

Helping systems get adequate rates

The business of conducting water rates reviews is a big challenge. It's avoided by many water systems in Kansas. Nobody, especially elected officials, wants to raise water rates. But in cases, rates have to increase to meet the financial obligations and to support good operation of the utilities. If utility rates are too low to cover all the expenses of operating the water treatment and production facilities, paying for maintenance, etc., well, eventually any available cash will run out and the situation will go from bad to worse.

Neighboring systems are not alike

Since the days when KRWA owned its first computer in the early 1980s, I have made it a goal for the Association to database

and provide reports on a variety of operating parameters of rural water districts in Kansas. We've tried the same for cities but they have numerous funds to work with. So, KRWA has continued to ask the RWD, to

voluntarily complete a survey form to provide basic information about each system – from date of incorporation, year of entering service, numbers and types of connections, water sources, cost of water purchases, wholesale rates, revenues and expenses, salaries and of course, water rates. The database provides some really interesting information such as

the average cost for electricity to produce a thousand gallons of water from systems of a certain size, located in x, y and z counties. Or it can tabulate the salaries and give an average cost per meter. Or, what is the cost of repairs and maintenance per mile

magic spreadsheet if the numbers going into it are not valid. The problem exists up and down the highway. In worst-case situations, auditors don't get it right and sometimes need to restate the audit because the original audit report didn't correctly categorize

One of the more difficult tasks for water systems seems to be setting rates in a proper manner.

Everyone wants a magic template that says, "This is what your rate needs to be." Frequently, board/council members have an opinion what they will only accept before there is any analysis.

of pipeline? The data that KRWA can extract has been of immeasurable help on a host of legislative issues where KRWA could provide hard numbers. While many requests are received and responded to by KRWA for data, there is one that seems to continue to have intrigue. It is this: What's the average water rate for our neighboring systems?

One of the more difficult tasks for water systems seems to be setting rates in a proper manner. Everyone wants a magic template that says, "This is what your rate needs to be." Frequently, board/council members have an opinion what they will only accept before there is any analysis. Well, it's just not all that easy – especially when most people don't understand the process or have a tutorial on why certain costs should be capitalized or why certain costs should be expensed. It doesn't matter if anyone has a

some expenditures. As a result, sometimes audits incorrectly indicate the system did not meet debt service covenants required by lending agencies or their bond documents when in fact the system did meet those obligations.

Help is available

This issue (see pages 88-89) carries an article that describes the Rate Checkup Program. That's one option for systems to use. Personally, I was stumped when one of the first entries asked what the median income is. Water system officials don't know that sort of information and the median income doesn't really matter. Yes, it can be located on the Web, however, the next question is, what's affordable? EPA says that 2.5 percent of the median household income is affordable. Many people have argued that is too high and instead suggest 1 percent as a more reasonable



*E. Ronnebaum
General Manager*

- graphic by Linda Windler



"We kinda know what the rates should be – so let's just toss some darts and see which one of our ideas is the winner!"

amount. Regardless of the affordability test, the rate has to be what it has to be. So while Rate Checkup is fine, people first of all need to have an understanding of rate setting philosophies, etc. There needs to be more discussion than just entering numbers – and like I mentioned before – the numbers have to be valid.

A new handbook

To fill the void on explanations of rate setting and rate setting philosophy, KRWA will soon be publishing a new handbook entitled "How to Get Great Rates." This handbook will be the 8th in the Water Board Bible Series produced by KRWA. KRWA is collaborating with

nationally known expert Carl Brown on the publication. Carl has provided training on water rates and asset management in Kansas and in numerous other states and for national organizations. Carl was the developer of the original Show-me Ratemaker, a Microsoft Excel-based software program that can



316-262-3322
FAX 316-201-1998

Ground Water Associates, Inc.

EXPERTISE IN WATER & WELLS

ROBERT L. VINCENT, C.P.G., P.H.G. 1999 N. AMIDON ST., STE. 218
P.O. BOX 3834 WICHITA, KANSAS 67203



MIDWEST COATING CONSULTANTS, INC.
5820 NW 24th Street
Newton, KS 67114

TEL: 316-284-0083 FAX: 316-284-0172
ORDERS: 888-698-6363
MOBILE: 316-651-6164

E-mail: rpenner@tnemec.com
www.tnemec.com

Rick Penner
NACE # 4853 Inspector

analyze a water or wastewater utility's finances and help management plan for the future by adjusting user rates. Show-me Ratemaker was an easy-to-use spreadsheet program that not only generated a precise rate analysis, but it could also create a five-year financial projection to help safeguard the financial future of the system.

But more than just provide a tool to help set rates, the new handbook is 170 pages of discussion about rates and rate setting. The book is tailored for the mayor and council and RWD boards that meet once or twice a month and who otherwise have little or no experience being responsible for owning and operating public utilities.

Whether your system decides to use Rate Checkup or the Show-me Ratemaker, or asks KRWA to do what Greg and I refer to as a "quick and dirty fly-over" which calculates average monthly minimums and costs per thousand

with water loss, with or without funding depreciation, it's a given that there is no one way that everyone is going to go about evaluating or adjusting rates. But before you begin, having an

Watch the KRWA training calendar for sessions on rate reviews. Rate adjustments should not be based on decisions made because of local politics. And for sure, changes to a system's rates

The book is tailored for the mayor and council and RWD boards that meet once or twice a month and who otherwise have little or no experience being responsible for owning and operating public utilities.

understanding of what you are trying to do would be good and that's the purpose of the new KRWA handbook, "How to Get Great Rates". This handbook is written in such a way that it makes sense to all sizes of systems – and is particularly aimed to help board/council members better understand the rate setting process – BEFORE they begin entering numbers in a rate-setting template.

shouldn't be made because of what the neighbors are charging.

The 2009 annual conference is being planned. Watch for sessions on setting water rates, water purchase/sale contracts and other financial utility business-related topics. The dates are March 24-26 at Century II Convention Center in Wichita.

Examples of "words of advice" contained in the new *How to Get Great Rates handbook*:

One of the most important things you can do in meetings where you discuss rate increases is to assure the ratepayers that you thoroughly understand the needs of both the system and the ratepayers. You do that by demonstrating empathy for them and competence at running the system. That includes running the meeting itself in a tight, professional way. A loose, uncontrolled meeting makes many people feel uneasy about those doing the leading.

Financial indicators are the thermometers and stethoscopes of business. These indicators can give you a troubling reading. They **won't** tell you what is wrong. However, they **will** tell you that you need to look for the problem and give you ideas about where to start.

Would you hire an accountant to keep your books, prepare your financial statements, audit your books, receive payments and write your checks, too? If you did you would be setting them up for conflicts and you for potential loss. Keep people out of this situation and everyone will be better off.

MAYER

SPECIALTY SERVICES, L.L.C.

GODDARD, KS

316-794-1165

PROUDLY PROVIDING PROFESSIONAL SEWER AND WATER SERVICES TO MUNICIPAL AND INDUSTRIAL CUSTOMERS THROUGHOUT THE MIDWEST

MANHOLE REHABILITATION
&
PROTECTIVE COATINGS

CHEMICAL GROUTING
SEWER MAIN
JOINTS & LATERAL TAPS

SEWER ROOT REMOVAL
&
CHEMICAL TREATMENT

PROGRESSIVE PIGGING
SEWER FORCE MAINS
&
WATER LINES

WASTEWATER TREATMENT PLANT
&
WET WELL PROTECTIVE COATINGS

NO-DIG TRENCHLESS
SEWER MAIN
POINT REPAIRS

CLOSED CIRCUIT
TELEVISION INSPECTION &
DIGITAL REPORTING

HIGH PRESSURE
WATER JET
LINE CLEANING

MUNICIPAL SANITARY SEWER
MAINTENANCE CLEANING &
INSPECTION PROGRAMS

Providing sewer services exclusively for municipalities and engineering firms throughout Kansas, we have a base of over 200 customers and we don't have a single dissatisfied customer

HERE ARE SOME OF THE THINGS OUR CUSTOMERS SAY ABOUT US:

Actual quotes from our customer experience reports on file in our office

"You have a great group of people working for you, one hell of a business"

S.R., Sublette

"We were very satisfied with the service provided"

M.P., Douglass

"Crew was efficient and knowledgeable, wouldn't change a thing"

D.B., Eskridge

"Don't change a thing"

D.R., Garden City

"Very satisfied"

B.B., Herington

"Very satisfied, did a great job"

J.M., Newton

"Do very good work — responsive to our needs"

J.R., Sedgwick

"Every time the crew came out we knew where they were working and how much they completed which shows great customer relations"

B.W., City of Andover

"Very pleased with all you do"

A.P., Sterling

"Keep up the friendly service, we like it when you don't talk over our heads when explaining things"

C.W., Towanda

CONTACT: TODD MAYER: 316-617-3392 OR GAIL ABNEY: 316-641-5213