Obtaining Stakeholder Support and Funding for Your Utility Program

March 25, 2009
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

Consensus Building

1. Establish Program Policies and Objectives
2. Develop Program Elements to Achieve Objectives
3. Develop Program Costs
4. Develop Financial Plan

DECISION MAKERS

(Communication Strategy & Planning Process)

Budget
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

Establish Program Policies and Objectives

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Consensus Building

Budget

DECISION MAKERS

(Communication Strategy & Planning Process)
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
Communicate with Decision Makers

- Bridge the Different Perspectives

**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

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4. Develop Financial Plan
5. Consensus Building
6. Budget

DECISION MAKERS
(Communication Strategy & Planning Process)
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
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Budget
Matching Expenditures with Revenues

Program Objectives/ Policies/ Costs:
- What Does It Cost?

Financial Plan:
- How Do We Pay For It?

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

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
  - Costs / customer base = 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

Program Objectives/Policies/Costs:
- What Does It Cost?

Financial Plan:
- How Do We Pay For It?
- Are Financial Impacts Acceptable?

- Yes: Go!
- No: Revise
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Approved Budget!
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
Brazos River CRP Steering Committee Meeting

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