

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 rectangular box is overlaid on the middle of the image, containing the event title and date.

Canadian Water Network: Blue Cities 2017

Progressive Planning for Financially Robust Water Systems

May 17, 2017



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

Discussion



- I. DWM Overview
- II. Financial Background
- III. Challenges and Mitigation Strategies
- IV. Financial Resiliency



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

1.2M
Customers
Served

\$546M
FY 2017
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



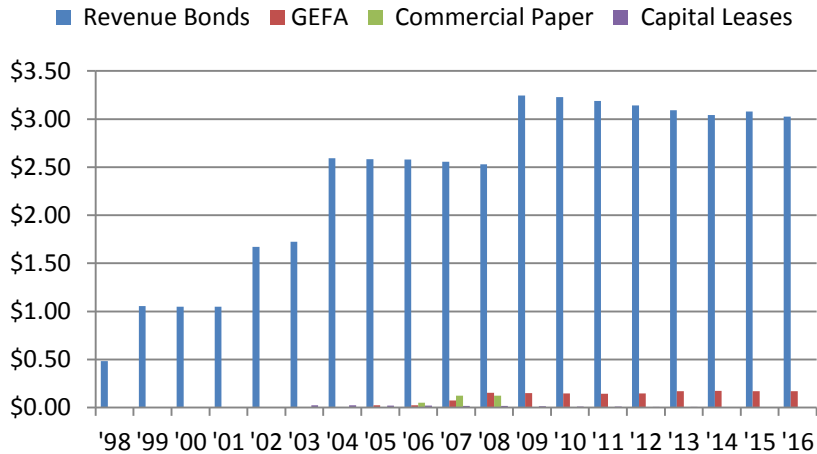
- Atlanta region is expected to grow from 5.5M to 8M over next 20 YRs
- Clean Water obligations includes two consent decrees
 - 1st entered in 1998; \$2B investment resulted in 80% sewer spill reduction
 - 2nd entered in 1999; city pursued extension to 2027
 - Stormwater: Phase 1 MS4; Program needs estimated at \$40M annually, no sustainable funding source
- Drinking Water obligations
 - Maintain safe drinking water compliance at three facilities
 - \$350M Water Supply Program
 - Reduce 30% water loss
- City raised rates by 250% over a decade to comply with Consent Decrees
- 10-YR CIP is \$2.5B

Increased Debt Capacity

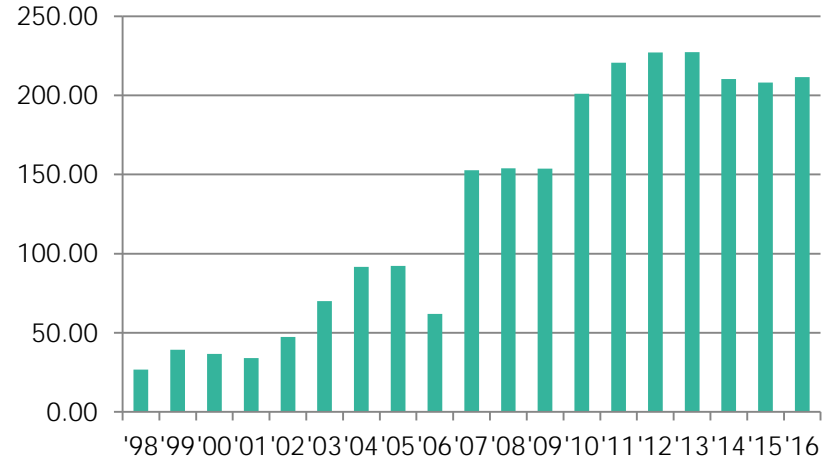


- To meet Consent Decree requirements long term debt increased from \$500 million to \$3.5 billion from 1998 to 2009
 - Limited capacity for additional long term debt

Outstanding Debt Levels



Sr. Debt Service Payments

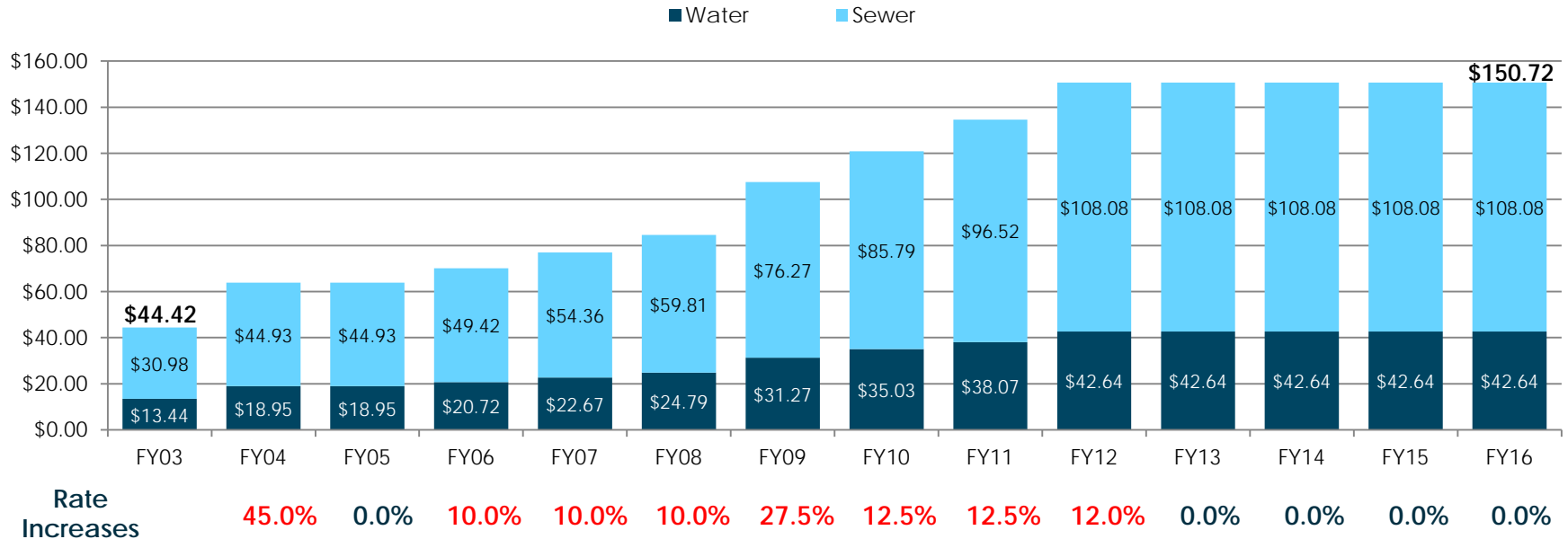


Note: Fiscal years 2007- 2015 are 12-month periods beginning July 1 and ending June 30. Fiscal year 2006 is a six month period beginning January 1, 2006 and ending June 30, 2006. Fiscal year 1998-2005 is a 12-month period beginning January 1 and ending December 31. Sr. Debt payments includes portions 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 2016



Affordability Concerns



- 30% of households fall below annual income of \$25k
- 24.2% of households in Atlanta are at or below the MHI
- 3rd highest rates in the Country
 - Increasing block rate structure (3 tiers; an aggressive water conservation measure)
 - Average monthly bill for a family of four is \$150 vs \$50/month national average
- Affordability issues are impacting about 50% of Atlanta households
- A greater percentage of the City's families are considered "cost burdened" (or paying more than 30% of their income for housing)

Rate Stabilization Events



- 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

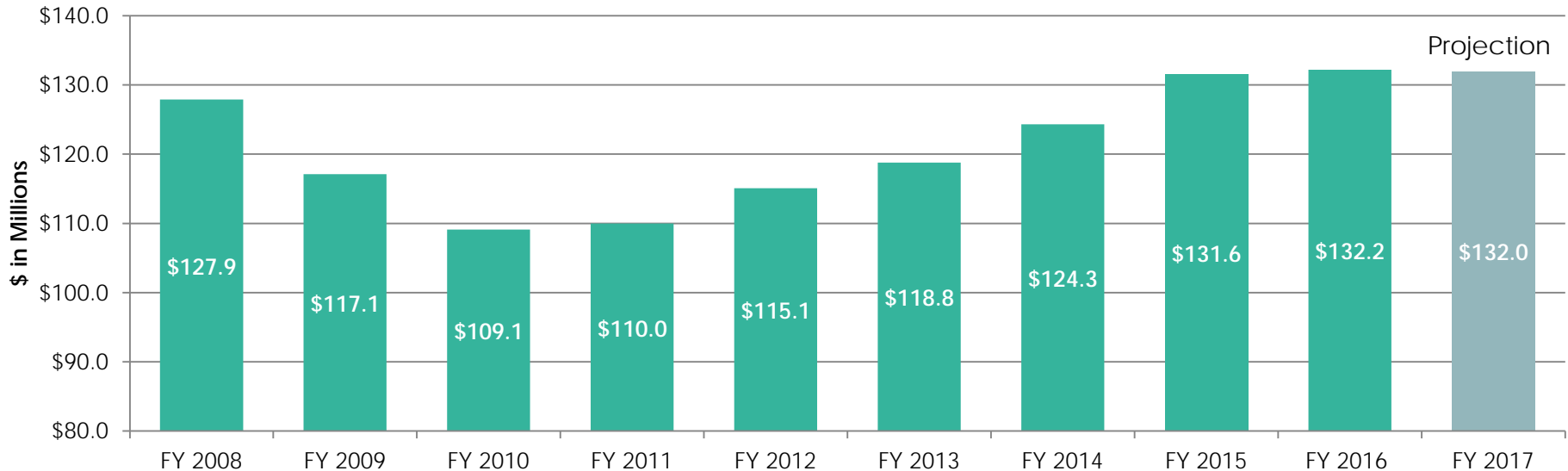


- Shares costs of maintaining and improving system regionally
- Daytime population increased to over 1.2 million
- Approximately 20% of DWM's annual funding
- Strong Local Support: (Over 75% of the vote)
- Limit future rate increases for water/sewer rate payers
- Contributes to funding \$1.2 billion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



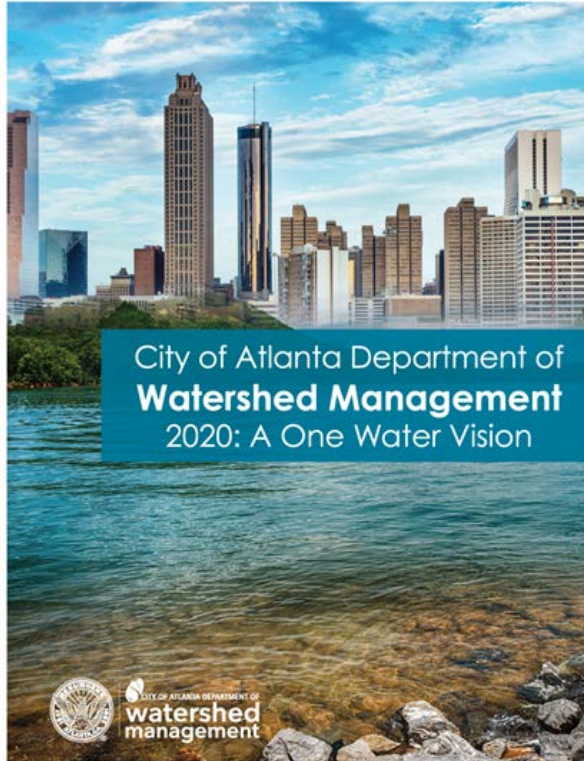
- “Longer term rating concerns exist regarding the potential loss of a major revenue source for system operations” (S&P)
- “WHAT COULD MOVE THE RATING DOWN....Failure to renew MOST in 2016” (Moody’s)

Bond Upgrades

Water and Wastewater Revenue Bonds Ratings

Agency	Moody’s	Standard & Poor’s
2011	A1	A
2013	Aa3 (Stable)	A+(Stable)
2015	Aa3 (Stable)	AA- (Stable)
2017	Aa2 (Stable)	AA- (Stable)

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



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, non-revenue water
- Increase participation in current customer affordability programs
- 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
 - Innovative financing approach for Watershed-scale improvement program