



## **KC Water Cost of Service Task Force Final Recommendations**

*Approved June 6, 2017*

1. The Task Force recommends no modifications to the existing rate structure, currently a declining block rate structure with a lifeline rate. The lowest block in the tiered rate structure is the “lifeline” rate which is applied to all customers. Roughly 75% of customers pay only the first block rate, making the current type of rate structure the more affordable option for the majority of customers.
2. KC Water should institute an Advance Payment policy for new customers in order to build greater financial stability. This means the customer cannot activate service until one month’s payment is made in advance. Advance payment would be expected to reduce bad debt by \$4 million annually (approximately \$2 per month per residential customer).
3. The Task Force established the principle that growth should pay for growth and recommends that the full capital costs of services provided should be recovered from new development projects. Existing ratepayers should not fund the extension of service to new developments. System Development Charges should be structured so as not to discourage redevelopment and should also ensure that Kansas City is competitive with surrounding communities. System Development Charges can be used to increase capacity of the utilities to support growth.
4. KC Water should use non-rate revenue (e.g. late fees) for low-income customer assistance, community gardens, water efficiency and other programs that bring value to the community. Non-rate revenue not spent on these programs annually can be used for rate relief for all ratepayers.
5. KC Water should modify the current Customer Assistance program by lowering the maximum amount distributed (\$500) to an individual customer in order to help more customers.
6. KC Water should use non-rate revenue (e.g. late fees) to leverage funds from outside sources to maximize benefits to customers. KC Water should develop a program to assist low-income customers with leak detection and water efficiency efforts.
7. KC Water should work with the City to continue to provide education and outreach on programs, rates, the Overflow Control Program’s impacts on rates, affordability, customer assistance, and how to read the bill.

8. The City should pursue a strategy of modifying the Consent Decree because the current plan is not affordable for our community now and as currently planned is not sustainable for future generations regardless of the timeframe.
9. The City should apply integrated planning techniques and best practices to periodically evaluate and adjust the OCP plan to:
  - Address growing City and community needs
  - Incorporate new data and technologies
  - Ensure that the plan delivers the greatest benefit with each public dollar spent
10. The City should develop a revised plan that:
  - reduces costs, ensures affordability, and allows rates to be competitive with surrounding communities
  - focuses on rehabilitating or replacing existing infrastructure
  - desires to get the greatest environmental health benefit relative to the spend
  - examines and addresses multiple City infrastructure needs
  - evaluates the use of smart technologies as part of a Consent Decree modification to reduce costs and find efficiencies
  - emphasizes the utilization of green solutions, both public and private
11. The City should support federal and state water ratepayer assistance programs as part of the City's legislative priorities agenda.
12. The City should include the pursuit of state and federal funds for water and wastewater infrastructure on its legislative agenda.
13. KC Water should reduce future utility rate increases with revenue (when available) from state and federal programs.
14. KC Water should be efficient with stormwater operating expenses while continuing to meet all state/federal mandates.
15. The City should take a regional approach to pursue integrated planning to prioritize stormwater and wastewater improvements together, as they both can improve water quality.
16. The stormwater operating deficit can be addressed and funding for some flood reduction projects can be explored while considering the overall impact on customers' bills. Revenue from stormwater fees is the preferred option, rather than property or sales taxes.

17. KC Water should explore an increasing block rate structure for stormwater combined with an incentive program. This means the more hard-surface a property has, the higher rate per square foot. The current fee is a flat fee (uniform block rate) per square foot.
18. The City should review options for adopting city ordinances that require developers to integrate Best Management Practices (BMPs) and provide natural drainage when development or redevelopment occurs.
19. The City should protect and enforce city ordinances already in place that benefit water quality.
20. KC Water should explore the use of Levee Districts to pay for ongoing levee maintenance. Should property owners desire increased flood protection, they could also vote to assess themselves and use such funds for capital projects.