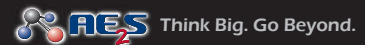


# UTILITY ENTERPRISE MANAGEMENT

# The Source

1st Quarter 2009



## Financing Outlook

**I**t is still hard for municipalities to borrow money, but it is proving to not be impossible. Recent bond sales are a hopeful sign that even financially struggling states are finding it easier to borrow. High-grade AAA-rated municipal bonds seem to be having success, with a few states completing sales. As money pours into the economy from the stimulus program, banks will likely be more willing to lend again. Municipalities may not need to borrow much money, however, if they use federal funds to pay for capital improvements that they would otherwise be financing through bond sales. (Information from [www.stateline.org](http://www.stateline.org).) ■

## Conservation Rate Presentation

**G**rant Meyer, PE, Operations Manager for AE2S' Minneapolis Office, presented "Conservation Water Rates: New Regulations" on March 4, 2009 at the Minnesota Rural Water Association Annual Conference in St. Cloud, MN. For a copy of the presentation, email [Grant.Meyer@ae2s.com](mailto:Grant.Meyer@ae2s.com). ■

## 2009 AE2S Regional Utility Rate Surveys Underway Soon

**E**ach year, AE2S conducts surveys of water, wastewater, stormwater, and solid waste utility rates for cities throughout the region and regional water systems. The information is compiled in an easy to read report with graphs for quick comparison. The report is distributed (continued on back)

**I**n 2008, amendments to Minnesota Statute 103G.291 were made which require all Metro public water suppliers (PWSs) in Minnesota serving more than 1,000 people to adopt a conservation rate structure by January 1, 2010. All Non-Metro (serving over 1,000) PWSs must adopt a conservation rate structure by January 1, 2013. PWSs without proper measurement equipment for tracking water use are exempt from this regulation.

Conservation rate structures are aimed at reducing water usage. Examples of conservation rates include:

## Minnesota Conservation Rate Requirements

**Increasing Block Rates** – The cost per unit of water increases

as the water use increases beyond specified amounts. While a service fee may be charged, no block of water is included with the service fee.

**Seasonal Rates** – Rates are typically higher in the summer to discourage inefficient outdoor water use.

**Excess Use Rates** – The charges are based on customized water budgets or allotments for customers, with usage above a certain level charged a discouraging amount above regular rates. This is similar to the Increasing Block Rate structure; however, the higher costs associated with higher usage is more significant.

**Time of Use Rates** – The rates charged during peak usage times are increased over standard rates. A user may agree to limit water use during those times in order to reduce costs.

**Individual Goal Rates** – This structure is based on customer specific allocations of water. Typically, the allocation is based on winter use and levels above the customer specific allocation is charged at a higher rate.

While these new statutes appear to be a significant change for many communities, being proactive now will help in implementing a new rate structure that works for your community for many years. ■

## Stimulus Package Update

**P**assing the new multi-billion dollar stimulus package has been President Barack Obama's top priority since he entered into office in January. The final cost of the American Recovery and Reinvestment Act of 2009 (ARRA) has been decided at \$787.2 billion after nearly two months of discussions. The following is a breakdown of national statistics included in the final version of the bill signed by President Obama on February 17:

- 3.5 million jobs created
- \$7 billion for US Environmental Protection Agency water projects
- \$4.6 billion for Army Corps of Engineers flood control projects
- \$4 billion for the Clean Water State Revolving Fund (CWSRF)
- \$2 billion for the Drinking Water State Revolving Fund (DWSRF)

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**(Rate Survey continued from first page)**

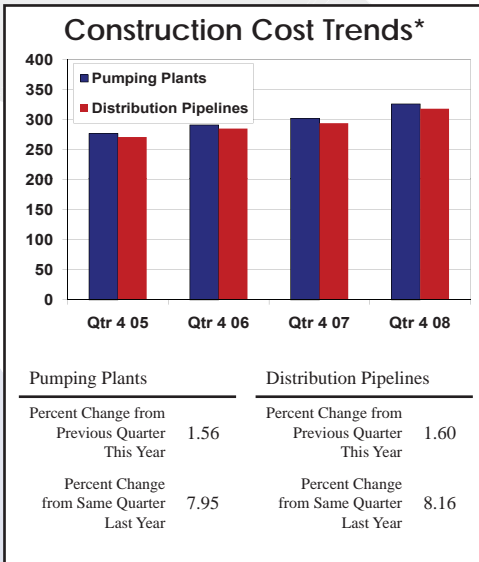
to survey participants to use in their rate planning. Rate survey participants have indicated that the survey report is an invaluable tool for utility and finance managers to use when discussing rates with government decision makers and constituents. All survey participants receive a complimentary copy. The survey questionnaires are due out in late February. Watch your mailbox for your copy, or check our website, [www.ae2s.com](http://www.ae2s.com). Completed questionnaires may also be emailed to [Sheryl.Smith@ae2s.com](mailto:Sheryl.Smith@ae2s.com). ■

**(Stimulus Package continued from first page)**

Funding to the CWSRF and DWSRF will be distributed to states according to the existing CWSRF and DWSRF allotment formulas. States are being directed to give priority in funding to projects that are ready to proceed to construction within 12 months. Any money that is not under contract or being used for construction at the end of the 12 months will be reallocated to other states that have exhausted their stimulus allotment. States are also expected to continue implementation of their base loan programs funded through the annual appropriations bill. The American Recovery and Reinvestment Act (ARRA) will waive the 20 percent state matching requirement for SRF projects, and directs states to use not less than 50 percent of their capitalization grants for “additional subsidization” assistance, such as principal forgiveness, negative interest loans, or grants. This provision is intended to provide flexibility for States to assist communities that would otherwise not have the resources to repay a loan with interest. At least 20% of the funds must be used towards “green infrastructure”, water efficiency, and other environment friendly projects unless there aren’t sufficient eligible projects. No funds may be used to acquire land or a conservation easement for source water protection, to implement source water protection measures, or to establish or implement wellhead protection programs as these projects do not fit the job creation criteria.

There has been a lot of speculation as to how much stimulus funding each state will receive for programs other than CWSRF and DWSRF. According to the US Conference of Mayors, there are 779 cities across the country including cities in North Dakota, South Dakota, Minnesota, and Montana, with over 18,000 projects, including numerous water and water projects, that are ready to go, could be started quickly, and could be completed by 2010 if funding is provided with an estimated 1.6 million jobs created or saved.

Please see the WEF website at [www.wef.org](http://www.wef.org), the AWWA website at [www.awwa.org](http://www.awwa.org) or feel free to contact AE2S for the latest information about the water infrastructure stimulus funds. ■



\*Based on information from the Bureau of Reclamation

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