

Challenges to Getting Rate Hike Approvals from your Governing Boards

Robert Raucher
Stratus Consulting Inc.

Savannah, Georgia
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Overview

- Factors driving the need for rate hikes
- Challenges to obtaining rate increases
- Suggested approaches to overcome barriers

Many factors create need for rate hikes

- Mounting regulatory compliance costs
- Infrastructure renewal needs and costs
- Increasing operation and maintenance costs
- Increasing stewardship responsibilities
- Heightened emergency preparedness needs

Other cost drivers for rate hikes

- Need for expanding and diversifying water supply
 - Dealing with severe droughts
 - Accommodating growth
 - Competing with other water diversions
- Hedging against an uncertain future

Revenue-Side Factors Contributing to the Need for Rate Increases

- Revenue shortfalls and revenue instability
 - Recent economic downturn
 - Increased conservation and water use efficiency
- Fewer federal subsidies and other grant funds
- Preserving bond ratings

Many factors create challenges

- Political reluctance to raise fees, charges, and taxes
- Concern over the affordability of an essential service
- Turnover rate of governing officials
- Negative branding of public sector entities

Challenge of Conveying the Value

- Lack of visible results
 - Silent service
 - Buried infrastructure
- Little recognition of the true cost of service
- Customers accustomed to low rates
- Multiple services combined on bill (e.g., sewer)

Additional Challenges

- Multiple (conflicting) objectives of rate structure
- Increased competition for limited public funds
- Competition from bottled water, in-home filters

Solution Pathways: Keys to Success

- Demonstrate legitimate need
- Articulate the value of option(s) to address problem
- Exhibit competence to implement the solution effectively
- Compare yourself to others
(how do you want to be seen?)

Finding your Path to Solutions

- Communicate often and effectively
- Work well with neighbors (regional collaboration)
- Consider using citizen advisory committees

Addressing Affordability Head On

- Acknowledge the issue's legitimacy
- Work the numbers – reveal extent of problem
- Offer targeted solution options to address the problem

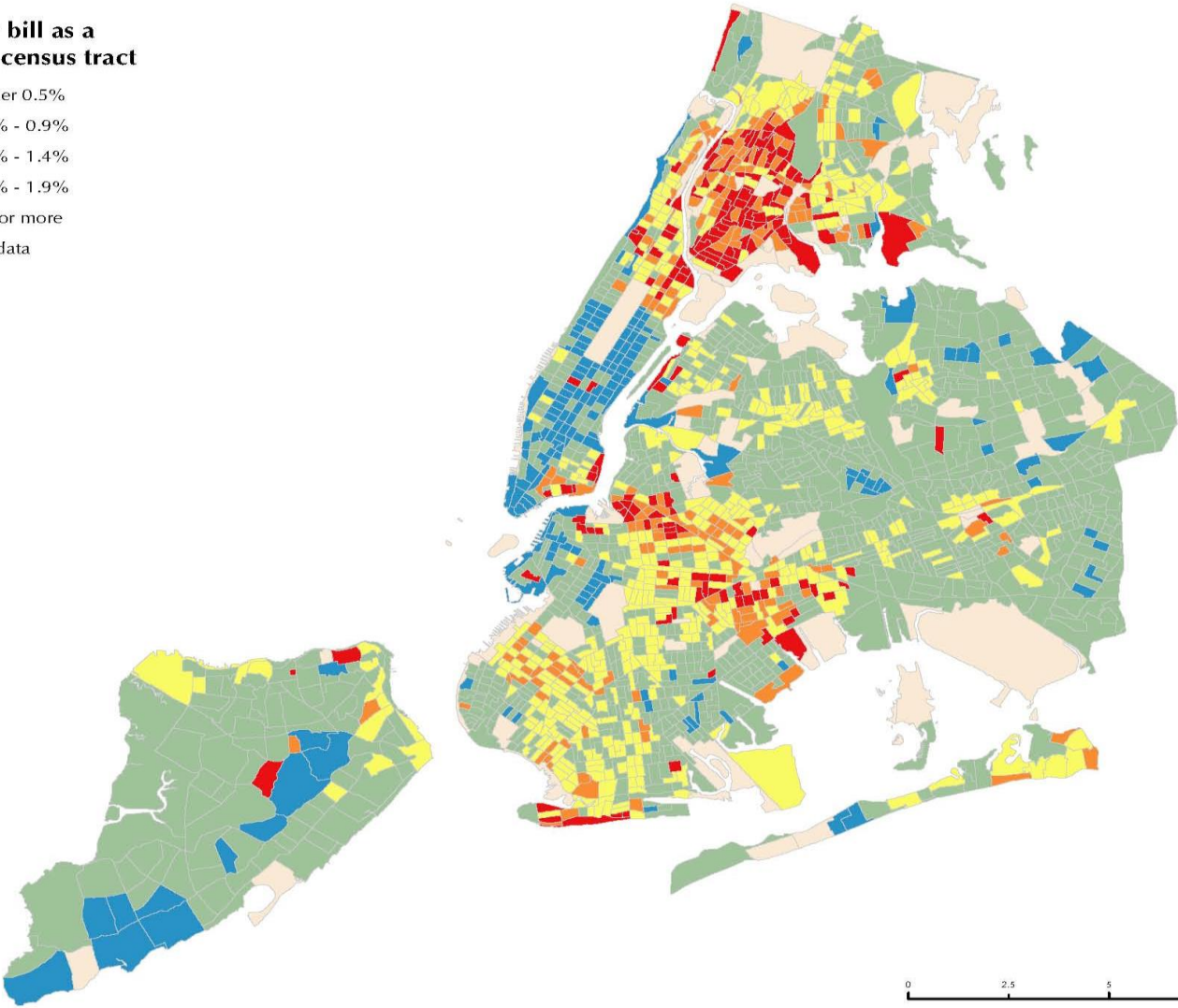
Why is affordability important?

- Social responsibility
 - Desire to provide an essential service to all members of the community
- Political acceptability
 - Elected officials' desire to “not raise taxes”
- Fiscal prudence
 - Minimize arrearages, generate predictable revenue stream

Residential Affordability of Wastewater Services: NYC Example

Average sewer bill as a % of MHI, by census tract

- Under 0.5%
- 0.5% - 0.9%
- 1.0% - 1.4%
- 1.5% - 1.9%
- 2% or more
- No data



What You Can Do to Assist Customers in Need

- **Shrink bills for low- income households**
 - Lifeline and other rate design options
 - Conservation and leak detection programs
- **Facilitate bill payment (avoid arrearages)**
 - Billing practices (e.g., monthly vs. quarterly)
 - Link/referrals to other social services



Thank you!

Bob Raucher

braucher@stratusconsulting.com

303-381-8000 (ext. 216)