



## **Water & Sewer Rate-Setting Technical Assistance**

The Institute of Government is well-positioned to assist local governments at various stages of the rate development process, from initially defining rate setting priorities to providing ongoing assistance with updating existing rates to meet changes within the community.

### **Rate Policy Development**

Rate policies are essential to ensuring that utility rates are tailored to meet the individual objectives of each local government. Utility policies can serve as the foundation for financial stability of the utility over time and provide a clear delineation of priorities (i.e., high customer satisfaction, proactive management of infrastructure replacement and expansion, commitment to environmental responsibility). The Institute of Government can assist local governments in identifying both broad strategic goals through facilitation of stakeholder meetings and specific budgetary requirements to ensure the long-term success of a utility.

Some specific goals that can be achieved through rate policies include:

- achieving financial and rate stability from year to year
- understanding how to recover the full cost of service with water rates while balancing community and utility objectives
- prioritizing capital improvement plans that cover at least five years and consider growth, capacity, regulatory, and replacement in renewal needs
- developing debt issuance policies, including types, terms, and suitability under specific conditions, as well as the total amount of variable rate debt deemed appropriate
- establishing policies to ensure appropriate financial margins, including debt service coverage and operating liquidity levels

### **Rate Setting**

The Institute of Government can assist local governments in identifying revenue needs required to maintain existing infrastructure and adequately fund new projects, determining how costs should be allocated across user groups based on infrastructure usage and community priorities, and offering various rate alternatives. The Institute of Government staff is well versed in both fundamental rate development methodologies and in innovative approaches employed across the country. Institute staff can also assist in proactive communication about the rate development process with relevant community stakeholders to ensure clarity and transparency.