

# Financial Assessment

*Additional information can be found in Section 6 of the Wet Weather Plan*

The EPA requires that a Financial Capability Assessment be conducted in order to establish the burden of compliance on both the ratepayer and ALCOSAN. The complex financial and institutional relationship between ALCOSAN and the 83 municipalities it serves provides the context for the WWP's affordability. Not only is ALCOSAN required to address sewer overflows, the customer municipalities are also required to meet the same regulations within their own systems.

This was a task that required much research into the region's demographic and socio-economic data. Based on the most current data, there are communities within the ALCOSAN service area with less than 100 residents to cities, including Pittsburgh, of more than 300,000 residents. Likewise, average household incomes range from \$16,000 to more than \$220,000. Using this data, ALCOSAN determined that the service area regional median household income was \$46,400. In addition, municipal costs to meet federal regulations were estimated with the assistance of the individual customer municipalities, allowing evaluation of the affordability as well as the ability to finance both the ALCOSAN and municipal level programs.

The ALCOSAN average quarterly cost for sewage service in 2012 is \$21.83 per month or \$262.00 per year. However, 78 of the 83 customer municipalities add a surcharge to create a revenue stream to maintain, repair and replace municipal owned systems. As a result, total wastewater costs across the service area vary from \$300 to nearly \$600 per year, with an average of \$430 per household. Based on calculations, the average household is currently spending 1% of its income on wastewater services. This 1% Residential Indicator falls within the low to medium burden range under EPA guidelines. The guidelines state that 2% or higher constitutes a high burden.

But that number does not tell the whole story. An analysis of economic and demographic trends over the last three censuses do not indicate an expected increase in average household income or an increased residential ability to pay for the WWP in the future.