



# **NC Local Government Water / Wastewater Utility Operations Issues During COVID-19**

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# The Good, The Bad, The Ugly, & The Very Ugly

Utilities have broad authority and more flexibility, but decisions must have utility-based rational

Utilities must maintain crucial operations while protecting staff and complying with social distancing and other best practices in light of COVID-19

Utilities must balance short-term help for customers during crisis with short and long-term financial sustainability

Utilities must do all of this in a rapidly changing environment

# Operating in Chaos: Top 5

1. Local government utilities Not Legally Required to change any policies, fees, penalties, or regulations.
2. Any changes generally must apply uniformly across customer class.
3. May adopt different changes for different customer classes.
4. Governing Board must make any changes by amending utilities ordinance (unless authority has been delegated in ordinance), but utility may be able to make change with board member approval and have board ratify it after the fact.
5. COMMUNICATION is key.

# Fees, Payments, Collections







# Question

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Can we require online and drop box payment and close the office to payments in person?

Yes, but need to balance need to get collections.

# Payment Options



May set up decentralized collection areas (kiosks, lock boxes, local banks, other departments, etc.)

May mandate non-cash payments

May encourage non-cash payments by paying all credit card / convenience fees

May limit collection processing/new account set-up to certain days/times

May set up COVID-19 protocols related to collections

# Disconnections / Reconnections

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- Utility may suspend disconnection policy at any time
- Utility may reconnect current disconnections and stop future disconnections, even if no payment received



# Waiving Penalties, Disconnect/Reconnect Fees, & Account Balances

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- Utility may stop assessing late fee penalties and disconnect / reconnect fees.
- **NO** authority to simply waive individual customer's account balance.



# Account Balances & Payment Plans

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MAY SET UP PAYMENT PLANS  
FOR QUALIFYING CUSTOMERS  
IN A CUSTOMER CLASS.



MAY ALTER PAYMENT TIMING  
(EXTEND PAYMENT DUE  
DATE) FOR ALL CUSTOMERS  
IN A CUSTOMER CLASS.

# Lowering Rates



- May amend rate structure to lower rates by customer class.





# TRANSFERRING IN?

## Transfers from Other Funds

- Local government may transfer monies from general fund (or other fund with unrestricted revenues) to the water and/or sewer fund.





# TRANSFERRING OUT?

## Transferring from Water / Sewer Fund

- Local government may transfer monies from the water and/or sewer fund to another fund.
- But, must make sure that sufficient monies remaining to cover operating and capital expenses in the water / sewer fund.
- But, may be prohibited from receiving loans/grants from state for water/wastewater system.

# Financial Aid to Customers

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- May set up subsidy program for low- or moderate-income customers, but must be funded with general fund revenues
- May set up subsidy program for senior citizens, but must be funded with general fund revenues



# Operations



## Question

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Are the admin/collections staff at a water and sewer authority deemed “essential personnel” limiting closure of the office?

It is up to the local governing board, manager/administrator, and department head to designate essential personnel / essential duties. There may be some aspects of admin and collection that need to be done on-site. Utilities have flexibility in determining how to meet those needs.





# Modifying Operations

- Who's in charge?
- What are highest priority tasks?
- What can be done remotely?
- Can employees be cross-trained?
- Can you establish employee teams to rotate?
- How can employees be protected?
- What do we need to delay?
- Do we need more personnel?

## Question

During construction, the developer's contractor is responsible to complete construction for the water and/or sewer facilities to serve the new development. Many times, when the new water main is constructed and ready to be connected to the utility's system, the utility has to shut-down the existing water main in order to connect the new line. The shut-down can last anywhere from 4 - 8 hours. The shut-down puts existing customers on that main without water for this time period and under a boil water advisory for at least another 24 hours.

May we delay the new connections?

Yes

# Customer Service







Communicate	Communicate regularly with customers
Be Convenient	Provide convenient opportunities for payment and inquiries (phone, email)
Be Accurate	Address misinformation as quickly as possible (reference info from CDC, EPA)
Be Flexible	Be a little flexible (within reason) as customers adjust



How will COVID-19  
Affect Utility Finances?



# Effects on Costs

- Personnel
- Chemicals and materials
- Volume treated/delivered/collected
- Reconnecting / not disconnecting customers
- Paying customers' credit card/bank fees
- Communication
- Maintenance on essential lines
- Funding programs changes?

Operations

Customer  
Service

Infrastructure

# Effects on Revenues

- Suspension of cutoffs, late fees, penalties
- Extension of payment plans / payment options
- Water use changes:
  - Commercial: decreasing
  - Residential: increasing
- Inability to pay (affordability) likely to increase



# To Do

- ✓Emergency response plan / business continuity
- ✓Communicate
- ✓Monitor
- ✓Set minimum reserves target in budget
- ✓Budget for a “not-good” scenario
- ✓Provide options for customer assistance
- ✓Seek help when you need it / help others when you can
- ✓Keep up with information and resources

# Resources and News for Utilities

- CDC: [cdc.gov/coronavirus](https://www.cdc.gov/coronavirus)
- EPA: [epa.gov/coronavirus](https://www.epa.gov/coronavirus)
- AWWA: [awwa.org/coronavirus](https://www.awwa.org/coronavirus)
- WEF: [wef.org/coronavirus](https://www.wef.org/coronavirus)
- Water RF:  
<https://www.waterrf.org/event/coronavirus-research-update>
- UNC SOG: [sog.unc.edu/coronavirus](https://sog.unc.edu/coronavirus)

# Resources *Specific for North Carolina* Utilities

- NC DEQ: <https://deq.nc.gov/>
- Join NCWaterWARN: [ncwaterwarn.org/](http://ncwaterwarn.org/)
- Subscribe to the ncwater listserv:  
<https://www.sog.unc.edu/resources/listservs/nc-water-listserv-ncwater>
- Review the Incident Response Toolkit (SOG):  
<https://www.sog.unc.edu/resources/microsites/drinking-water-incident-response-toolkit/>
- Contact a technical assistance provider



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER







# Zoom Call for Finance 3/25/2020

["Zoom Call for Local Government Finance Professionals about Finance Office Response to Pandemic"](#)

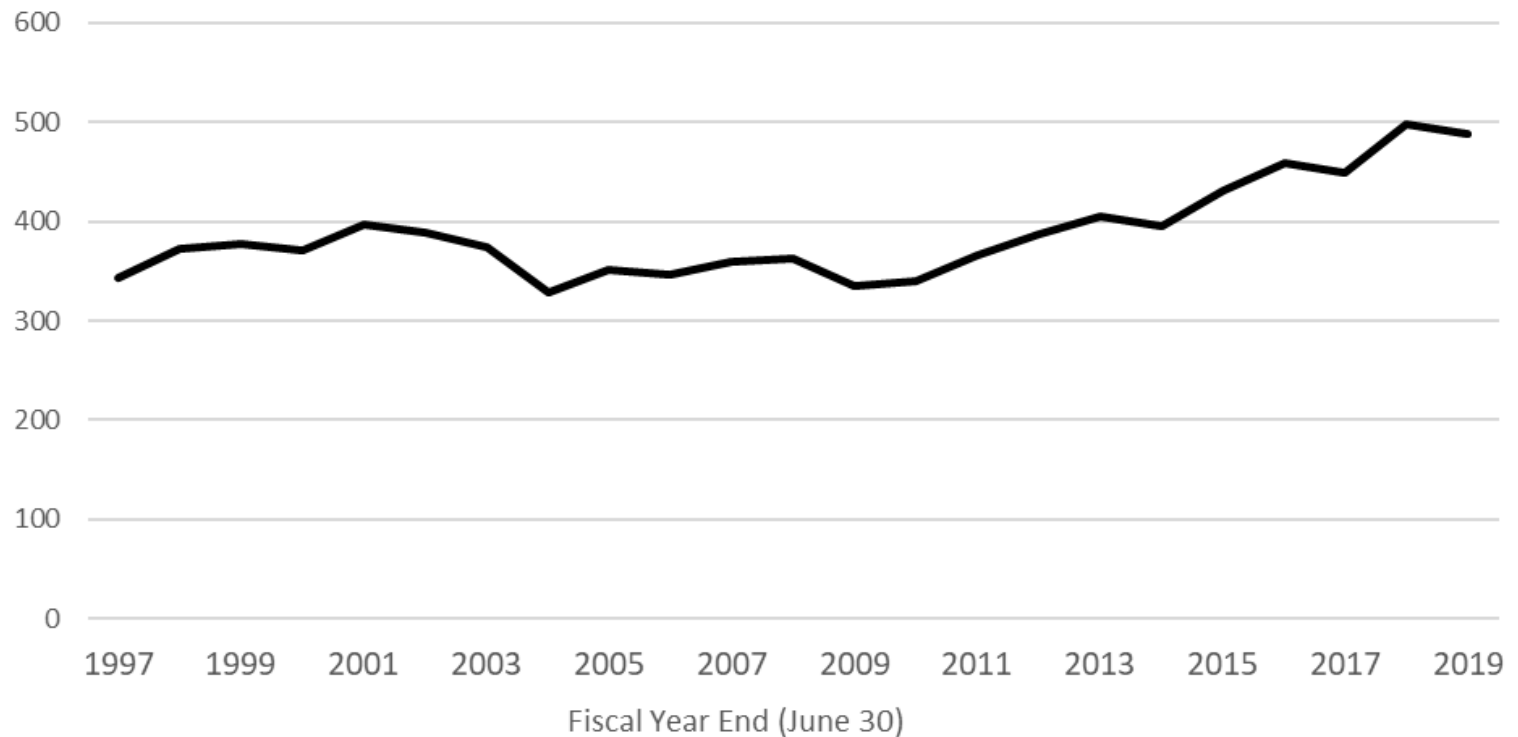
SOG faculty, State Treasurer's Office staff, and NCGFOA board members are co-hosting a zoom call for finance professionals across the state to discuss finance office responses to the pandemic on **Wednesday, March 25 at 1:00 p.m.** We will address legal and regulatory compliance on issues ranging from daily deposits and cash management, to reporting requirements, to internal controls, to maintaining operations with a remote and potentially reduced workforce. We also hope to facilitate the sharing of info and strategies among local governments.



More Info!

# Greater Reserves Now than in 2008-2010

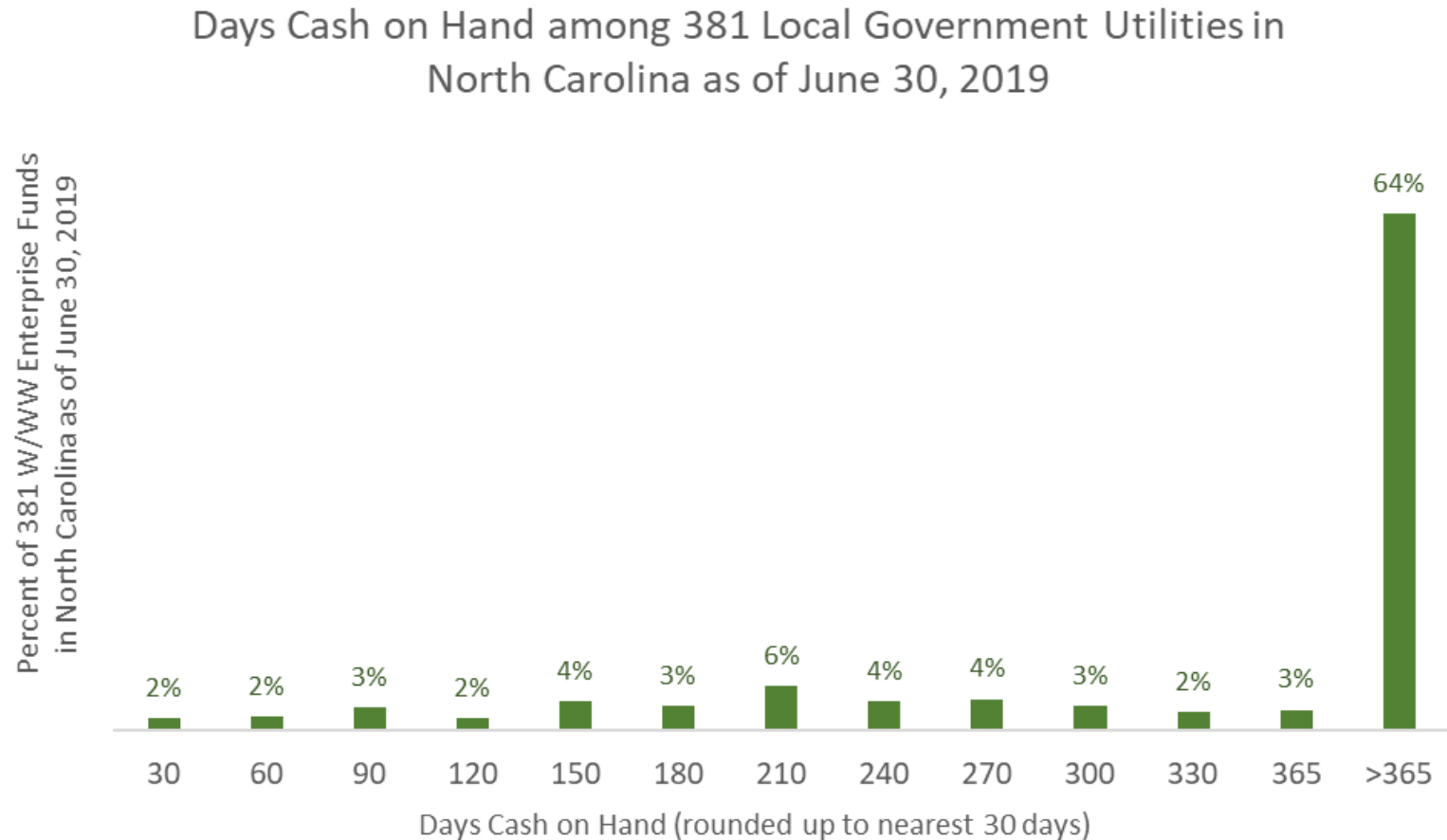
Median Days Cash on Hand among Active Local Government Utilities in North Carolina, FY1997 - FY2019



Analysis by the Environmental Finance Center at the University of North Carolina, Chapel Hill.

Data Source: North Carolina Department of State Treasurer, State and Local Government Finance Division: database of Enterprise Fund metrics from audited financial statements of local governments, FY 1997 - FY 2019. Active utilities varied from year to year.

# Reserves in W/WW Enterprise Funds (Days Cash on Hand)



Analysis by the Environmental Finance Center at the University of North Carolina, Chapel Hill.

Data Source: North Carolina Department of State Treasurer, State and Local Government Finance Division: database of Enterprise Fund metrics from FY2019 audited financial statements of local governments.

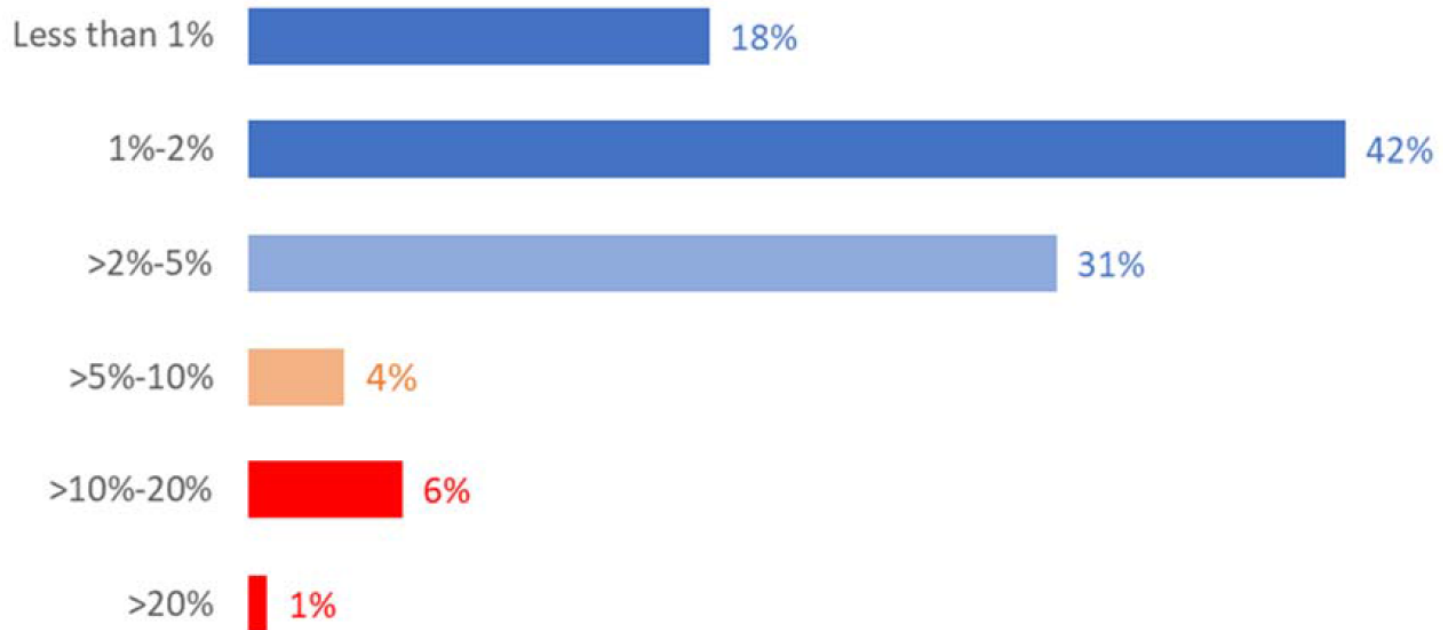


# Disconnections and Helping Customers

# Rates of Disconnection (in 2017)

39) At any given time, on average, what approximate percentage of customers are typically cut off from service due to non-payment?

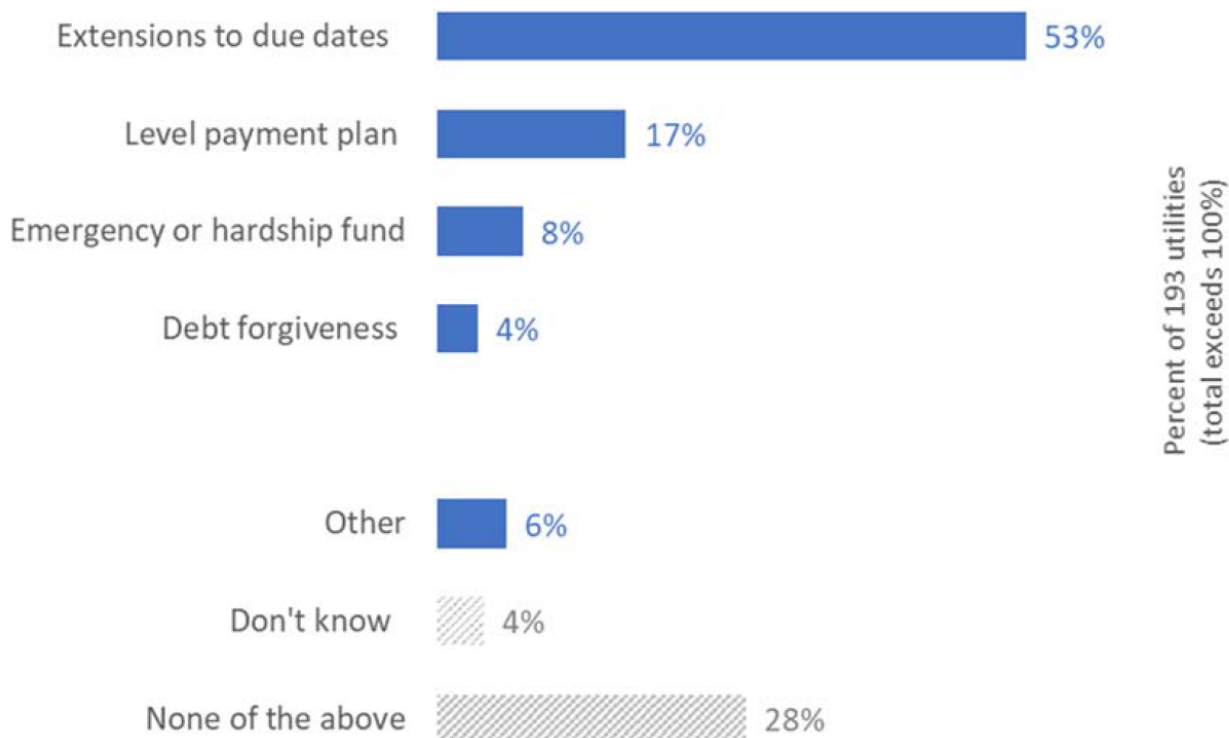
Forty-two percent of utilities report that they routinely have **one to two percent of customers cut off** due to non-payment (n = 137).



# Assisting Customers Financially (in 2017)

38) Does your utility have any of the following programs or services to assist customers with financial hardships? Select all that apply.

**Extending bill due dates** is the most frequently provided service to assist customers with financial hardships.

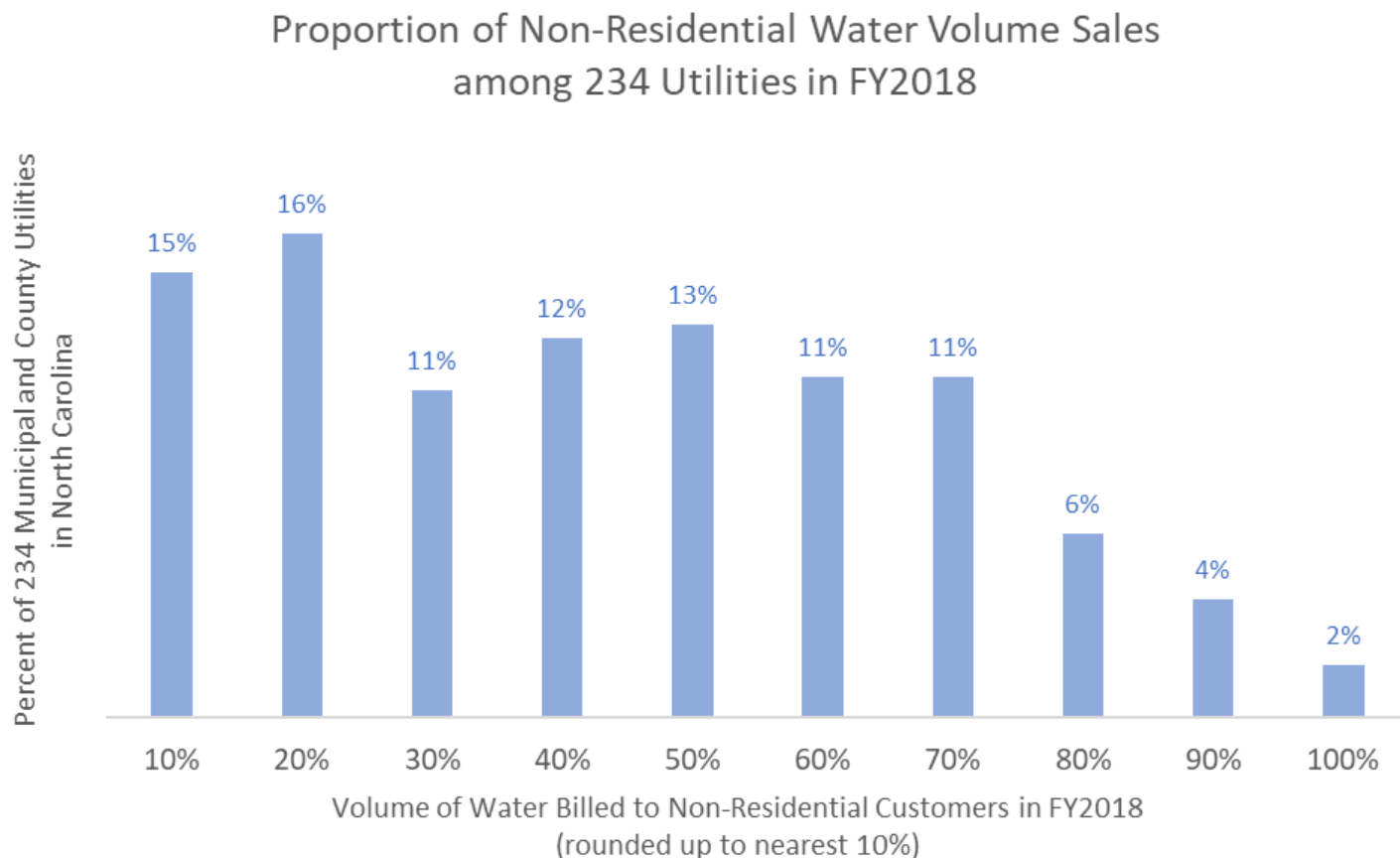






# Changing Demands and Revenues

# Non-Residential Sales by Volume



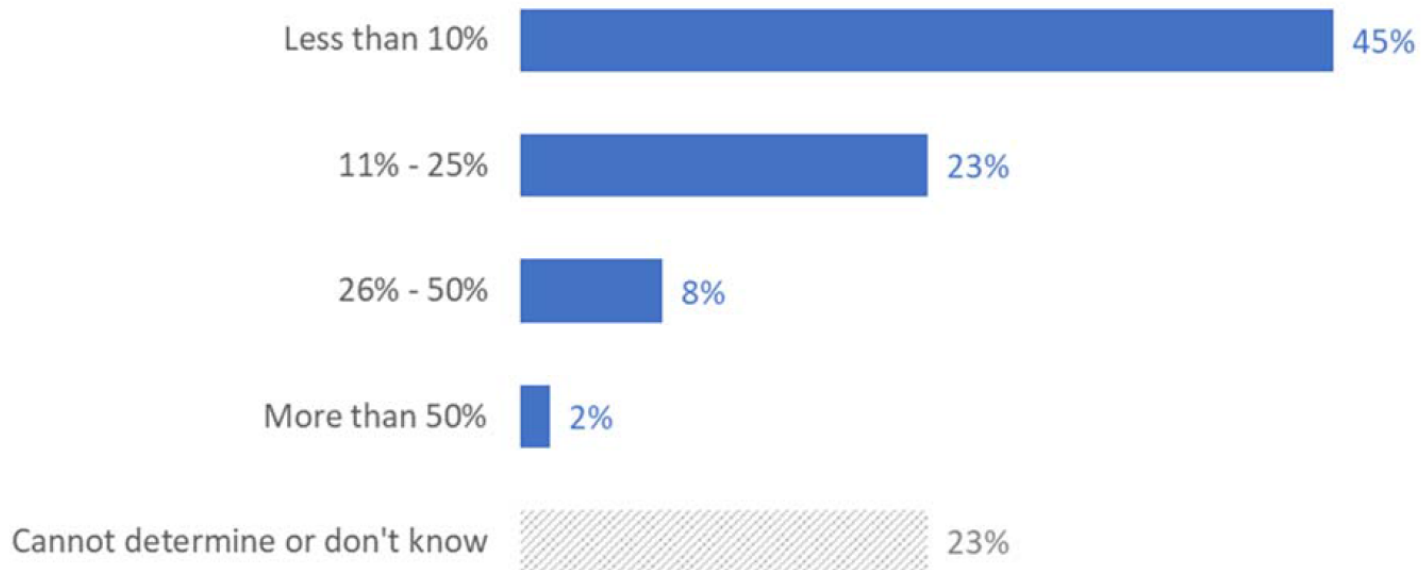
Analysis by the Environmental Finance Center at the University of North Carolina, Chapel Hill.

Data Source: North Carolina Department of State Treasurer, State and Local Government Finance Division: AFIRs from Municipal and County governments in FY2018.

# Revenues from Largest Customers

34) What percentage of your utility's total annual revenue is normally billed to your 5 largest non-wholesale customers (i.e. the five largest industrial or commercial customers, but NOT sales to other utilities)?

Utilities are most likely to bill **less than ten percent** of their total annual revenue to their five largest non-wholesale customers (n = 190).




# Pricing

OTHER 1 DAY AGO

## Supermarket In Denmark Comes Up With A Brilliant Pricing Trick To Stop Hand Sanitizer Hoarding

Like Bored Panda on FB: [Like 15M](#)

 **Judita Kusaitytė**  
BoredPanda staff

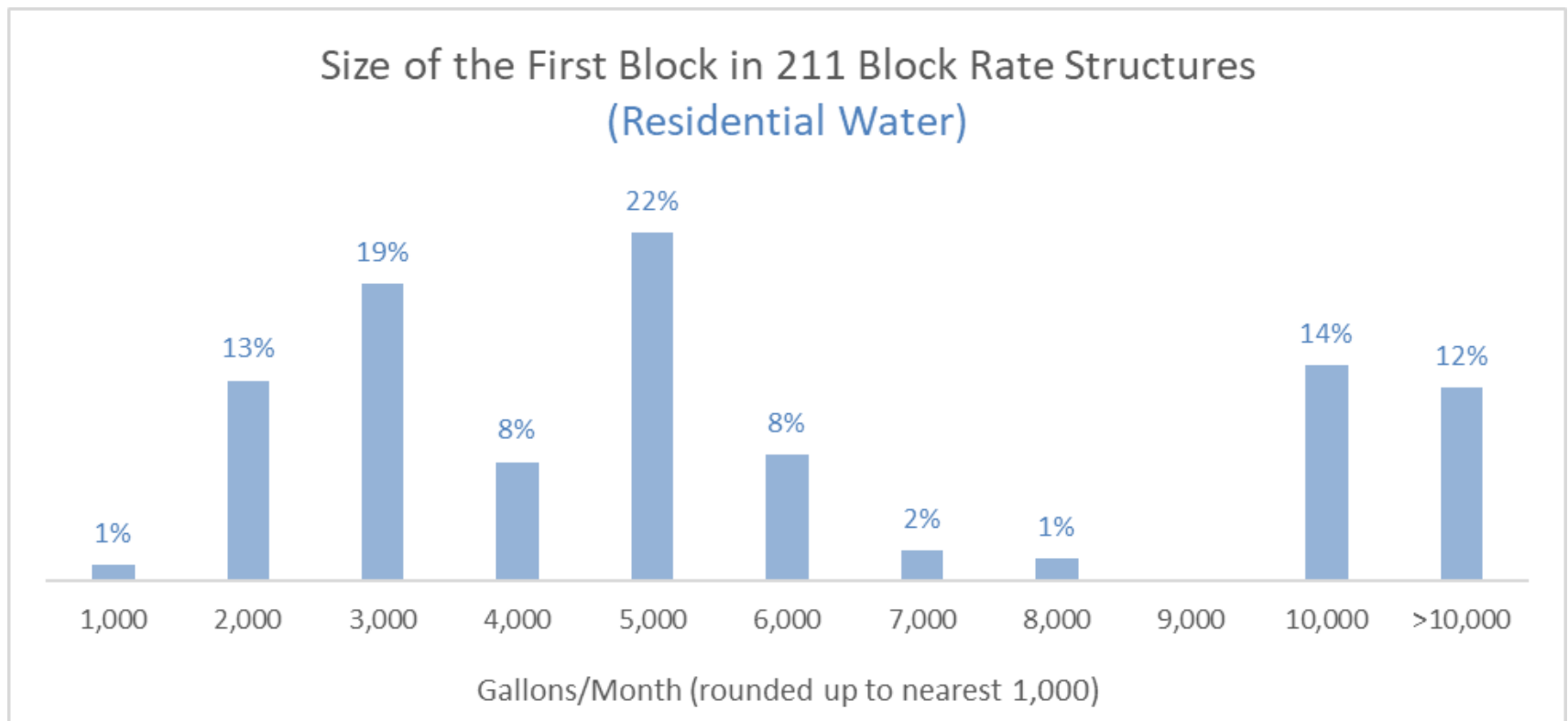
Apparently, the store is now selling one bottle of sanitizer for 40 DKK (\$4.09) while two bottles cost 1,000 DKK (\$95)



Source:

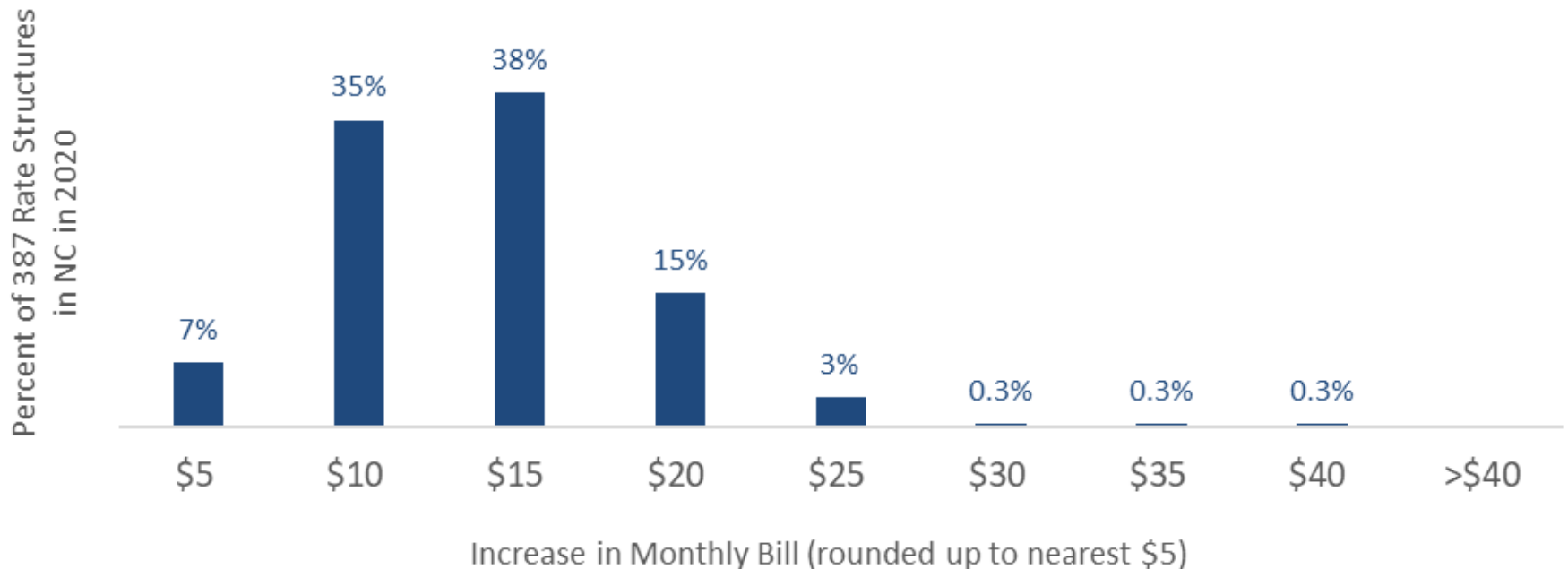
<https://www.boredpanda.com/danish-supermarket-stop-hoarding-hand-sanitizer>

# Block Rates in North Carolina



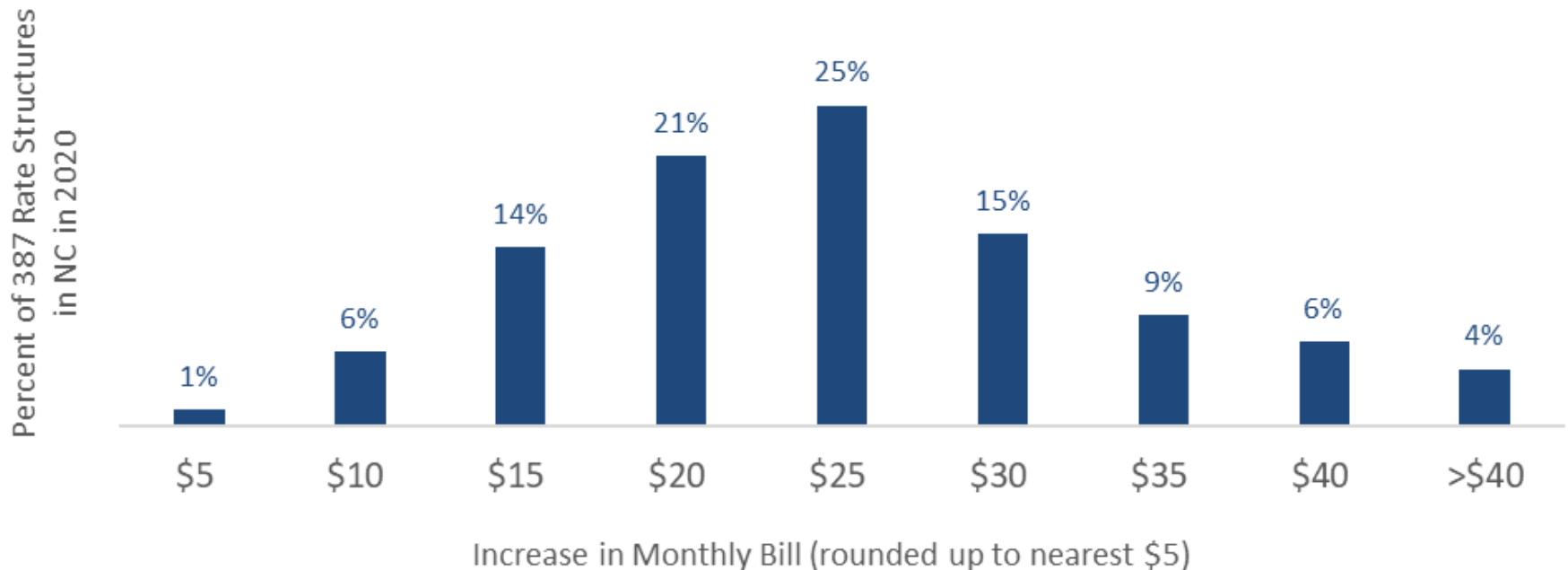
# Potential Bill Increases from Residential Customers (+33%)

Increase in Combined Water and Wastewater Bill if Residential Customer Increases Use from 3,000 to 4,000 Gallons (+33%)

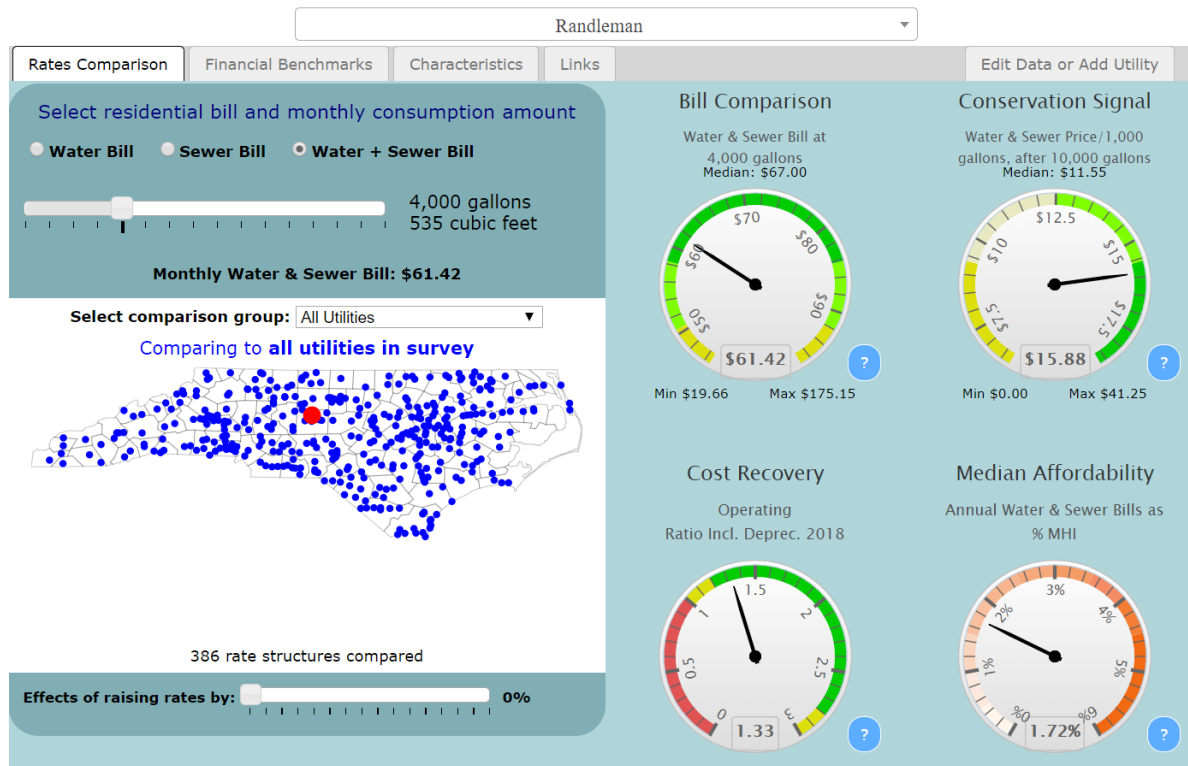


# Potential Bill Increases from Residential Customers (+66%)

Increase in Combined Water and Wastewater Bill if Residential Customer Increases Use from 3,000 to 5,000 Gallons (+66%)



# 2020 NC Rates Dashboard



<https://efc.sog.unc.edu/project/north-carolina-water-and-wastewater-rates-and-rate-structures>