

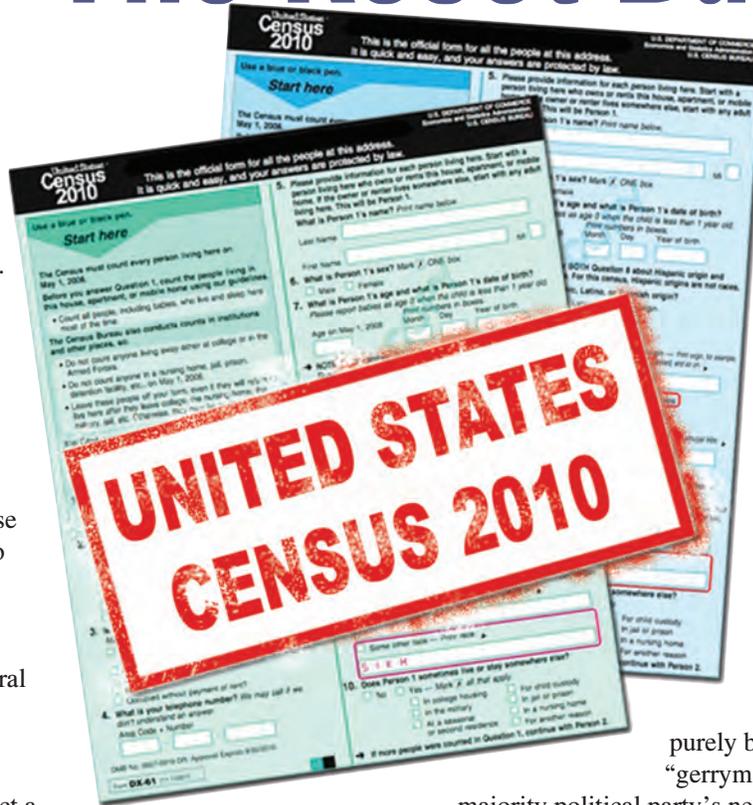
The 2010 Census May Require Your Utility To Hit “The Reset Button”

The 2010 Census release has numerous uses for individuals, businesses and government agencies. The information is often used as a planning tool for how future services may be provided. However, for water and wastewater utilities the Census income information could be cause to hit the “reset button” to assess the cost of government assistance.

The Census population information changes federal and state elected representatives by realignment of district boundaries that may reflect a shift of representation in the state. Not well known is that eligibility, grant and priority determinations of many government programs are tied to low to moderate income of families in a district and a community. Some of these programs are related to utility financial assistance and could trigger an increase of user fees.

2010 Census – congressional and state district realignment

The initial Census publicity has been about realignment of congressional and state districts based on equal population representation. Ideally states will retain their number of federal representatives, however some may gain and others will be reduced. For rural areas the impact of realignment generally means more geography covered by the new district. There may be more focus on the growing suburb and less on the small community. A new district could have



two incumbent representatives vying for your vote either in the primary or general election. The loss of an experienced incumbent may mean loss of voice and tenure on a government committee for utility advocacy.

The realignment of congressional and state districts generally follows the political dictates of the state house partisan representation. Some states have a defined non-partisan method by how the alignment happens; others purely by “political muscle” and “gerrymandering” to meet the

majority political party’s needs. A utility will not have a role in the district boundaries but they may impact as individual citizens through their representatives. Utilities do have an interest as to how the newly elected official will represent their interests.

Impact of 2010 Census on government programs

A larger issue for districts and communities will be how the future distribution of federal and state dollars will affect services to citizens beginning with the 2012 fiscal year. Some examples are:

- Infrastructure projects – utilities, roads, essential community facilities, etc.
- Individual family services such as food stamps; low-income housing; medical assistance, utility grants, etc.
- The use of Census information for federal and state funding appropriations

- ◆ Some federal programs have rules on how appropriations will be distributed through Census income and population information
- ◆ Low and moderate-income numbers are for household income eligibility
- ◆ Emphasis of urban vs. rural areas
- ◆ Priorities of state regulatory criteria for health and safety issues
- ◆ A higher 2010 median household income before a grant is determined

The USDA Rural Development business, housing and utilities have programs for rural citizens. Many have income requirements to qualify for various interest rates for loans or grant eligibility.

project cost updates; the new financial “package” with RUS and other lenders with adjusted projected user fees.

Community Development Block Grants

The CDBG statutory objective is to develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low and moderate incomes. This may be for the

The following federal programs have been used by utility entities.

The USDA Rural Development business, housing and utilities have programs for rural citizens. Many have income requirements to qualify for various interest rates for loans or grant eligibility. Another program utilized is the small community “Community Development Block Grants” (CDBG) program through Housing & Urban Development (HUD).

entire or portion of a community that meet these guidelines. The program supports the housing initiatives of HUD.

Since states are in the best position to know, and respond to, the needs of communities, the individual state administers the funds appropriated to them. Annually each state develops funding priorities and criteria for selecting project. HUD only monitors for compliance with the federal authorization.

The state may establish priorities for water, wastewater, storm sewers, streets, rehab of buildings or new public buildings and public works but not limited to these purposes. The state receives a federal appropriation and they may break those down to the above various projects. There is no assurance on how the state might rank utility type projects. However, citizen input may be asked as to need and ranking of purpose. It is up to the utility to make their voice heard to CDBG.

USDA Rural Development Rural Utility Service

The USDA Rural Development Rural Utility Service (RUS) program for water and wastewater financing has been established for more than fifty years providing potable water and sanitary wastewater service to rural residents and businesses. The 2010 Census median household income information may impact an application for the following changes for loan/grant assistance to a community.

- There may not be a change because you were previously eligible for a RUS loan at the “market” interest rate previously but not for grants
- You may move from a “market” to an “intermediate” or even “poverty” interest rate and may be eligible for some portion of grant funds
- The median household income for the 2010 Census probably will be higher than the 2000 and shows the ability to support additional loan before grant eligibility thus having more debt or payment per user

If you have a pending application with RUS, the median household income determination will need to be reviewed for the 2012 fiscal year. This means possible

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Communication with Candidates for Office

- Ask support of those programs important to you
- Invite them to your community
- Tell them your “story”
- If program issues – changes you would like to see
- Send them a thank you for their time
- If elected, maintain continue contact



Communication with USDA RUS

- Update your project cost for 2012
- Review your application with RUS representative
 - ◆ Impact of 2010 Median household income on user fees
 - ◆ Financing options – other agencies –joint financing
 - ◆ Alternative construction to reduce costs
- What application items need completion
- Understand your priority ranking and possibility for funding
- Have RUS requirement completed by 2012 FY

Communication with District/Community Constituents

- Inform after visiting with RUS and other financial partners
- Impact on proposed user rates
- Alternatives considered to meet utility needs
- Place emphasis on long term community benefits
- Customer education & support importance for project

Leadership awareness of Census’ influence on 2012 FY allocations

It is important that the leadership be informed on what is planned for the 2012 FY with the status of their application for federal assistance.

- The board, staff and their consultant should meet with the agency representative to be informed how the new Census income data may influence their application
- Use this Census information to determine the projected user fees
- There maybe an appeal procedure for validating the 2010 Census data however the agency determines how it will be accomplished. Costs maybe associated with the appeal process
- When information shows significantly higher user fees – review construction and financing options
- Educate existing or potential customers on expected cost of service with the information you have developed.
 - ◆ The agency’s requirements following the 2010 Census income information
 - ◆ Discuss facility alternatives for providing service , i.e. purchasing water rather than building your own treatment plant
 - ◆ Citizens need to understand the Census impact “it is what it is”
 - ◆ Establish priorities to correct regulatory issues, community stability, growth or “status quo”.

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Eligibility is separate from annual appropriations

It is important to understand that agency eligibility is separate from the annual budget appropriations that Congress and the President approve. We do understand that all levels of government are experiencing funding reduction for utilities thus fewer projects funded. Funding appropriations likely will not be increased in the foreseeable future. Therefore, it is recommended that some utilities look elsewhere for financing of projects. Financing may be available through the bond market, commercial banking and through CoBank of Denver with the Farm Credit System. Loans from Co-Bank are considered taxable and may not be a fit for Kansas systems but they are popular with rural water systems in other states which require taxable financing. There may be opportunities to jointly finance with government funds and commercial credit.

A pro-active action plan for funding

Review your options to take “small bites” of capital improvements rather than the total project. This may provide an opportunity to utilize commercial public bonds or bank financing. Do not dismiss a project improvement because the cost to users may increase. Delaying projects for future grants could be more expensive because of inflationary cost. By not proceeding, community and economic development opportunities may not be realized.

A utility needs to look out for its own needs – no one else will! Government agencies have numerous applications requesting millions of dollars for which they do not have appropriations. A utility should position their application to be competitive if special designations or disaster funds are authorized. Likewise, toward the end of a fiscal year some states do not utilize their allocations and these funds are available to other states.

Communication with your agency representative and keeping your application current will be vital when

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competing for limited government funds. An application missing updated information may see their project by passed completely. This provides opportunity for applications that are complete to compete for the funds.

The communication issue goes beyond the agency you are working with. You need to communicate with elected officials, regulatory staff, your utility associations and most of all your customers on your application status. When

communicating project status, leadership and staff are conveying their attentiveness to critical water or wastewater needs citizens are expecting. In time, success will come to those who are persistent and ready to proceed.

Dorman A. Otte, DAO Consulting, provides consulting advice for utilities and other entities in the areas of strategic planning, organizational development and legislative affairs. Previously he served as the Iowa Community Programs Director for USDA Rural Development. He administered allocations and the servicing of loans and grants for utility and facility programs. Contact: dormanotte@gmail.com



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