PARTNERSHIP BASICS

A QUICK REVIEW…

CAPACITY DEVELOPMENT

A process for wastewater/water systems to acquire and maintain adequate technical, managerial and financial **(TMF)** capacity.

TMF capacity enables wastewater/water systems to have the capability to consistently provide safe drinking water and sanitary services to the public.

WATER/WASTEWATER SYSTEM CAPACITIES

- Is your infrastructure inadequate or aging?
- Is your treatment, storage, and distribution adequate?
- NPDES permit requirements
- Technical knowledge: Do you lack a certified operator?
- Is your source water of poor quality or quantity?

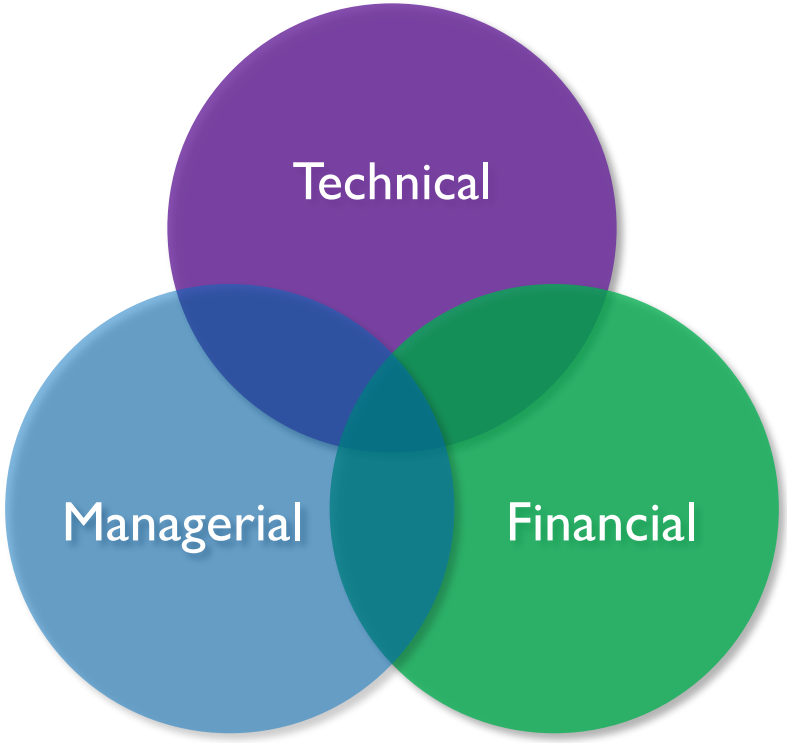
WATER/WASTEWATER SYSTEM CAPACITIES

- Do you have appropriate staffing and organization?
- Do you have a history of water/sewer rates that are too low?
- Do your decision makers have a limited understanding of financing options?
- Does your staff have a lack of expertise in long-term water/sewer system planning?

WATER/WASTEWATER SYSTEM CAPACITIES

- Is your revenue sufficient to cover expenses now and into the future?
- Good credit worthiness?
- Are your water/sewer rates adequate?
- Fiscal management and controls in place

WATER/WASTEWATER SYSTEM CAPACITIES



Loose, Less Formal Arrangements

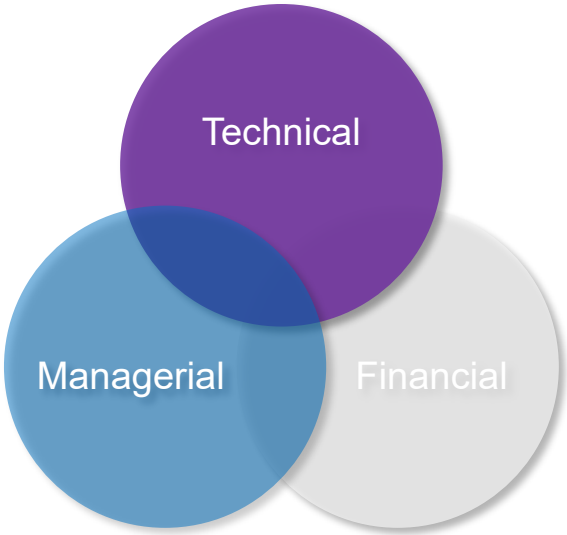
Defined, More Formal Arrangements

Any kind of collaboration can be helpful

Less Formal

More Formal

Information Sharing



Systems share information regarding regulations, planning, infrastructure

EXAMPLES: SAIPAN AND NM

Saipan Facilities Manager Association

- Meet monthly over lunch
- Mainly for non-community systems
- Rotate around different facilities
- Discuss common interests and concerns

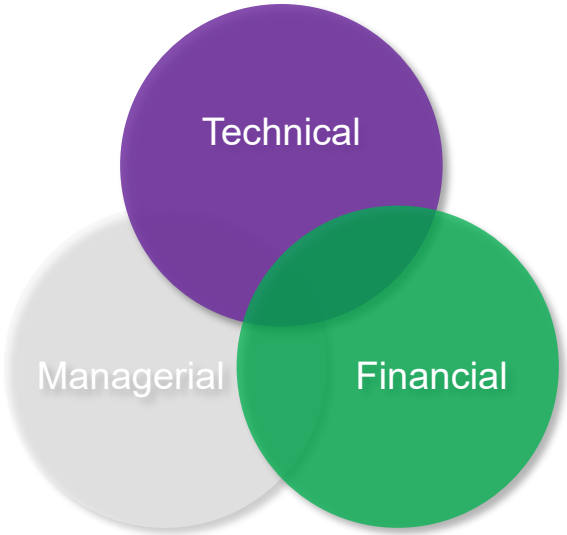
Dona Ana County W & WW Alliance

- Met monthly over dinner
- Rotated around different facilities
- Primarily small, community water systems
- Discussed common interests and concerns, especially regulatory
- Invited guest speakers

Less Formal

More Formal

Equipment Sharing



Systems share equipment so each one does not have to buy/own/rent all the equipment they need

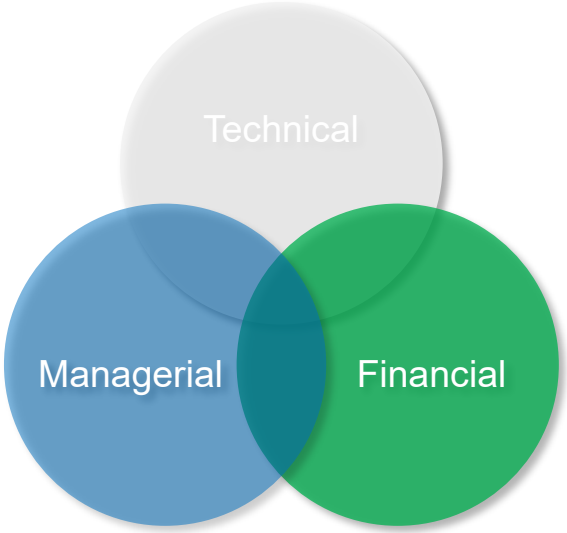
EXAMPLES: MONTANA AND UTAH

Great Falls & Helena, MT

- Provides equipment and/or personnel to help tap water pipes for small near-by systems
- The larger systems bill for employee time, travel and use of equipment

Tremonton, UT

- Largest water system in the area
- Aids 30 smaller utilities near-by, including distributing chlorine, lending equipment, parts, and supplies and by establishing an organization to train water operators

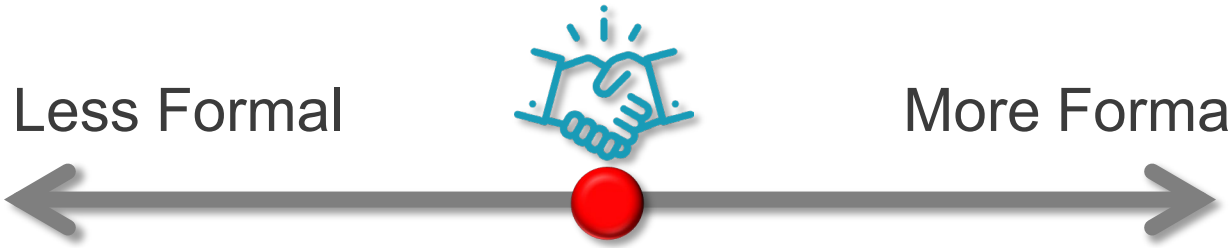


Systems work together to buy equipment, chemicals, or supplies

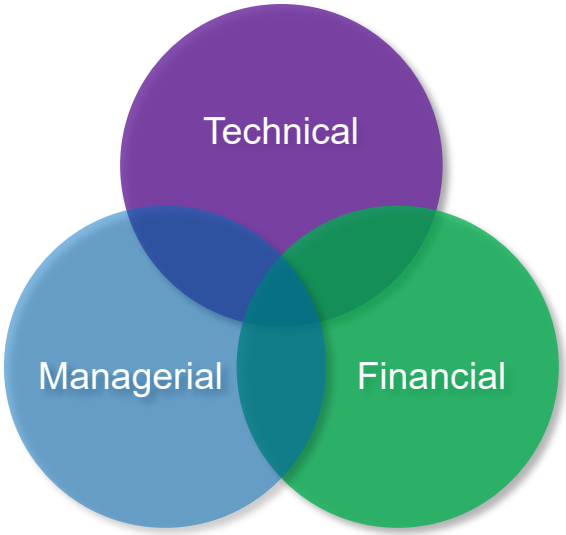
Southern Maine Regional Water Council

- Have a purchasing group led by a Chairperson appointed by the Council's board
- Responsible for developing and awarding bids or purchasing packages
- Participation in each bid is elective
- Bulk purchasing of chemicals has resulted in significant savings
- Tank maintenance contracting also provided significant savings over individual RFP’s

The Southern Maine Regional Water Council (SMRWC) is an organization of water and wastewater utilities united by the mission to advance regional water supply objectives, including promoting regional cooperation, improving public water system resiliency, developing cooperative programs to reduce expenses for the existing and future customers, and planning for future public water supply needs of the region. SMRWC was formed in 2005 and is made up of seven water utilities. Combined, these seven utilities serve approximately 300,000 people in 23 communities or 25% of Maine's population.



Mutual Aid & Emergency Assistance



It's a contract, systems assist each other during an emergency or time of need

WATER/WASTEWATER AGENCY RESPONSE NETWORK (WARN)

A mutual aid and assistance network that provides water and wastewater utilities with the means to obtain help in the form of personnel, equipment, materials and associated services quickly from other utilities to restore critical operations impacted during an emergency.

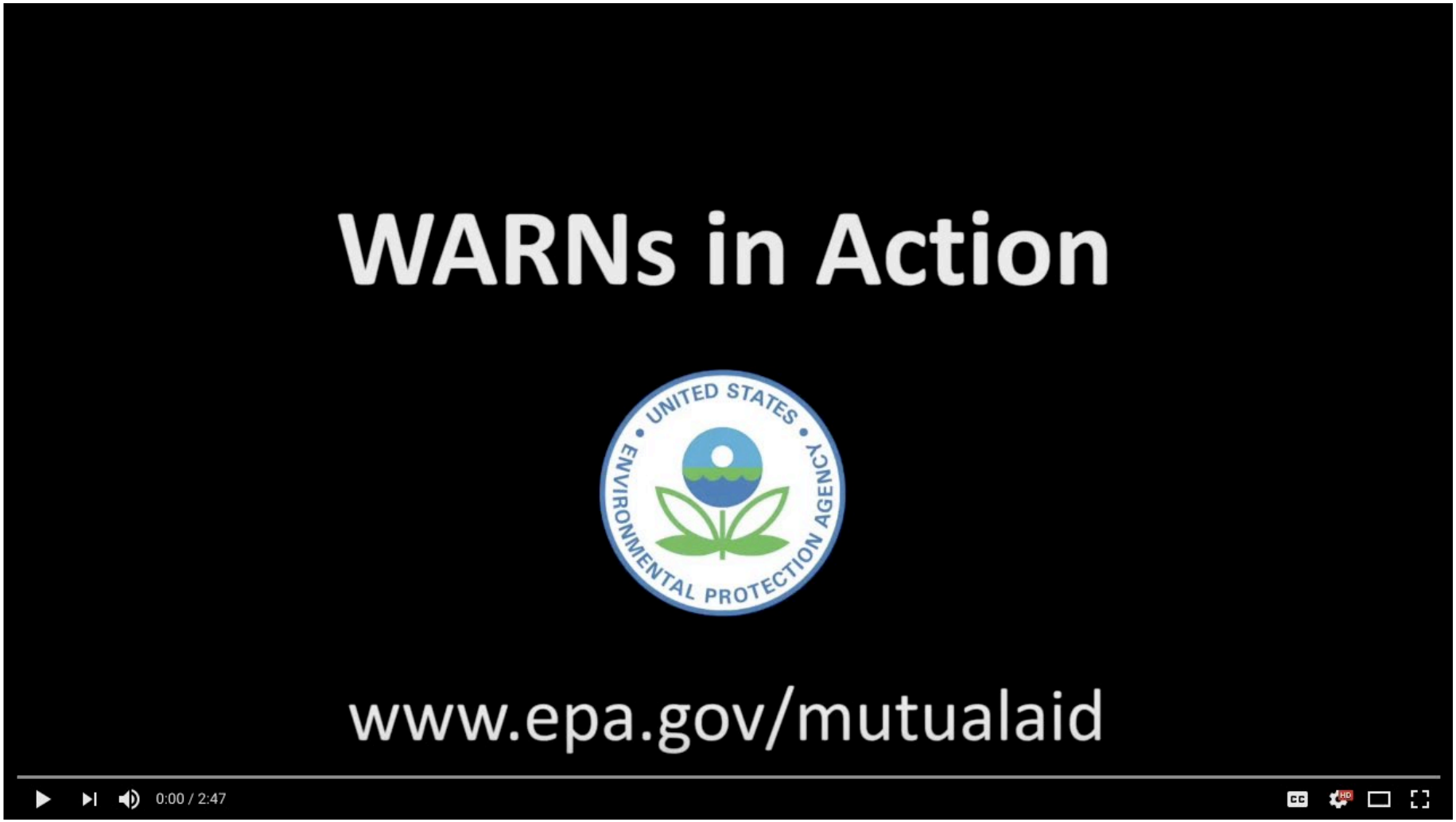
WARN FEATURES

- WARN membership is for all systems regardless of ownership
- No member system is obligated to send resources if they decide not to for any reason
- Systems can also be members of other mutual aid or assistance agreements
- Each additional member enhances the probability of a successful response to an emergency, regardless of system size

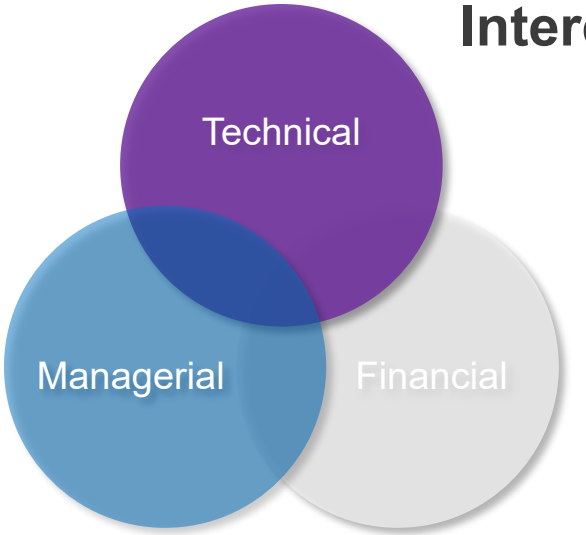
LEGAL AGREEMENT

- Each WARN enters into a mutual aid and assistance agreement that best meets the member system needs

- These agreements clarify liability, reimbursement, response procedures and joint planning efforts


WARNs in Action
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
www.epa.gov/mutualaid
0:00 / 2:47

Emergency or Non-emergency Interconnect

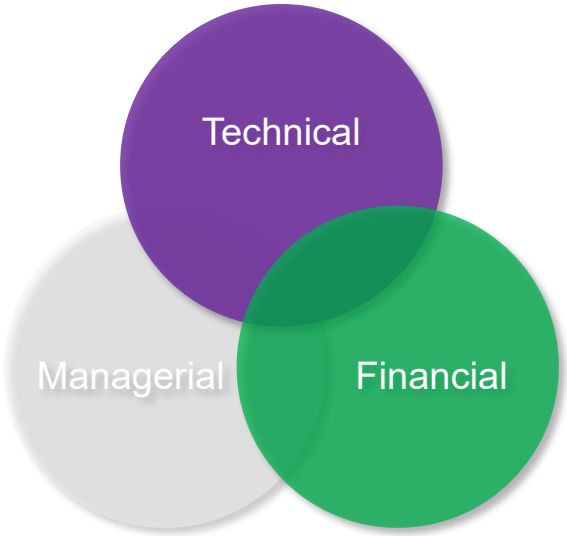


Systems have a physical connection that is only used during emergencies

AURORA, SOUTH DAKOTA

- Aurora has a population of 500 with 250 connections
- Aurora is located 5 miles from Brookings. Brookings population is 22,000
- Aurora consistently violated the MCL for nitrate, did not have a plant operator with adequate certification, lacked financial resources etc.
- Aurora and Bookings shared the cost of a transmission pipeline to interconnect the systems

Operational Collaboration

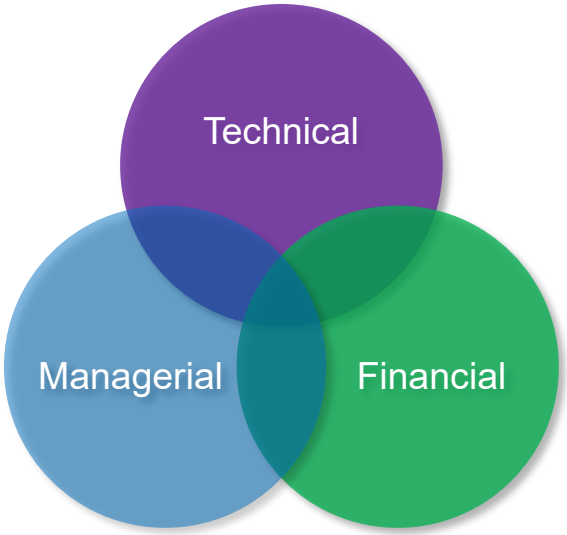


Systems share an operator or contract with the same operator or operation company

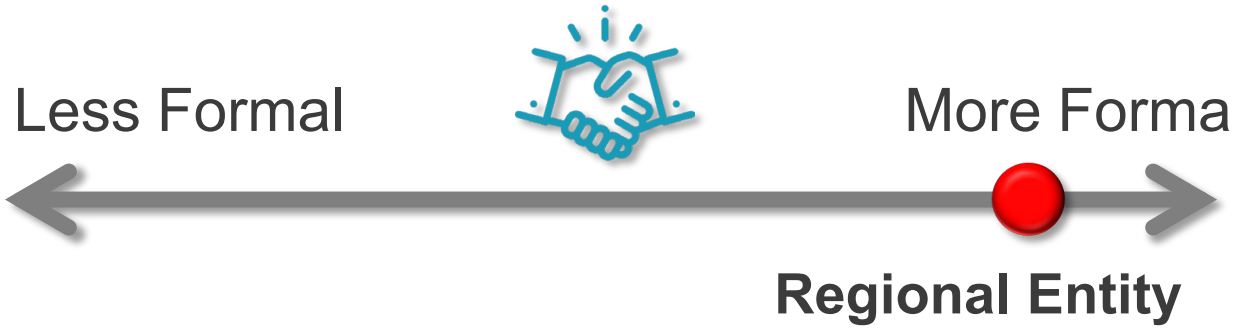
PANORA AND DES MOINES, IA

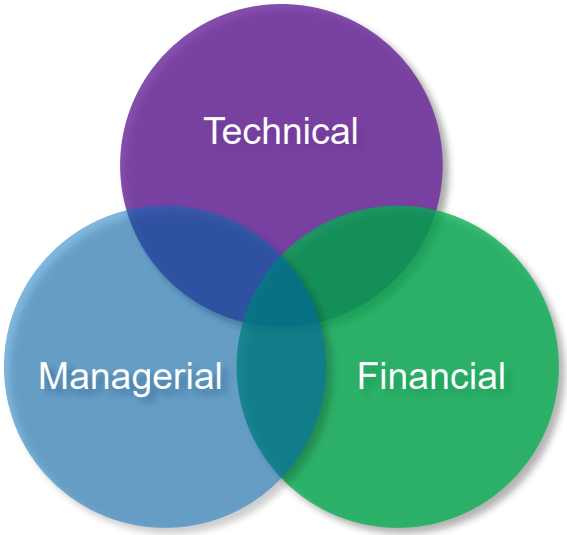
- Very small community had trouble retaining staff (serves 1,175 customers)
- Signed an MOU with Des Moines to allow Des Moines to monitor the treatment plant remotely
- Limited the need for an onsite operator to 2.5 hours per day
- Larger utility gets extra revenue, small utility gets access to operators they had trouble recruiting

Managerial Collaboration



Systems share management structure but systems are not interconnected





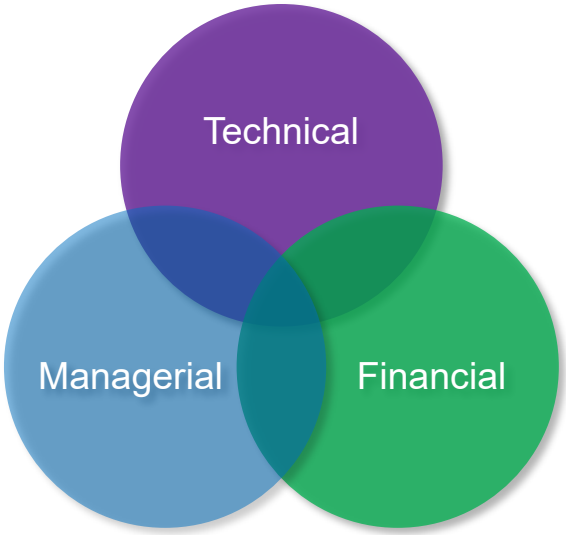
Systems form a regional entity either as a separate option or the only option. All have a role on the board.

Less Formal

More Formal

Systems dissolve into neighboring entity

Systems lose independence. Only one utility remains.



POLLING QUESTION 1

Are you interested in a bulk agreement or partnership?

- Yes we already do them
- No we are not doing them but would be interested in exploring options
- No we are not interested

POLLING QUESTION 2

What kind are you interested in?

- Informal Partnership
- Moderately formal partnership
- Formal partnership
- None

COMMON CONCERNS WITH COLLABORATION

- Desire for Autonomy
- Mistrust of Other Systems
- Lack of Knowledge of Other Systems
- Lack of Knowledge of the Options
- No Outside Independent Force to Get Collaboration Started

PARTNERSHIP BENEFITS – BIG PICTURE

System	State	Customer
• Economies of Scale • Long Term Savings • Improved Customer Service • Planning for Future Operations • Increased TMF Capacity	• Improved Compliance • Potential Reduction in Number of Regulated Systems • Resource Savings • Improved Customer Relations	• Improved Water Quality • Reduced Long Term Costs / Lower Water Bills • Increased Reliability


PROVIDE SI
ON HOW
CALCULATE

Elements of Successful

FORMS OF CONSOLIDATION

- Direct Acquisition - one higher-capacity utility absorbing another in its entirety.
- Joint Merger - two or more utilities often, but not necessarily, of similar capacity consolidating to become a new entity that is jointly owned by the participating utilities.
- Balanced Merger - hybrid of the other two types and involves two or more utilities consolidating and creating a governance structure that is designed to allow for participation by the previously existing utilities in future decision-making.
- Consolidation of Governance/Operations/Mgmt

CONSOLIDATION CONSIDERATIONS

Assessing the Feasibility of Consolidation Options

- Setting the stage with a task force
- Legal Counsel
- Soliciting Input from Customers and Community
- Arranging Engineering, Facilitation and Planning Assistance
- Transparent Financial Analysis and Potential Future Scenarios

Why is this important?
Sets the stage for all that follows

CONSOLIDATION CONSIDERATIONS

Ambiguities Related to Current and Future Service Areas, Annexation and Growth

- Language defining service areas
- Language defining who can serve unserved areas
- Language clarifying the process for changing or expanding service areas in the future
- Language to clarify costs associated with changing service areas and how it will affect water and wastewater rates.

CONSOLIDATION CONSIDERATIONS

Valuing the Physical Assets of the Systems

- Book Value
- Cash Flow Value
- Arranging Engineering, Facilitation and Planning Assistance
- Transparent Financial Analysis and Potential Future Scenarios
- Meter maintenance and ownership responsibilities

ASSET MANAGEMENT

Utilities, like all service organizations, have competing priorities.

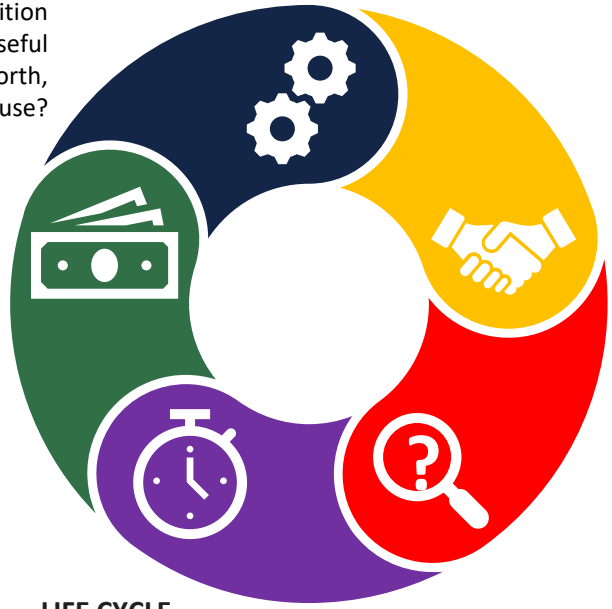
ASSET MANAGEMENT

ASSETS

What assets do you manage, where are they, what condition are they in, what is their useful life, how much are they worth, and what is their energy use?

SERVICE LEVEL

What level of service do you want to provide for your customers? How will you measure performance?



FUNDING

Do you have funding sources to provide the capital you need for O&M, capital replacement and energy efficiency improvement?

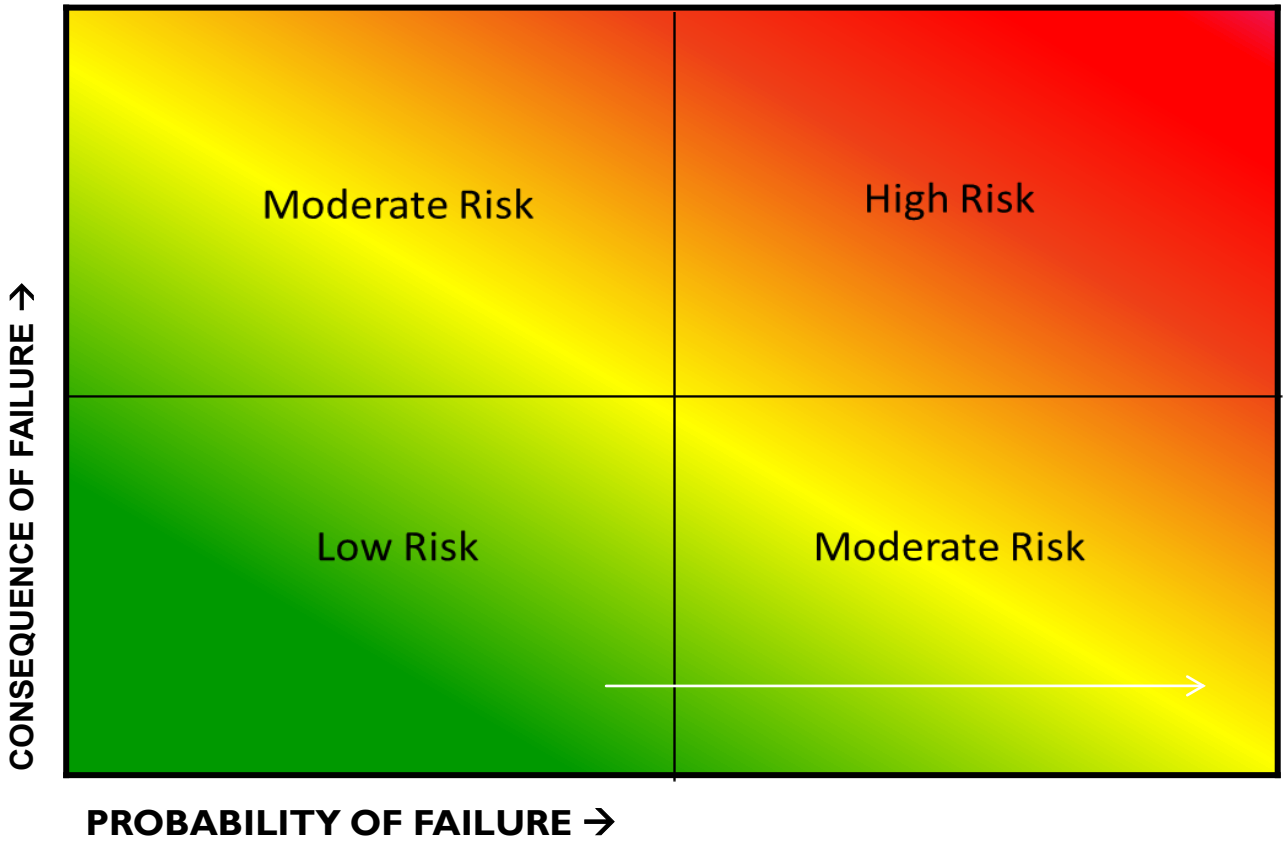
CRITICALITY

What is the overall business risk based on probability and consequence of asset failure? Is there redundancy to reduce risk?

LIFE CYCLE

Is there a strategic plan for operating and maintaining system assets? Is a process, based on risk, in place to determine when to repair, rehabilitate or replace assets? Are you considering energy efficiency?

ASSET RISK


Moderate Risk
High Risk
Low Risk
Moderate Risk
CONSEQUENCE OF FAILURE →
PROBABILITY OF FAILURE →

CONSOLIDATION CONSIDERATIONS

Addressing Outstanding Obligations and Responsibilities

- Debt
- Staffing Considerations

Why is this important?
Prevents unwanted surprises

CONSOLIDATION CONSIDERATIONS

Impact on Customer Rates

- Lower rates not a guarantee
- Surcharges? Temporary increases?
- How can rates among consolidated utilities ultimately be equalized?

Why is this important?
Often most important customer concern

CONSOLIDATION CONSIDERATIONS

Governance Structure for Consolidated Utility

- Dependent on many factors including: number of utilities, combined service area, anticipated growth or decline, financial health of systems, and future regulatory costs

CONSOLIDATION CONSIDERATIONS

Board Representation for Utility

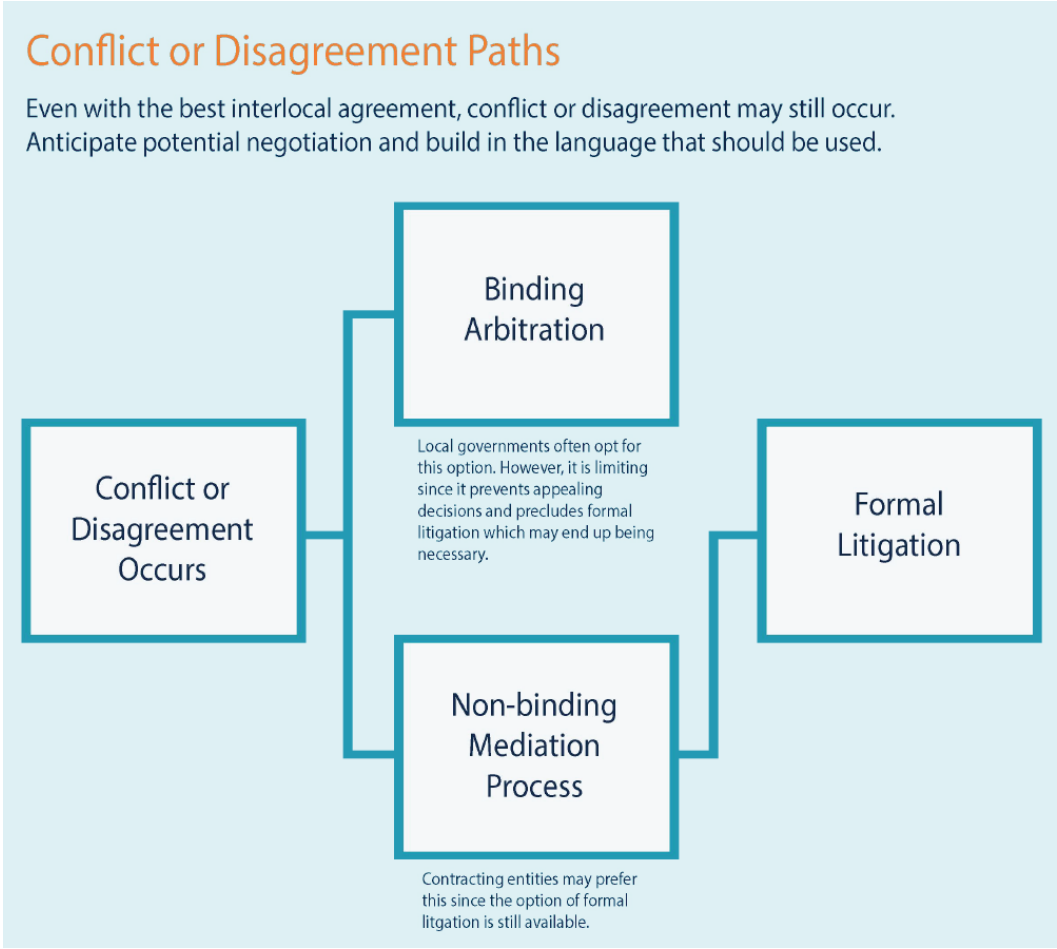
- Number of board seats
- Rationale for assigning board seats
- Number of utilities on the board
- Rate setting process
- How should/can the board be modified if there is growth/change?

Why is this important?
Governance will impact every aspect of service provision

CONSOLIDATION CONSIDERATIONS

Resolving Disputes

- Binding Arbitration
- Non-binding Mediation



Communication is the key


The more you know
about your system …
… the better partnership can work.

QUESTIONS?

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