



Working Effectively with Decision Makers

Glenn Barnes

Environmental Finance Center

The University of North Carolina at Chapel Hill

919-962-2789

glennbarnes@sog.unc.edu



Session Overview

- Roles of boards and staff
- Understand strategies for getting buy-in for needed rate increases
- Learn about a recent nation-wide survey of current practices



“Full Cost Pricing”

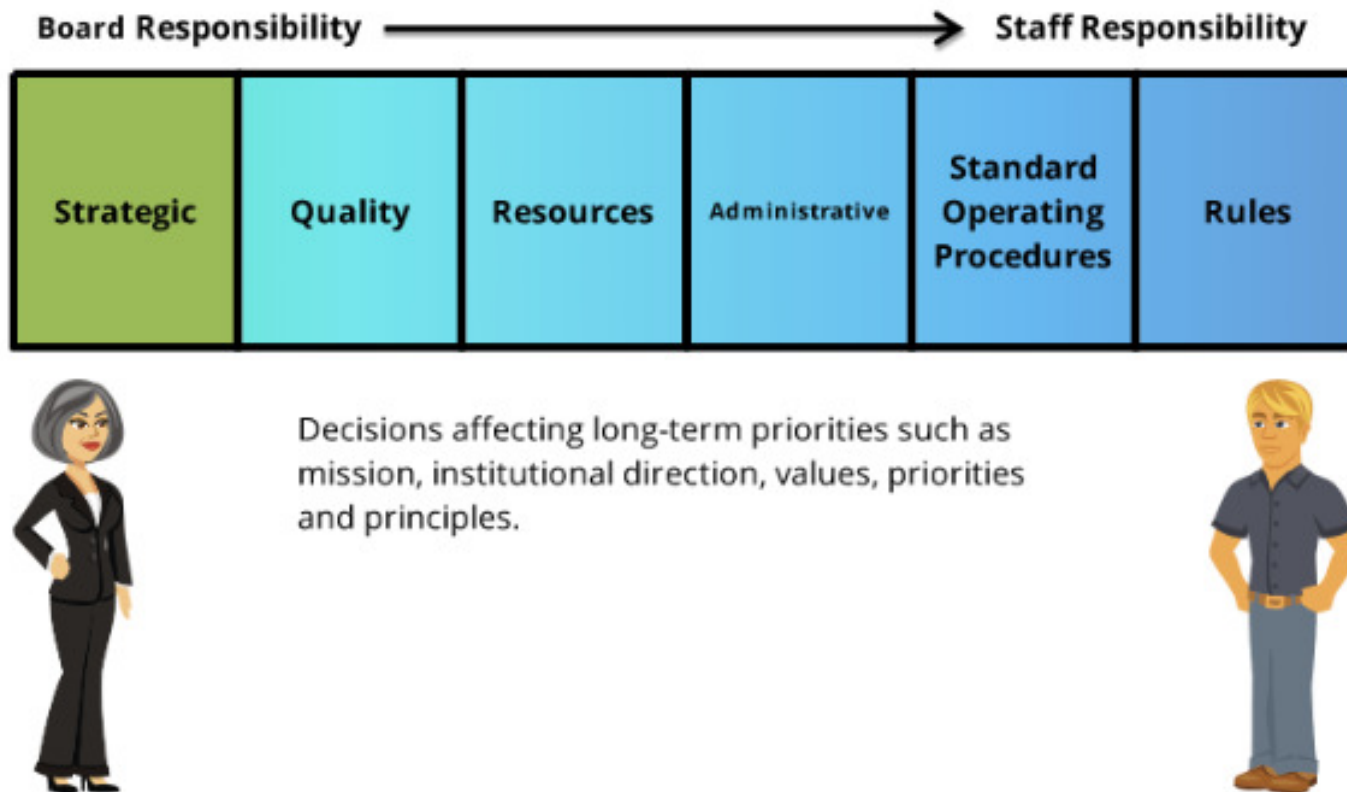
- Operations & maintenance expenditures
- Taxes and accounting costs
- Contingencies for emergencies
- Principal and interest on long-term debt
- Reserves for capital improvement
- Source water protection



Roles of Board and Staff

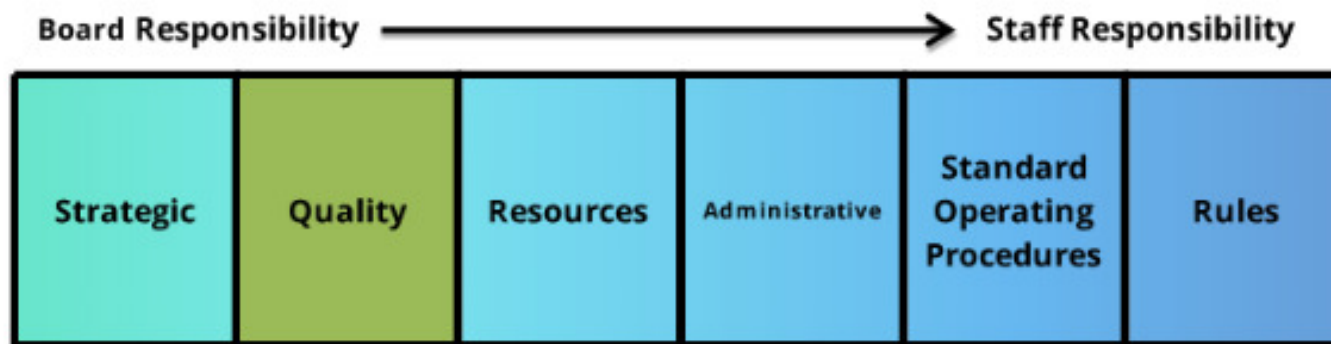


Difference Between Board and Staff Roles and Responsibilities





Difference Between Board and Staff Roles and Responsibilities

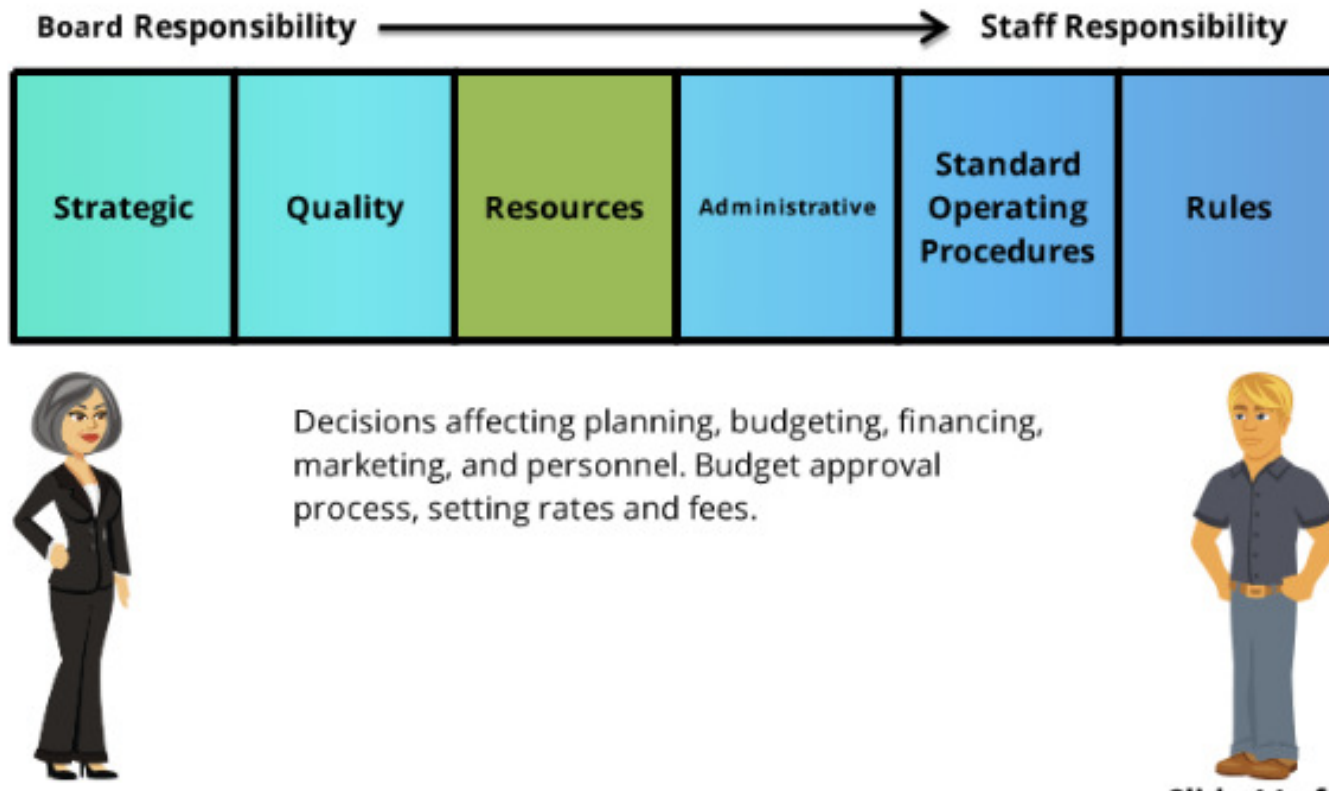


Decisions affecting who are the organization's primary clientele, types of services, delivery systems that focus on the relationship of programs and departments to overall mission.



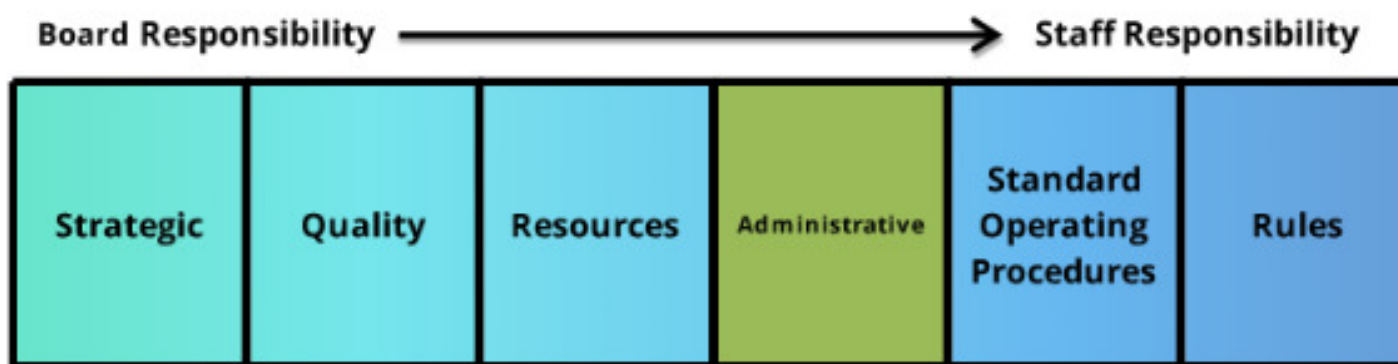


Difference Between Board and Staff Roles and Responsibilities





Difference Between Board and Staff Roles and Responsibilities



Decisions about day to day practices, participation in community activities, selection of contractors, interlocal agreements.





Difference Between Board and Staff Roles and Responsibilities

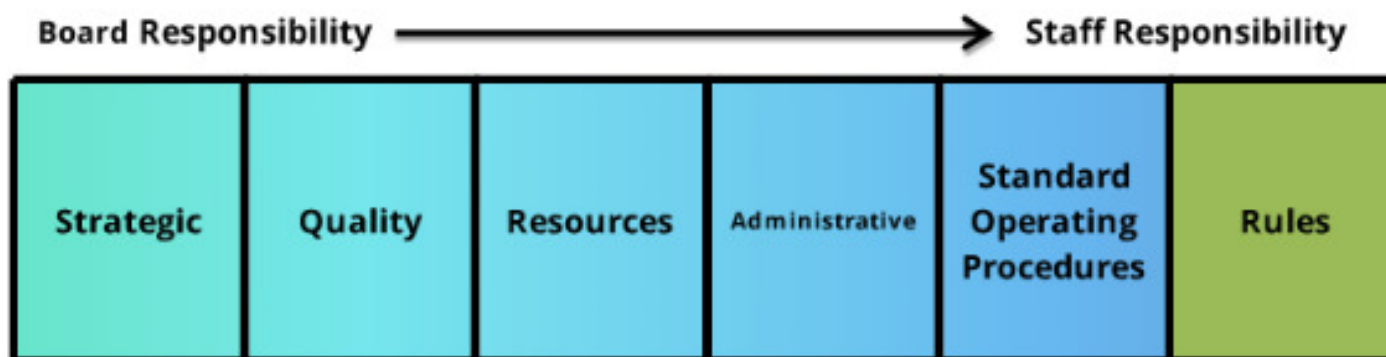


Decisions affecting procedures used to handle routine transactions and normal form, process, method and application of policies.





Difference Between Board and Staff Roles and Responsibilities

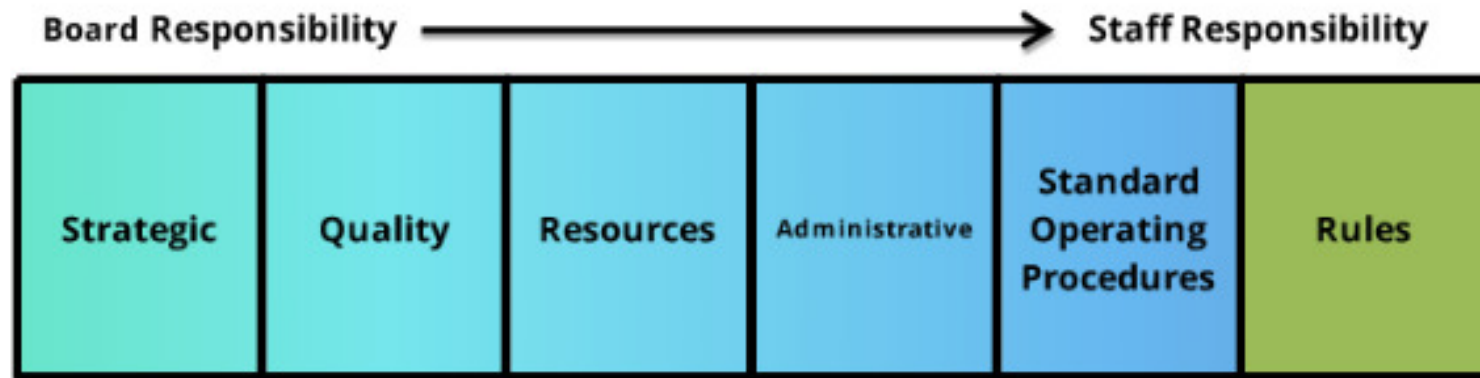


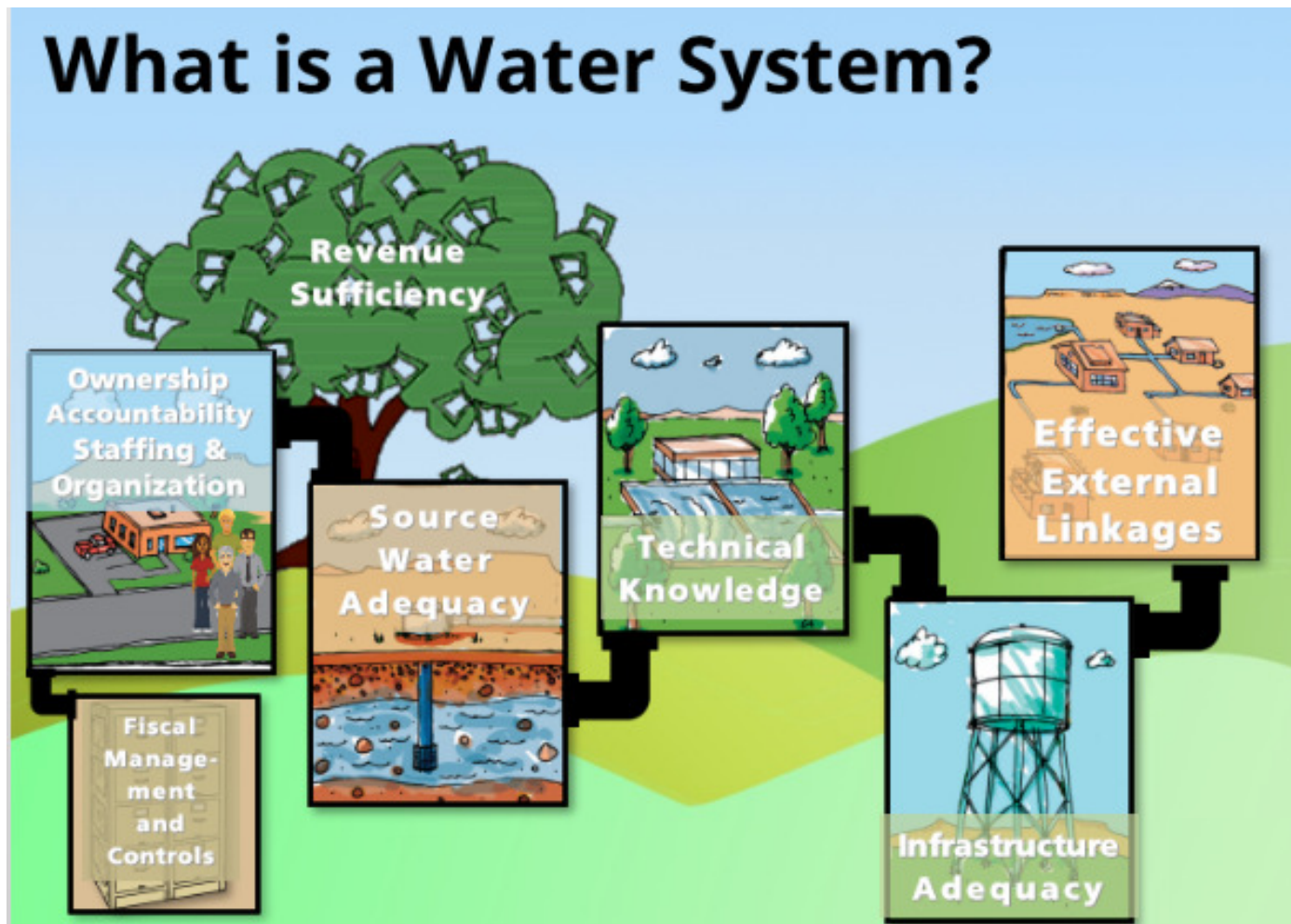
Decisions and regulations that guide or prescribe everyday conduct (parking, smoking areas, dress, etc.)





Difference Between Board and Staff Roles and Responsibilities







Infrastructure Adequacy

- Infrastructure needs to be replaced as it ages or there could be a risk to public health
- Inspection schedule?
- Record of maintenance
- Inventory of assets



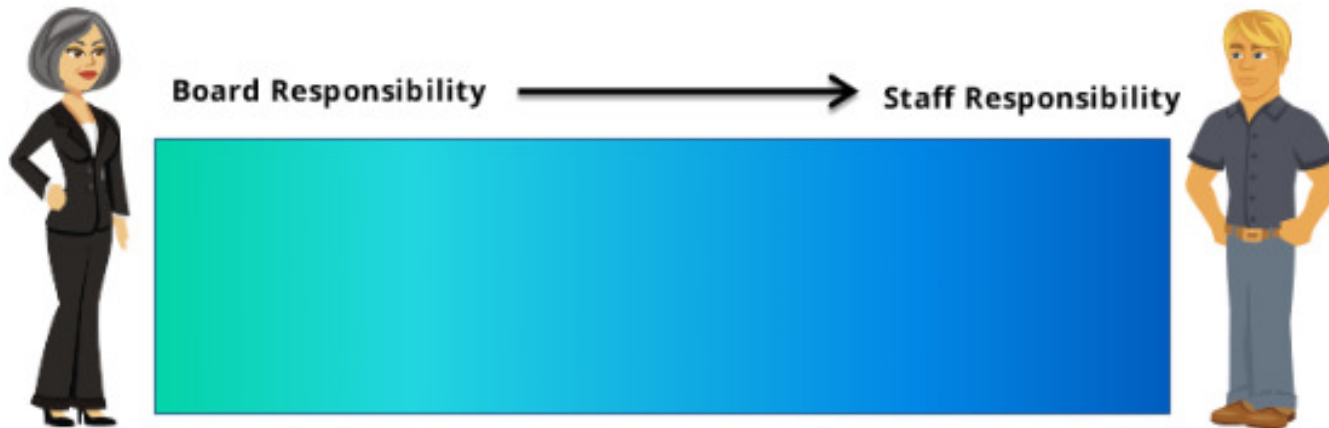
Strategic Planning (Capital Planning)

Please drag-and-drop each action related to strategic planning/capital planning on the spectrum between board and staff responsibility.

Periodic reporting
on strategic plan
metrics

Identifying goals
that when met will
achieve the vision

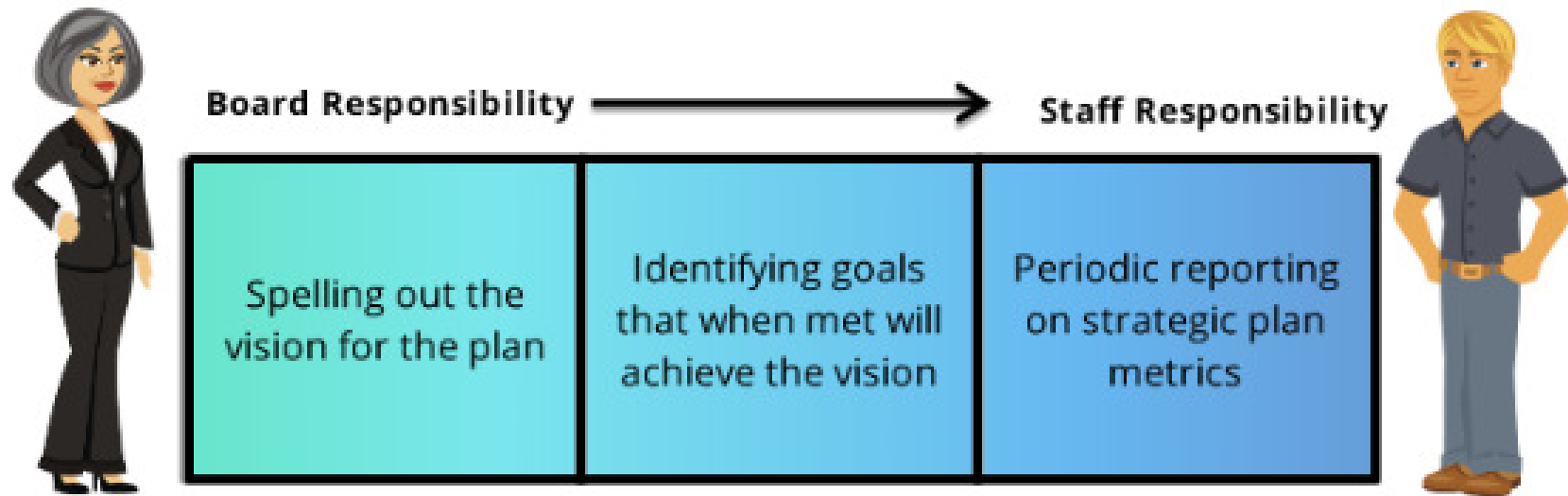
Spelling out the
vision for the plan





Our Recommendation

Strategic Planning (Capital Planning)





Board Accountability

- Ultimate responsibility
- What is your governance structure?
- Clear duties assigned to each manager, operator, and personnel



Human Resources

Please drag-and-drop each action related to human resources on the spectrum between board and staff responsibility.

Determining
personnel budget
and pay levels for
individual
employees

Setting
performance goals
for individual
employees

Setting goals for
staff recruitment
and retention



Board Responsibility



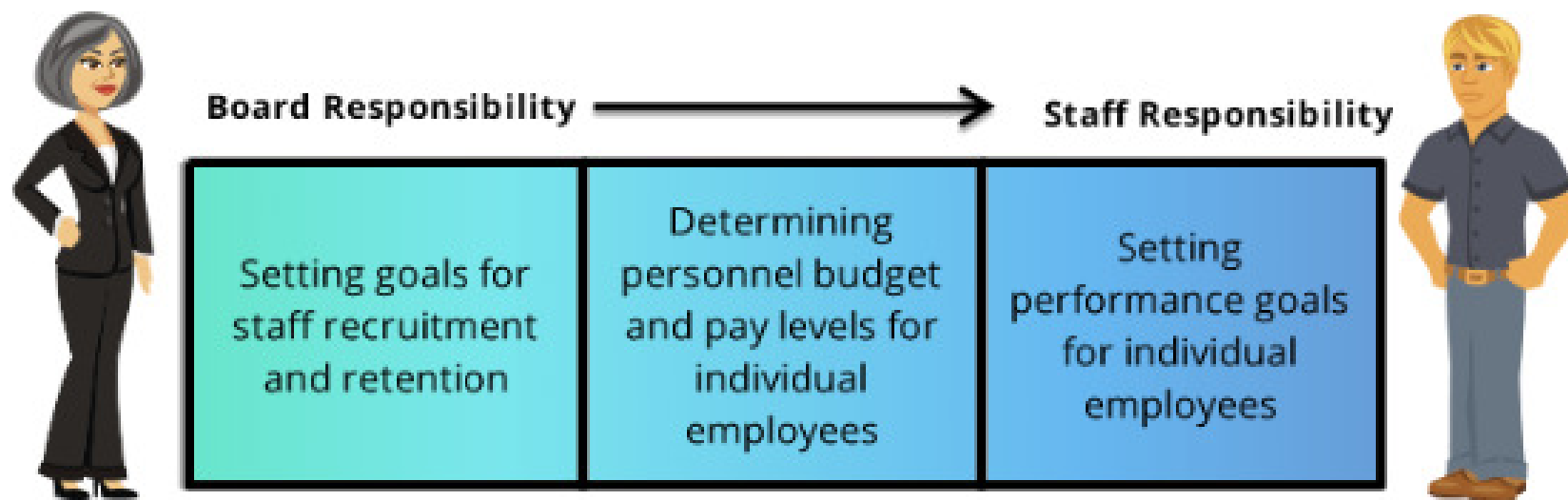
Staff Responsibility





Our Recommendation

Human Resources





Revenue Sufficiency

- Having a positive net income is a sign of financial capacity
 - Do you need to increase revenues, reduce costs, or both?



Revenue Sufficiency

- Review budgets annually, but have a longer financial planning horizon
 - Set aside money for long-term needs
- Review adequacy of rates—as costs go up, so too should rates



The Budget

- Financial mission statement of the system
- Close look at revenues and expenses—best done by staff
- Board has the final sign-off



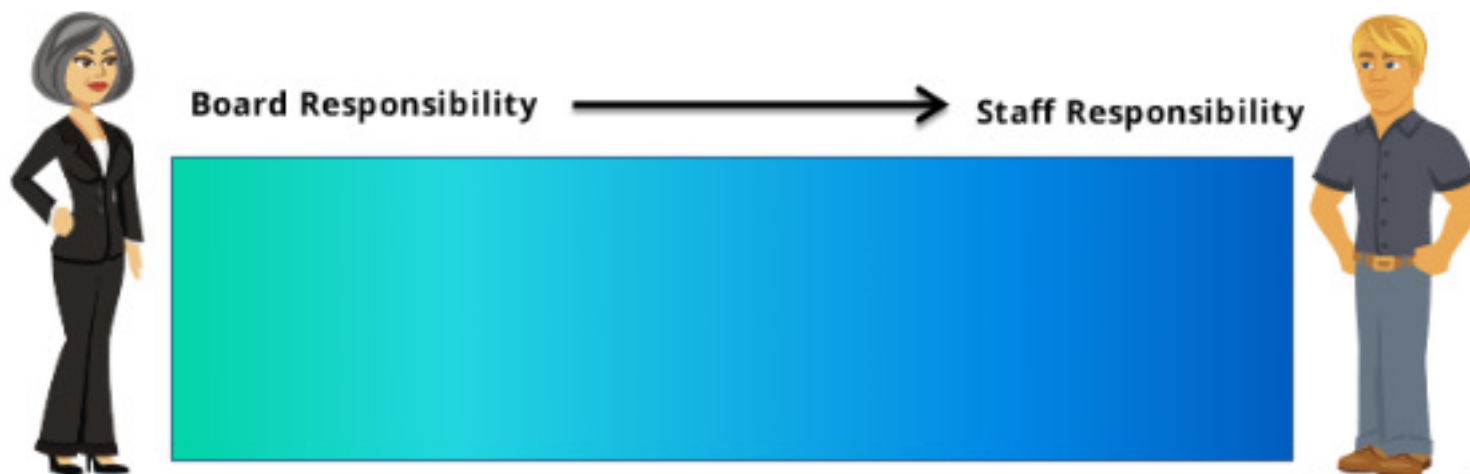
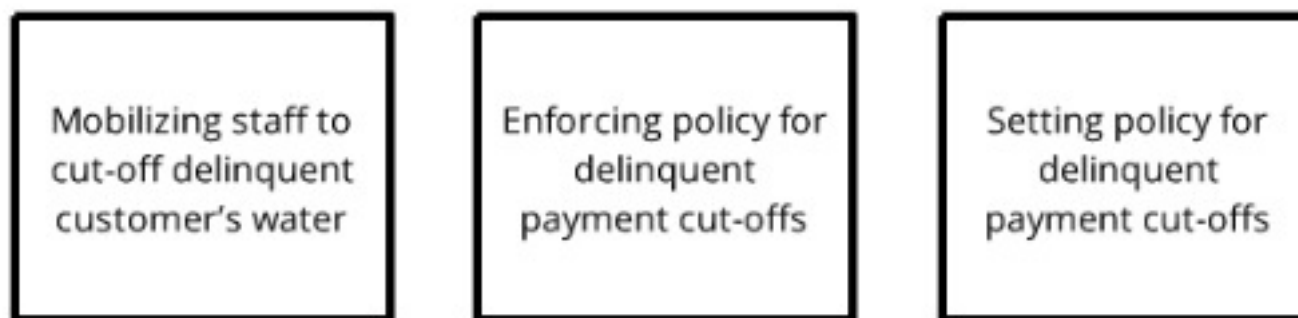
Creditworthiness and Fiscal Controls

- Follow accounting principles
- Establish a good credit history
- Keep records on water use, number of customers, leaks, etc.
- Policies for collection of delinquent accounts



Financial Management/Collections

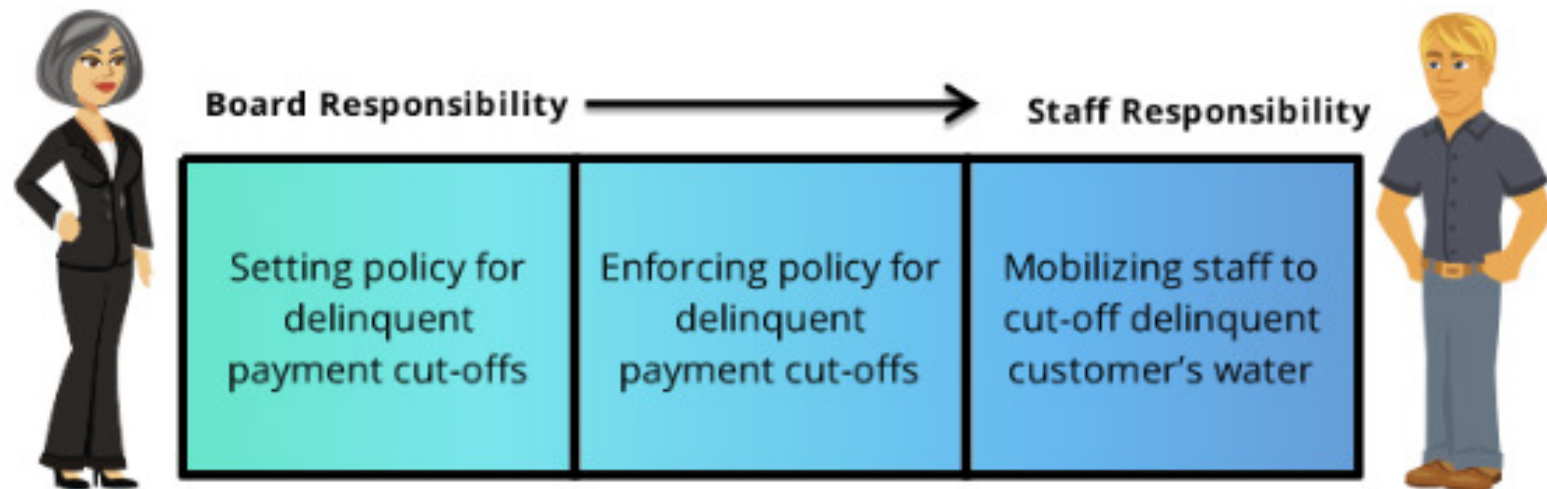
Please drag-and-drop each action related to financial management/collections on the spectrum between board and staff responsibility.





Our Recommendation

Financial Management/Collections





Customer Communication

- Informed customers are the best advocates for the system
- Helpful to have a system-wide spokesperson who is respected



Customer Communication

- SDWA requires public notification if
 - Water does not meet standards
 - Water is not tested on time
 - Water system is granted a variance or exemption from standards



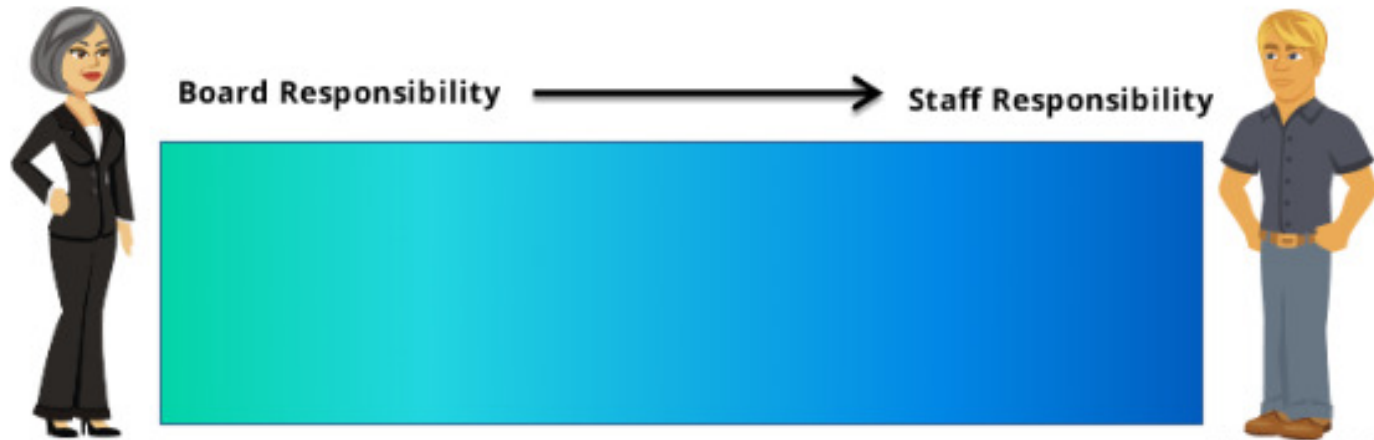
Public Relations

Please drag-and-drop each action related to public relations on the spectrum between board and staff responsibility.

Description of a new customer program to the public

Setting a tone for utility communications with the public

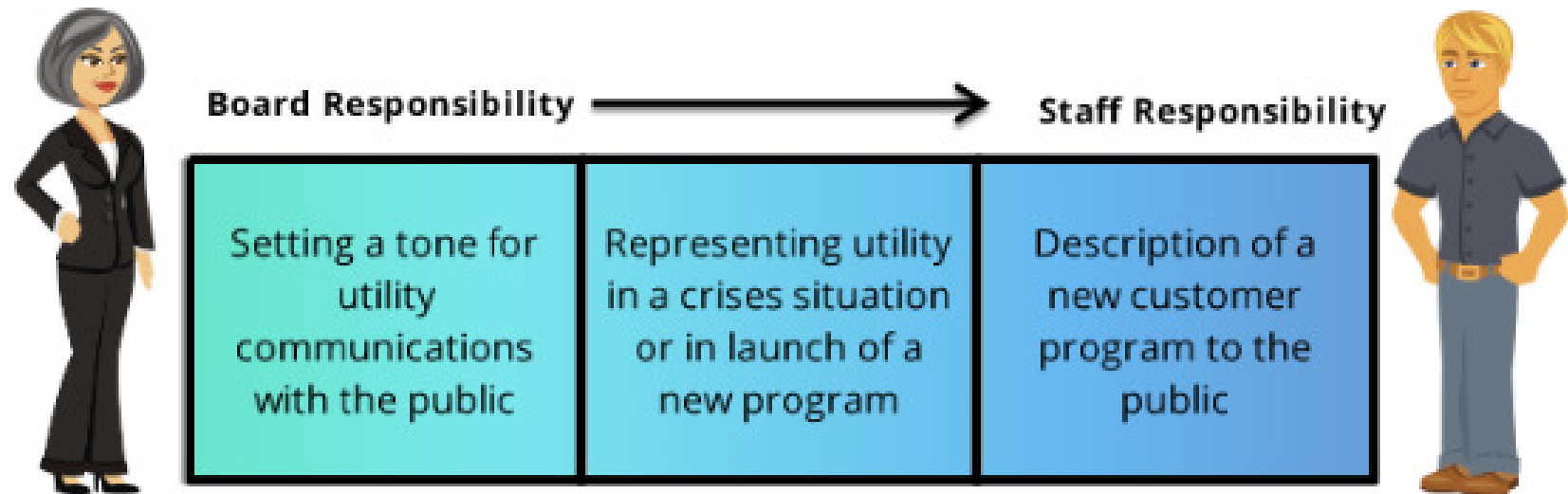
Representing utility in a crises situation or in launch of a new program





Our Recommendation

Public Relations

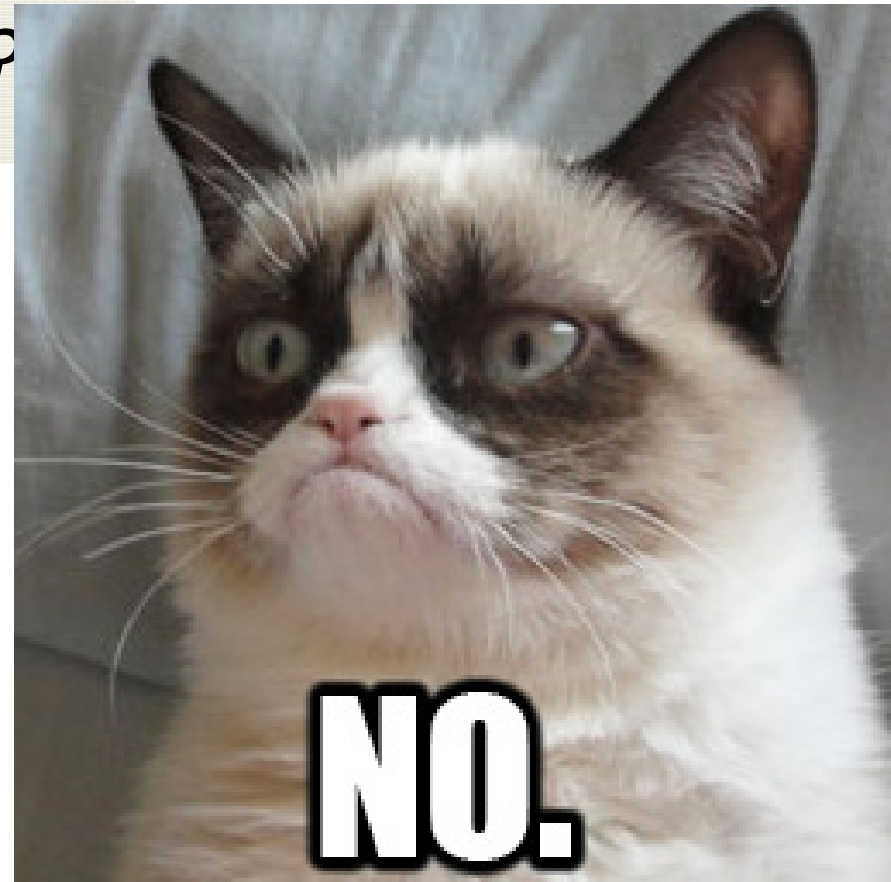
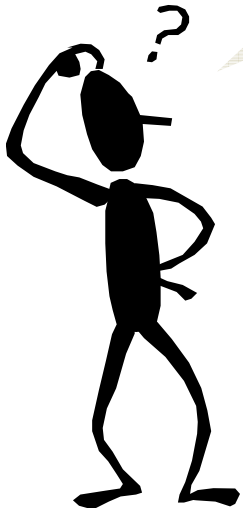




Some ways of getting buy-in



*Can we get a
rate increase?*





Appeal Based on What's Good



"It's clean, and it's crisp, and it's refreshing, and it's a great product..."



Appeal Based on What's Wrong

2013 REPORT CARD for america's INFRASTRUCTURE

ASCE
AMERICAN SOCIETY OF CIVIL ENGINEERS

LAUNCH THE REPORT CARD > HOME GRADES STATES NEWS TAKE ACTION

EXPLORE ASCE'S 2013 REPORT CARD FOR AMERICA'S INFRASTRUCTURE ONLINE!

- > GRADES
- > STATE
- > VIDEOS
- > INTERACTIVE CHARTS

LAUNCH THE REPORT CARD >

AMERICA'S GPA:

D⁺

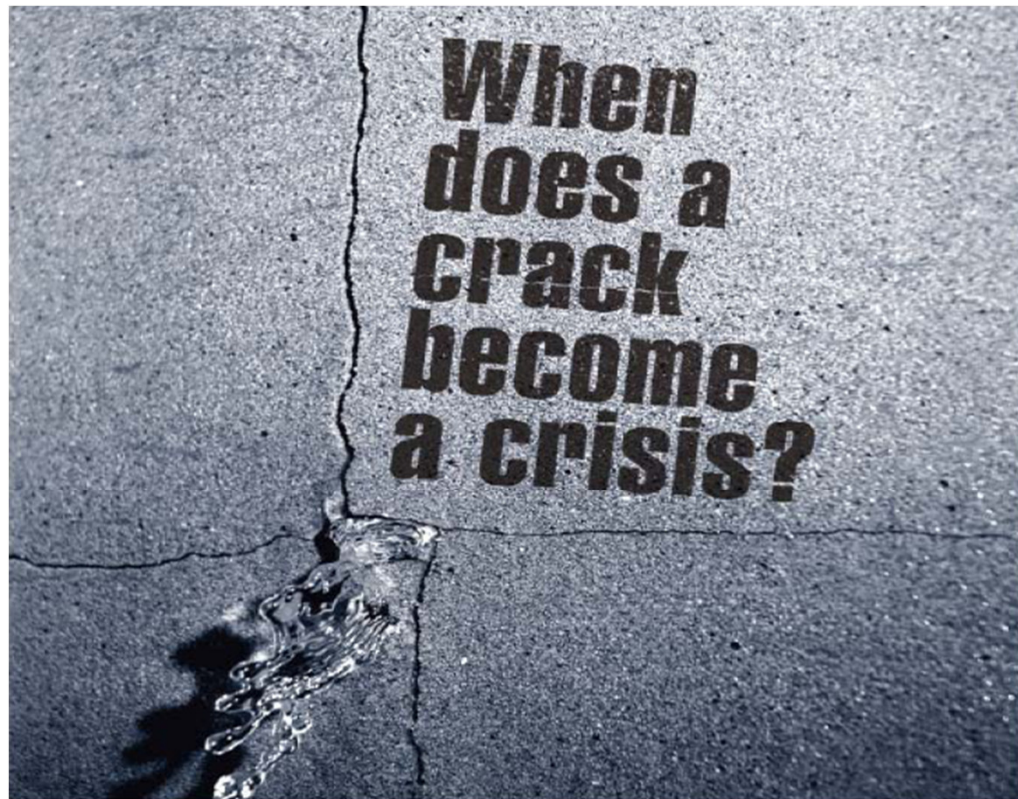
The American Society of Civil Engineers is committed to protecting the health, safety, and welfare of the public, and as such, is equally committed to improving the nation's public infrastructure. To achieve that goal, the Report Card depicts the condition and performance of the nation's infrastructure in the familiar form of a school report card—assigning letter grades that are based on physical condition and needed investments for improvement.

ESTIMATED INVESTMENT NEEDED BY 2020:

\$3.6 TRILLION



Warn of Consequences



When it shuts down our water and sewer systems.

Our water and sewer pipes are getting older by the day, putting our community at risk for leaks and breakage. Join us in stopping this problem before it gets worse. Supporting initiatives to invest in water and wastewater infrastructure. For more information call 800-300-3000 or visit www.WaterIsLife.net.



www.WaterIsLife.net



www.efcnetwork.org



UNC
ENVIRONMENTAL FINANCE CENTER



A 'Good' Crisis...





EurekaAlert!
The Global Source for Science News

AAAS

Flint's Water Still Has Too Much Lead

Detroit Free Press
PART OF THE USA TODAY NETWORK

Search

Look from the tap.

HOME

NEWS

SPORTS

AUTOS

BUSINESS

LIFE

ENTERTAINMENT

OPINION

ADVICE

MITCH ALBOM

ARCHIVES

insider

USA

Why were

Detroit Free Press
PART OF THE USA TODAY NETWORK

Search

HOME

NEWS

SPORTS

AUTOS

BUSINESS

LIFE

ENTERTAINMENT

OPINION

ADVICE

MITCH ALBOM

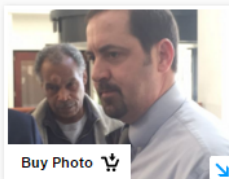
ARCHIVES

insider

USA

Water plant official: Move to Flint River 'bad decision'

Paul Egan, Detroit Free Press Lansing Bureau 9:15 p.m. EDT March 29, 2016



(Photo: Paul Egan/Detroit Free Press)

FLINT — A Flint water treatment plant official testified at a legislative hearing Tuesday he wanted to double his staff and run the plant on a test basis for six months when the city began taking its drinking water from the Flint River in 2014, but his requests were denied by the city, which was under the control of a state-appointed emergency manager.

Mike Glasgow's name is well-known to close followers of the Flint public health crisis because of the earlier release of an e-mail he sent to Michigan Department of Environmental Quality officials on April 17, 2014, saying the Flint water treatment plant was not ready to start treating Flint River water and would do so only "against my direction."

Glasgow, who was then a lab supervisor and is now the city utilities administrator



www.efcnetwork.org



UNC
ENVIRONMENTAL FINANCE CENTER



Use Visuals



Photo Source: http://www.wuc.on.ca/information/distribution.our_watermains.cfm



Talk Numbers

Annual Capital Improvement Budget for Water System	Total Value of Water System	Replacement Schedule
\$226,000	\$315,496,000	



Divine Intervention



Pope Francis Lays Hands On Ailing U.S. Infrastructure

NEWS IN BRIEF

September 25, 2015

VOL 51 ISSUE 38

News · Religion · World
Leaders · Pope



NEW YORK—Treating the frail, long-overlooked structures with an unparalleled display of compassion, Pope Francis reportedly inspired a crowd of onlookers Friday by laying his hands upon the ailing United States infrastructure. “My heart just melted when I watched the pope



ONION VIDEO



www.efcnetwork.org



UNC
ENVIRONMENTAL FINANCE CENTER



But how is this happening at water systems today? What is working well, and what is not?



Communicating a Rate Case:

2014 Survey on Water System Rate Communication



Leaders at the Core of Better Communities



UNC
ENVIRONMENTAL
FINANCE CENTER



www.efcnetwork.org



UNC
ENVIRONMENTAL FINANCE CENTER



Methodology

	Chief Administrative Officers	Chief Elected Officials
Matched surveys sent	5,750 (4,439 cities; 1,311 counties)	5,750 (4,439 cities; 1,311 counties)
Surveys returned	2,110	781
...from local governments that manage and set rates for water systems	1,408	329
Matched Sets from Same Local Government	202	

Survey was administered by ICMA from May through August 2014



Survey Objective

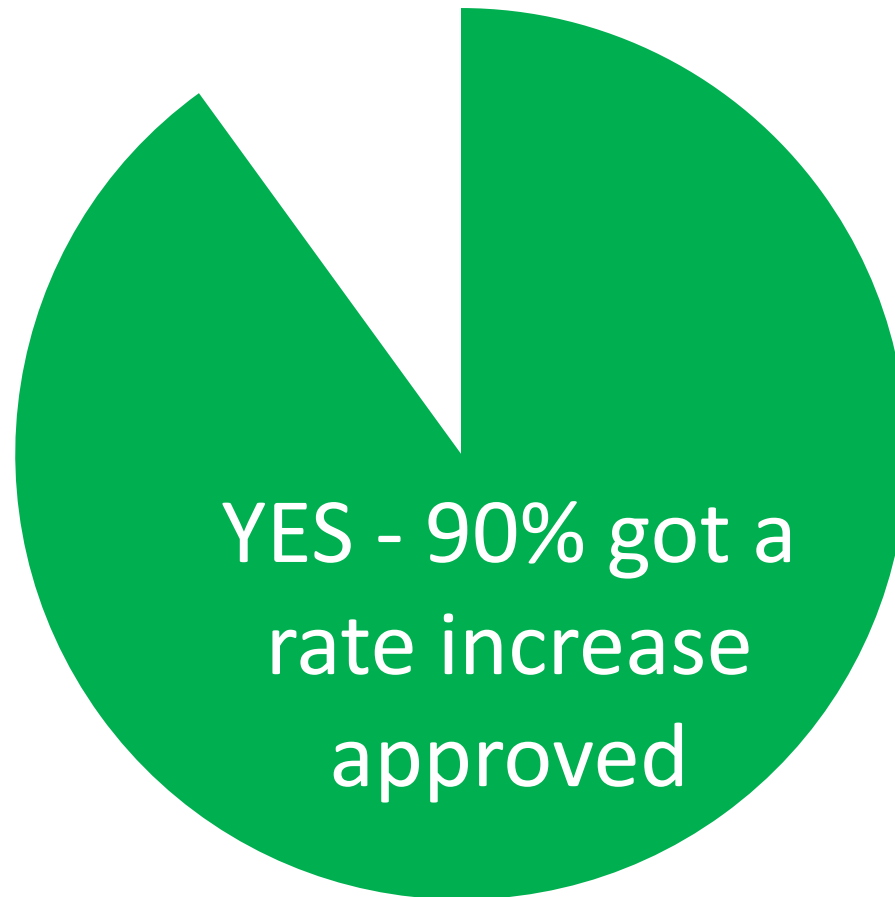
Identify the:

- Most important factors and information shared regarding the most recent rate increase request
- Most effective methods of communicating the need for the rate increase



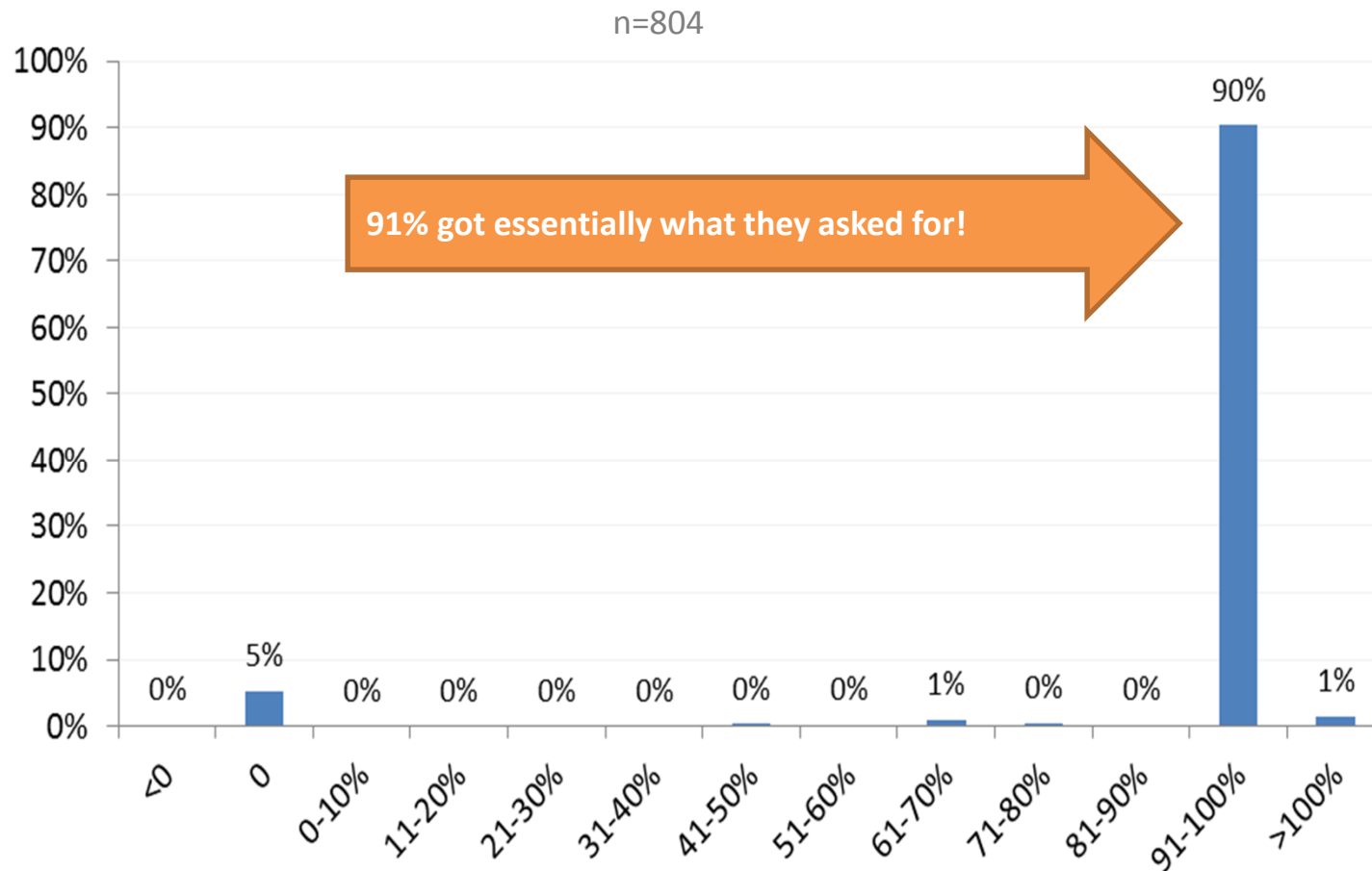
Are rates getting approved?

n=1,330





What was approved vs. what was requested?



When single request was made (n=806)

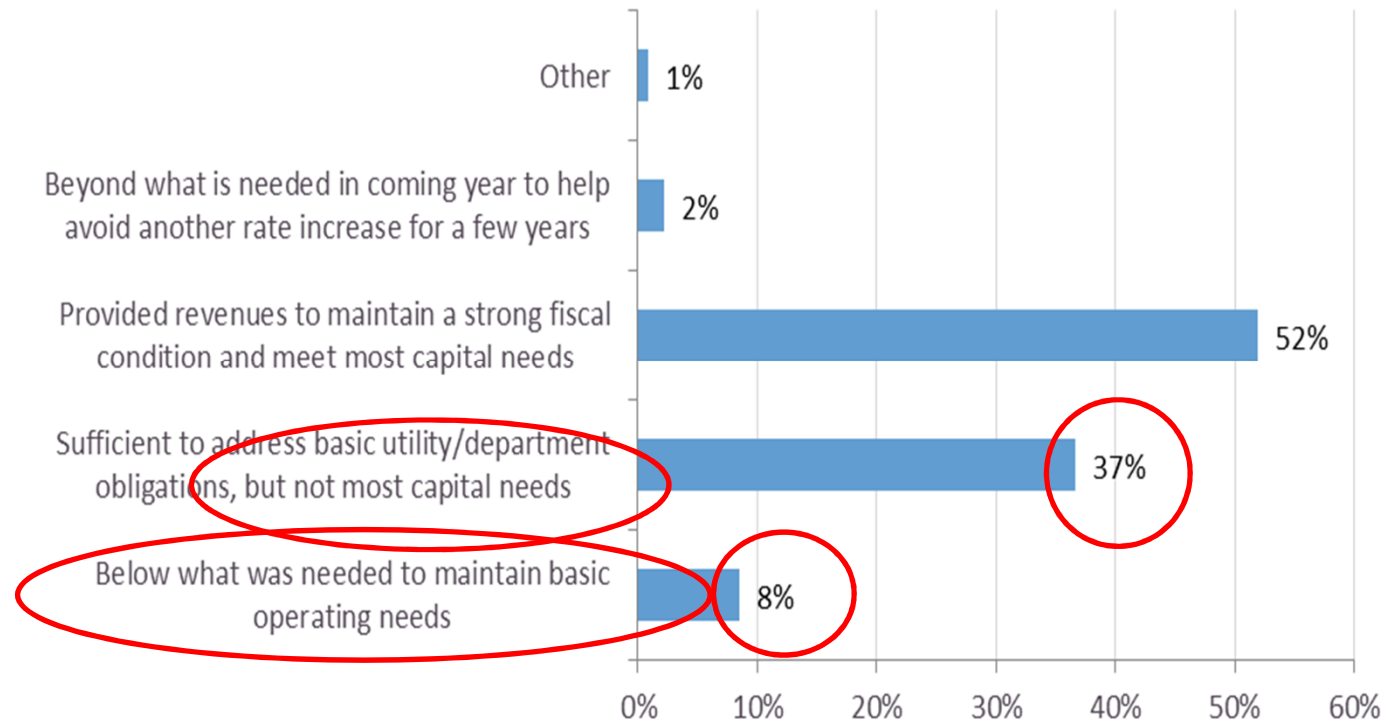
*Summary Statistics



But...did they ask for enough?

In your professional opinion, which statement below best describes the water rate increase that was proposed to the local government governing body for approval?

n=1,349





Some Key Factors

- Trust (Working Relationship)
- Information Conveyed
- Public Involvement



Trust (Working Relationship)

According to administrative officers, the working relationship with the governing body is not related to:

- The size of the governing body
- Whether or not a rate adjustment was approved by the governing body



Trust (Working Relationship)

But...the administrative officers with better working relationships with the governing board were:

- More likely to request higher rate increases
- More likely to request full-cost-recovery rate increases

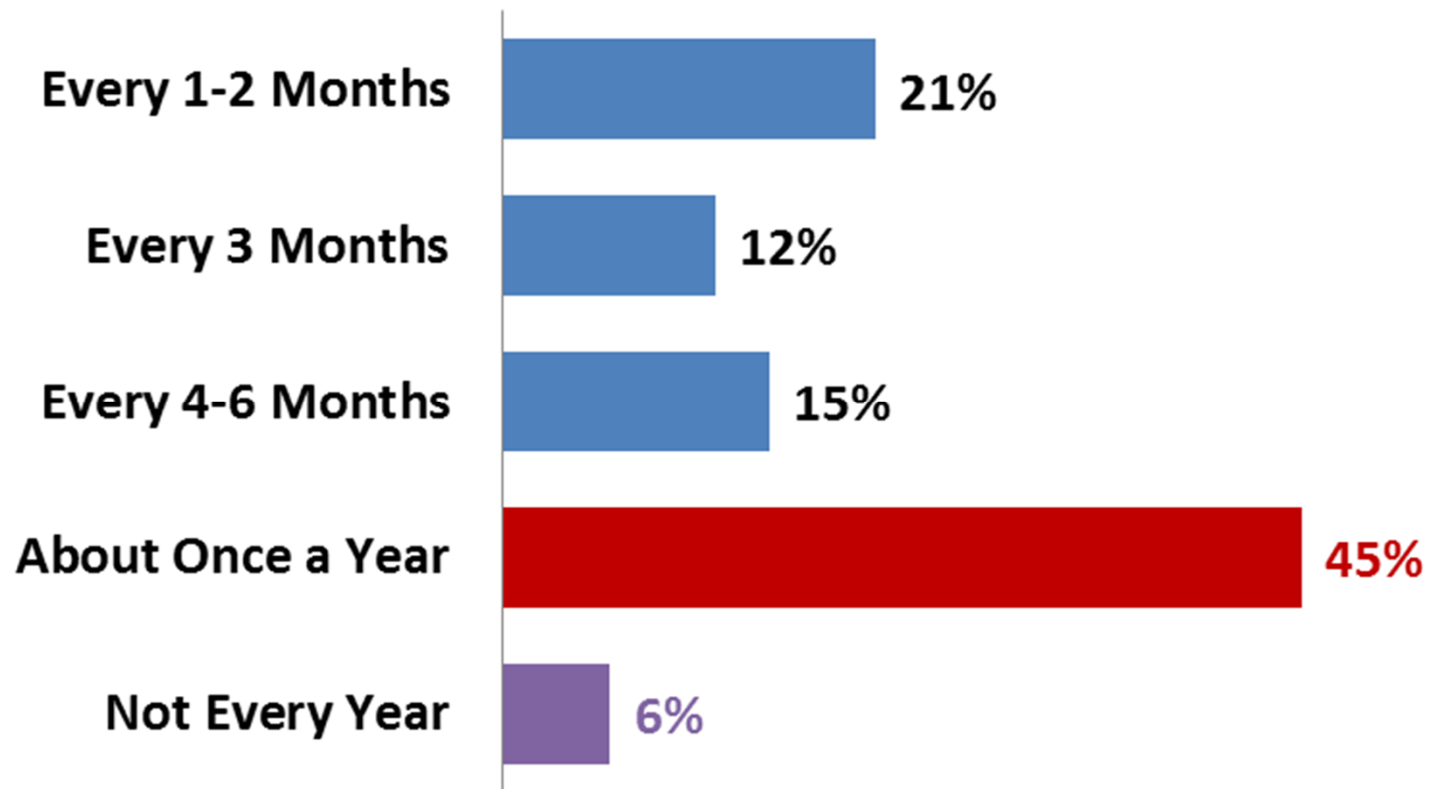


Trust (Working Relationship)

- According to elected officials, **more frequent communication** and **effective communication** are directly related to a good working relationship



The full governing body typically meets with staff **once a year** or less





Information Conveyed to Governing Boards

Description	Utility Interviewed									
	1	2	3	4	5	6	7	8	9	10
1. How much the average bill would change	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. How changing circumstances affects finances	✓	✓	✓	✓	✓	✓	✓	✓	✓	
3. Anticipated capital expenses	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. The financial condition of the water utility	✓	✓	✓	✓	✓		✓	✓	✓	✓
5. The physical condition of the water utility	✓				✓			✓	✓	
6. How proposed rates compare to customer incomes	✓							✓		✓
7. Comparisons of rates with other utilities	✓	✓	✓	✓	✓		✓	✓		
8. Bond covenants	✓	✓	✓	✓	✓			✓	✓	
9. Multiple rate scenarios				✓			✓			✓
10. Projected impact of rate adjustments on demand							✓		✓	
11. Previous history of water rate adjustments	✓	✓			✓				✓	
12. Rate adjustments needed in the next few years	✓	✓			✓		✓		✓	✓
13. Comparisons of rate adjustments with other services	✓			✓			✓			
14. Initiatives that improve efficiency				✓			✓	✓	✓	✓
15. Customer satisfaction surveys					✓			✓		✓



Information Conveyed to Governing Boards

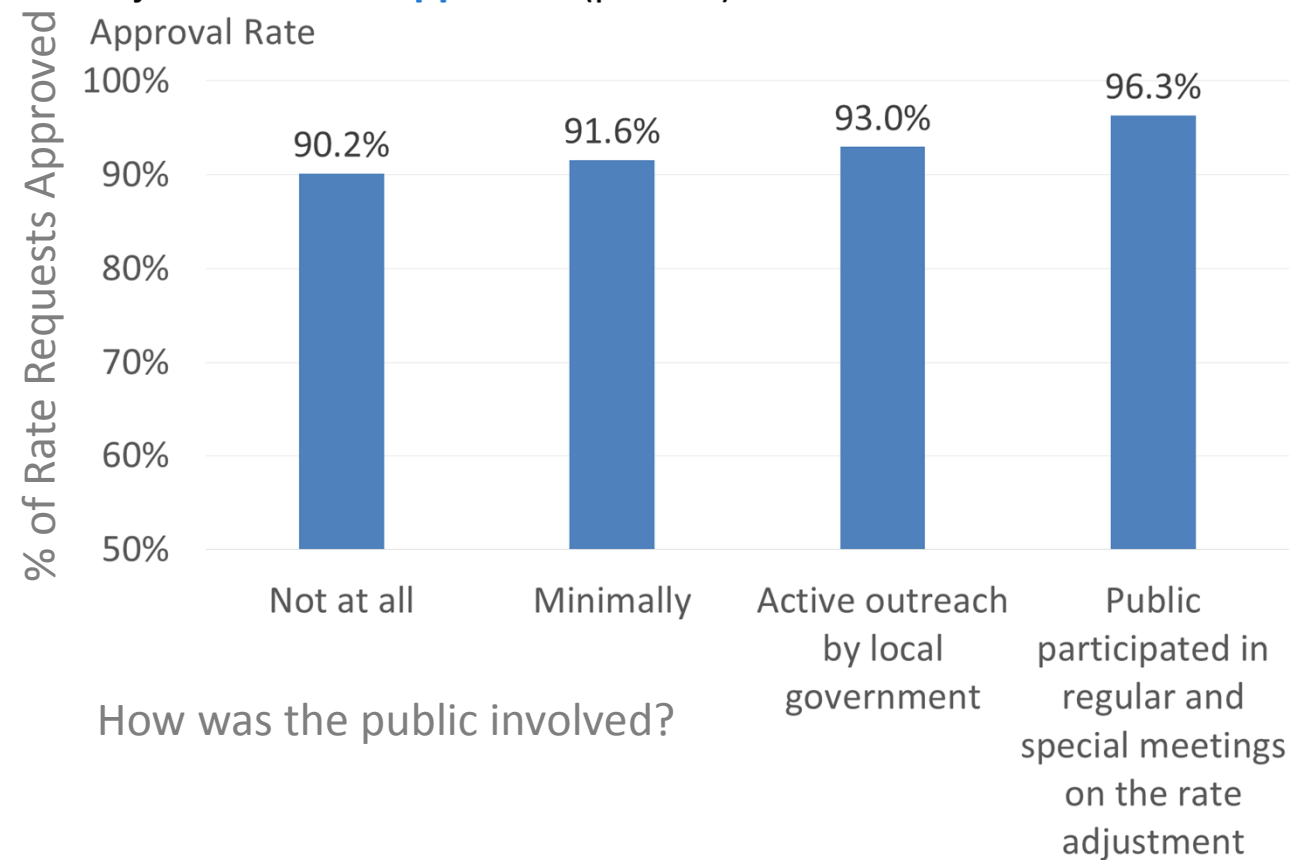
Description	Utility Interviewed									
	1	2	3	4	5	6	7	8	9	10
1. How much the average bill would change	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. How changing circumstances affects finances	✓	✓	✓	✓	✓	✓	✓	✓	✓	
3. Anticipated capital expenses	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. The financial condition of the water utility	✓	✓	✓	✓	✓		✓	✓	✓	✓
5. The physical condition of the water utility	✓				✓			✓	✓	
6. How proposed rates compare to customer incomes	✓							✓		✓
7. Comparisons of rates with other utilities	✓	✓	✓	✓	✓		✓	✓		
8. Bond covenants	✓	✓	✓	✓	✓			✓	✓	
9. Multiple rate scenarios				✓			✓			✓
10. Projected impact of rate adjustments on demand							✓		✓	
11. Previous history of water rate adjustments	✓	✓			✓				✓	
12. Rate adjustments needed in the next few years	✓	✓			✓		✓		✓	✓
13. Comparisons of rate adjustments with other services	✓			✓			✓			
14. Initiatives that improve efficiency				✓			✓	✓	✓	✓
15. Customer satisfaction surveys					✓			✓		✓

Highlighted were reported by Governing Boards as most helpful.



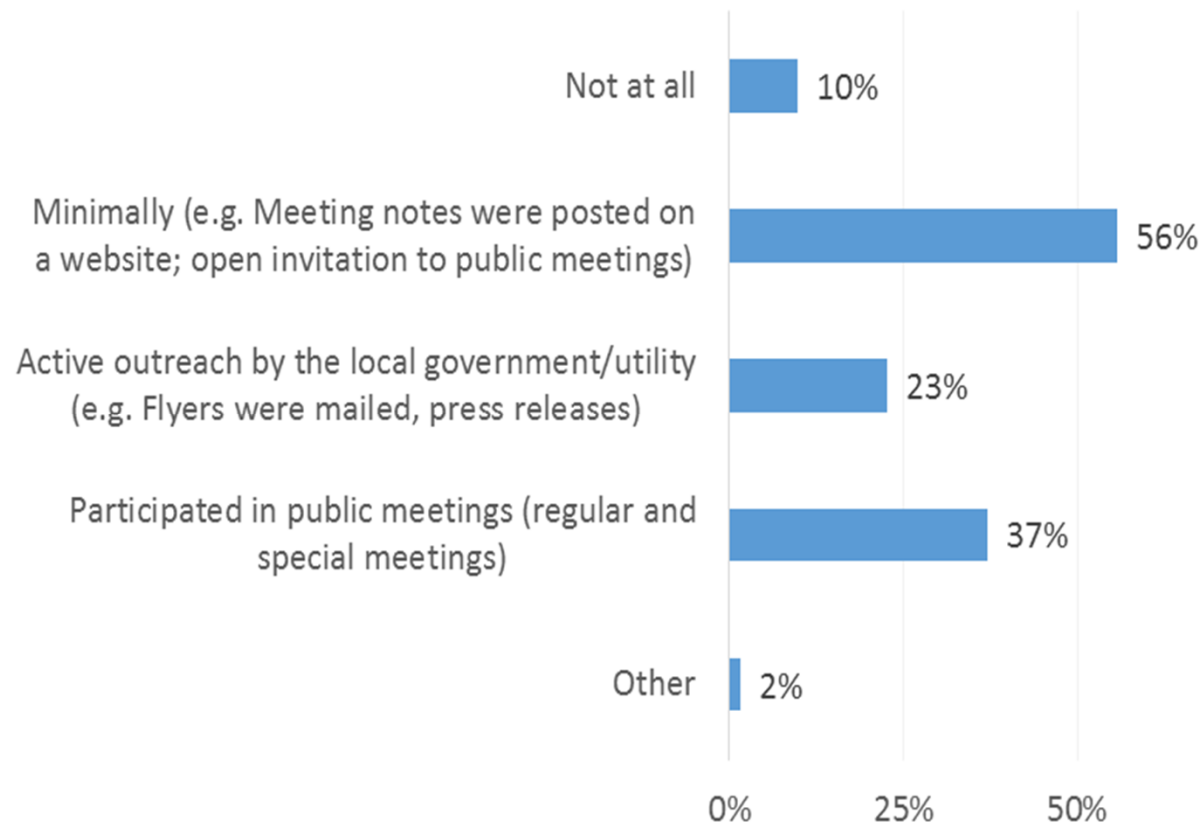
Public Involvement

The **more the public was involved**, the more likely the rate adjustment was **approved** ($p < 0.01$)





Public Involvement



How the public was involved?
(n=1,364)

When the public was involved, the system was 20% more likely to request a higher rate increase



The Bottom Line

Water systems are getting rate approvals, but effective and frequent communication about salient issues, along with public involvement, can make the difference in getting the rates systems need to cover capital costs.





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!

Glenn Barnes

Environmental Finance Center

University of North Carolina at Chapel Hill

919-962-2789

glennbarnes@sog.unc.edu



www.efcnetwork.org



UNC
ENVIRONMENTAL FINANCE CENTER