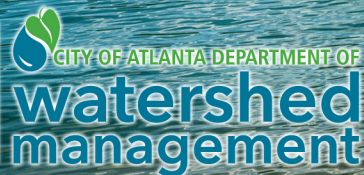
A photograph of the Atlanta skyline, including several prominent skyscrapers, viewed from across a body of water under a blue sky with scattered clouds. A semi-transparent blue banner is overlaid on the middle of the image, containing the conference title and date.

AMWA – 2017 Executive Management Conference  
Developing Equitable Rate Structures While Providing Reliable Revenues  
Calvin D. Farr, Jr., Assistant Commissioner  
October 17, 2017



CITY OF ATLANTA  
Kasim Reed, Mayor  
Kishia L. Powell, Commissioner



**Delivers** 100 MG of drinking water per day  
**Treats** 188 MG of wastewater per day

1.2M  
Customers  
Served

\$610M  
FY 2018  
Operating  
Budget

\$1.22B  
5-YR Capital  
Improvement  
Program

### WATER SYSTEM

3,028 miles of pipeline  
62,204 valves  
24,385 fire hydrants  
18 pump stations  
3 water treatment plants

### WASTEWATER SYSTEM

1,900 miles of pipeline  
47,327 manholes  
22 pump stations  
4 water reclamation centers  
2 water quality control facilities

### WATERSHED PROTECTION

603 miles of pipe  
47,351 inlets  
2,349 culverts  
6,175 outlets  
14 drainage basins

# Background

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- Atlanta region is expected to grow from 5.5M to 8M over next 20 YRs
- Drinking Water Obligations
  - Maintain safe drinking water compliance at three facilities
  - \$350M Water Supply Program – Plan for Growth & Future Drought Possibilities
  - Reduce 30% water loss
- Clean Water obligations includes two Consent Decrees
  - 1st entered in 1998; \$2B investment resulted in 80% sewer spill reduction
  - 2<sup>nd</sup> entered in 1999; City pursued extension to 2027
  - Stormwater: Program needs estimated at \$40M annually, no sustainable funding source
- City raised rates by 250% over a decade to comply with Consent Decrees
- 5-YR CIP is \$1.2B – The Need for Next 20 Years is \$8.3B

# Increased Debt Capacity

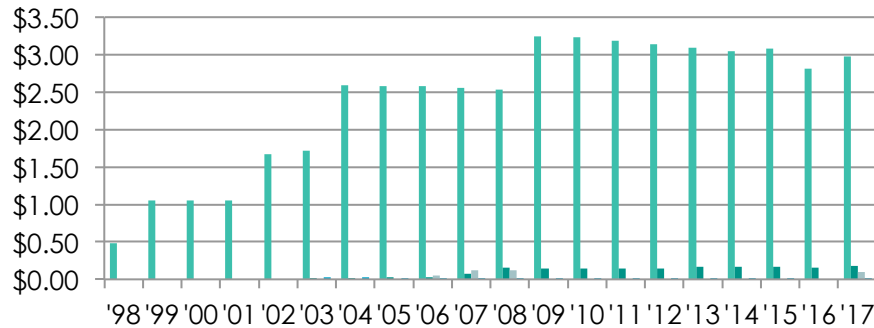


- To meet Consent Decree requirements long term debt increased from \$500 million to \$3.5 billion from 1998 to 2009
  - Limited capacity for additional long term debt

## Outstanding Debt Levels

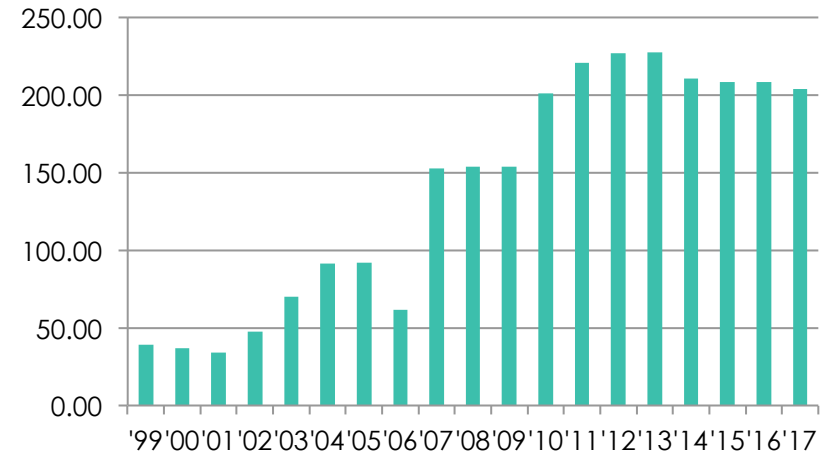
\$ in billions

■ Revenue Bonds ■ GEFA ■ Commercial Paper ■ Capital Leases



## Sr. Debt Service Payments

\$ in millions

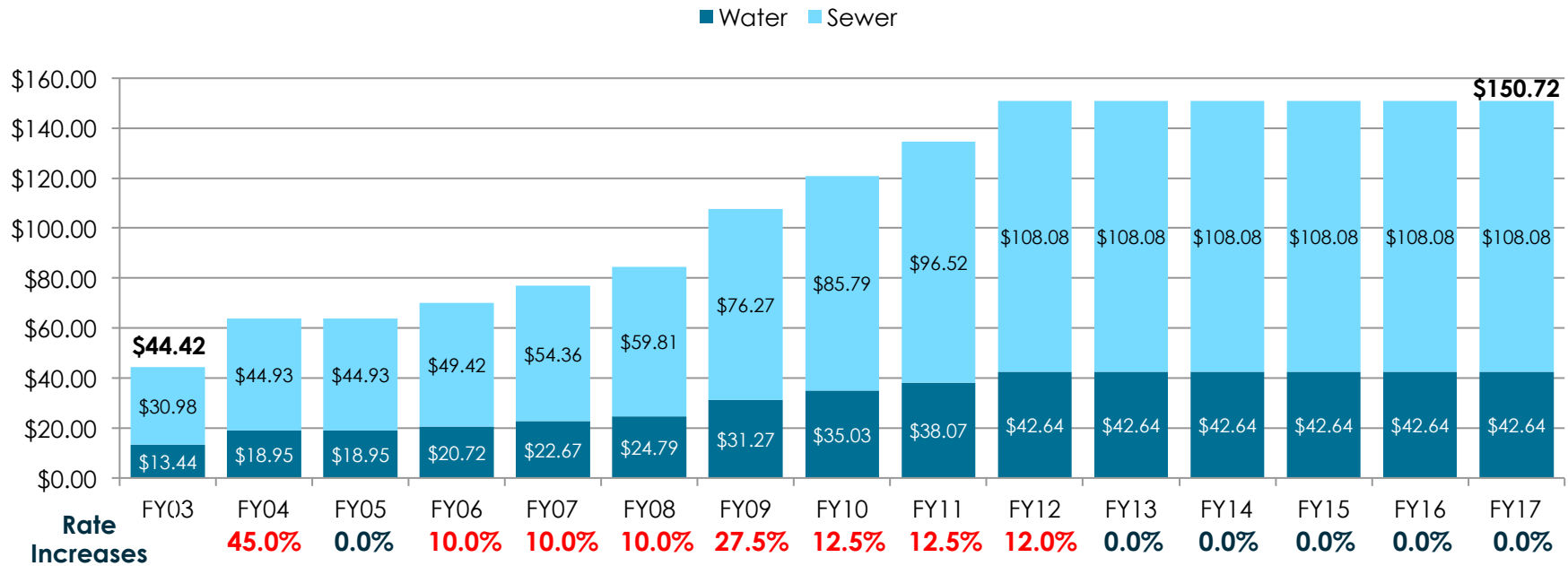


**Note:** Fiscal years 2007- 2015 are 12-month periods beginning July 1 and ending June 30. Fiscal year 2006 is a six month period beginning January 1, 2006 and ending June 30, 2006. Fiscal year 1998-2005 is a 12-month period beginning January 1 and ending December 31. Sr. Debt payments includes portions of interest paid in conjunction with 2015 refinancing.

# Historical Residential Bill Impacts



**City of Atlanta- Department of Watershed Management  
 Combined Water and Wastewater Bills: 8 CCF User  
 FY 2008 thru FY 2017**



10/17/17

# Affordability Concerns



- 3rd Highest Rates in the Country
  - Increasing block rate structure (3 tiers; an aggressive water conservation measure)
  - Avg National Bill = \$50/month vs Atlanta Bill = \$150/month
- 30% of Households Fall Below Annual Income of \$25k
- Affordability issues are impacting about 50% of Atlanta households
- Nation Median Income = ~\$59,000 vs. Atlanta Median Income = ~\$47,500

National Picture	Atlanta Picture
Avg Annual Residential Bill /Median Income (ARBMI) - 1.3% \$791/\$59,000	Atlanta ARBMI - 3.8% \$1,800/\$47,500
<b>Average US household Water/Sewer bill</b> <ul style="list-style-type: none"> <li>- \$791/year</li> <li>- 3.3% (household income at the poverty line)</li> </ul>	<b>Average Atlanta household Water/Sewer bill</b> <ul style="list-style-type: none"> <li>- \$1800/year</li> <li>- 7.2% (for household income at the poverty line)</li> </ul>

# Rate Stabilization

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- In 2004 a 1% Municipal Options Sales Tax (“MOST”) was approved by voters for retail sales and use occurring in the incorporated city limits of Atlanta.
  - Purpose: to assist in funding water and sewer system CIP
- In 2012, DWM was granted a 13-year extension on its second consent decree
  - The extension allowed the Department to exercise fiscal balance across all infrastructure types (water, wastewater and stormwater)

# Benefits of MOST

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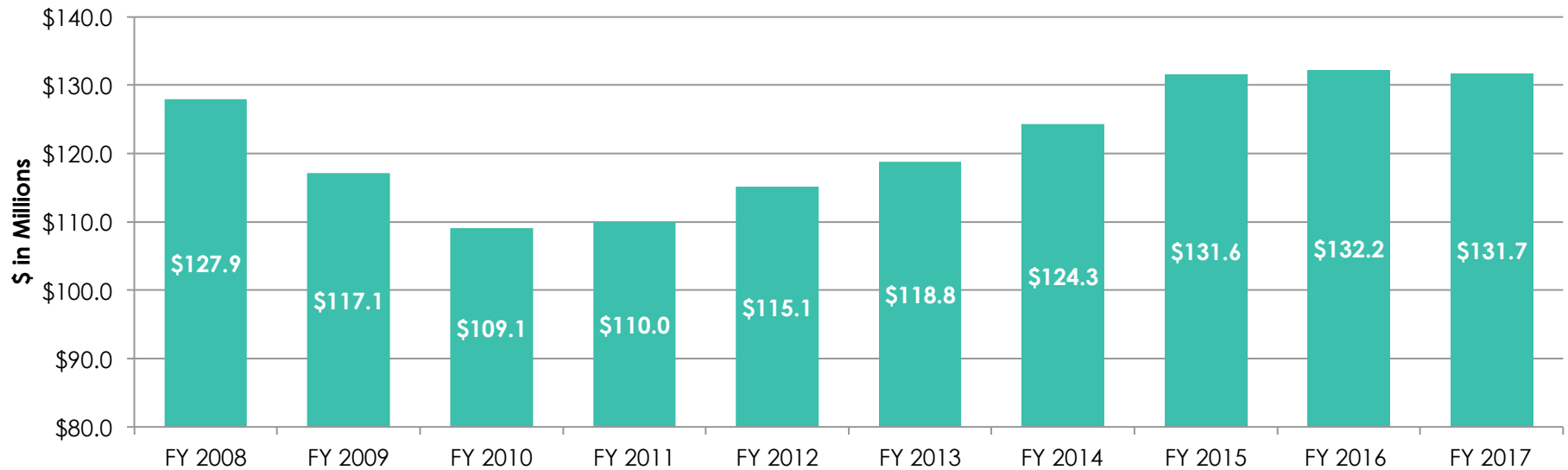


- Shares costs of maintaining and improving system regionally
- Daytime population increased to over 1.2 million
- Approximately 20% of DWM's annual funding
- Strong Local Support: (Over 75% of the vote)
- Limit future rate increases for water/sewer rate payers
- Contributes to funding \$1.2 billion CIP Program
- 10% of MOST proceeds authorized for SW capital projects

# Historical MOST Revenues



- Approximately \$1.25 billion collected since inception



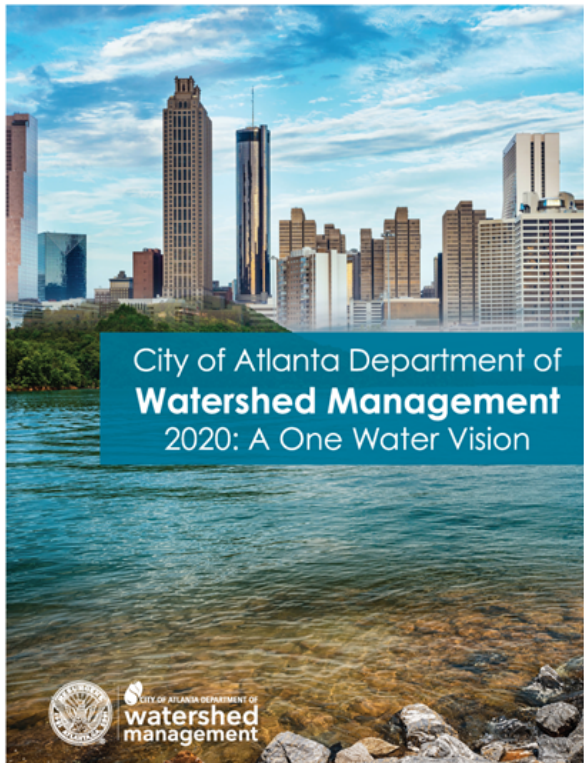
# Impact to Credit Ratings



- “Longer term rating concerns exist regarding the potential loss of a major revenue source for system operations” (S&P)
- “WHAT COULD MOVE THE RATING DOWN....Failure to renew MOST in 2016” (Moody's)

Bond Upgrades		
Water and Wastewater Revenue Bonds Ratings		
Agency	Moody's	Standard & Poor's
2011	A1	A
2013	<b>Aa3 (Stable)</b>	<b>A+(Stable)</b>
2015	Aa3 (Stable)	<b>AA- (Stable)</b>
2017	<b>Aa2 (Stable)</b>	<b>AA- (Stable)</b>

# DWM Strategic Plan



- Serves as a roadmap to become a leading public water utility
- **Seven priorities** serve as key drivers in achieving the goals and objectives of the utility
- Informs a course of action for **disciplined decision making** and implementation of critical programs and initiatives that shape the future of DWM
- **Prioritize the allocation of funding**

# Financial Resiliency



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## Goals:

- Responsibly manage the full life-cycle costs of the utility
- Establish and maintain an effective balance between long-term debt, asset value, operating revenues and O&M expenditures
- Predictable rates that meet community and regulatory expectations while adequate to invest in current and future needs

## Objectives:

- Ensure efficient and cost effective access to the capital markets
- Maximize incoming revenue under existing rates by reducing A/R balance
  - Collections – Reduced A/R by \$5M this year
  - Amnesty Program – Provide Opportunity for Commercial & Residential Customers to Enter into Payment Plans

# Financial Resiliency

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## Objectives:

- Operational Enhancements & Infrastructure Renewal
  - Leak Detection & Increase Watermain Replacements
  - Continue with Metering Improvements – Obtain Accurate Usage for Accurate Billing
  - Enhance Asset Management
- Utilize Additional Funding Sources for Capital Projects:
  - Renew Municipal Options Sales Tax
  - Establish Stormwater Utility
  - Low Cost Borrowing (GEFA & WIFIA)
  - Public Private Partnerships
  - Revenue from nutrient recovery
  - Renewable Energy Opportunities – Energy Services Companies (ESCOs)

# Affordability Programs

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## Objectives:

- Increase Participation in current customer affordability programs
  - Care & Conserve Program
    - Water/Sewer Bill Payment Assistance
    - Plumbing Repair Assistance
    - Conservation Fixtures
  - Senior Discount Program
    - Affordability Through Discounts
  - Streamwork Program
    - Affordability Through Workforce Development

# Care & Conserve Program



- Assists Single-Family, Low-Income, Residential Customers Facing Financial Hardships with Outstanding Water Bill Balances
- Educates Customers about Water Conservation
  - 3-Year Consumption Audit
  - Water Conservation Recommendations
  - Reduction in Water Bills through the Installation of Water Efficiency Devices
- Residential Customer has to Meet the Low-Income Eligibility Requirement



Family size	1	2	3	4	5	6	7	8
Income	\$24,540	\$32,860	\$41,180	\$49,500	\$57,820	\$66,500	\$74,460	\$82,780

# Care & Conserve Program



- Assistance with Identifying Leaks
  - Property Owner is Required to Make Repairs
  
- Plumbing/Leak Repair Assistance – Currently Developing a Grant Program with Plumbing Repair Non-Profits
  - Toilet, Faucet, Interior Plumbing Replacement/Repair
  - Water Heater Replacement/Repair
  - Underground Leak Repair
  - Septic Tank Failure
  - Low Flow Fixture Installation



Family size	1	2	3	4	5	6	7	8
Income	\$24,540	\$32,860	\$41,180	\$49,500	\$57,820	\$66,500	\$74,460	\$82,780

# Care & Conserve Program



- An Application May Receive Up to
  - \$1,000 for Bill Payment Assistance
  - \$3,000 for Bill Payment Assistance with Leaks
- Assistance is Assessed on a Case-by-Case Basis
- Customers are Responsible for Making Some Form of Payment During the Application Process



Family size	1	2	3	4	5	6	7	8
Income	\$24,540	\$32,860	\$41,180	\$49,500	\$57,820	\$66,500	\$74,460	\$82,780

# Care & Conserve Program



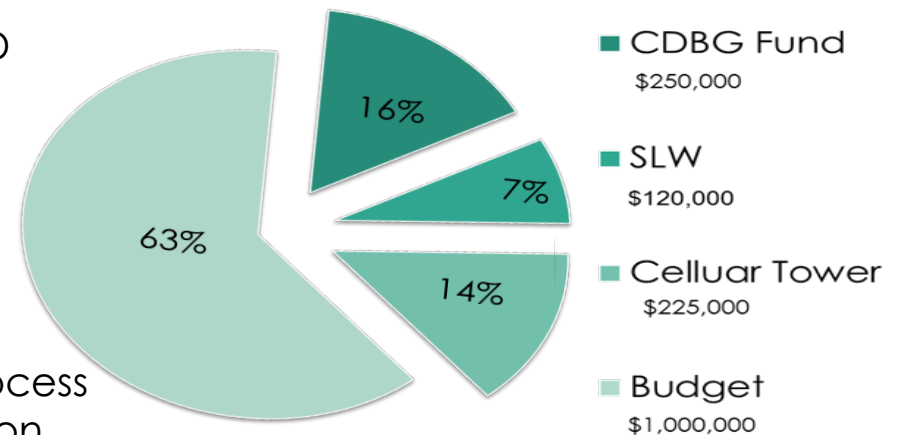
## 1995 to 2012

Care & Conserve Trust Fund

- Community Development Block Grants - HUD
- Private donations
- Revenue from cell tower leases
- Corporate & foundation grants

## 2013 to present

- Community Development Block Grants - HUD
- Customer donations through bill payment process
- Water & sewer revenue – budget appropriation
- Revenue from cell tower leases



**Approximately \$1.6 Million in assistance programming per year**

# Senior Discount Program



- Seniors Receive a 30% Discount on Water/Sewer Bills
- Approximately \$1M in Discounts per Year
- Qualifications
  - Be a City of Atlanta Water and Sewer Customer
  - Annual Renewal
  - Be 65 Years or Older
  - Maximum Household Income of \$25,000 or Less
  - Be Primary Titleholder or Leaseholder on the Property





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# QUESTIONS & ANSWERS

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