



SANDY SPRINGS

MAYOR'S OFFICE

October 4, 2018

Honorable Felicia A. Moore
President, Atlanta City Council
Atlanta City Hall
55 Trinity Avenue NW
Second Floor
Atlanta, GA 30303

Dear Council President Moore:

As our efforts towards development of the water operation and its delivery through the city of Sandy Springs continue, I enclose for your records a copy of my recent letter to Mayor Bottoms. This letter represents updates to this project.

Yours sincerely,

Russell K. Paul
Mayor, City of Sandy Springs



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October 4, 2018

Honorable Keisha Lance Bottoms
Mayor, City of Atlanta
68 Mitchell Street SW
Atlanta, GA 30303

Dear Mayor Bottoms,

In August I contacted you about the City of Sandy Springs' (COSS) concerns for the water reliability and excessively high rates in COSS. In addition, I mentioned we wished to complete a comprehensive study, review, and appraisal of the Atlanta water operation within the COSS. I stated we would look to Atlanta for cooperation in gathering the necessary information to allow the study to go forward and we would commit to sharing the findings when this was completed. As of the writing of this letter COSS has received about 30% of the records requested and while the appraisal is not complete, the preliminary findings of the independent appraiser and the forensic auditors requires that I contact you.

The City of Atlanta (COA) water rates, inside the COA, are higher than any rates in the metro area; in some instances, three times higher. In addition, the COSS customers are charged a 21.2% surcharge. The independent appraiser and auditors cannot find a legitimate basis for the water rates in general, but especially a basis for the surcharge to COSS customers.

The represented basis for the water rates charged are the Black and Veatch 2002 and 2003 studies which are obviously not current, used superseded information, and not reflective of the water system operations and investment. This outdated rate study is the only rate study produced by the COA and is based on a 1999 "appraisal" conducted on the projected value of the water system and not the amount of the investment by the COA. The water rates charged by the COA are not based on a cost of service study and are, therefore, arbitrary.

The comingling of the accounting for wastewater and water revenues and expenses make it impossible to calculate or formalize rates based on the cost of service. Current base water rates are inflated and over-recover revenues from water customers in the COA and COSS due to the current cost allocations between the water and wastewater systems. While the recent debt is almost 90% wastewater and only 10% potable water system, the rate revenues are 70% from wastewater and approximately 30% from water customers. This appears to have occurred by applying an arbitrary formula creating across the board rate increases which have no basis in accepted accounting practices.



SANDY SPRINGS

MAYOR'S OFFICE

Hon. Keisha Lance Bottoms

October 4, 2018

Page | 2

The preliminary cost of service analysis reveals that many “expenses” to the water fund are contrary to allowed accounting principles and are violative of the prohibitions against water rates being arbitrary. Current water rates are inflated and over-recover revenues from COSS customers due to the collection of a 5% franchise fee charged to the watershed account by the COA general fund. The customers in COSS are paying the COA a fee for the use of COA rights of way. The information supplied to our accountants shows that the revenues and expenses from inside the COA are comingled with the revenues and expenses of the operation from outside the COA (COSS). The franchise fee laws and the Service Delivery Strategy Laws would not allow the charge against persons outside the jurisdiction or allow such charges as a basis for an additional surcharge to outside customers.

The COA general fund has borrowed more than \$100 million dollars from the watershed account, while it appears the loan is being repaid, the mechanism for the repayment is the over expensing of general administrative activities and other means to the watershed account. An industry standard level of general administrative expenses should be approximately \$2 million annually, the watershed fund is being charged approximately \$15 million. The annual loan repayment is a \$10 million installment.

The outdated 2002-2003 rate study used by the COA indicates, as does the latest bond documents, that the watershed fund transfers approximately \$30 million annually to the general fund, which is primarily from franchise fees and a payment in lieu of taxes (PILOT). While generally accepted accounting principles may allow a reasonable PILOT charge within the COA's taxation boundaries, it is not appropriately applied against customers outside that taxation limitation. The inflated amount of the PILOT and the actual charge against the comingled account of customers inside and out of the COA arbitrarily inflates and over-recovers revenue. The PILOT cannot be allocated as an expense to COSS customers.

The independent rate specialists and appraiser have identified the 2018 Bond Report by the COA consultants that compares water and wastewater rates of selected metropolitan areas (Table 7-3). The water rates charged inside and outside the COA are dramatically higher and, as the preliminary analysis shows, there is no basis for the rate. Where the citizens inside the COA have a recourse to go to their elected rate makers, the customers in the COSS must resort to this letter and the protections and standards required under the Service Delivery Strategy Law.

The purpose of this letter is to make you aware of these findings in hopes that the COA will take the steps necessary to correct the improper accounting and adjust the water rates to a non-arbitrary basis. Another purpose of this letter is to once again ask your help in gaining the records the COSS has requested at least three times. These records are not meant to be onerous but are



SANDY SPRINGS

MAYOR'S OFFICE

Hon. Keisha Lance Bottoms

October 4, 2018

Page | 3

needed to complete the analysis needed to assess the condition of the water operation, its value and to fully complete a cost of service study. This is work that will benefit the COA and its citizens.

As I presented to you, the COSS is willing to partner with the COA but in the end, the citizens of Sandy Springs require a better and improved water operation, with legitimate water rates. The COSS will make all of its experts' findings available to the COA. While the evaluation is being completed, please consider this a formal request by the COSS, with standing on behalf of the water rate payers, that the COA reduce the water rates charged customers in the COSS to non-arbitrary rates. Water rates based on the actual cost of service and not caused by the misdirection of revenue to expenses not caused by the customers in Sandy Springs.

OCGA 36-70-24 (2)(A) and (B) set forth the requirement that the rates charged by the COA outside its jurisdiction not be arbitrarily higher than the water rates charged within its jurisdiction. The COA has not completed a water rate study in 15 years. During that period the base rate charged its customers has more than doubled. The base water rate between the years 2009 and 2014 increased 81%. During that time the COA has maintained a stated surcharge against COSS water rate payers in the amount of 21.2%, again without a water rate study in 15 years. This simple fact and the detail expressed above clearly show that the water rates should be reduced. If the COA cannot make these required adjustments or will not indicate its willingness to begin addressing the same, the COSS will invoke the process allowed under OCGA 36-70-24.

On behalf of myself and Council for the City of Sandy Springs we are committed to guarantying water reliability and reasonable rates for its citizens. The commitment of funds to properly analyze the operation and to work with the City of Atlanta to amicably resolve these concerns shows the COSS good faith. Please let us hear from the COA on the Open Records Request follow-up and the willingness of Atlanta to address the water rate issues outlined herein. The COSS will make its independent appraiser and consultants available to the COA.

Yours sincerely,

Russell K. Paul

Mayor, City of Sandy Springs

Cc: Hon. Felicia A. Moore

TABLE 7-3

Water and Wastewater Monthly Bill Comparisons as of Calendar Year 2015

Service Provider*	10 CCF Residential User			500 CCF Commercial User		
	Water Charges	Wastewater Charges	Combined W/WW Bill	Water Charges	Wastewater Charges	Combined W/WW Bill
Atlanta, GA	\$54.96	\$139.46	\$194.42	\$3,073.36	\$7,827.56	\$10,900.92
San Francisco, CA	\$75.53	\$100.52	\$176.05	\$3,290.59	\$2,903.85	\$6,194.44
Austin, TX	\$54.61	\$74.57	\$129.18	\$2,692.65	\$3,473.64	\$6,166.29
Richmond, VA	\$45.99	\$80.24	\$126.23	\$1,877.76	\$412.06	\$2,289.82
Charleston, SC	\$25.85	\$83.83	\$109.68	\$332.50	\$3,669.38	\$4,001.88
San Diego, CA	\$57.74	\$51.31	\$109.05	\$2,575.72	\$2,678.73	\$5,254.45
Tacoma, WA	\$38.11	\$65.79	\$103.90	\$1,065.30	\$3,045.84	\$4,111.14
Raleigh, NC	\$42.21	\$52.11	\$94.32	\$1,688.32	\$2,161.09	\$3,849.41
New Orleans, LA	\$43.63	\$49.58	\$93.21	\$1,839.50	\$2,092.57	\$3,932.07
Jacksonville, FL	\$24.80	\$66.42	\$91.22	\$795.44	\$2,569.08	\$3,364.52
Omaha, NE	\$29.72	\$53.69	\$83.41	\$848.11	\$304.09	\$1,152.20
Mobile, AL	\$25.19	\$56.30	\$81.49	\$1,161.40	\$2,717.24	\$3,878.64
Philadelphia, PA	\$45.51	\$34.62	\$80.13	\$1,615.07	\$1,432.81	\$3,047.88
Oakland, CA	\$55.83	\$23.20	\$79.03	\$2,309.32	\$556.03	\$2,865.35
Fort Worth, TX	\$34.76	\$41.40	\$76.16	\$1,408.50	\$2,178.80	\$3,587.30
Plano, TX	\$30.57	\$44.76	\$75.33	\$1,249.37	\$1,921.89	\$3,171.26
San Antonio, TX	\$33.58	\$33.97	\$67.55	\$1,436.07	\$1,342.00	\$2,778.07
Wichita, KS	\$32.05	\$33.36	\$65.41	\$3,761.12	\$1,265.85	\$5,026.97
Glendale, AZ	\$25.97	\$35.83	\$61.80	\$915.62	\$1,101.28	\$2,016.90
Miami, FL	\$20.54	\$39.48	\$60.02	\$2,515.87	\$2,851.27	\$5,367.14
Orlando, FL	\$16.52	\$42.41	\$58.93	\$530.87	\$1,440.00	\$1,970.87
Chicago, IL	\$28.52	\$28.52	\$57.04	\$1,426.00	\$1,426.00	\$2,852.00
Columbus, GA	\$21.59	\$34.67	\$56.26	\$87.18	\$135.92	\$223.10
Scottsdale, AZ	\$25.57	\$22.67	\$48.24	\$1,452.90	\$1,051.80	\$2,504.70
Salt Lake City, UT	\$20.74	\$17.80	\$38.54	\$591.72	\$1,600.00	\$2,191.72