

# Fostering Courage – How You Can Help Public Officials Face Necessary Rate Increases

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The periodic attempt to lead a board, council, commission, or other body to enact a necessary water or sewer rate increase can be one of the most challenging chores facing a utility manager. The public officials who direct local government utilities are always reluctant to raise rates and charges, and this reluctance is certainly appropriate, but their natural and appropriate caution must be tempered by an understanding of the necessity of providing sufficient funds, or the result can be destructive for the utility they seek to serve.

Why would such a body make decisions that undermine the functionality or sustainability of their water and wastewater utilities? Why don't the managers of these systems just tell board members what they need to know? The answers lie at the intersection of the "political world" and the "real world," and can be understood only by recognizing that good managers sometimes need to step away from their engineering, financial, or other technical training and strive to deal with the *human beings* at the heart of the issue.

This article introduces three key concepts potentially of benefit to managers as they seek to inspire their elected or appointed officials to implement rate increases sufficient to ensure the long-term health of the utility. The

key concepts are the two worlds the utility manager must master, the two roles the manager must play, and the two types of tools that a successful manager will employ.

## Two Worlds

The successful utility manager learns to operate in two worlds. On one hand, there is nothing more elemental and "real world" than the water utility business – only performance keeps the clean water flowing one way and the wastewater flowing the other way, with no mixing. On the other hand, most Florida water and wastewater utilities are units of local government, where elected officials make the ultimate decisions regarding budgets and capital projects. As a result, the "real world" and the "political world" are forced to interface.

The interface can be a problem for a utility when the "real world" conclusively demonstrates the need for a substantial rate increase but the "political world" clearly dictates that a rate increase is not acceptable. Times such as these are a test for a manager, and in tests of this nature, there are multiple ways to fail.

The first way to fail is to express anger or disdain at the way board members attempt to manage their political environments.

It is easy for utility professionals to dis-

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miss the political world as being full of compromise, or much worse. Political considerations can intrude on a manager's decisions, often in ways that seem clearly illogical and destructive.

Sometimes it must seem that public officials are working against the best efforts of their people. Hard-working staff members conceive projects and initiatives to address pressing concerns, an evaluation and cost-benefit process is applied, financing is secured, contractors are selected – and then the project is canceled or changed. Opportunities to make changes that could increase efficiency sometimes sit "on the shelf" while pet projects are funded and given high priority.

More to the point for this article, cash is tight, equipment is wearing out, projects are waiting, repair costs are escalating, coverage is declining, and yet they can't seem to approve a rate increase. A list of similar examples could take pages, but any utility manager or senior staff member is likely already envisioning his or her own real-life experience.

Rather than belabor the problem, logic suggests that we examine opportunities to change the dynamic and improve results. Managers who seek to improve their relationship with their public officials should first attempt to understand those officials' perspectives, history, and motives. It should be forgiven if a utility manager were to respond with a critical remark when faced with such advice, but a genuine attempt to understand is both necessary and powerful in attempting to bridge the gap between the two worlds.

The political environment facing a particular unit of local government is generally complex and dominated by a number of factors often unknown to staff and certainly out-

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side of their control. The objective for the wise manager is not to identify and analyze political influences, relationships, interactions, or alliances; it is rather to acknowledge the presence of this complexity and to attempt to recognize that potentially it can work and provide community benefits at some level. One needn't claim there isn't room for improvement, but a staff person will find advantage in appreciating that the political world brings at least some potential for good.

This may seem like a stretch in some circumstances, but an inability to perceive any benefit in the beliefs, perspective, and world view of public officials will significantly hinder a manager's ability to communicate with and influence them. Instead of itemizing the failures of your unit of local government, the better effort is to find those within your governing body who are seeking to improve their community.

A manager may have a difference of opinion about past decisions and disagree over the direction proposed by a board or council member, but if that manager can truly appreciate and believe that good intentions are behind these decisions, the potential for communication and understanding is enhanced. For a manager, it may be enough to understand this one thing: Someone for whom

you have no respect often knows of your disdain and holds you in the same low regard.

This is not to suggest that water utility personnel need to pretend to support public officials, nor that they need to support policies with which they disagree, but if managers can find a genuine way to appreciate *something* about the people they serve, the potential for genuine learning and mutual benefit will be much improved.

What does this mean for a manager whose system is in dire need of increased rate revenues? The key is to retain your passion for your system and maintain your conviction that a rate increase is appropriate, yet keep yourself from judging the motives of board members who are opposed to the change.

If you can believe that they are coming to the discussion from an appropriate, customer-centered perspective, your ability to communicate with them will be improved and your chance of success will increase. Success is often elusive, but staying grounded in the real world while respecting the political world offers the best chance of achieving your goals.

## Two Roles

Water and wastewater utility managers in the United States not only are faced with the necessity of addressing two worlds, they must also operate in two distinct roles. In most localities, the manager is placed in the delicate position of serving the board while simultaneously leading the board if the utility is to succeed.

Whether the utility is an authority, a city, a county, a non-profit corporation, or some other form of organization, there is some kind of board with the responsibility for setting policy, establishing direction, and ultimately insuring performance. In this sense, all employees serve the board, whose members, whether elected or appointed, are there to serve the customers of the organization. Employees, including the manager or executive director, serve those customers by accomplishing the objectives established by the board.

To serve the best interests of the organization, and ultimately of its customers, the manager must also take a position of leadership with regard to the board. Clearly, this is in conflict with the obligation to serve, but the inherent conflict makes it no less necessary.

By their nature, boards are comprised of people from varied backgrounds. Very few of these individuals come to their service on a board with significant knowledge of a water or wastewater utility. Their role is to come with their varied perspectives and apply their best judgment to the situations that present themselves—not to be nor to become experts in our

field.

Leadership is required on the part of the manager, and nothing less will do. It is not enough merely to attempt to educate board members. It is most certainly not enough to attempt merely to present them with "the facts."

If board members had desired a career in the water industry, they would have taken the steps to make that happen. If board members wanted to obtain the technical training, operational, financial, and managerial perspective necessary to allow them to run a water utility, they could have done so. But board members do not do these things, and as a result, they look to the manager for leadership.

Issues related to rates and other user charges are of particular interest here. The level of rates is clearly a topic to be addressed by the board. Obtaining sufficient revenue to allow the long-term success of the utility should be an explicit objective of any board, and its members must determine the level of rates and charges to customers equally. Yet a board that attempts to make these decisions without the benefit of managerial leadership will tend to flounder and to regress.

It is enough to acknowledge the difficulty inherent in providing leadership to a group you must serve, but in no way does acknowledging this difficulty absolve the manager from navigating these perilous waters. A manager must succeed in both roles.

The manager's leadership role cannot be "delegated" to the board, yet the manager's service role cannot be disregarded. A manager who is unable to lead will find himself or herself at the head of a directionless organization, yet a manager who refuses to serve will lead an organization full of conflict, strife, inefficiencies, and distrust.

The non-leader suffers the buffeting winds of board inconsistency. The non-server suffers the same fate he or she gives the board, for how can employees serve and support someone who refuses to serve and support those with ultimate responsibility?

Success comes through unique actions in each organization, but a few general suggestions may be of benefit:

1. **Have an opinion** (leadership) – It is folly to attempt to pretend to be neutral when you are not. The board needs your advice and your counsel, so let its members know what you think. Give voice to those in your organization with something to say on a special topic or project. Give your board members room to make their own decision, but give them the benefit of your perspective.

Specifically with regard to rates, it is important to "take the moral high ground." If you and your staff have done the careful

work that needs to be done, and if you truly see the need for more rate revenue, it is vital that you say so. Attempting to run a utility with an insufficient revenue stream is not in the best interests of the customer. Assets deteriorate, staff members get demoralized, and opportunities are missed as a result. Over the long term, these factors result in higher costs which must be passed on to all customers. Managers *must* make the case for rate increases.

2. **Guide your Board** (leadership) – A manager’s job includes finding out *how* to guide the board. It won’t be the same in every case and it may not be easy, especially if board members are not accustomed to receiving leadership from staff, but they need to be educated, trained, coached. Note that guidance takes time, and managers should not expect immediate returns on their investments in guiding the board.

Guidance regarding rate increases is a great example of the general case. It is perfectly natural for board members to be suspicious of proposals to increase rates, especially if regular increases have not been part of the operating history in your utility. Building support for difficult decisions requires education, training, teambuilding, and motivating the group and its individuals. It requires determining common

ground and recognizing that board members may be motivated by different aspects of your utility’s situation.

3. **Be scrupulously fair** (service) – There is no profit in ever attempting to manipulate your board into a decision, even if it is “really, really, really important.” If you are *ever* found to have distorted the case for an option you did not favor or to have presented less detail than the board needed to make a decision, you should expect to be moving to a new industry immediately thereafter.
4. **Implement their decisions** (service) – Managers are directed to act on dozens of initiatives, undertakings, and opportunities, some of which they would not have chosen. It is important to follow through on these initiatives unless your instruction violates an ethical boundary. If that is the case, going back to the board (in private) with a principled and respectful refusal can work wonders, but up to that point (and assuming that you have shared your opinion as in #1), ensure that the organization does what the board wants.

## Two Types of Tools

This one is comparatively simple: Managers need to know how to be both directive and informative with the board, how to choose

the right approach, and how to demonstrate to the board which approach is being taken. Excessive attempts at subtlety or gentle suggestion can fail to accomplish what needs to be accomplished, and such attempts can actually backfire on the manager. It is important to use the right verbal tools and to be explicit about which tools you are using.

Note that managers face special hurdles in communicating with the board. Meetings with elected officials are constrained by public meeting requirements and custom, which typically provide a less-than-optimal format for addressing complex issues associated with utility management. Elected officials must attempt to understand technical, regulatory, financial, and management issues without sufficient time to absorb the context required to make sound decisions. As a result, the specific way in which a manager communicates with the board is critical.

When the board is operating in an area in which its members clearly are “at the helm,” as in cases where they have expressed a clear, consistent opinion and have established direction for the utility, the wise manager turns to the *informative* part of the toolkit. Board members deserve clear, up-to-date, accurate information on initiatives they have established and in response to any questions they have asked.

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No guidance or input is needed here – just get them what they need, simply and efficiently. This is not the time for your input, which can very easily sound disrespectful in this context.

When the board is operating in an area where there is a need for managerial guidance, go for the *directive* part of the toolkit. These tools allow the manager to educate and train. The approach is always respectful, given the position of the board, but it is not necessary or appropriate for a manager to pretend that board members can speak with authority on technical or other subjects with which they are not familiar.

It is ok to introduce the board to a topic area by saying “We’re now going to walk you through the basics of...” Managers can schedule special training sessions or include a learning topic on the agenda for a regular meeting. It can also be useful to bring in an outside expert on a particular topic once you have found someone who can communicate with the board on an appropriate level, but a pure “technologist” who is unable to converse with non-experts potentially can do more harm than good.

The relatively rapid changing of faces on the board means that it is a rare manager who has the luxury of a long-term relationship with his leadership. As a result, good managers often see themselves operating in the form of a high school coach, with talented kids coming and going, and only a certain amount of time available to accomplish mutually beneficial objectives. Clarity in the communication style employed in different circumstances can help this time-constrained relationship mature more rapidly than otherwise possible.

## Conclusion

If they want to succeed, utility system managers must operate in two worlds, they must serve two roles, and they must utilize two types of tools. Learning to understand and accept the difference between the “real world” and the “political world” is an important first step. Maintaining your respect for the board is fundamental to completing this step. Learning to both serve and lead a managing board is a huge second step. Learning to utilize direct and informative communication strategies at the right times and in the right ways is a powerful third step.

Effective managers can educate and embolden the board members they serve. The challenge is significant, but well-run, financially strong utilities are evidence that managers can guide their public officials to do what must be done and generate financial support needed to meet the long-term objectives of their utilities. ◊