

Small Communities and Regionalization

CIFA 2015 SRF Workshop

November 1-3, 2015



What is Regionalization?

Independent public bodies sharing the responsibility of providing wastewater or drinking water services to their residential, commercial, and industrial customers.



What is Regionalization Cont.?

- Consolidation
- Wholesale water supply or wastewater treatment agreements
- Shared Technical Expertise / ownership
- System interconnections
- Collaboration on resource planning
- Emergency preparedness



Benefits of Regionalization

- Reduces administrative, operational and maintenance costs
- Greater technical, managerial & financial oversight
- Offers economies of scale
- Creates environmental benefits (fewer outfalls, less excavation)

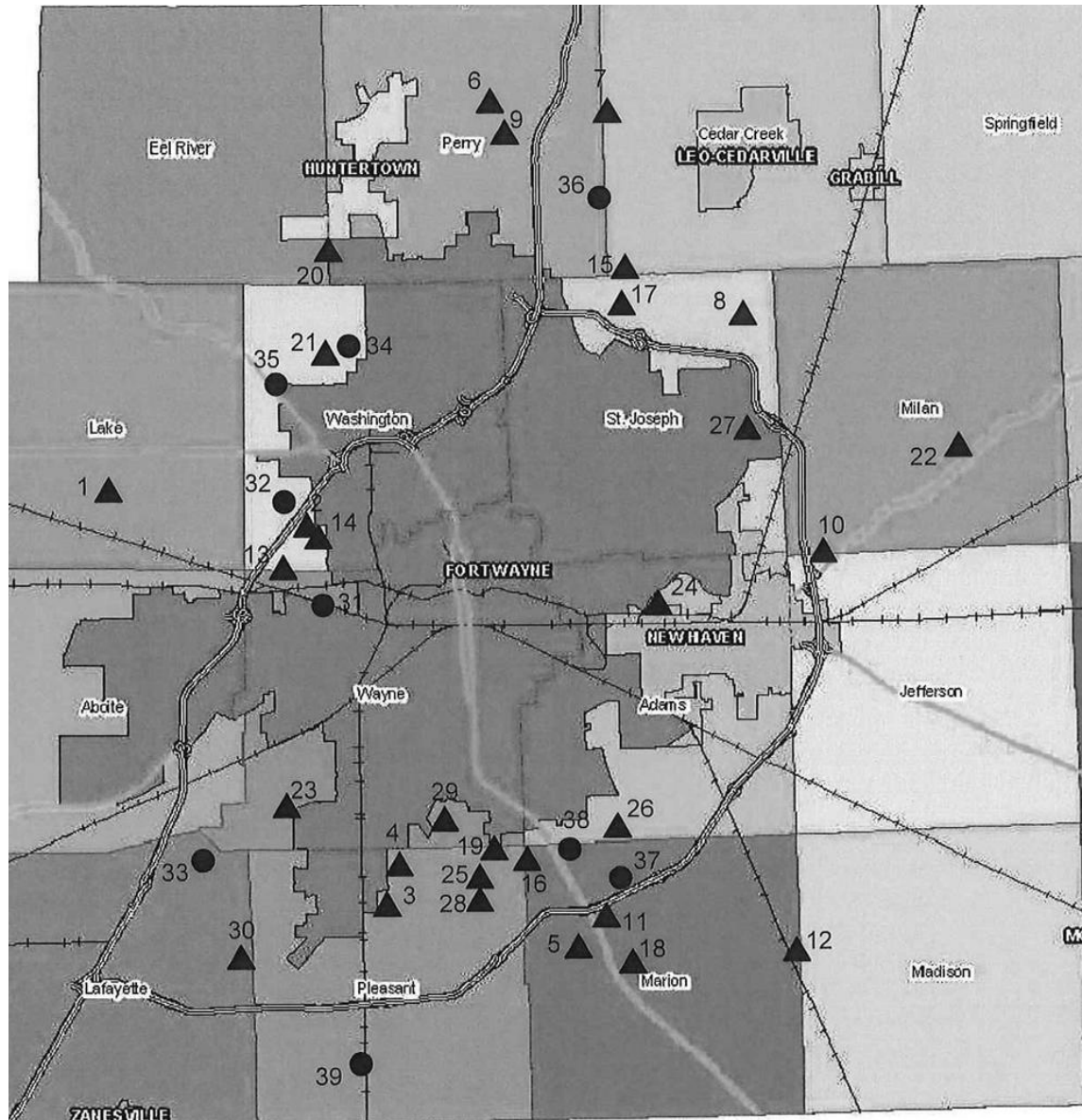


Examples of Regionalization

1. Sizing a water supply or sewer treatment project for two communities instead of building a project for each community;
2. Running a line from an unwatered or unsewered community to an adjacent community that has available capacity; or
3. Expanding the treatment facility or water supply of an existing utility to enable it to serve, on a wholesale basis, another community.



Allen County RWSD



Bluffton/ McKinney Paxon Area

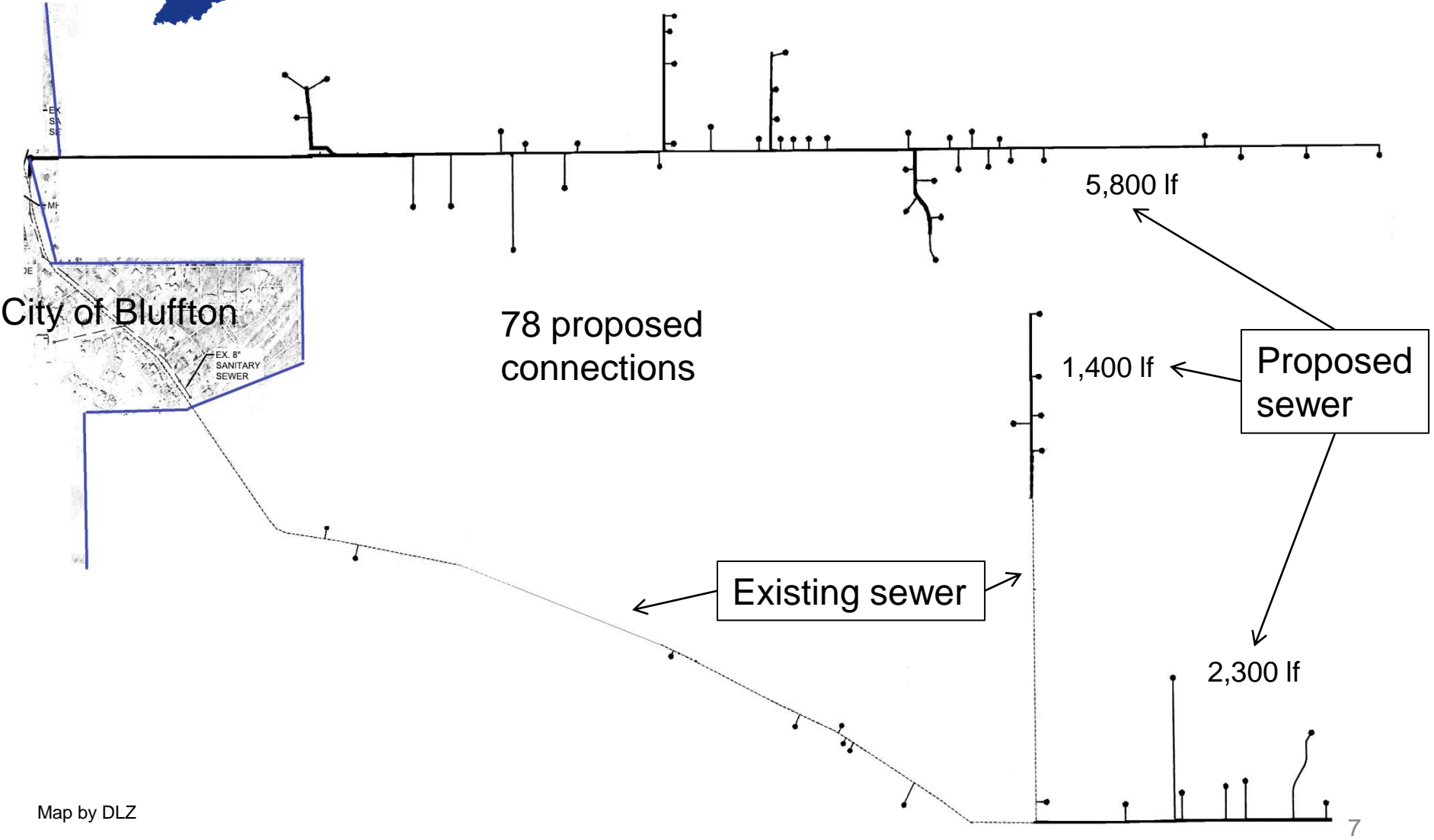




Illustration of SRF Cost Savings



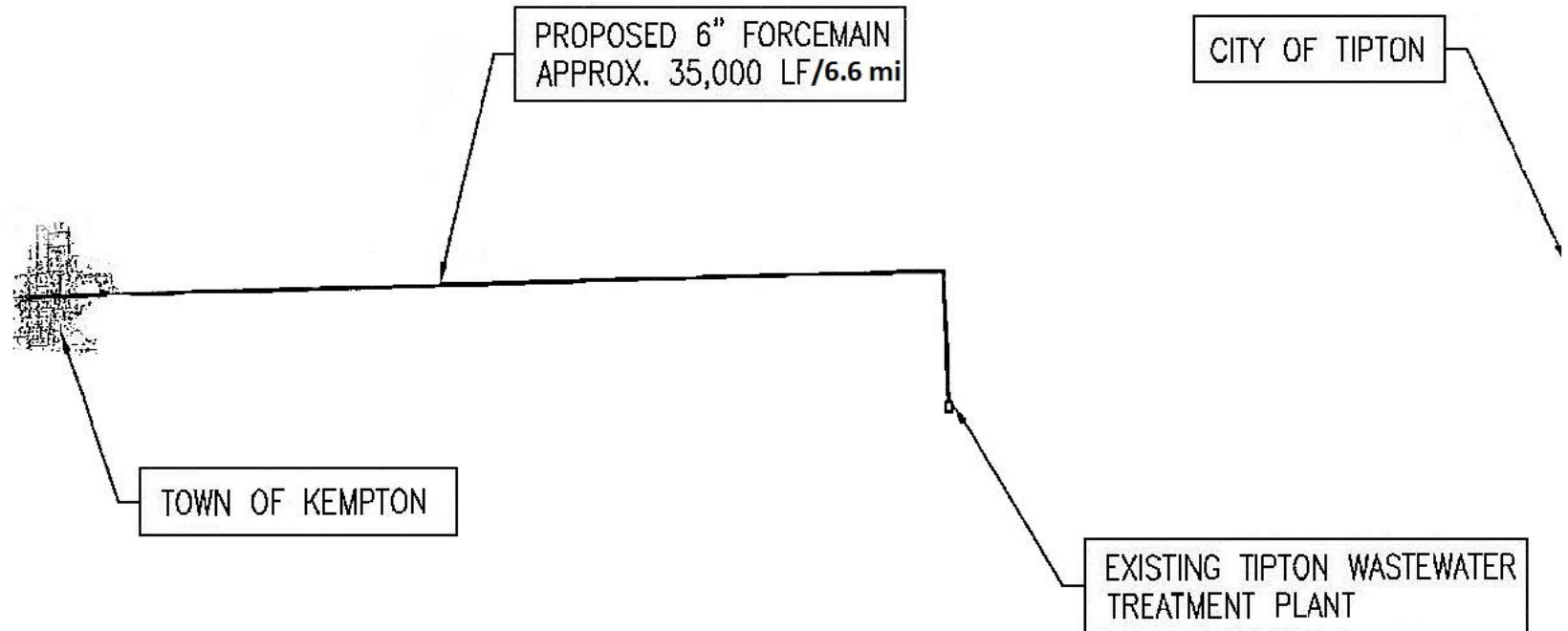
Bluffton Financing Cost

	<u>Prior Debt Service</u>	<u>Refinanced Debt Service</u>
Prior 2014 SRF Loan	\$ 7,470,000	\$ 5,616,000
Interest Rate	3.02%	<u>0.00%</u>
Amount available for new project		\$ 1,855,000

Interest rate savings will allow Bluffton to fund a \$1,855,000 new project at zero costs and pay the same in debt service before and after the new loan.



Tipton/ Kempton



Map by Triad Assoc.

Illustration of SRF Cost Savings

Tipton Financing Cost

	Prior Debt Service	Refinanced Debt Service
Prior 2001 SRF Loan (2.00%)	\$ 845,000	\$ 765,000
Prior 2014 SRF Loan (2.15%)	\$ 5,209,000	\$ 4,201,000
Subtotal Prior Project	\$ 6,053,698.50	\$ 4,966,000
New Project	\$	\$ 1,078,000
Total Debt Service	<u>\$6,044,000</u>	<u>\$ 6,044,000</u>

•2001 and 2014 refinanced to 0.00%.

Allowed Tipton to fund a new project of \$1,078,000 and have the same debt service before and after the new loan.

Challenges to Regionalization

- Loss of local control / belief that utility is being “sold”
- Communities setting connection costs too high
- Consultants that limit their analysis to local solutions
- Neighboring communities with a history of disagreement/
mistrust
- Competition for resources in same watershed
- Legislative Restrictions



The Role of the SRF Program

- Encourage regionalization with education and incentives
- Identify/create projects that best protect the environment
- Consider EPA 2014 Affordability Criteria
- Understand communities interests and/or needs
- Long term inter-local agreements



SRF Program Toolbox

Fully utilize all tools available (creative financing):

- 30 Year – extended term loans
- Additional subsidization, reduce interest rates
- Restructure utilities existing debt



Pitfalls

- Avoid being seen as regulators
- Avoid being seen as requiring an unfunded mandate
- Recognize that one community may be seen as the Aggressor:
 - non-voting population received disproportionate rate hikes; or
 - In-city user concerns that their rates are subsidizing out-of-town population.



Questions?

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