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
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.

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

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

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

4 Votes
Advance Payment

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

6 Votes
Premise-Based Billing

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

“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.”

“It seems that by having this option there may be more accountability between tenant and landlord.”
## KCMO General Fund Activities Funded by KC Water

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

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

*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

<table>
<thead>
<tr>
<th>Service</th>
<th>FY 2017 Budgeted Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaf &amp; Brush Removal</td>
<td>$0.5 Million</td>
<td>Moved from General Fund to KC Water in 2014</td>
</tr>
<tr>
<td>Household Hazardous</td>
<td>$1.4 Million</td>
<td>Moved from General Fund to KC Water in 2005</td>
</tr>
<tr>
<td>Levee Maintenance</td>
<td>N/A</td>
<td>Moved from General Fund to KC Water in 2005</td>
</tr>
<tr>
<td>Street Sweeping</td>
<td>$0.8 Million</td>
<td>Moved from General Fund to KC Water in 2009</td>
</tr>
<tr>
<td>Catch Basin Replacement</td>
<td>$0.5 Million</td>
<td>Part of Street Network (Public Works)</td>
</tr>
</tbody>
</table>
Pay for Some Overflow Control Program Projects with Stormwater Funds
Impact from Increasing Stormwater Fee

$0.50 per 500 ft²

Existing

$4,440,990 Annual Revenue

$8,752,128 Annual Revenue

$13,193,117 Total Annual Revenue

$1.00 per 500 ft²

Increased

$8,881,980 Annual Revenue

$17,504,256 Annual Revenue

$26,386,236 Total Annual Revenue
Impact from Increasing Stormwater Fee, continued

$26,386,236 Total Annual Revenue - $17,977,943 FY16 Stormwater Expense = $8,408,293 Additional Revenue to be Applied to OCP

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

+ $44.00 Stormwater Fee Increase
- $18.91 Wastewater Fee Decrease

- $0.12

$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

- Storage & Conveyance: $2.3 Billion | 12 Projects
- Diversion Structure & Pipe Consolidation: $80 Million | 8 Projects
- I/I Reduction: $250 Million | 22 Projects
- Pumping & Conveyance: $200 Million | 20 Projects
- Programmatic Services: $300 Million
- Green Infrastructure: $86 Million | 6 Projects
- Sewer Separation: $140 Million | 11 Projects
- Neighborhood Sewer Rehabilitation: $174 Million | 8 Projects
- Treatment Facilities: $1 Billion | 14 Projects

Total: $4.5 Billion - $5 Billion
Program Implementation – Schedule

Combined Sewer System
- Green Infrastructure
- Neighborhood Sewer Rehabilitation
- Pumping & Conveyance
- Diversion Structure & Pipe Consolidation
- Sewer Separation
- Storage & Conveyance

Separate Sanitary Sewer System
- Inflow and Infiltration Reduction
- Pumping & Conveyance
- Storage & Conveyance

Other
- Treatment Plant Disinfection

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>*</td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Annual Combined Sewer Overflow Volume

- 6.4 Billion Gallons
- Planned Reduction
- Green infrastructure
- Sewer Separation
- In-Line Storage Gates
- Pipe Consolidation
- Sewer Separation
- Relief Sewers
- Tunnels
- Wet Weather Treatment
- 1.4 Billion Gallons

Billions of Gallons

Projects Contracted-to-Date vs. Budget

Current CIP Budget - $366.7 M
Contracted - $352.3 M
Green Infrastructure: Our Commitment to Date

Total Program Element Investment: $86M
# Green Infrastructure: Complete & Active Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Status</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle Blue River Pilot Project</td>
<td>Complete</td>
<td>$9,800,000</td>
</tr>
<tr>
<td>Outfall 059 - Target Green West</td>
<td>Construction</td>
<td>$14,600,000</td>
</tr>
<tr>
<td>Outfall 069 – Target Green East</td>
<td>Construction</td>
<td>$17,900,000</td>
</tr>
<tr>
<td>Additional Green Infrastructure Projects (Third District)</td>
<td>Design</td>
<td>$3,900,000</td>
</tr>
<tr>
<td>Northeast Industrial District</td>
<td>Design</td>
<td>$9,400,000</td>
</tr>
<tr>
<td>Turkey Creek/Central Industrial District</td>
<td>Design</td>
<td>$8,400,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$64,000,000</strong></td>
</tr>
</tbody>
</table>
Inflow & Infiltration Reduction: Our Commitment to Date

$146.2M Investment

Total Program Element Investment: $250M
I/I Reduction Approach

Proposed Cost Allocation

Public
67%
$167 Million

Private
33%
$83 Million

Inflow/Infiltration Reduction

Public
57%

Private
43%

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

Total Program Element Investment: $174M
# Neighborhood Sewer Rehab.: Active Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Status</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Industrial District</td>
<td>Pre-Design</td>
<td>$21,400,000</td>
</tr>
<tr>
<td>Lower Blue River</td>
<td>Pre-Design</td>
<td>$21,900,000</td>
</tr>
<tr>
<td>Northeast Industrial District</td>
<td>Design</td>
<td>$23,900,000</td>
</tr>
<tr>
<td>Brush Creek Area 1</td>
<td>Design</td>
<td>$23,100,000</td>
</tr>
<tr>
<td>Brush Creek Area 2</td>
<td>Design</td>
<td>$23,100,000</td>
</tr>
<tr>
<td>Middle Blue River Areas 1 &amp; 2</td>
<td>Construction</td>
<td>$19,300,000</td>
</tr>
<tr>
<td>Town Fork Creek</td>
<td>Construction</td>
<td>$16,200,000</td>
</tr>
</tbody>
</table>

**TOTAL : $148,900,000**
### 5-Year Look-Ahead 2017-2021

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Cost</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighborhood Sewer Rehabilitation</td>
<td>$.1M</td>
<td>1 Projects</td>
</tr>
<tr>
<td>Inflow &amp; Infiltration</td>
<td>$79.6 Million</td>
<td>9 Projects</td>
</tr>
<tr>
<td>Sewer Separation</td>
<td>$41.1 Million</td>
<td>4 Projects</td>
</tr>
<tr>
<td>Pumping &amp; Conveyance</td>
<td>$13.3 Million</td>
<td>7 Projects</td>
</tr>
<tr>
<td>Storage &amp; Conveyance</td>
<td>$821 Million</td>
<td>2 Projects</td>
</tr>
<tr>
<td><strong>Total Investment</strong></td>
<td><strong>$955.1M</strong></td>
<td><strong>23 New Projects</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>18,000 Direct &amp; Indirect Jobs</strong></td>
</tr>
</tbody>
</table>
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 increased planned until 2021, 3% thereafter.
- Average monthly sewer bill exceeds 2% in 2021.

![Graph showing median household income and water bill as a percent of median household income over time from 2009 to 2022.](image-url)

*Source: US Census Bureau, KC Water*
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