

Board Members: Find Out if your Water or Wastewater Utility is Financially Viable in the Long-Term

Questions to ask your Utility Manager:

1. Have we been notified by the Local Government Commission or the State Water Infrastructure Authority that our utility is “distressed” or deficient in some way?

If yes: ask the manager to follow up with the state agency to learn more about why and what is consequently required of the board and the utility.

2. Were the utility revenues enough to cover expenses for operations, maintenance, debt service, capital projects, and maintain reserves in the Enterprise Fund this past fiscal year and over the past five years?

If revenues are too low, or if it's trending that way: ask staff to make recommendations about adjusting the rates and fees and/or adjusting expenses or financing strategies without sacrificing the utility's level of service or eliminating necessary capital improvements.

3. When was the last time we reviewed rates and adopted the recommended rate increase to ensure that revenues will cover operations, maintenance, debt, capital, and reserves?

Rates should be reviewed at least once a year and recommendations on the necessary adjustments to rates must be made to be able to fully fund all of these expenses. The board should adopt increases when necessary. In North Carolina, the vast majority of local governments raise rates at least once every 2-3 years, and nearly half raise rates in any given year.

4. How much does the Enterprise Fund have in non-designated reserves?

Reserves provide financial resiliency to fluctuations in revenues and unanticipated costs. Days Cash on Hand is one metric that can be useful. If the reserves are lower than a minimum target your utility should be achieving, ask for recommendations to increase the reserve levels.

5. Are we regularly transferring funds out of or into the Enterprise Fund that are not associated with water or wastewater projects or services?

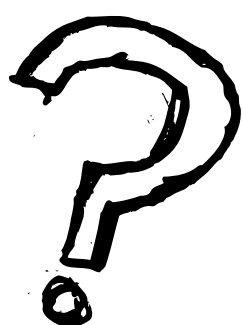
If yes: Find out why that is. If it's a subsidy or due to lack of funds or reserves in one fund or another, ask the staff to develop plans to end these transfers and make recommendations on the needed adjustments to rates, taxes, or other revenue sources to ensure independence and self-sufficiency of each Fund with adequate reserves.

6. Do we have a plan for all of the investments we need to make to our physical systems?

If no: ask the staff to look into developing an Asset Management Plan and a Capital Improvement Plan to account for and prioritize needed capital projects.

If yes: ask how much is being spent on capital projects relative to how much is needed to stay on top of maintaining or improving all of the infrastructure's condition.

If “don't know” or if not spending anything or spending too little, assets will deteriorate and become more expensive to replace later. Ask staff to ensure that the Capital Improvement Plan includes plans and scenarios for funding the projects without significant (or any) reliance on grant funding. Ask staff to make recommendations on using cash reserves/pay-go, bonds, commercial loans, or subsidized loans.



7. Does it make sense for us to consider partnering with another utility or outsourcing some operations?

Staff can make recommendations about specific aspects of utility management or operations that can be contracted out to other parties, or to interconnect with another utility to supplement or provide all of the treatment services for your utility, or to consolidate the utility with another utility in an effort to reduce costs to your residents. There are many forms of partnerships, including ways to retain control in some aspects. See [Regionalization of Water and Wastewater Systems](#) for more information. To study potential partnerships in more detail, consider applying from an MRF grant or contact a resource agency partner.

8. Are we selling less water over time?

“Selling water” is used here only in the context of assessing whether there's a risk of revenues declining faster than expenses. If selling less, ask why (is it population decline, more efficient water use by customers, loss of businesses, faulty meters, increased leaks, or something else?).

Will this soon create financial or operational difficulties for the utility?

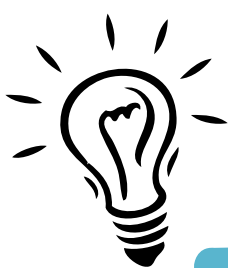
If yes, ask staff to consider regionalization options: either as a supplier to neighboring systems or as the recipient of the services from a neighboring system rather than managing a treatment plant. The Merger/Regionalization Feasibility Grant can pay for a more in-depth analysis. Also, ask staff to consult with economic development agencies to promote the availability of water/wastewater resources as a way to attract businesses to the area.

9. Is the utility adequately staffed?

If no: ask for recommendations on staffing or outsourcing, and budget implications. Utilities should have a dedicated manager and finance officer in addition to operators and field staff.

10. Are board members, utility managers, finance officers, operators and staff attending trainings?

If no: consider adding a budget for training and licenses, and incentives for training (financial or career advancement). At least two board members should receive training or consultation on managing water/wastewater utilities. Trainings are offered by resource agency partners.



Need Help? For advising and free direct assistance to work through any of the issues identified above, contact one of the resource agency partners. Many of these resource agency partners also provide training for governing boards and utility staff on these topics.



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