

December 11, 2023

John S. Young  
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**Subject: [Affordability Study / Assessment of PWWSB System](#)**

As requested, Galardi Rothstein Group (GRG) submits the following scope of services and fee estimate for conduct of an Affordability Study and Assessment of the Water Works and Sewer Board of Prichard, AL (PWWSB) system.

GRG proposes to conduct the requested services through three (3) major and inter-related tasks complemented by appropriate project orientation and reporting:

1. Water Affordability / Financial Capability Assessment (FCA)
2. Customer Assistance Program (CAP) design
3. Strategic financial planning support
  - a. Cash-flow forecasting support
  - b. Progressive rate design development

These tasks are described briefly in the following paragraphs:

**[Project Orientation / Stakeholder Engagement](#)**

GRG proposes to initiate its work with a review of available reports, data (including utility financial data and US. Census data), and Court filings to gain an understanding of the circumstances that precipitated the appointment of PWWSB's Receiver. We propose to have Eric Rothstein, Project Manager, visit Prichard, AL to meet key stakeholders including PWWSB staff and Board Members (if available), the appointed Advisory Council, and representatives from local low-income advocacy groups and assistance providers that may serve as partners in the design and implementation of PWWSB's prospective Customer Assistance Program.

**[Water Affordability / Financial Capability Assessment \(FCA\)](#)**

GRG will conduct an assessment of PWWSB water affordability challenges using various metrics that have been advanced in recent research and advocacy on water affordability challenges. To help ensure more equitable outcomes, we will go beyond the long-standing measure of calculating typical bills as a percentage of Median Household Income to consider the distribution of incomes across the service area. For example, we will calculate the Lowest

Quintile Residential Indicator (LQRI)<sup>1</sup> as well as other measures of water affordability (e.g., typical bills in terms of hours at minimum wage, or as a percentage of disposable income) We will also review any available information on the geographic distribution of incomes and water affordability burdens.

In addition, GRG will conduct a Financial Capability Assessment (FCA) using EPA's 2023 guidance. We will work with the Receiver to determine how best to employ FCA outcomes to support applications for potentially available grants and loans, and to negotiate manageable schedule milestones for system improvements required to achieve compliance with Safe Drinking Water Act, Clean Water Act, and related regulations.

### **Customer Assistance Program Design**

GRG will support design (and potentially initial implementation) of a low-income Customer Assistance Program (CAP) for PWWSB customers. We will develop a brief Technical Memorandum to outline options and key considerations involved – a summary outline of which is offered in the text box. Working with local low-income advocacy groups and assistance providers as appropriate, GRG will help coordinate specification of program features<sup>2</sup>, facilitate engagement of a Community-based Program Administrator (including associated contract negotiation / specifications), help develop supporting business processes, and plan for community engagement and program outreach.

#### **Customer Assistance Program Technical Memorandum Draft Outline**

- 1) Introduction / Industry Context
- 2) Legal Framework
- 3) Low-Income Customer Assistance Needs
- 4) Funding Options
- 5) Program Design Decisions
- 6) Program Goals
- 7) Program Partnering
- 8) Program Outreach
- 9) Administrative Procedures
- 10) Monitoring and Evaluation
  - a) Performance Measures
- 11) Program Evolution

### **Strategic Financial Plan Support**

GRG has extensive experience and exceptional capability in developing strategic financial plans for water, wastewater, and stormwater systems and in developing analytical tools to design specific structures of rates and charges. We are prepared to assist the Receiver in this task, which will be a key feature of the Master Plan. Given our experience with other financially distressed systems, we are practiced in coping with data limitations and conduct of scenario analyses. We are prepared to provide:

#### **a. Cash-flow analysis support**

A fundamental pillar of water affordability is the efficient delivery of reliable, trusted, and safe services. Affordability is compromised if customers opt to purchase bottled water because they are not confident that their tap water is safe. Accordingly, GRG is prepared to

<sup>1</sup> The LQRI measure has been advocated by various reviewers of the EPA's 1997 Financial Capability Assessment methodology including water sector associations (AWWA, NACWA, WEF) and the National Academy of Public Administrators (NAPA). It was included in EPA's Proposed 2020 FCA Guidance but not included in its final 2023 FCA Guidance.

<sup>2</sup> Including, for example, program eligibility requirements or types of assistance offered.

support the Receiver’s financial planning related to re-establishing effective and efficient service delivery. For systems like the one in Jefferson County, AL, we developed cash-flow forecasting models to project revenues under alternative rates, assess operating expenses, evaluate capital financing options, and plan for compliance with established financial performance targets.

**b. Progressive rate design development**

Another pillar of water affordability is the design of rates and charges that can help ensure that basic levels of service required for human health and sanitary needs are affordable for most (or near all) utility system customers. There are several rate design options that may advance these objectives. GRG is prepared to develop analytical tools to examine the revenue generation and bill impact implications of these options to provide a foundation for the Receiver’s service rate recommendations.

**Project Reporting / Hearings**

GRG will provide documentation of its affordability assessments and CAP design through the development of a brief report with appendices providing supporting calculations (e.g., prescribed EPA FCA worksheets, rate design and bill impact tables). If requested, Eric Rothstein will travel to Prichard, AL to participate in Advisory Council and/or PWWSB Board meetings that are scheduled to consider water affordability issues. He will also be available to participate in Court hearings, as requested.

**Contract Structure and Compensation**

GRG proposes to provide affordability assessment and financial consulting services under a master services agreement whereby individual tasks are authorized on a task order basis. For 2024, our billing rates for this work are as presented below:

Personnel	Position / Role	Billing Rate*
Eric Rothstein	Principal / Project Manager	\$305/ hour
Cody Stanger	Principal / Senior Analyst	\$265/ hour
* Billing rates are inclusive of all overhead and/or administrative, computer or other charges. GRG does not employ billing “multipliers.” Eric Rothstein’s litigation support billing rate is \$400/hr with a 10% mark-up for depositions and Court appearances.		

A preliminary budget estimate by major project task is provided below with amounts also budgeted for project initiation and project reporting / hearing attendance.

Water Works and Sewer Board of Prichard, AL							
Affordability Study / Assessment Budget							
Tasks	Hours		Labor Cost		Reimbursable Expenses		Total
	Rothstein	Stanger	Rothstein	Stanger	Rothstein	Stanger	
	\$305	\$265					
* Project Kick-off / Orientation / Stakeholder engagement	40		\$12,200	\$0	\$5,000		\$17,200
1 Water Affordability / Financial Capability Assessment (FCA)	120	20	\$36,600	\$5,300			\$41,900
2 Customer Assistance Program (CAP) design	120	20	\$36,600	\$5,300			\$41,900
3 Strategic financial planning support							
a. Cash-flow forecasting support	80	120	\$24,400	\$31,800			\$56,200
b. Progressive rate design	40	80	\$12,200	\$21,200			\$33,400
* Project Reporting / Hearings	100	60	\$30,500	\$15,900	\$10,000	\$3,000	\$59,400
							\$250,000

GRG is well positioned to conduct PWWSB’s affordability assessment, help design Customer Assistance Program development, and support related financial planning and management activities. For example:

- GRG’s extensive work employing, and advocating for reform of, EPA’s Financial Capability Assessment methodologies offer insights into alternative approaches for conduct of FCAs and related affordability assessments.
- Our national leadership in support of low-income assistance legislation and affordability program structuring positions will help us to advance low-income assistance program development for PWWSB.
- We have extensive background working with financially distressed utilities and are familiar with the challenges involved. For example, GRG has served as Jefferson County, AL’s sewer utility system consultant on rate and financing matters since mid-2010 including serving as a Municipal Advisor for the historic issuance of its Series 2013 Sewer Revenue Warrants and recent Series 2024 Sewer Revenue Refunding Warrants.

We have provided brief summaries of our qualifications and experience and selected project descriptions in the following attachment. We are interested in supporting PWWSB’s Receiver and effectively addressing water affordability challenges facing PWWSB’s customers. We are prepared to address any questions or concerns about the information presented herein.

Best regards,

Eric Rothstein, MA, CPA  
 Principal, Galardi Rothstein Group  
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## GRG Personnel

### Key Project Descriptions & References

#### Eric Rothstein, CPA

##### Education

- M.A., Economics, University of California-Davis (1983)
- B.A., Economics, Ripon College (1981)

##### Professional Registrations

- Municipal Advisor Principal
- Certified Public Accountant – Oregon License No. 7998

Eric has more than 35 years of experience in water, wastewater, and stormwater utility financial and strategic planning. His recent projects include developing recommendations for structuring a federally funded Customer Assistance Program, successful defense of several southeast Michigan municipal utilities against class action lawsuits, and supporting the Guam Waterworks Authority's financial planning and water affordability initiatives. In the period 2014-2016, Eric served on the Michigan Governor's Flint Water Advisory Task Force, as program manager for establishment of the Great Lakes Water Authority, and as project manager for the Detroit Water and Sewerage Department's Blue Ribbon Panel on Affordability. Since 2003, Eric has led strategic financial planning for the City of Atlanta's Department of Watershed Management. For several permittees (such as Atlanta, Honolulu, Guam, NEORS and currently Terre Haute, IN and Hamilton County, OH), Eric has provided strategic and financial consulting and negotiation support services on financial capability assessment and low-income affordability issues.

Eric is a contributing author of the WEF *Financing and Charges for Wastewater Systems* and AWWA *Principles of Water Rates, Fees and Related Charges* Manuals of Practice. He continues to serve on the national AWWA Rates & Charges Committee and the WEF and NACWA Utility Management Committees.

#### Cody W. Stanger

##### Education

- M.B.A., Finance, University of Texas at Austin
- B.A., Economics, Brigham Young University

##### Professional Registrations

- Municipal Advisor

Mr. Stanger works with clients around the country to develop innovative analytical frameworks that meet a variety of financial management and water resource planning needs. He combines an economic and financial background with a mix of technological skills to construct uniquely flexible rate models and other management tools that improve decision making and facilitate communications with stakeholders.

Mr. Stanger has conducted numerous cost of service studies, cost allocation assessments, and rate impact analyses for water providers both large and small. He is currently working with the Guam Waterworks Authority and Atlanta's Department of Watershed Management to evaluate potential service rate changes in order to fund prioritized capital projects over a five-year planning horizon.

Mr. Stanger has developed financing plans for multi-billion infrastructure programs that evaluate rate impacts and debt management strategies, assess the affordability of CIP requirements, establish key financial performance metrics, and ultimately support project implementation through issuance of long-term debt instruments. His work has been used to identify the potential rate impact benefits of alternative revenue sources and corroborate requests for federal or state assistance including WIFIA and SRF loans.

## Key Projects

### Project Descriptions and References

Provided below are selected project descriptions and references for engagements involving utility financial planning support and water affordability assessment. Additional project descriptions are available on request.

#### **Jefferson County, Alabama (2012-2013, 2022-2024) – UPDATE**

GRG served as the County's utility systems and rate consultant for resolution of the second largest municipal bankruptcy filing in U.S. history, culminating in the County's issuance of \$1.79 billion in sewer warrants and creditor concessions of approximately \$1.5 billion. During the County's bankruptcy, GRG Principals reviewed cost-of-service analyses and rate proposals to address the County's outstanding sewer warrant obligations, and developed revisions to the County's sewer rate structures that were approved in November 2012 and again in September 2013.

GRG developed revenue forecasting and strategic financial planning models in support of the development of the County's bankruptcy Plan of Adjustment and its \$1.79 billion sewer warrant issue. These tools estimated the revenue impacts of changes to Environmental Services Department's (ESD) service rates, including migration to a tiered volumetric rate structure and proposed rate increases over a 40-year forecast horizon. The revenue forecast framework integrated assumptions and historical data related to account growth, price elasticity response to rate increases, price-independent consumption trends, and post-metering billing adjustments. GRG served as the County's Municipal Advisor for its sewer warrant issue—authoring a detailed feasibility study included in the Official Statement of the Series 2013 Sewer Warrant issue, presenting information to credit rating agencies, and

participating in various investor roadshow and Q&A sessions to support the successful warrant sale.

GRG principal Eric Rothstein was deposed and provided expert witness testimony in various court proceedings stemming from the County's declaration of bankruptcy in 2011, and confirmation of its bankruptcy Plan of Adjustment in November 2013.

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**Great Lakes Water Authority Implementation (June 2015 – January 2016)**

In June 2015, GRG principal Eric Rothstein was engaged by the State of Michigan Governor's Office to serve as an independent utility advisor in support of bankruptcy related mediation related to the Detroit Water and Sewerage Department (DWSD). This mediation led to a historic Memorandum of Understanding (MOU) executed between the State of Michigan, City of Detroit and Macomb, Oakland, and Wayne counties that contemplated creation of the Great Lakes Water Authority (GLWA). Working directly with U.S. District Court Judge Sean Cox, Eric helped develop the terms of the MOU and then supported elected officials' deliberations leading to MOU approval.

Upon MOU approval, Eric was appointed Implementation Planning Program Manager for the creation of the Great Lakes Water Authority. Under the terms of the MOU, the respective parties were required to execute lease agreements prior by July 2015. Eric organized the GLWA Program effort into multiple workgroups related to regional system operations, accounting and finance, human resources, lease negotiations, public communications, and other areas of concern, engaging stakeholders from across the southeastern Michigan region. Eric provided management guidance, coordinated workgroup activities, managed program resources, and provide direct reporting to the newly formed GLWA Board of Commissioners. GLWA's leases and a supporting water and sewer services agreement was executed with the MOU's prescribed timeline. GLWA successfully launched regional operations on January 1, 2016. [Mention something about efforts related to affordability?]

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**City of Atlanta, GA (2003 – Present)**

As a member of the Clean Water Atlanta program management team, GRG has been responsible for delivery of a full array of strategic financial planning and general financial management services. These services have included supporting the City’s rate and fee development processes, facilitating the City’s multi-billion-dollar capital financing program, and remediating compromised business systems and financial management functions. As part of this effort, GRG coordinated the Department of Watershed Management’s feasibility studies for its \$850 million Series 2004 Water and Sewer Revenue Bond issue, for implementation of its Tax-Exempt Commercial Paper program with a shelf registration of \$1.2 billion in 2006, and for its Series 2009 A&B Bonds with an aggregate principal value of approximately \$1.2 billion. In 2010, GRG Principals prepared the City’s Financial-Capability-Based Schedule Extension Request Report that provided the analytical foundation for the City obtaining the first schedule extension for a major metropolitan permittee’s Consent Decree program. Earlier in 2010, GRG used a structured decision process to develop the Department’s Capital Improvement Program proposed to support the City’s Consent Decree schedule request. GRG served as the Department’s Municipal Advisor for its Series 2013 and Series 2015 and Series 2017 debt issues.

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City of Atlanta

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**Honolulu Department of Public Works**

GRG principal Eric Rothstein was engaged by the City and County of Honolulu (through legal counsel Bingham McCutchen, LLP) to serve on the City’s negotiation and litigation team to provide expertise on consent decree scheduling under financial capability limitations. Eric constructed a 30-year strategic financial planning (cash flow) model and evaluated numerous alternative construction program scenarios in terms of requirements for future wastewater rate increases and claims on Honolulu residents’ Median Household Income levels. He prepared written testimony on Honolulu’s unique financial conditions, as called for by USEPA’s Financial Capability Assessment guidance, and the limitations of its long-term capital financing capacity. He also provided expert witness testimony in litigation mediation sessions in U.S. Federal Court. The City and County of Honolulu and USEPA entered a Consent Decree in 2010 with schedule requirements consistent with the limitations articulated in this testimony.

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