

Why Do Water Rates Vary in New York? By Pat Scalera, CEO, NYRWA

As a new year quickly approaches, so do new challenges. Budget cutting is usually at the top of the list and one of the first expenses to be cut is usually the travel budget for attending training and conferences. However, the day-to-day operational, financial, and managerial component of your system requires ongoing training. You need to continue to update yourselves on new regulations, new trends, new technology and your sustainability. Be sure to take advantage of the training that's available to you in your local communities and surrounding area.

Have you looked at your water rates lately? *Why do water rates vary in New York?* A recent study performed by the Public Management and Finance Program (PMFP) at the University of Syracuse looks at water rates in New York. Dr. Stuart Bretschneider at the Maxwell School began gathering data from systems across New York State to build a comprehensive model. The long term objectives are to develop panel data and to track changes and emerging issues. Sampling began and 105 public water systems participated (see below chart).

PWS by Rates and Median Population

- 84 PWS had one set of rates (15,266)
- 14 PWS had two sets of rates (11,000)
- 3 PWS has three sets of rates (3,200)
- 4 PWS has four sets of rates (24,436)

30 Counties with between 1 to 9 cases

53 Flat Rates (quarterly) 50.5%

52 Variable Rates 49.5%

- 42 Increasing Rates 40%
- 10 Decreasing Rates 9.5%

All Rates are in \$/1000 Gallons

To date, from this ongoing study by PMFP, the following chart will show median base rates by PWS size and rate structure.

<u>Rate</u>	<u>Small</u>	Population <u>Medium</u>	<u>Large</u>
Decreasing	\$4.25	\$3.44	\$2.78
Constant	\$2.30	\$2.05	\$2.18
Increasing	\$1.96	\$1.63	\$1.10

The study continued to look at purchased supplies vs. own sources; here are the results to date:

13 PWS (12.4%) Buy water only
36 PWS (34.3%) Own sources only
49 PWS (46.7%) Use both approaches
7 PWS (6.6%) did not answer this

PWS using flat rates and decreasing rates typically have both sources. PWS using increasing rates typically have one source (7 of the 10 with increasing rates).

This survey worked with 43 community systems with populations of 100 to 1K; 72 systems with populations of 1K to 10K; and 56 systems with populations of 10K to 50K.

This is just a quick look at what this study has found. The PMFP plans to continue the work by detailing this survey to improve the response rate, especially among small systems, followed up with phone surveys focused on water rates, and linking data with census information for additional analysis. We look forward to the results that the PMFP and Dr. Bretschneider finds.

The more knowledge we have on the trends in New York, the better our elected officials decision making process will be to calculate a fair water rate to sustain the community system. We must remember that each community is unique and has different financial obligations that must be considered with the process.

Every elected official should have a good concept of the systems needs, revenues, rates and the budget process. They should seek the advice of their experienced and knowledgeable operators on the necessary system improvements, equipment, and training requirements. The cost of operation and maintenance must be included. Those individuals that work on these budgets should not set the budget so that the current rates and projected revenue will just get them by. All systems should be evaluating their rate structure annually and many utilities have recognized the need for action and taken the necessary steps by addressing the adequacy of their water rates, citing such reasons as stricter water quality standards, unfunded mandates and escalating operation and maintenance costs.

Have you considered meter readings, the various customers, and the different rate options? What about charging ancillary fees to cover various additional expenses, think outside the box. How about setting meters, additional meter readings and turning service on and off, these are easy to justify and can incur significant costs tied to the service. Many systems in New York have seasonal customers, which require this service. What about those habitually delinquent customer accounts, have you ever considered weekend surcharges or after-hours surcharge. What about charging impact fees, which could help offset some cost of expansion. Have you considered automated clearinghouse payment to utility customers? Offering this payment option is beneficial and can save time and paperwork. Reduced consumption leads to lost revenue, are you testing your meters periodically? **Just some things to think about.** Raising adequate revenue to operate a water system has always been one of the most important steps in proper operation of a utility.

I would like to thank Dr. Stuart Bretschneider and the Public Management and Finance Program at the Maxwell School, University of Syracuse for providing this valuable information to us. We'll keep you posted of any new information gathered.

