

YOUR WATER AND SEWER RATES

I often see comments on Next-door about water and sewer rates being too high, and we have heard the same from customers through district communications. I have sometimes responded with the suggestion that people could attend a water/sewer meeting to learn how these costs come about. No one has ever taken me up on that suggestion, so I am responding now with a letter instead.

I agree that our rates are very high. (Between the Skyway W/S bill and other King County expenses, I have wondered how much longer we will be able to live here!) I am going to attempt to explain how the rates are set. As much as I would love to make this brief, it is not a simple explanation.

WHERE DO WE GET THE \$\$ TO RUN THE DISTRICT?

The Skyway Water & Sewer District is owned by its ratepayers, and **all its income is from rates only**, nothing from taxes. The rates are set by your three elected commissioners. We all live in the district, pay the same amount you do, and are greatly concerned about how rising costs affect us all — especially our low-income residents. I am retired and living on a fixed income and feel the same financial pressures as many of you.

WHAT DO WE DO WITH YOUR \$\$?

The district has a Capital Improvement Plan (CIP) that maps out the next 10 years. Projects are ranked on a scale that looks at urgency versus cost and time. Every year the staff, engineering consultants, and commissioners evaluate the CIP and adjust it to look forward to the next few years. The results of this analysis are put into the budget for the next year's rates. There are several projects on the CIP that are well over \$6 million. (The CIP is a public document available on the District website. There have been times we have discussed projects that really needed to be done, looked at what it would do to the rates, and pushed it further down the plan. We recently had an emergency water main failure that was costly, so we delayed another job to accommodate the expense.

King County recently passed an ordinance to charge customers "rent" for the right-of-way ground that pipes pass through. This was hotly contested by our district and other entities in King County Court. Although we won in that court, we lost when it was taken to the State Supreme Court. How much will this cost you? We are not sure yet, but the initial estimate was \$10 per month. No money is being collected from our customers or paid to King County **YET**. Regular updates on the ordinance are included in our bi-monthly Skylines Newsletter which is also available on our website. You can expect a separate mailing coming out soon to explain more on this development.

Water: Your water comes from one of three sources: The City of Seattle, the City of Renton, and Skyway Water & Sewer wells. This is explained on your annual water quality report, which is required by law to be available to customers and is posted on our website. *All three sources consistently meet Washington State Department of Health standards.*

The City of Seattle gets its water from the Cedar River Watershed. We purchase this water from Seattle through our membership in the Cascade Water Alliance, and they are predicting a 3% increase per year. The City of Renton gets its water from wells located in the Liberty Park area and Springbrook Springs watershed. We purchase water directly from Renton under a 1993 contract. We expect Renton to renegotiate this contract in the near future, because their water system infrastructure and delivery services to Skyway have changed substantially over time. Skyway wells also provide a portion of our water. Within the last 8

years new wells have been drilled on our well site, and a new treatment plant has been completed. Technically that water itself is free, but there are costs of operating and maintaining the wells and treatment plant. Unfortunately, the amount of water we can get from our own wells is limited by how much they will produce, so purchasing water is absolutely necessary.

The Skyway water supply system is maintained by the district's staff and has its own CIP ~~with~~ projects to upgrade and maintain 40 miles of pipe, 300 fire hydrants, storage tanks, and pumping systems.

Sewer: Decades ago, everyone dumped their sewage into Lake Washington and Puget Sound. Costs were minimal, rates were low, gas was less than a dollar a gallon, and the population in Seattle was a fraction of what it is today. **Things have changed.** King County now takes our sewage and treats it to a level that is almost drinkable, selling the water for use in golf courses and parks. The solids are sold for fertilizer. The county is also working on building giant storage tanks to hold sewage and rainwater. In major storms rainwater & sewage can combine and the treatment plants are unable to take it all, so the tanks keep the system from being overwhelmed and having to dump the unhealthy combination into our waterways. Plans are also underway to treat runoff from roads, which adversely affects streams and kills salmon. *These treatments are not optional* — they are required by the EPA and other jurisdictions. **It is costly!** One estimate is that our King County sewer bill will increase by 5% every year for the next ten years. Right now, the county portion of your bill is just over \$45 a month, not quite half of the sewer portion of your overall bill. We have no control over what King County charges. There are a few committees we are allowed to sit in on, but we have no vote. We are fighting for a vote in the ongoing wastewater contract negotiations. Skyway should not sign a new contract without a voice in the outcome. There is also a Skyway portion of your sewer bill, which covers operation and capital improvements.

Operations: We pay for a staff of 10 office and field members (who work on both water and sewer,) an office building, trucks and other equipment (including a backhoe and vacuum truck,) sewer cameras to locate blockages, and 14 pump stations (both water and sewer) that are needed for our hilly terrain. Add the miles of water and sewer pipes, 6 water reservoirs and 8 pressure reducing stations, hundreds of fire hydrants and sewer manholes, and it all adds up to a very large inventory of assets that need to be maintained.

BORROWING \$\$ FOR PROJECTS:

Keep in mind that many of our pipes in the ground (both water & sewer) are over 80 years old and obsolete. They need to be repaired and/or replaced on a regular basis.

When needed and available, we borrow money from the Public Works Trust Fund (PWTF.) This money is from a State of Washington fund, and loans are awarded for about 0.25 to 1% interest. However, because the state also takes from this source to pay for other needs, the dollars are not always available. We also finance projects by selling bonds on the market. The Skyway W/S District has a AA credit rating (up from AA-). Bond interest rates are about 2%. The district maintains a favorable debt to asset ratio: We don't owe more than we can pay.

The Washington State Auditor's Office audits our district every year and the audit reports are available on the SAO website. Skyway Water & Sewer District files financial statements every year and has never failed an audit.

SAVING YOU \$\$:

The district has had recent discussions about helping low-income and low water use customers. We are looking into extending our low-income / disabled water rates to apartment

dwellers, and to setting up a sewer rebate to low water users. Hopefully this will be implemented soon to help those customers with the increasing charges.

NOW TO THE QUESTION YOU HAVE ALL BEEN WAITING FOR: CAN WE REDUCE YOUR BILL?

As you have learned above, we cannot reduce what King County charges for sewage treatment, and we cannot change the cost of the water we must purchase. We could lower employee wages and benefits or reduce our office & field staff. Doing those things would save a very small amount of money and would negatively impact the service you receive from those highly trained individuals in the operation and maintenance of the water and sewer systems. The only other savings option would be to cut Capital Improvement Projects and only do emergency repairs. This would be much like having no insurance and no savings, and then being hit with a huge unexpected medical bill! In other words, a very scary situation. There have been districts that spent no money on CIP or maintenance. Their customers enjoyed consistently low rates for years until major problems inevitably erupted, resulting in failed health, safety, and other state and federal compliance inspections, as well as rates that suddenly tripled! We hope you agree that it is better to be safe than sorry. And, speaking of safety, **Skyway Water and Sewer District has never failed a Department of Health sanitary survey inspection, and has never had to issue a boil water alert.**

So, the answer to the above question is no, we cannot at this time reduce your rates. For those of you who wonder why our rates are perhaps higher than other districts, you must ask yourselves: Is that district exactly the same as ours? In size, in complexity, in age of infrastructure, in service to its customers? We strive to do whatever we can to keep your bill as low as possible while still providing clean water and safe sewage disposal. We always welcome suggestions and continue to hope you will bring your ideas to one of our Board meetings.

SUMMARY:

- * We must purchase water — water is expensive.
- * We must treat sewage — treatment is expensive.
- * We must maintain and repair pipes and equipment — this takes a reserve of \$\$.
- * We get **all** of our \$\$ from you, the ratepayers.
- * Because you, the customers, own the district, we value your input and invite you to our Board meetings. (We offer free cookies, and if you have made it to the end of this letter, you deserve one!)

Sincerely,

Jon W. Ault
Commissioner
Skyway Water & Sewer District