

Citizens Advisory Council of Prichard (CACP) Meeting Summary
April 18, 2024, 2 P.M. to 4 P.M.
A.J. Cooper Municipal Complex
216 E. Prichard Ave, Prichard, AL 36610

FACILITATING: John Young, Jr., Court-Appointed Receiver
Prichard Water Works and Sewer Board (PWWSB)

Eric Rothstein, Galardi Rothstein Group

ATTENDING: Severia Morris, United Concerned Citizens of Prichard
Pastor Chris Williams, County Commission
Rusty Murdaugh, District 98
Dr. Beatrice Morse, District 97
Carletta Davis, President, We Matter
Katie Davis, District 2
Clifford Bryant
Jessica James, City of Chickasaw (Representing Mayor's Office)

ABSENT: Mayor Gardner

Receiver Updates

- The Asset Management Study (Hazen & Swayer) is progressing, with the majority of the fieldwork completed. Initial findings from the study will be presented at the May 2024 Citizen Advisory Council meeting. This report must be submitted to ADEM by May 31 to comply with the Consent Order.

- Preliminary results from the Source of Supply study suggest that the development of a surface water supply for the system is neither feasible nor cost-effective. However, a groundwater supply system could be developed with sufficient yield to serve the system. The supply would consist of multiple wells with either wellhead (local) or centralized treatment for iron and manganese removal. Capital and operating costs are being developed for the alternative options. Recommendations will be presented at the May 16, 2024 Advisory Council meeting.

Alabama Department of Environmental Management (ADEM) grants are funding the following projects:

- A contract has been awarded for the water storage tank design and bidding. The project will include improving and painting four tanks, demolishing the Office Standpipe, and adding control valves at several interconnections with MAWSS. The projects should be advertised for bidding in June, with construction beginning in August.
- A design contract has been awarded for the Morris WWTP improvement. The design is scheduled to be completed in early 2025, with construction completed by the end of 2026.
- The design contract for the Lovejoy Loop pipeline replacements (approximately 9 miles of pipe) is in final contract negotiations. The design contract should be awarded in April, and construction should begin in the Spring of 2025.
- The scope of work for the SCADA (Supervisory Control and Data Acquisition) design is still being developed. This project will primarily provide operational monitoring and control for the 30 wastewater pumping stations located throughout the system.

Q2 Financial Performance - 6 Months as of March 31, 2024

	COLUMN 1 Board's 2023-2024 Annual Budget Submitted to Court in October 2023	COLUMN 2 Receiver's Revised 2023-2024 Annual Budget	COLUMN 3 Receiver's 6-Month Budget	COLUMN 4 6-Month Actual	COLUMN 5 Receiver's 6-Month Budget to Actual
Total Revenue	\$14,432,633	\$12,735,742	\$6,367,871	\$6,744,674	376,803
Total Expense	\$14,190,556	\$18,216,969	\$9,108,485	\$7,530,005	\$1,578,480*
Net Income	\$242,076	(5,481,226)	(\$2,740,614)	(\$1,541,423)	\$1,955,282

**The Receiver has not fully paid the Trustee what's owed to the Reserve Fund, monthly interest expense, and attorney's fee for the first 6 months of the Fiscal Year (October 1-September 30). This results in a 6-month cash flow savings of \$1.7M.*

The FY2024 2nd quarter financial performance was reviewed. As shown in the above table and previously discussed, the “balanced” budget prepared by the PWWS Board (column 1) was clearly based on incorrect assumptions and oversights since it does not accurately reflect the utility's actual financial performance. Column 2 is the annual budget developed by the Receiver. Column 3 shows the 6-month Receiver budget. Column 5 (budget vs. actual revenue/cost comparison) reconciles the variance between Column 3 and Column 4 (actual revenue and expenses).

Revenues were 6 percent higher than the Receiver's budget. This variance was primarily due to an increase in residential customers' bill payments resulting from more aggressive shut-off notifications and customer payment plans. The \$1.578M reduction in expenses primarily resulted from the Receiver postponing partial payments of Bond Trustee financial obligations during the 6-month period (\$1.7M). Adjusting for this non-payment, expenses exceeded the Receiver budget by 1.3 percent.

Affordability/ Customer Assistance Program

Eric Rothstein of Galardi Rothstein Group, which is conducting the Affordability Study and System Assessment, made a presentation covering three interrelated topics: Water Service Rates, Bill Burdens, and Financial Sustainability.

Four key messages were emphasized in the introduction of the presentation:

- Rates must recover the full costs of service
- PWWSB's rates are burdensome yet inadequate
- PWWSB's crisis and rates demand both immediate and long-term actions
- Crisis resolution and sustainability will require fundamental change in the structure and management of the utility over the next generation

The presentation reviewed industry-standard principles and practices in water and wastewater rate making, noting the fundamental principles that rates are set to recover the system's revenue requirements. These revenue requirements, which include Operation & Maintenance (O&M), capital and financing costs, enable utilities to deliver essential-to-life water services. Rates charged to customers are designed to fully recover the required revenue and distribute costs in a fair and equitable manner. Affordability may be addressed by how costs are distributed to different customers, how rates and charges are structured, and through income-qualified assistance programs.

Specific to PWWSB, affordability is an especially acute concern with limited options for mitigation. According to U.S. census data, PWWSB customers have relatively low incomes yet face relatively high service rates. This reality was presented visually through the mapping of income distributions and calculated water bill burdens (e.g., bills as a percentage of income). Unfortunately, PWWSB currently has "highly burdensome" rates, and additional rate increases to meet the cost-of-service requirements would increase this burden. Rothstein noted that, based on his experience in many other economically distressed communities, PWWSB's situation is a crisis.

To frame the affordability discussion and over-arching objectives of the Receiver's efforts, Rothstein reviewed industry guidance on the characteristics of financial sustainability for water and wastewater systems. Rothstein's briefing highlighted how

water and wastewater systems are increasingly viewing affordability measures as a component of their Financial Sustainability strategy – and options (and constraints). He also reviewed examples of responses to affordability crises, outlining similarities and differences to the situation at PWWSB. He discussed options and challenges for PWWSB in moving from crisis to sustainability and concluded with a discussion of the Next Steps.

Action Items

1. Provide the Advisory Council with the actual FY2023 revenue and expenses.
2. Post the more detailed line item Q2 budget vs. actual financial performance on the website.
3. Solicit volunteers from the Advisory Council and community to work with Eric Rothstein in the development of a Customer Assistance Program.