Communicating Rates (and increases) to Customers

City of Durham
Department of Water Management
February 19, 2014

Perception is Reality

Objectives of communicating to customers:
- Customers know what to expect (no surprises)
- Customers accept that increases are necessary
- Shape customer perception of utility as proactive and looking after best interest of community

Outcomes:
- Customers work with utility on conservation and cost control
- Minimize staff time with customer questions and complaints
- Less stress on elected and upper management officials
Managing Perceptions

- If possible, utilize a rate model which provides a justifiable projection for 3-5 years
- No surprises with annual increases

Communicate!
Staff in the Utility Engineering Division manage the ongoing evaluation and improvement of departmental facilities and engineering projects for water and wastewater facilities as a part of the Capital Improvements Program. This unit also provides water distribution and wastewater collection system monitoring and analytical support necessary for detecting inflow and infiltration problems. The program oversees manhole rehabilitation and replacement projects, supplemental flow studies and major pipeline reconstruction and renewal services for both water distribution and wastewater collection systems.

**Current Projects:**
- Angie Avenue Dewatered Water Storage Tank
- Downtown Loop Water Main Replacement and Water Meter Upgrades Project
- SR-56 Culvert in Place Pipe and Manhole Rehabilitation Project
- SR-51 Sanitary Sewer Evaluation Study Project

Mayor Bill Bell at a Council work session
“and we get award winning winning water through those pipes?” Front page of Durham Herald-Sun
How? Start with the Facts

- The amount of the increase in money and as percentage
- Dollar impact on average customer or customer segment

Put Costs in Perspective

- Compare increase with cost-of-living
- Compare to cost of common purchases
- Compare monthly increase with cost of one bottle of water
**Compare with Neighboring Utilities**

**NC Water and Wastewater Rates Dashboard**
Rates: February 2014 (BETA)
Last updated: February 10, 2014

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**Where to Communicate?**

- Council work sessions
- Newspaper articles, both activities during the year and coverage of budget and rate public hearing process.
- Utility bill inserts
- Articles in newsletters and e-zines sent out by the larger government (Durham has weekly City Manager Report).
- Website
- IMPORTANT—Make sure your customer service staff have been given a script and/or understand the reasons behind the rate increase.
Durham – Where Great Things Happen

Loocee- joo got some splainin to do

Keep it Simple

Use pictures and graphs to communicate
Emphasize benefits over numbers (WIIFM?)

FY 07 Budgeted Expenditures
$35,261,777

- Debt Service, $8,150,000 - 23%
- Operations and Maintenance, $13,941,482 - 39%
- Construction Projects, $14,532,944 - 41%
- Capital Equipment, $427,191 - 1%
Showcase Completed Projects

Involve Customers in the Solution

- If required by regulatory compliance, explain basic underlying reason and external mandate

- Emphasize any impact the customer can have and provide easy way to participate
  - FOG Program – proper grease disposal
  - Water efficiency kits
  - High efficiency toilet rebates/credits
  - Harvesting rainwater
Involve Customers in the Solution

- Show them how they can control and minimize the impact of rate increases
  - Water Efficiency/Conservation Program

City Offers Money Saving Kits for Water Customers

Saving water at home just got easier thanks to the City’s Water Management Department pairing water-saving devices to the already popular high efficiency showerhead to create new “Save Water Kits.” The new kits will be available at the cashiering area in the lobby of City Hall, 101 City Hall Plaza. The additional components include aerators for kitchen and bathroom faucets, tank inserts for older toilets, and dye tablets to check for leaking toilets. For just a $3 investment, customers may realize significant savings on their water and sewer bills.
WaterSense Toilet Rebate Program
Durham’s toilet rebate program is still in effect and continues to help residents and businesses save water. The program, sponsored by the City’s Water Management Department, offers rebates valued at $100 for qualified water customers who replace their existing toilets with Environmental Protection Agency (EPA) WaterSense-labeled, high-efficiency toilet models. For information and the rebate form, visit DurhamSavesWater.org.

Rain Barrels Available Year-Round
Durham residents can purchase rain barrels round from the City’s Water Management Department. The barrels are designed and constructed to efficiently collect and hold rain coming off a roof.

Prepare to Explain Alternatives
• Have graph ready for borrowing vs. pay-go funding for those who are debt-adverse
• Show amplified impact on rates if gradual rise is postponed into a step several years in the future
• Illustrate why a major project is needed and the impact of delaying or removing.
  Example: graphs of capacity and maximum daily demand
Example of Alternatives

### Durham Rate Model Scenarios - Key Results

<table>
<thead>
<tr>
<th>Typical Customer Impact</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 1 Baseline</td>
<td>5.4%</td>
<td>5.5%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
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<tr>
<td>No. 2 Short-term Relief</td>
<td>2.5%</td>
<td>6.5%</td>
<td>6.5%</td>
<td>6.4%</td>
<td>6.4%</td>
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<tr>
<td>No. 3 Draw down Reserves</td>
<td>5.1%</td>
<td>5.2%</td>
<td>5.1%</td>
<td>5.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td>No. 4 Hybrid (of 28.8)</td>
<td>2.5%</td>
<td>6.1%</td>
<td>6.1%</td>
<td>6.2%</td>
<td>6.1%</td>
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<tr>
<td>No. 5 2% in 2013 Hybrid</td>
<td>4.0%</td>
<td>5.5%</td>
<td>5.7%</td>
<td>5.6%</td>
<td>5.6%</td>
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<tr>
<td>No. 6 3%’s Annually</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>3.1%</td>
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</table>

### Size of Bonds

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<th>FY 2013</th>
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<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
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</thead>
<tbody>
<tr>
<td>No. 1 Baseline</td>
<td>$146,597,696</td>
<td>$108,988,670</td>
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<td>No. 6 3%’s Annually</td>
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</tbody>
</table>

Facing the Ugly Truth

- Do not delay
- Do not hide or mess with facts
- Justify
- Focus on positives
- Action plan to mitigate
Take-Aways

Simple is better
Repeat often
Manage expectations
Keep in perspective
Stress benefits
Tell story in pictures
Tag Lines
All staff on board
Engage customers