

EXTERNAL CUSTOMER SURVEY

EXECUTIVE SUMMARY

Texas' growing economy and the increasing demand for quality water supplies have made the development of Texas' water resources a critical statewide focus. The Texas Water Development Board (Board) was created in 1957 to address the financing and planning needs of communities expanding their water supplies. The Board serves many customers, including municipalities, water districts, water supply corporations and river authorities. In an initiative to determine the effectiveness of the Board, a survey was commissioned to measure customer satisfaction with the services the Board provides.

The Public Policy Research Institute (PPRI) at Texas A&M University conducted telephone surveys of five different groups of Board customers during December 1998 – January 1999. Survey participants were categorized into the following groups: prospective customers who chose not to utilize the agency's services (Non-Customers); customers applying for funding through the Economically Distressed Areas Program (EDAP); Consultants (professional stakeholders); Previous Loan Applicants; and customers who utilize the Board's water data and planning services (Water Planning Data Customers). A different survey was tailored to each group, but each survey comprised the same objectives.

SURVEY OBJECTIVES

- Determine why some customers went to the open market for financing instead of through the Board.
- Measure the perceived effectiveness of the Board's programs.
- Evaluate the Board's performance in the administration and implementation of its water and wastewater financing programs.
- Assess customer satisfaction with various levels of Board administration.

After analyzing the results of the survey, PPRI compared our findings to the measures of success we identified: customers using Board loan programs, customer needs being addressed, and customer

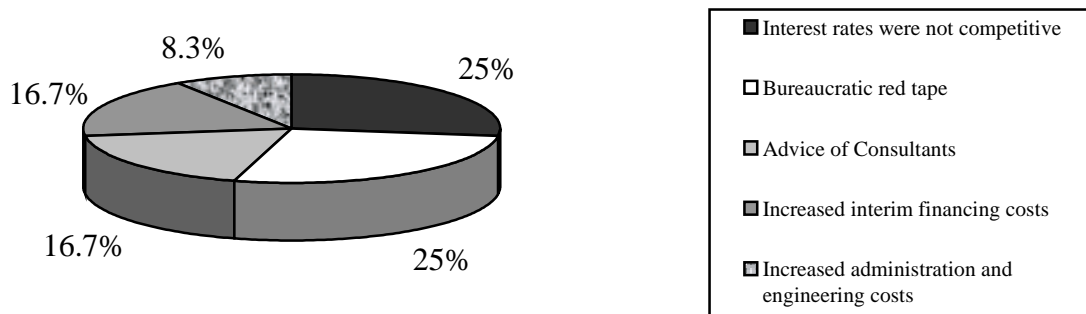
satisfaction. The Board effectively fulfilled these measures of success among all customers, with the exception of customers of the EDAP program.

SURVEY RESULTS

Prospective Customers (Non-Customers)

Nearly one-half of the 12 (5 of 12) Non-Customers stated they had used the Board's programs for water or wastewater loans in the past. Non-competitive interest rates (25.0%) and bureaucratic red tape (25.0%) were the two main reasons Non-Customers went to the open market instead of the Board for loans.

**Reasons Why Non-Customers Went to the Market Instead of the Board
for Water-Related Infrastructure Financing**



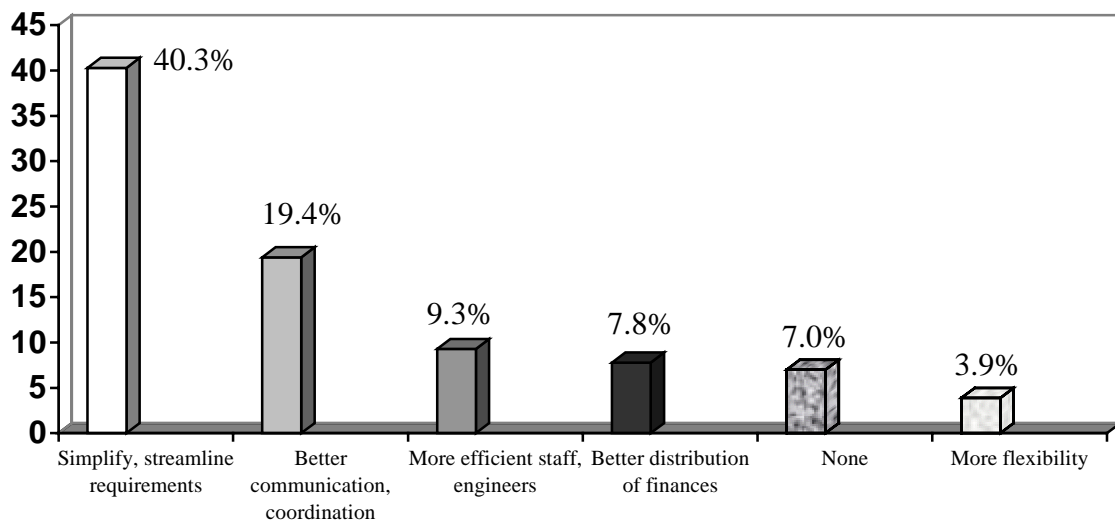
Nearly all Non-Customers (91.7%) indicated they would consider the Board for future financing needs. Also, 100 and 200 basis points were most frequently mentioned as the number of points below market that would entice Non-Customers to come to the Board for a loan. Additional needs of Non-Customers included: more education and information about Board programs (16.7%), more funding (8.3%), less pressure on small cities (8.3%), water transmission lines (8.3%) and fixing sewer leaks (8.3%).

Customer Satisfaction with EDAP Programs

The two main types of projects utilized by the 69 EDAP Customers involved wastewater collection and treatment; and water collection, distribution and treatment. Approximately two-thirds of EDAP Customers (63%) expressed satisfaction with the EDAP process. Respondents' suggestions for

improving the process included: simplifying and streamlining requirements (40.3%); better communication on the part of the Board and improved coordination (19.4%); securing a more efficient staff, especially engineers (9.3%); offering a better distribution of finances (7.8%); exhibiting more flexibility in determining eligibility (3.9%); and considering the impact of the project on the local community when determining eligibility (3.1%).

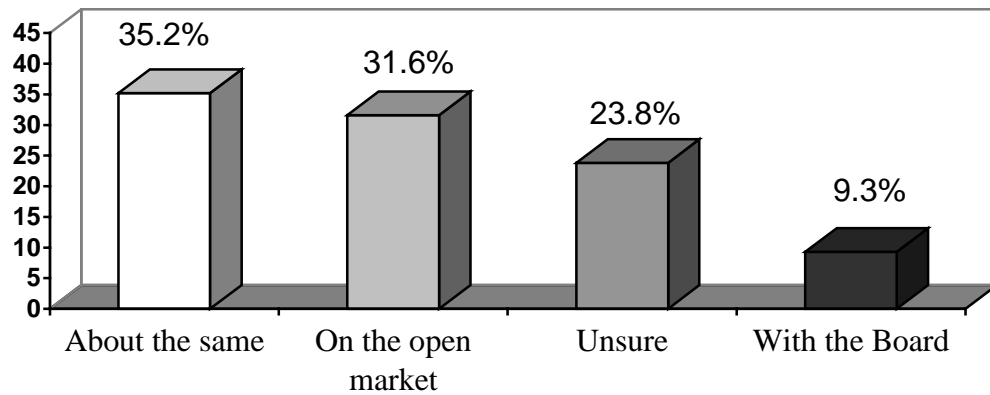
Respondents' Suggestions for Improving the EDAP Process



Professional Stakeholders

The 193 Consultants surveyed consisted of engineers (42.0%), attorneys (33.7%), and financial advisors (19.7%). Over one-third (35.2%) of Consultants indicated they thought the costs of issuing bonds on the open market were about the same as issuing bonds through the Board; 31.6% felt it was *more expensive* to issue bonds on the open market; 23.8% were unsure; and 9.3% felt it was more expensive to issue bonds with the Board.

**Consultants' Responses as to Whether it is More Expensive to Issue Bonds
on the Open Market or through the Board**



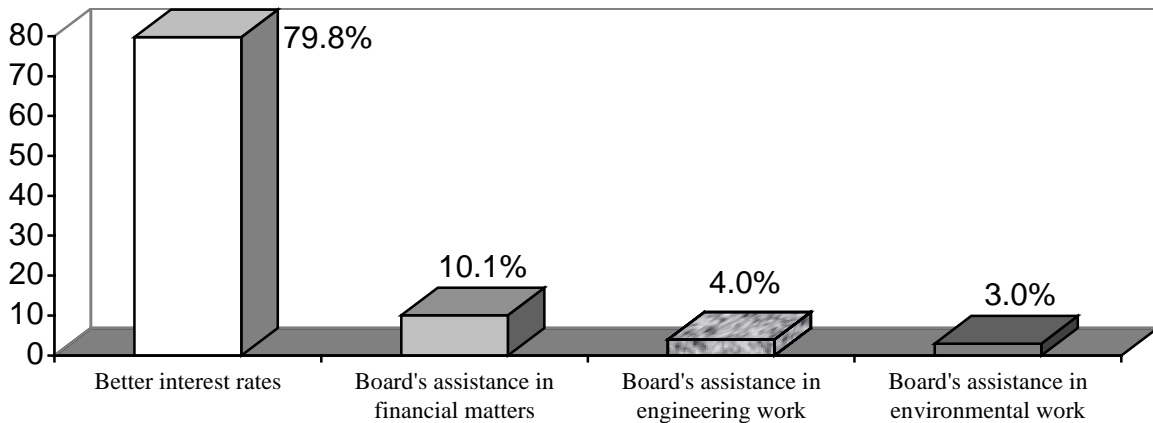
Between 80.6% and 97.0% of Consultants stated being pleased with the service provided by each of the 12 levels of administration involved in the Board's financing programs*. The number of basis points below market that interest rates needed to be for Consultants to come to the Board for a loan were: less than 50 basis points (18.7%); 50 basis points (12.7%); 70-100 basis points (13.3%); 150-250 basis points (11.3); and 500 or more basis points (5.3%). (One hundred basis points is approximately equal to 1%.) More than one-third (38.7%) of Consultants, however, were unsure about this question. Consultants' suggested needs not currently being addressed by the Board included: better communication, flexibility, human contact and constructive criticism (8.1%); more funds available for loans and records of funds (5.6%); and a more efficient staff and personnel (2.5%).

*Survey respondents were asked about the following administrative activities: loan pre-application process, rules describing the application process, engineering review, engineering feasibility report, environmental review, legal review, bond ordinance/resolution closing process, plan specifications review, onsite construction assistance, project management conference, construction monitoring, notification of special loan and grant conditions.

Previous Loan Applicants

The ability to acquire better interest rates was the main reason 79.8% (79 of 99) of Previous Loan Applicants came to the Board for water and sewer financing.

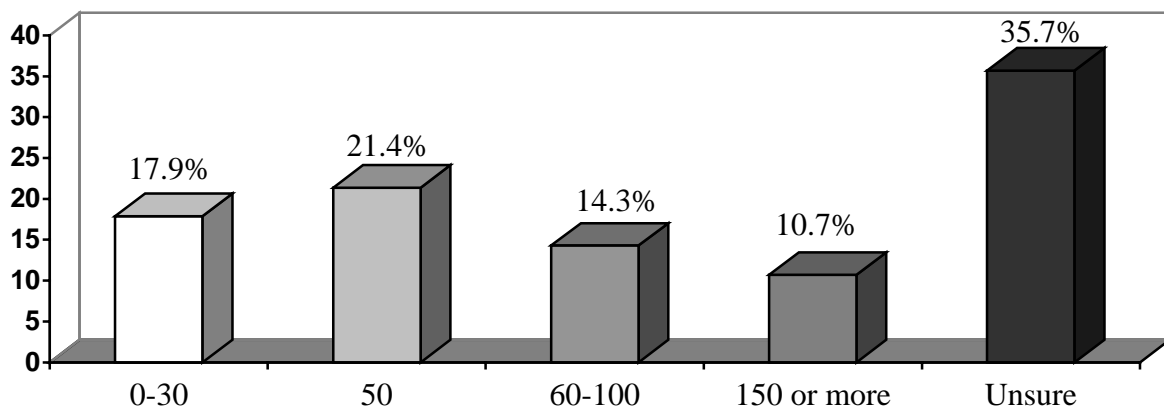
Main Reasons Why Previous Loan Applicants Use the Board's Financial Programs



Almost one-third (31.3%) of Previous Loan Applicants thought it was *more expensive* to issue bonds on the open market versus through the Board; 28.3% thought the costs were about the same; 27.3% were unsure; and 13.1% thought it was more expensive to issue bonds through the Board. Between 81.1% and 100% of Previous Loan Applicants indicated being pleased with the service provided by each of 10 levels of administration involved in the Board's financing programs*. The number of basis points below market that interest rates needed to be for Previous Loan Applicants to come to the Board for a loan were: 0-30 basis points (17.9%); 50 basis points (21.4%); 60-100 basis points (14.3%); and 150 or more basis points (10.7%). However, more than one-third (35.7%) of Previous Loan Applicants were unsure about this item.

*Survey respondents were asked about the following administrative activities: loan pre-application process, rules describing the application process, engineering review, engineering feasibility report, environmental review, bond ordinance/resolution closing process, plan specifications review, onsite construction assistance/monitoring, project management conference, notification of special loan and grant conditions.

Number of Basis Points Below the Market Interest Rate Needed for Previous Loan Applicants to Come to the Board for a Loan

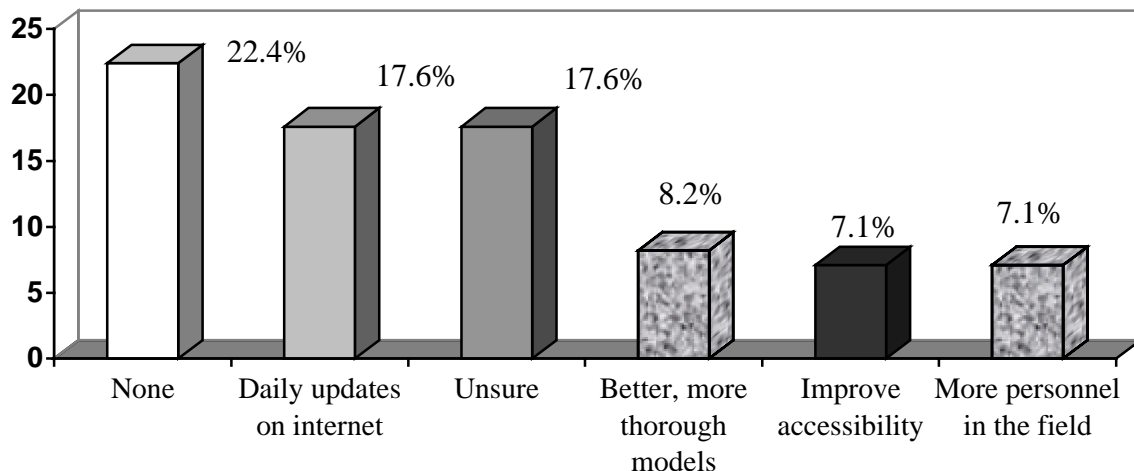


Unmet needs suggested by Previous Loan Applicants included: wanting more money (7.8%); streamlining the needs process (2.9%); upgrading computers and voice mail (1.9%); and securing better service and information from the Board (1.9%).

Water Planning Data Customers

The following percentages of Water Planning Data Customers indicated using data from the Board for the following programs (respondents could choose more than one answer): the groundwater data program (88.7%); water conservation technical assistance (88.3%); the surface water data program (76.9%); water supply planning (76.1%); the water availability program (75.0%); and the Hydrographic Survey Program (29.3%). Nearly all Water Planning Data Customers (92.2% to 100%) were satisfied with the quality of data and level of service provided by the Board across these six programs. Notably, 100% of the Water Planning Data Customers who had utilized the Hydrographic Survey Program expressed satisfaction with the service they received. Between 57.3% and 78.7% of Water Planning Data Customers indicated that the information provided through the Boards' internet site would prove helpful to their organizations. Customers' suggestions for increased service on the part of the Board included: daily updates on the internet (17.6%); better and more thorough models (8.2%); more technical experts and personnel in the field (7.1%); improved accessibility (7.1%); and better coordination with entities, such as the USGS and TNRCC (5.9%).

Water Planning Data Customers' Suggestions for Improving the Board's Water Data Programs



PPRI's Conclusions and Recommendations

In summary, the results reported above signify that extremely high percentages of Consultants (88.1%) and Previous Loan Applicants (91.9%) were satisfied with the services they received from the Board. Also, 90.7% of Consultants stated they would recommend the Board's financing programs to their clients for future loans. Furthermore, Board staff received very high levels of satisfaction for job performance from Consultants, Previous Loan Applicants, and Water Planning Data Customers.

On the other hand, almost 40% of EDAP Customers were dissatisfied with the Board's EDAP process. This dissatisfaction was equally divided between customers who were somewhat dissatisfied with the process and those who were very dissatisfied. PPRI recommends that better and more effective communication should be facilitated between the Board and EDAP Customers. The Board should increase its efforts in fully explaining to EDAP customers the eligibility requirements for communities and water districts. Additionally, the Board should consider the specific suggestions given by survey respondents for improving the EDAP process.

The Board's Action Plan

The results of this survey were received by the Board in late July, 1999 and are currently being analyzed. As with the previous surveys, we will use the results, especially the verbatim comments, to identify possible process improvements or areas in which increased education or marketing efforts are needed to increase customer satisfaction.

Overall, a high percentage of customers indicated being satisfied with the services evaluated in the survey. Even in the case of EDAP, although only 63% of the customers surveyed expressed satisfaction with the process, a majority of the respondents indicated that the EDAP program was effective, and an overwhelming majority expressed satisfaction with Board staff and felt they were responsive, courteous and their actions timely. This would indicate the problem lies more with the process itself. The survey results confirmed problems with the EDAP process previously identified by senior management, and the decisions and corrective actions management has already implemented should eliminate these problems. The EDAP's satisfaction rating can also be attributed to our customers' vague understanding of the regulations and policies mandated by state and federal government. When recommending suggestions for

improvement, several survey respondents proposed more flexibility in the criteria used to award financing, and were frustrated with the delays involved in multiple agency reviews. Increasing public awareness of the EDAP process and communicating with not only the consultants but also the entities to be served regarding the status of projects, could alleviate some of these concerns.

Some of the most frequently cited suggestions for improving the agency's services included: improving communication and coordination, streamlining the processes, decreasing the bureaucracy, increasing personal contact, and increasing awareness of the services offered by the Board, especially regarding available water planning data. Many respondents requested more data to be accessible via the Internet as well as the ability to interact with Board staff on policy items.

The External Customer Relations Division is in the process of developing an agency marketing plan to identify stakeholders and potential customers, and formulating strategies for better educating them about the services and products available to them. Some of the action items the agency marketing plan will address include the following:

- Providing clear information regarding project criteria, statutory requirements, length of time/phases of project (customized information packets);
- Conducting seminars on types of services available - tailored to each customer group;
- Reviewing program functions for possible process improvements;
- Developing a continuous customer feedback process.

One Final Note

Thanks to everyone who participated in the survey and provided feedback. The Board will continue to make every effort to provide high-quality, cost-effective services to our customers, while concentrating on efficient performance of our tasks and business processes. If you would like to offer your comments and suggestions regarding the survey or any of the services the Board provides, please send e-mail to Sarah Hart at: slhart@twdb.state.tx.us.