

EPA Region 4 Finance Forum

Water Rate Setting and Long Term Fiscal Planning for Small Water Systems

Florence, AL
July, 26 2017



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Rates!!!!!!

Jeff Hughes



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Session Objectives

- Share experiences and practices prevalent among participants and utilities throughout the region
- Identify strategies for improving fairness and financial sustainability of rates

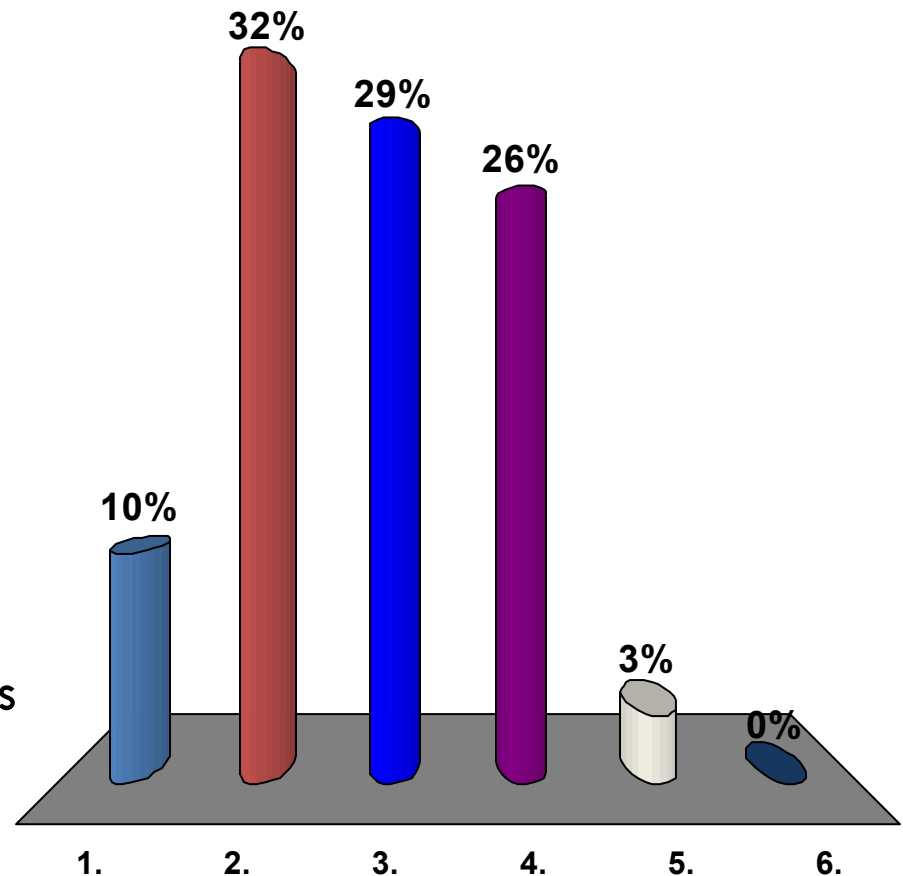
What is biggest challenge to setting rates in your utility? (2016 participants)

1. Falling consumption trends/
difficulty with projections
2. Governing board's
unwillingness to raise rates
3. Communities ability to pay
more for water and
wastewater service
4. Pressure to keep rates
comparable to other water
utilities
5. Rising cost of other
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6. Other?



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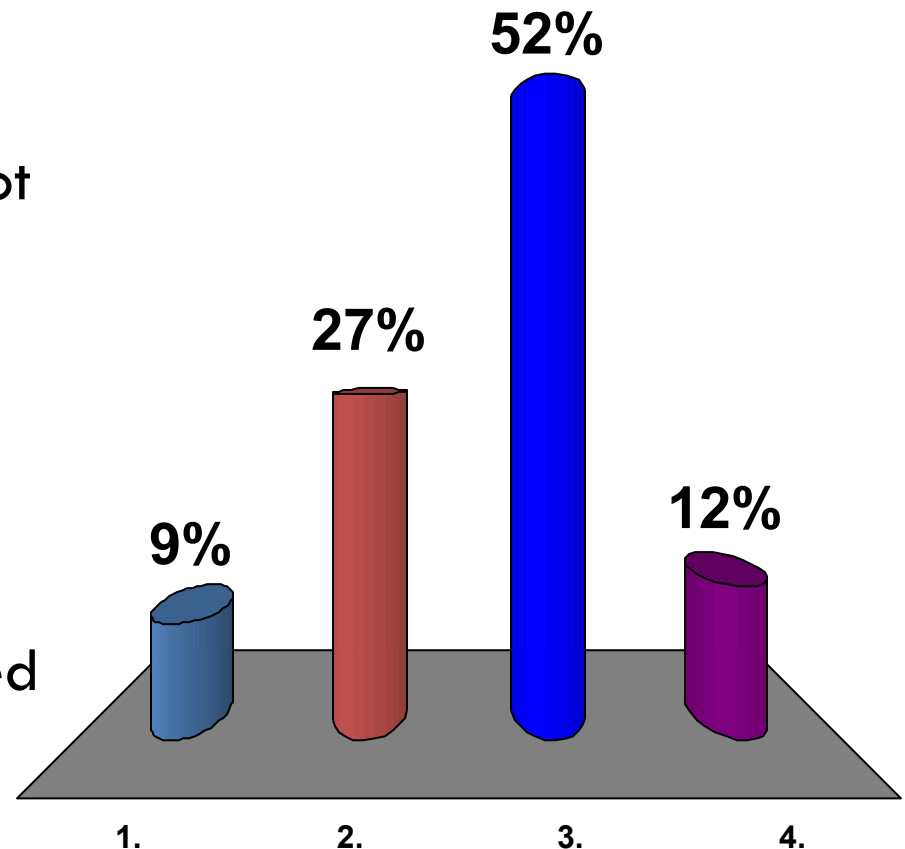


How satisfied are you with the rates you have today? (2016 participants)

1. Not at all – need an overhaul
2. Not very – they need a lot of work
3. **Somewhat – tweaks needed**
4. Very – no changes needed

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True or False?

1. Rates generate revenue to protect public health and the environment
2. Rates allocate costs among customers
3. Rates support (or hinder) key community objectives
4. Implementing sustainable rates is easy



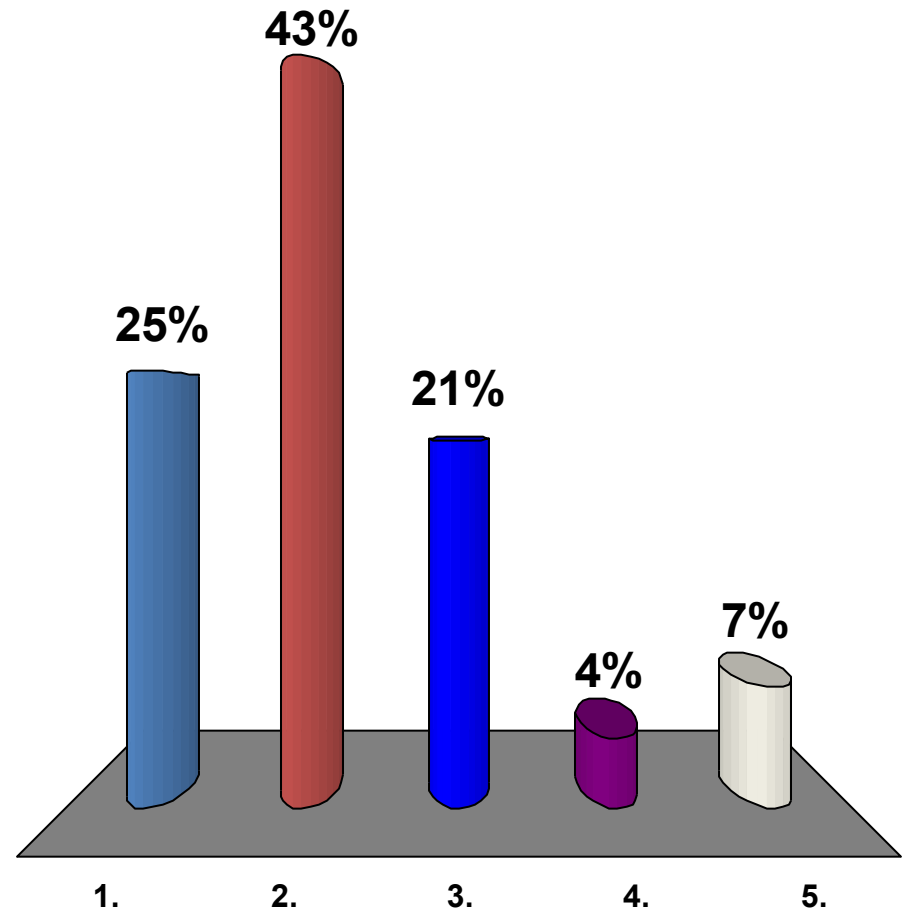
Anticipated rate increase request for next year

1. No change
2. 0 to 2.99%
3. 3 to 5.99
4. 6 to 9.99
5. 10 or above



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THE AL RATES DASHBOARD





West Lauderdale County Water and Fire Protection Authority

Rates Comparison | Financial Benchmarks | Characteristics | Links | Edit Data or Add Utility

Select residential bill and monthly consumption amount

Water Bill Sewer Bill Water + Sewer Bill



Monthly Water Bill: \$17.00

All-SEC average 2015 football ticket price: \$72.38



Select comparison group: All Utilities

Comparing to all utilities in survey



464 rate structures compared

Effects of raising rates by: 0%

Bill Comparison

Water Bill at
0 gallons
Median: \$18.36



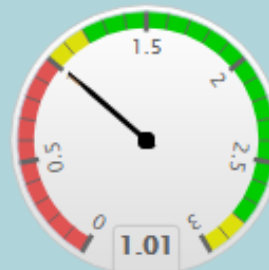
Conservation Signal

Water Price/1,000 gallons, after
10,000 gallons
Median: \$4.35



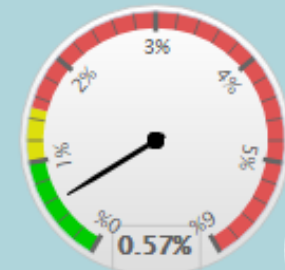
Cost Recovery

Operating
Ratio Incl. Deprec. 2015



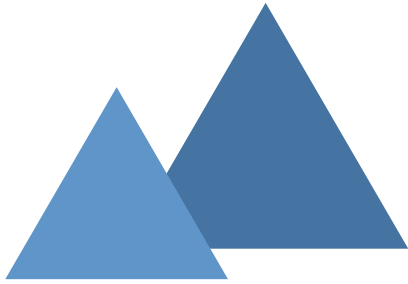
Affordability

Water Bills as % MHI

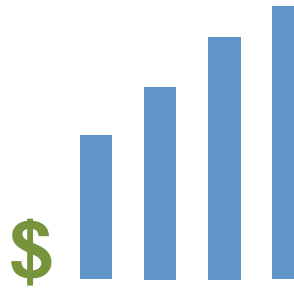


Rates Dashboard

Compare utilities by...



Size



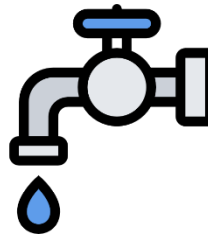
Rate Structure



Location



Demographics



Source

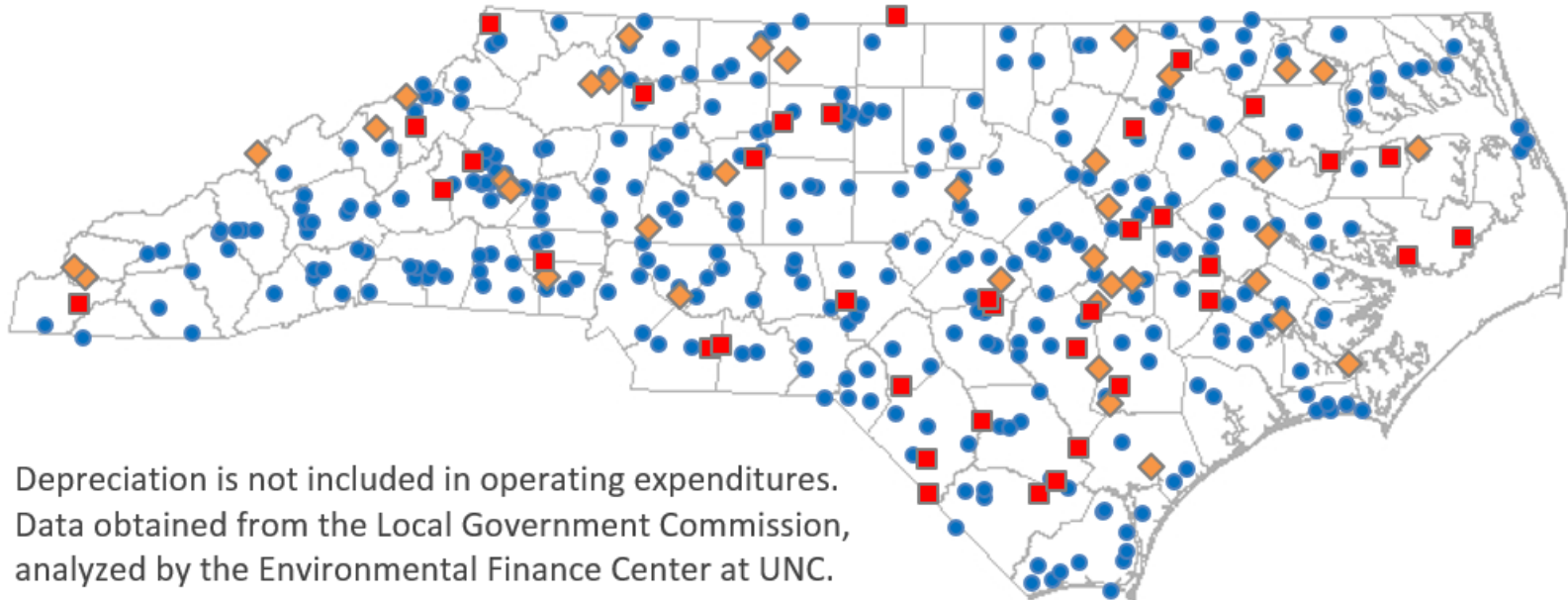


Financials

Do rates cover utility costs (FY2016)?

Local Government-Owned Water and Wastewater Utilities' Cost Recovery in FY 2016

- Operating revenues < operating expenditures (10%)
- ◆ Operating revenues < operating expenditures + principal + interest on long-term debt (10%)
- Operating revenues > operating expenditures + principal + interest on long-term debt (81%)



n = 386 (FY 2016)

FY 2016 rates vs. FY 2016 Operating Ratios

