

## Proposed New Water & Sewer Rates (2008-2012)

The City of Atlanta is at the mid-point of its Clean Water Atlanta program, a \$4 billion overhaul of the City's water and sewer infrastructure. Work the Department has done has resulted in significant improvements:

- Sewer spills have been dramatically reduced. Sanitary sewer overflows alone have been reduced by more than 60 percent as a result of construction of the Nancy Creek Tunnel.
- More than 1,000 miles of sewer pipe have been inspected, and more than 250 miles have been cleaned, resulting in fewer pipe collapses, sinkholes and backups.
- More than 24 miles of streambanks are now protected in perpetuity because of the City's acquisition of more than 1,800 acres of greenways.
- Water main replacements in numerous Atlanta communities have helped increase water pressure and reduce instances of water discoloration.
- Sewer separation projects in three Atlanta communities have reduced combined sewer overflows and added sewer capacity to support continued development.
- Hold time in our customer call center has been reduced from 43 minutes to less than one minute.
- The number of asphalt repairs we are making has increased from 624 to 1,730 per year, a 177 percent improvement. The number of concrete repairs has increased from 674 to 2,486 per year, a 269 percent improvement.

Despite these successes, however, the Department of Watershed Management has much more to do. We are halfway there, and we can't stop now. The Department is asking the Atlanta City Council to approve a four-year rate package to become effective July 1, 2008. This rate increase is essential to ensure compliance with the Consent Decree and Consent Order schedules.

The Department has compiled important information for you to consider, as well as a Q&A to help you understand the proposed new rates. If you have additional questions, please contact us at 404-589-3070.

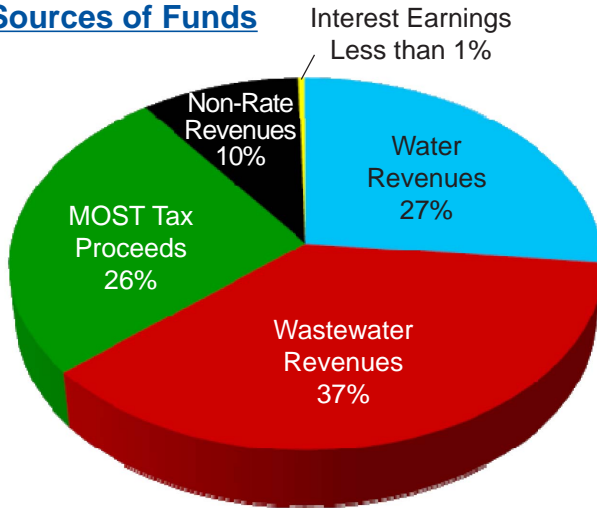


## Important Facts

- Many of the capital projects are mandated under the City's two federal Consent Decrees and two state Consent Orders, and they are expensive undertakings. This work is not optional and cannot be delayed.
- Rate increases have been significantly offset by revenues provided Municipal Option Sales Tax. Without the tax, rates would have increased by an additional 50 percent this year in order to continue funding Clean Water Atlanta and the Department of Watershed Management's operations.
- This year's revenues have been down because of the ongoing drought (an estimated \$44-\$45 million below expectations). Called on to conserve, Atlantans have risen to the challenge. However, decreased water usage means decreased revenue. The Department has fixed costs, including bond debt costs for the Clean Water Atlanta program, that have not changed.
- The Clean Water program is funded primarily through bond debt (i.e. borrowed money). Payments on this debt, along with loans and tax-exempt commercial paper debt, account for about 34 percent of the Department's expenses and must be paid.
- Failure to raise enough revenue to cover operating expenses and debt service on current and anticipated loans for Consent Decree work and other capital improvements is a violation of the terms of the borrowing contract.
- Generating adequate revenue ensures the Department's ability to access capital markets on favorable terms and compliance with existing debt obligations, and preserves the financial integrity of the systems we are investing in.
- The department has been diligent in containing construction costs. The actual cost of the Consent Decree projects is within 3 percent of the original costs estimated in 2004, even with the increasing price of materials like steel, concrete and gasoline.
- If you remove the citywide impacts of pension and benefit increases, then on an apples-to-apples comparison the proposed operating budget is 4.9 percent less than 2007 actual costs.

**Please see Q&A on page 4 for more information.**

## Sources of Funds



**MOST tax proceeds:** Proceeds from the one-cent sales tax in effect in the City of Atlanta.

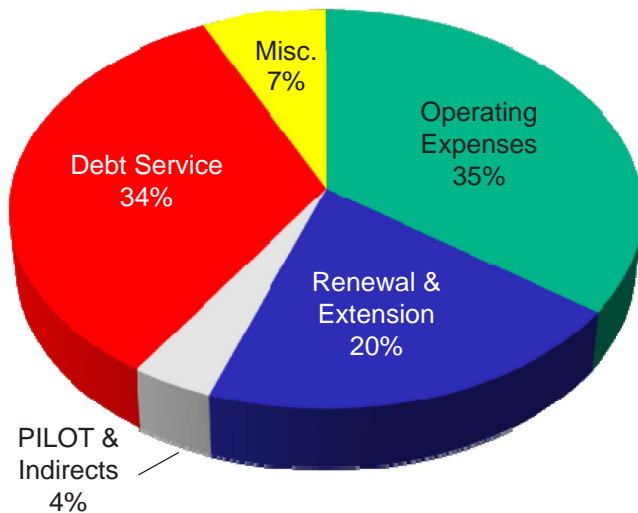
**Non-rate revenues:** Revenues from sales to inter-jurisdictional customers, fines, permit fees, grease permit applications fees, etc.

**Water revenues:** Revenues generated by the sale of water.

**Wastewater revenues:** Revenues generated by the sale of wastewater services.

**Interest earnings:** Interest (about \$1.8 million) earned on various DWM accounts.

## Uses of Funds



**Operating expenses:** Expenses necessary for the day-to-day operation of the utility.

**Debt service:** Repayments on bonds, low-interest State loans and tax-exempt commercial paper drawdowns.

**Renewal & extension:** Major maintenance expenditures

**Miscellaneous:** Change in fund balance: Increase/decrease in Revenues/Expenses.

**PILOT & Indirects:** Payments to the City's General Fund for services provided to the Department by other City agencies or funded by the General Fund (office space, utilities, support staff, etc.)

### City of Atlanta Department of Watershed Management

#### Approved FY 2007-08 vs. Proposed FY 2008-09 Water and Sewer Rates

(FY 2007-08 rates in effect beginning July 1, 2007)

Water Use (CCF)	Approved	Proposed	Difference
	Water FY 2007-08 Rates	Water FY 2008-09 Rates	
<b>Water Use (CCF)</b>			<b>Amount</b>
Base Charge	\$3.63	\$4.63	\$1.00
1-3 CCF	\$1.42	\$1.81	\$0.39
4 - 6 CCF	\$2.96	\$3.77	\$0.81
7 & Above CCF	\$3.41	\$4.35	\$0.94
Security Surcharge	\$0.15	\$0.15	\$0.00
	<b>Wastewater FY 2007-08 Rates</b>	<b>Wastewater FY 2008-09 Rates</b>	<b>Difference Amount</b>
<b>Metered Water Use (CCF)</b>			
Base Charge	\$3.63	\$4.63	\$1.00
1-3 CCF	\$5.39	\$6.87	\$1.48
4 - 6 CCF	\$7.55	\$9.63	\$2.08
7 & Above CCF	\$8.68	\$11.07	\$2.39
	<b>Combined W/WW FY 2007-08 Rates</b>	<b>Combined W/WW FY 2008-09 Rates</b>	<b>Difference Amount</b>
<b>Metered Water Use (CCF)</b>			
Base Charge	\$7.26	\$9.26	\$2.00
1-3 CCF	\$6.81	\$8.68	\$1.87
4 - 6 CCF	\$10.51	\$13.40	\$2.89
7 & Above CCF	\$12.09	\$15.41	\$3.32
Security Surcharge	\$0.15	\$0.15	\$0.00

## Q&A

### What is the new four year rate increase?

The Department is requesting a four-year rate package that will be in effect from 2008 through 2012. Under the four-year rate package submitted to Council, water and sewer rates would increase by:

2009	2010	2011	2012
27.5%	12.5%	12.5%	12.0%

### Why is the rate increase higher than originally projected?

The projected rate increase for 2008 was 13 percent. However, the proposed rate is higher because of reduced revenues as a result of the State-mandated Drought Level 4 declaration in September 2007 requiring utilities to reduce their water production by 10 percent. Mandated increases in pension and benefits payments have also contributed.

### Why did we pass the sales tax if rates were going to increase anyway?

Atlanta's rates have been significantly offset by the revenues provided by the Municipal Option Sales Tax, which represent a dollar-for-dollar rollback of the City's rate increases. Without the MOST, rates would have increased by an additional 50 percent this year in order to fund Clean Water Atlanta and Department of Watershed Management's operations. Even with MOST revenues, the original increase was projected to be about 13 percent. The sales tax provides about \$120 million a year, roughly one-third of the Department's operating revenues. The other two-thirds comes primarily from water and sewer revenues. The cost of Clean Water Atlanta projects and expenses related to the operations and maintenance of the system do not change much when revenues decline. Consequently, about two-thirds of the revenue sources have been affected by the drought. The projected 27.5 percent increase will ensure adequate revenue for needed and long-deferred capital investments and continued improvements in the City's water and wastewater system operations.

### Why is the City not implementing a temporary drought surcharge and what impact would such a surcharge have had on the rates?

The Department did propose a temporary 15 percent drought surcharge in March that would have been lifted once the State-mandated Level 4 drought response was no longer in effect. However, there was little support for the temporary surcharge across the City. If the proposed 15 percent drought surcharge were implemented, the rate increase would be closer to the planned 14.5 percent for 2008.

### Why is the Department asking for a four-year rate package?

The MOST, passed in February 2008 by Atlanta voters, is a four-year tax. The City is asking for a four-year water/sewer rate package that would be synchronized with the timing of the sales tax and provide the funding necessary to continue the federally mandated Consent Decree projects. The MOST allows the City to distribute the financial burden of the Clean Water Atlanta program to visitors, businesspeople and others who use the City's water and wastewater systems but do not pay City water/sewer bills.

### What has the Department done to reduce costs or increase revenue?

The Department is constantly looking for savings in the Clean Water Atlanta Program and within its operations. It is eliminating 148 positions, and each Bureau has cut its operating budget. The Department also has delayed some capital projects, including the valve and hydrant repair and assessment program, eliminated some positions and implemented additional value engineering resulting in an overall budget reduction of 17.3 percent from the 2007 budget. However, changes in federal regulations governing pension obligations negates many of those savings. The Department also has raised meter and permit application fees and is asking to institute a charge for credit card bill payment transactions to cover expenses incurred in processing credit card payments. If passed, only customers using this service will pay the convenience fee charged by the banking institution.

### What does this mean for the average water/sewer bill?

The average monthly water/sewer usage in Atlanta is 8 CCF. A CCF is 100 cubic feet or about 750 gallons. Consequently, 8 CCF equals about 6,000 gallons. Under 2007 rates, the average bill was \$84.60. With the proposed increase, the average bill will increase by \$22.94. *(See rate comparison chart on page 3.)*

### How will customers be notified about the rate increases?

Information will be provided in the monthly water/sewer bill insert and on the City of Atlanta television channel (26). It will also be available on the City's website ([www.atlantaga.gov](http://www.atlantaga.gov)) and the Department's website ([www.atlantawatershed.org](http://www.atlantawatershed.org)). Press releases will be issued to local media, and Department of Watershed Management personnel will attend every Neighborhood Planning Unit and other community meeting throughout May and June to explain the new rates.

# WE ARE MAKING PROGRESS!



Through the Clean Water Atlanta Program, the City of Atlanta is working diligently to meet its Consent Decree deadlines. This fall marks the deadline for compliance with the first Consent Decree, a deadline that will be met with the completion of the West Area Tunnel. The second (or "First Amended") Consent Decree has a deadline of 2014. All Consent Decree projects are on schedule and on budget. In fact, in a recent hearing, Judge Thomas Thrash, the Federal District Court Judge who oversees the City's compliance efforts, said, "The work's been done. It's been done on time. And it really is a remarkable accomplishment."

Following are some of the Clean Water Atlanta success stories:

**Nancy Creek Tunnel**  
(Northeast Atlanta)

**Sewer Separation Projects**  
(Southeast & Southwest Atlanta)

**Greenway  
Acquisition Project**  
(Citywide)

**West Area CSO Tunnel and Pump  
Station** (Northeast & Northwest Atlanta)

**SSES and Sewer Rehabilitation**  
(Citywide - ongoing)

**Water Main and Meter Replacement**  
(Citywide-ongoing)

**Custer Avenue  
Storage & Dechlorination Facility**  
(Southeast Atlanta)



**City of Atlanta**

**Shirley Franklin**  
*Mayor*

**Lisa M. Borders**  
*Council President*

## **City Council**

Carla Smith  
Kwanza Hall  
Ivory Lee Young, Jr.  
Cleta Winslow  
Natalyn Mosby Archibong  
Anne Fauver  
Charles Howard Shook  
Clair Muller  
Felicia Moore  
C.T. Martin  
Jim Maddox  
Joyce Sheperd  
Ceasar C. Mitchell  
Mary Norwood  
H. Lamar Willis