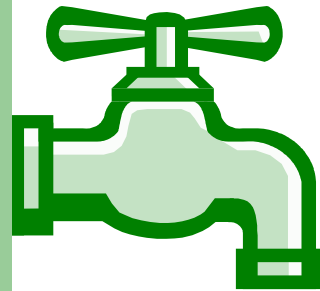


McHenry County Ground Water Protection Task Force



A Conversation on Conservation Rates

Presented By: Illinois Rural Community Assistance Program

Administered by



3435 Liberty Dr
Springfield, IL 62704
217-789-0125

Created By:



Ohio Rural Community Assistance Program
Administered by W.S.O.S. CAC, Inc.
219 S. Front Street, P.O. Box 590
Fremont, Ohio 43420
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Thanks To:



OhioEPA DDAGW

Lazarus Government Center, 122 South Front Street,
Columbus, OH 43215

Telephone: 614.644.2752 - **Fax:** 614.644.2909

www.epa.state.oh.us/ddagw/index.htm

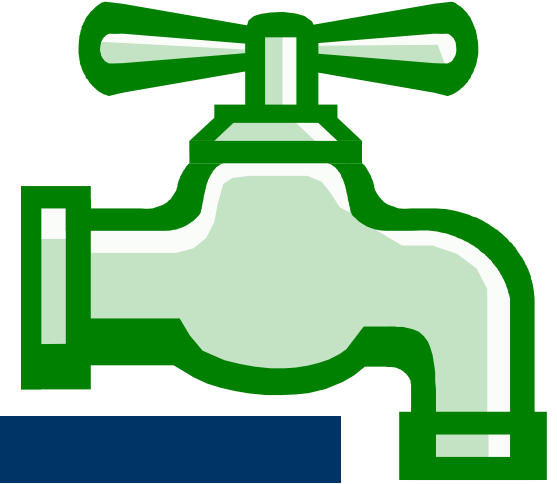
RCAP is funded by:



Committed to the future
of rural communities.



Financial Management



- Financial – *adj.* of finance, finances
 - *SYN.*- financial implies reference to money matters, esp. where large sums are involved.
- Management – *n.* the act, art, or manner of managing, or handling, controlling, directing, etc.



Where are you?

- How many are involved with the finances of your water system?
- How many feel you have a sound financial base?
- How many know you are doing a GREAT job managing your system?

The cost of cheap rates.



It will be harder to explain why you didn't raise rates and maintain your communities largest asset, than to formulate a policy and follow through with periodic rate increases and keep the system up to date and well maintained.

Because the day will come when you or a future board or council has to explain why the system has not been kept up.

Your mission?

- Provide clean, potable, safe, reliable, economical water service.

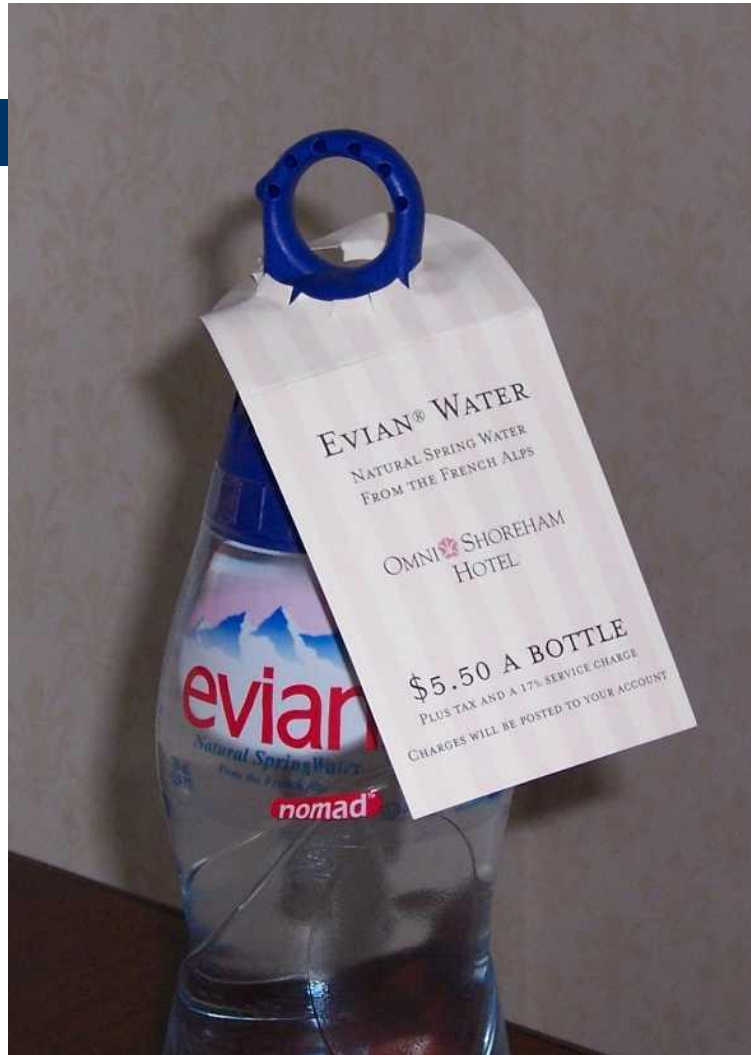
or

- Provide low cost service for as long as you can?

Do what is necessary not to raise rates!

- Put off routine repairs
- Don't upgrade
- Cut corners where ever necessary

What will people pay for quality drinking water?



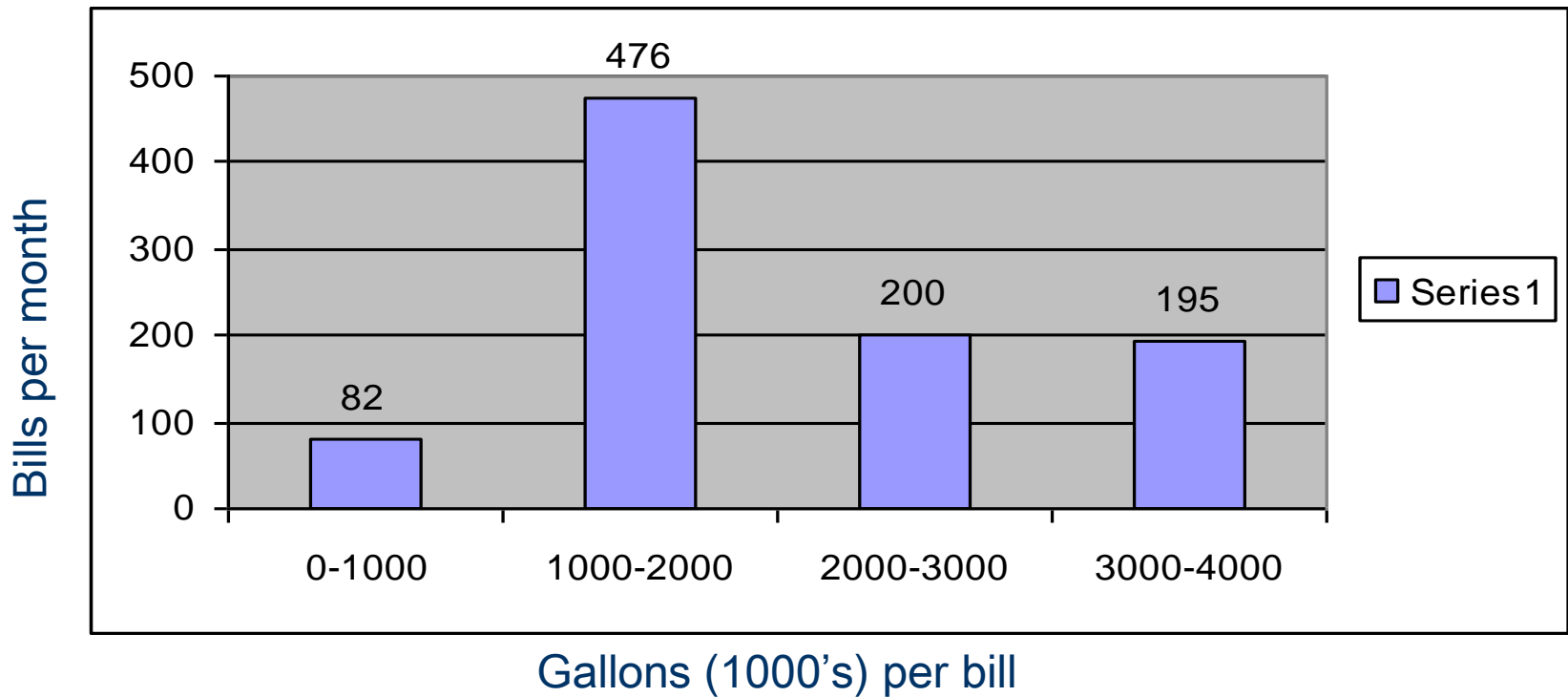
Cost is
\$6.83
for this
50oz bottle.

(\$17.54 per gallon)



Billing Analysis

How many bills are sent for what amount of usage.



Billing Records and Decision Making



Usage	CURRENT RATES					
	Charge	Ave. use	Amount	Bills/Mo	Income/mo	Annual Income
	/1000					
1000/gallons/month	\$28.00		28.00	64	\$1,792.00	\$21,504.00
1100-2000/gallons/month	\$2.50	1.00	\$30.50	63	\$1,921.50	\$23,058.00
2100-3000/gallons/month	\$2.50	2.00	\$33.00	62	\$2,046.00	\$24,552.00
3500-4000/gallons/month	\$2.50	3.00	\$38.00	71	\$2,698.00	\$32,376.00
4100--5000/gallons/month	\$2.50	4.00	\$43.00	65	\$2,795.00	\$33,540.00
5100-6000/gallons/month	\$2.50	5.00	\$50.50	39	\$1,969.50	\$23,634.00
6100-7000/gallons/month	\$2.50	6.00	\$58.00	25	\$1,450.00	\$17,400.00
7100-8000/gallons/month	\$2.50	7.00	\$68.00	22	\$1,496.00	\$17,952.00
				411		\$194,016.00

\$28.00 minimum, includes 1,000 gallons



Your Debt

- How much (do you have a schedule of all debt service)?
- How long are terms (hopefully not more than useful life of the investment)?
- At what rate (should you consider refinancing)?
- What type (bond, loan, etc)? Can they be paid off early without penalty?
- How are you paying it back (user rates, taxes)?



Your Production Records

- How much pumped?
- How much for plant use?
- What is the cost?
- How much metered?
- Is Village use metered? Why not?
- Do you meet standards?



Your Production Records

Raw water pumped or treated, MGD

- Water used in production (backwash)

= Water to system

- Water sold by meters

- Water used in maintenance (flushing)

- Water lost in leaks

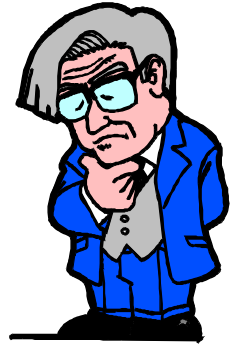
= Water unaccounted for!



Your Meter Readings

- Are readings kept for all municipal use?
- All meter readings
 - Compare usage meter readings vs. production
 - Water loss
 - Leaks
 - Theft
- Usage readings needed to calculate rates

Minimum Reserve Levels



Rules of Thumb only:

Repair and Replacement Reserve: *2.5% of Revenues*

Contingency/Emergency Reserve: *12.5% of Expend.*

Debt Service Reserve: *10% of Annual Debt Service*
OR as directed in debt instrument(s) or bond documents whichever is ***GREATER***

Other Reserves: as may be dictated by local law or policy goals

Ideally, use an Asset Management Plan to determine replacement needs!

Characteristics of an effective Rate Structure



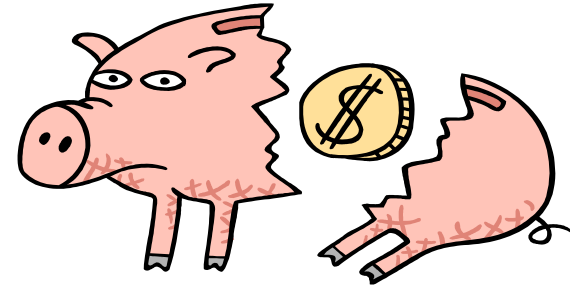
- Rate structure should be simple and easy to administer.
- Rates should be fair and equitable.
- Utility rates should promote the lifestyle and development goals of the community.
- Cover the full cost of providing utility service.
- Reviewable / Adjustable on an annual basis.

Implementing Rate Changes



While there is no guarantee of overwhelming public support for any rate increase the amount of opposition usually declines if customers:

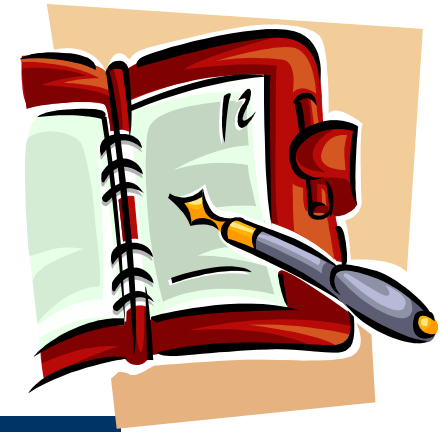
1. Have a clear understanding of how the rate change will be implemented. How much and when!
2. Understands why the rate increase is necessary to operate the system on a financially sound basis.
3. Believe that each customer group is paying its fair share of the cost.



Rate Change Implementation Tips

- Small rate adjustments are easier to implement and collect than one large increase made necessary by years of neglect.
- Think about your customer's quality and service expectations, not just their desire for low utility rates.
- Do not jeopardize financial well-being of system to appease a few that are only concerned with monthly bills.
- Explain the consequences of not implementing a necessary rate increases?

Automatic Rate Adjustment



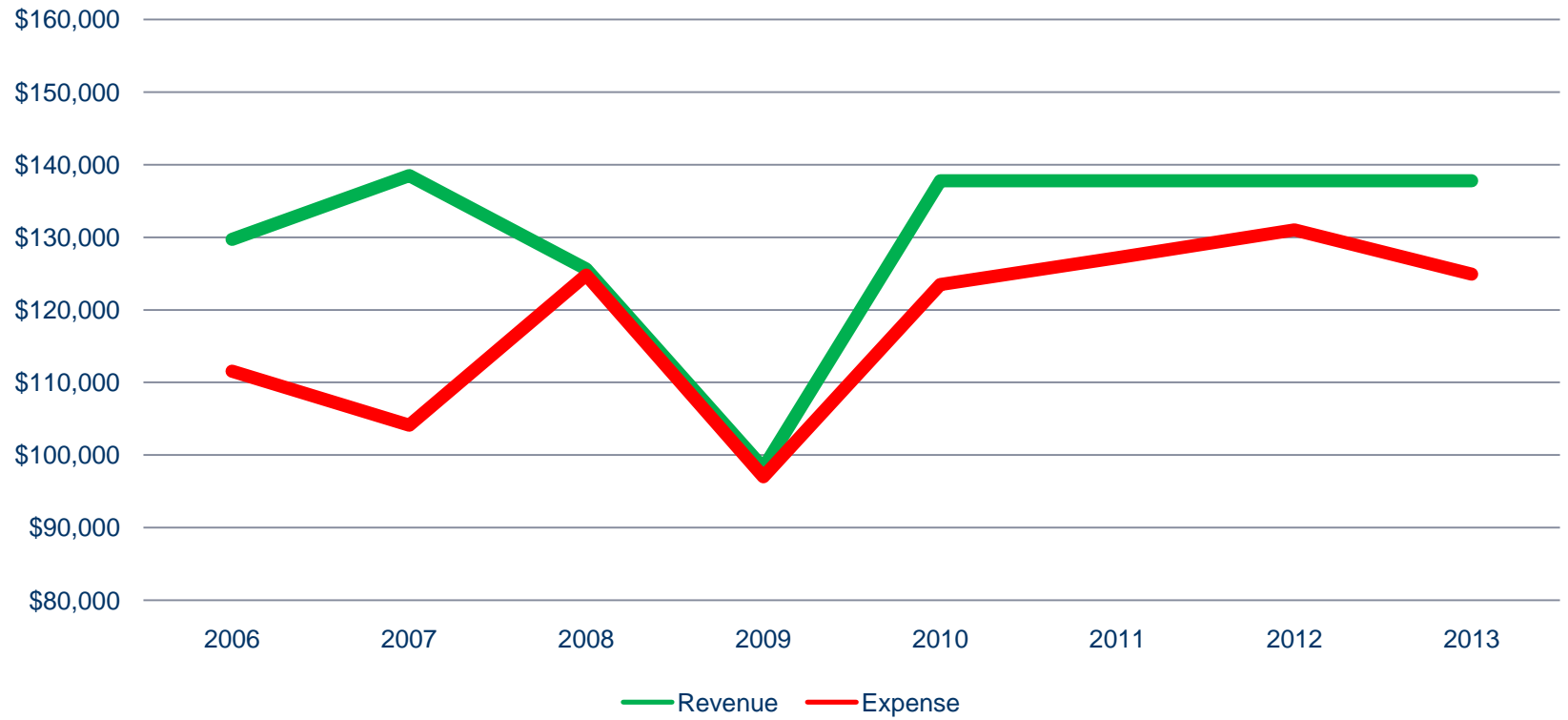
In order to compensate for inflation, water and wastewater utilities are strongly encouraged to enact an automatic annual rate adjustment.

- Ideally, these should be an ordinance or by-law, not just a policy.
- One method is automatic adjustment based on the adopted annual budget.
- Another method is a fixed percentage increase - 3.0% annual rate increase is recommended.

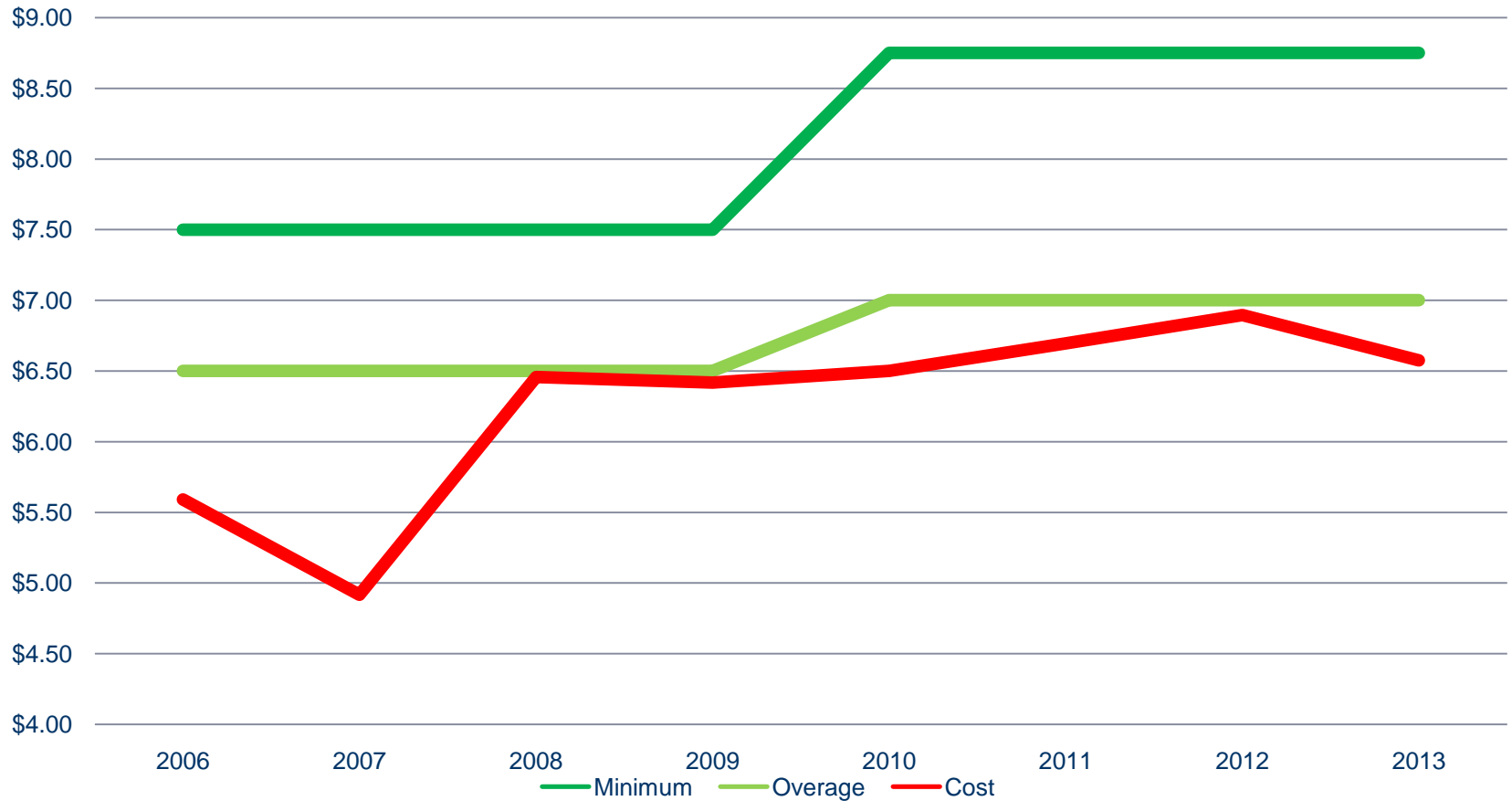
A decorative graphic on the left side of the slide, consisting of a light green vertical bar and a dark blue horizontal bar with rounded ends.

SHOW ME THE MONEY!

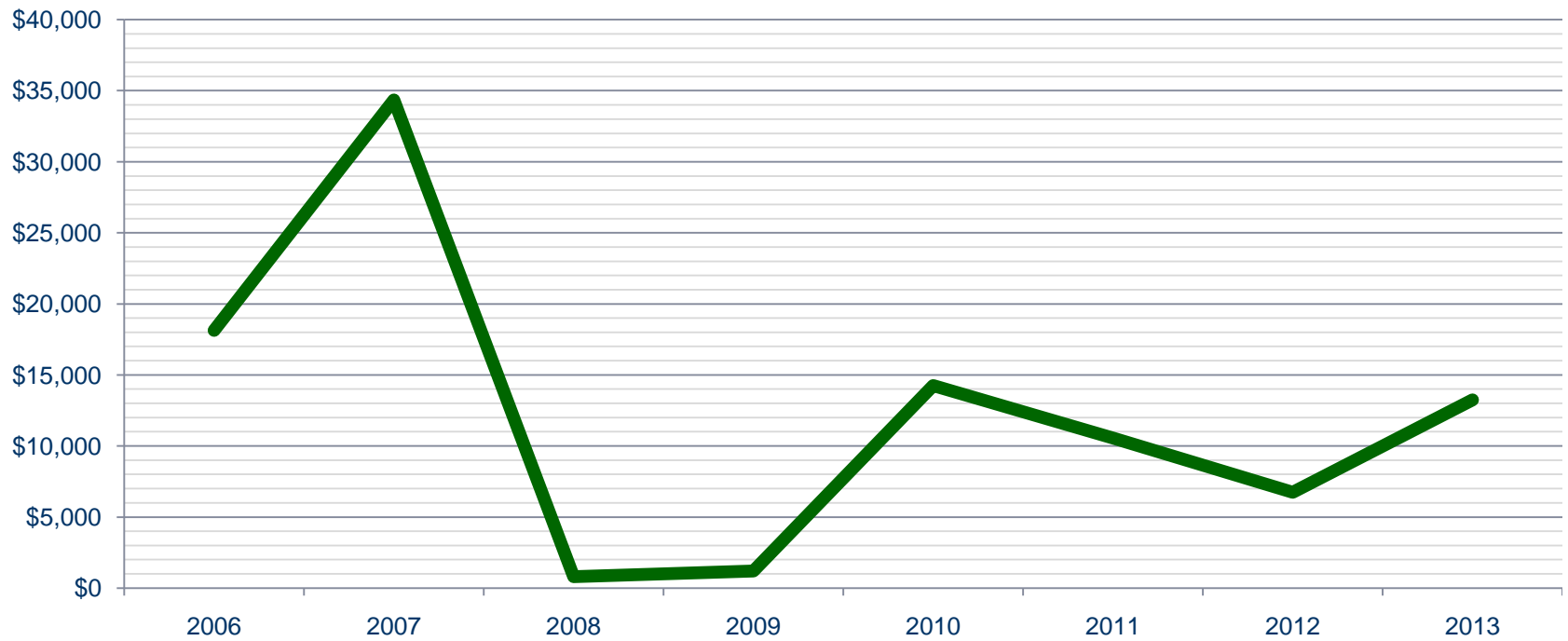
Revenue & Expenses



Cost to Rate Comparison



Profit Reinvestment Funds



Conversation Piece

	Ridge	Lake 1	Lake 2	Sand	Acres	Wood	total	Village	+/-
Sum	1.765	0.991	1.808	3.601	1.385	0.812	10.366	5.182	5.183
Max	0.138	0.123	0.129	0.129	0.148	0.121	0.148	0.124	0.023
Avg	0.070	0.058	0.066	0.067	0.062	0.062	0.064	0.048	0.016
#	25	17	27	53	22	13	157	106	51

Someone has to pay!



- As cost to one User Group is reduced it must be increased for another.
- Revenue needs of the utility system are unchanged by issues of affordability, lifestyle choices and community development goals.
- Eventually the full cost of providing utility service will be collected from someone

Remember: PPPPPP

- Proper
- Planning
- Prevents
- Poor
- Performance

If you have any questions feel free to contact us:



IACAA/RCAP

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Springfield, Illinois 62704

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