

**CSWEA**

**2012 Wisconsin Government Affairs  
Seminar**

**February 23, 2012**



# **Building Support for Rate Increases**

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# Presentation Outline

**1. Water & Wastewater Rate Trends / Examples**

**2. Arguments Against Rate Increases**

**3. Building the Foundation for Rate Increases**

**4. Gaining Rate Increase Acceptance**

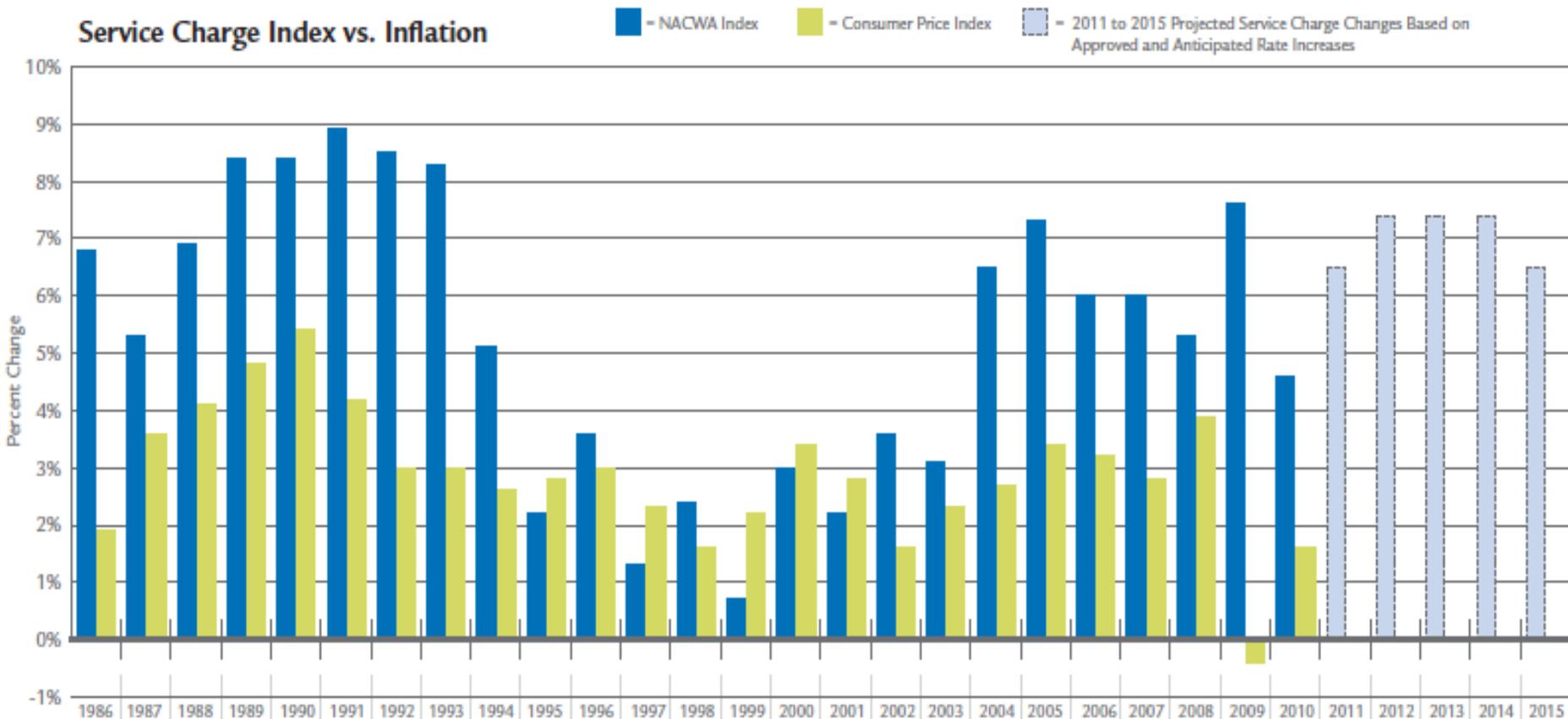
**5. Future Outlook and Opportunities**

# Rates have increased at 2x inflation

- Represents larger share of household incomes
- Projected to continue for foreseeable future

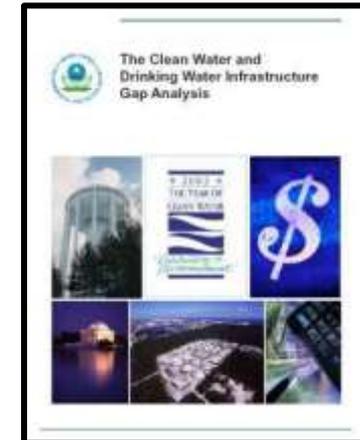
## NACWA 2010 Financial Survey

Service Charge Index vs. Inflation



# Rate increase drivers

- Significant withdrawal / restructuring of federal funding support
- General / construction cost escalation
- Aging infrastructure – renewal and reinvestment
- Increasingly stringent regulatory requirements
- Historic under pricing of services



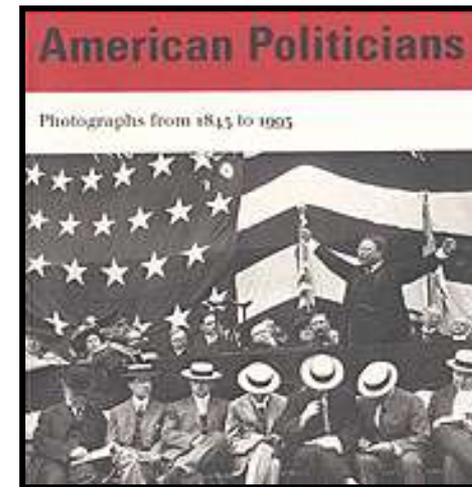
# Major rate increase examples

- Consent Decree communities
  - Atlanta
  - Honolulu
  - NEORSD
- Proactive utilities
  - Rock River WRD
  - Green Bay MSD



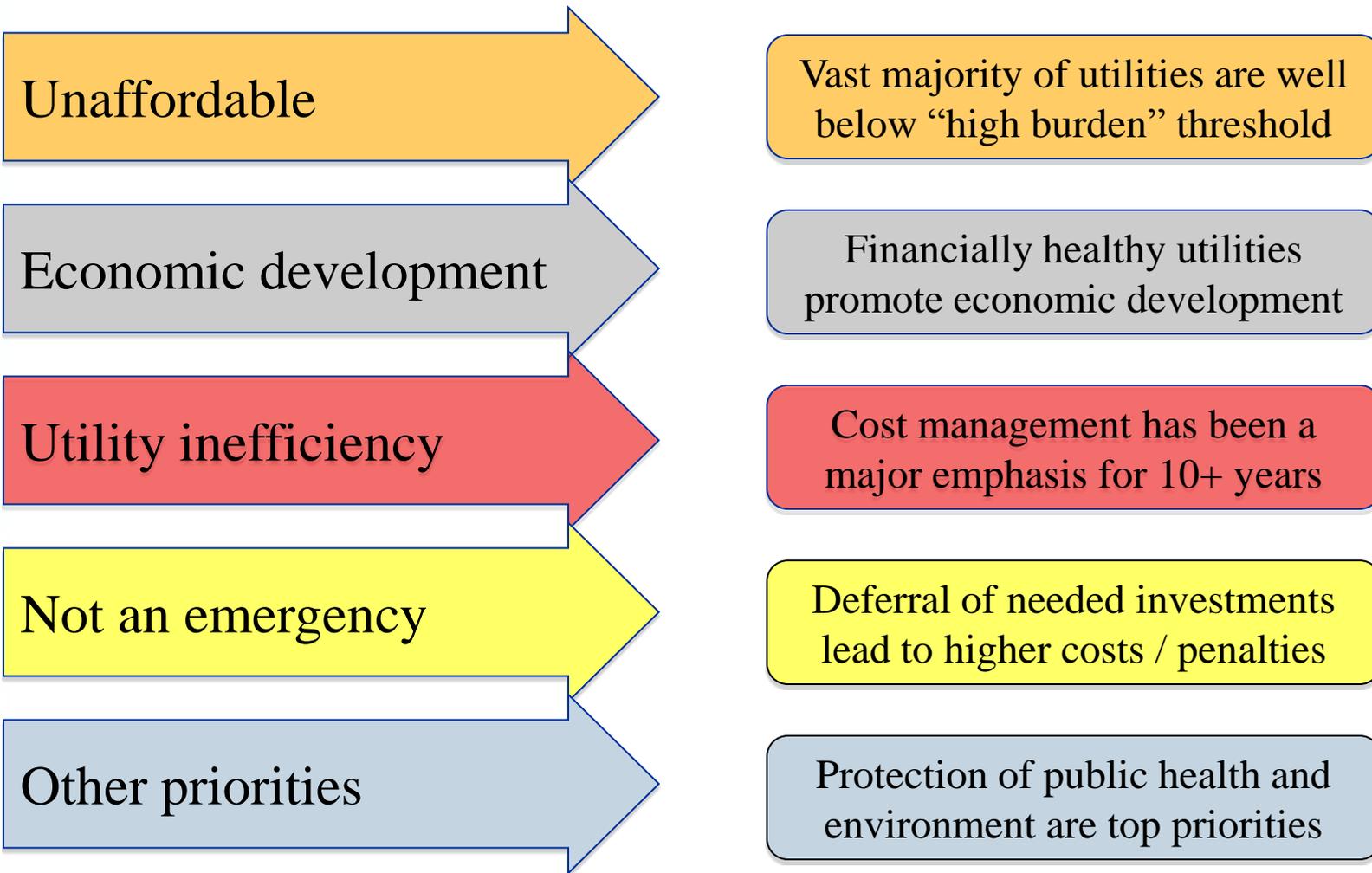
# The top 5 reasons why not ...

1. Economic downturn
  - Unaffordable impacts on customers
2. Economic development needs
3. Utility inefficiency
  - “Do more with less”
4. Not an emergency – can defer
5. Other priorities



**Politics**

# Responses to why not ...



# Good reasons aren't good enough

- Quality customer service
- Public relations, information and involvement
- Utility efficiency assessment / initiatives
- Financial planning
- Governing board / elected official / regulatory relations



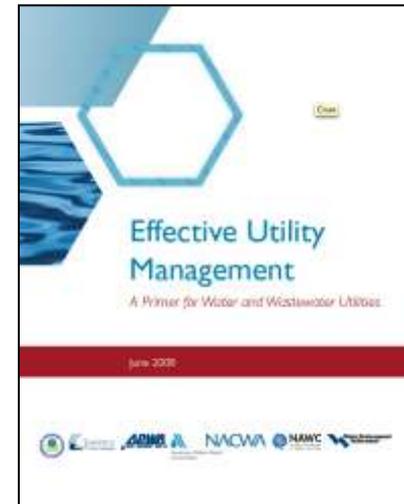
# Customer / Public relations

- Customer service
  - Willingness to pay declines with poor service
  - Objective evaluation of performance (metrics)
    - Query / complaint response (cause, time, resolution)
  - Billing practices
  - Survey / monitor customer satisfaction
- Public relations
  - Services provided (customer, environmental)
  - Regulatory framework
  - Asset renewal and rehabilitation imperatives



# Financial management

- Operational efficiency
  - Identify / implement cost savings measures and report outcomes
  - Adopt long-term perspective
- Capital project delivery
  - Evaluation of options / priorities
  - Alternative delivery methods
- Financial planning
  - Multi-year planning horizon
  - Financial policies
    - Fund balances, debt coverage



# Governance

- Affirm policies and responsibilities with governing boards /elected officials
  - Before proposing rate increases
  - Address corporate responsibilities (system integrity, environmental stewardship)
- Understand that access to water and sanitation services is a human right
  - U.N. Declaration of Human Rights
- Advocate for a tenable regulatory framework
  - Holistic perspective required – limits on community financial capabilities

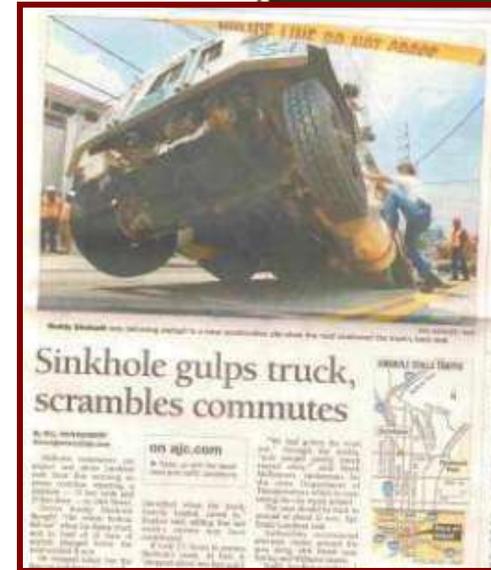


**'Sewer Mayor'  
Shirley Franklin**



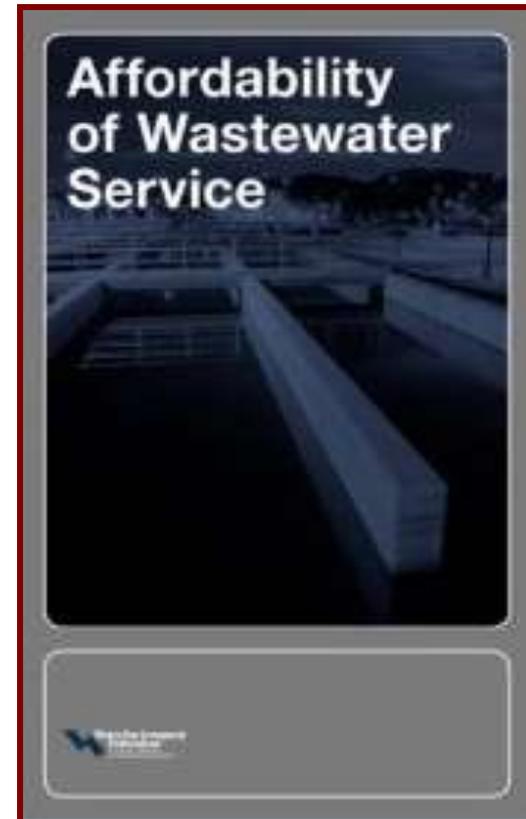
# Packaging rate increase proposals

- Outline financial plan
- Articulate what customers get for more money
  - State the need – highlight system issues
  - Demonstrate cost consciousness
  - Don't compare to mobile phone or TV service
- Provide service assurance for those who truly cannot afford bills
  - Affordability programs
- Listen and respond to customers



# “Service Assurance” programs

- Bill assistance programs
  - Bill discounts
  - Write-offs
  - Crisis vouchers
- Rate structure options
  - Lifeline rates
- Water efficiency options
  - Education
  - Leak detection / repair
- Other measures
  - Financial counseling
  - Disconnection moratoria



# You are being watched...

*“While a variety of external factors influence this analysis, including regulatory issues, growth trends, customer concentration and operational capacity, S&P generally looks for rate stability, rate transparency, and long-term planning as relevant factors that are under some control of utility management. Rate-setting procedures that address these issues should help to achieve higher debt ratings, holding other factors constant.”*

**—James Wiemken, Director  
Standard & Poor’s Credit Market Services**

# It is only going to get worse ...

- Funding needs are projected to increase at well above rates of income growth for foreseeable future
- Regulatory requirements aren't going to get any easier
- Infrastructure isn't going to get any younger
- Political environment isn't going to get more receptive to increasing rates

YESTERDAY  
YOU SAID  
TOMORROW.



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