

Summary of Recommendation

1. **WTD recommends a rate increase of 2.5% for 2019 (intended to be maintained through 2020)**
 - a. WTD's recommendation presents projected rates for 2019-2020 which are \$0.52 lower than those projected in the 2018 adopted rate (June 2017).
 - b. All options include all incurred restoration costs and \$253M in post-restoration projects at West Point; maintain \$46.2M rate stabilization balance through 2021; recognize substantial savings from the Georgetown CSO WIFIA loan; and use Brightwater settlement funds to pay for capital improvements into 2020.
 - c. WTD's recommendation projects a 4.5% rate increase for 2021-2022 and 2.3% rate increases in 2023 and 2024 yielding an average annual rate increase of 1.93% for the next 6 years.
 - d. Options maintaining the current 2018 rate through 2019, 2020 or 2021 result in larger out-year rate increases.
 - e. WTD recommends a 2019 monthly capacity charge of \$64.50, a 3.0 % increase from 2018. WTD is engaged in a study and analysis of the allocation across customer groups for this revenue. Additionally, a low income discount program is being designed. Recommendations from both of these studies should be ready in 2019 for incorporation in the 2020 capacity charge.
2. **Positive 2017 Financial Performance**
 - a. Since January, 2015, over \$1.9 billion in bonds refinanced have resulted in \$16.7 million in debt service savings in the 2017-8 biennium, reducing sewer rate increases by \$1.15.
 - b. Moody's upgraded WTD's bond rating from Aa2 to Aa1 resulting in lower future borrowing costs.
 - c. Total RCEs grew 0.6% from 2016 to 2017 consistent with projections and reflecting completion of large construction dewatering contributions in 2016.
3. **Future Uncertainties**
 - a. Timing and amount of CSO Long-term Control Plan costs for 5 major projects will be updated in the upcoming system plan of 2020.
 - b. Continued customer growth at recent high levels is not expected to continue.
 - c. Timing and pace of increasing interest rates.
 - d. The 2017 Tax Act ended advanced refundings for tax-exempt municipal bonds; 2021 will be the first year that potential refunding savings might become available.
4. **Highlights of WTD's recommendation**
 - a. Implements operating and capital programs ensuring continued regulatory compliance.
 - b. Significant investment in West Point resiliency.
 - c. Operating fund totals include increased staffing to proactively address aging workforce, support new construction & capacity improvements, system planning, upgrading our asset management capabilities and earthquake resiliency.
 - d. Continues fiscally conservative debt strategies and maintains current rate stabilization balance through 2021 to support rate mitigation strategies in the future.