



Operating a Water System

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Woodsville had a big ribbon-cutting ceremony for the new water plant. The local elected officials, water board members, the new superintendent, and the operator were all in attendance. Special guests were Ohio EPA regulators, funding agency representatives, consultants, and the technical service providers that advised the community. Now that the water is flowing to the homes, it is time to send out the first water bills.

There are two choices.

Set Low Rates

The water board is very concerned about low-income and elderly customers and does not want to impose a hardship on anyone. They set low water rates for the town.

#1

Read #1—Low rates are, at first, popular; however, costs exceed revenues and loan payments are late. Low salaries result in turnover of staff; lax operation results in violations and fines. Poor quality water service generates complaints. Water board members are not re-elected. GAME OVER.

Send Out First Bills (pay \$100)

The water bills are sent out to customers with no explanations, with rates higher than they expected.

#2

Read #2—Customers complain about high rates so board lowers them. Board members don't approve any O & M expenditures and pray that no emergencies happen until things cool down. Employee morale suffers. Operator and superintendent quit; Ohio EPA cites water system for violations. GAME OVER.

Develop Budget (pay \$100)

The water board, operator, and superintendent work together to identify all costs of the water system. They also recognize the need to establish an emergency contingency fund and begin building up a fund for equipment replacement. Based on the detailed budget, they set appropriate water rates and send out the first bills.

There are two choices.

Include Budget Briefing with First Bill (pay \$200)

Water bills are sent out to customers along with a brief explanation of what they are paying for and how it is calculated. While some complain about the higher rates, they appreciate knowing where the money is going. Letters to the editor in the local paper are favorable.



Penalties and Fines Are Not Enforced

Water board is reluctant to impose late fees and penalties when customers don't pay their water bills.

#3

Read #3—Many customers pay bills at first, but learn that overdue fines and shut-off policy are not enforced and some stop paying their water bills. Soon costs exceed revenues. One of the pumps breaks down with no money to fix it, so the operator is unable to keep the water tower filled to capacity. Town hall burns to the ground when the fire department drains the water tower. GAME OVER.

Penalty Briefing with Second Water Bill (pay \$100)

When the second water bill is sent to customers, a brief explanation is included on penalties and late fees for delinquent payments.

Penalties and Fines Are Enforced (collect \$1,500)

Water board enforces fines and penalties and collects additional revenue. They are able to balance the budget and keep water rate increases low the next year.

Prepare Annual Consumer Confidence Reports (pay \$1,000)

In preparing the required annual consumer confidence report, a budget update is included. Customers learn what their money was used for, what portion stays in the community, and can plan for small rate increases in the future.

#4

Read #4—Water system runs smoothly and maintains a contingency fund. Lightning strikes, ruining one of the well pumps. Contingency funds are used for a quick replacement to reduce service interruption while waiting for the insurance company to settle the claim with the electric utility. GO TO NEED SYSTEM UPGRADE (pages 21-24).

Lessons Learned

Low water rates, while popular, cannot sustain a viable water system.

Involve the water system staff when setting water rates. They are in the best position to judge the need for emergency contingencies and upcoming equipment replacement.

Keep the customers informed about how their money is being used to maintain water service. Most people appreciate knowing why their water rates are set at a certain level.

Fines and penalties for delinquent payments ensure that everyone pays his or her fair share. Late fees can be an additional source of revenue for a water system.

Consumer confidence reports present a good opportunity to update customers on the budget and future needs of a water system.

High quality water at a reasonable price is now available to all Woodsville residents and businesses. As a result, property values rise and public health improves. Fire insurance rates are now lower, which helps offset the new water bills. While some people in town still complain about having to pay for water, most residents are happy to have a reliable supply when the next drought hits. Others are removing their home water treatment equipment. The town council is re-elected. Everything runs smoothly until new federal regulations require additional treatment to meet stricter water quality standards.