



Water System Revenues

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Session Objectives

- Understand how to pay for the costs of running your water system
- Look more closely at your rates



How much money do you need?



Systems Love Low Rates, but...

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News Flash - All

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Low Water and Sewer Rates
January 8, 2007

Once again, the City of [City Name] and sewage rates in [City Name] recent survey conducted by [City Name] providers to evaluate [City Name] rates residents pay. [City Name] City of [City Name] is proud to say, based on [City Name] household, the City has the third lowest water and sewer rates in the state. [City Name] water bill of \$15.38, and sewage bill of \$10.36. As a result, [City Name] proved to have the third lowest combined residential water and sewer rates, of the 63 polled.

The commercial rates were also compared among the same providers, based on 150,000 gallons per month. [City Name] has the lowest sewage, as well as the lowest combined water and sewer rates of those polled. The average commercial monthly sewage bill is \$222.00, with the combined

“Once again, the [City’s] Water Department proved to have some of the lowest water and sewage rates in the state.”



What about customers?

[THE STORIES](#) [BUSINESS](#) [FAITH](#) [TECHNOLOGY](#) [REAL NEWS](#) [THE BLOG](#) [GUN](#)

HOT TOPICS: [Campaign 2012](#) [Media Matters](#) [GBTV](#)

+1 1.9k

BUSINESS

RESIDENTS INCREDIBLY HAPPY ABOUT WATER SERVICE: *"I DON'T KNOW HOW THESE FOLKS DO IT – CLEAN WATER WHENEVER I NEED IT FOR ONLY A FEW DOLLARS A DAY!!"*

Posted on December 17, 2011 at 3:20pm by [Becket Adams](#)

[Email »](#) [Print](#)

Like 467 Send

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[Comments \(3\)](#)

“These people are going to end up rioting about this,” says Sheila Tyson, a community activist in Jefferson County, Ala. “If they let this stuff happen they are going to get the biggest riot the South has ever seen . . . I can see it coming.”



Will our rates provide sufficient cost recovery?

Are we following the applicable laws?

What exactly does this include?

Will revenues be resilient to changing water demands?

Are we allocating the costs to the right customers?



Do these rates send the right signals to our customers, based on our objectives?

Will our customers understand these rates?

Will our customers be able to pay these rates?



“Full Cost Pricing”

- Operations & maintenance expenditures
- Taxes and accounting costs
- Contingencies for emergencies
- Principal and interest on long-term debt
- Reserves for capital improvement
- Source water protection



Ways To Pay

- Pay as you go (current receipts)
- Save in advance and pay
- Pay later (someone loans you money)
- Grants (let someone else pay)



Grants Aren't Completely Free Money

- Application for the grant can be expensive – staff time and money
- Applications can take months to process
- Often lots of strings attached
- Often require a percentage match
- Lots of competition
- Difficult to sustain



Quick Thought on Grants

- This presentation is about *sustainable* program finance
- Grants are not sustainable finance



I Say This A Lot





Really, I Say This A Lot

NEWS

UNCF Green Building Institute Focuses on Helping Schools Find Funds, Save on Costs

by Jamaal Abdul-Alim , June 20, 2011

Categories:

Fellowships & Grants / Minority Serving Institutions / Minorities on Campus / Historically Black Colleges & Universities / Tribal College/Al...
Indian Serving / Federal & State Agencies / Deans & Directors /

WASHINGTON, D.C. - To tap into federal money to make campus infrastructures more energy efficient, college and university leaders must be strategic, collaborative and pay close attention to details when submitting proposals.



Environmental activist Majora Carter speaks at the UNCF Building Green Learning Institute in 2010. (photo courtesy of UNCF)

At the same time, grants should not be seen as the only source of revenue for green projects, and campus leaders should search for creative ways to finance the projects, such as using the savings from retrofitted buildings to establish "green revolving funds" to upgrade other buildings.

Those were just a few of the tips that Obama administration officials and environmental and finance experts provided at the UNCF Building Green Learning Institute held late last week at the Hyatt Regency Washington on Capitol Hill.

The institute -- the fourth of its kind and the first one to be national in scope -- drew several hundred participants from an array of minority-serving institutions and various green organizations throughout the country.

Discussions ranged from the importance of recycling and having students lead recycling initiatives, to updates on green construction projects, such as such a

“Grants are not sustainable finance,” said Glenn Barnes

RELATED TOPICS

- » Symposium: N... Intervention for African-Ar Boys
- » U.S., Foreign Education Ins Unite To Help
- » New Bill Targ College Acce Academic Sur Low-Income /
- » Michigan Two Four-Year Co



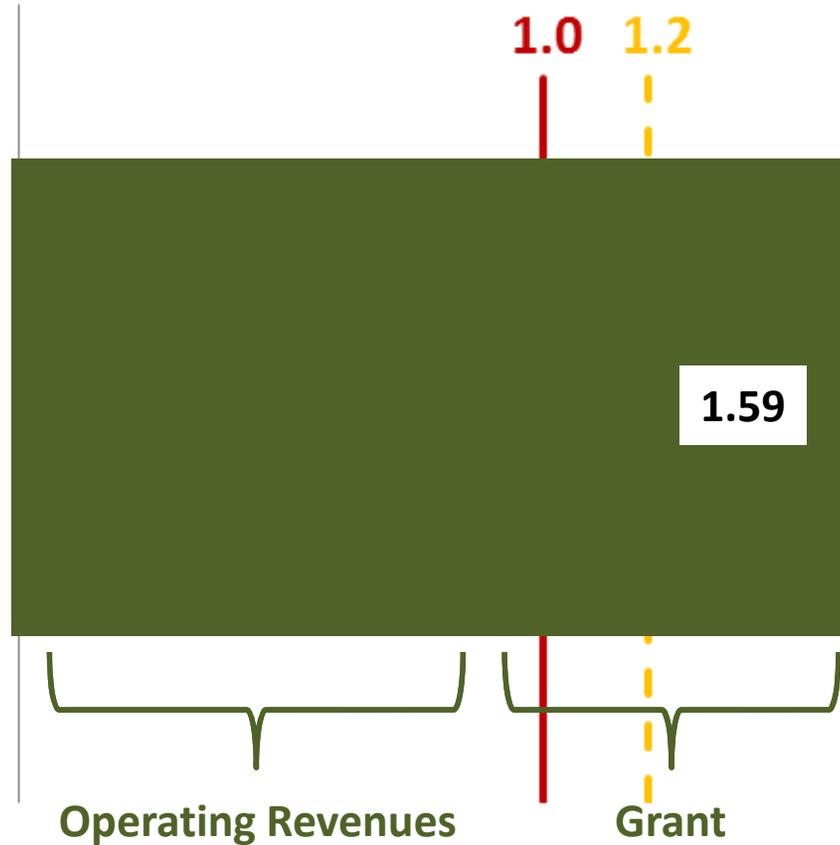
Really, A Lot





Grants Can Distort Operating Ratio

Sewer Program from Michigan





The Main Source: Your Revenue

- Pay as you go (current receipts)
- Save in advance and pay
- Pay later (someone loans you money)
- ~~• Grants (let someone else pay)~~



Non-Rate Revenues

- Penalties
- Cellphone and radio receivers on the tank
- Ads on the tank
- Tap fees
- System development charges



Town of Jacksonville

We charge a flat rate of \$15.00 monthly

P.O. - Box 133
Jacksonville

We ARE a small town we do NOT have sewage



Other Places with a Fixed Rate

- Small town in New York state that charges \$120/year, billed twice
- Trailer park in Ohio that includes water in the monthly rent
- HUD-subsidized apartments that must include water in rent
- City of Chicago

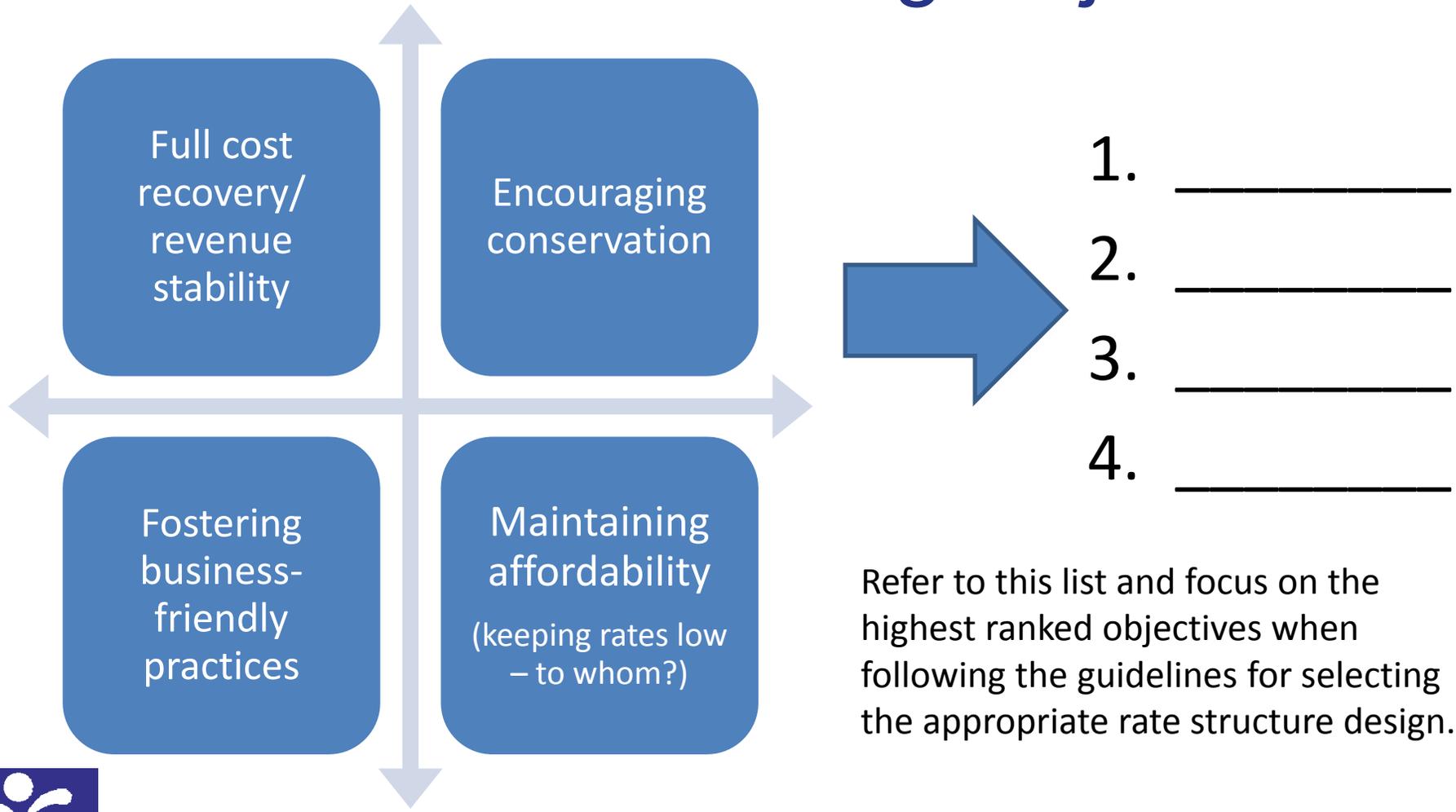


The Reef Condos – USVI

- Has residential units and commercial (shops and restaurants)
- Flat rate structure for residents
- Decreasing block for commercial
- Bulk rate for the next condo complex over



Rank Your Rate Setting Objectives



Refer to this list and focus on the highest ranked objectives when following the guidelines for selecting the appropriate rate structure design.



Elements of Rate Structure Designs

1. Customer classes/distinction
2. Billing period
3. Base charge
4. Consumption allowance included with base charge
5. Volumetric rate structure
6. (If applicable) Number of blocks, block sizes and rate differentials
7. Frequency of rate changes



Customer Classes/Distinctions

- One rate structure for all
- Target: All are equal



Customer Classes/Distinctions

- Separate rate structure for residential, irrigation, commercial, industrial, governmental, or wholesale customers
- Target: Specific type of customer



#3 City of Stockbridge

Gallons of Water Metered

Residential

0 through 4,000 gallons	\$ 4.56 Per Thousand	\$ 4.56 Per Thousand
4,001 through 9,000 gallons	\$ 6.99 Per Thousand	\$ 6.99 Per Thousand
9,001 gallons and up	\$ 9.42 Per Thousand	\$ 9.42 Per Thousand

Commercial, Apartments and Mobile Home Parks

0 through 10,000	\$ 5.78 Per Thousand	\$ 5.78 Per Thousand
10,000 and up	\$ 6.95 Per Thousand	\$ 6.95 Per Thousand

Irrigation

Per thousand gallons \$ 9.26

Hydrant Meter

Per thousand gallons \$ 9.26



Customer Classes/Distinctions

- One rate structure, but with different base charges based on meter size
- Target: Non-residential or multi-family housing



#2 Mount Pleasant

Water Meter Size	0 to 2,000 Gallons	Gallons Over 2,000
Inside Town		
5/8" or 3/4"	\$21.00	\$3.40/1000
1"	\$39.80	\$3.40/1000
1 1/2"	\$112.40	\$3.40/1000
2" and up	\$218.00	\$3.40/1000
Outside Town		
5/8" or 3/4"	\$36.75	\$5.95/1000
1"	\$69.65	\$5.95/1000
1 1/2"	\$196.70	\$5.95/1000
2" and up	\$381.50	\$5.95/ 1000



#3 City of Stockbridge

Monthly Minimum Base Charge*

<u>Meter Size</u>		<u>Water</u>	<u>Sewer</u>
3/4	Most Residential	\$ 6.00	\$ 6.00
1		\$ 7.00	\$ 7.00
1.5		\$ 37.00	\$ 12.00
2		\$ 100.00	\$ 12.00
3		\$ 175.00	\$ 12.00
4		\$ 225.00	\$ 12.00
6		\$ 300.00	\$ 12.00
8		\$ 400.00	\$ 12.00
10		\$ 700.00	\$ 12.00



Customer Classes/Distinctions

- One rate structure for all, but with blocks that implicitly only target non-residential use
- Target: Non-residential



#4 Union Point

IN TOWN - 1/23/2006

STEP	RATE	CONSUMPTION
READY TO SERVE	\$21.00	
STEP 1	3.98	300,000
STEP 2	3.84	999,999,999



Customer Classes/Distinctions

- Different rates for customers outside municipal limits/service area boundaries
- Target: “Outside” customers



#2 Mount Pleasant

Water Meter Size	0 to 2,000 Gallons	Gallons Over 2,000
Inside Town		
5/8" or 3/4"	\$21.00	\$3.40/1000
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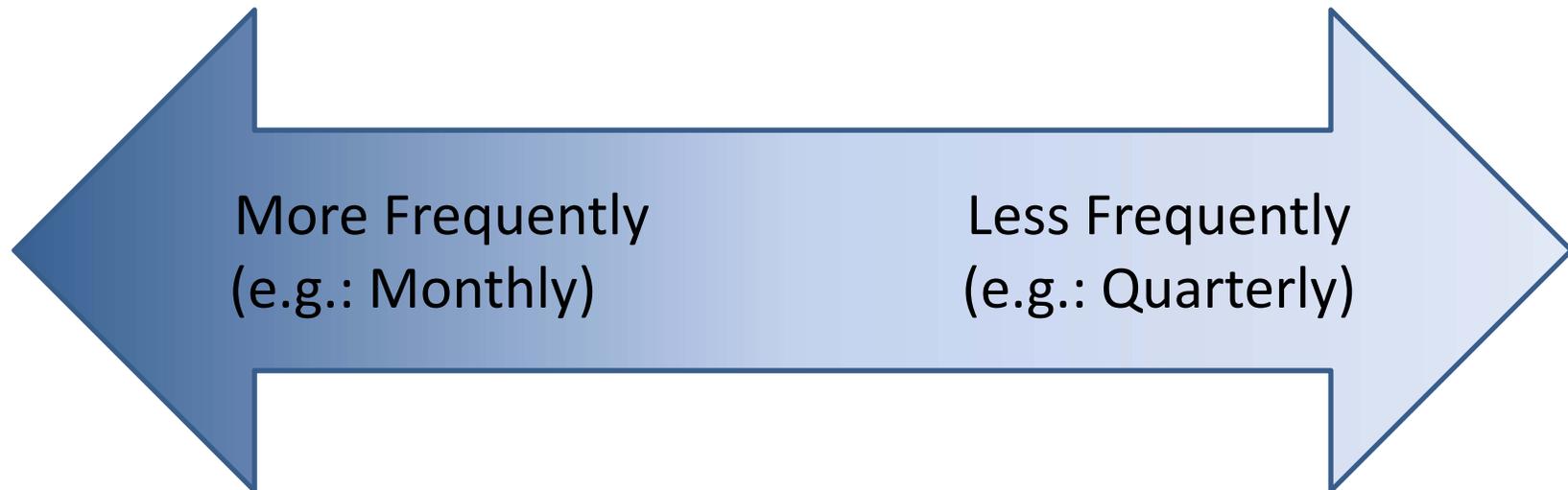


Customer Classes/Distinctions

- Negotiated rate structure with individual high-use customers (typically an industrial customer)
- Target: Only one customer



Billing Period

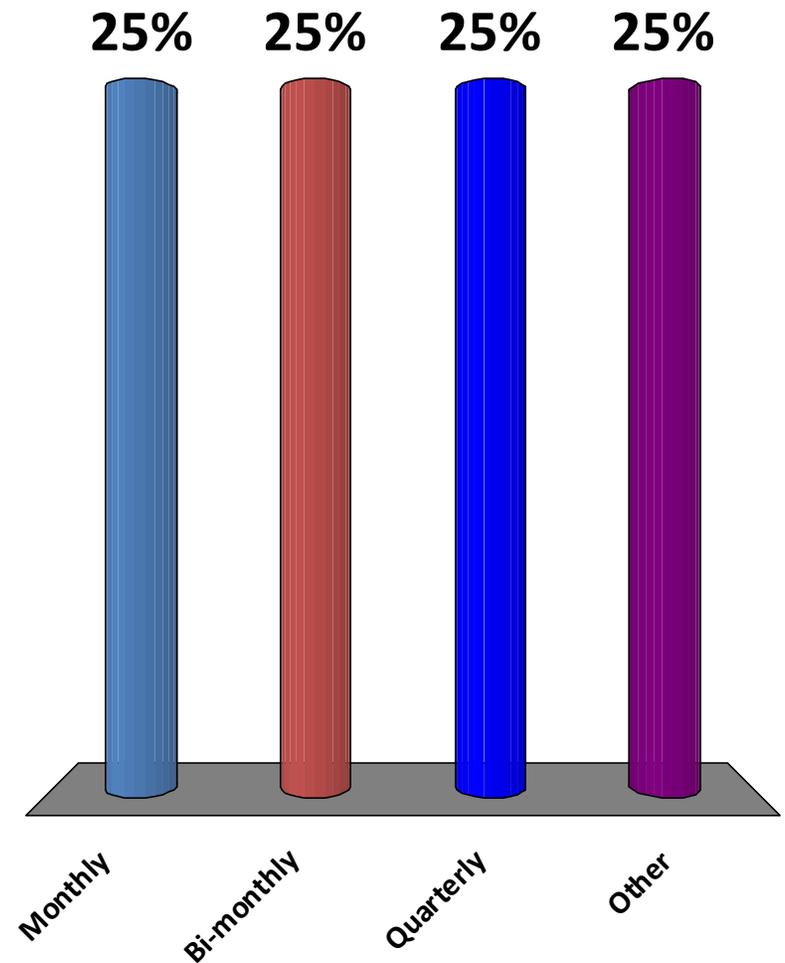


Suggestion: Use a monthly billing period if you can afford it



Billing Period?

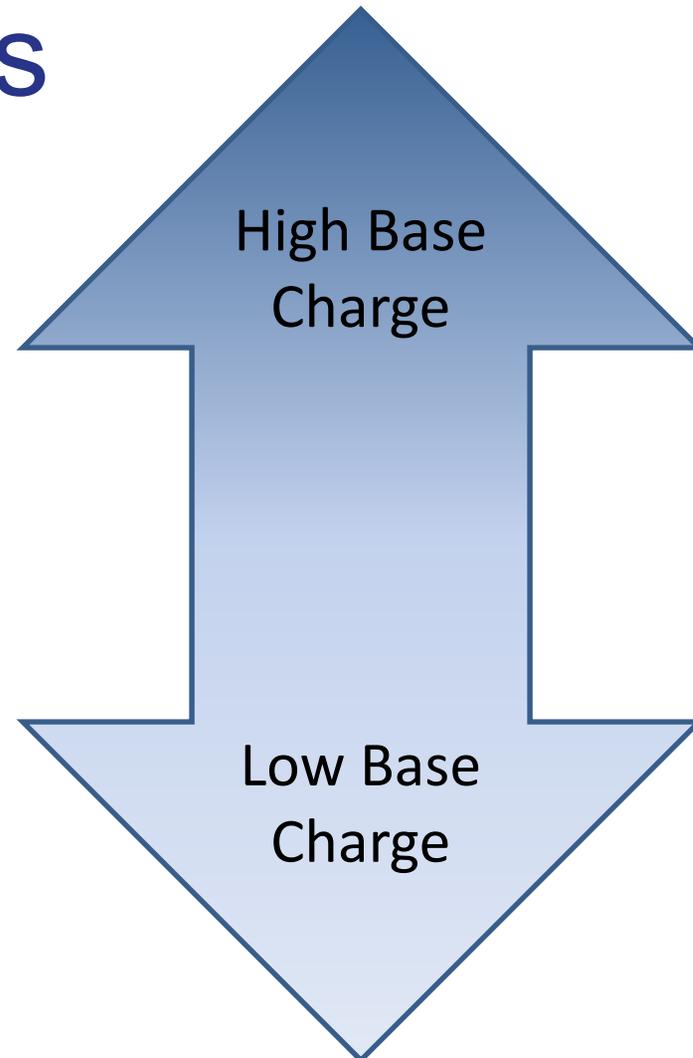
- A. Monthly
- B. Bi-monthly
- C. Quarterly
- D. Other





Base Charges

*Suggestion:
Smaller utilities
should lean
towards higher
base charges*

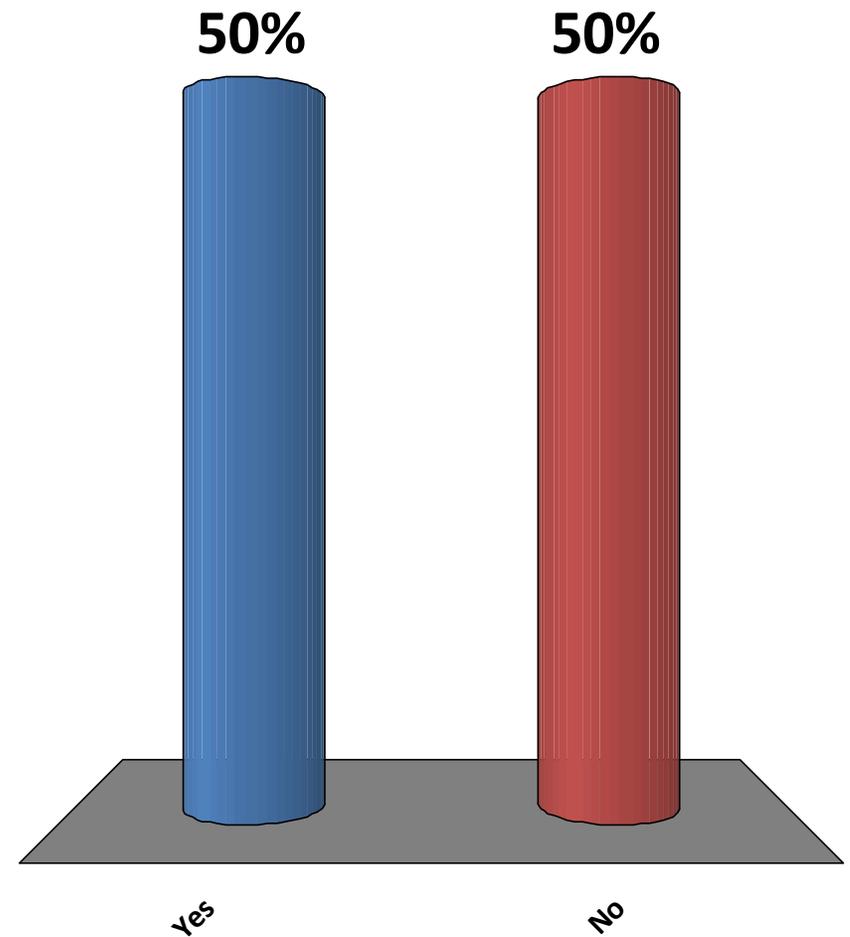




Base Charge?

A. Yes

B. No





Consumption Allowance with Base Charge

Do not
include any
(0 gallons)

Include some
amount
(e.g. 1,000 gal/mo)

Include high
amount
(e.g. 3,000 gal/mo)

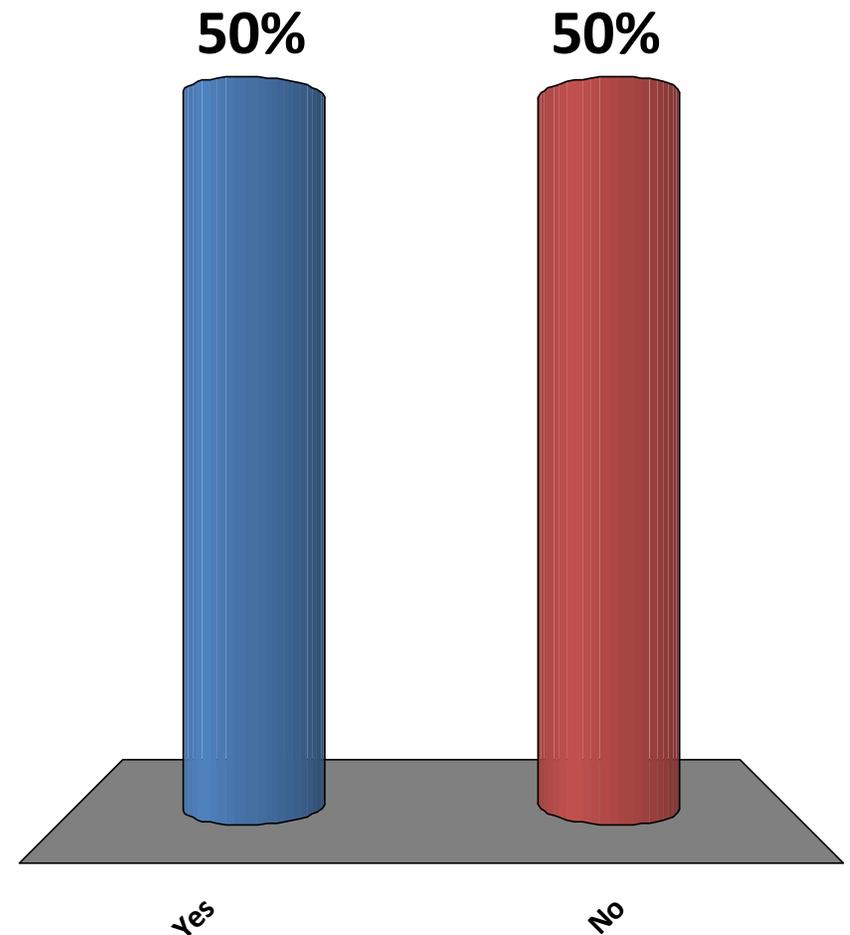
Suggestion: For systems with low base charges, do not include any consumption allowance. For systems with high base charges but wish to encourage conservation, keep consumption allowance low, if any.



Consumption Allowance?

A. Yes

B. No

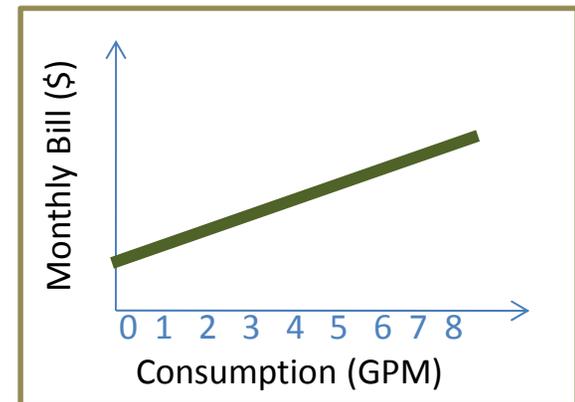
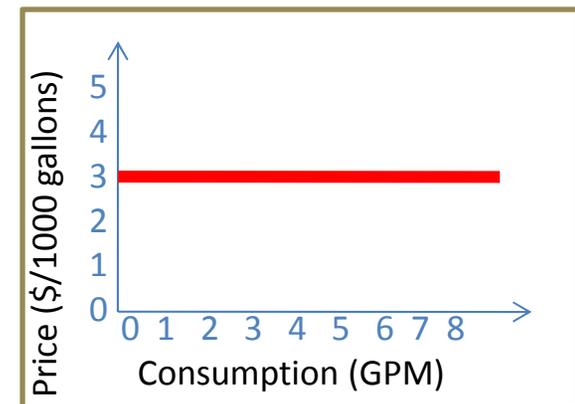




Volumetric Rate Structure

Uniform (“Flat”) Rates

- Fair and simple





#2 Mount Pleasant

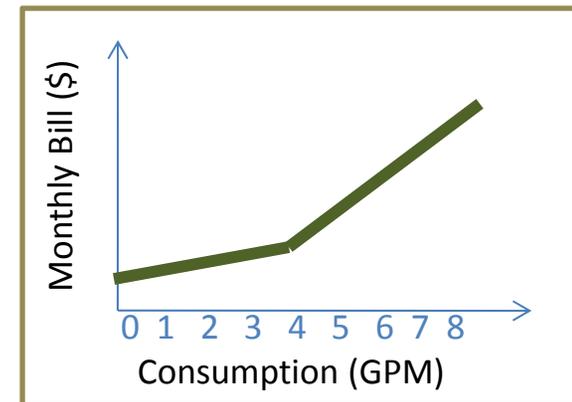
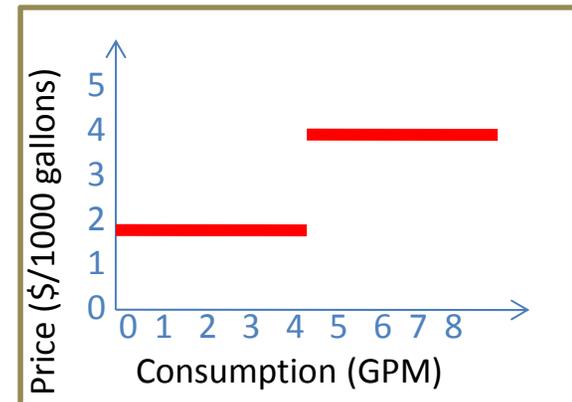
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Volumetric Rate Structure

Increasing Block Rates

- Conservation-oriented
- Consider large families





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Hydrant Meter

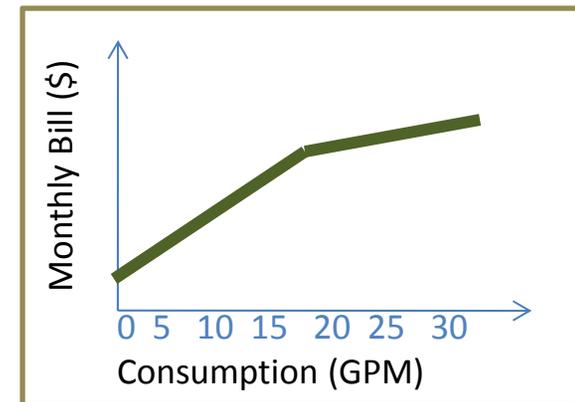
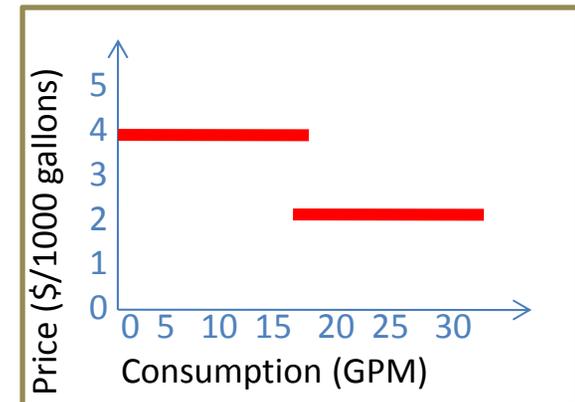
Per thousand gallons \$ 9.26



Volumetric Rate Structure

Decreasing Block Rates

- Provide price break for large users (e.g.: commercial)
- Do not use for residential





#4 Union Point

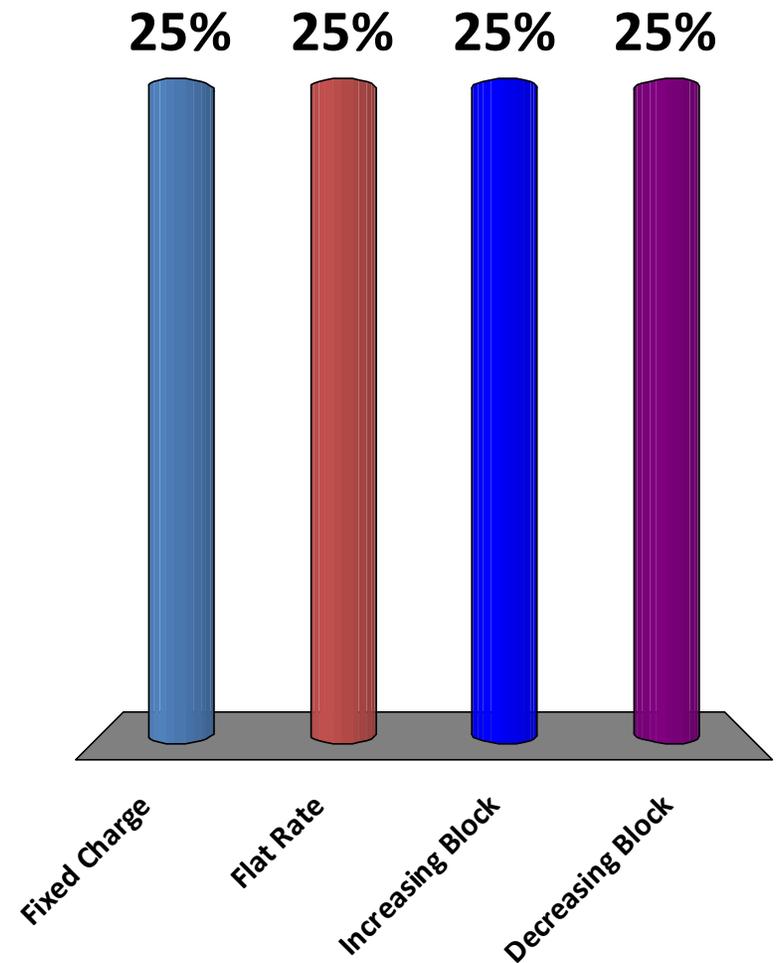
IN TOWN - 1/23/2006

STEP	RATE	CONSUMPTION
READY TO SERVE	\$21.00	
STEP 1	3.98	300,000
STEP 2	3.84	999,999,999



Volumetric Rates?

- A. Fixed Charge
- B. Flat Rate
- C. Increasing Block
- D. Decreasing Block





(If Applicable) Block Designs

For block rate structures to be effective:

- Decide on the correct number of blocks
- Decide on where the blocks should end/start
- Set significant rate differentials between blocks



(If Applicable) Block Designs

For block rate structures to be effective:

- Keep in mind your base charge and consumption allowance
- Meter reading must be punctual, and meters must be replaced frequently
- Think about large families



#5 – Too Many Blocks!

fixed 1000	Per 1000 gal.		Per 1000 gal.		sewer combined	
	rate	water	rate	water	sewer	combined
		11.66			13.10	24.76
2000	2.43	14.09	3.67	16.77	30.86	
3000	4.85	18.94	7.41	24.18	43.12	
4000	5.65	24.59	7.72	31.90	56.49	
5000	5.78	30.37	8.06	39.96	70.33	
6000	6.04	36.40	8.21	48.18	84.58	
7000	6.23	42.63	8.40	56.58	99.20	
8000	6.43	49.06	8.61	65.19	114.24	
9000	6.63	55.68	8.79	73.97	129.65	
10000	6.63	62.31	8.79	82.76	145.07	
11000	6.63	68.93	8.79	91.55	160.48	
12000	6.63	75.56	8.79	100.34	175.90	
13000	6.63	82.18	8.79	109.13	191.31	
14000	6.63	88.81	8.79	117.92	206.72	
15000	6.63	95.43	8.79	126.71	222.14	
15001-99999999	6.51	102.27	8.99	135.69	237.96	



Frequency of Rate Changes

- Always review your rates annually (recommended)
- Review your financial health indicators annually, and then review your rates if any of the indicators reflect poor financing
- Raise rates each year automatically based on inflation



#8 Village of Richmond

SECTION 3.27 ANNUAL INCREASE OF RATES AND FEES

The following fees: Water and Sewer Service, Building Permit Fees, School Impact Fees, Fire Prevention and Life Safety Donations and Municipal Impact Fees as set forth by Village ordinance are subject to an annual increase to be applied by the Village Treasurer by May 1 of each year using the following prescribed formula:

The above rates and Fees will be increased by the amount of the percentage increase of the Consumer Price Index (hereinafter defined) for the previous calendar year. Consumer Price Index ("CPI") means the U.S. City Averages for all Urban Consumers, All Items, (1982-1984=100) of the United States Bureau of Labor Statistics. The CPI for any calendar year shall be determined by averaging the monthly indices for that year. If the Bureau of Labor Statistics substantially revises the manner in which the CPI is determined, an adjustment shall



Frequency of Rate Changes

- *Important: Avoid maintaining low rates at the expense of your utility's financial health. It will either lead to a sudden, massive rate increase in the future or to failing systems and endangering public health.*

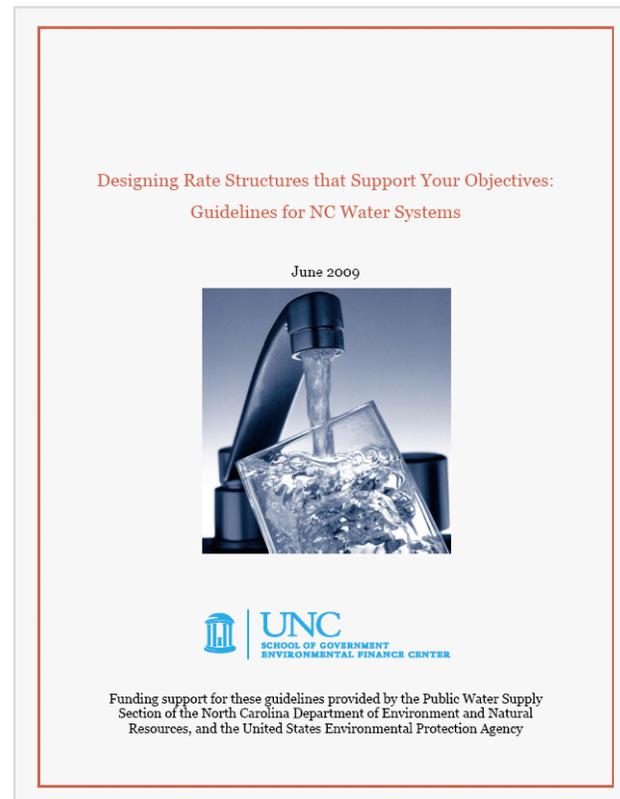


Designing Rate Structures That Support Your Objectives

Free guide
written for
system
managers

Available at:

<http://efc.sog.unc.edu/>



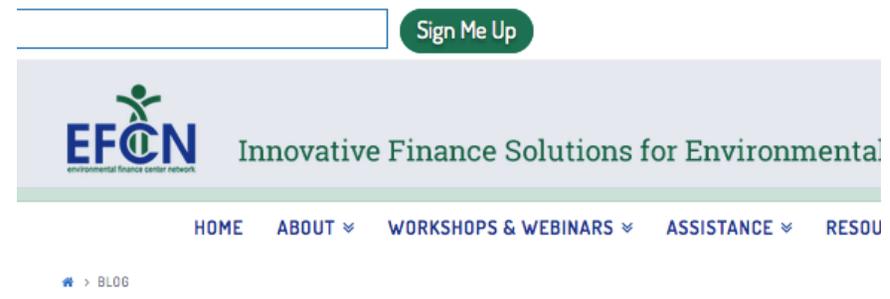


Before we go...



http://efcnetwork.org/small_systems_blog/

Learn more about water finance and management through our Small Systems Blog! Blog posts feature lessons learned from our training and technical assistance, descriptions of available tools, and small systems “success stories.”



Blog



Magdalena, New Mexico: A Success Story from the Smart Management for Small Water

Written by: Allison Perch Allison Perch is a Program Coordinator with the Environmental Finance Center. The financial health of its water system is at risk? This is the question that Stephanie Finch, the town cler



The Virtuous Cycle: Internal Energy Revolving Funds for Small Water Systems

Written by: David Tucker David Tucker is a Project Director with the Environmental Finance Center at pay for energy efficiency and renewable energy, helping cut utility costs? As energy is often the large



Smart Management for Small Water Systems Program Newsletter | Fall 2015

View Full Issue The Environmental Finance Center Network has published the third issue in a series



www.efcnetwork.org



UNC
ENVIRONMENTAL FINANCE CENTER

The screenshot shows a web browser window with the address bar containing efcnetwork.org. Below the address bar is a subscription form with the text "Enter your email to subscribe..." and a "Sign Me Up" button. The main header features the EFCN logo and the tagline "Innovative Finance Solutions for Environmental Services". The navigation menu includes links for HOME, ABOUT, WORKSHOPS & WEBINARS, ASSISTANCE, RESOURCES, BLOG, and ARCHIVES. A dropdown menu is open under the RESOURCES tab, listing "Resource Library", "E-Learning Modules", "Funding Sources by State" (highlighted with a yellow box and an arrow), and "Map of Water and Wastewater Rates Dashboards". The main content area has a blue background with orange text and graphics, including a person with question marks and a person sitting at a desk.

Navigating to Funding Tables

Step 1: efcnetwork.org

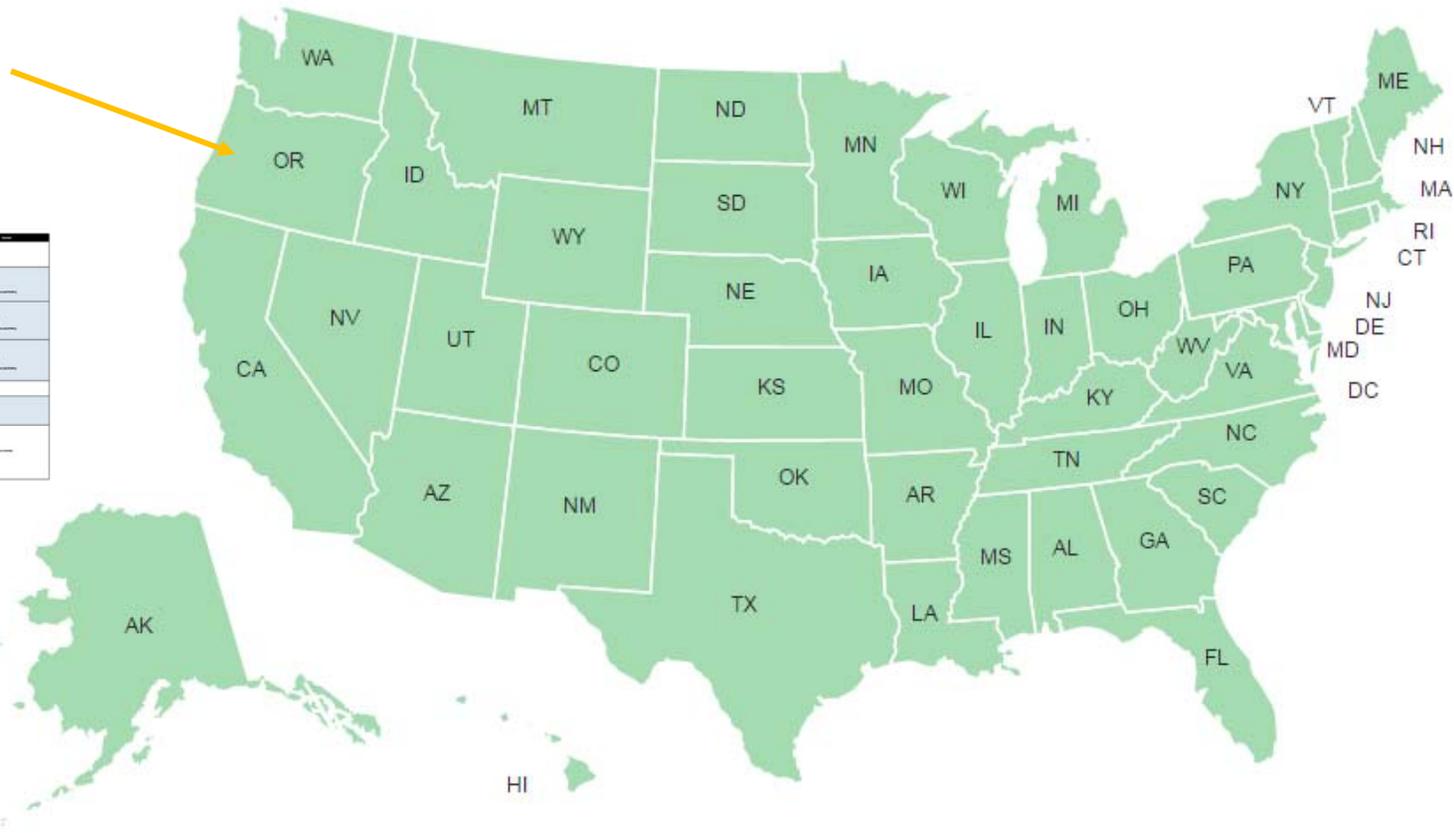
Step 2: Select "Funding Sources by State" under the Resources Tab

Funding Sources by State

Note: Some states may have additional resources listed below the map.

Click on the map below to view funding sources for each state:

Click on an individual state to view funding table.



State	Agency	Program	Website
AK	AK Dept. of Environmental Conservation	Water Quality Improvement Grants	www.dce.state.ak.us
AK	AK Dept. of Environmental Conservation	Water Pollution Control Grants	www.dce.state.ak.us
AK	AK Dept. of Environmental Conservation	Water Pollution Control Grants	www.dce.state.ak.us
AK	AK Dept. of Environmental Conservation	Water Pollution Control Grants	www.dce.state.ak.us
AK	AK Dept. of Environmental Conservation	Water Pollution Control Grants	www.dce.state.ak.us
AK	AK Dept. of Environmental Conservation	Water Pollution Control Grants	www.dce.state.ak.us
AK	AK Dept. of Environmental Conservation	Water Pollution Control Grants	www.dce.state.ak.us
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AK	AK Dept. of Environmental Conservation	Water Pollution Control Grants	www.dce.state.ak.us
AK	AK Dept. of Environmental Conservation	Water Pollution Control Grants	www.dce.state.ak.us



A Favor & A Reminder

- Please fill out an eval form for us before you leave
- Contact us anytime for direct technical assistance on any finance and management topic of our project



Thank you!

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