

King County Water Quality Enterprise Fund
Supplemental Information
Supplemental Schedule of Debt Service
Coverage Ratios (Unaudited)
Year Ended December 31, 2017

Water Quality is obligated by applicable bond ordinances to set sewage disposal rates at a level adequate to provide net revenue equal to at least 1.15 times the annual debt service requirements for sewer revenue and general obligation bonds payable from revenues of Water Quality. It is an adopted policy of Water Quality to achieve a debt service coverage ratio of 1.25. Excluded from the calculation of the coverage ratios for 2017 below is the optional redemption of \$920 thousand of 2015 Junior Lien Variable Rate Bonds, Series A and Series B.

Coverage (1.15 required by covenant, adopted policy 1.25) 1.70

In 2001, Water Quality adopted a new debt service target of 1.15 times the annual debt service for bonds, obligations, notes, and loans of Water Quality.

Coverage (1.15 adopted target) 1.51

Water Quality is required to generate revenues sufficient to pay all costs of operation of the sewage treatment system and debt service on obligations of Water Quality.

Coverage (1.00 required by covenant) 1.38

In 2001, Water Quality issued an additional tier of revenue bonds. The bond covenants of the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, require that sewage disposal rates provide net revenue equal to at least 1.10 times the annual debt service requirements for all junior lien obligations after payment of senior lien requirements. All of Water Quality Junior Lien Variable Rate Sewer Revenue Bonds and Multi-Modal Limited Tax General Obligation Revenue Bonds incorporate the identical requirement stated in the 2001 bond covenant requirements.

Coverage (1.10 required by covenant) 25.29

King County Water Quality Enterprise Fund

Supplemental Information

Supplemental Schedule of Historical Debt Service Coverage Ratios (Unaudited)

DEBT SERVICE COVERAGE FOR THE WATER QUALITY ENTERPRISE LAST TEN FISCAL YEARS (dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential Customer and Residential Customer Equivalents (RCEs) (annual average, rounded)	706,846	703,795	704,400	707,300	708,900	718,160	725,844	736,090	756,430	756,916
Percentage Annual Change	0.56%	-0.43%	0.09%	0.41%	0.23%	1.31%	1.07%	1.41%	2.76%	0.06%
Operating Revenues										
Sewage disposal fees	\$ 237,001	\$ 271,558	\$ 269,498	\$ 306,430	\$ 307,143	\$ 342,850	\$ 346,591	\$ 371,253	\$ 381,513	\$ 401,650
Rate stabilization	3,000	(15,398)	(15,814)	(25,523)	13,923	10,350	18,000	(12,000)	-	-
Capacity charge revenues	35,002	40,827	41,363	48,693	51,411	58,660	59,522	62,479	71,200	82,615
Other operating revenues	9,170	9,869	9,778	7,830	9,398	10,126	11,675	11,674	11,828	18,308
Total Operating Revenues	284,173	306,856	304,825	337,430	381,875	421,986	435,788	433,406	464,541	502,573
Operating and Maintenance Expenses ¹⁾	98,370	103,118	103,682	103,995	114,939	117,183	122,014	127,211	138,698	142,263
Add: GAAP adjustment ²⁾	-	-	-	-	-	-	2,187	1,715	(2,377)	5,936
Net Operating and Maintenance Expenses	98,370	103,118	103,682	103,995	114,939	117,183	124,201	128,926	136,321	148,199
Net Operating Revenue	185,803	203,738	201,143	233,435	266,936	304,803	311,587	304,480	328,220	354,374
Interest Income ³⁾	4,087	5,613	3,426	2,725	1,697	2,682	2,822	2,863	4,549	6,055
Net Revenue Available for Debt Service	189,890	209,351	204,569	236,160	268,633	307,485	314,409	307,343	332,769	360,429
Debt Service										
Parity Bonds	110,237	118,925	118,817	132,664	157,117	172,959	175,463	167,694	160,957	159,761
Parity Lien Obligations	24,178	26,042	26,838	32,910	38,626	43,064	42,876	40,348	53,164	52,650
Subordinate Debt Service	18,581	12,150	12,182	12,769	14,087	15,039	17,477	18,318	21,316	26,277
Total Debt Service	\$ 152,996	\$ 157,117	\$ 157,837	\$ 178,343	\$ 209,830	\$ 231,062	\$ 235,816	\$ 226,360	\$ 235,437	\$ 238,688
Debt Service Coverage										
On Parity Bonds	1.72	1.76	1.72	1.78	1.71	1.78	1.79	1.83	2.07	2.26
On Parity Bonds and Parity Lien Obligations	1.41	1.44	1.40	1.42	1.36	1.42	1.44	1.48	1.55	1.70
On All Sewer System Obligations	1.24	1.33	1.30	1.32	1.28	1.33	1.33	1.36	1.41	1.51

1) 2014 operating expenses were restated as part of GASB Statements 68 and 71 implementation.

2) Non-cash GAAP adjustments consist of pension, other post-employment benefits and compensated absence accruals.

3) Interest Income excludes unrealized gains in the GASB Statement 31 market valuation adjustment.