
12 **support Harbor Island Studios rent for the remainder of 2026.**

06/08/2026

White Center Murals

**4
to S1**

[O. Brey]

Sponsor: Mosqueda

Proposed No.: 2026-0071

1 **AMENDMENT TO STRIKING AMENDMENT S1 TO PROPOSED ORDINANCE**

2 **2026-0071, VERSION 1**

3 On page 94, line 2111, after "Center" insert "at 1601 SW Roxbury St., Seattle, WA 98106
4 and 9614 14th Ave SW, Seattle, WA 98106"

5 **EFFECT prepared by *O. Brey: Would amend ER6 in the Local Services***

6 ***Administration appropriation unit to provide the addresses where murals would be***

7 ***located.***

06/08/2026

BSK Contractor Certification

[O.Brey]

Sponsor: Dembowski, Fain, Barón

Proposed No.: 2026-0071

1 **AMENDMENT TO STRIKING AMENDMENT S1 TO PROPOSED ORDINANCE**
2 **2026-0071, VERSION 1**

3 On page 117, after line 2631, insert:

4 "ER2 EXPENDITURE RESTRICTION:

5 A. Of this appropriation, contracts with service providers supported by Best
6 Starts for Kids levy moneys ("contractors") shall not be entered into, extended, or the
7 compensation increased, and grants supported by Best Starts for Kids levy moneys shall
8 not be awarded, extended, or the compensation increased, unless the director of the
9 department of community and human services transmits a letter to the council no less
10 than ten business days before execution of:

- 11 1. Any contract or grant; or
12 2. Any amendment to a contract or grant that would either extend the term,
13 increase compensation, or both.

14 B. The letter to the council shall identify the Best Starts for Kids levy strategy,
15 the contract or grant amount, and certify, after making a reasonably diligent inquiry and
16 assessment, the following to be true and correct to the best of the director's knowledge:

- 17 1. The program proposed for support advances the goals of the Best Starts for
18 Kids levy and the applicable strategy, with identifiable and measurable outcomes;

19 2. For new requests for proposals or support opportunities, that there were at
20 least two proposers or grantees considered, or if not, the reasons used to determine that
21 only one contractor for the applicable service or program was qualified to propose or only
22 one grant recipient was qualified;

23 3. The proposed grant recipient or contractor is qualified, capable, and prepared
24 to deliver the required services in a responsible, timely manner;

25 4. The proposed grant recipient or contractor has the necessary financial
26 management, accounting, reporting systems, and qualified personnel to responsibly
27 administer the public funds to be provided;

28 5. The proposed grant recipient or contractor has the capacity and capability to
29 accurately and timely report to King County on the desired outcomes for the program;
30 and

31 6. The proposed grant recipient, contractor, or any person in a leadership or
32 managerial capacity responsible for administering the moneys or programming by the
33 proposed grant recipient or contractor, has not previously been identified by King County
34 government as having directly and materially participated in conduct that has caused any
35 program or grant to be terminated for wrongdoing or misuse of moneys, or has not been
36 directly and materially involved in conduct at a program or organization identified by the
37 King County auditor, ombuds office, or department staff where misspending, misusing,
38 or otherwise improperly obtaining King County funds was found.

39 The director of the department of community and human services may require the
40 proposed grant recipient or contractor to certify, to the best of their knowledge, the
41 foregoing statements as part of the director's diligent inquiry.

42 The executive shall electronically file the notification letter with the clerk of the
43 council, who will retain an electronic copy and provide an electronic copy to all
44 councilmembers."

45 **EFFECT prepared by O. Brey: *Would require the Director of DCHS to provide a***
46 ***notification letter to the Council regarding the qualifications, ability to fulfill program***
47 ***objectives, and financial management practices of the grant recipient or contractor to***
48 ***the Council ten days before any new contracts or grants or amendments to contracts or***
49 ***grants are executed.***

18 C. An overview of how this analysis of expenditures and revenues will contribute
19 to the proposal anticipated in the annual county property tax levy collection ordinance to
20 advance public health revenue options authorized by Chapter 221, Laws of Washington
21 2026.

22 The executive should provide the briefing required by this proviso by September
23 30, 2026."

24 **EFFECT prepared by *O.Brey: Would add a proviso requiring the Executive to provide***
25 ***a briefing on a public health revenue analysis.***

06/09/2026

WTD Proviso Language

[O.Brey]

Sponsor: Lewis

Proposed No.: 2026-0071

1 **AMENDMENT TO STRIKING AMENDMENT S1 TO PROPOSED ORDINANCE**
2 **2026-0071, VERSION 1**

3 On page 158, line 3560, after "appropriation," strike "\$500,000" and insert "~~(\$500,000)~~
4 \$5,000"

5

6 Beginning on page 160, line 3601, strike "The executive should electronically file the
7 implementation plan and a motion required by this proviso by ~~((April 3))~~ October 1,
8 2026" and insert "~~((The executive should electronically file the implementation plan and~~
9 ~~a motion required by this proviso by April 3, 2026))~~ Should the average thirty-year fixed
10 home mortgage interest rate drop below four percent for more than thirty days based on
11 thirty-year fixed rate conforming mortgage index, the executive should electronically file
12 the implementation plan and a motion required by this proviso within one hundred twenty
13 days for submittal"

14

15 On page 160, line 3606, after "successor." insert "Should the average thirty-year fixed
16 home mortgage interest rate fail to drop below four percent for more than thirty days as
17 described above during the 2026-2027 biennial budget period, the requirements of

18 Proviso P3 in this section and the \$5,000 withhold amount shall expire December 31,
19 2027."

20

21 **EFFECT prepared by O.Brey: *Would change the amount withheld and the language***
22 ***in proviso P3 in the Wastewater Treatment appropriation unit.***

06/08/2026

RTO

[O.Brey]

Sponsor: Balducci, Barón

Proposed No.: 2026-0071

1 **AMENDMENT TO STRIKING AMENDMENT S1 TO PROPOSED ORDINANCE**
2 **2026-0071, VERSION 1**

3 On page 201, after line 4535, insert:

4 "P8 PROVIDED FURTHER THAT:

5 Of this appropriation for building repair and replacement, for capital project

6 1152282, DES FMD BRR 2026 RTO Parent, \$2,421,000 shall not be expended or

7 encumbered until the executive transmits a plan on the return to office initiative and a

8 motion that should acknowledge receipt of the plan, and a motion acknowledging receipt

9 of the plan is passed by the council. The motion should reference the subject matter, the

10 proviso's ordinance, ordinance section, and proviso number in both the title and body of

11 the motion.

12 The plan shall include, but not be limited to:

13 A. A description of where each department's staff will be located within all

14 county spaces and identification of which department's staff will occupy facilities

15 renovated with project 1152282 moneys, and the location where department staff are

16 being relocated from;

17 B. The total number of work points needed by each department and division and
18 the number of employees in each division working in the office one, two, three, four, or
19 five days per week;

20 C. The total number of move-in ready work points available as of June 1, 2026,
21 the timeline for constructing additional work points, and a description of how the timeline
22 for the return to office initiative requirements will align with construction of additional
23 work points;

24 D. A description of how space and cost needs change depending on two versus
25 three days working at the office, including both one-time costs and ongoing building
26 maintenance costs;

27 E. An analysis of alternatives considered that would reduce costs associated with
28 the return to office initiative, that would not require housing staff in mothballed buildings
29 or renting office space, and could allow for shared space;

30 F. A timeline for staff returning to the office one, two, three, or more days per
31 week beginning June 1, 2026;

32 G. A detailed accounting of return to office actual and proposed expenditures
33 during the 2026-27 biennium;

34 H. A description of existing bargaining agreements with labor groups and
35 information regarding if there will be additional bargaining related to the return to office
36 initiative; and

37 I. Any current or planned exception policies to return to office policies.

38 The executive shall electronically file the plan and a motion required by this
39 proviso by September 30, 2026, with the clerk of the council, who shall retain an

40 electronic copy and provide an electronic copy to all councilmembers, the council chief
41 of staff, and the lead staff for the committee of the whole or its successor."

42 **EFFECT prepared by O.Brey: *Would add a proviso to withhold moneys intended for***
43 ***the activation of the Administration building required for the Return to Office (RTO)***
44 ***initiative until the Executive transmits a plan outlining the RTO alternatives analysis,***
45 ***expense, and timeline.***

6/3/26
Title Amendment

[G. Paul]

Sponsor: Dembowski

Proposed No.: 2026-0071

1 **AMENDMENT TO PROPOSED ORDINANCE 2026-0071, VERSION 1**

2 On page 1, beginning on line 1, strike lines 1 through 15, and insert:

3 "AN ORDINANCE making a net supplemental
4 appropriation of \$69,297,000 to various general fund
5 agencies, a net supplemental appropriation of \$147,608,000
6 to various non-general fund agencies and a net
7 supplemental appropriation of \$208,368,141 from various
8 capital fund budgets; amending the 2026-2027 Biennial
9 Budget Ordinance, Ordinance 20023, Sections 7, 8, 16, 21,
10 21, 30, 30, 33, 33, 34, 34, 35, 36, 43, 43, 45, 46, 47, 49, 50,
11 51, 51, 52, 53, 54, 55, 59, 60, 60, 64, 64, 70, 70, 71, 71, 79,
12 80, 82, 83, 83, 87, 87, 90, 90, 91, 91, 94, 94, 96, 96, 98, 98,
13 101, 102, 102, 103, 103, 104, 104, 105, 107, 109, 109, 110,
14 110, 111, 111, 115, 115, 116, 116, 122, 123, 124, 126, 132,
15 and 132, as amended, and Attachment A, as amended,
16 adding a new section to Ordinance 20023, as amended, and
17 repealing Ordinance 20023, Sections 17, 18, 19, 20, 27, and
18 28, as amended."

- 19 **EFFECT** prepared by *G. Paul: Would amend the title to comport with the changes*
20 *made in Striking Amendment S1.*