

Smart Benchmarking, Water Rates Dashboard

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SCHOOL OF GOVERNMENT
Environmental Finance Center

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Environmental Finance Center



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

- Applied Research
- Teaching and Outreach
- Program Design and Evaluation



How you pay for it matters

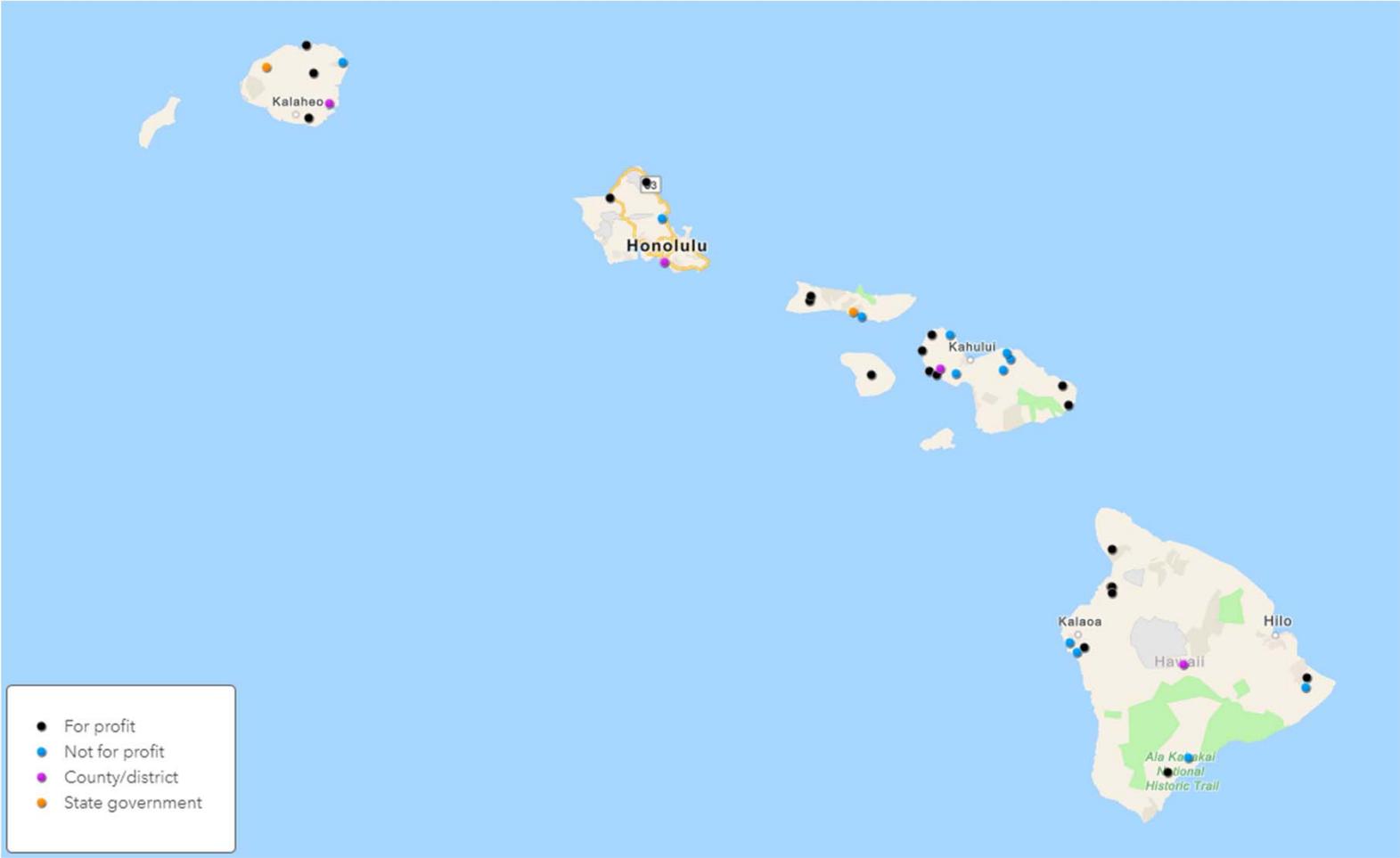


Smart Management for Small Water Systems efcnetwork.org

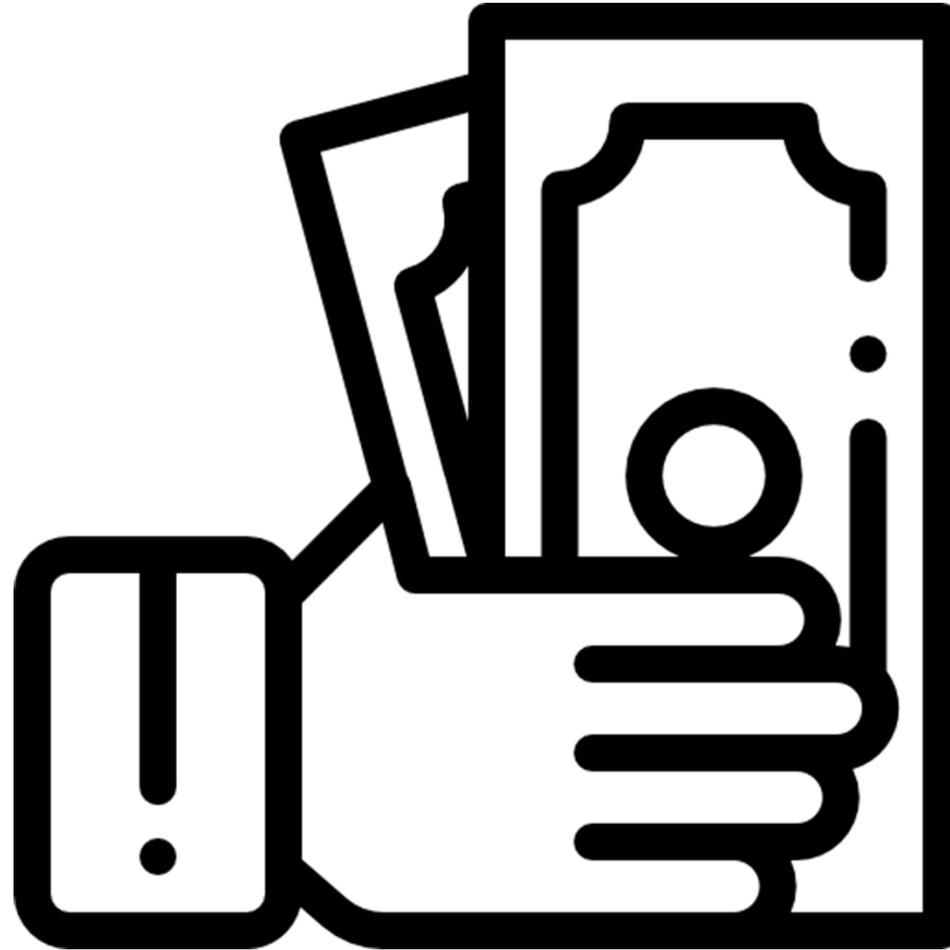
- Activities in every state, territory, and the Navajo Nation. All small drinking water systems are eligible to receive free training and technical assistance.
- Individualized technical assistance, workshops, small group support, webinars, eLearning, online tools & resources, blogs



Hawai'i System by Ownership



What do they all have in common?



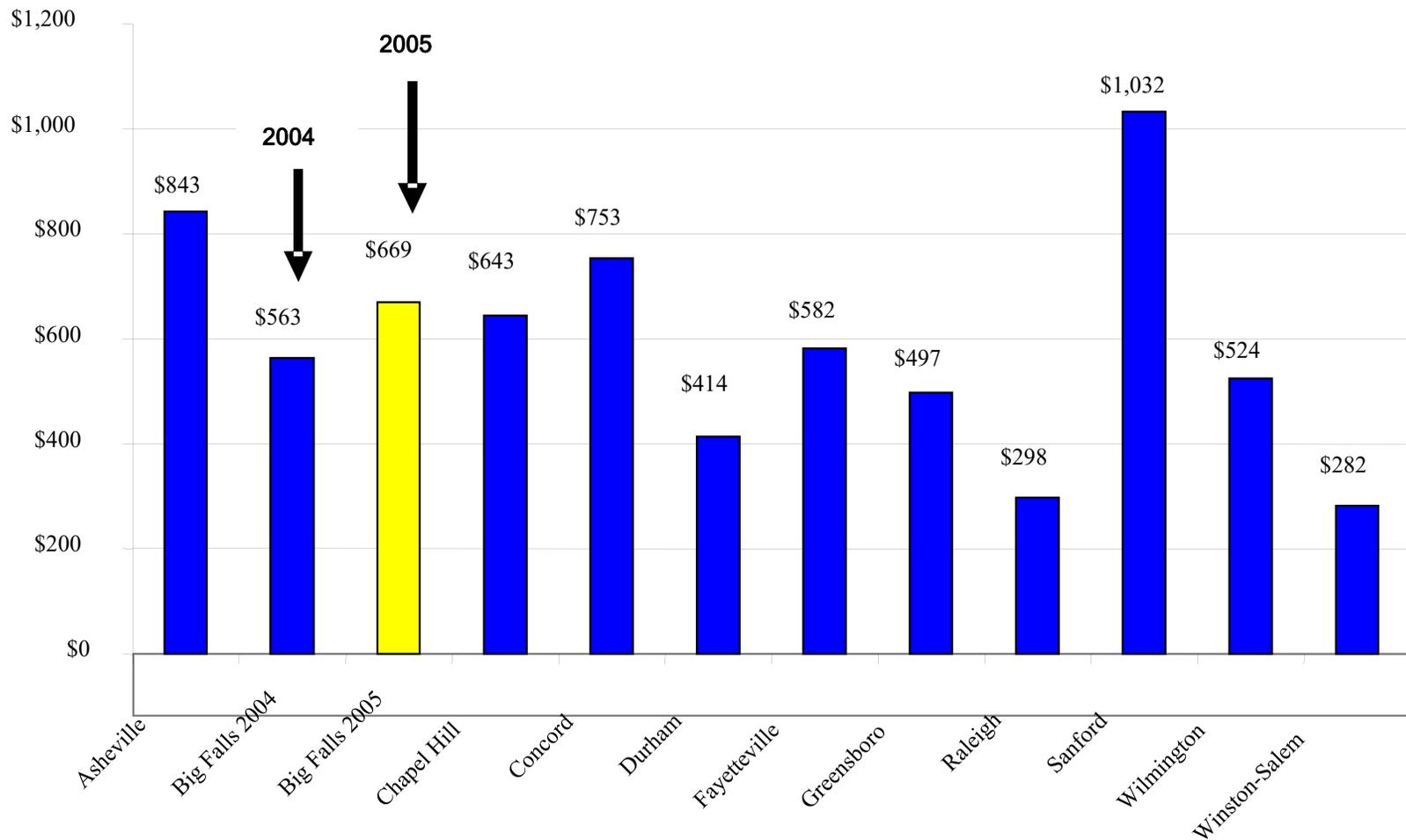
Are my rates too high?



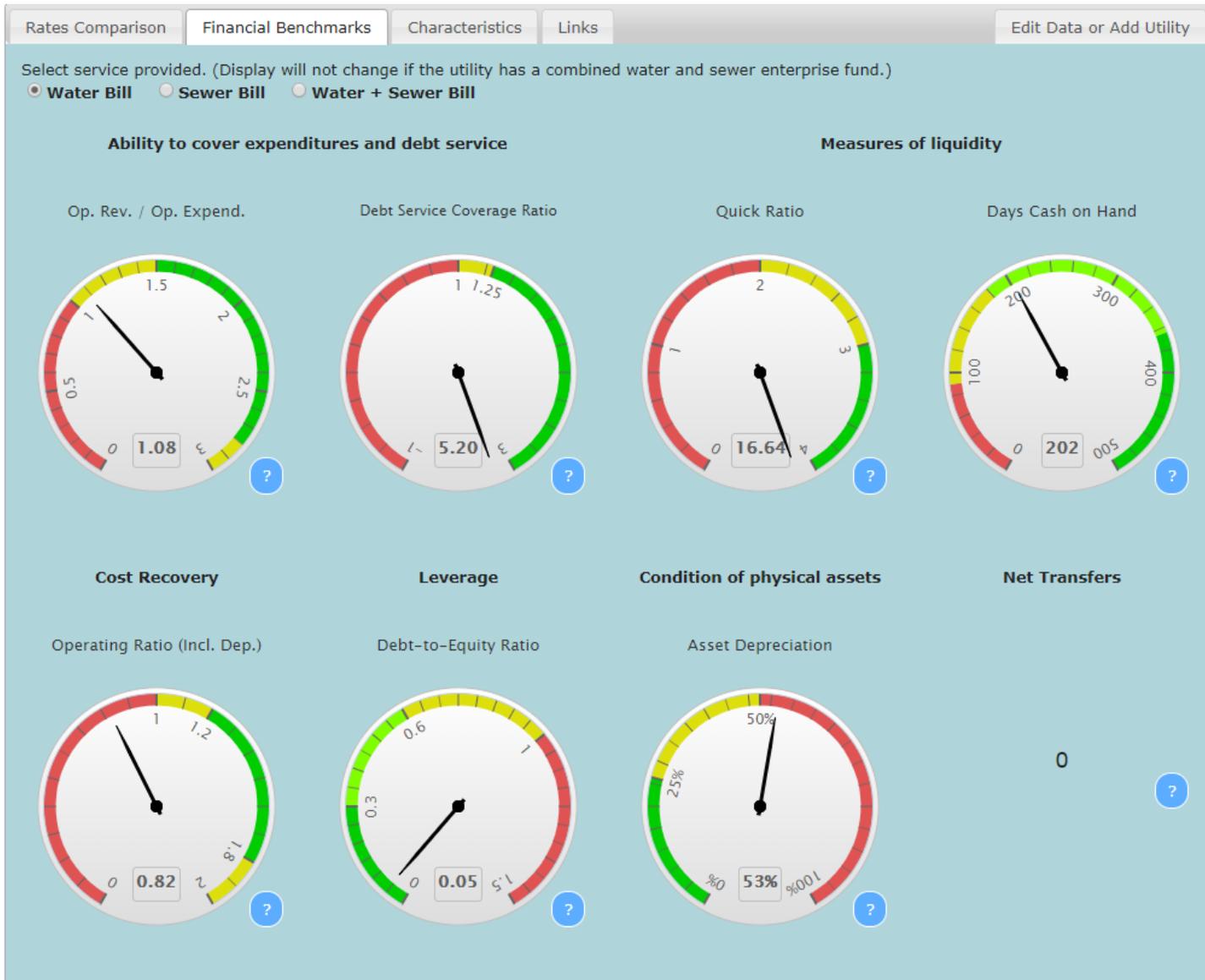
- Human nature to compare!
- Looking at neighbors can be useful if done appropriately...



The Most Common Financial Indicator?? Compare with Caution!!



Financial Benchmarks



Five Rules of Benchmarking

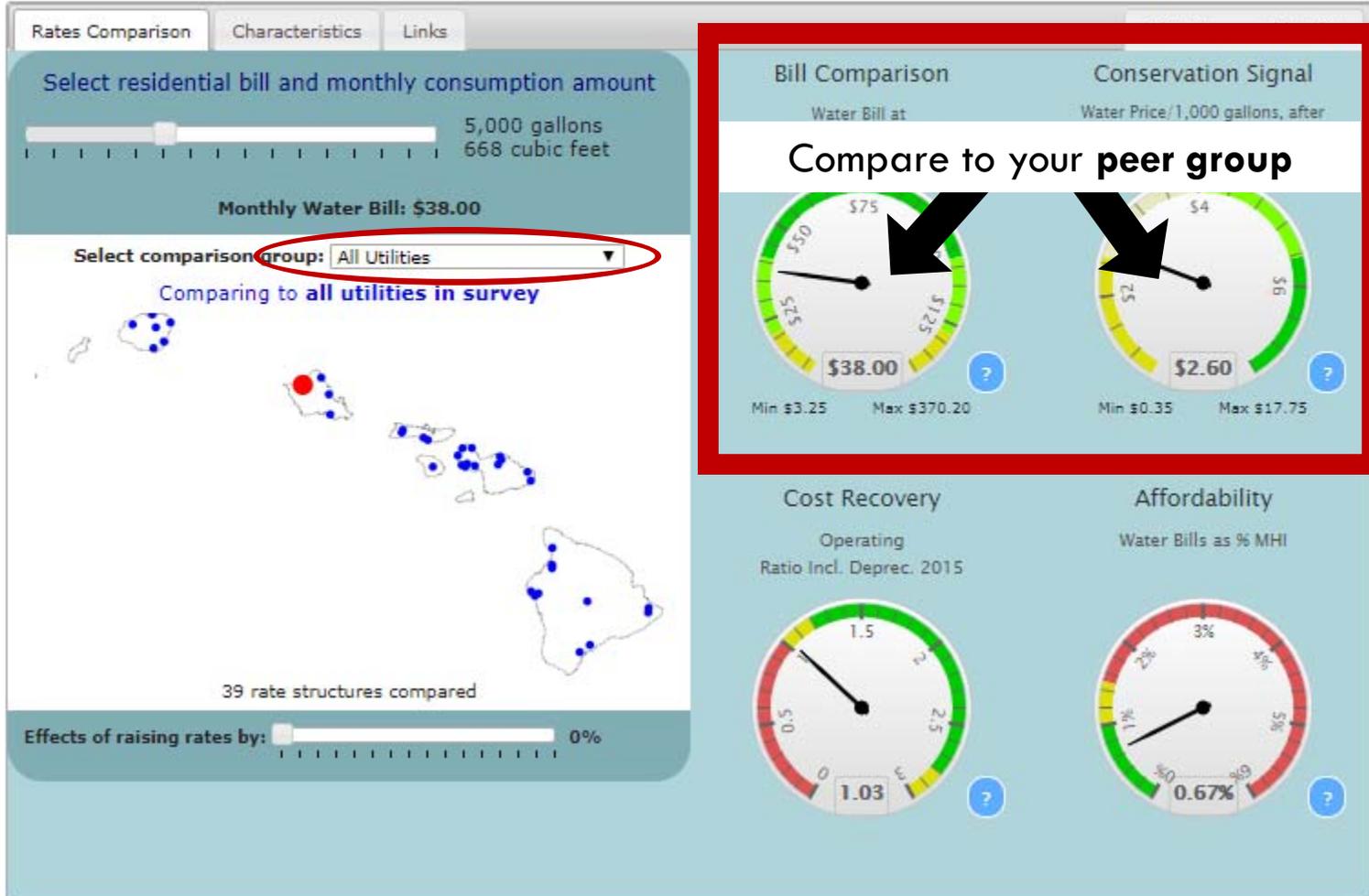


Choose your peer group wisely.





Example System



Compare Your Rates to Rates of Systems that have Similar ...



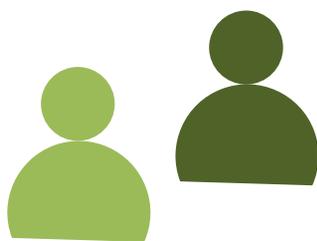
Size



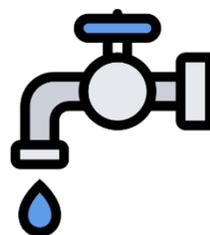
Rate Structure



Location



Demographics



Type



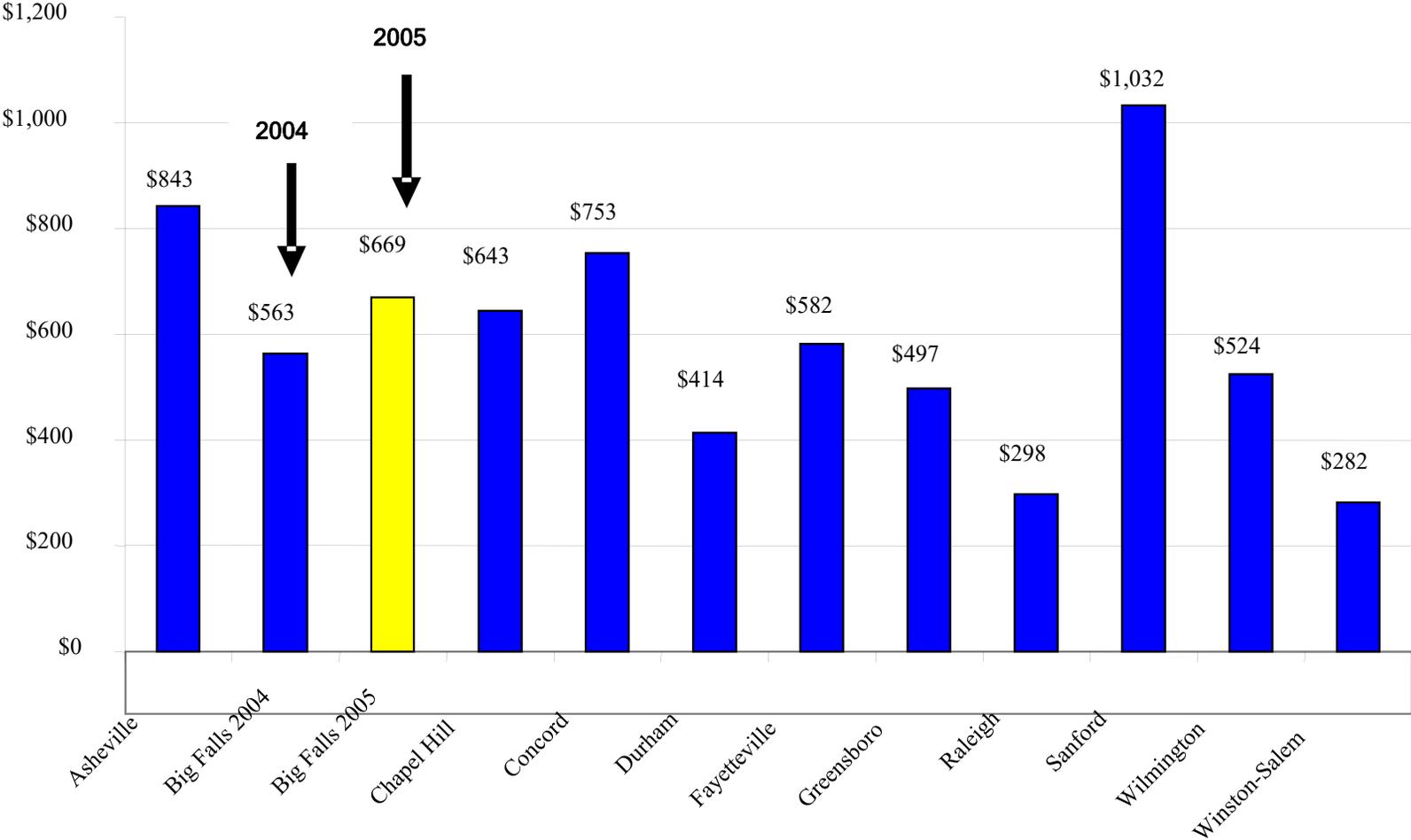
Financials



Being in the middle of the pack is ok!



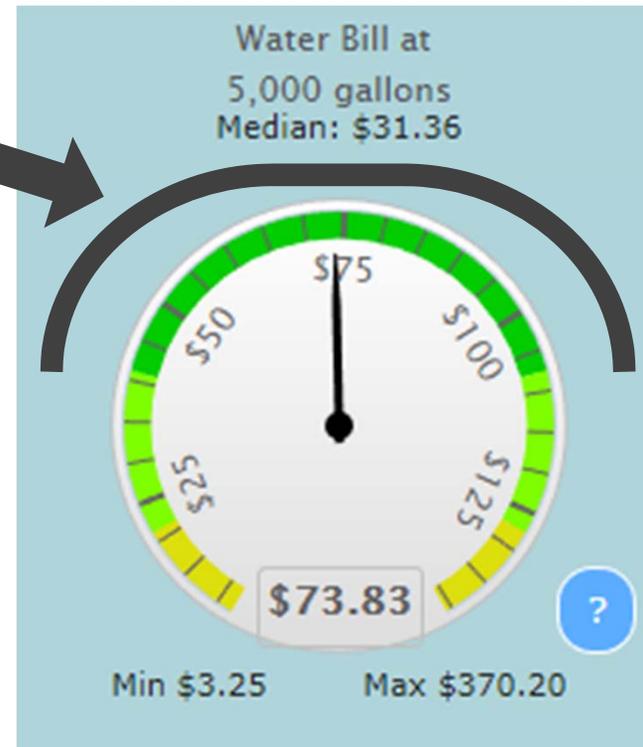
Who is really the best situated?



Dashboard: Bill Comparison

Darkest green band = middle 50% of utilities

Half of all utilities in your peer group have bills that fall within this range



Pay attention to extremes.

HIGH

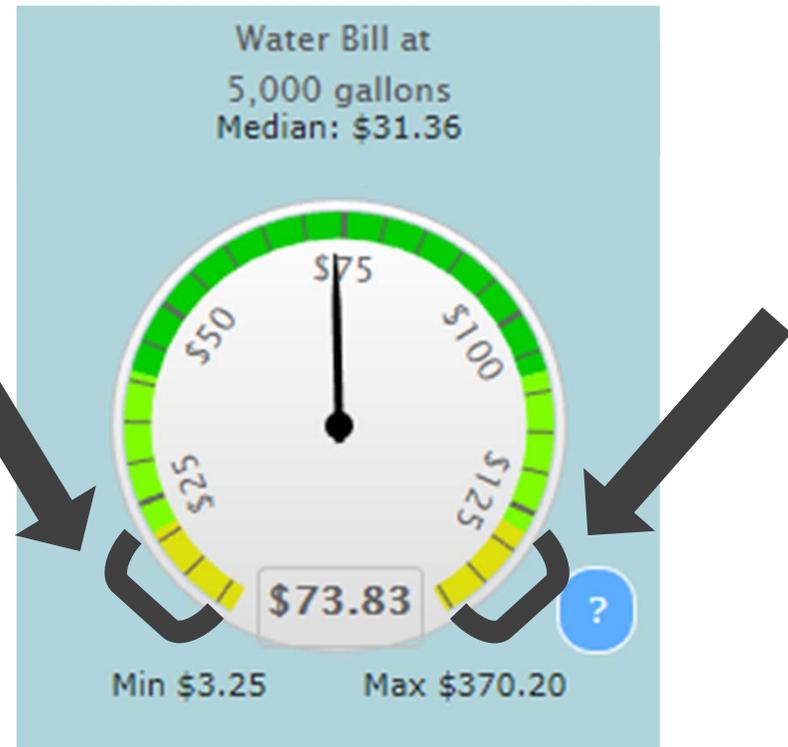
LOW



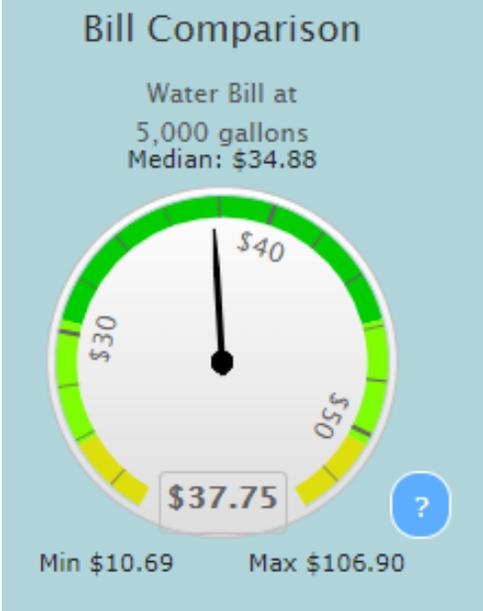
Dashboard: Bill Comparison

Yellow = the lowest and highest 10% of utilities

10% of utilities
in your peer group
have bills **lower** than
90% of other utilities,
10% have bills **higher**
than 90% of utilities



Never consider rates alone.

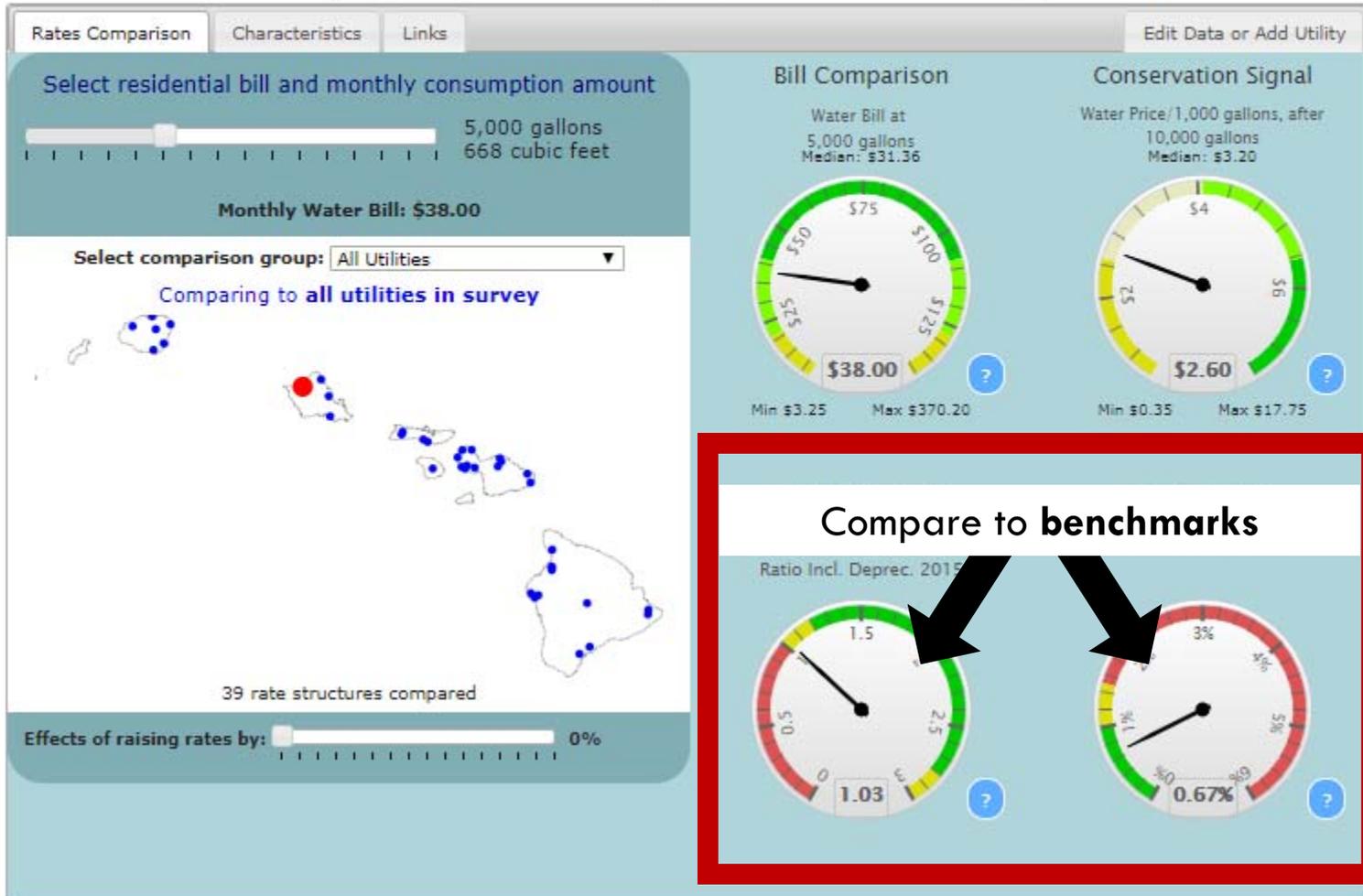


Supplemental Data

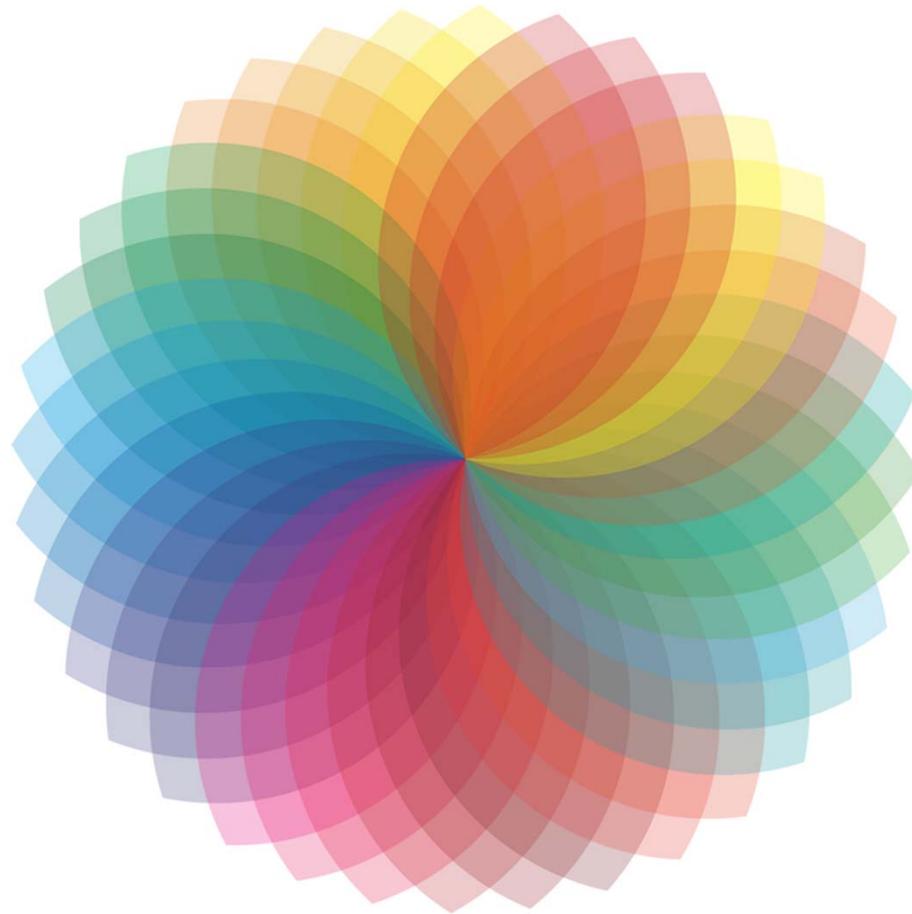
- Audited financial statements of local governments as well as private and non-profit systems
- Water system data from SDWIS (US EPA)
- Socioeconomic data from 2015 American Community Survey (US Census)



Example System



Indicators generally fall on a continuum.



Dashboard: Cost Recovery

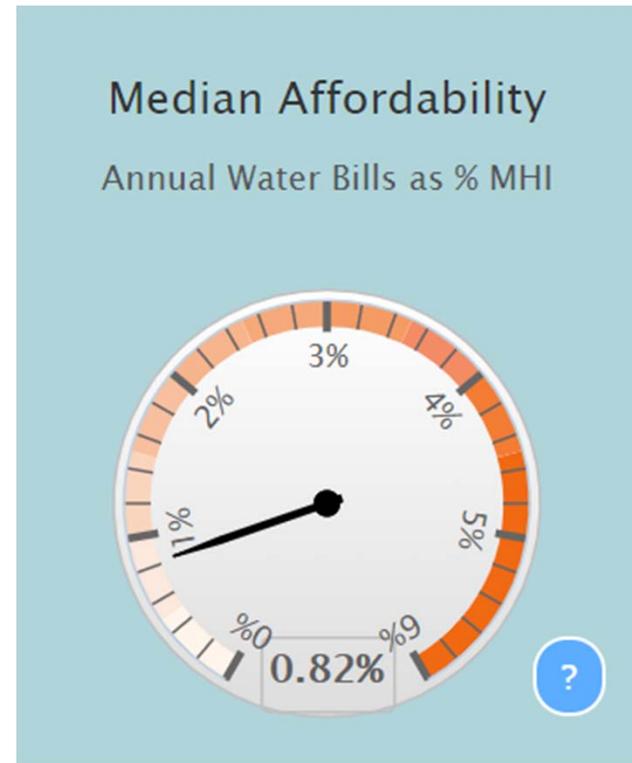
Red = costs exceed revenues; a concern for financial sustainability

Operating revenues
Operating costs
(including depreciation)



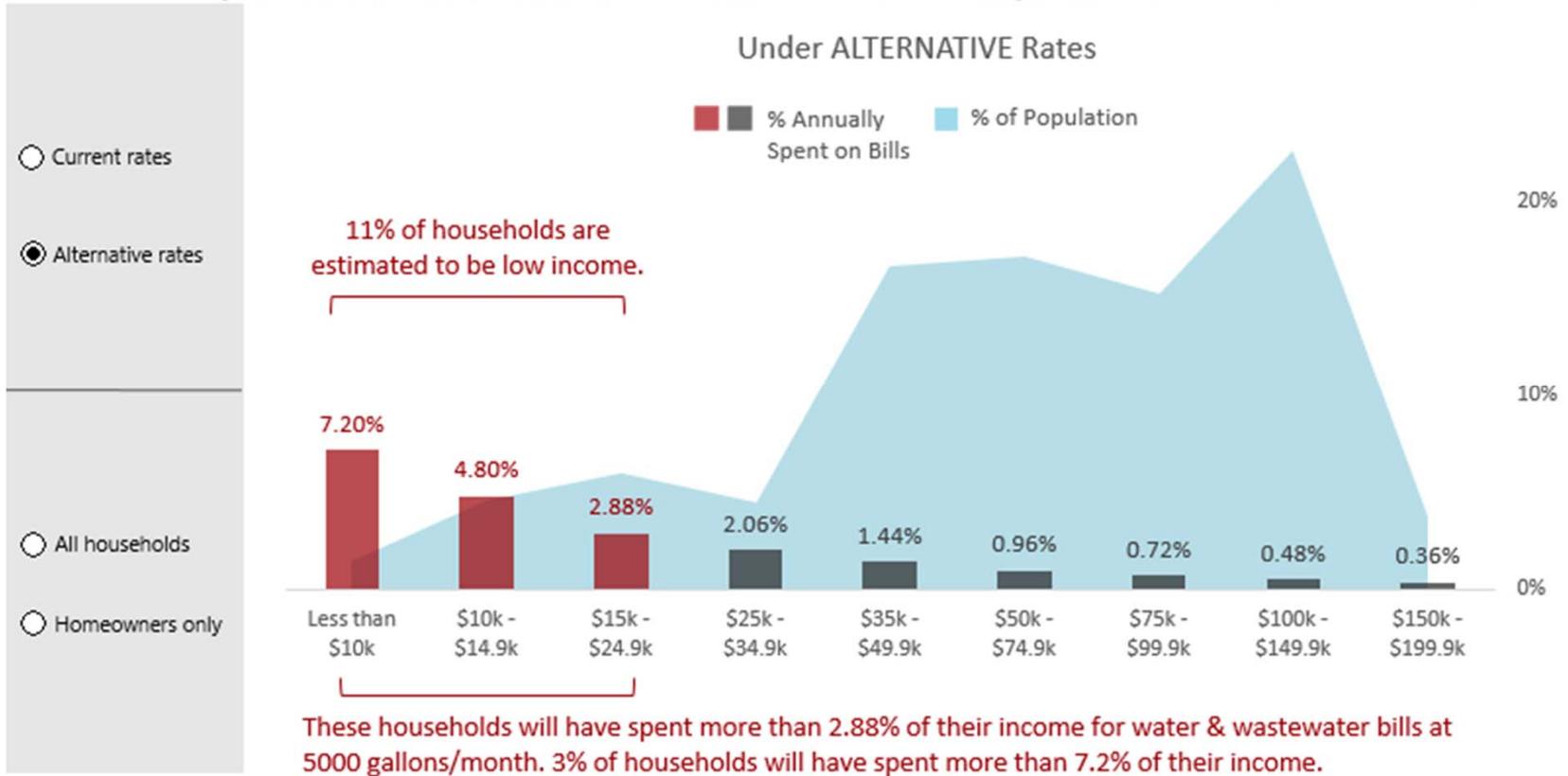
Dashboard: Affordability

The percentage of median household income (MHI) spent annually on water bills



EFC Affordability Assessment Tool

Affordability of Water & Wastewater Rates Assessed at 5000 Gallons/Month and the 2014 Income Levels



When To Benchmark

- As part of your annual rate review
- When presenting to boards or other decision makers on the need to change rates
- When explaining rates to customers
- For private systems, as part of your PUC rate case



EFC Benchmarking Tools

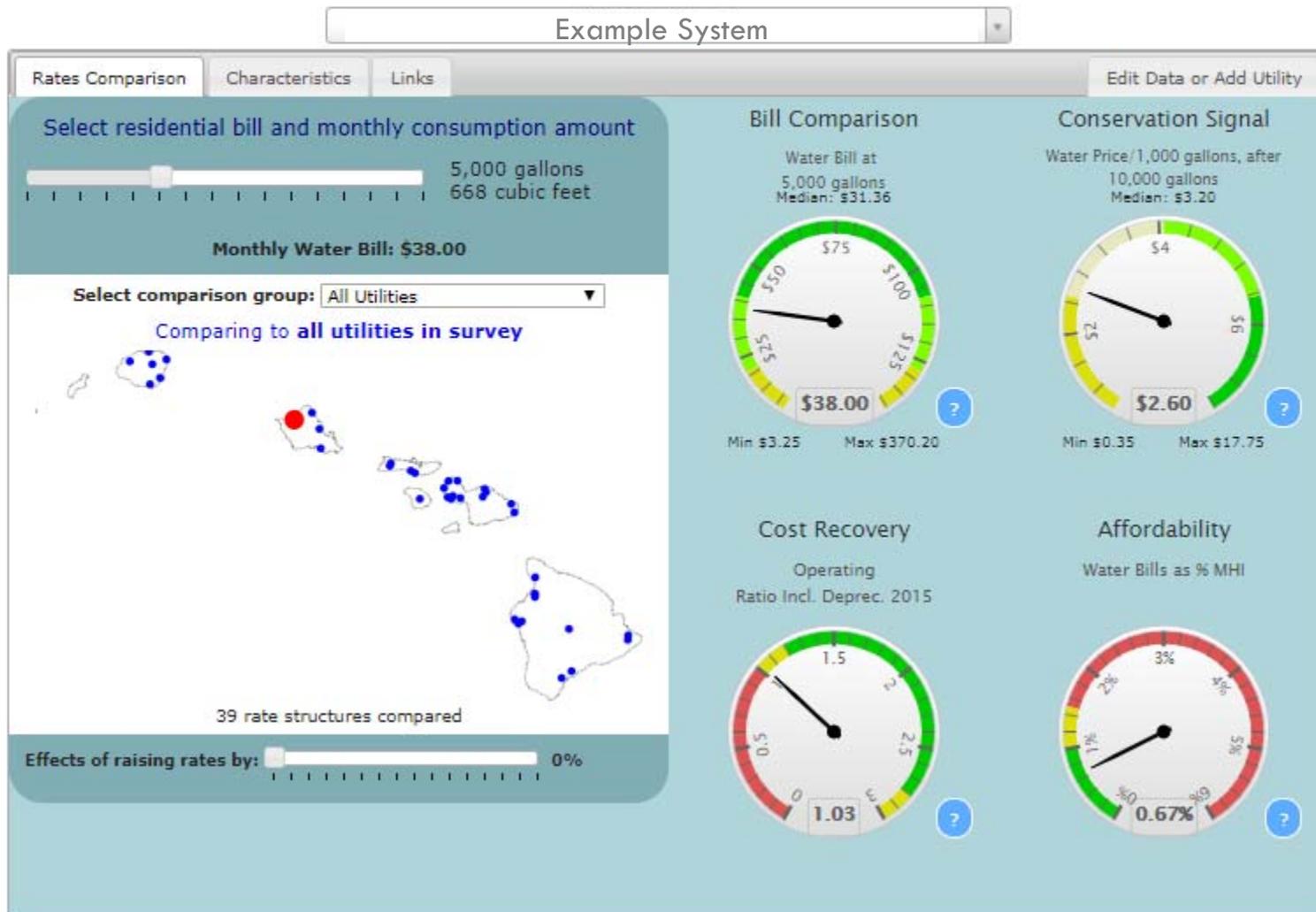
- <https://www.youtube.com/watch?v=QkwTJe-Nbuk>



2016 HI Water Rates Survey

- EFC collected utilities' rate sheets in 2016 and 2017 from systems and from PUC
- Rates for residential and commercial water customer classes
- Base charges and volumetric rates
- Calculated how much systems charge customers for various consumption points





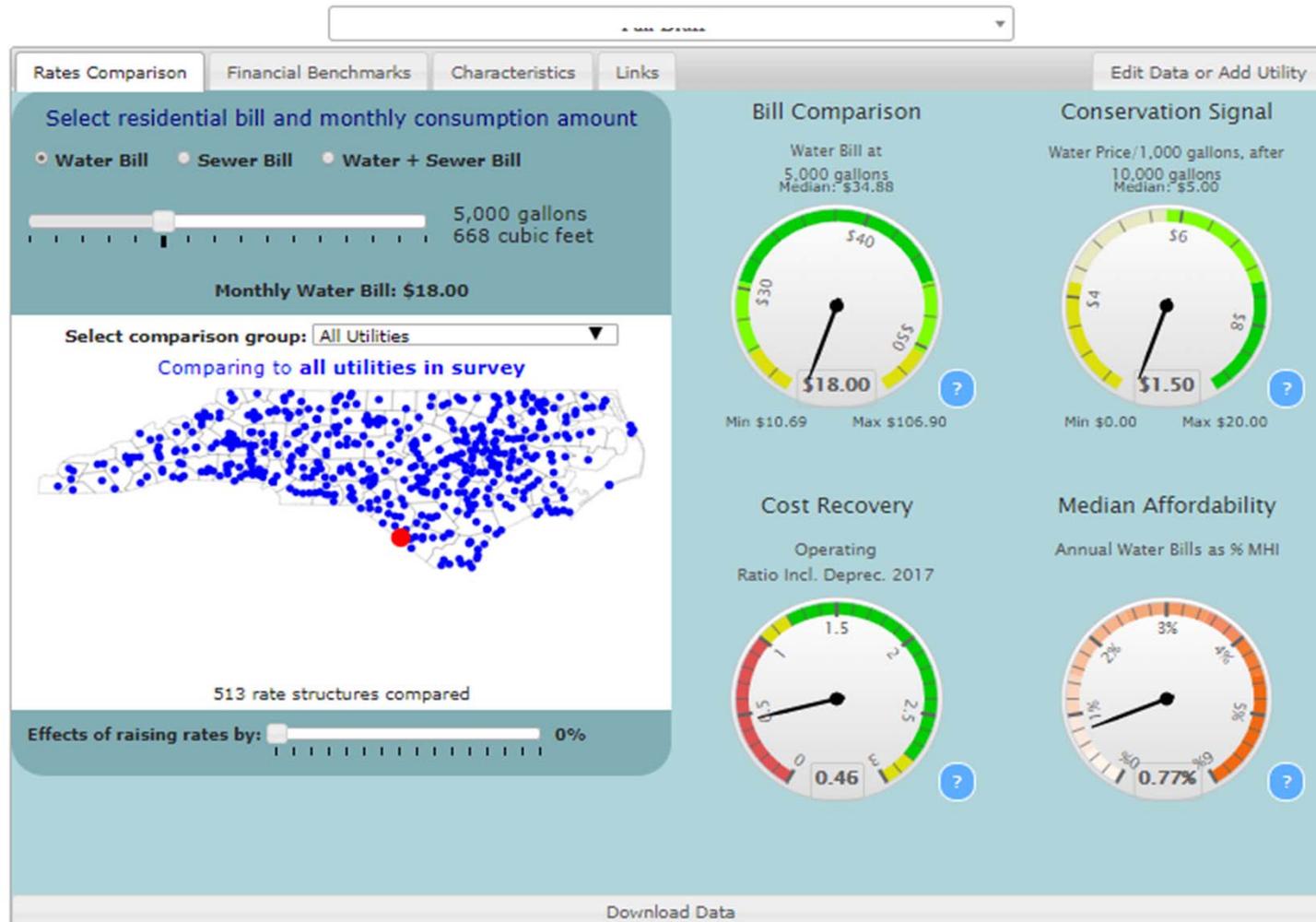
Technical Assistance

- Starting point is looking at existing needs of the small system
- Lay out the “As Is” scenario...provide a snapshot of the financial health of the system at the time we are assessing them
- Affordability

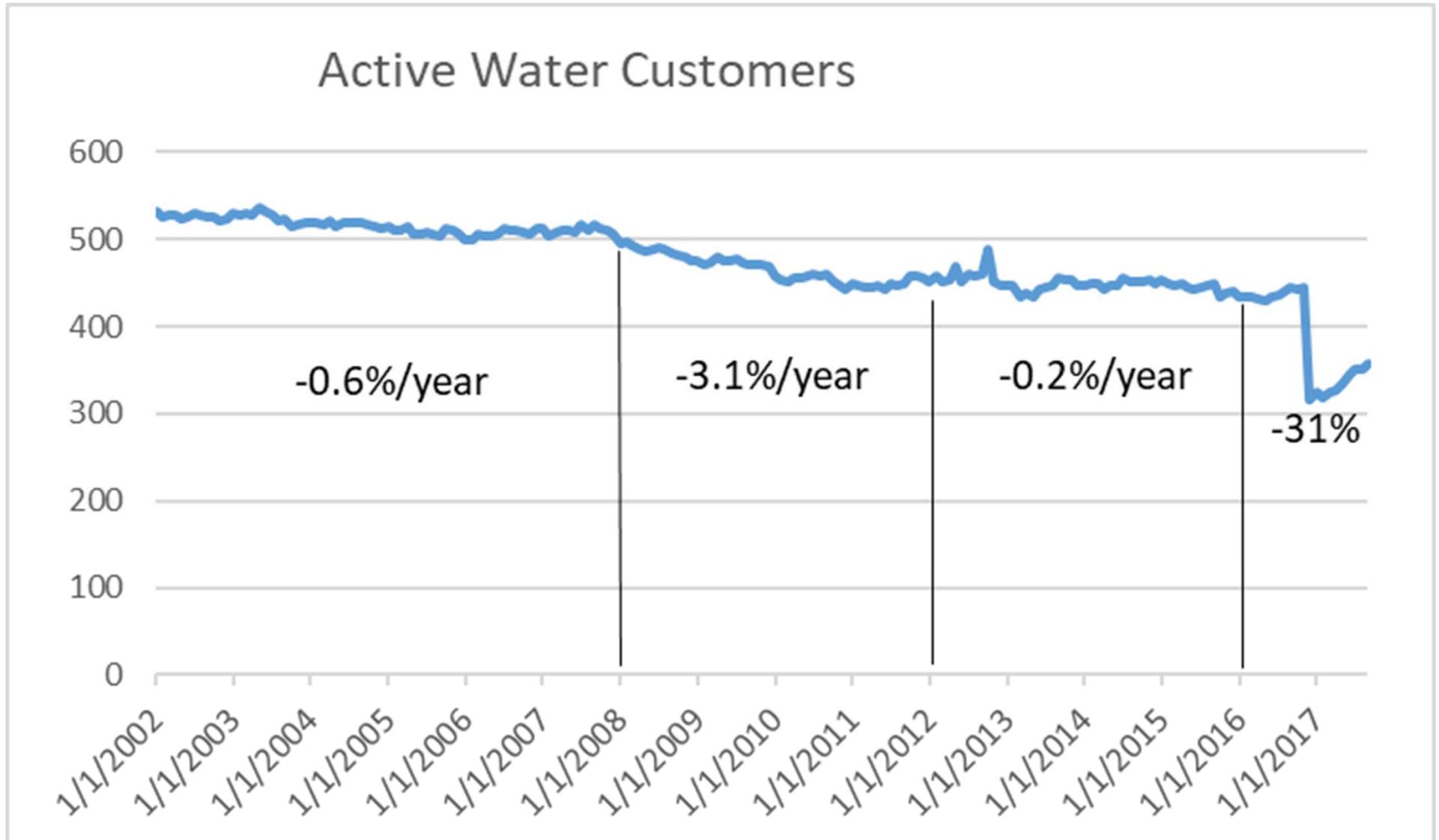


When low rates aren't a good thing...

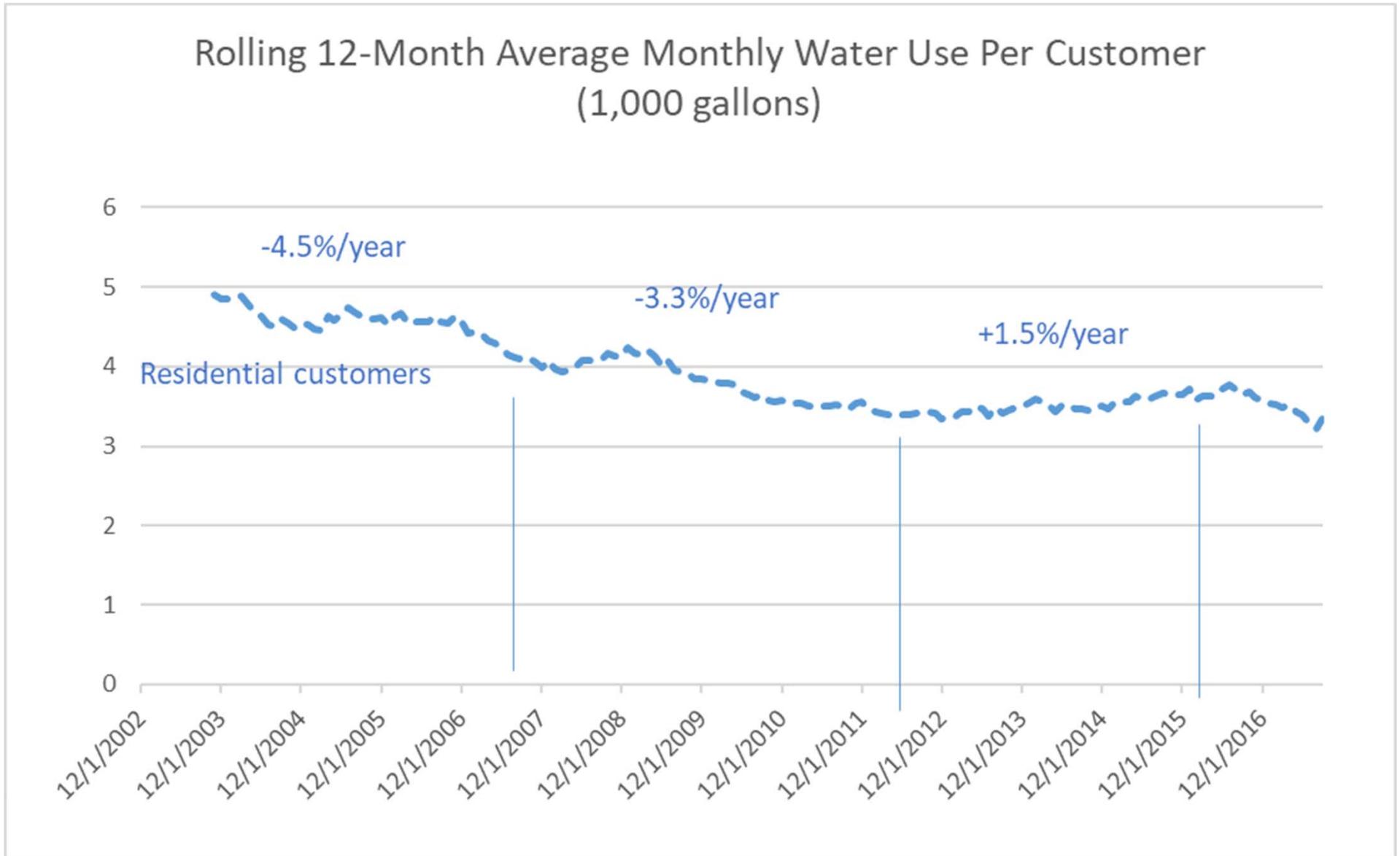




Actual Number of Customers - Water



Water Use Per Customer



Eastern North Carolina



Eastern North Carolina



Questions?



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