Agenda

• Introductions and Overview
• KC Water
• History of Previous Task Force (2008)
• Customer Profile/ Current and Historical Rate Structures
• Funding Challenges
• Schedule and Next Steps
Introductions and Overview
Task Force Purpose and Composition

- Integrate community values into forming a funding strategy for the City’s water, wastewater, and stormwater utilities.
- Mayoral-appointed committee
- Committee designed to reflect a balance of interests.
- Members represent all six City Council districts as well as a variety of community organizations, businesses, and professional groups.
Task Force Commitment

• Meet 10-12 times for next 12 to 15 months
• At least one meeting in each council district
• Meetings are open to the public
• Provide recommendations to the Mayor, City Council, and City Manager.
Task Force Activities

• Gain an understanding of long-term challenges and revenue requirements;
• Examine current and potential new methods of funding water, wastewater, and stormwater utilities;
• Gain an understanding of the costs to provide services to utility customers; and
• Integrate community values into a funding strategy for the City’s water, wastewater, and stormwater utilities.
Task Force Deliverables

• Develop guiding principles for the development of user charges and fees that are fair, equitable, and sufficient to meet revenue requirements;
• Review billing practices, account maintenance, and long-term affordability issues;
• Evaluate funding for system growth; and
• Recommend long-term overall strategy to fund water, wastewater, and stormwater utilities.
KC Water
Our Vision

• Working to serve today’s customers while building a legacy for future generations.

• Taking pride in increasing customer satisfaction at every opportunity.

• Enhancing service reliability for our customers through water, wastewater, and stormwater improvements.

• Building a data-driven and fiscally-responsible utility that protects the environment and life’s most precious resource – water.
Our Values

• We approach our work with professionalism and a commitment to public service, striving for excellence in all we do.

• We focus on our customers and their well-being, gathering data to guide our decisions and understanding the needs of our community.

• We deliver high-quality and great-tasting tap water, as well as wastewater and stormwater services, ensuring the health and safety of the public.

• Through effective leadership, we provide an excellent work environment that delivers training, education, safe work practices, and a clear path forward for all employees.

• We are good stewards in our community, protecting the environment and providing programs and services that support the public good, for current and future generations.
Our Mission

“KC Water is committed to providing excellent water, wastewater, and stormwater services that ensure the health and safety of our customers while safeguarding our regional water resources for future generations.”
Snapshot

• Combined water, wastewater, and stormwater municipal utility
• Have served Kansas City, MO since 1873
• $361M Enterprise (FY17)
• 860+ Employees
• 470,000 residents served inside the city; 200,000 residents outside the city
• 170,000 residential & commercial customers
• 32 wholesale water agreements
• 27 interjurisdictional wastewater agreements
• Other programs include:
  – Curbside Leaf & Brush Collection
  – Household Hazardous Waste
  – Street Sweeping
Snapshot

• Operates and maintains almost 2,800 miles of water mains in Kansas City.
  – Lined up end-to-end, these pipes would stretch from New York, NY to Los Angeles, CA.

• Produces an average of 96 million gallons of drinking water per day
  – enough water to fill approximately 145 Olympic-sized swimming pools each day.

• Tests more than 500 water samples monthly that are collected from throughout Kansas City.

• Drinking water is regularly tested for over 290 constituents, which is above and beyond the number required by the US EPA
Three Utilities

- Water
- Wastewater
- Stormwater
Assets

1 Water Treatment Plant
18 Pump Stations
2,800 Miles of Water Main
35,000 Valves
23,000 Fire Hydrants

6 Wastewater Treatment Plants
39 Pump Stations
2,800 Miles of Sewer Main
67,000 Manholes

630 Miles of Storm Sewer
53,000 Storm Inlets
15 Stormwater Pump Stations
13.5 Miles of Levee
Average Residential Bill – FY2017*

- **WATER**
  - Service Charge: $13.90
  - Usage Charge: $32.69
  - **Water Total:** $46.59

- **WASTEWATER**
  - Service Charge: $18.05
  - Volume Charge: $43.08
  - **Wastewater Total:** $61.13

- **STORMWATER**
  - Impervious Surface Area
  - Stormwater Total: $2.50

**TOTAL Monthly Bill:** $110.22

*Approved FY2017 rates (May 1, 2016 – April 30, 2017)
**Water based on 7 CCF
***Wastewater based on 6 CCF
****Stormwater based on $0.50 per month per runoff unit
Customer Assistance Program

• Partnership with the Mid America Assistance Coalition

• Helps customers who are unable to pay their water bills

• Committed $2 million in funds since 2009
  – $325,000 estimated for FY17

• More than 5,700 customers assisted

• Funded by existing customer late fees

Customer Assistance Program Information Line: 2-1-1 or 816-474-5112
History of Previous Task Force
Utility Funding Task Force (2008)

Evaluated funding strategies to reduce the impact on ratepayers:

- Revenue enhancements
- Taxes
- Special assessments
- System development charges
- Federal/state funding
- Local resources (PIAC)
Cost of Service Study

- Cost of Service methodology as set forth by AWWA (American Waterworks Association) and WEF (Water Environment Federation)
- Determines Revenue Requirements of the utilities
- Allocates Costs back to customer classes (users) of the utilities
- Creates Rate Design Structure that captures the revenue requirements of the utilities
Cost of Service Study Analysis will...

- Ensure that fees collected from customers are sufficient to cover the long-term funding of the three utilities;
- Meet the US EPA mandated requirements of the Overflow Control Program;
- Service future debt requirements for water and wastewater capital improvements; and
- Allocate costs and charge customers in a fair and equitable manner across classes for each utility.
Customer Profile
Current and Historical Rate Structures
Profile of Kansas City, Missouri

Number of Households

Source: American Community Survey, US Census Bureau
Profile of Kansas City, Missouri

Household Income (2014)

- Less than $24,999, 28%
- $25,000 to $49,999, 26%
- $50,000 to $74,999, 17%
- $75,000 to $99,999, 11%
- More than $100,000, 18%

Median household income = $45,376

Source: American Community Survey, US Census Bureau
Water Customers

FY2015 Water Revenue by Retail and Wholesale Customers

Retail Customers, 88%  
$124,411,000

Wholesale Customers, 12%  
$17,395,000
## Top Water Customers, Including Wholesale (FY15)

<table>
<thead>
<tr>
<th>Customer</th>
<th>Type of Business</th>
<th>Percent of Total Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Lee’s Summit</td>
<td>Wholesale water</td>
<td>3.6%</td>
</tr>
<tr>
<td>Jackson County PWSD #1 (Grandview)</td>
<td>Wholesale water</td>
<td>3.4%</td>
</tr>
<tr>
<td>City of Belton</td>
<td>Wholesale water</td>
<td>2.4%</td>
</tr>
<tr>
<td>City of Raymore</td>
<td>Wholesale water</td>
<td>2.2%</td>
</tr>
<tr>
<td>Raytown Water Company</td>
<td>Wholesale water</td>
<td>1.8%</td>
</tr>
<tr>
<td>City of Blue Springs</td>
<td>Wholesale water</td>
<td>1.7%</td>
</tr>
<tr>
<td>Veolia – Kansas City</td>
<td>Utility</td>
<td>1.5%</td>
</tr>
<tr>
<td>KCP&amp;L</td>
<td>Utility</td>
<td>1.4%</td>
</tr>
<tr>
<td>Dogwood Power Management</td>
<td>Utility</td>
<td>1.2%</td>
</tr>
<tr>
<td>Ford Motor Company</td>
<td>Commercial</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
Wastewater Customers

FY2015 Wastewater Revenue

- Retail Customers, 79% 
  $119,720,000
- Interjurisdictional Customers, 21% 
  $32,701,000

4/19/2016 28
### Top Wastewater Customers, Including Interjurisdictional Agreements (FY15)

<table>
<thead>
<tr>
<th>Customer</th>
<th>Percent of Total Wastewater Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnson County, Kansas</td>
<td>10.0%</td>
</tr>
<tr>
<td>Liberty, Missouri</td>
<td>3.0%</td>
</tr>
<tr>
<td>Gladstone, Missouri</td>
<td>2.7%</td>
</tr>
<tr>
<td>Veolia</td>
<td>2.1%</td>
</tr>
<tr>
<td>North Kansas City, Missouri</td>
<td>1.9%</td>
</tr>
<tr>
<td>Ford Motor Company</td>
<td>1.2%</td>
</tr>
<tr>
<td>Honeywell</td>
<td>0.9%</td>
</tr>
<tr>
<td>Raytown, Missouri</td>
<td>0.7%</td>
</tr>
<tr>
<td>Independence, Missouri</td>
<td>0.6%</td>
</tr>
<tr>
<td>Roberts Dairy</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
## Top Stormwater Customers (FY2015), excludes City properties

<table>
<thead>
<tr>
<th>Rank</th>
<th>Customer</th>
<th>Runoff Units</th>
<th>Estimated Annual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jackson County Sports Authority</td>
<td>12,850</td>
<td>$77,100</td>
</tr>
<tr>
<td>2</td>
<td>US Dept of Energy (Bannister Complex)</td>
<td>12,150</td>
<td>$72,900</td>
</tr>
<tr>
<td>3</td>
<td>Cedar Fair (Worlds of Fun)</td>
<td>8,017</td>
<td>$48,102</td>
</tr>
<tr>
<td>4</td>
<td>Norfolk Southern Railroad (South)</td>
<td>6,780</td>
<td>$40,680</td>
</tr>
<tr>
<td>5</td>
<td>Fedex Ground Package System</td>
<td>6,529</td>
<td>$39,174</td>
</tr>
<tr>
<td>6</td>
<td>Honeywell</td>
<td>5,278</td>
<td>$31,668</td>
</tr>
<tr>
<td>7</td>
<td>Leeds Industrial Park</td>
<td>5,140</td>
<td>$30,840</td>
</tr>
<tr>
<td>8</td>
<td>Norfolk Southern Railroad (North)</td>
<td>4,993</td>
<td>$29,958</td>
</tr>
<tr>
<td>9</td>
<td>Kansas City Southern Railroad</td>
<td>4,756</td>
<td>$28,536</td>
</tr>
<tr>
<td>10</td>
<td>AK Asset Corporation</td>
<td>3,741</td>
<td>$22,446</td>
</tr>
</tbody>
</table>

*Note: 1 Runoff Unit = 500 Square Feet*
Average Residential Bill

Average Residential Bill (FY2013 – FY2017)

<table>
<thead>
<tr>
<th>FY</th>
<th>Total Water charge</th>
<th>Total Wastewater charge</th>
<th>Stormwater charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>$36.95</td>
<td>$40.52</td>
<td>$2.50</td>
</tr>
<tr>
<td>FY2014</td>
<td>$34.47</td>
<td>$39.44</td>
<td>$2.50</td>
</tr>
<tr>
<td>FY2015</td>
<td>$36.95</td>
<td>$46.60</td>
<td>$2.50</td>
</tr>
<tr>
<td>FY2016</td>
<td>$34.47</td>
<td>$53.35</td>
<td>$2.50</td>
</tr>
<tr>
<td>FY2017</td>
<td>$36.95</td>
<td>$46.60</td>
<td>$2.50</td>
</tr>
</tbody>
</table>

*Note: FY2017 rates take effect May 1, 2016*
Water Charges

Service Charge:
- Charge per meter
- Pro-rated per day during the billing period
- Fixed charge applied to all connections in the system
- Based on the size of meter

Commodity Charge:
- Total volume of water purchased by the customer
- Rates vary depending on whether the customer is inside the city, outside the city or wholesale

FY2017

$110.22
$61.13
$46.59
$2.50
Wastewater Charges

Service Charge:
- Pro-rated per day during the billing period
- Fixed charge applied to all connections in the system.

Volume Charge:
- Applies to all accounts.
- When the BOD (biochemical oxygen demand), SS (suspended solids), and/or O&G (oil and grease) concentrations are in excess of the average concentration, an excess charge is applied.

FY2017
- $110.22
  - $2.50
  - $61.13
  - $46.59
Funding Challenges
Industry Funding Challenges

• Affordability
• Collections
• Conservation impacts
• Fairness and equity
• Wholesale customers
• Long-term customer demand/growth
Affordability

National Infrastructure Crisis

"Water is essential to life in this country."

America’s water crisis is so much bigger than California

Flint's Water Crisis Should Raise Alarms for America's Aging Cities

Michael Webber: Fixing America’s water problem could cost trillions of dollars
Affordability

• Increasing Costs
  – Capital Costs
    • Deferred Renewal and Replacement
    • Aging Infrastructure (Oldest parts of system date back to Civil War era)
      • Water Main Replacement Program
      • Sewer Main Rehabilitation Program
      • Flood Protection Program
      • Catch Basin Replacement Program

• Regulatory Requirements
  – Overflow Control Program (OCP)

• Stagnant Household Income
Not All Bad News...

• Stronger financial position
  – Lower borrowing costs
  – KC Water has been able to take advantage of historically low interest rates
  – “very strong” credit rating - AA

• Capital projects help local economy
  – $1.2 billion investment in next 5 years
  – 18,000 direct and indirect jobs created
Collections

Bad Debt

• Costs for bad debt are borne by all retail customers of utility

Financial Stabilization

• Sound, predictable rate levels provide utility with stable financial position

• Allows for effective planning
Conservation Impacts

While conserving our resources is a social good, it impacts rate revenues:

– Budgets based on usage assumptions to recover costs

– When water sales are lower, revenues are lower (conservation)

– Since wastewater rates are based on winter water usage, wastewater revenues are lower

– Future rates may need to be adjusted to make up for shortfall
Fairness and Equity

Missouri’s Hancock Amendment states that the cost/rate charged must be tied directly to the cost of service

Fairness Concept
• Rates should reflect the cost of providing the service and align to the service requirements the customer class places on the utility

Cost of Service Rates
• Cost causative relationship between customer class behavior and cost allocation
Wholesale Customers

• Departing Wastewater Wholesale Customers
  – Johnson County, Kansas
  – Liberty, Missouri

• Impact on Infrastructure and Operations and Maintenance (O&M) Expenses
  – Initial increase in revenue (Johnson County)
  – Long-term decrease in infrastructure costs and O&M expenses
Long-Term Customer Demand/Growth

• With departure of wholesale customers, decreases in demand will impact revenues but also decrease certain longer term capital needs

• Potential growth to the north along with new wholesale customers will increase revenues but also could contribute need for additional new infrastructure

  • System Demand Charges will be evaluated for growth related infrastructure.
Schedule and Next Steps
# Anticipated Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics</th>
</tr>
</thead>
</table>
| **April 19, 2016** | • Roles/Member Orientation  
                     • Water Services Overview  
                     • Customer Profile  
                     • Current Rate Structures  
                     • History of Previous Task Force  
                     • Funding Challenges  
                     • Topics and Schedule |
| **May 2016**   | • Guiding Principles questionnaire  
                     • Water utility overview  
                     • Water utility – cost recovery options |
| **June 2016**  | • Stormwater utility overview  
                     • Discussion of stormwater funding sources and levels needed  
                     • Guiding Principles discussion |
| **July 2016**  | • Wastewater utility overview  
                     • Wastewater utility – cost recovery options  
                     • Draft Guiding Principles |
## Anticipated Schedule, continued

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics</th>
</tr>
</thead>
</table>
| August 2016     | • Overview of Customer Assistance Program  
|                 | • Overview of System Development Charge options                        |
| September 2016  | • Water rate structures                                                |
| October 2016    | • Wastewater utility rate structures                                    |
|                 | • Water utility and wastewater utility fixed charges                    |
|                 | • All utilities – infrastructure replacement funding                    |
| November 2016   | • Water utility draft recommendations presentation                      |
|                 | • Public hearing                                                       |
| December 2016   | • Stormwater utility draft recommendations and presentation            |
|                 | • First Southwest Securities presentation (tentative)                  |
|                 | • Public hearing                                                       |
| January 2017    | • Wastewater utility draft recommendations presentation                 |
|                 | • Public hearing                                                       |
| February 2017   | • Consider public input and finalize recommendations                   |
| March 2017      | • Finalize recommendations                                             |
Questions?