REGIONALIZATION OF WATER AND WASTEWATER SYSTEMS

FIVE KEY TAKEAWAYS

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1. MANY REASONS TO CONSIDER REGIONALIZING

- Efficiencies of Scale
- Failing or Aging Infrastructure
- Unaffordable Rates
- Water Supply Needs
- Population Changes
- Regulatory Compliance
- Very specific staffing/expertise
- Resilience or Environmental Justice
2. GOOD CONTRACTING IS ESSENTIAL FOR PARTNERSHIPS

- Contracts often lack depth and detail
- Interlocal Agreements for water and wastewater services are effective for building robust and lasting contracts.
- Topics include but are not limited to
  - Ambiguities related to current and future service areas
  - Precisely defined key usage thresholds and limits
  - Meter maintenance and ownership responsibilities
  - Non-revenue water
  - Excessive inflow and infiltration

As part of the EFC’s contract with the NC Division of Water Infrastructure, we put together a guide on interlocal agreements.
WHAT WE HAVE SEEN IN OUR WORK…

- Contracts that don’t contemplate growth in the service area or newly incorporated areas
- Complex substantive interlocal arrangements with 2-3 page written interlocal agreements
- Concern about how to contract for new capacity
3. EFFECTIVE COMMUNICATION ABOUT REGIONALIZATION IS CRITICAL

- Some terms like “Regionalization” and particularly “Consolidation” carry with them negative connotations
- Simplified resources and effective tools must be used to communicate your message
  - One-page documents capture key discussion points
  - Excel based tools are helpful for evaluating system health and gauging affordability
  - Infographics simplify technical concepts
  - Simplified videos of less than 5 minutes are very effective
WHAT WE HAVE SEEN IN OUR WORK…

- It’s critical to have a 3rd party mediator who has no vested interest – parties need to be able to communicate their needs and concerns.
- In a group of utilities – there will likely be different priorities from every seat at the table.
- Regionalization is not just for failing systems – there are benefits and opportunities for all systems in regional partnerships.
- If you have incentives and/or indirect benefits – it’s important to communicate why other systems (those who are not on the brink of failing) should care about regionalization.
4. BROAD RANGE OF FINANCIAL IMPACTS OF CONSOLIDATION

- The EFC conducted eight consolidation case studies across the US.
- Focused on more than just rate impacts
  - Economic and financial benefits were abundant
  - Economies of scale
  - Lower or equalized customer rates
  - Increased opportunity for economic development
WHAT WE HAVE SEEN IN OUR WORK…

- Individual financial impact for a community is very important to focus on – sometimes gets overlooked.
- When mixing large systems with small systems – the regional impact and the individual impact should be considered separately and communicated directly to the systems.
  - Don’t underestimate the benefit to a region of quality and sustainable water sector services – it is essential to attract economic development.
- Digging deep is critical – grants can often mask the financial health or sustainability of a system.
  - “I have this shiny new infrastructure! But I don’t have enough customers to support it into the future…”
- Lots of fund bundling opportunities – don’t just look at consolidation through the lens of rate revenues and utility enterprise borrowing.
  - State and federal grant opportunities, zero interest loans, other sector opportunities for sharing costs.
5. THERE IS NO SINGLE ROAD MAP FOR CONSOLIDATION

- What works here may not work elsewhere
- Unique characteristics of each community to account for
- Our report offers considerations and options available for consolidation of water and wastewater systems

This guide seeks to provide insight on how to develop fair, effective, and efficient consolidated services in your community.
You cannot apply the same solution to every situation…it simply won’t work.

Be creative! And listen to the unique needs and priorities of the communities at the table.
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