



Smart Management for
Small Water Systems

Setting the Right Rates for Your Water System

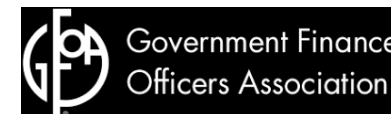
Pembroke, NH
April 9, 2019



UNC
ENVIRONMENTAL
FINANCE CENTER



NADO
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS
RESEARCH FOUNDATION



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Housekeeping



CEU Certificates

If you need a CEU certificate, you will need to confirm the following on the roster today before you leave:

- Is your name spelled correctly?
- Did you provide an email address UNIQUE TO YOU? A unique email address is required to receive your certificate.
- Did you mark the checkbox that you need a certificate?

Within 30 days of the training, you will receive an email with instructions to print your certificate. Emails from EFCN may be blocked or go to your Junk mail. To avoid this issue, add Smallsystem@syr.edu to your email Contacts or check your Junk mail frequently.

EFCN will apply to the water operator state licensing agency for CEU preapproval when applicable. You may be awarded CEUs by your agency. It is your responsibility to confirm with the agency that training meets relevancy criteria established for your license type as some agencies may not apply CEUs to your license if the training topic is not relevant to your position.

EFCN follows the IACET Standard of CEU calculation.

0.1 CEU = 1 Contact Hour or 1 Professional Development Hour

Questions? Please contact Smallsystem@syr.edu



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 Small Systems Program Team

- Environmental Finance Center at The University of North Carolina at Chapel Hill
- Southwest Environmental Finance Center at the University of New Mexico
- Syracuse University Environmental Finance Center
- Environmental Finance Center at Wichita State University
- EFC West
- Environmental Finance Center at the University of Maryland
- New England Environmental Finance Center at the University of Southern Maine
- Great Lakes Environmental Infrastructure Center
- Government Finance Officers Association (GFOA)
- National Association of Development Organizations (NADO)



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



Supporting fair, effective, and financially sustainable delivery of environmental programs through:

- Applied Research
- Program Design and Evaluation
- Teaching and Outreach
- Advising
- Policy Analysis

How you pay for it matters

Environmentalfinance.org





Quick Introductions

1. Name, organization, title?
2. What are you most proud of at your water system?
3. What is your biggest issue?
4. What was your first car?



Infrastructure Funding Programs



40 Years



Building Better Neighborhood





Agenda

- Infrastructure funding programs
- Rate setting objectives
- Calculating costs for your water system
- Setting rates that cover the full cost of operations
- Communication techniques (Do's and Don'ts)



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



Are our
rates right?



It depends...





Rates that are Right Can

- A. Provide adequate funds to support public health
- B. Provide adequate funds to support environmental protection
- C. Support local and state policies and objectives
- D. Communicate in a certain way with customers
- E. Allocate costs in an intentional and fair way



Path Towards Financial Sustainability

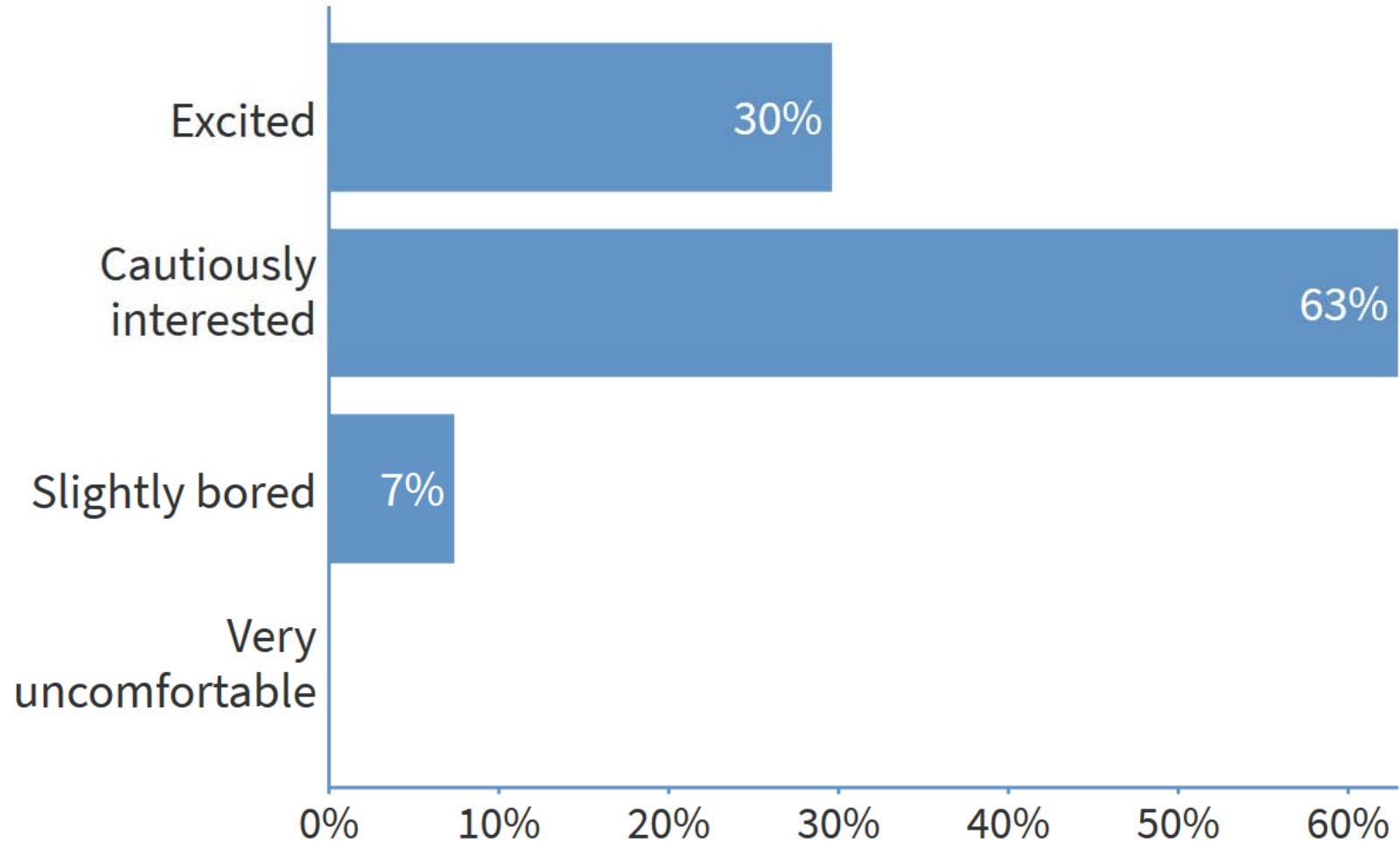
- Get to know your assets and financial condition
- **Establish your priorities and goals**
- **Identify your “true”, “full”, or “fuller” costs**
- **Get to know your customers (usage, characteristics)**
- Consider future scenarios and changes
- **Establish rates (rate structure and prices)**
- Repeat as often as necessary.....

What word or phrase comes to mind when you hear water rates?



Thinking about spending all day learning about water rates makes me?

When poll is active, respond at **PollEv.com/uncefc**





What type of system are you?

- A. Local Government
- B. Non-Profit
- C. For-Profit
- D. Other
- E. Not a System



How many people do you serve?

- A. Up to 500
- B. 501 to 3,000
- C. 3,001 to 10,000
- D. More than 10,000
- E. Not a System



What is your background?

- A. Science/Engineering
- B. Law
- C. Finance
- D. Management
- E. English
- F. Other

How happy are you with your rates today?

Not at all -- they
need some work

Not so much

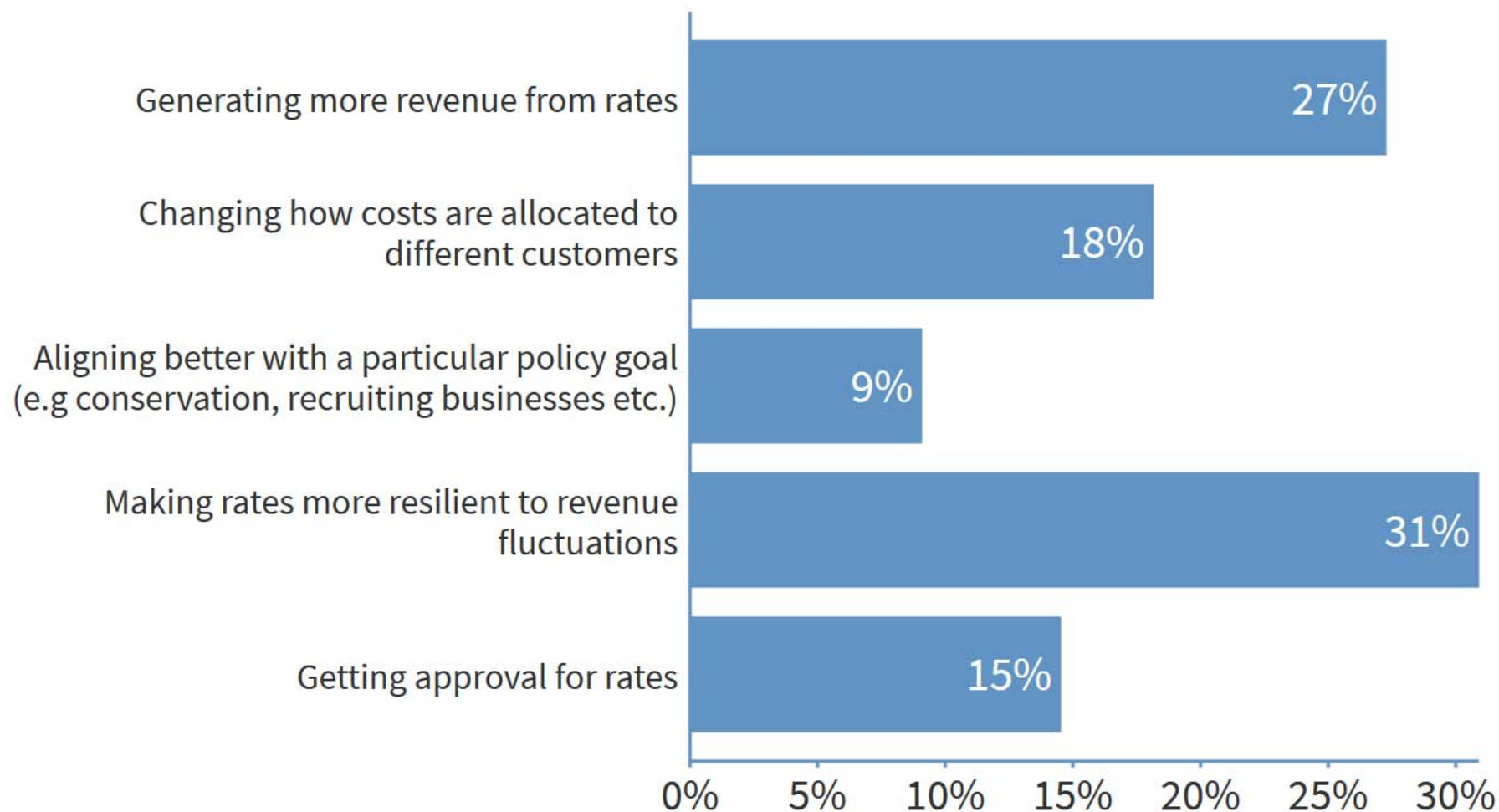
Neutral

Somewhat

Extremely happy

Areas of rate setting that you want to work on the most (select up to 2)

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Rate Setting Objectives



Session Objectives

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

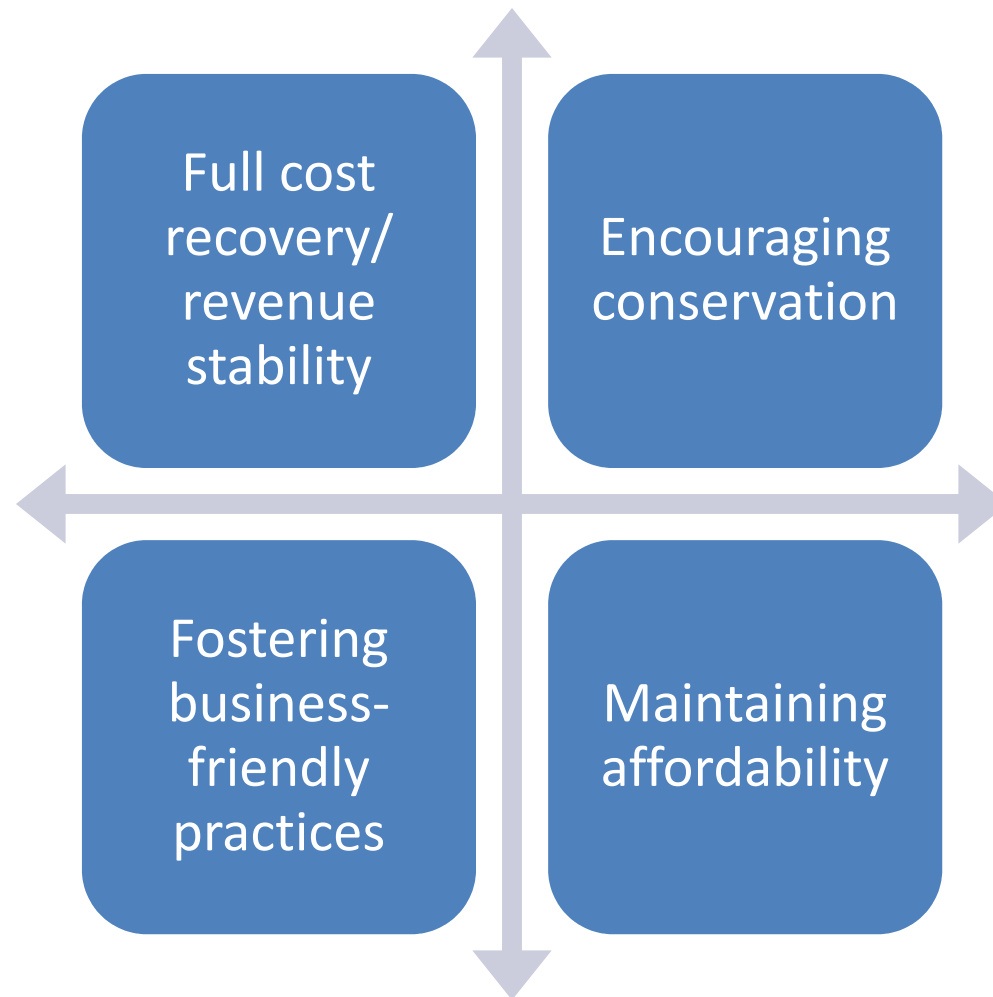


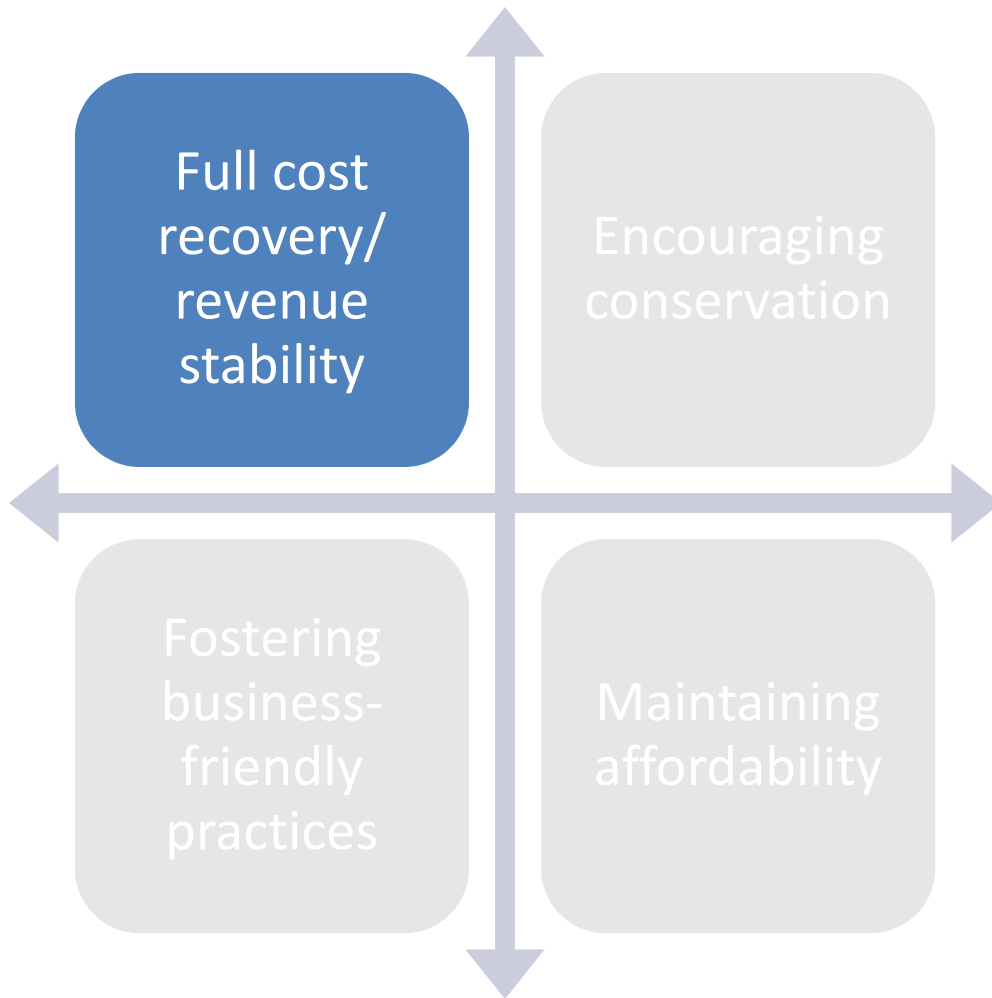
Rates that aren't Right Can

- A. Provide **inadequate** funds to support public health
- B. Provide **inadequate** funds to support environmental protection
- C. **Contradict** local and state policies and objectives
- D. Communicate in a certain **undesirable** way with customers
- E. Allocate costs **unfairly**



Water System Objectives





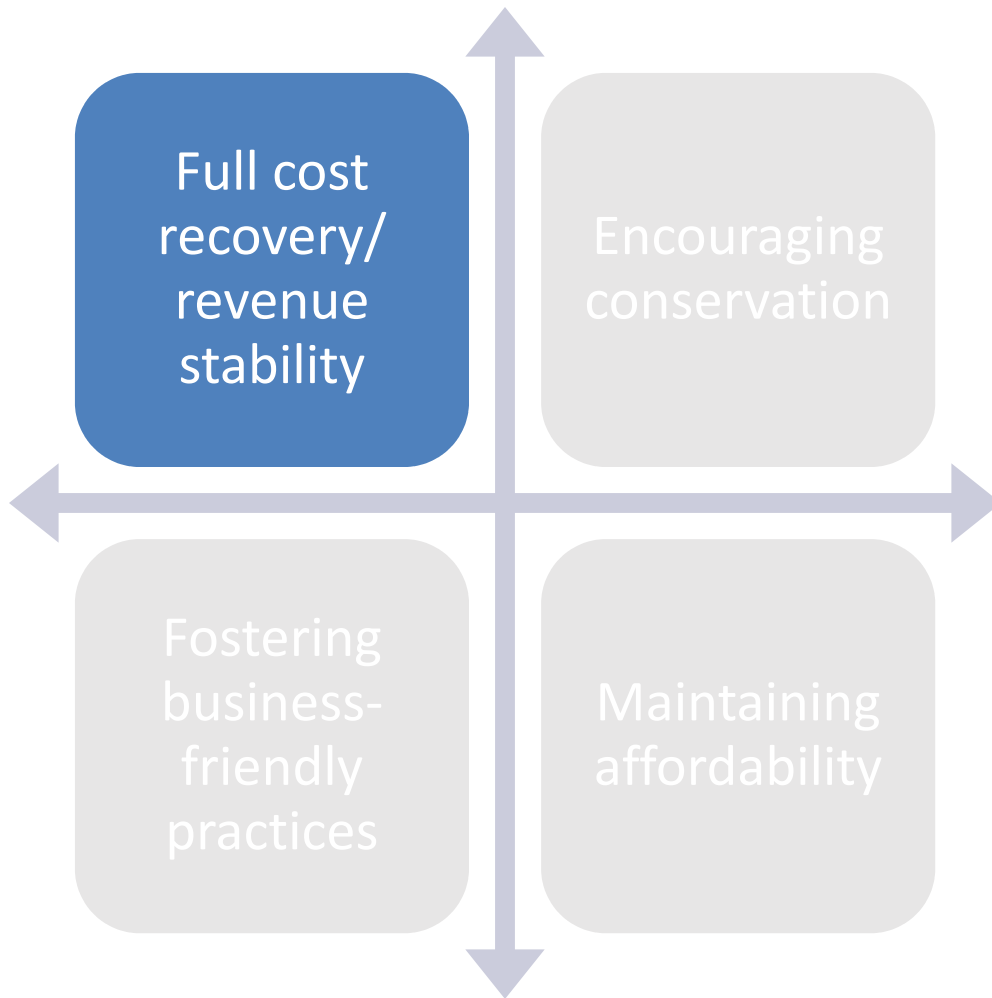
Bring in enough revenue to cover the full cost of running the water system:

- O&M
- Capital needs
- Debt service

Why do this?



Important to your
water system?

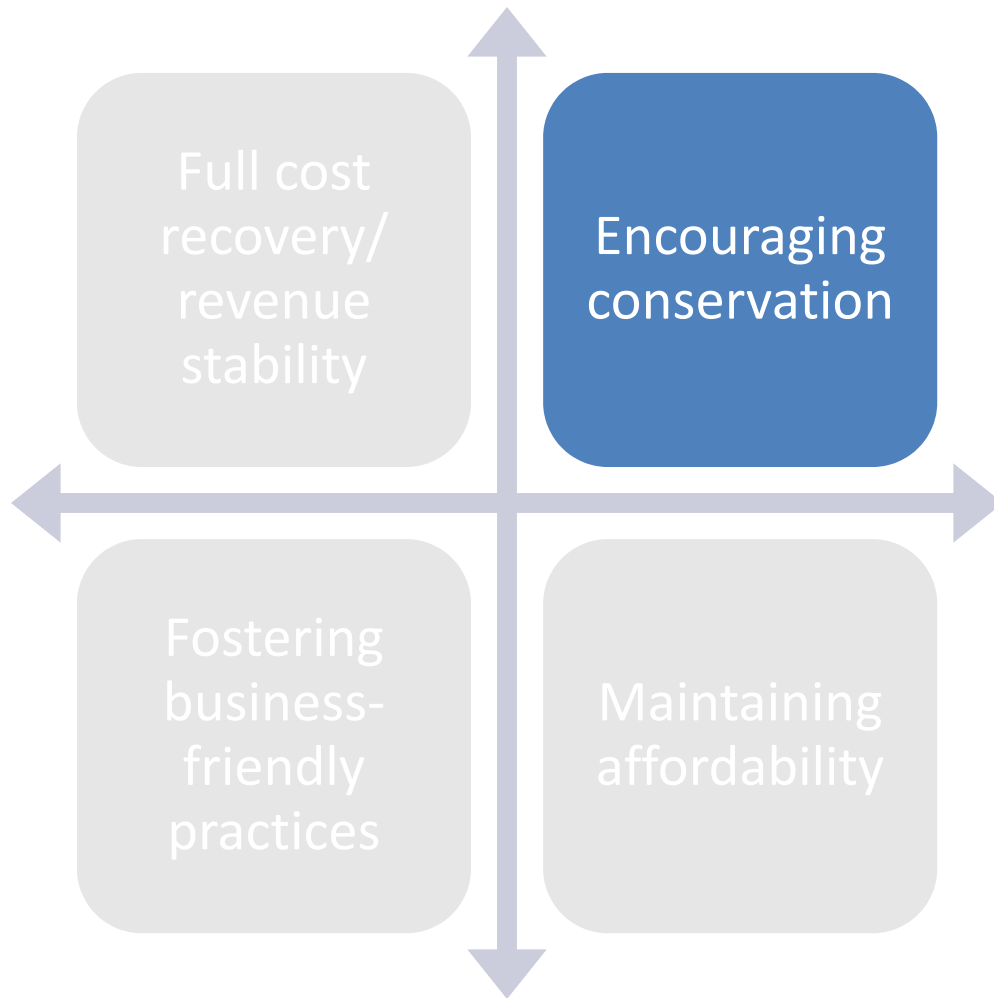


A.
Yes

B.
No



Important to your
water system?

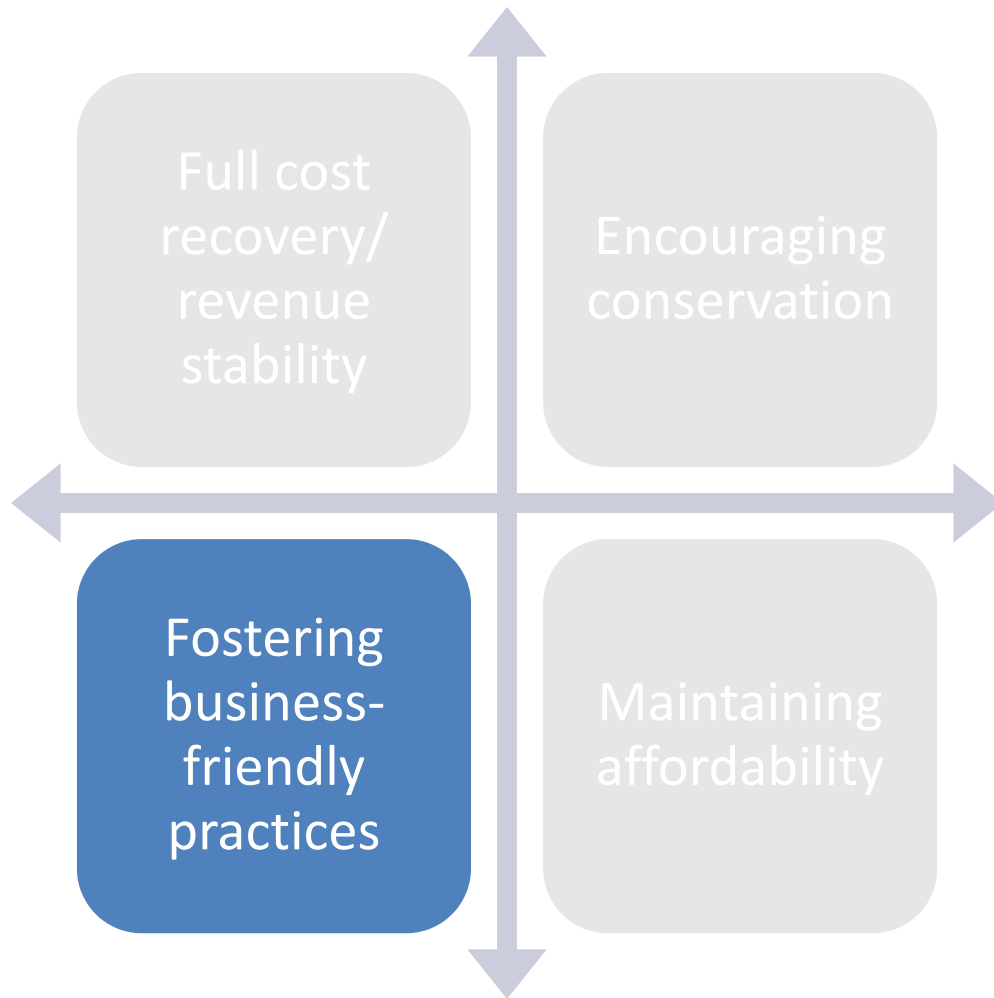


A.
Yes

B.
No



Important to your
water system?

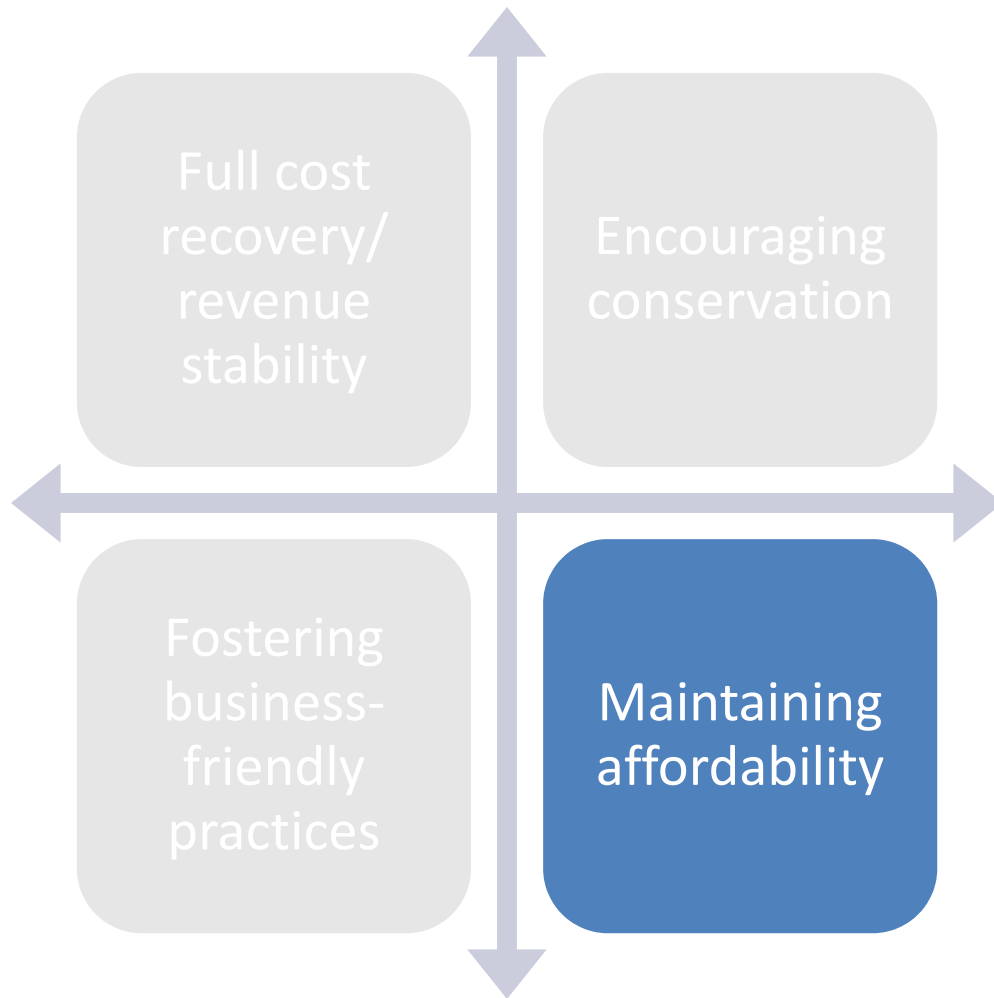


A.
Yes

B.
No



Important to your
water system?



A.
Yes

B.
No



How would you describe customer affordability in your service area?

Dominates
discussions and
decisions

Serious

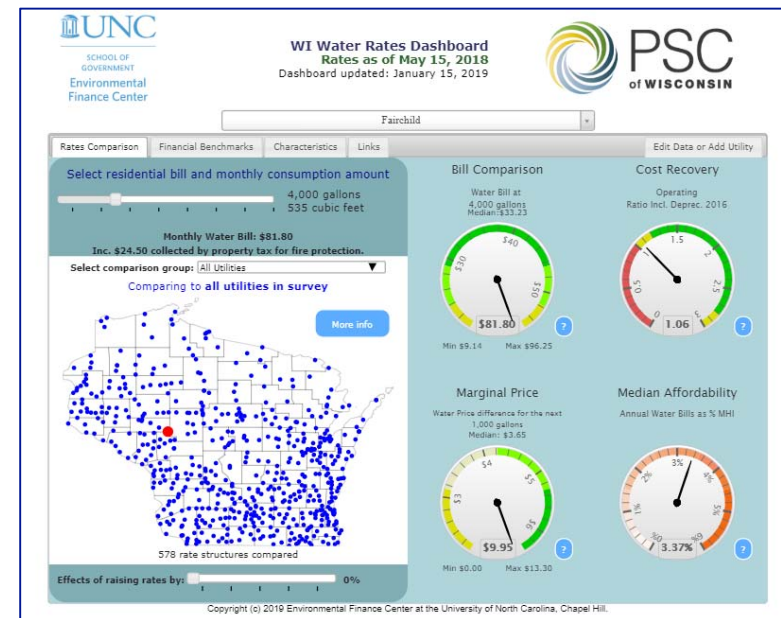
Moderate

Not much of a
problem



Potential indicators of financial stress

- Poverty rates
- Income distribution
- Unemployment
- Senior citizens on fixed income



	Fairchild village	Median for all utilities in survey
Number of Systems	1	578
Est. Number of Connections	217	652
Est. Service Population	564	1,496
Operating Revenue	\$129,102	\$356,652
Operating Expense	\$121,625	\$293,361
Current Assests	\$2,738	\$497,049
Average Household Size	2.26	2.37
Median Household Income	\$29,097	\$48,534
Poverty Rate	21.65%	11.66%

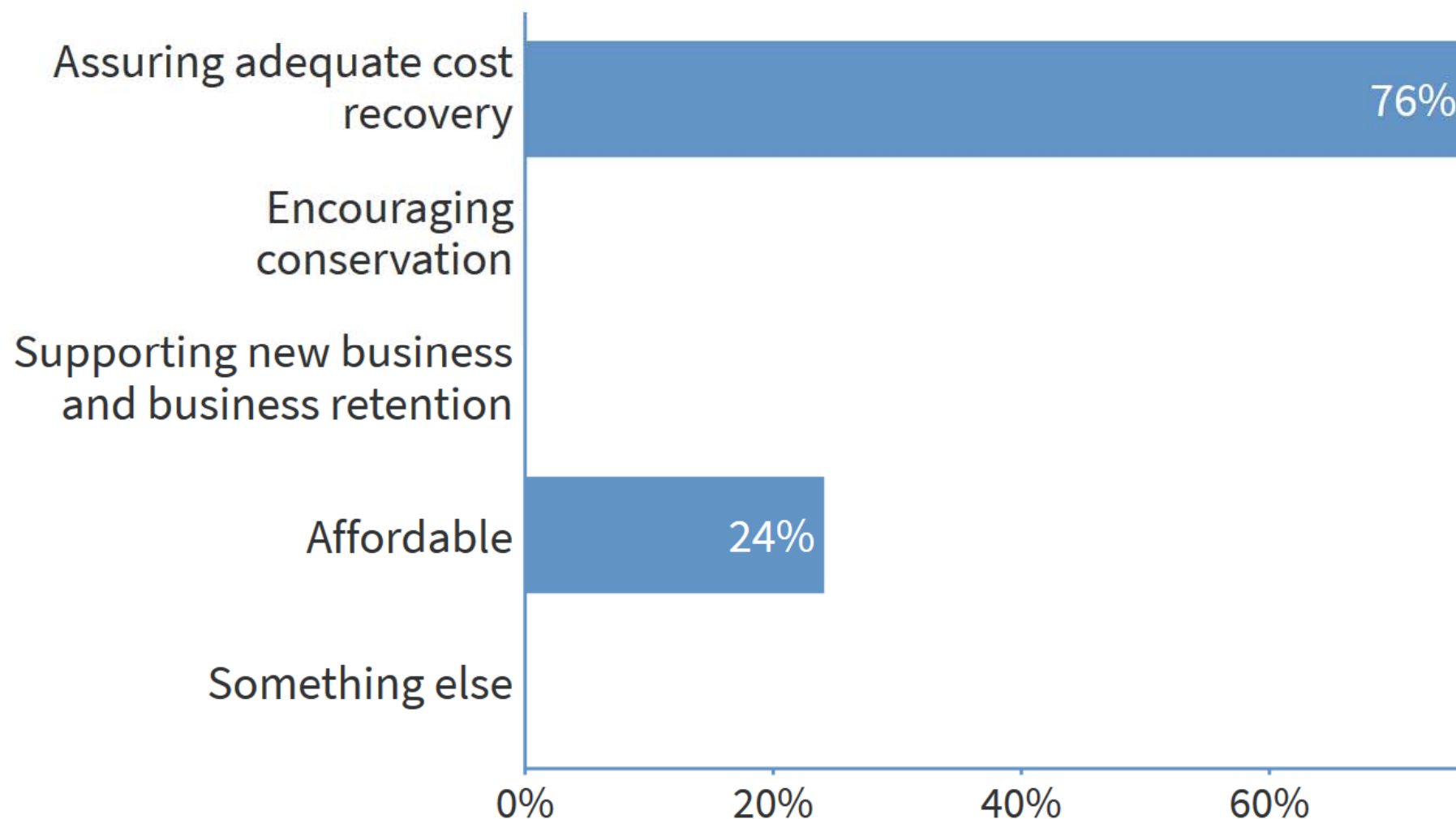


Other Common Objectives

- Keep it simple
- Charge seasonal customers fairly
- Maintain steady cash flow
- ?
- ?

What of these objectives is most important to you today?

📱 When poll is active, respond at **PollEv.com/uncefc** 📱 Text **UNCEFC** to **22333** once to join



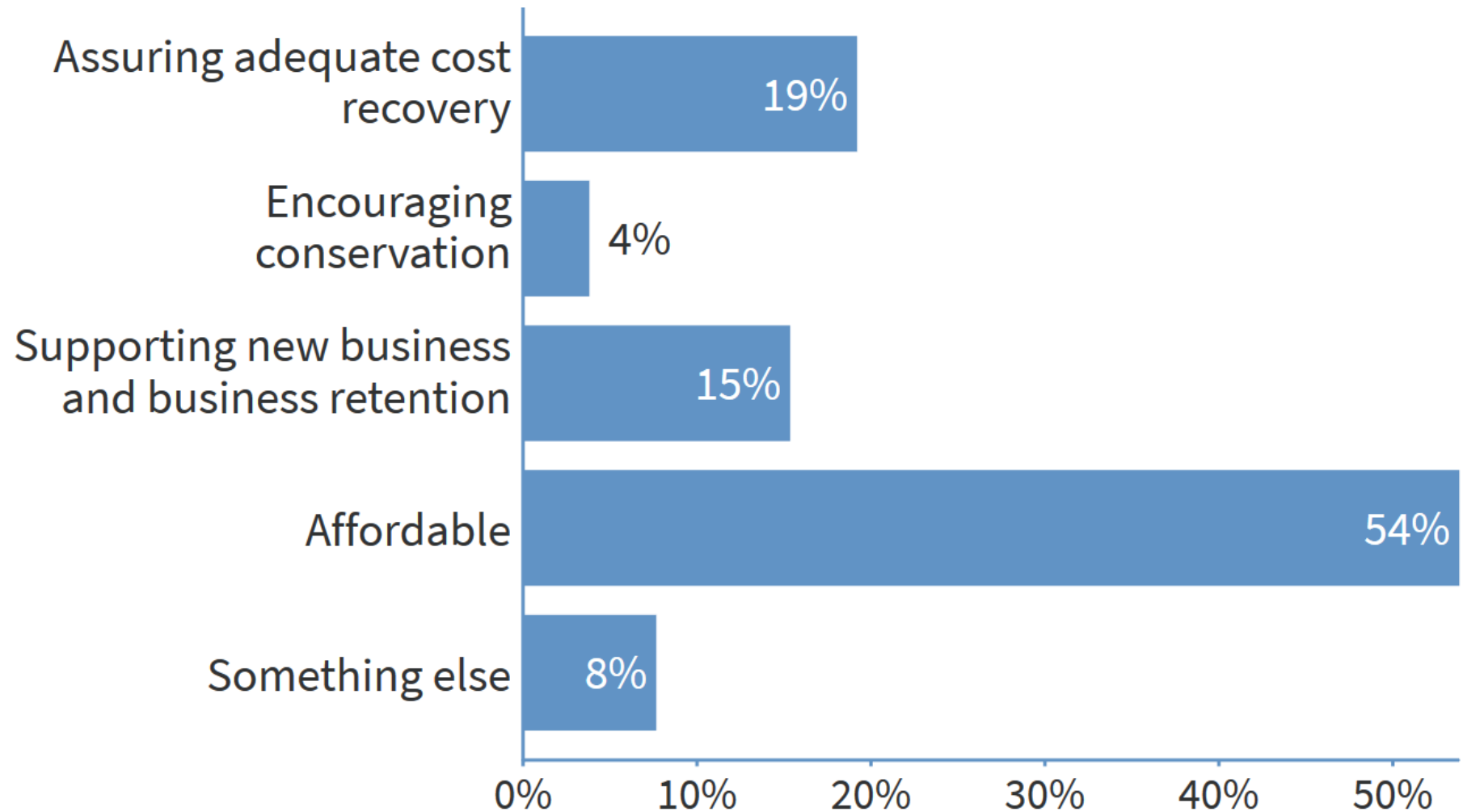
What of these objectives is the second most important to you today?



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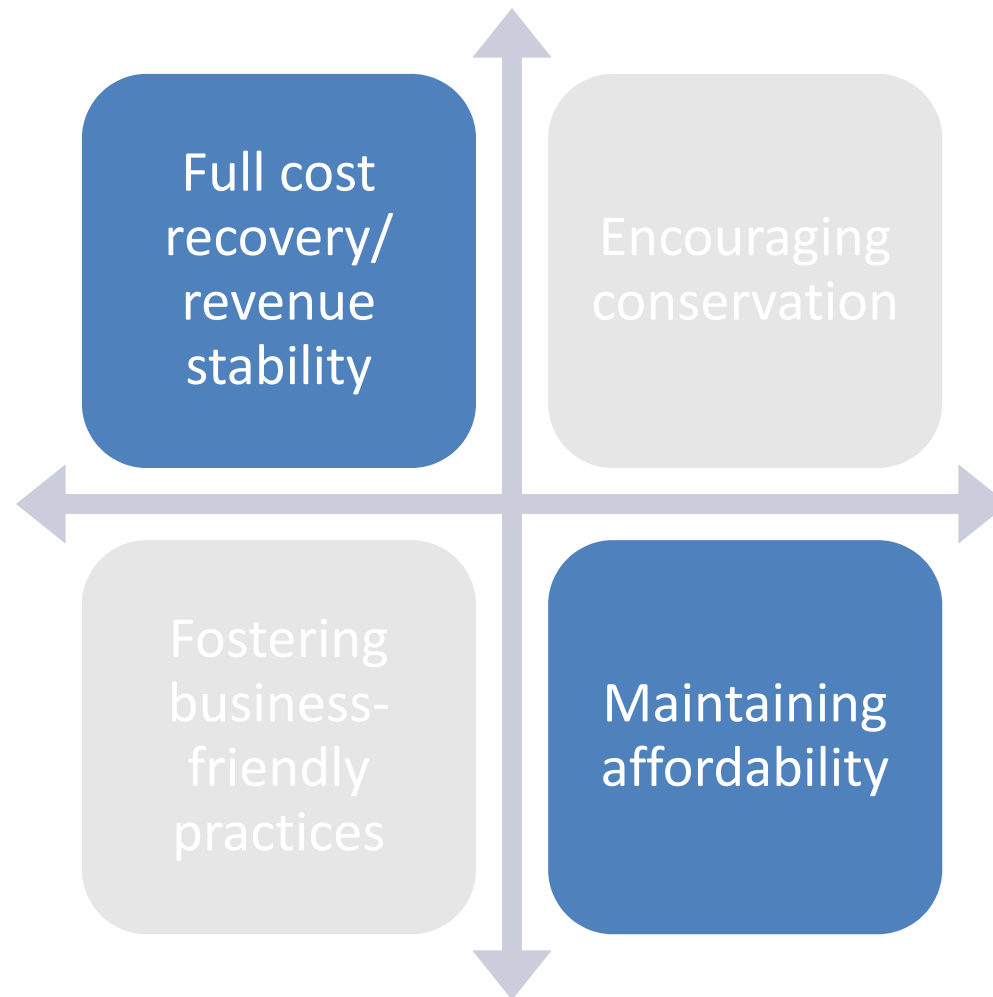


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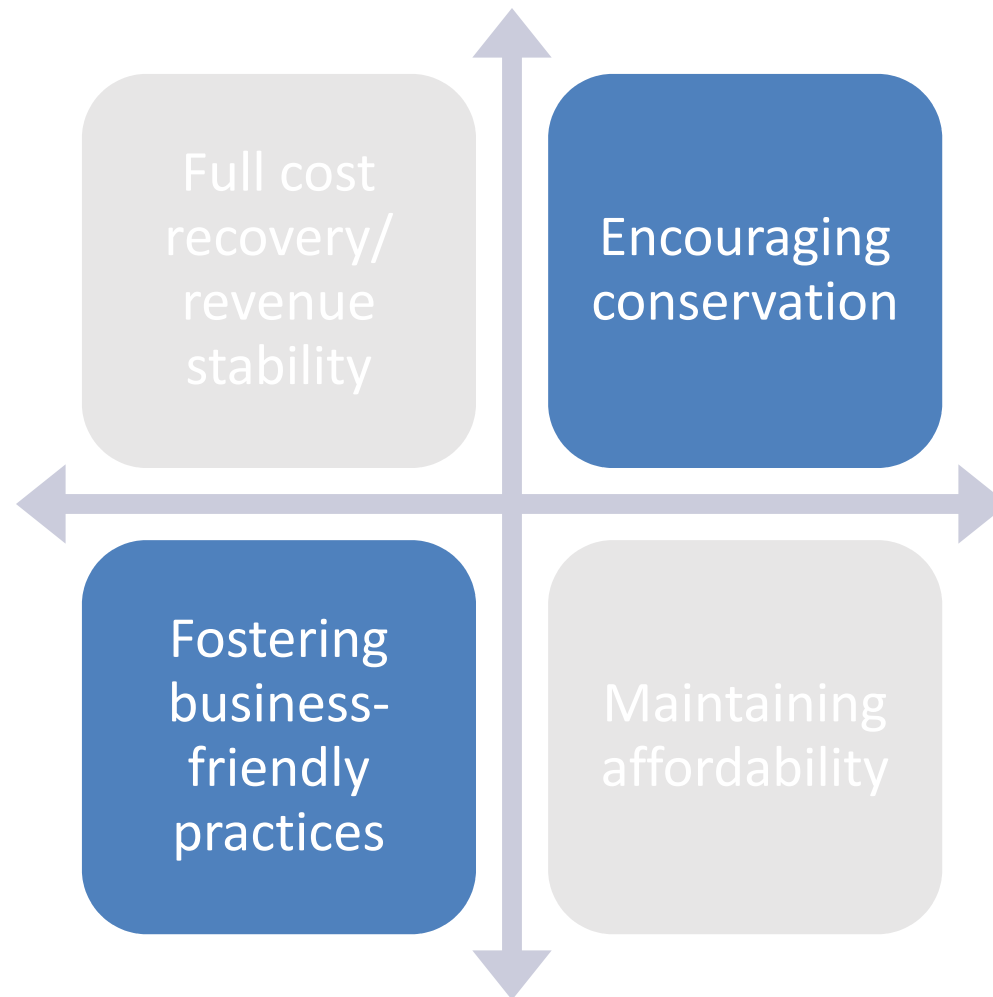


Competing Objectives



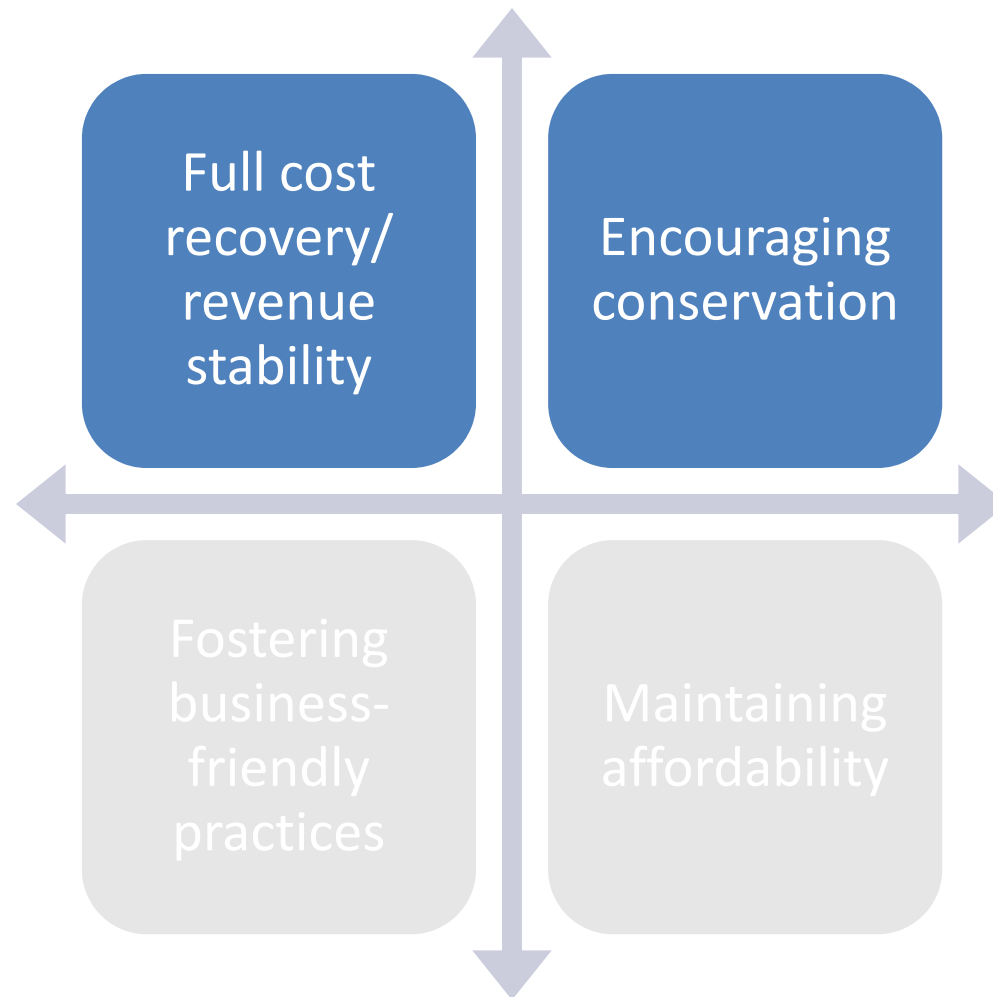


Competing Objectives





Competing Objectives





Revenue Stability vs Conservation

