

JANUARY 10, 2017

# KC Water Cost of Service Task Force

## Meeting #8



# Agenda

- Follow-up items from 11/29 meeting
- Pay for Some Overflow Control Program Projects with Stormwater Funds
- Overflow Control Program Discussion
- Affordability Discussion
  
- Public Comment
- Task Force Discussion
- Recommendations



## Follow-up Items

# Premised-Based Billing

- KC Water would tie each account to the property instead of the account holder's name.
- For non-owner occupied properties, a bill would be provided to the tenant and landlord.

# Premised-Based Billing, cont.



PROS	CONS
Reduces collections costs.	Landlords may push back.
Landlord participates in risk.	Additional administrative support needed.
May encourage landlords to upgrade water efficiency of unit.	Could be changed by State Legislature.
Provides stability & increase probability of collections	Still may be difficult to deal with absentee landlords.
Reduces costs associated with account name changes (when trying to avoid shutoff)	
Helps ensure customer is able to pay the Water Bill	
Utility cost to landlord would be incorporated into rent.	

# Advance Payments

- KC Water should collect an Advance Payment from the customer before turning the water on.

# Advance Payments, cont.



PROS	CONS
Provides revenue stability & increase probability of collections	May increase administrative costs as closed accounts may need to be refunded
Prevents customer from churning accounts	Hurdle to new customer
Helps ensure cost recovery equity as the service is paid for those receiving the benefit	Requires a change in operating procedures that will take time to sort through
Improves overall account stability as it offers an opportunity to ensure that all aspects of service are correctly operating	Adds an operational cost to the department because they will need to have someone turn off and on water on new accounts
Reduces costs associated with account name changes (when trying to avoid shutoff)	
Reduces collections costs	
Helps ensure customer is able to pay the Water Bill	

# Questionnaire Results

**4 Votes**

Advance Payment

*“Fair to all. The person using the water is responsible.”*

*“I believe the burden for the payment and collection should fall on the user. Premise based billing could create a lot of red tape and will hurt the small business person.”*

**6 Votes**

Premise-Based Billing

*“It seems that by having this option there may be more accountability between tenant and landlord.”*

*“I like the accountability, efficiency and the overall cost savings it can produce.”*



# KCMO General Fund Activities Funded by KC Water

## FY2016 Admin Fees Paid by KC Water to KCMO General Fund

	Water	Sewer	Stormwater	Total
Indirect Costs	\$4,061,832	\$3,391,830	\$749,660	\$8,203,321
Direct Costs	\$1,560,578	\$850,467	\$241,245	\$2,652,290
PILOT Fees FY2017	\$1,540,000	\$1,640,000	\$0	\$3,180,000
<b>Total</b>	<b>\$7,162,410</b>	<b>\$5,882,297</b>	<b>\$990,905</b>	<b>\$14,035,611</b>

*Note: Direct Costs are costs KC Water would pay for that the General Fund currently pays for.*

*Source: FY2016 KC Water and Wastewater Audited Information.*

# Services moved from General Fund to KC Water

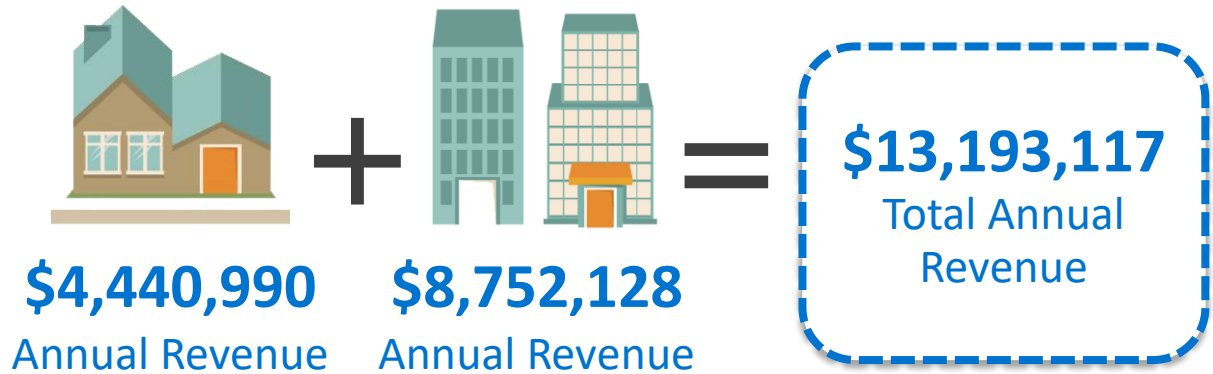
Service	FY 2017 Budgeted Amount	Change
Leaf & Brush Removal	\$0.5 Million	Moved from General Fund to KC Water in 2014
Household Hazardous	\$1.4 Million	Moved from General Fund to KC Water in 2005
Levee Maintenance	N/A	Moved from General Fund to KC Water in 2005
Street Sweeping	\$0.8 Million	Moved from General Fund to KC Water in 2009
Catch Basin Replacement	\$0.5 Million	Part of Street Network (Public Works)



# Pay for Some Overflow Control Program Projects with Stormwater Funds

# Impact from Increasing Stormwater Fee

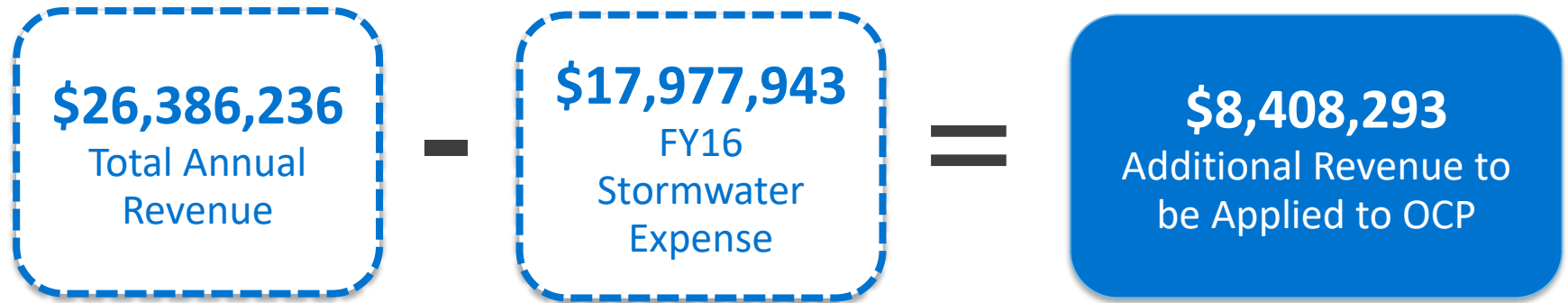
**\$0.50 per 500 ft<sup>2</sup>**  
Existing



**\$1.00 per 500 ft<sup>2</sup>**  
Increased



# Impact from Increasing Stormwater Fee, continued



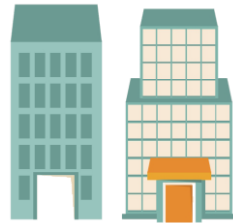
Additional revenue could be applied to the Wastewater Utility to help pay for some Overflow Control Program projects.

# Impact on Wastewater Rate If Additional Revenue Applied to OCP



**\$41.78**

Existing  
Average Residential  
Wastewater Rate



**\$302.02**

Existing  
Average Commercial  
Wastewater Rate

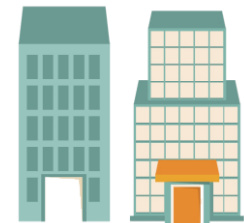
**\$8,408,293**

Additional Revenue to  
be Applied to OCP



**\$39.16**

Potential  
Average Residential  
Wastewater Rate



**\$283.11**

Potential  
Average Commercial  
Wastewater Rate

# Net Impact – Wastewater & Stormwater Bill



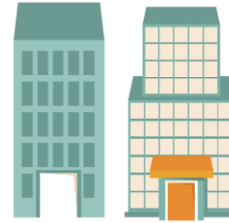
**+ \$2.50**

Stormwater Fee Increase

**- \$2.62**

Wastewater Fee Decrease

**- \$0.12**



**+ \$44.00**

Stormwater Fee Increase

**- \$18.91**

Wastewater Fee Decrease

**\$25.09**



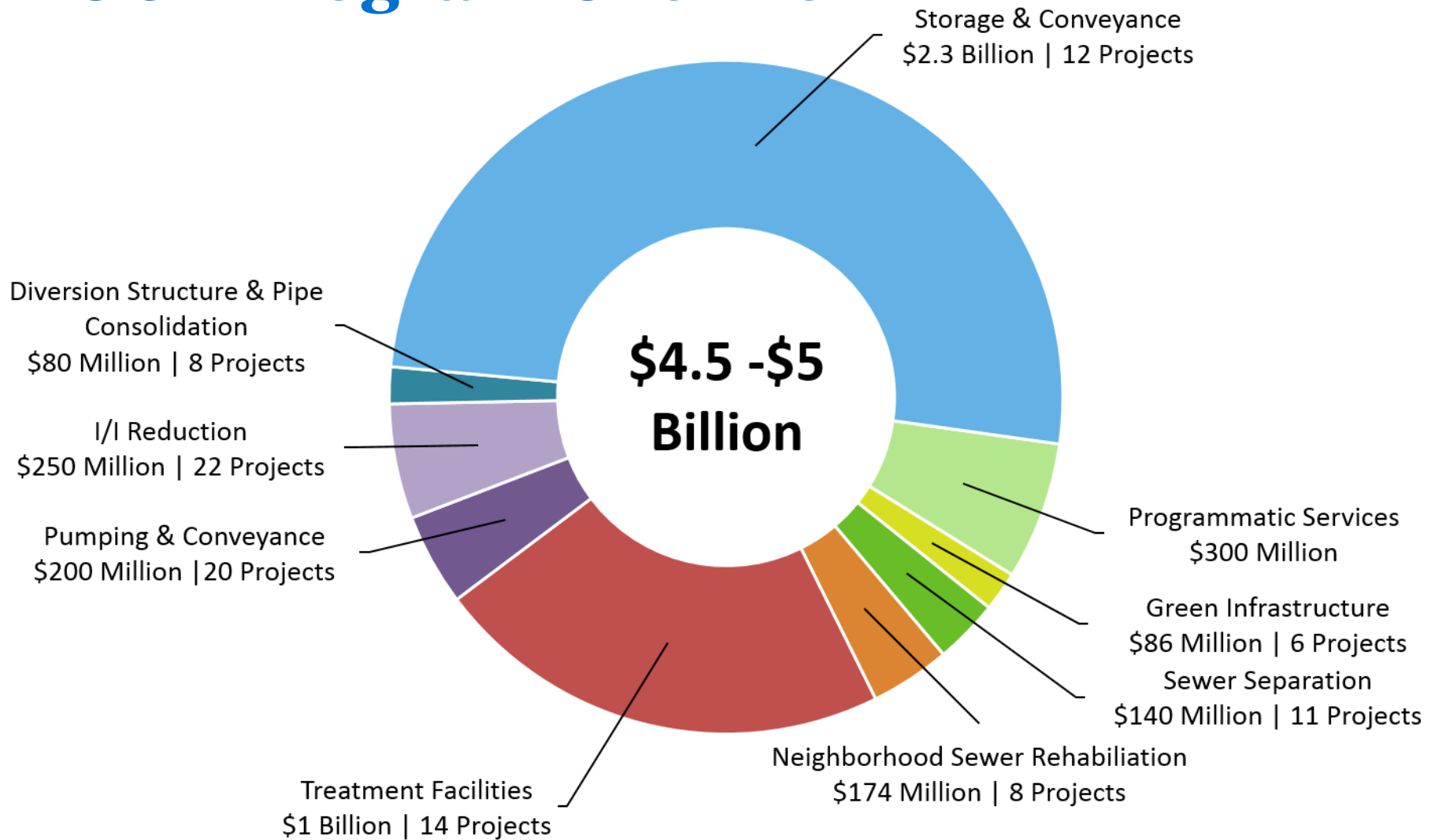
# OCP Update



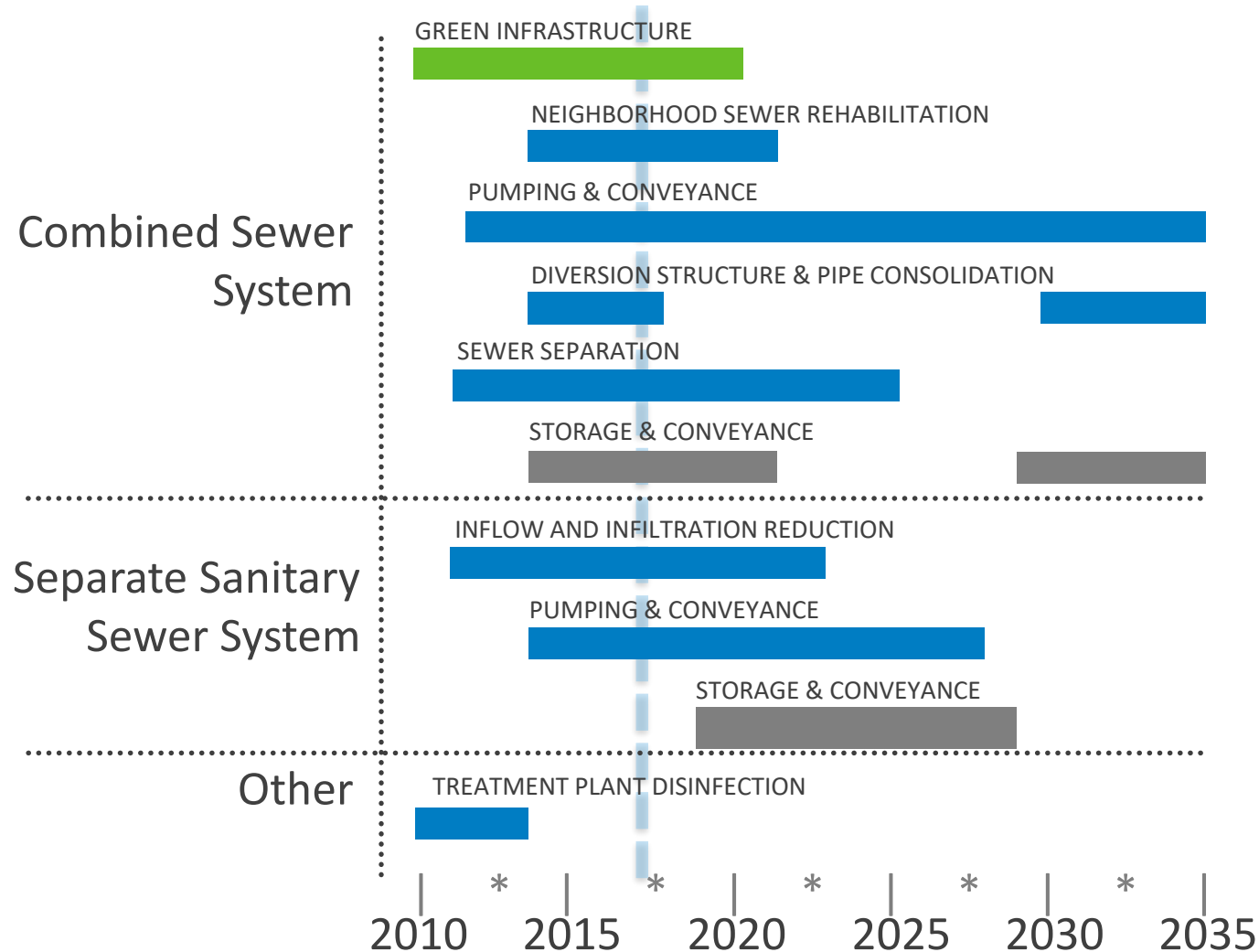
# Questions to Address on Overflow Control Program

- How much has been spent on OCP to Date and how much more needs to be spent to meet the requirements of the Consent Decree?
- What OCP projects could be included in the General Obligation Bond Offering?
- What opportunities for reducing and improving OCP that could provide rate relief?
- Where is KC Water in discussions with the EPA?
- Has Green Infrastructure been economically feasible?

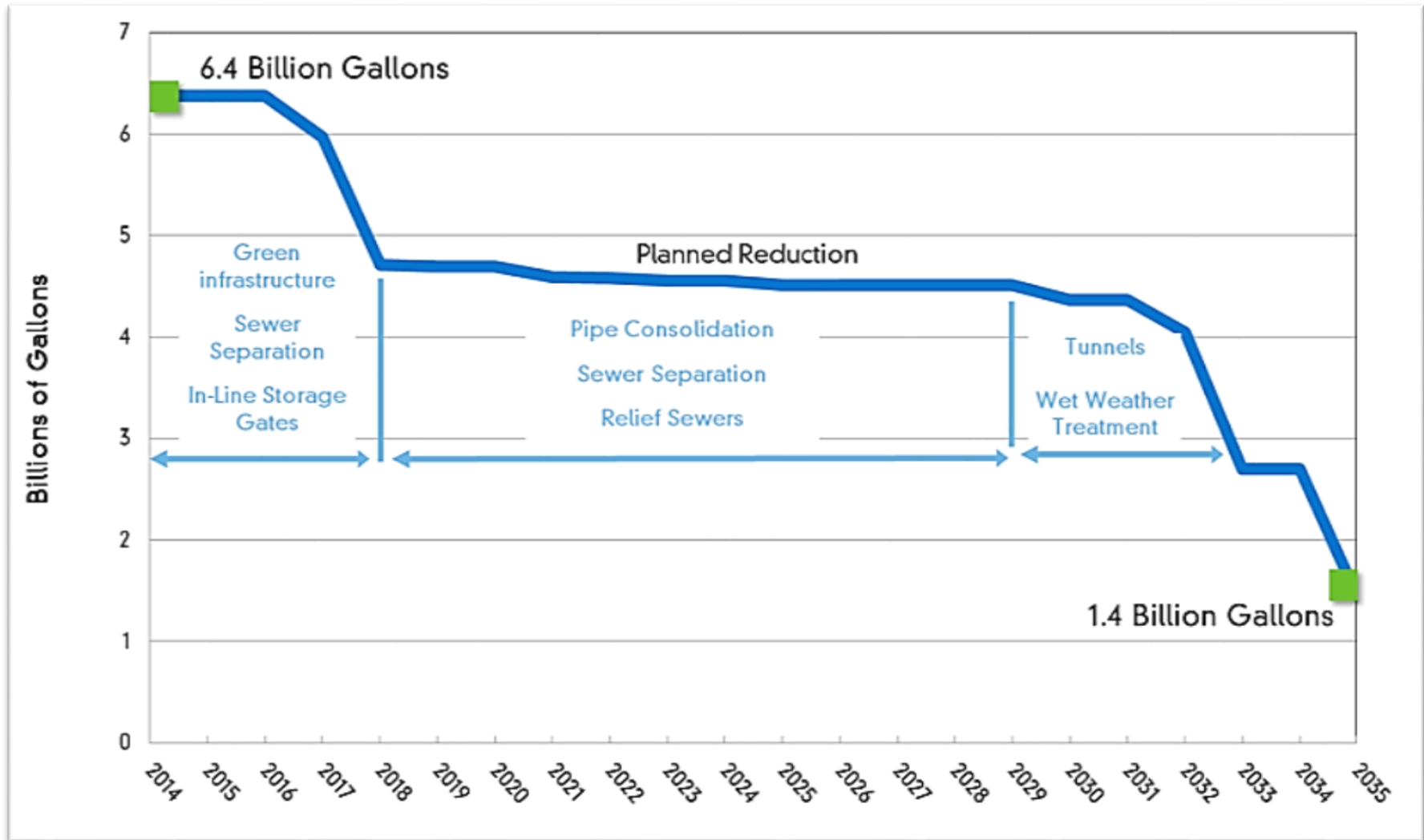
# OCP Program Overview



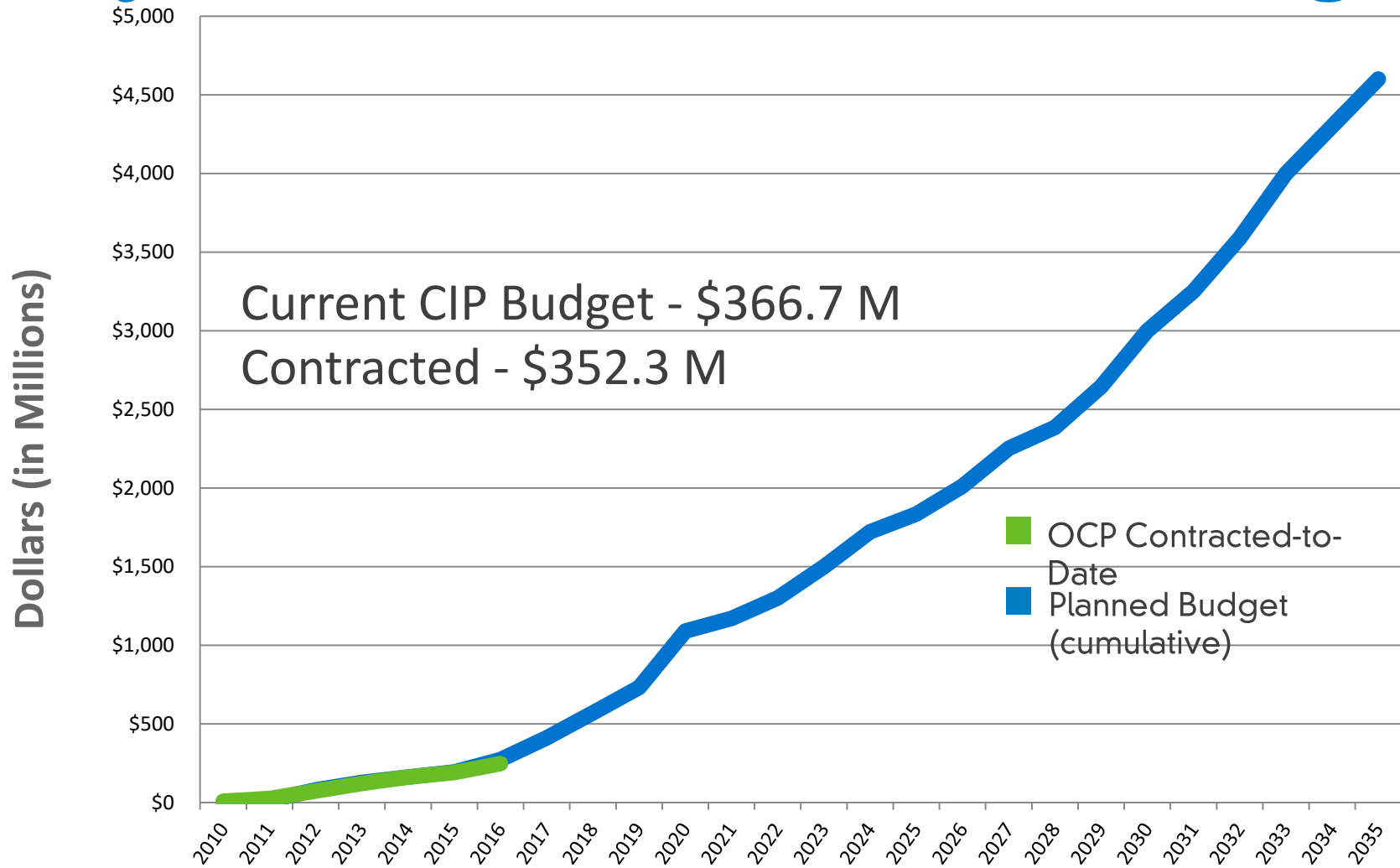
# Program Implementation – Schedule



# Annual Combined Sewer Overflow Volume



# Projects Contracted-to-Date vs. Budget



# Green Infrastructure: *Our Commitment to Date*



**\$64.0M**  
Investment



# Green Infrastructure: Complete & Active Projects

Project	Status	Investment
Middle Blue River Pilot Project	Complete	\$9,800,000
Outfall 059 - Target Green West	Construction	\$14,600,000
Outfall 069 – Target Green East	Construction	\$17,900,000
Additional Green Infrastructure Projects (Third District)	Design	\$3,900,000
Northeast Industrial District	Design	\$9,400,000
Turkey Creek/Central Industrial District	Design	\$8,400,000
TOTAL :		\$64,000,000

# Inflow & Infiltration Reduction: *Our Commitment to Date*

**\$146.2M Investment**

Public



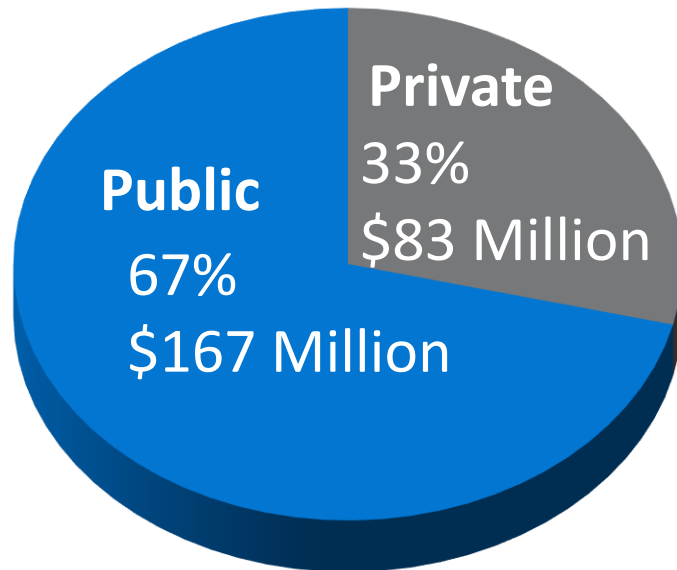
Private



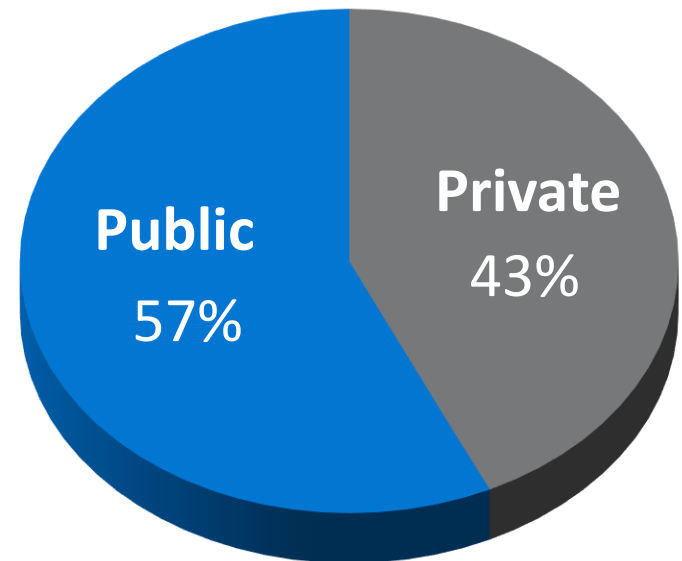


# I/I Reduction Approach

## Proposed Cost Allocation



## Inflow/Infiltration Reduction



**TOTAL INVESTMENT: \$250 M**  
**Targeted Goals: 29%-45%**



HELP REDUCE SEWER OVERFLOWS  
IN OUR COMMUNITY

Sign Up Today - It's **FREE**

# Neighborhood Sewer Rehabilitation: *Our Commitment to Date*

**\$148.9M**  
Investment



# Neighborhood Sewer Rehab.: Active Projects

Project	Status	Investment
Central Industrial District	Pre-Design	\$21,400,000
Lower Blue River	Pre-Design	\$21,900,000
Northeast Industrial District	Design	\$23,900,000
Brush Creek Area 1	Design	\$23,100,000
Brush Creek Area 2	Design	\$23,100,000
Middle Blue River Areas 1 & 2	Construction	\$19,300,000
Town Fork Creek	Construction	\$16,200,000
		<b>TOTAL : \$148,900,000</b>

# 5-Year Look-Ahead *2017-2021*



## Neighborhood Sewer Rehabilitation

- \$.1M | 1 Projects



## Pumping & Conveyance

- \$13.3 Million | 7 Projects



## Inflow & Infiltration

- \$79.6 Million | 9 Projects



## Storage & Conveyance

- \$821 Million | 2 Projects



## Sewer Separation

- \$41.1 Million | 4 Projects



## \$955.1M Investment

- 23 New Projects
- 18,000 Direct & Indirect Jobs





# Affordability

# Affordability Introduction

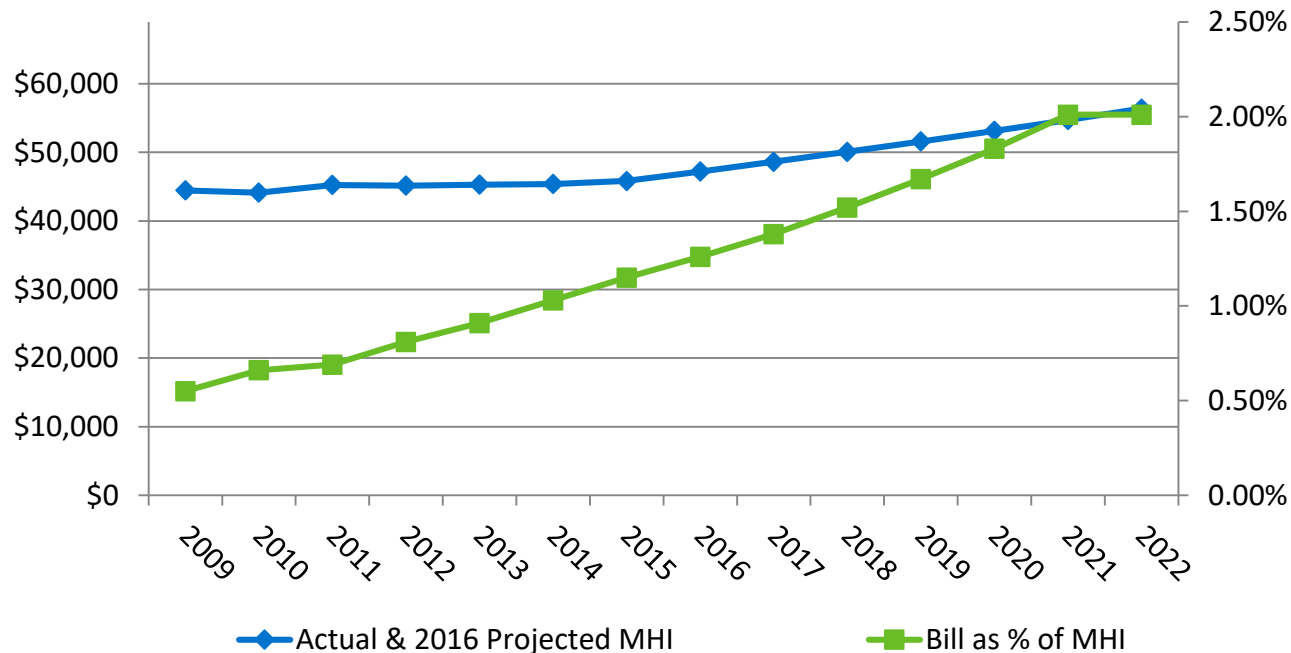
- EPA provides affordability guidance for wastewater utilities \*
- Wastewater rates higher than 2% of the Median Household Income (MHI) are considered to be an “economic hardship”
- Developed projections in 2009 as part of the Overflow Control Program Consent Decree negotiations.
- Median Household Income has not increased as projected.
- KC Water will exceed 2% of median household income in 2021.
- Should we recommend that wastewater rates remain under 2% of median household income?

*\* Combined Sewer Overflows – Guidance for Financial Capability Assessment and Schedule Development, February 1997*

# Median Household Income Didn't Grow As Expected – Rates will go above 2%

- 13% rate increase planned until 2021, 3% thereafter.
- Average monthly sewer bill exceeds 2% in 2021.

**2009 & 2016 Median Household Income &  
Percent of Bill as a Percent of Median Household Income**





# Affordability Conclusions

- Slower growth than expected in median household income, combined with actual wastewater rate increases, resulted in the average monthly residential wastewater bill exceeding original projections.
- KC Water will exceed 2% of median household income in 2021.
- Should we recommend that wastewater rates remain under 2% of median household income?



# Public Comment



# Task Force Discussion Recommendations

# Task Force Recommendations

- KC Water should institute an Advanced Payment policy for new customers before turn on in order to build greater financial stability. **OR**
- KC Water should institute Premised-Based Billing tying each account to the property instead of the account holder's name.
- Stormwater fees should be used to fund some OCP projects (a vote to increase them is needed).
- Some Overflow Control Program (OCP) projects should be paid for out of general obligation bond proceeds.
- KC Water should pursue a strategy of re-opening the Consent Decree with the EPA – keeping rates below 2% of median household income.



Meeting Adjourned