

An Overview of Public Enterprises (with a focus on Water and Wastewater)

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For the NCGA House Committee on Public Enterprises and the Use of Funds

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Topics

- Summary of public enterprise services
- Water and wastewater services
- Questions

Article 16.
Public Enterprise.
Part 1. General Provisions.
§ 160A-311. Public enterprise defined.
As used in this Article, the term "public enterprise" includes:
(1) Electric power generation, transmission, and distribution systems.
(2) Water supply and distribution systems.
(3) Wastewater collection, treatment, and disposal systems of all including septic tank systems or other on-site collection or disposal facilities or systems.
(4) Gas production, storage, transmission, and distribution systems, systems shall also include the purchase or lease of natural gas fields.

Public Enterprise Services

1. Water
2. Wastewater (including septic tanks)
3. Public transportation
4. Solid Waste (collection and disposal)
5. Off-street parking
6. Airports
7. Stormwater management programs
8. *Electric power (municipality only)*
9. *Natural Gas (municipality only)*
10. *Cable television (municipality only)*

Public Enterprise Services

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Heart of Public Enterprise Authority (GS 160A-314 /153A-277)

A city may establish and revise from time to time schedules of rents, rates, fees, charges, and penalties for the use of or the services furnished by any public enterprise.....



ROCKY MOUNT

Rates Comparison

Characteristics

Links

Select residential bill and consumption amount

☒ Warm Weather Rates ☐ Cool Weather Rates

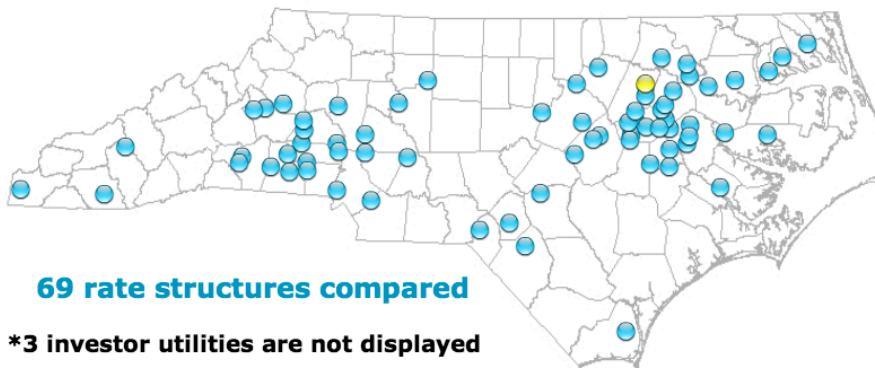


Monthly Bill: \$171.8

Select your comparison group

Similar Utility Type

Comparing to utilities also regulated through a municipality



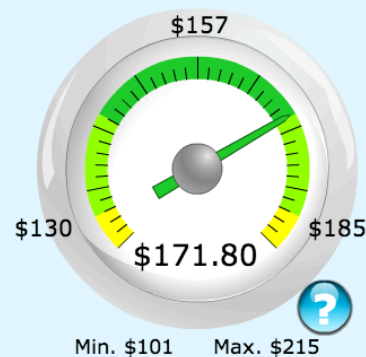
69 rate structures compared

***3 investor utilities are not displayed**

Observe the effects of raising rates by: **0%**

Bill Comparison

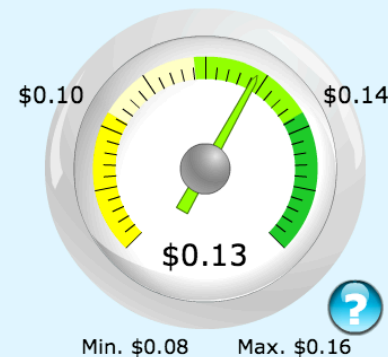
Warm Bill at 1,200 kWh
per month



Min. \$101 Max. \$215

Price Per kWh

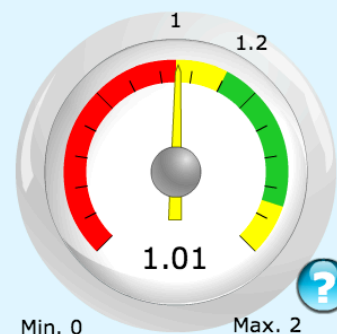
Electricity Price at 1,200 kWh
(Warm season)



Min. \$0.08 Max. \$0.16

Cost Recovery

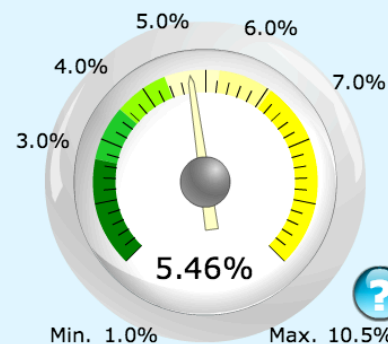
Electricity Oper. Revenues
/ Oper. Expenses
(incl. depreciation)



Min. 0 Max. 2

Affordability

Electricity Bills as % of MHI
in 2012



Min. 1.0% Max. 10.5%

Electricity

- Primary transmission and distribution activities
- Approximately 70 municipal systems
- Approximately \$1.7 Billion in revenues in 2012-2013

Stormwater

- Primarily run by municipalities
- More stringent rate setting rules than many other enterprises
 - Public hearing requirements
 - Revenue must be used for stormwater related expenditures

Durham

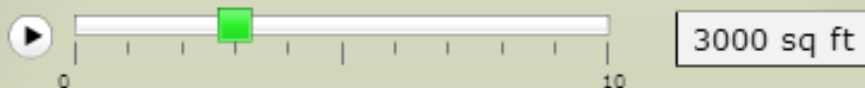
Rates Comparison

Characteristics

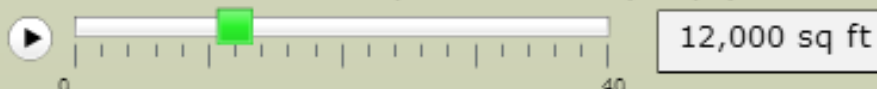
Historic Fees

About

Select Residential Impervious Area (k sqft)



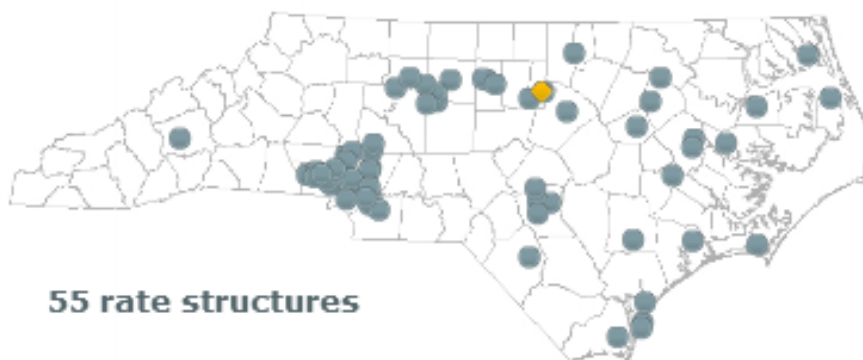
Select Non-Residential Impervious Area (k sqft)



Select your comparison group

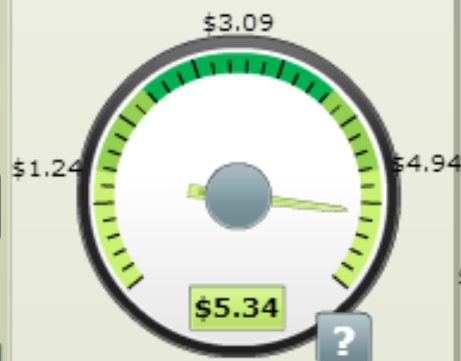
All Systems

● All Systems ◆ Durham



Residential Fee

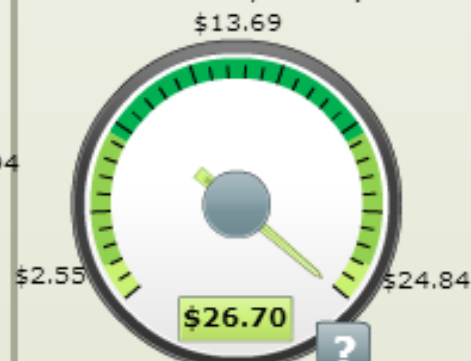
\$/month for impervious area of 3000 sq ft



Rate Structure : Tiered

Non-Residential Fee

\$/month for impervious area of 12,000 sq ft



Rate Structure : Per ERU

2011 Revenues

Reported AFIR Municipality Data (\$ Millions)

Bills collected via:

Water Bill:

☐

Property Tax Bill:

☐

Stand-alone Bill:

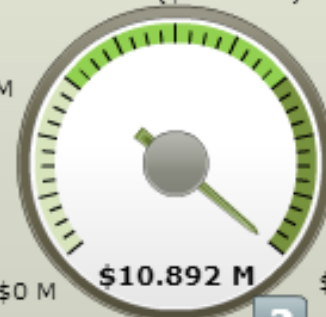
☒

Unknown:

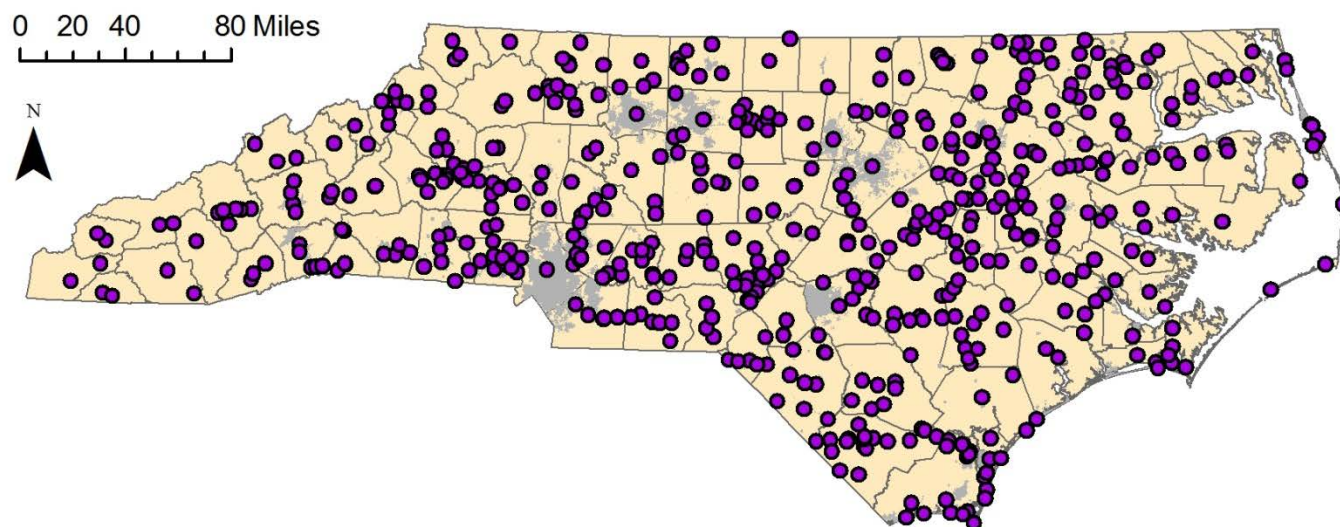
☐

\$3 M

\$7 M



Community Water Systems Owned by Local Governments

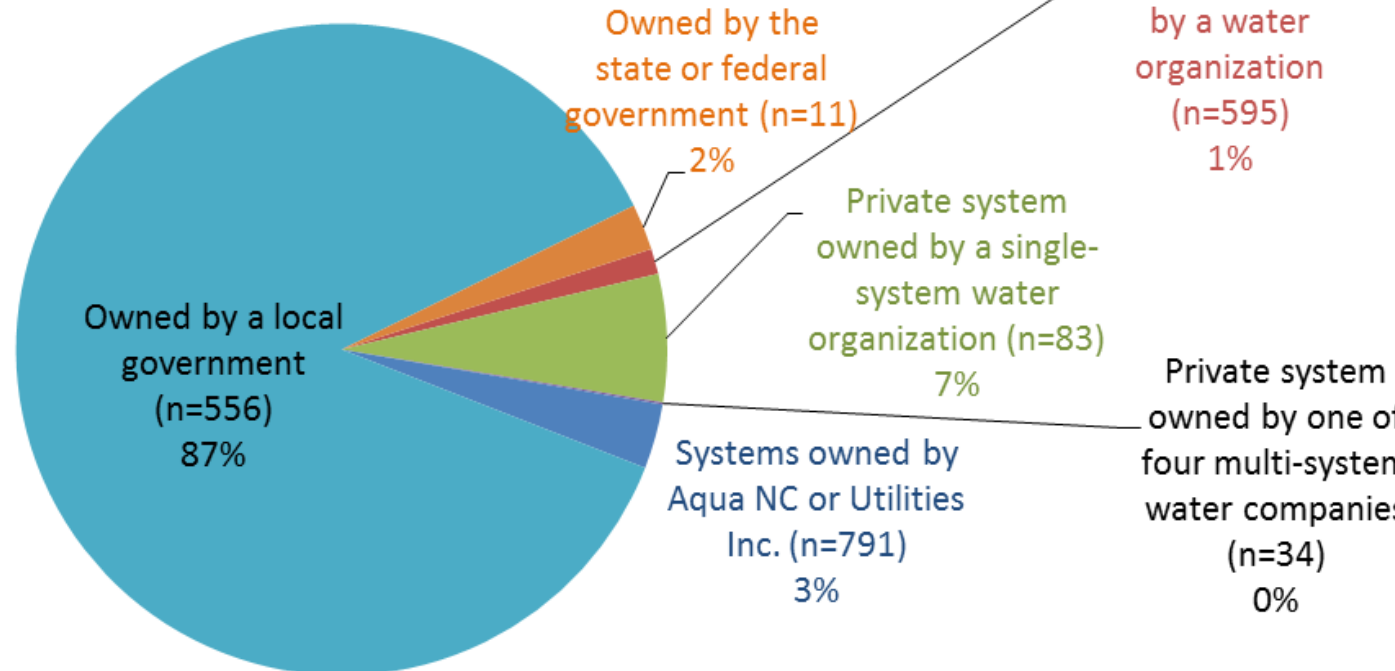


Map created by the Environmental Finance Center at the University of North Carolina, Chapel Hill.

Data sources: Public Water Supply Section of the Division of Water Resources in NC Department of Environment and Natural Resources. Geospatial locations determined by the EFC using secondary sources from NCOneMap (NC Center for Geographic Information and Analysis, NC Rural Economic Development Center, Public Water Supply Section of NC DENR) and primary sources (locating systems on Google Earth).

Ownership of the Community Water Systems

Population Served by Active Community Water Systems in NC by Owner Type



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

Data source: Public Water Supply Section of the Division of Water Resources in NC DENR's SDWIS database, data as of October 23, 2012. A "water organization" is a for-profit or not-for-profit company whose primary responsibility is the ownership, management and operation of a community water system. A "multi-system water company" is one company that owns at least five community water systems in NC.

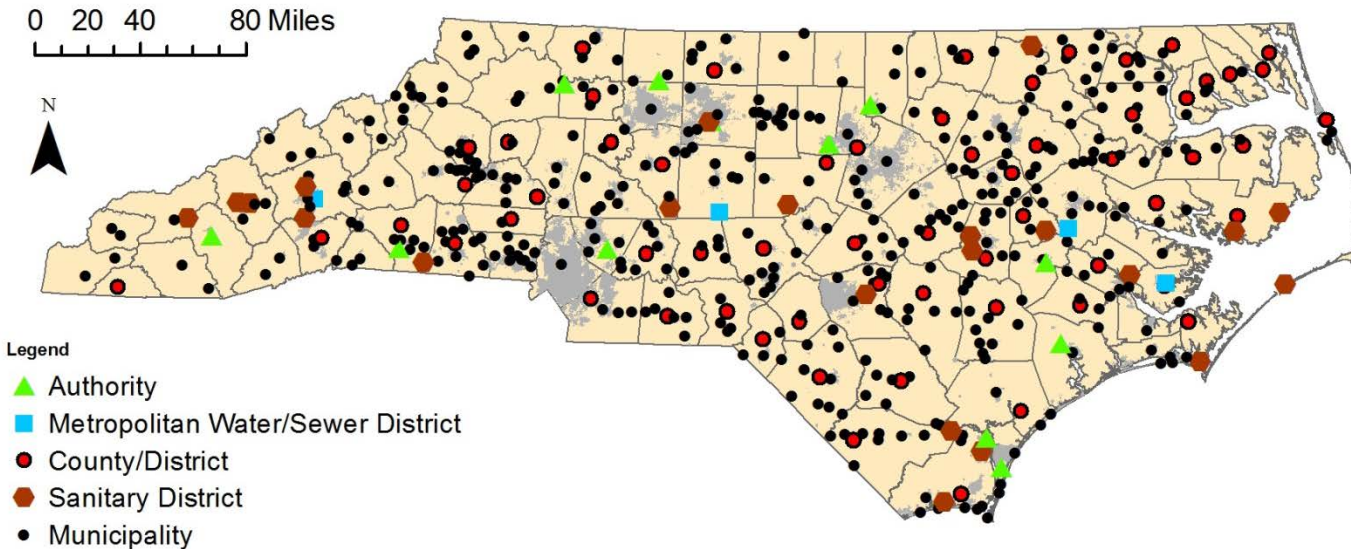
By people served...

87% local government

11% private

2% state/federal government

Utilities by Local Government Type



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

Data sources: Public Water Supply Section of the Division of Water Resources in NC Department of Environment and Natural Resources. Geospatial locations determined by the EFC using secondary sources from NCOneMap (NC Center for Geographic Information and Analysis, NC Rural Economic Development Center, Public Water Supply Section of NC DENR) and primary sources (locating systems on Google Earth).

Powers, regulation, & review

- Powers (such as taxing, condemnation, police powers, required hookups) vary considerably
- All utilities follow majority of DENR environmental and planning regulations
- For profit privately-governed entities are economically regulated by the Utilities Commission
- Governmental utilities are economically regulated by Local Government Commission and local governing boards
- Policies of capital funding entities also “regulate” water system behavior (e.g. loan requirements)

Summary of Powers Available to Different Organizational Arrangements Used in Providing Water and Sewerage Services in NC

	City/ County	Interlocal Contract	Joint Management Agency	County Service District	Sanitary District	Water and Sewer Authority	Metropolitan Water District	Metropolitan Sewerage District	County Water and Sewer District	Private Nonprofit Associations
General corporate powers: own property, sue, be sued, etc.	Yes	Yes; can hold legal title	Yes; cannot hold legal title	No	Yes subject to approval	Yes	Yes	Yes	Yes	Yes
Own, extend, operate W/S systems	Yes	By units	Yes; cannot hold legal title	County	Yes	Yes	Not sewers in MSD	Sewers only	Yes	Yes
Acquire W/S systems by purchase, lease, gift, etc.	Yes	By units	Yes; cannot hold legal title	County	Yes	Yes	Not sewers in MSD	Sewers only	Yes	Yes
Construct W/S systems	Yes	Under contract	Yes	County	Yes	Yes	Not sewers in MSD	Sewers only	Yes	Yes
Require installation of W/S in new subdivisions	Yes	Yes	No	County	No	No	No	No	No	No
Contract with local governments	Yes	Yes	Yes	County	Yes	Yes	Yes	Yes	Yes	Yes
Eligible for state and federal grants	Yes	To units	Yes	County	Yes	Yes	Yes	Yes	Yes	Some
Issue revenue bonds	Yes	By units	No	County	Yes	Yes	Yes	Yes	Yes	Yes
Establish rates and charges	Yes	By units	Yes	County	Yes	Yes	Yes	Yes	Yes	Yes
Rates regulated by Utilities Commission	No	No	No	No	No	No	No	No	No	No
Levy property taxes	Yes	Most units	No	County	Yes	No	Yes	Yes	Yes	No
Issue general obligation bonds	Yes	Most units	No	County	Yes	No	Yes	Yes	Yes	No
Impose special assessments for extensions of lines	Yes	Most units	No	County	If pop >15,000	Yes	No	No	Yes	No
Power of condemnation	Yes	Most units	No	County	Yes	Sometimes need approval	Yes	Yes	Yes	Yes
Regulate land subdivision	Yes	City or county	No	County	No	No	No	No	No	No
Zoning power	Yes	City or county	No	County	Conditional	No	No	No	No	No
General police powers	Yes	City or county	No	County	No	No	No	No	No	No
Provide other public services	Yes	Yes	Dependent on agreement	Specific	Specific	No	No	Specific	No	Yes
Require connections	Yes	City or county	City or county	County	Conditional	No	No	Yes	No	No

Source: Wicker, Warren Jake, 1988. [Outline of Alternative Organizational Arrangements for Providing Water and Sewerage Services in North Carolina](#). Institute of Government, UNC-CH.

Local Government Water and Wastewater Utilities

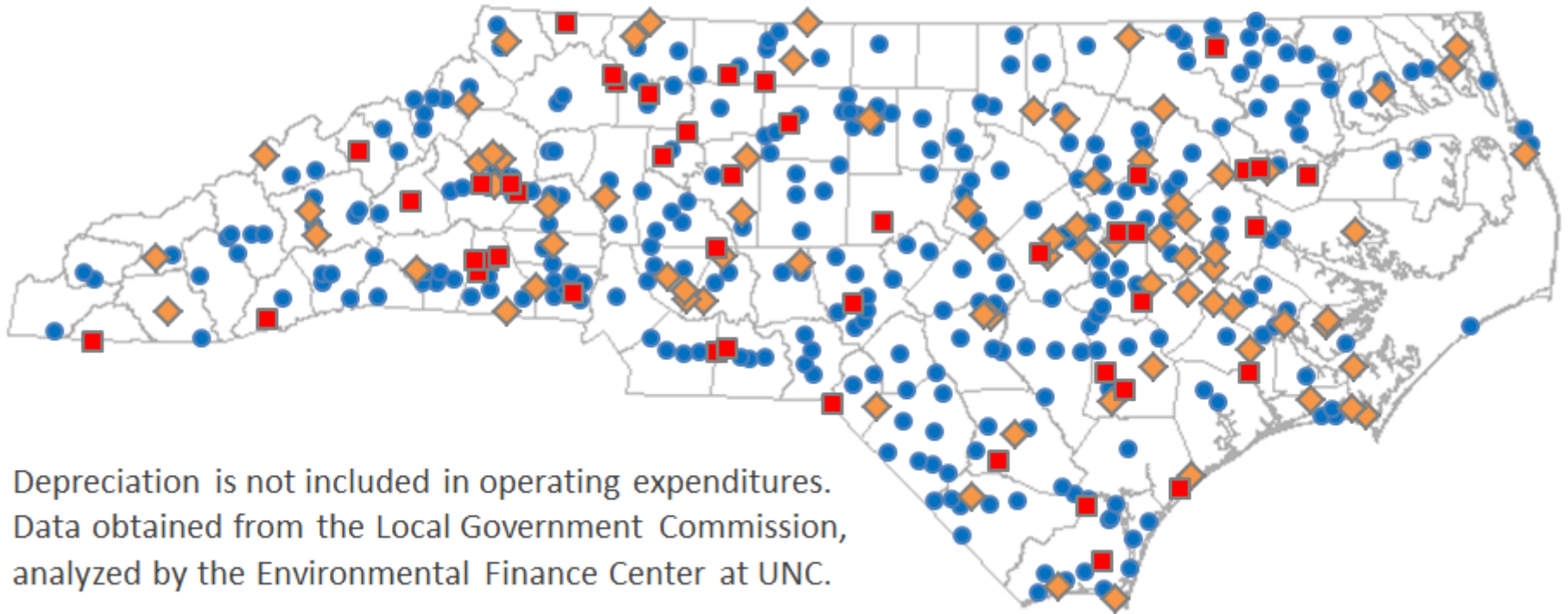
Type of Local Government	Number of Water/Wastewater Utilities	Had Lower Operating Revenues than Operating Expenditures + Debt
Authority	13	3 / 12 (25%)
County/District	62	18 / 46 (39%)
Metropolitan Water/Sewer District	4	2 / 3 (67%)
Municipality	394	93 / 337 (28%)
Sanitary District	22	4 / 16 (25%)

Sources: Classification by EFC (guided by LGC data); Financial data in FY2012 collected by Local Government Commission and analyzed by the EFC

Do Water and Wastewater Rates Cover System Costs?

Local Government-Owned Water and Wastewater Utilities' Cost Recovery in FY 2012

- Operating revenues < operating expenditures (11%)
- ◆ Operating revenues < operating expenditures + principal + interest on long-term debt (19%)
- Operating revenues > operating expenditures + principal + interest on long-term debt (71%)



n = 420 (FY 2012)

Existing Water & Wastewater Debt Among NC Local Government Utilities

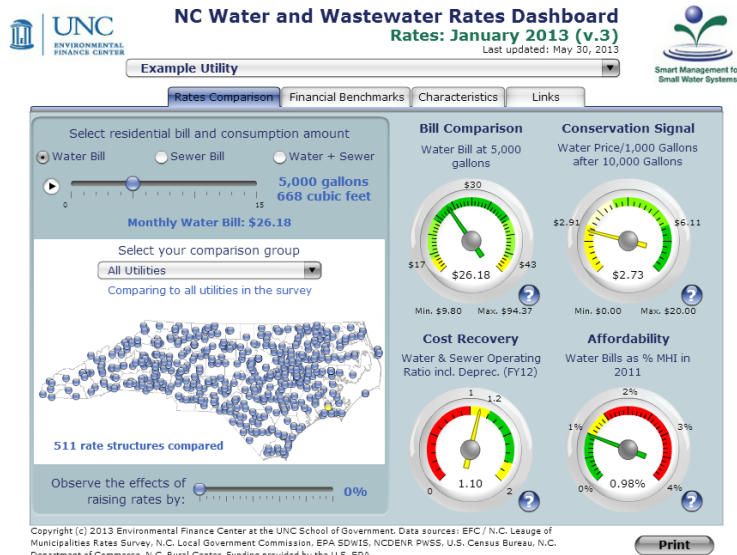
- By end of FY2012, \$8.1 billion
(up from \$6.7 billion by the end of FY2008)
- Vast majority of utilities have debt less than \$2,000/account
- In FY2012, State funding agencies awarded >\$170 million in funds (\$143 m in loans)

Sources: Financial data in FY2012 collected by Local Government Commission and analyzed by the EFC; Combined State Agency Water and Wastewater Funding Report SFY2012 (by NC Rural Economic Development Center)

EFC Resources for NC

<http://efc.sog.unc.edu/>

Please contact us for direct assistance or for data analysis/sharing



- Financial performance ratios for utilities
- All utilities' rates over time
- Assessment of affordability
- Financial practices and policies of utilities
- Water system partnerships
- And more...

Acknowledgements

- Public Water Supply Section
(Division of Water Resources,
NC DENR)



- Local Government Commission at the
Office of the State Treasurer

Thank You

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