

# 2020 Water and Wastewater Finance Strategies Workshop

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March 2-3, 2020

Chapel Hill, NC



SCHOOL OF GOVERNMENT  
Environmental Finance Center

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*Dedicated to enhancing the ability of governments and other organizations to provide environmental programs and services in fair, effective, and financially sustainable ways through:*

- Applied Research
- Teaching and Outreach
- Program Design and Evaluation
- Advising
- Policy Analysis

# Housekeeping



# Workshop Objectives

1. Improve understanding of water service finance strategies, practices, and funding sources
2. Improve understanding of evolving trends and external drivers
3. Provide forum for sharing finance and management perspectives, ideas, and experiences



# Agenda

## Monday, March 2<sup>nd</sup>

- 9:30 Welcome and Introduction / Finance Overview
- 10:15 Break
- 10:30 State/Federal Legislation and Policy Impacting Utility Finance
- 12:00 pm Lunch
- 1:00 Legal Issues in Water Finance
- 2:00 Break
- 2:15 Managing your Enterprise Fund: Do's and Don'ts
- 3:30 Rate Setting Exercise: How Objectives and Philosophies Affect Rate Setting
- 4:15 Adjourn

## Tuesday, March 3<sup>rd</sup>

- 8:30 am Continental Breakfast
- 9:00 Consolidation Considerations
- 9:30 Rate and Fee Setting
- 10:45 Break
- 11:00 Utility Financial Planning
- 12:00 pm Lunch
- 1:00 Finding the Money! Capital Finance Programs and Options
- 3:00 Wrap up and adjourn

**Room 2601**  
**Both days**

# Fantastic Speakers

**NC DEQ DWI:** Kim Colson, Francine Durso, Jon Risgaard, Julie Cubeta

**UNC SOG:** Kara Millonzi

**NC DST LGC:** Sharon Edmundson

**USDA:** Dennis Delong

**EFC:** Erin Riggs, Austin Thompson, Evan Kirk

Thank you!

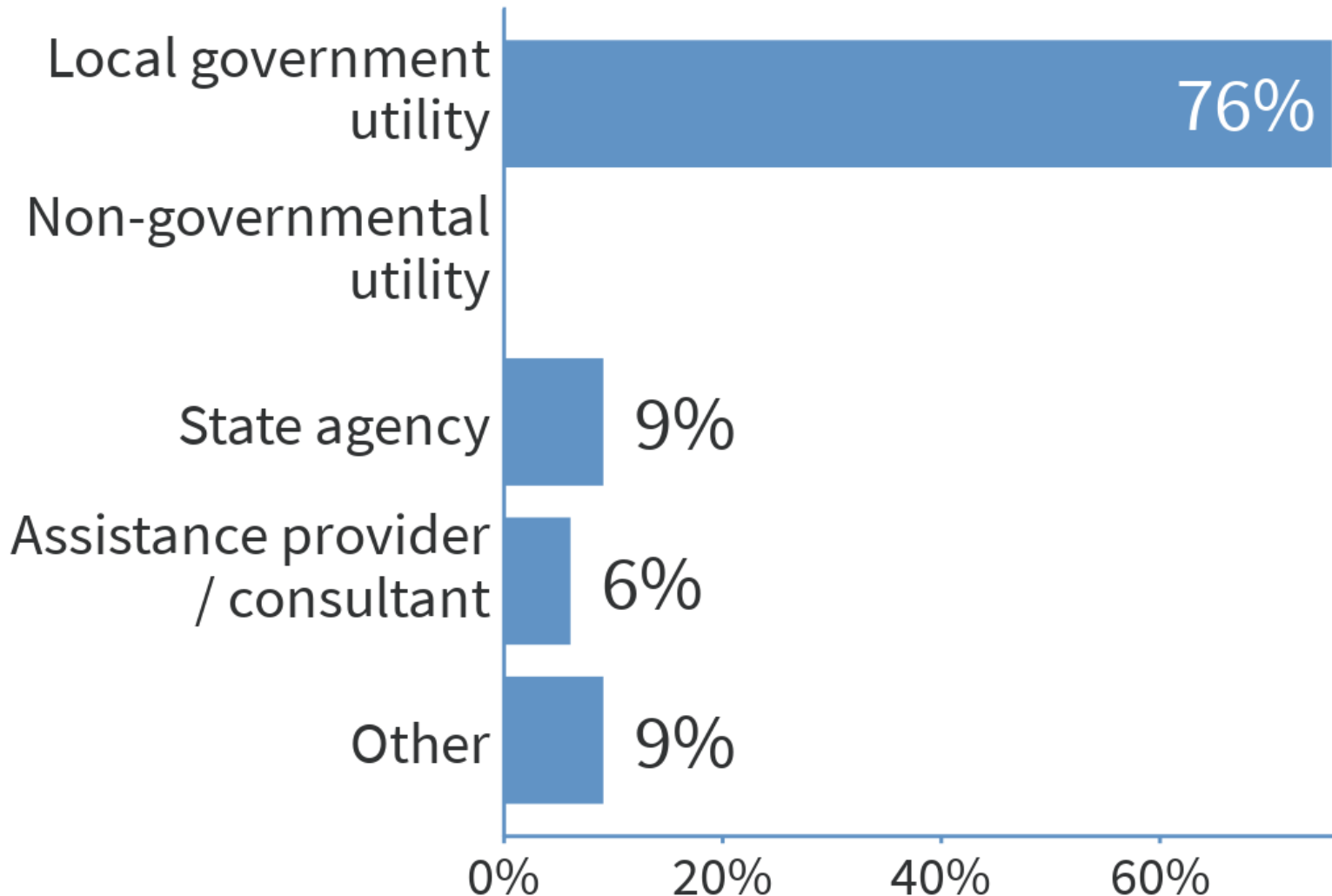
# EFC Content for this Workshop

## Developed Thanks to...

- You
- NC DEQ DWI
- US EPA
- UNC SOG
- NC Policy Collaboratory

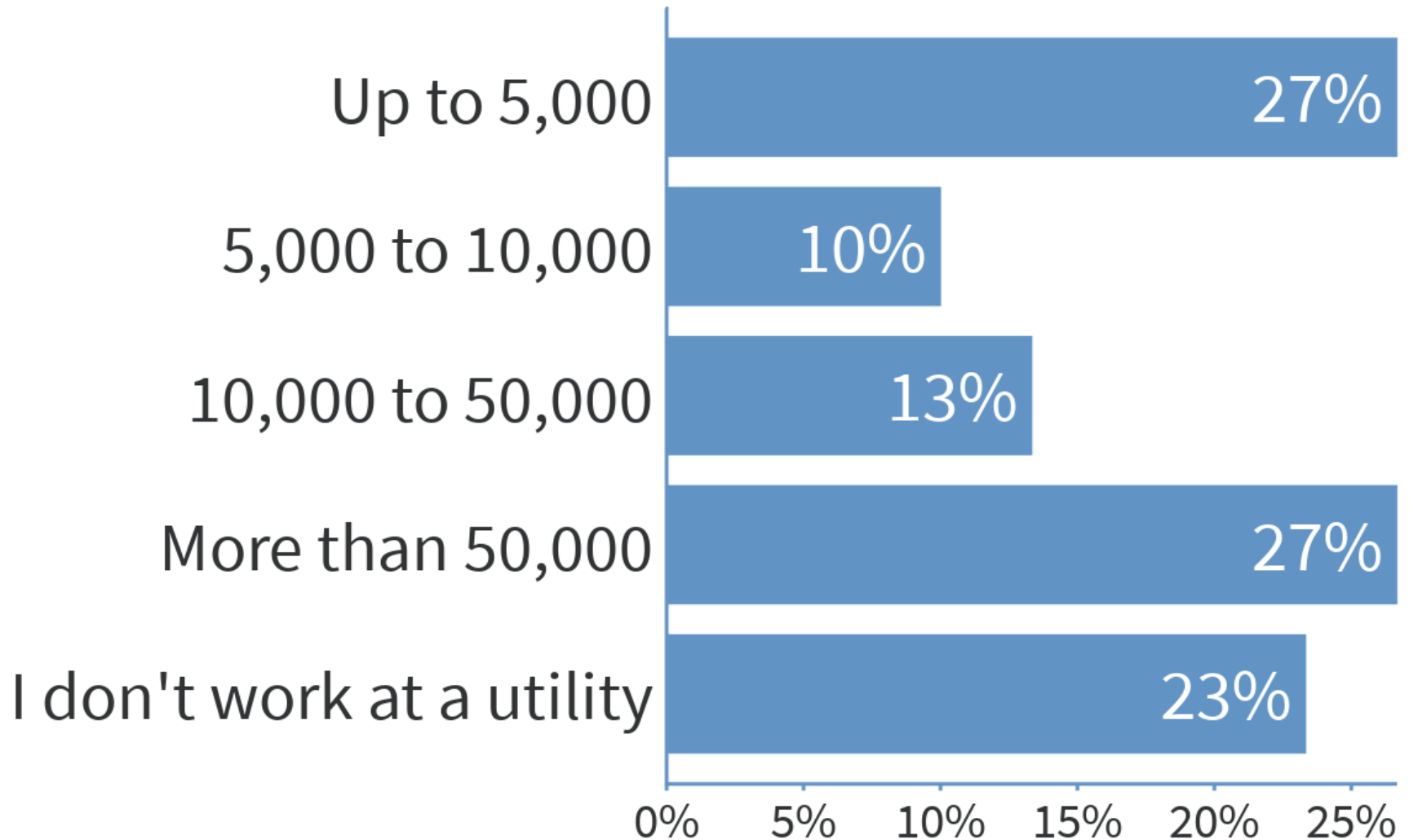


# What organization do you work for?



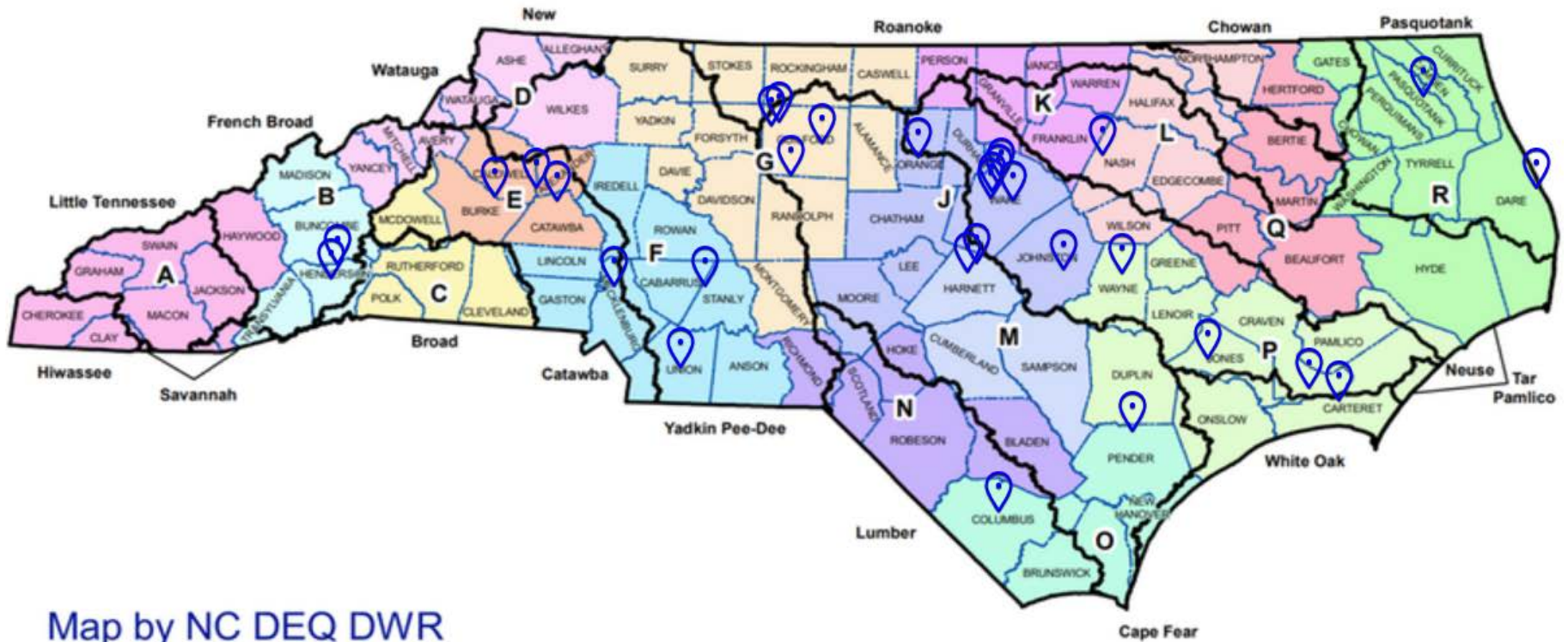


# How many people do you serve?

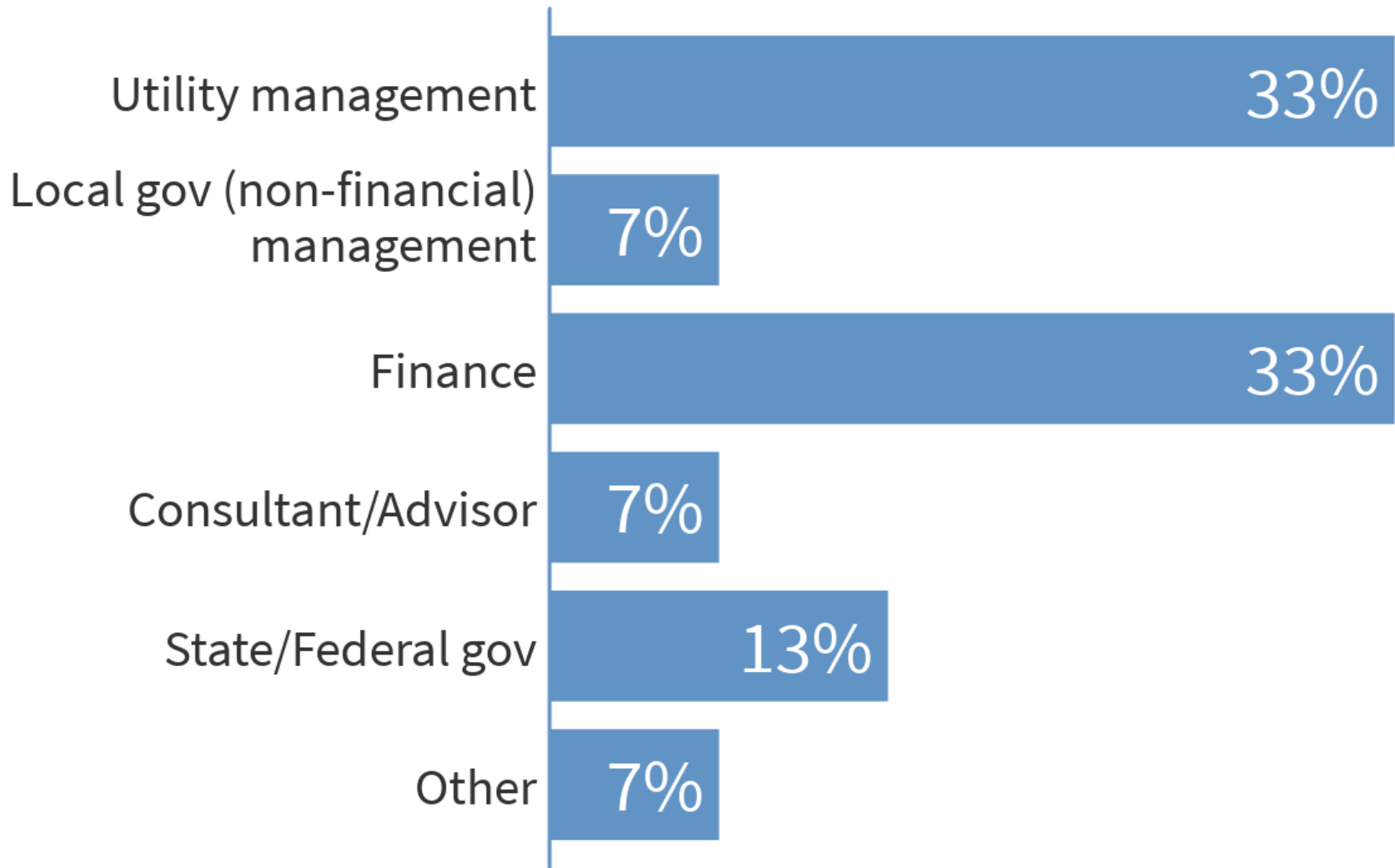


# Where is your primary place of work?

Regional Council of Governments & River Basins



# What best describes your position?

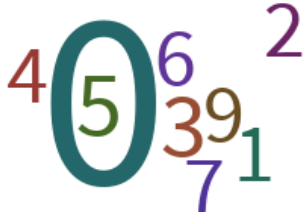


# Rapid Introductions

- Name
- Organization
- Position



# How many times have you attended this workshop before?



# How many years have you been involved in water finance?

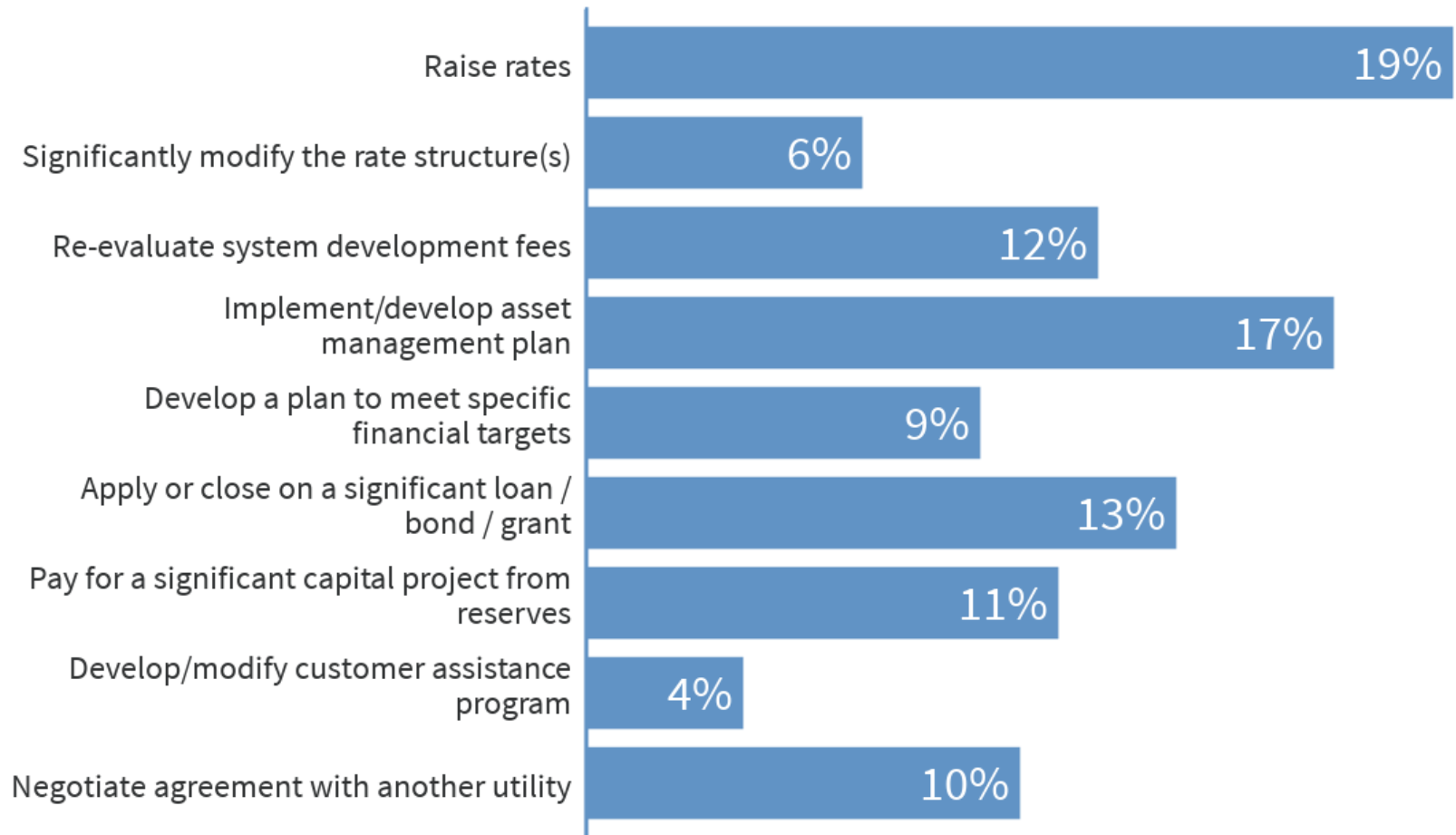


# Meet your Neighbor (5 minutes)

- Where are you from?
- What do you do?
- What was the most interesting project or finance-related initiative/practice that you worked on recently?
- Any finance challenges now or in the future keeping you up at night?



# What are you likely to work on in the next 1 - 3 years (choose all that apply)?

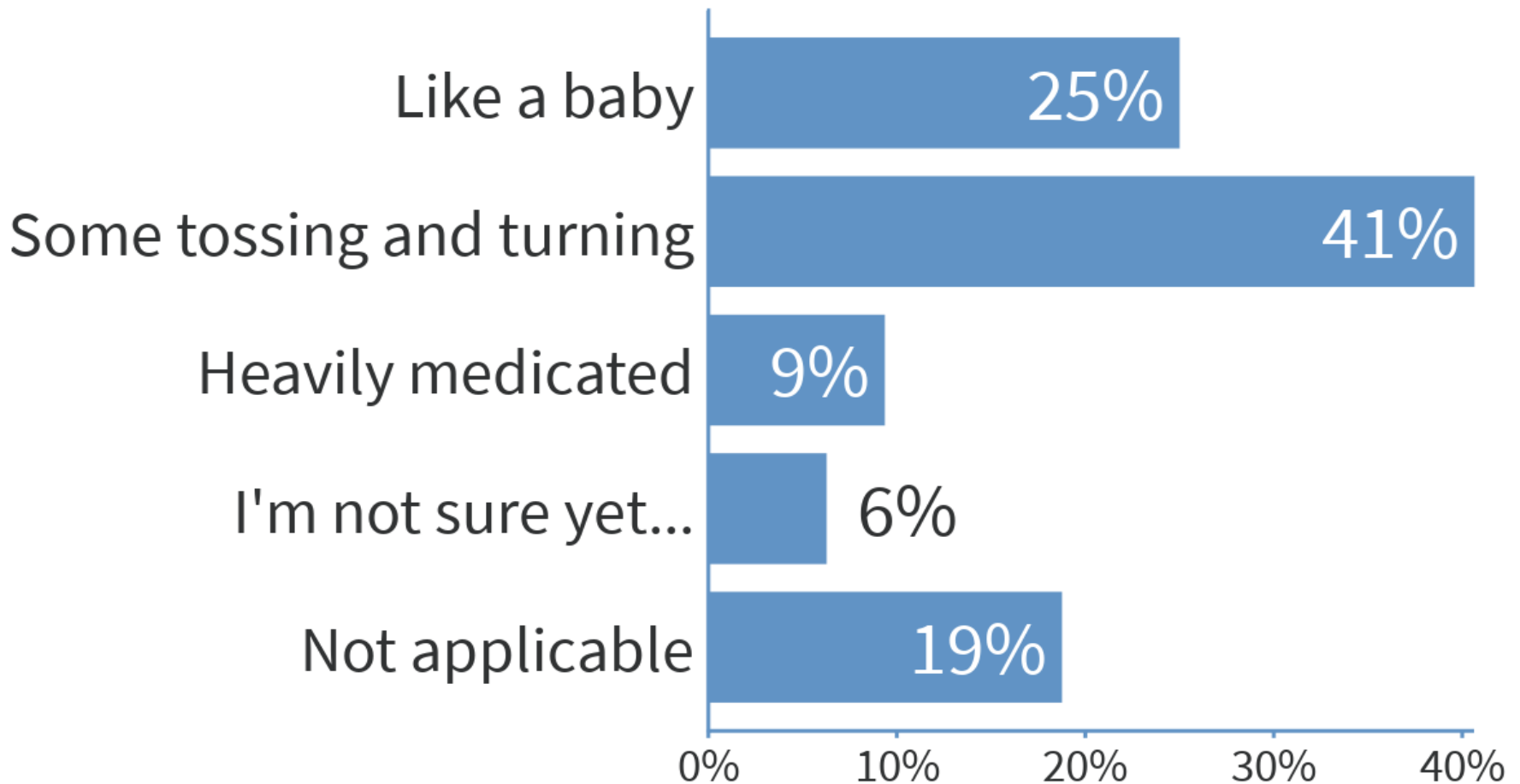




# OUTLOOK



# In terms of your utility's finances, how well do you sleep at night?



# What's your outlook on the state of utility finances among NC utilities as a whole in the next 5 years?



COMMENTS — 14 Jan, 2020 | 13:52

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COMMENTS  
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# U.S. Municipal Water And Sewer Utilities 2020 Sector Outlook: Finding Stability Between Headline Risk And Credit Risk

View Analyst Contact Information

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- State Of The Sector
- We're Watching E, S, And G
- Looking Ahead
- Last Year's Rating And Outlook Actions



Sector  
U.S. Public Finance, Utilities

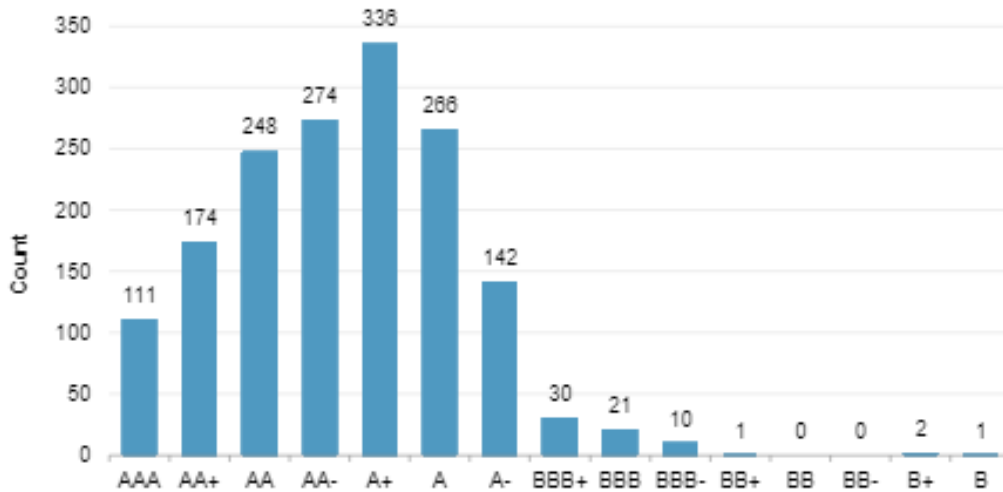
Topic  
Outlook 2020: A Precarious  
Balance

Primary Credit Analyst:  
Theodore A Chapman

Secondary Contacts:

**Outlook: Stable**

## Municipal Water And Sewer Utilities Sector Ratings [



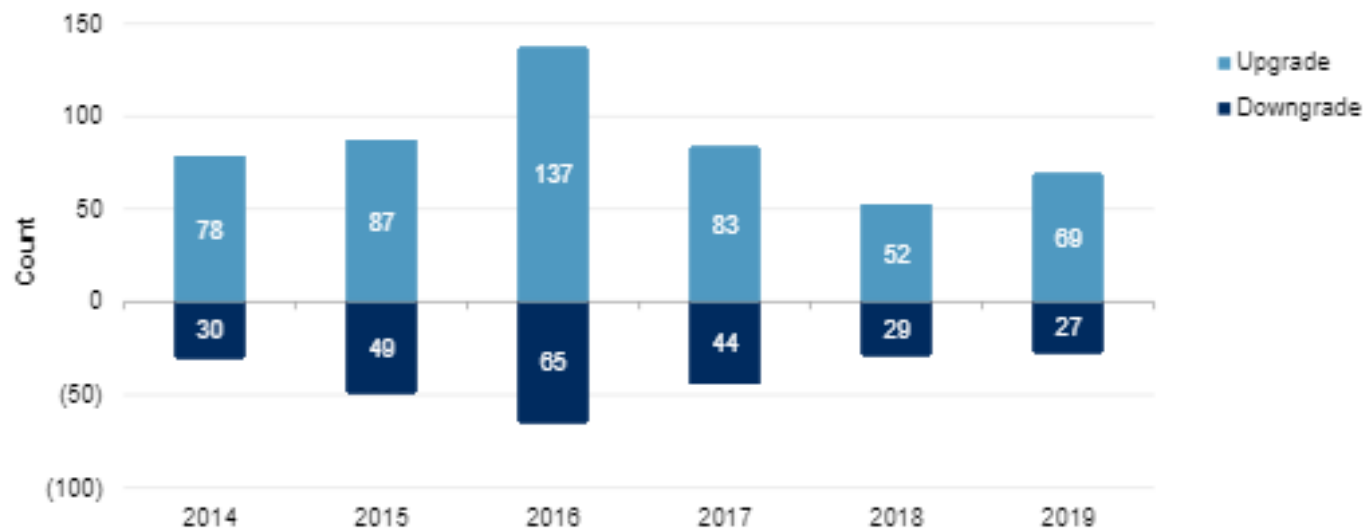
Data as of Dec. 31, 2019

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# S&P Sector Evaluation

Municipal Water And Sewer Utilities Sector Downgrades And Upgrades, 2014-2019



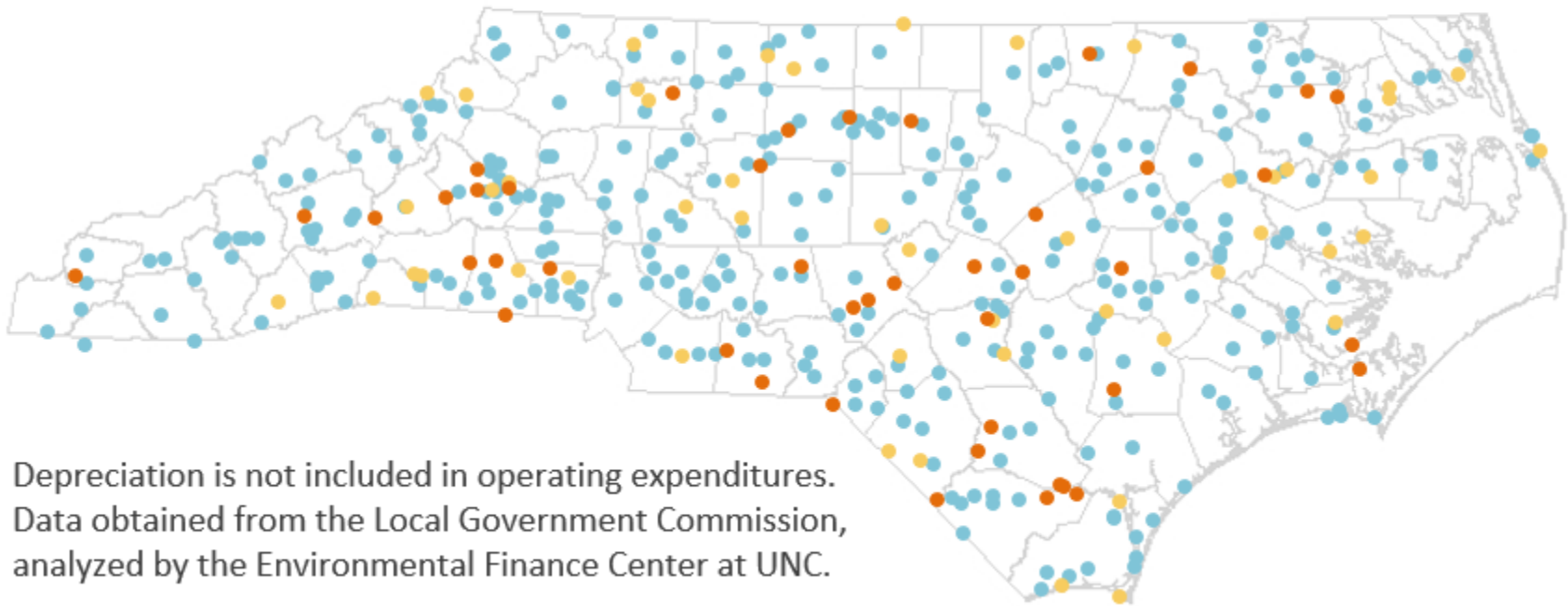
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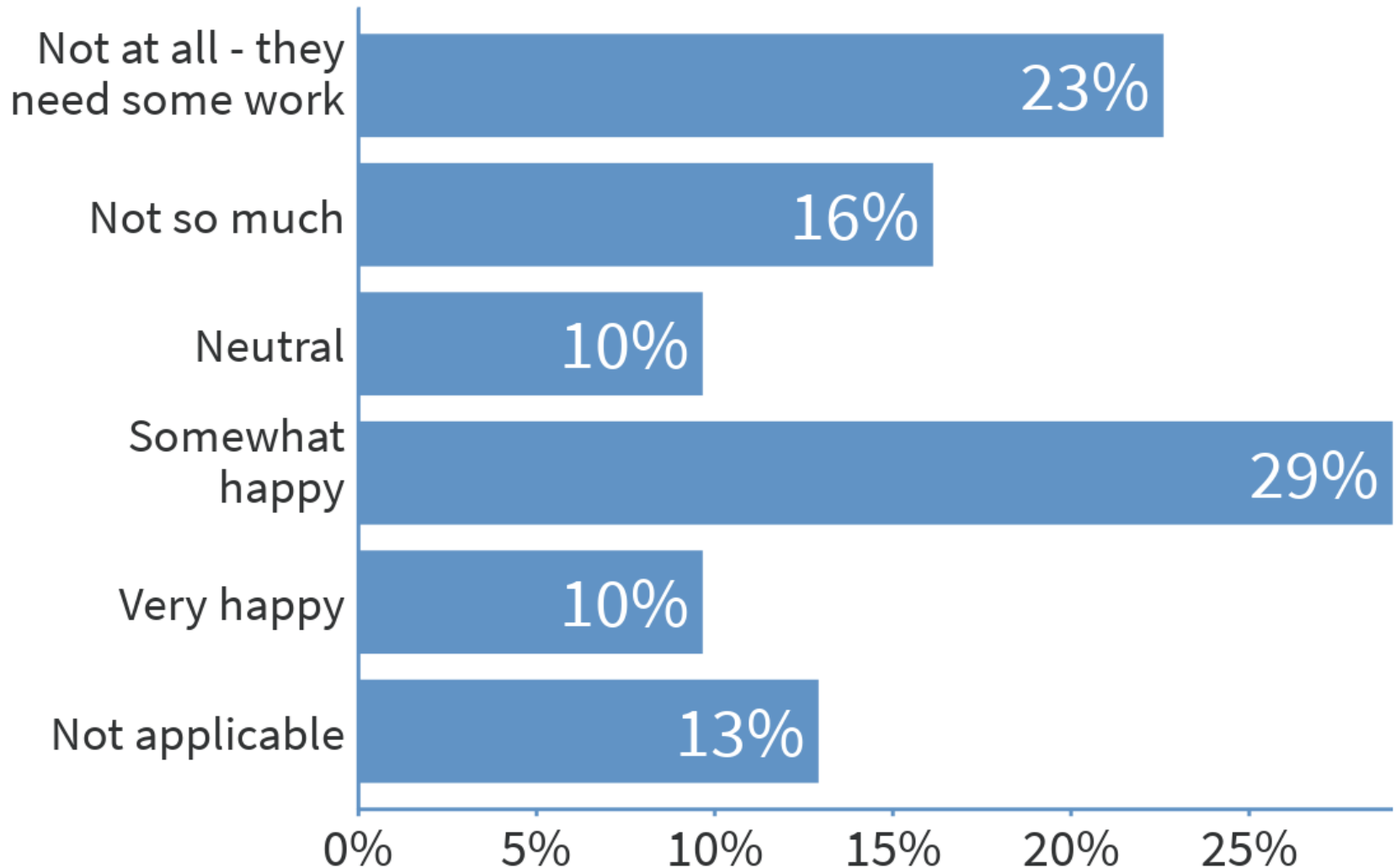
# Cost Recovery in 398 Local Government-owned Water and Wastewater Utilities during FY2019

## Local Government-Owned Water and Wastewater Utilities' Cost Recovery in FY 2019

- Operating revenues < operating expenditures (11%)
- Operating revenues < operating expenditures + principal + interest on long-term debt (12%)
- Operating revenues > operating expenditures + principal + interest on long-term debt (77%)

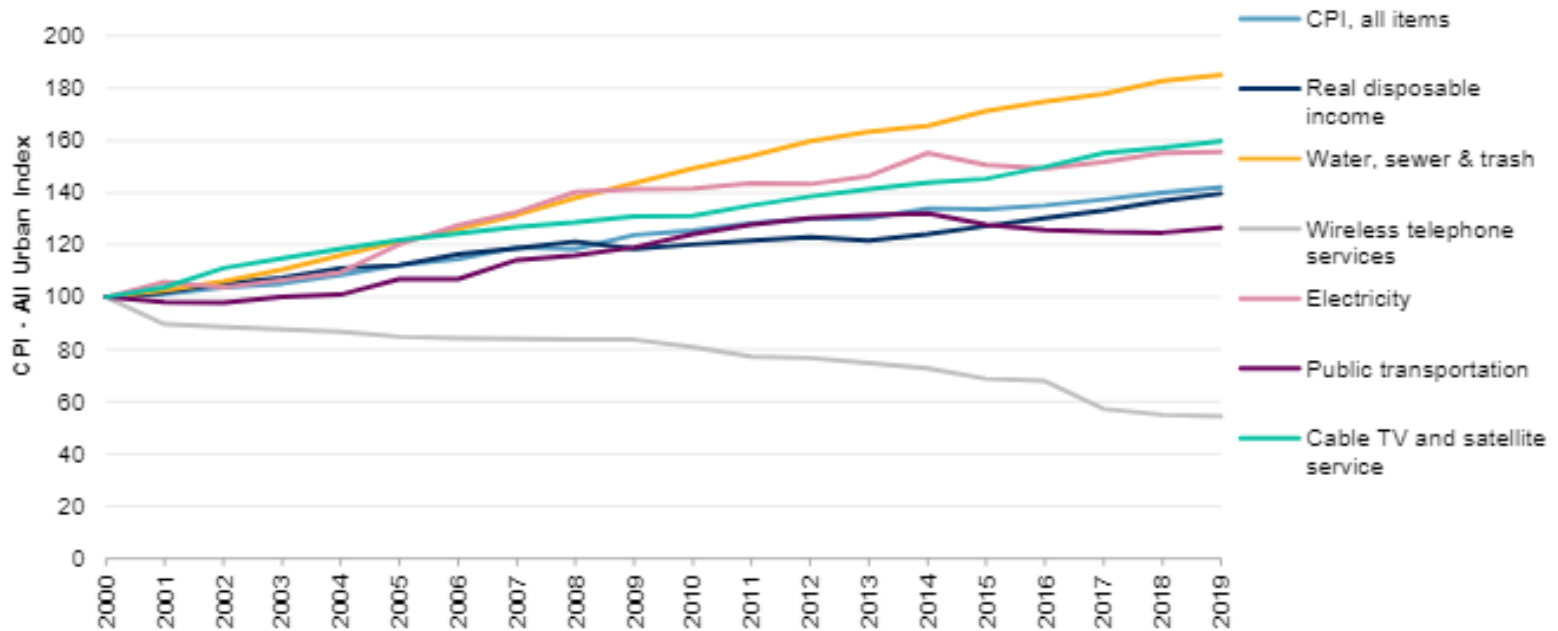


# How happy are you with your rates today?



# Water/Sewer Rates Rising Faster than in Most Sectors

Selected Inflation Rates, 2000-2019  
Year 2000=100



Source: Bureau of Labor Statistics.

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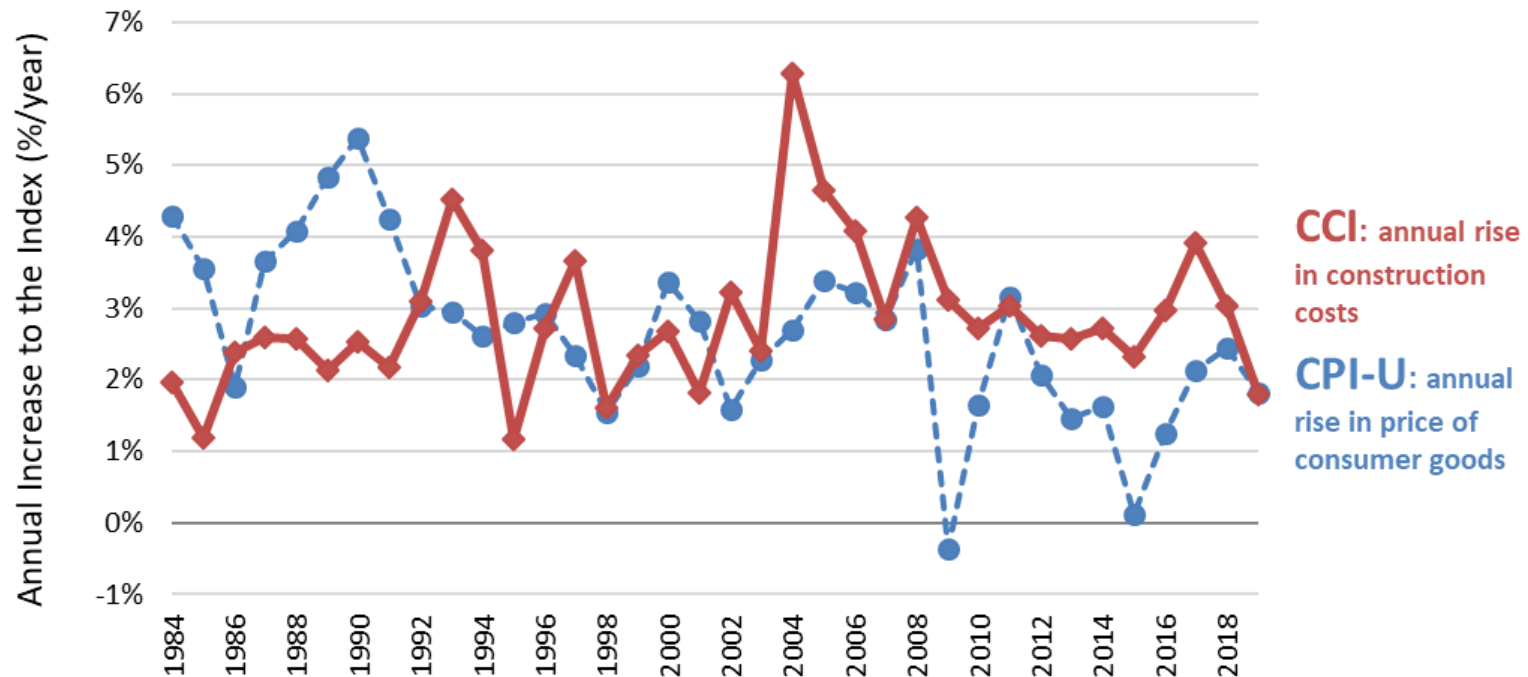




# Costs of Infrastructure Projects Continue to Rise

The **Construction Cost Index (CCI)** has been rising faster than the **Consumer Price Index-Urban (CPI-U)** in recent years.

Construction costs (CCI) rose on average of **2.8%/year** in the last five years, while consumer goods (CPI-U) only rose an average of **1.6%/year** in the same period.



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

Data sources: Bureau of Labor Statistics (CPI-U), Engineering News-Record ENR.com (CCI), InflationData.com (CPI-U), USDA Natural Resources Conservation Services (spreadsheet containing CCI and CPI-U).

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