



Brazos River CRP Steering Committee Meeting

Obtaining Stakeholder Support and Funding for Your Utility Program

March 25, 2009



Mind Powered: Insight with Impact.

Goal - Obtain Funding for Your Program

- What to do:
 - Educate decision makers on program needs
 - Obtain buy-in from decision makers
 - Work with decision makers on a financial plan
- How to do it:
 - Adhere to a program development process

Following a Process Minimizes the Risks to Budget Approval



Defining Policies and Objectives Facilitates Decision Making

Strategic Planning

- Vision/Mission

Business Planning

- Organizational efficiency
- Customer service



Defining Policies and Objectives Facilitates Decision Making (cont.)

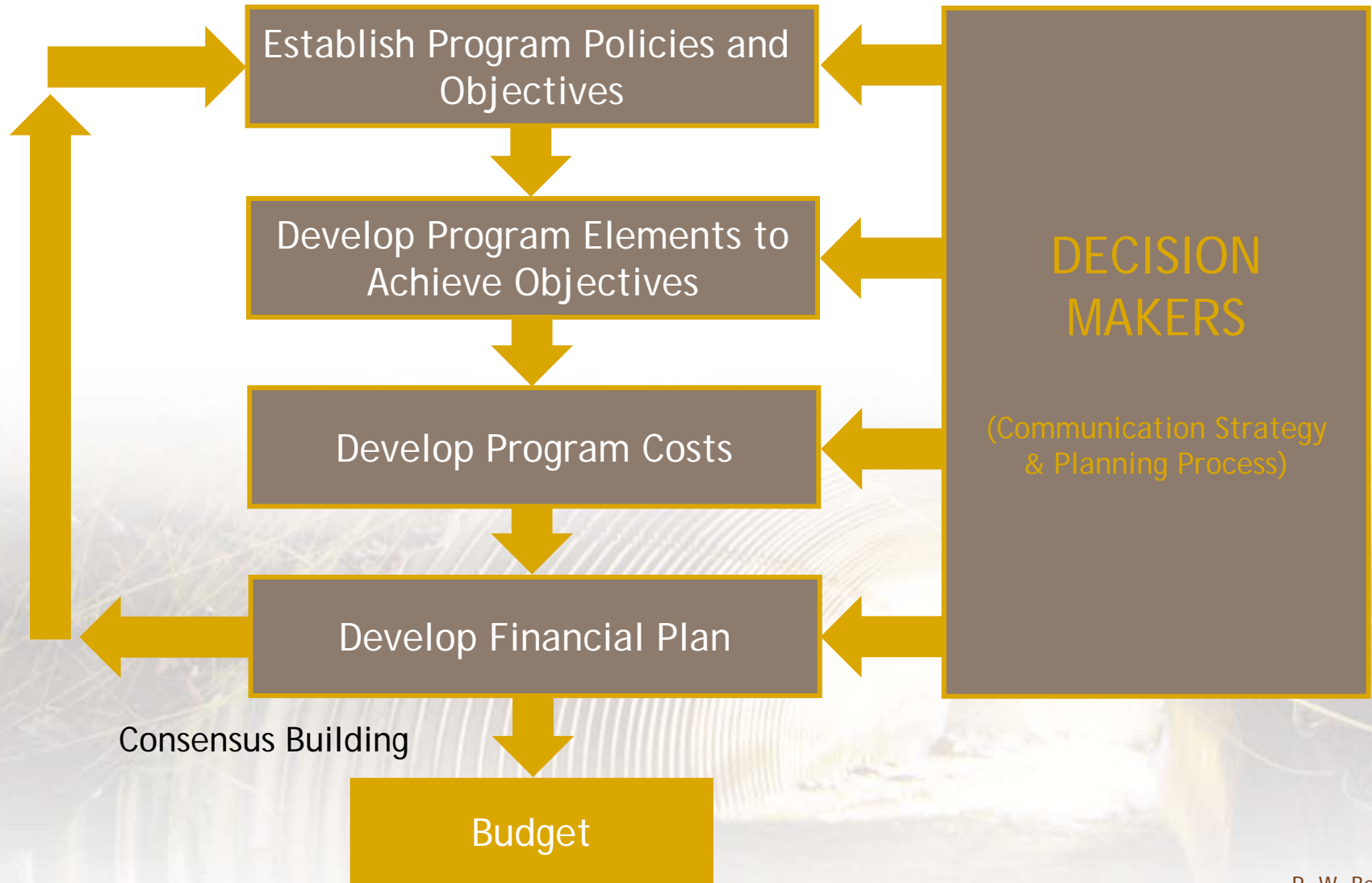
Master Planning/Rate Study

- Water quality
- Regulatory compliance
- Renewal and replacement
- Revenue shortfall
- Funding/Financing



Strategic Alignment of Overall Goals will Solidify the Implementation Process of Current / Future Programs

Following a Process Minimizes the Risks to Budget Approval



Tell a Compelling Story

- Use Program Element Descriptions that are Understood
 - Water quality protection
 - Water quality monitoring/sampling
 - System maintenance and repair

Describe Programs - *Not Your Organization*

Communication with Decision Makers

■ Bridge the Different Perspectives



Public ?

Decision Makers:

- Not as Familiar with Utilities
- Need to See Overview
- Have Very Little Time to Devoted to Complex Issue
- Responsive to Community's Concerns
- Needs to Understand What Decisions are Required

Staff:

- Analytical
- Passionate About Mission
- Present Lots of Detail
- Risk Averse

Utilize Various Methods of Communication:
Personal and Participatory Techniques

Following a Process Minimizes the Risks to Budget Approval



Develop Costs that are Credible with Decision Makers

- Build Trust
 - Have a persistent presence
 - Inspire confidence in estimates
 - Do in-house evaluations
 - Seek independent assessments
 - Don't overstate program benefits
 - Address challenges and potential downsides

Benchmarking Provides Decision Makers an Increased Level of Comfort

Following a Process Minimizes the Risks to Budget Approval



Matching Expenditures with Revenues

Program Objectives/ Policies/Costs:

What Does It Cost?

Typical considerations related to developing program costs:

- Capital vs. O&M costs
- Existing vs. future needs
- Cost per customer
- Customer classes
- Peak vs. volume vs. quality
- Credits system

Financial Plan:

How Do We Pay For It?

Common Funding Alternatives:

- Ad Valorem taxes/General Revenue Funds
- Fees: Utility, Impact, Permit
- Grants & Loans (i.e., SRF)
- Public Improvement Districts
- Tax Increment Financing Districts
- Bonding (GO, CO, Revenue, etc.)
- Other Debt Instruments (Tax Notes, etc.)
- Lease-Purchase Agreements
- Public-Private Partnerships?

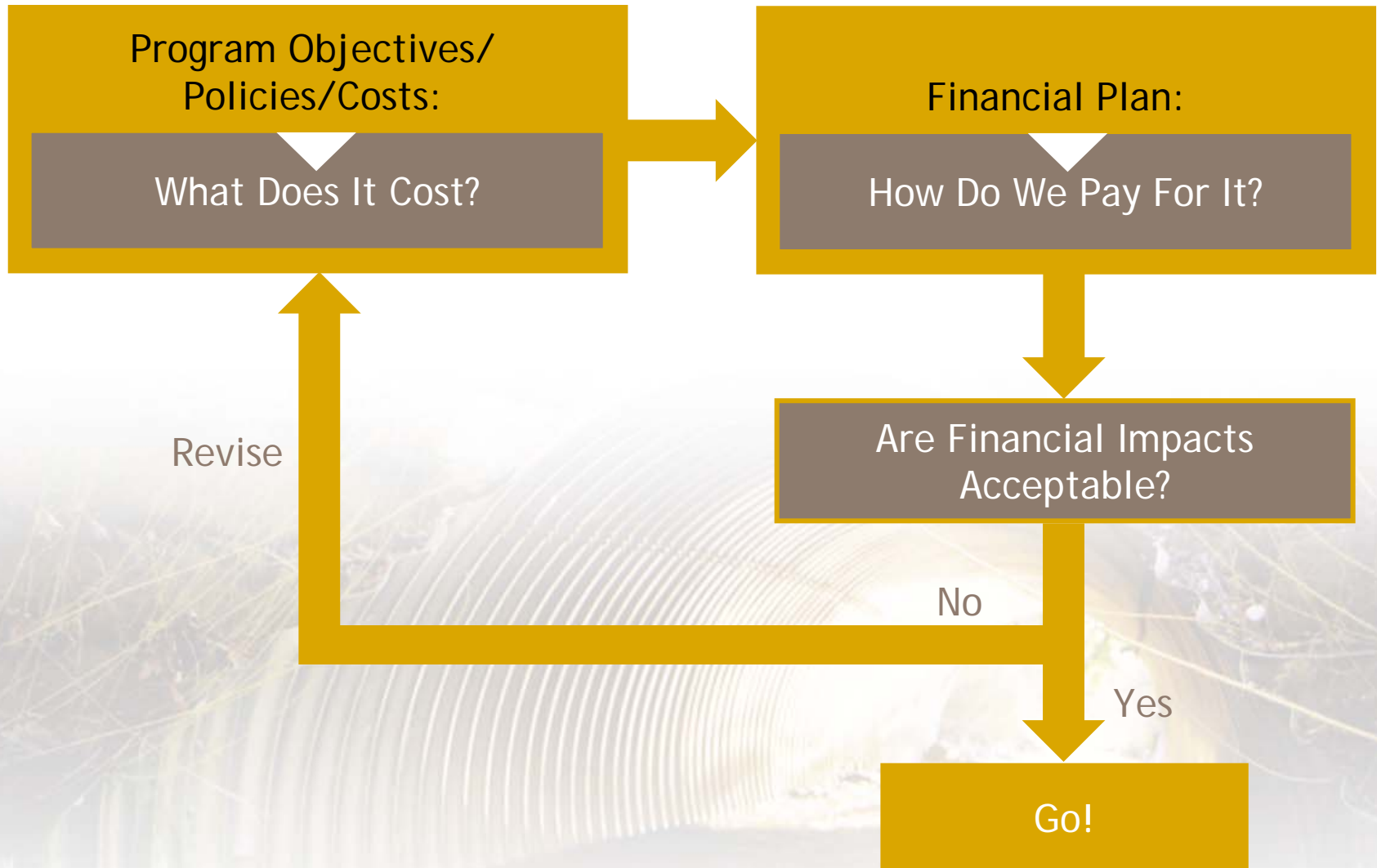
Evaluating Funding Alternatives

- Run the Numbers
 - $\text{Costs} / \text{customer base} = \text{cost per customer}$
- Know How Different Customers Would be Affected
 - Example customers: “typical” household, shopping mall, apartment building, golf course
 - Know who are the largest customers and what their financial impacts would be
 - Understand potential financial incentives

Evaluating Funding Alternatives

- Link “Cost Causer” to “Cost Payer”
 - Consider eligibility of financing options
 - Consider equitability of cost allocation
- Give Decision Makers Choices
 - Level of Service approach
 - Link Objectives to Costs

Financial Planning is an Iterative Process



Following a Process Minimizes the Risks to Budget Approval



The Most Defensible
Budgets are the Result of a
Program Development
Process and do not Drive
the Process

Example: Sugar Land, Texas

- Background:
 - Combined CIP of over \$120 million in capital spending over 10 years
 - Cost of service and rate design study performed in 2006 to determine how to fund the required improvements
 - City Council approved increasing water rates by 11% and wastewater rates by 12% in the first year of the 10-year period
- Keys to Successful Implementation:
 - Independent assessment performed with high quality data provided by credible City staff
 - City staff worked closely with City Council
 - Work Sessions
 - Update Memoranda
 - Benchmarked proposed rates against other cities in region
 - Public presentation of results to City Council

Example: Austin, Texas

- Background:
 - Annexation of 29,000 new residents to City of Austin
 - Meet statutory requirements
 - Program consisted of 27 construction contracts: 15 miles of wastewater lines, 1.4 miles of wastewater force mains, 11 miles of water lines, 6.3 miles of reuse water distribution lines, and 1 wastewater lift station
- Keys to Successful Implementation:
 - Program Manager to support City staff
 - Citizen Involvement Committee
 - Personal meetings with Directors and City Council staff prior to City Council Actions
 - Quarterly updates to Water and Wastewater Commission
 - Public meetings during preliminary and final design phases and “Meet the Contractor” nights for each project area

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