



Smart Management for
Small Water Systems

Setting the Right Rates for Your Water System

Wilmington, NC
December 7, 2017



UNC
ENVIRONMENTAL
FINANCE CENTER



American Water Works
Association

This program is made possible under a cooperative agreement with the US EPA.



Housekeeping

The Environmental Finance Center (EFC) at UNC



Part of the UNC School of Government.

Dedicated to enhancing the ability of governments and other organizations to provide environmental programs and services in fair, effective and financially sustainable ways.



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



About the Environmental Finance Center Network (EFCN)

The Environmental Finance Center Network (EFCN) is a university-based organization creating innovative solutions to the difficult how-to-pay issues of environmental protection and improvement. The EFCN works with the public and private sectors to promote sustainable environmental solutions while bolstering efforts to manage costs.

The Smart Management for Small Water Systems Program

This program is offered free of charge to all who are interested. The Program Team will conduct activities in every state, territory, and the Navajo Nation. All small drinking water systems are eligible to receive free training and technical assistance.

What We Offer

Individualized technical assistance, workshops, small group support, webinars, eLearning, online tools & resources, blogs

Small Systems Program Team

- Environmental Finance Center at The University of North Carolina at Chapel Hill
- Environmental Finance Center at Wichita State University
- EFC West
- New England Environmental Finance Center at the University of Southern Maine
- Southwest Environmental Finance Center at the University of New Mexico
- Syracuse University Environmental Finance Center
- Environmental Finance Center at the University of Maryland
- American Water Works Association (AWWA)



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WICHITA STATE
UNIVERSITY

HUGO WALL SCHOOL
OF PUBLIC AFFAIRS

Environmental Finance Center



EFCWest

Environmental Finance Center West



New England
Environmental
Finance Center



SOUTHWEST
ENVIRONMENTAL
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Environmental
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Center
Syracuse University



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American Water Works
Association

Areas of Expertise



Asset Management



Rate Setting and Fiscal Planning



Leadership Through Decision-making and Communication



Water Loss Reduction



Energy Management Planning



Accessing Infrastructure Financing Programs



Workforce Development



Water Conservation Finance and Management



Collaborating with Other Water Systems



Resiliency Planning



Managing Drought



Quick Introductions

1. Name?
2. Organization?
3. Responsibility?
4. Details on your water system
5. What are you most proud of at your water system?
6. What is your biggest issue?



Workshop Objectives

- Understand common rate setting objectives for water systems
- Learn how to structure rates to meet those objectives
- Provide forum for sharing finance and management perspectives, ideas, and experiences



Agenda

- Rate setting objectives
- Calculating costs for your water system
- Setting rates that cover the full cost of operations
- Achieving other system objectives

Topics Not Covered



The image shows a screenshot of an email client window. The title bar reads "FREE Grant Money For You - Message (HTML)". The menu bar includes "File", "Edit", "View", "Insert", "Format", "Tools", "Actions", and "Help". The toolbar contains icons for "Reply", "Reply to All", "Forward", "Print", "Delete", "Move", "Copy", "Paste", "Undo", "Redo", "Zoom", and "Help". The email header shows: "From: Amy Cornett [suny@easypeasy.com]", "To: jezter@email.unc.edu", "Cc:", and "Subject: FREE Grant Money For You". The main body of the email contains the following text:

Qualifying for a free cash grant is easy!

- ***\$10,000 to over \$500,000 in FREE Grant Money is Available NOW!***
- ***Never Repay***
- ***No Credit Checks***
- ***No Interest Charge***

To see if you meet the requirements,
please visit our web site: [CLICK HERE NOW!](#)

With best regards,

The Grant Giveaway Team



Rate Setting Objectives

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Session Objectives

- Understand common types of rate setting objectives
- Learn how to match rate structure elements with rate setting objectives

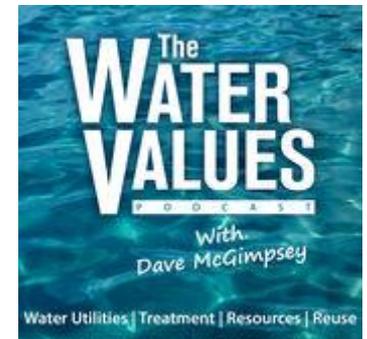


Why are rates so important?

Let's hear from an expert



Dave McGimpsey interviews George Hawkins, former CEO of DC Water, on the Water Values Podcast (Change Leadership episode)



<http://www.podcasts.com/the-water-values-podcast-44/episode/change-leadership-with-dc-water-ceo-george-hawkins>





Rate structures are the primary way that we as water systems “communicate” with our customers

Here’s a question we hear often...



Are our
rates right?

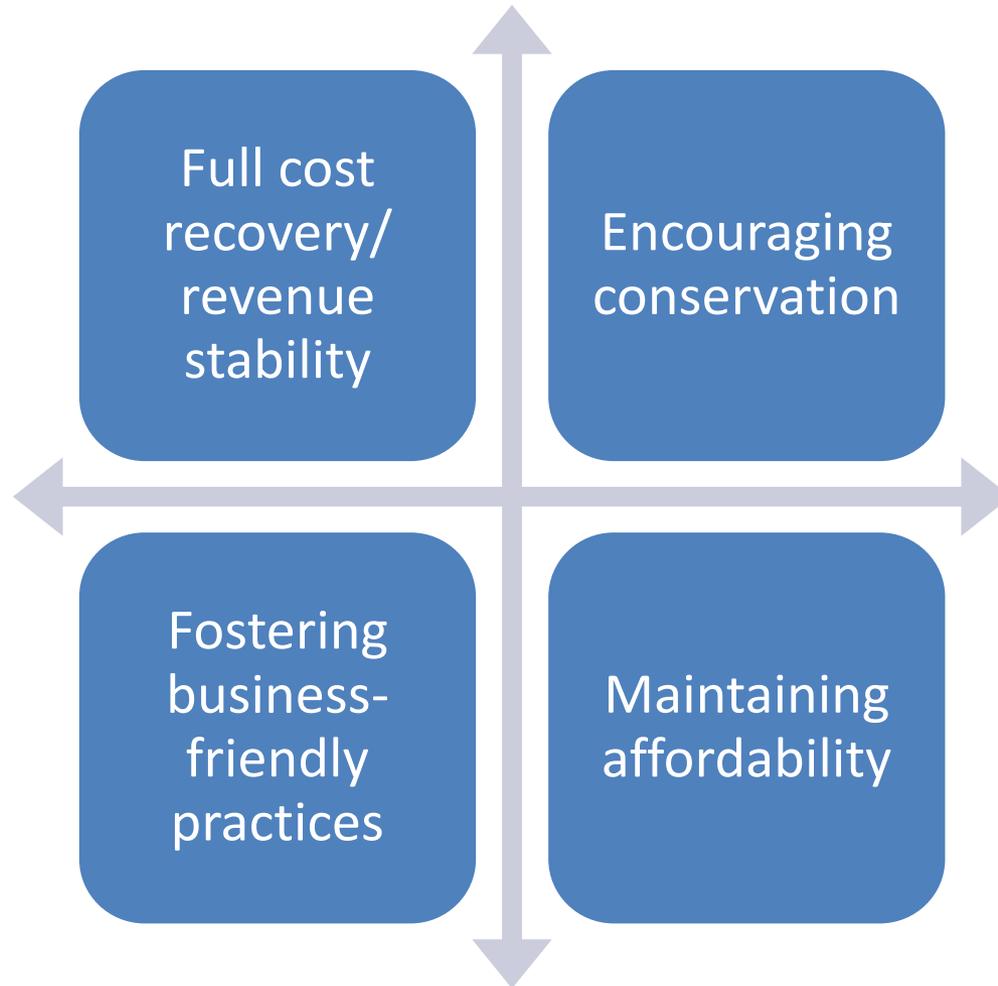


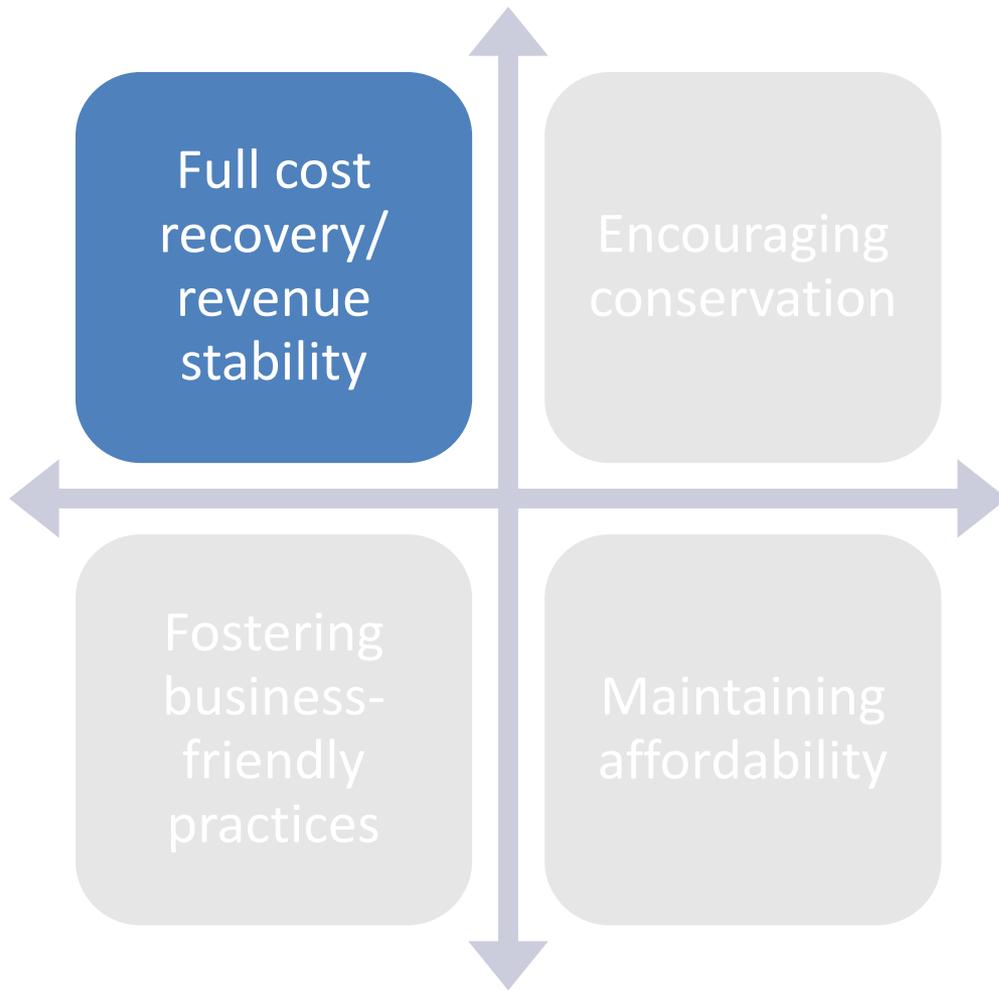
It depends...





Rate Setting Objectives





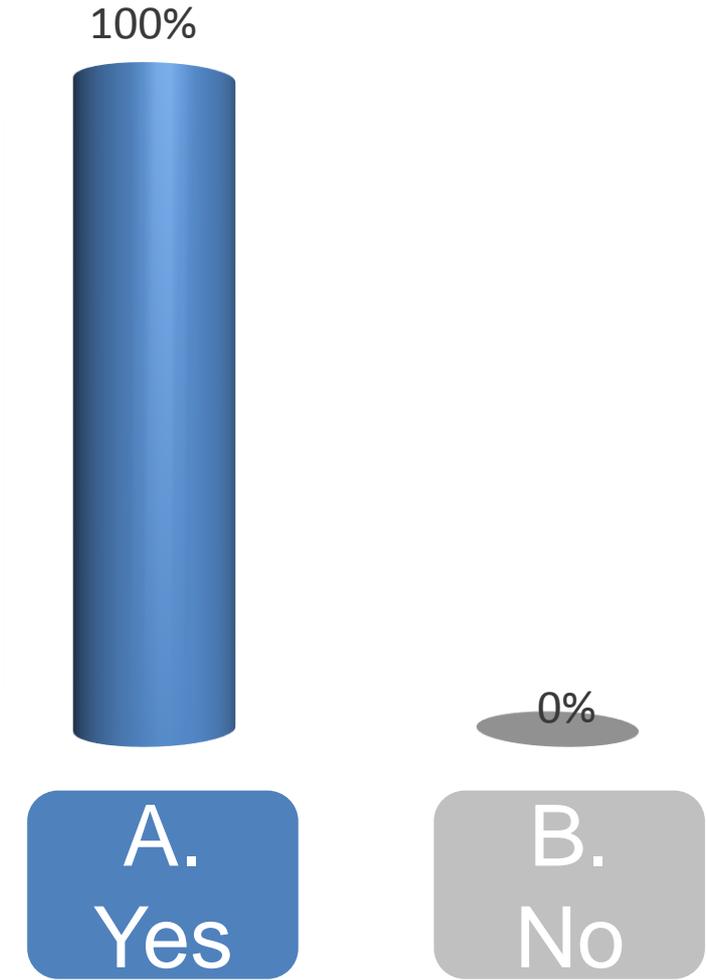
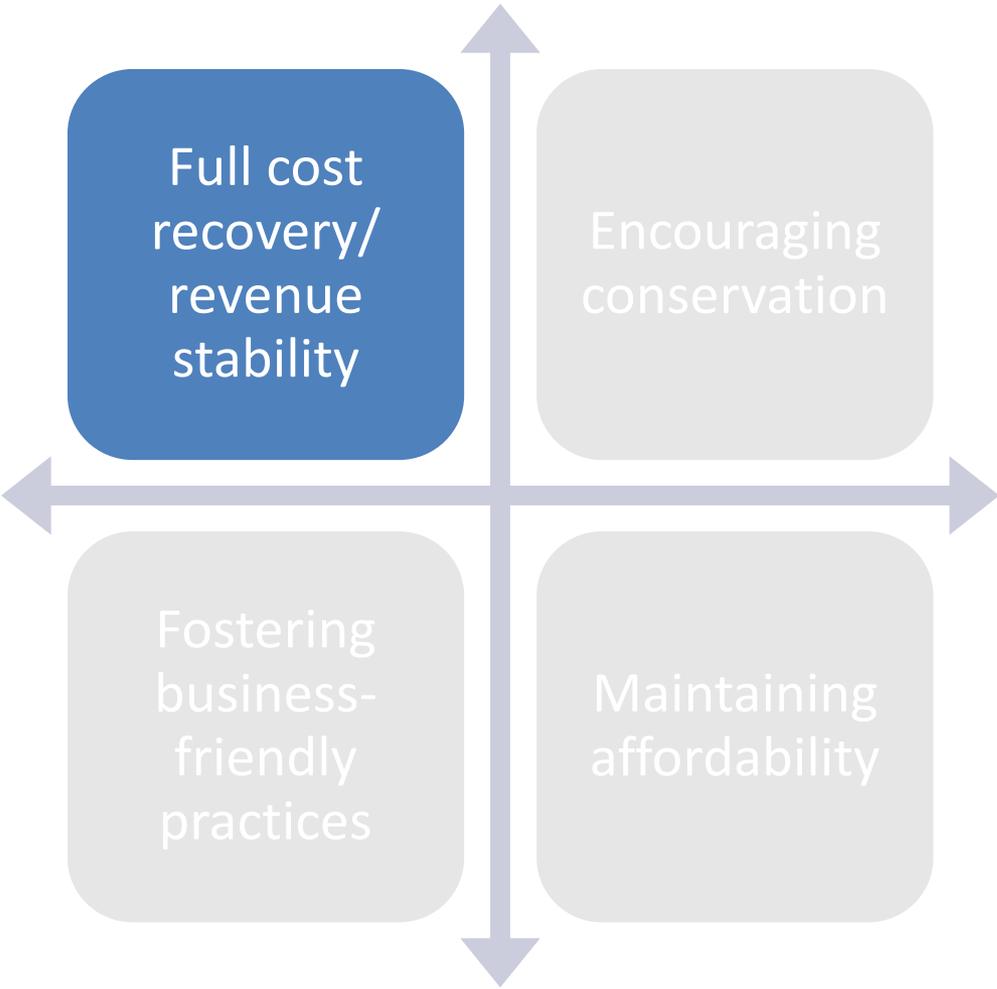
Bring in enough revenue to cover the full cost of running the water system:

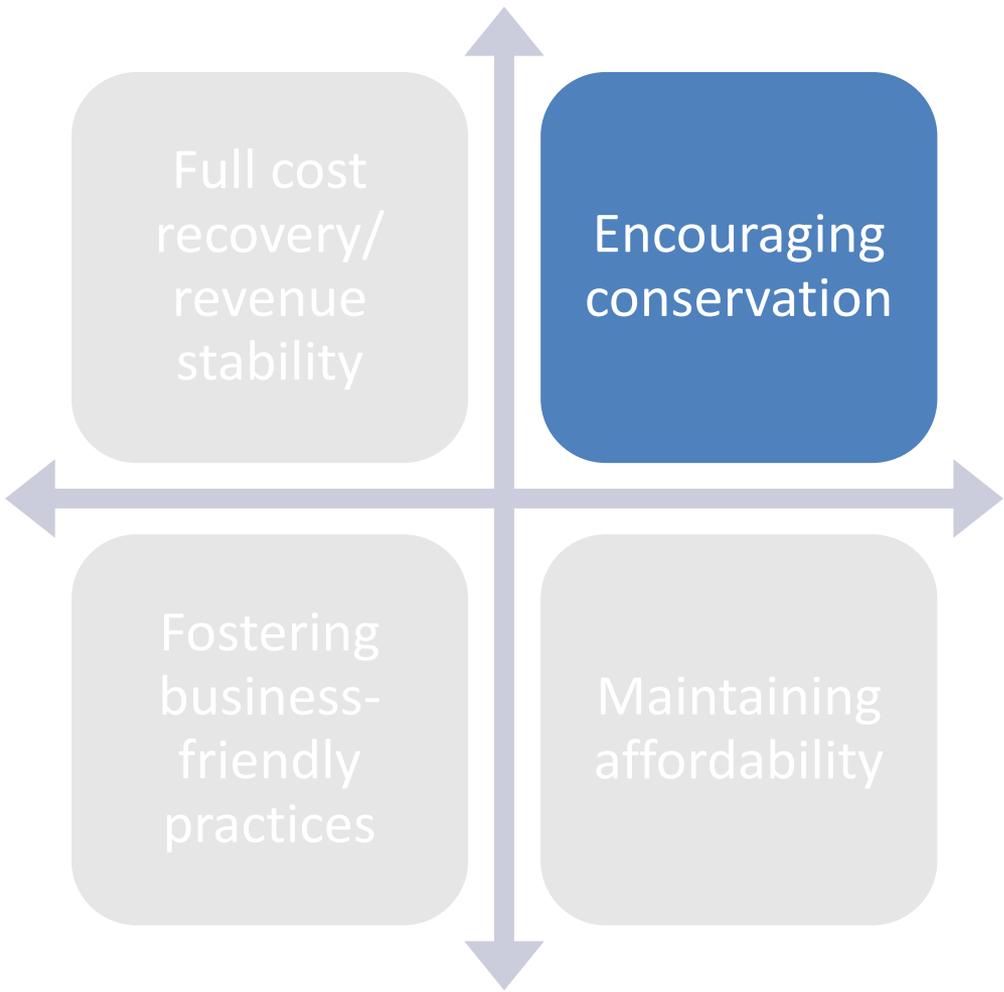
- O&M
- Capital needs
- Debt service

Why do this?



Important to your water system?



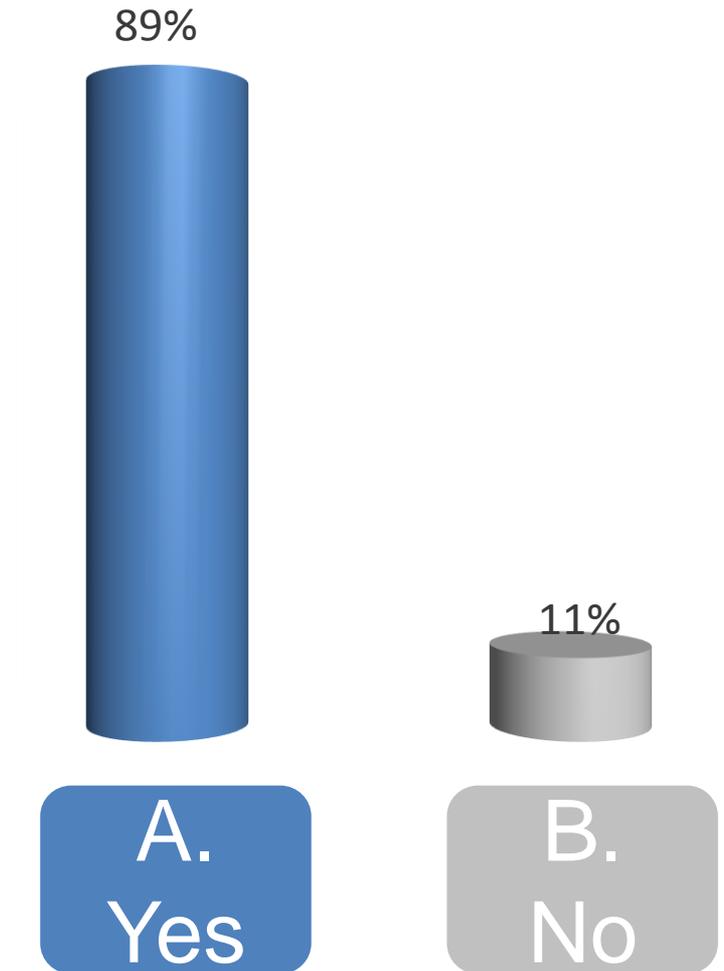
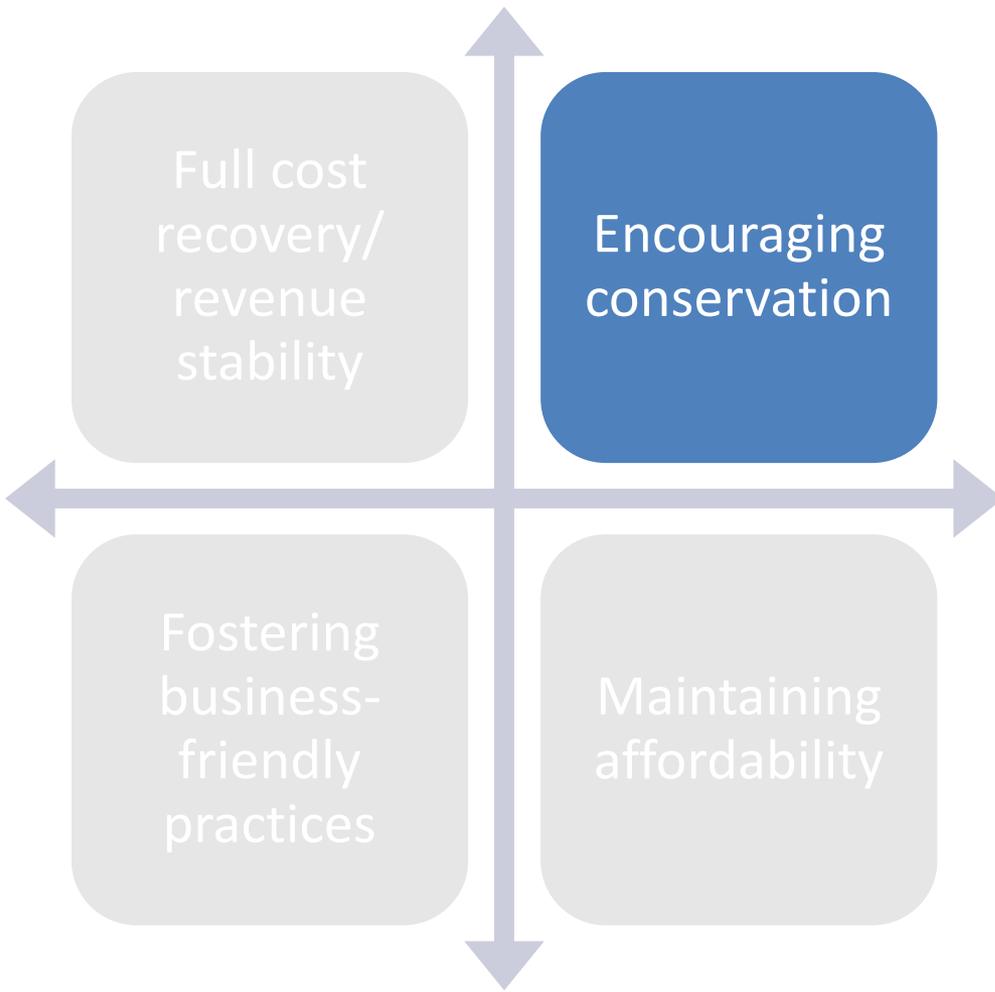


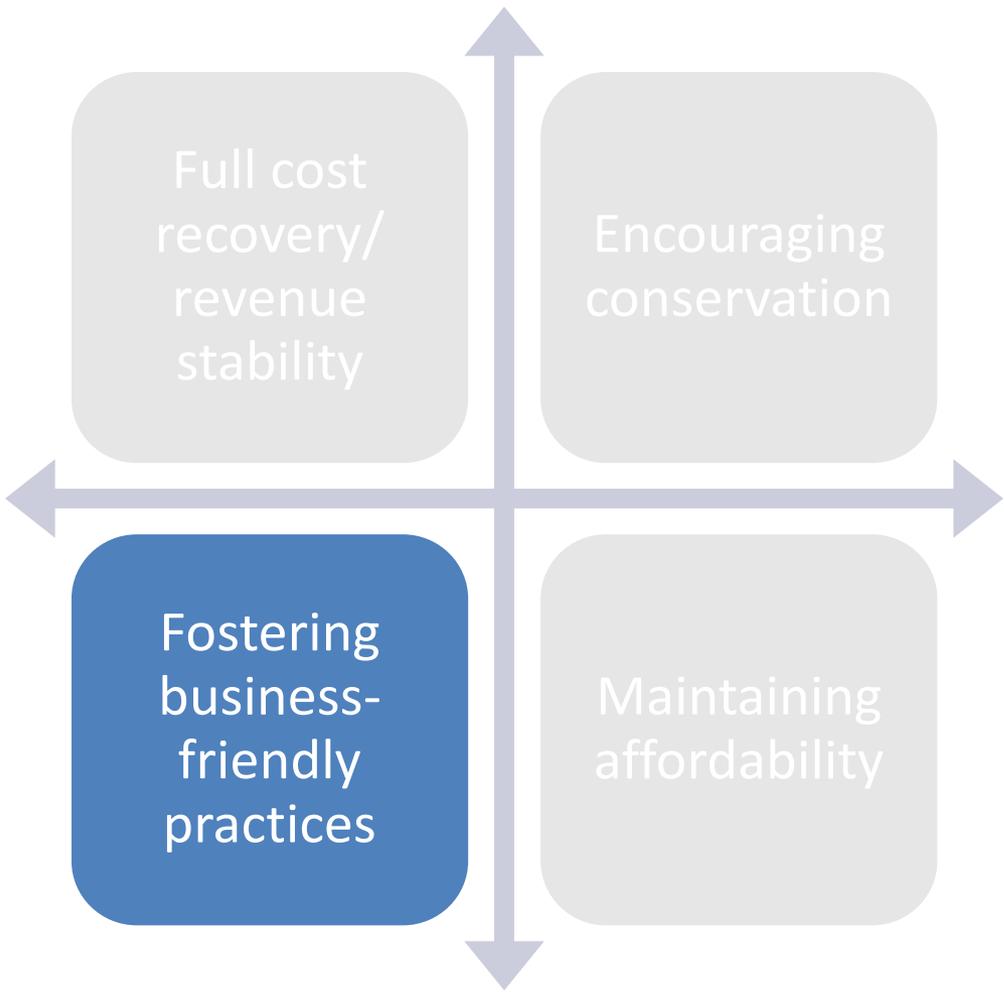
Use pricing to encourage customers to reduce their water consumption

Why do this?



Important to your water system?



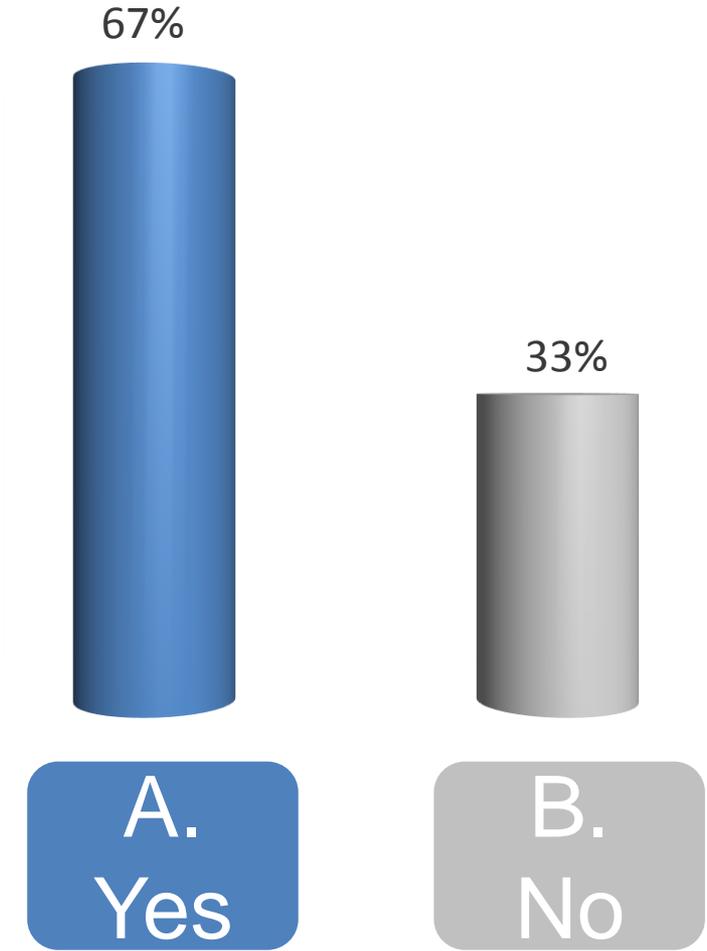
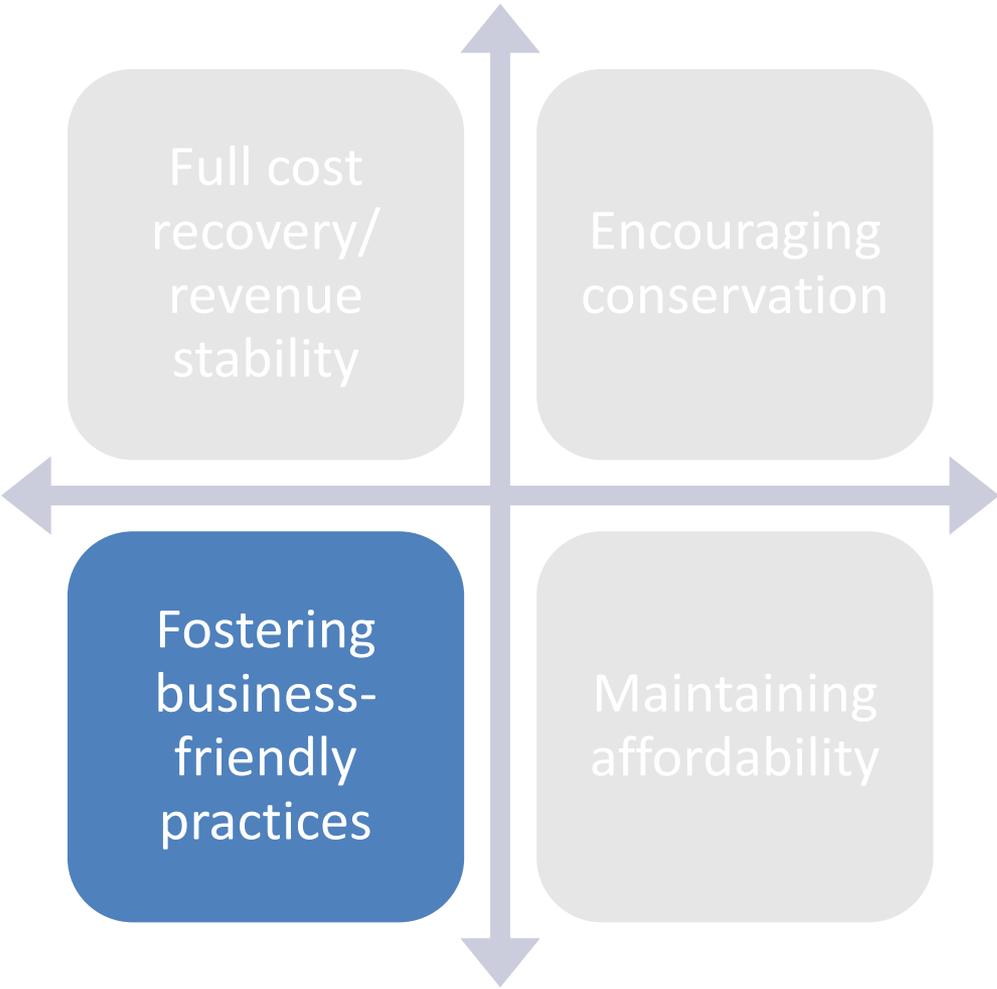


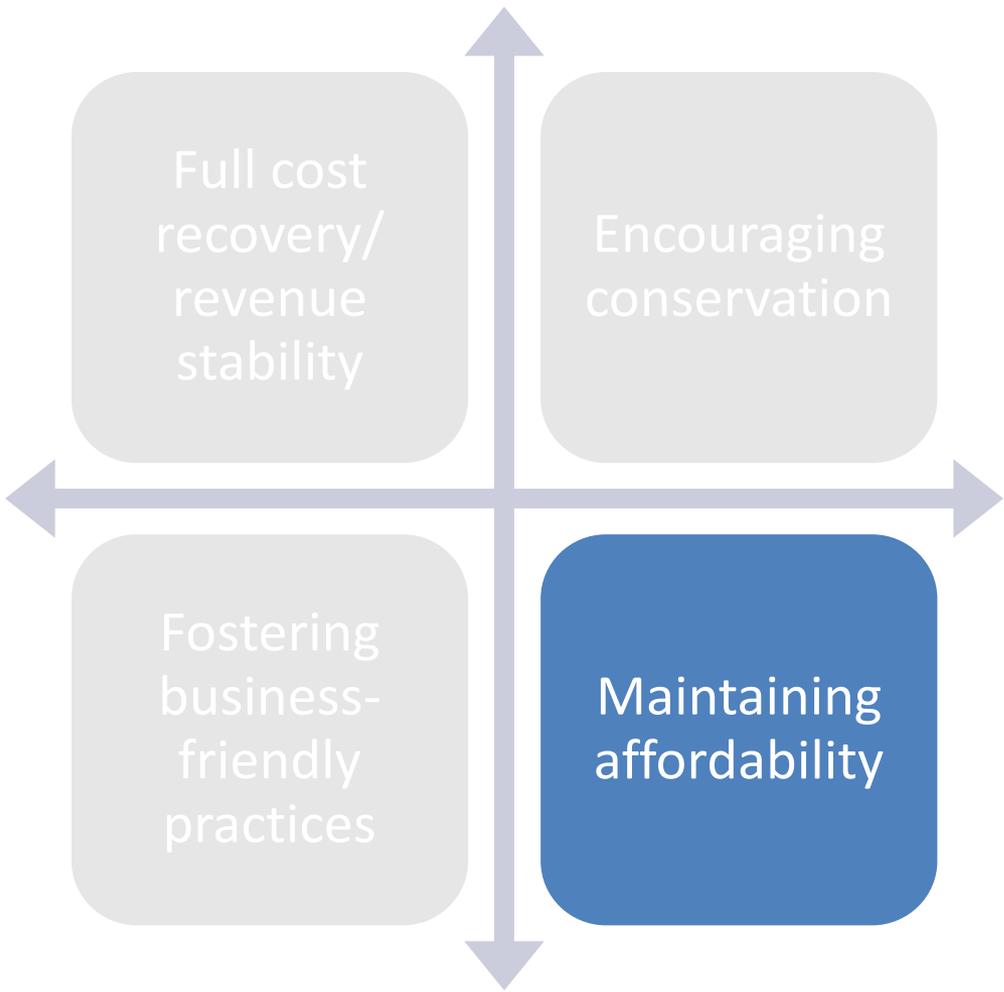
Use pricing to encourage businesses and agriculture to locate to your community or stay in your community

Why do this?



Important to your water system?



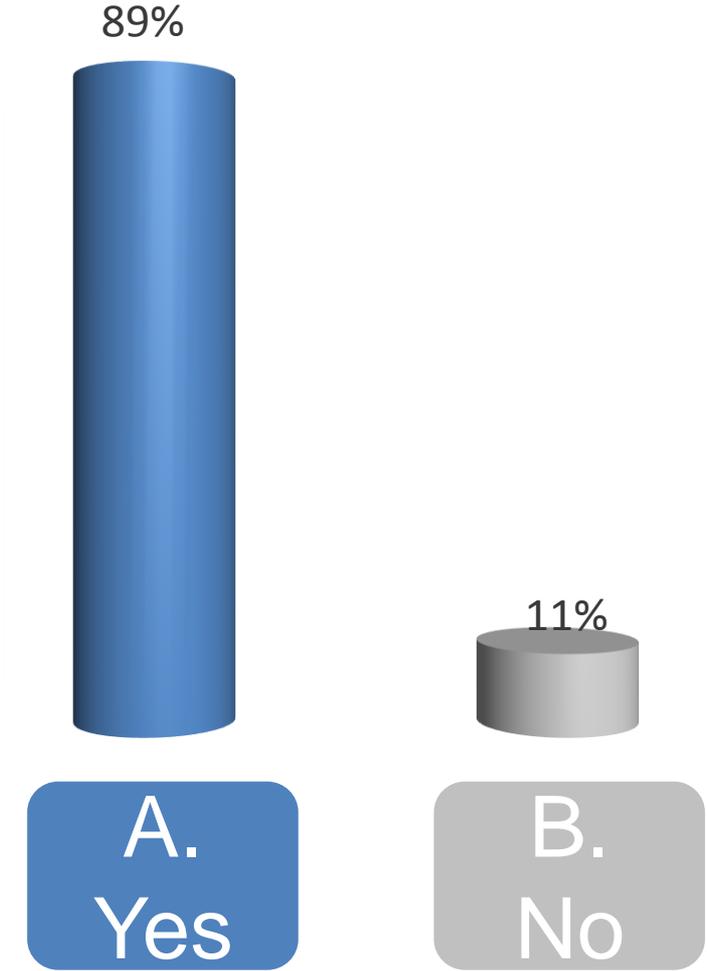
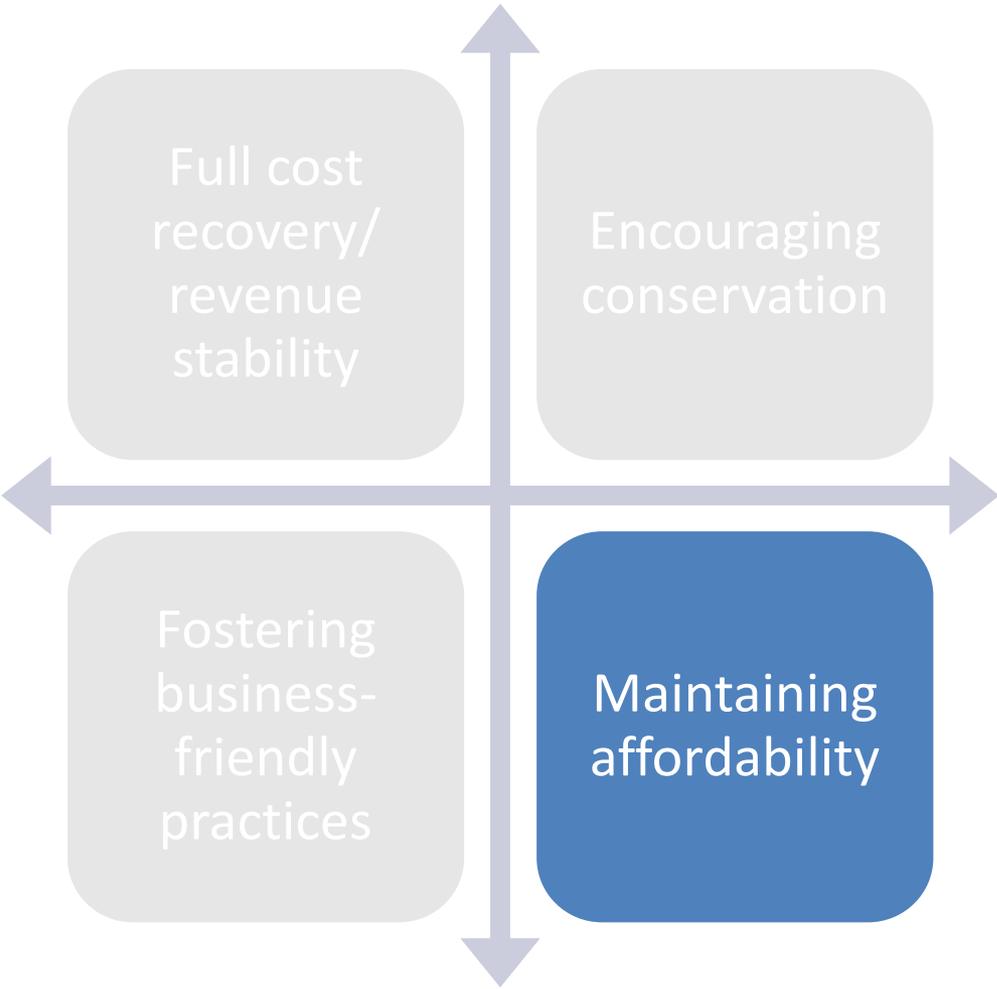


Ensure that all customers in your water system are able to afford enough water to live on

Why do this?



Important to your water system?

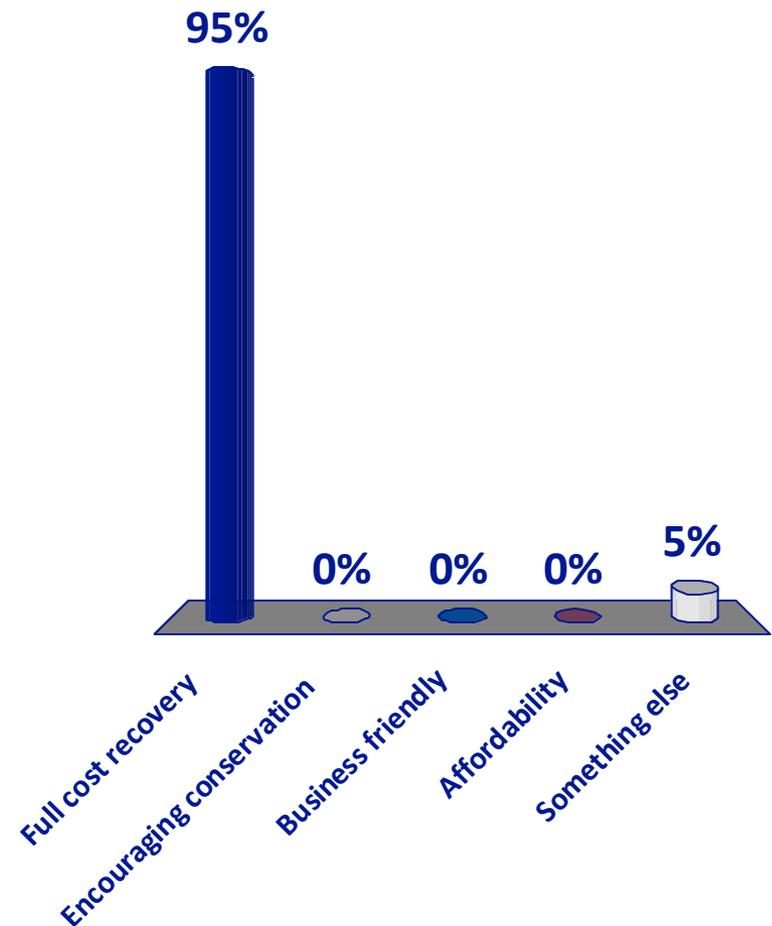




Other objectives?

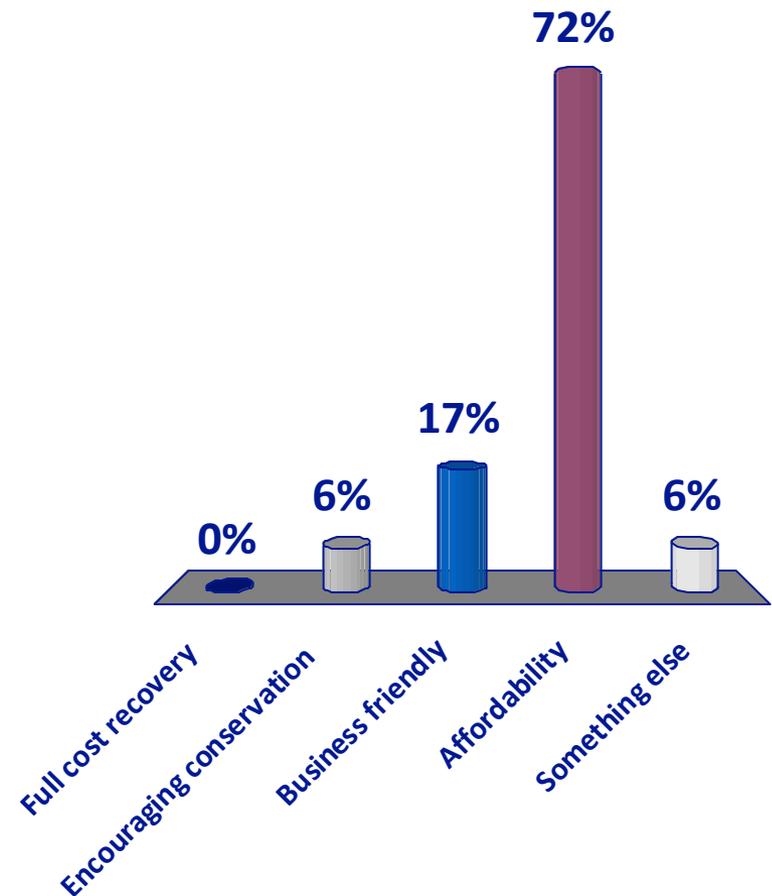
What is your #1 objective?

- A. Full cost recovery
- B. Encouraging conservation
- C. Business friendly
- D. Affordability
- E. Something else

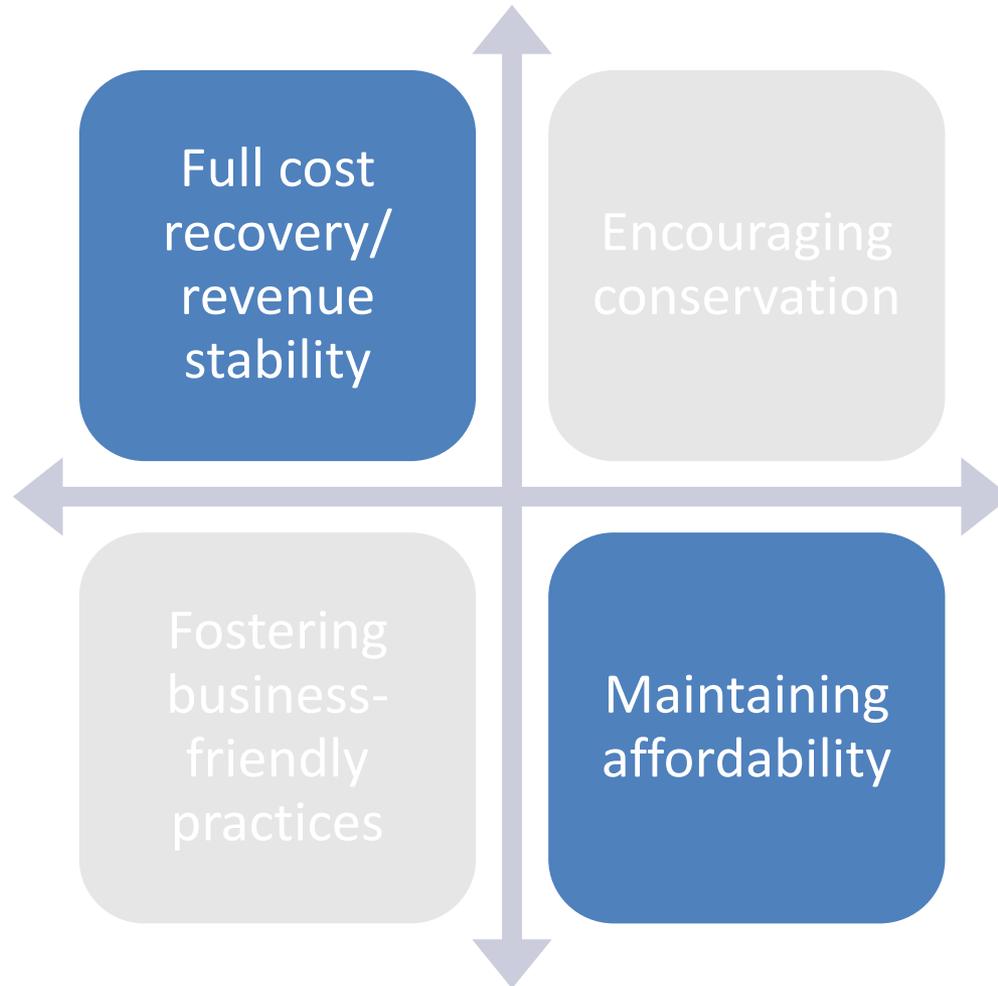


What is your #2 objective?

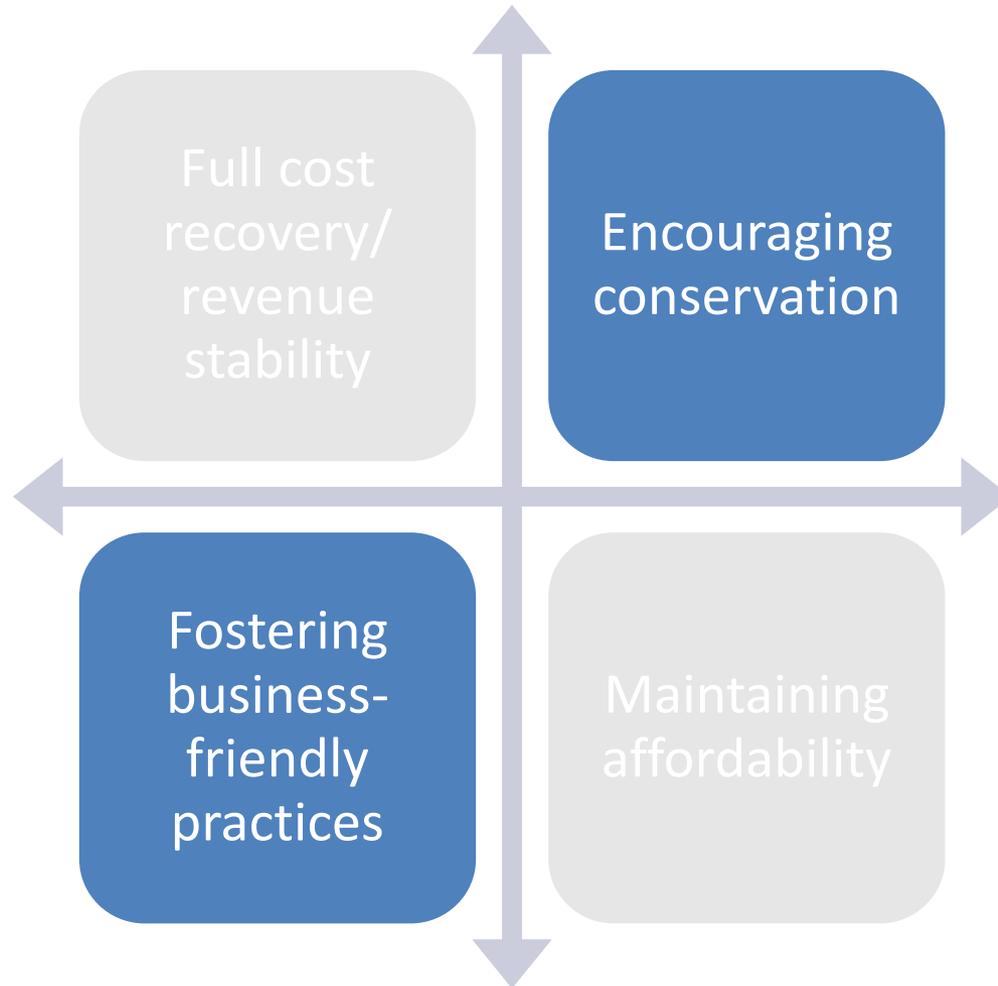
- A. Full cost recovery
- B. Encouraging conservation
- C. Business friendly
- D. Affordability
- E. Something else



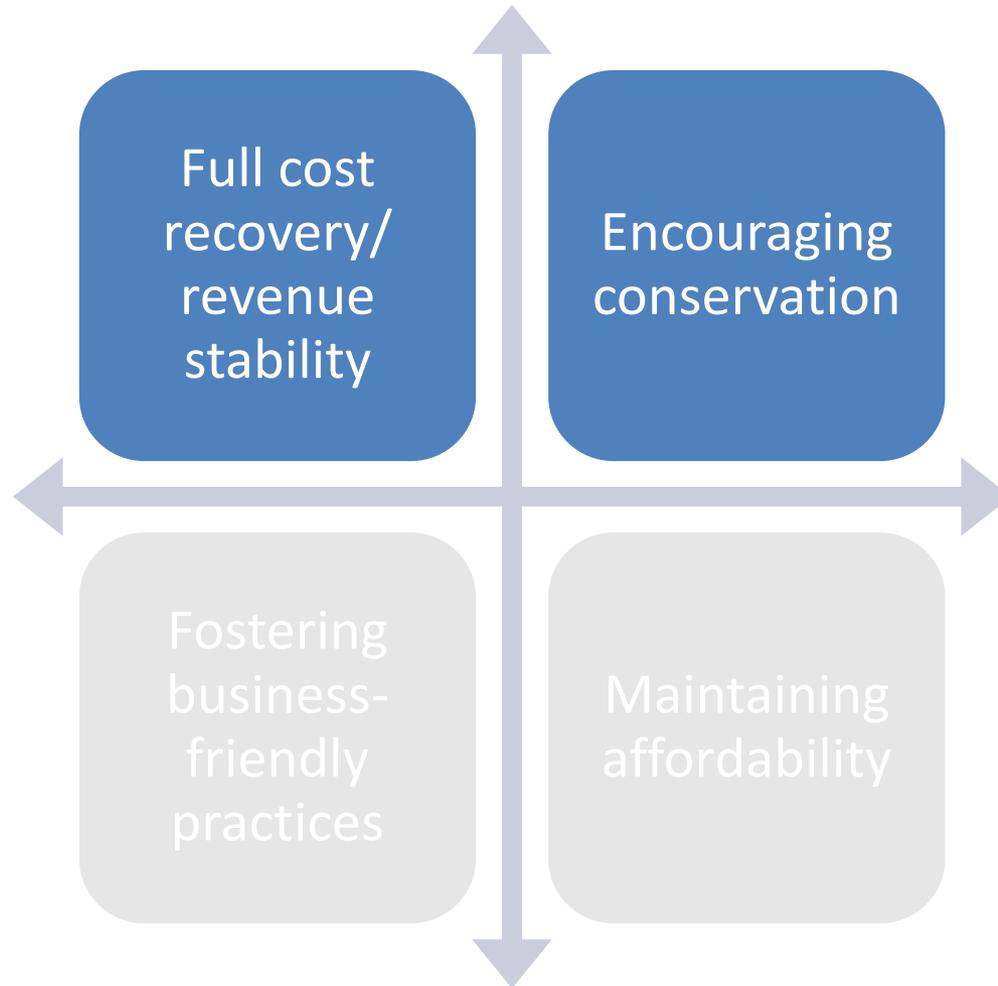
Competing Objectives



Competing Objectives



Competing Objectives



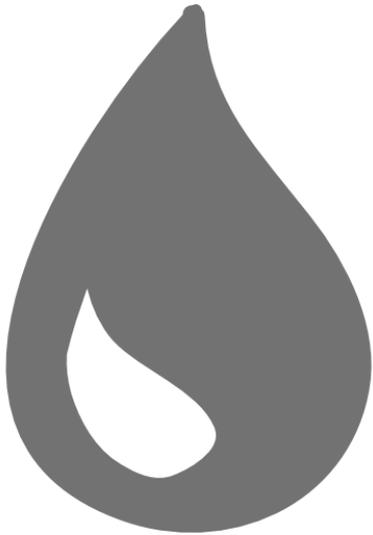


Rate Setting Objectives

Your rate structure is a tool to help you meet your rate setting objectives

- Frequency of billing
- Base charges and allowances
- Volumetric charges

Rate structures in the room today





Exercise:

**Matching rate setting objectives
and rate structures with the
circumstances of small water
systems**





Irwindale, USA Exercise

Small town with a water and wastewater system



Population: 1,100

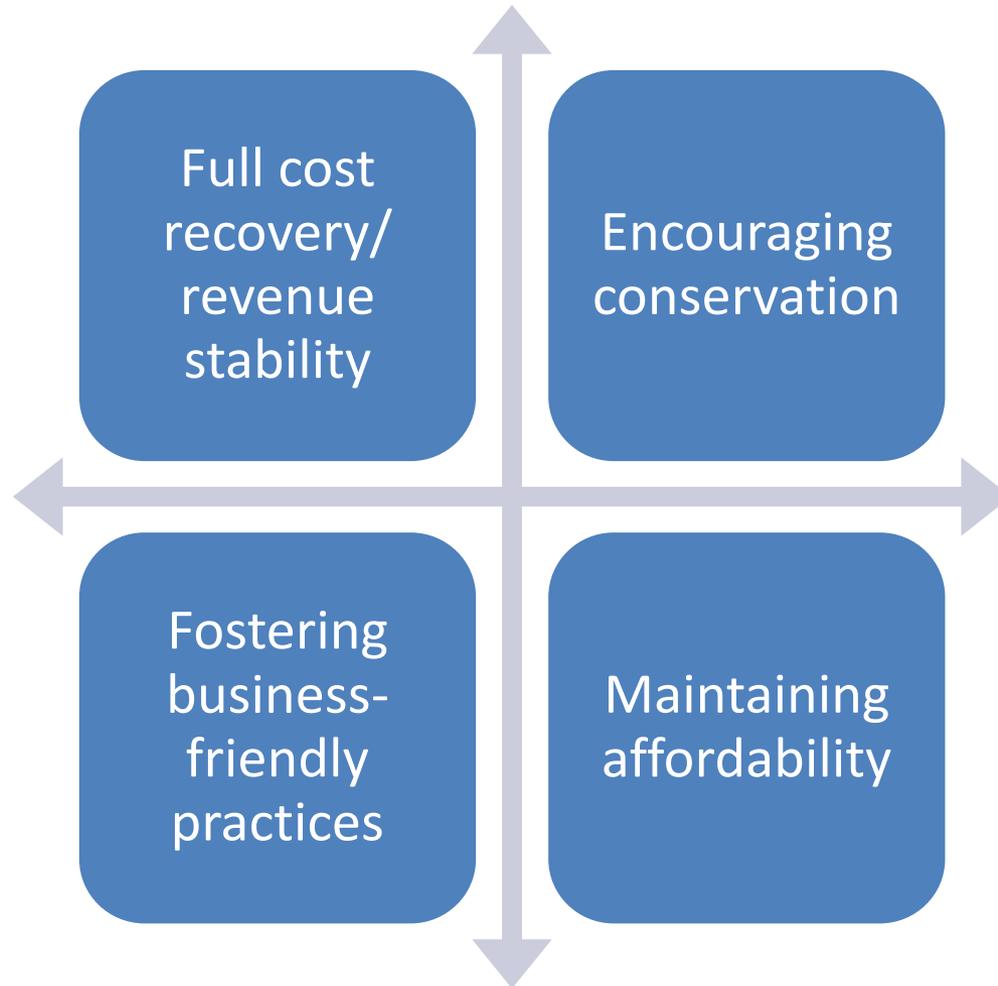


Service Connections: 450



MHI: \$24,432

Which Rate Setting Objectives?





Rate structures for all customers

1. Flat charge for unlimited use
2. Increasing block
3. Decreasing block with large first block
4. High base charge, low uniform
5. Low base charge, high uniform



Rate Setting Objectives

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