



# MOST Update



**City of Atlanta**  
KEISHA LANCE BOTTOMS, MAYOR  
Kishia L. Powell, Commissioner  
November 18, 2019



## The MOST: An Overview

- In 2004, a 1-cent Municipal Option Sales Tax was passed for the City of Atlanta to assist in funding the compliance obligations of two Federal Consent Decrees entered in 1998 and 1999.
- The MOST has helped fund Atlanta's \$2 billion sewer system investment for the estimated \$3.6 billion federally mandated sewer system overhaul, while stabilizing rates.
- In 2014, the City successfully met the obligations under the first consent decree.
- There is still work remaining under the second consent decree. The City is projected to expend an additional \$1.4 billion by 2027.





## HIGHLIGHTS OF THE ATLANTA CONSENT DECREE

**With the help of MOST revenues, the City has been able to:**

- Repair and replace old, decrepit sewer lines:
  - 375 miles of small sewer rehabilitation
  - 57 square miles of capacity relief
- Increase sewer capacity throughout the City, supporting over \$5 billion in development that would otherwise not have happened.
- Achieved 97% reduction in volume of sewer spills between 2004 and 2018.



## Highlights



Municipal Option Sales Tax (MOST)

has supported

**24K**

jobs (Direct, indirect and Induced)

Annual CIP Expenditures  
**\$100-\$300 million**

to address aging infrastructure and federal consent decrees



MOST has supported

**\$600 million**

in small, minority and female business participation



Between 2000 and 2014 DWM invested

**\$2 billion**

in sewer system improvements resulting in a

**97%**

reduction in spill volume



MOST has staved off a

**25%**

increase in water/sewer rates

MOST is supporting the current

**\$1.25**

**billion**

5-YR CIP



The MOST protects

**\$100 million**

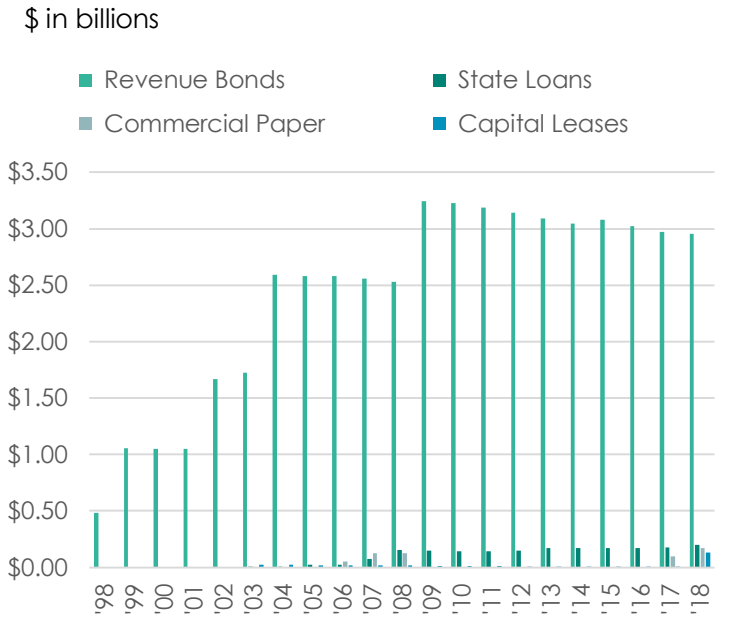
in daily economic activity



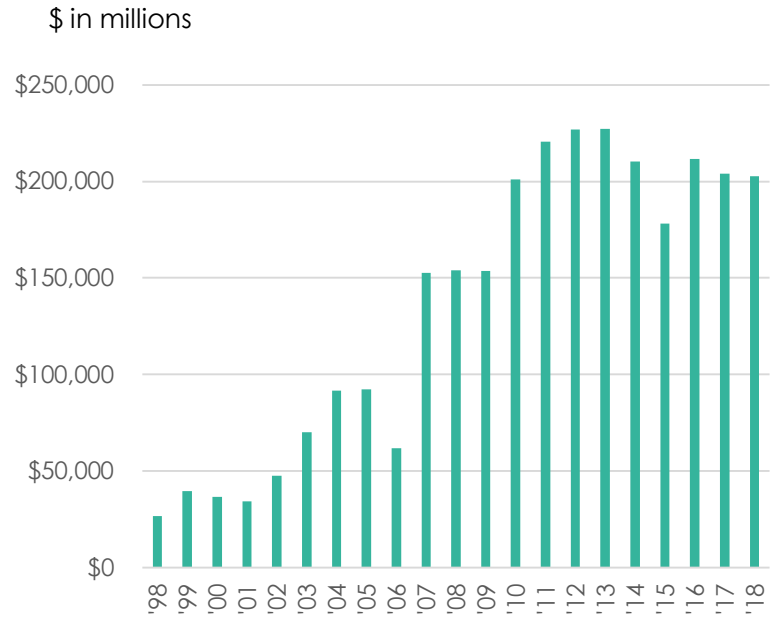
# Increased Debt Capacity

- To meet Consent Decree requirements long term debt **increased from \$500 million to \$3.5 billion from 1998 to 2009**
  - Limited capacity for additional long term debt

## Outstanding Debt Levels



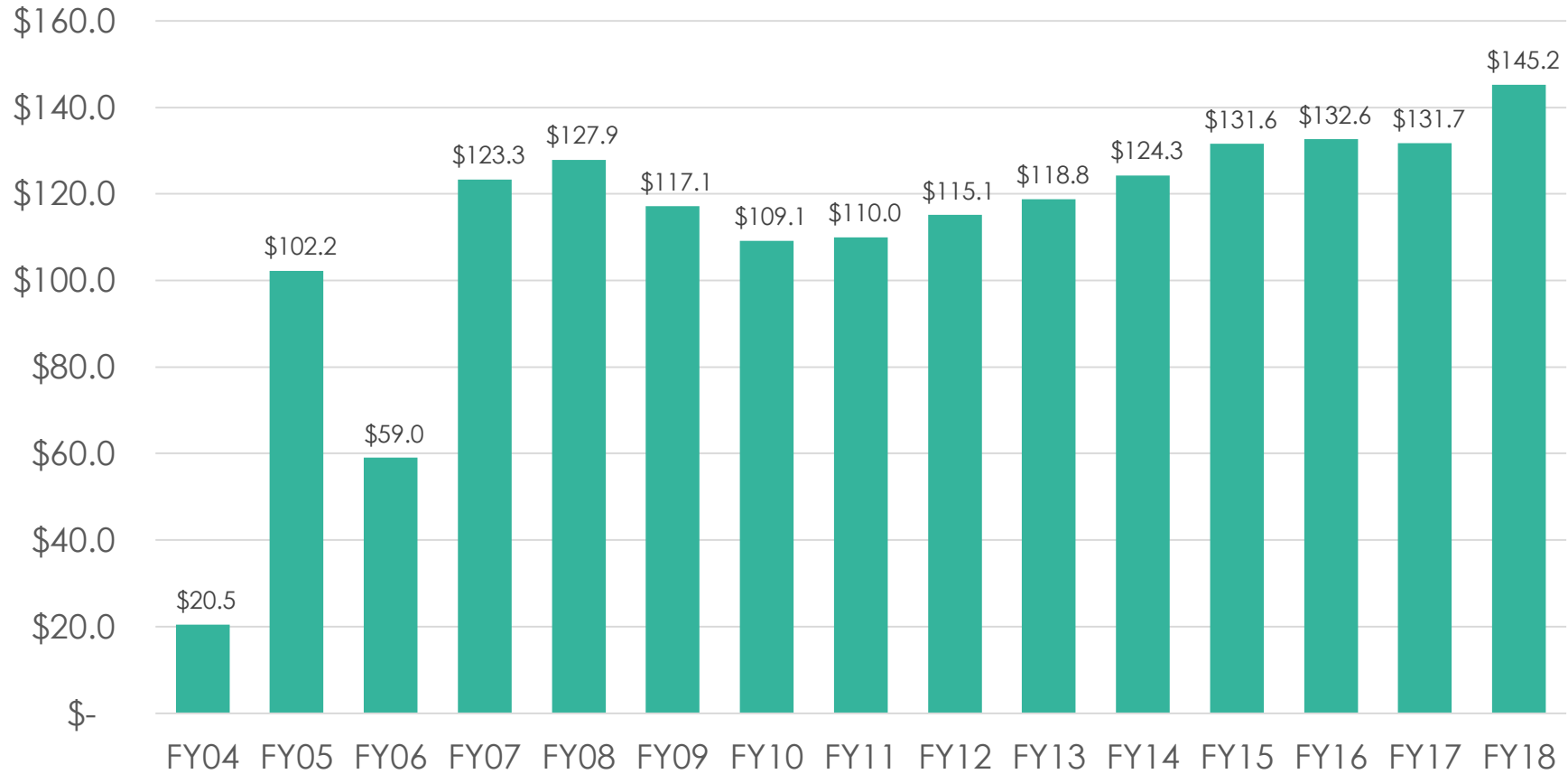
## Sr. Debt Service Payments



**Note:** Fiscal years 2007- 2015 are 12-month periods beginning July 1 and ending June 30. Fiscal year 2006 is a six month period beginning January 1, 2006 and ending June 30, 2006. Fiscal year 1998-2005 is a 12-month period beginning January 1 and ending December 31. Sr. Debt payments include portions of interest paid in conjunction with 2015 refinancing.

# Historical MOST Revenues

- Approximately \$1.7 billion collected since inception



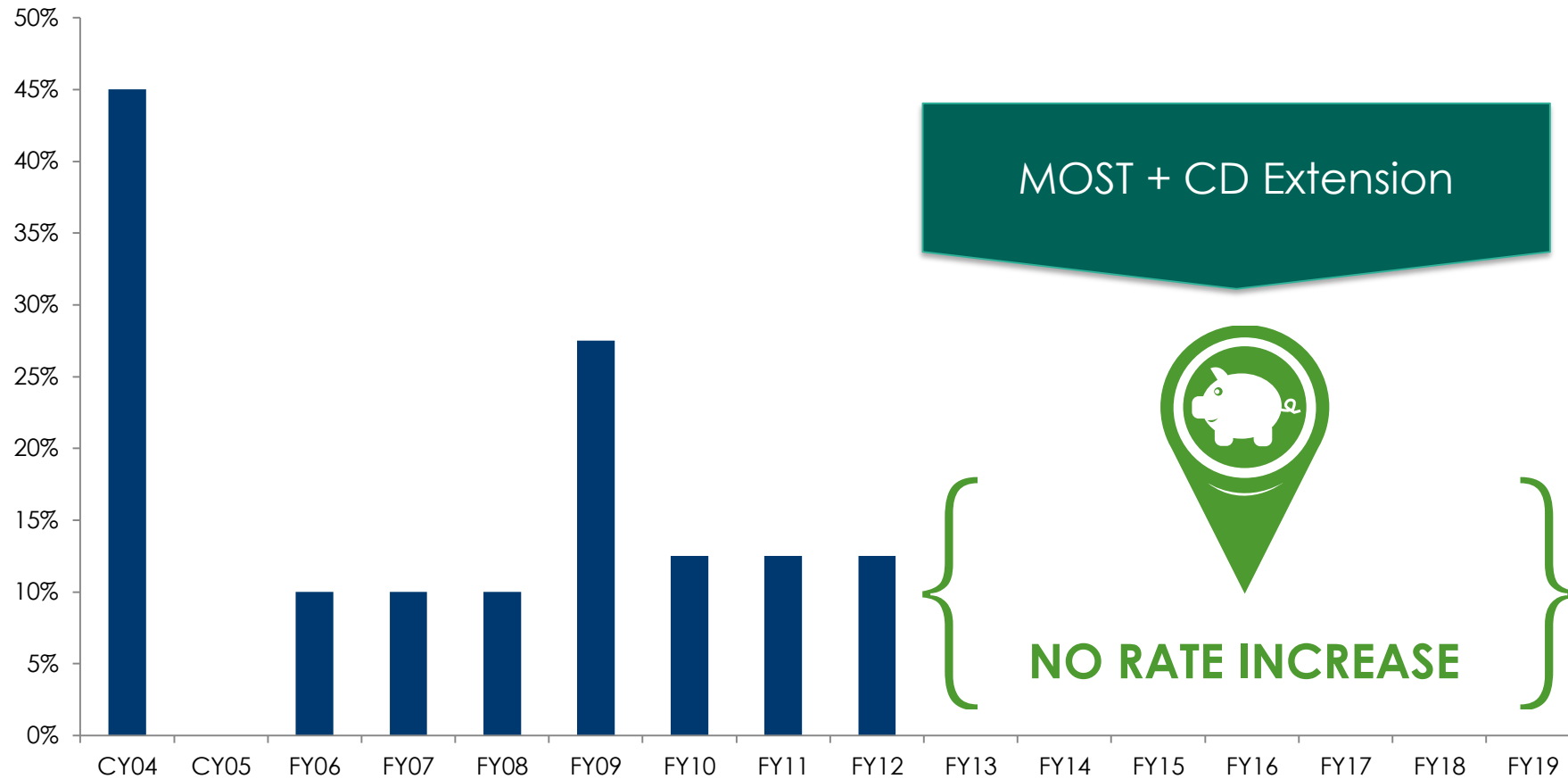
Note: Fiscal years 2007- 2015 are 12-month periods beginning July 1 and ending June 30. Fiscal year 2006 is a six month period beginning January 1, 2006 and ending June 30, 2006. Fiscal year 2004 reflects only 3 months of collections. 2005 is a 12-month period beginning January 1 and ending December 31.



## The **MOST** Contributes to Rate Stabilization

- In 2004, a 1% Municipal Option Sales Tax (MOST) was approved by voters for retail sales and use occurring in the incorporated city limits of Atlanta.
  - Purpose: to assist in funding water and sewer system CIP
  - City Collected \$145.2M in 2018 (~20% of revenues)
- In 2012, DWM was granted a 13-year extension on its second consent decree
  - The extension allowed the Department to exercise fiscal balance across all infrastructure types (water, wastewater and stormwater).

# Historical Rate Increases





# DWM Key Rating Drivers

Moody's	Standard and Poor's	Fitch
<p><b><u>Key Drivers</u></b></p> <ul style="list-style-type: none"><li>• Large, economically important service area</li><li>• Demonstrated trend of sound coverage and ample liquidity despite significant capital needs</li><li>• Ample treatment capacity</li><li>• Demonstrated willingness to raise rates</li><li>• Reliance on voter approved sales tax, which requires approval by state legislature to renew beyond 2020</li><li>• High debt burden coupled with variable rate and swap exposure</li></ul> <p><b><u>Major Considerations</u></b></p> <ul style="list-style-type: none"><li>• Decline in <b><u>debt service coverage due to failure to renew sales tax</u></b> and/or raise rates</li></ul>	<p><b><u>Key Drivers</u></b></p> <ul style="list-style-type: none"><li>• Role as one of the largest economic and employment anchors in the southeast</li><li>• Good operational management and financial management practices</li><li>• Strong all-in debt service coverage (DSC) and liquidity</li><li>• Willingness to raise rates</li><li>• Reliance on voter approved sales tax, which requires approval by state legislature to renew beyond 2020</li><li>• High debt burden coupled with variable rate and swap exposure</li></ul> <p><b><u>Major Considerations</u></b></p> <ul style="list-style-type: none"><li>• <b><u>Failure to renew Municipal Option Sales Tax</u></b> could have downward pressure on funding capacity</li></ul>	<p><b><u>Key Drivers</u></b></p> <ul style="list-style-type: none"><li>• Large retail service area</li><li>• Healthy financial position</li><li>• MOST revenues needed</li><li>• High combined rates</li><li>• High debt levels</li></ul> <p><b><u>Major Considerations</u></b></p> <ul style="list-style-type: none"><li>• LONG-TERM REVENUE SECURITY: Atlanta's ability to secure long-term <b><u>revenue certainty through an extension of the MOST beyond 2020 could result in upward rating movement</u></b></li></ul>



# Impact if MOST not Reauthorized

- Risks of violating federal consent order (\$ penalties, sewer moratoria, federal takeover, environmental harm)
- DWM would be forced to raise rates by approximately 25%
- Capital improvements could be delayed or eliminated, impacting economic development
- System maintenance could be deferred

