PROMOTING PARTNERSHIPS AND SHARED RESOURCES

Small Communities Environmental Infrastructure Group
THE CHALLENGE

• THE NATION AND THE STATE ARE IN DESPERATE NEED OF INFRASTRUCTURE IMPROVEMENTS.

• WIDE COST GAP BETWEEN AVAILABLE GRANT FUNDING AND DEMAND.

• HOW DO WE SOLVE THIS PROBLEM?

<table>
<thead>
<tr>
<th>Ohio’s Reported Needs</th>
<th>2012 Wastewater Survey</th>
<th>2011 Drinking Water Survey</th>
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<tbody>
<tr>
<td></td>
<td>20 Years</td>
<td>Annual</td>
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<tr>
<td></td>
<td>$14.5B</td>
<td>$725M</td>
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<td>20 Years</td>
<td>Annual</td>
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<tr>
<td></td>
<td>$12.2B</td>
<td>$610M</td>
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</tbody>
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Source: USEPA’s Needs Survey
WATER INFRASTRUCTURE FUNDING SOURCES

OHIO ENVIRONMENTAL PROTECTION AGENCY
OHIO WATER DEVELOPMENT AUTHORITY
OHIO PUBLIC WORKS COMMISSION
US DEPARTMENT OF AGRICULTURE
OHIO DEPARTMENT OF DEVELOPMENT SERVICES (CDBG)
APPALACHIAN REGIONAL COMMISSION
US ARMY CORPS OF ENGINEERS
DW-WW CONSTRUCTION FUNDING, 2011-15
25 COUNTIES WITH 80,000 – 400,000 POPL.

Source: Ohio Water Development Authority
DW-WW CONSTRUCTION FUNDING, 2011-15
57 COUNTIES UNDER 80,000 POPL.

Source: Ohio Water Development Authority

- Market Rate of Interest Financing: 21%
- SRF Financing: 42%
- Below Market Rate of Interest Financing: 18%
- Grants: 19%

Smaller Counties Rely More on Grants
GRANTS ARE A SHRINKING PERCENTAGE OF WATER INFRASTRUCTURE FUNDING

Source: OWDA: Greater Ohio Policy Center
SMALL SYSTEMS MUST MEET MULTIPLE CHALLENGES

- ENVIRONMENTAL REQUIREMENTS – EPA FINDINGS AND ORDERS
- AGING SYSTEM COMPONENTS
- COMMUNITY ECONOMIC ISSUES AND POPULATION CHANGE
- ASSET MANAGEMENT REQUIREMENTS (DRINKING WATER, OHIO SENATE BILL 2)
  - OCTOBER 2018 DEADLINE FOR ASSET MANAGEMENT PLAN;
  - REGULATIONS UNDER DEVELOPMENT; LEVEL OF SERVICE GOALS, METRICS
- LOCAL, TRADITIONAL STRATEGIES FOR STRETCHING DOLLARS
  - CUTTING STAFFING OR REDUCING SERVICES
  - INCREASING TAXES AND/OR USER RATES
WATER AND SEWER RATES RISE BY 89%

Combined Annual Average Ohio Residential Water & Sewer Rates, 1999 - 2015

Source: Ohio EPA
THE OPPORTUNITY

PARTNERSHIPS & SHARED RESOURCES
PARTNERSHIPS & SHARED RESOURCES

• **COMMON DEFINITION:** COLLABORATIVE STRATEGY FOR OPTIMIZING STAFF, EQUIPMENT, FACILITIES, AND OTHER PUBLIC RESOURCES ACROSS JURISDICTIONS TO IMPROVE OPERATIONAL EFFICIENCIES AND SERVICE DELIVERY.

• **CONSIDERATIONS FOR SHARED SERVICES**
  - WHICH ENTITY IS THE BEST SUITED TO PROVIDE SERVICES FOR A PARTICULAR AREA OR PROJECT?
  - WILL SERVICES BE PROVIDED PURSUANT TO A SHARED SERVICES AGREEMENT?
WHY SHARE RESOURCES?

- CREATE COST SAVINGS AND INCREASED EFFICIENCIES, STABILIZE USER RATES
- CREATE ECONOMIES OF SCALE
- ELIMINATE DUPLICATION OF SERVICES
- IMPROVE SERVICE QUALITY
- ATTRACTIVE TO FUNDING AGENCIES, IMPROVE CREDIT-WORTHINESS
- CAPITAL IMPROVEMENT PROJECTS MAY NOT BE POSSIBLE WITHOUT SHARING SERVICES
- IMPROVE REGULATORY COMPLIANCE
PARTNERSHIPS & SHARED RESOURCES

• PRIMARY ENTITIES PROVIDING SERVICES IN OHIO HAVE AUTHORITY TO CONTRACT FOR SERVICES
  • MUNICIPALITIES: CAN SERVE AREAS OUTSIDE OF THEIR BOUNDARIES
  • COUNTIES: SERVE UNINCORPORATED AREAS, BUT CAN CONTRACT WITH MUNICIPALITIES
  • REGIONAL WATER AND SEWER DISTRICTS (RC CHAPTER 6119) – CAN BE FORMED BY ANY COMBINATION OF COUNTIES, TOWNSHIPS, AND MUNICIPALITIES
  • NOT FOR PROFIT ASSOCIATIONS
TYPES OF SHARED SERVICES (PHYSICAL)

• PHYSICAL INTERCONNECTION:
  • WATER SUPPLY (RAW/TREATED)
  • WASTEWATER TREATMENT
• SHARED EQUIPMENT
• PURCHASE SUPPLIES
• MAINTENANCE
TYPES OF SHARED ADMINISTRATIVE SERVICES

- BILLING SYSTEMS
- EMPLOYEES / CERTIFIED OPERATORS
- EMERGENCY REPAIRS
- TRAINING
- GRANT WRITING
- IT SERVICES
- ADMINISTRATION / ACCOUNTING
**SHARED SERVICES / RESTRUCTURING OPTIONS**

1. **Initial Changes**
   - Completely self-contained, requires no cooperation or interaction

2. **Informal Cooperation**
   - Work with other systems, but without contractual obligations

3. **Contractual Assistance**
   - Requires a contract but ownership does not change

4. **Joint Powers Agency**
   - Creation of new entity by entity by several systems that continue to exist as independent entities

5. **Ownership Transfer**
   - Takeover by existing or newly created entity

Source: US EPA
CHALLENGES: POLITICAL

• COMMON CHALLENGES
  • FEELING A LOSS OF CONTROL
  • GRUDGES/RIVALRIES
  • LACK OF UNDERSTANDING OF COSTS, RAMIFICATIONS, ETC.

• WAYS TO OVERCOME
  • KNOW THE OBJECTIVES FOR ALL INVOLVED
  • KNOW WHAT IS IN IT FOR “YOU” AND “THEM”
  • KNOW YOUR NUMBERS AND LIMITATIONS
CHALLENGES: COMMUNITY PERCEPTION

• COMMON CHALLENGES
  • WORRIED ABOUT BEING TAKEN ADVANTAGE OF
  • GRUDGES/RIVALRIES
  • LACK OF UNDERSTANDING OF COSTS, RAMIFICATIONS, ETC.

• WAYS TO OVERCOME
  • EDUCATE STAKEHOLDERS
  • LEARN THE ISSUES OF BOTH SIDES
  • KNOW AND EXPLAIN WHAT THE MUTUAL GAINS ARE
CHALLENGES: DISPARITIES BETWEEN PARTNERS

• COMMON CHALLENGES
  • PARTIES MAY FEEL OTHER ENTITY IS TRYING TO TAKE ADVANTAGE OF THE SITUATION
  • NUMBER OF UNKNOWNS CONCERNING FUTURE RATES, FEES, ETC.

• WAYS TO OVERCOME
  • NEGOTIATE IN GOOD FAITH
  • GET HELP WHEN YOU NEED IT
  • REVIEW THE ENTIRE SCOPE OF THE AGREEMENT
  • DEVELOP POSSIBLE STRATEGIES FOR RESOLVING FUTURE PROBLEMS SHORT OF LITIGATION
  • FINISH THE JOB WITH CLARITY AND A LEGAL COUNCIL
SUCCESSFUL EXAMPLES

- NORTHWESTERN WATER AND SEWER DISTRICT
- JEFFERSON COUNTY WATER AND SEWER
- MEIGS COUNTY WATER AND SEWER AUTHORITY
- GIS COOPERATIVE (RCAP)
MEIGS COUNTY WATER AND SEWER AUTHORITY

CONTRACTING WITH RUTLAND VILLAGE TO OPERATE WATER & SEWER SYSTEM AND PROVIDE ADMINISTRATIVE SERVICES

• CHALLENGES
  • OLDER SYSTEM NEEDS WORK
  • NEW RULES & REGULATIONS

• POSITIVE FACTORS
  • EXPERIENCED OPERATOR & CLERK
  • APPROVED LGIF FOR CONSULTANT, AMP AND GIS MAPPING

• BENEFITS
  • REDUCED DEBT SERVICE PAYMENTS
  • EXPANDED CRITICAL MASS FOR MIDDLEPORT
  • SAVE CUSTOMERS DRASTIC RATE INCREASE
NORTHWESTERN WATER AND SEWER DISTRICT

- CHAPTER 6119 DISTRICT, FORMED BY COUNTY IN 1992
- SERVES 19,000 CUSTOMERS IN WOOD / SANDUSKY COUNTIES
- BOTH INCORPORATED AND UNINCORPORATED AREAS
- 75 EMPLOYEES
- OPERATE WW TREATMENT PLANTS AND ALSO CONTRACT TO SEND WW TO NEARBY CITIES

CASE STUDY: WORKING ACROSS COUNTY LINES

- SMALL VILLAGES OF WEST MILGROVE AND RISING SUN (WOOD), SCOTT TWP (SANDUSKY) FACING FINDINGS AND ORDERS FROM EPA AND LOCAL HEALTH DEPARTMENTS
- SUBDIVISIONS HAVE NO FULL-TIME EMPLOYEES, LIMITED CAPACITY FOR TECHNICAL/ENGINEERING, MANY FIXED-INCOME RESIDENTS
- DISTRICT ABLE TO CONTRACT FOR DESIGN OF TREATMENT PLANT WITH CAPACITY TO SERVE FIVE SUBDIVISIONS
- DISTRICT PUT TOGETHER FUNDING FROM USDA, CDBG, AND OTHERS
- RATES LOWER THAN WHAT EACH SUBDIVISION COULD HAVE AFFORDED ON THEIR OWN
COMMON CHALLENGES WITH PARTNERING

- Needs do (and will!) change
- Staff/decision makers change
- Rules change (e.g. OEPA rules)
- One party or both parties don’t follow the agreement
- Local politics get in the way
- Failure of one party to deliver
IN CLOSING...

• THE OBJECTIVE IS A RELATIONSHIP OF MUTUAL BENEFIT BETWEEN TWO UTILITIES RATHER THAN AN AGREEMENT

• EXPECT ISSUES TO OCCUR FROM TIME TO TIME

• DEAL WITH THE ISSUES AND GET INDEPENDENT HELP WHEN YOU NEED IT
HOW TO GET STARTED WITH SHARED RESOURCES

• STAFF/OFFICIALS OF OWN COMMUNITY
  • WHERE COULD SERVICES BE IMPROVED/SHARED?
  • WHAT IS INTERNAL STAFF/OFFICIAL OPINION OF SHARING SERVICES? (CREATE BUY-IN.)
• MUNICIPAL SOLICITOR/LEGAL COUNSEL

• OFFICIALS/STAFF OF NEIGHBORING COMMUNITIES/COUNTY
• STRATEGIES FOR OPENING THE DIALOG AND Communicating BENEFITS
• RCAP/GOVERNMENT RESOURCES AND FUNDING
ADDITIONAL RESOURCES

- Small Community Environmental Infrastructure Group – meets every two months, www.sceig.org
- OEPA Water Pollution Control Loan Fund - Regionalization Discount, 0% IR
- OEPA Drinking Water Assistance Fund – up to 75% principal forgiveness for regionalization of disadvantaged communities; project scoring bonus
- OWDA Fresh Water Fund – 0.5% discount for connecting with or purchasing another system
QUESTIONS