



REGIONALIZATION

ND Water Topics Committee

September 22, 2016

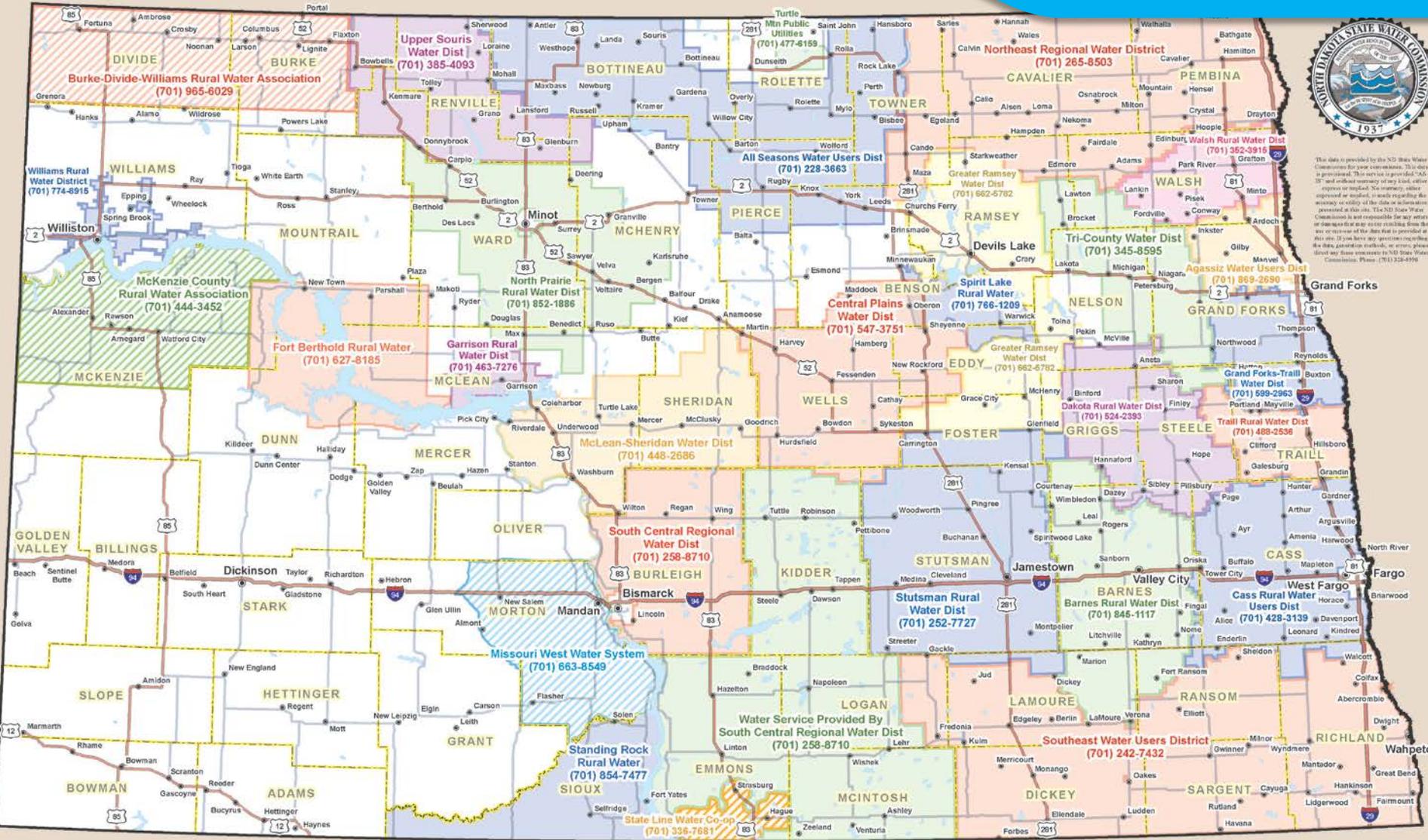


- ND Cities and Regional Water Systems
- Unserved Cities
- Rural Water Considerations
- Municipality Considerations
- Solutions

ND CITIES & REGIONAL WATER SYSTEMS

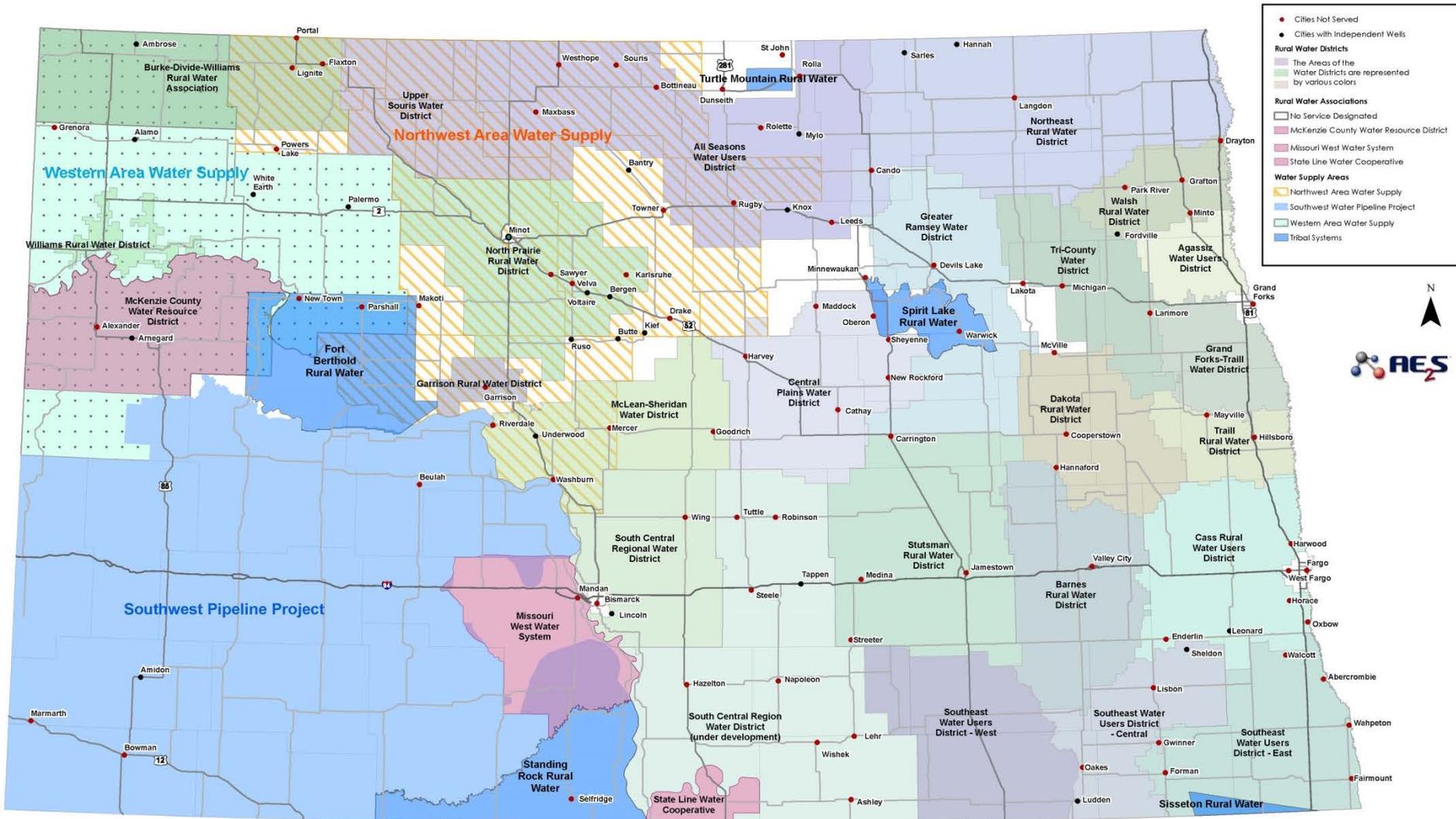


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North Dakota Rural Water Districts & Associations

CITIES NOT SERVED BY RURAL WATER



North Dakota Water Supply Systems

REGIONALIZATION



RURAL WATER CONSIDERATIONS



- Capacity to Serve
- Location
- Cost
- Agreement

REGIONALIZATION



MUNICIPALITY CONSIDERATIONS



- Long Term Decision
- City Wide Vote
- **Uncertainty**
- Loss of Control
- Emotion
- Trust/Relationship
- **Cost/Cost Comparison**
- Grant Difference
- Existing System Condition/Capacity
- **Existing Debt**
- Quality
- Qualified Staffing
- Aging/Declining Population
- Other Improvements

REGIONALIZATION



SOLUTIONS



LIFE CYCLE
COST
COMPARISON



EXISTING DEBT
CONSIDERATIONS



COST OF
SERVICE
AGREEMENTS

DETERMINING FINANCIAL BENEFITS OF REGIONAL SERVICE

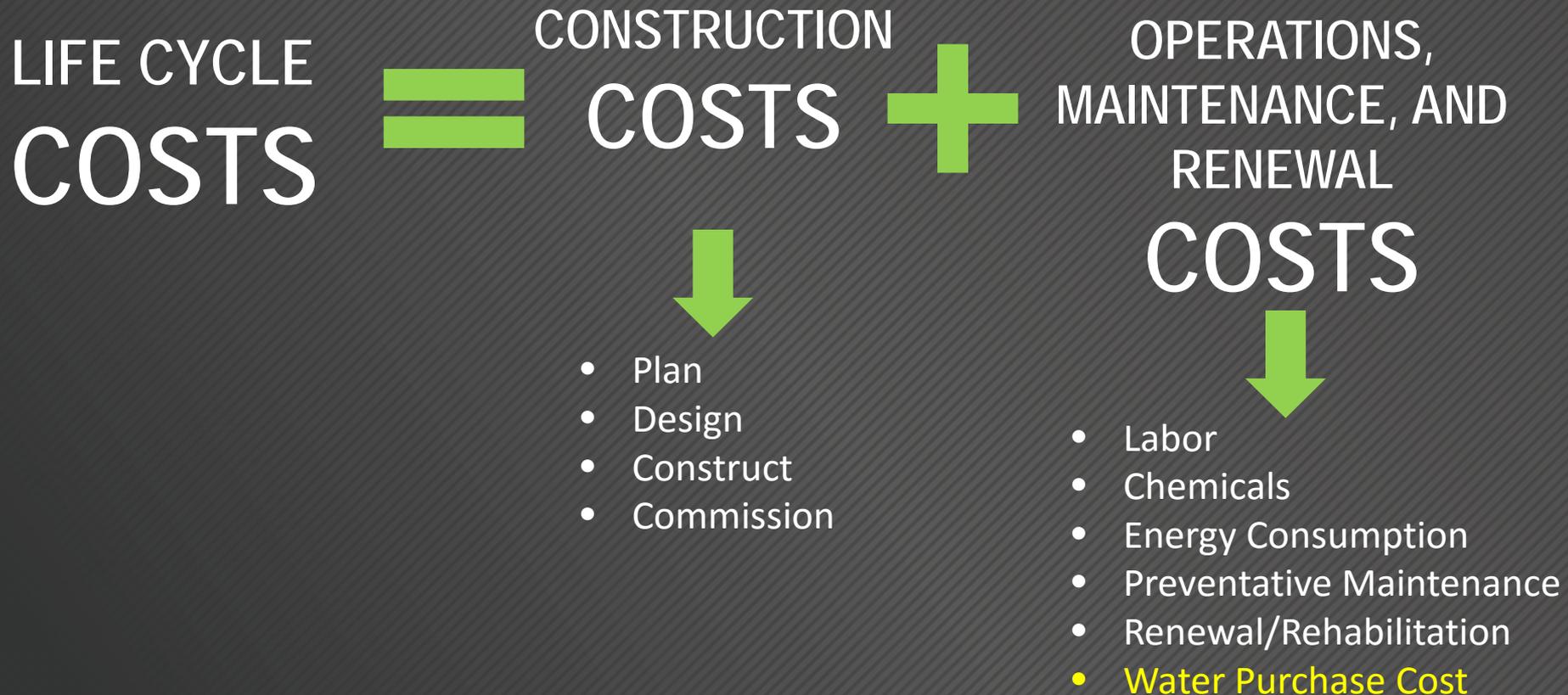


OBJECTIVE:

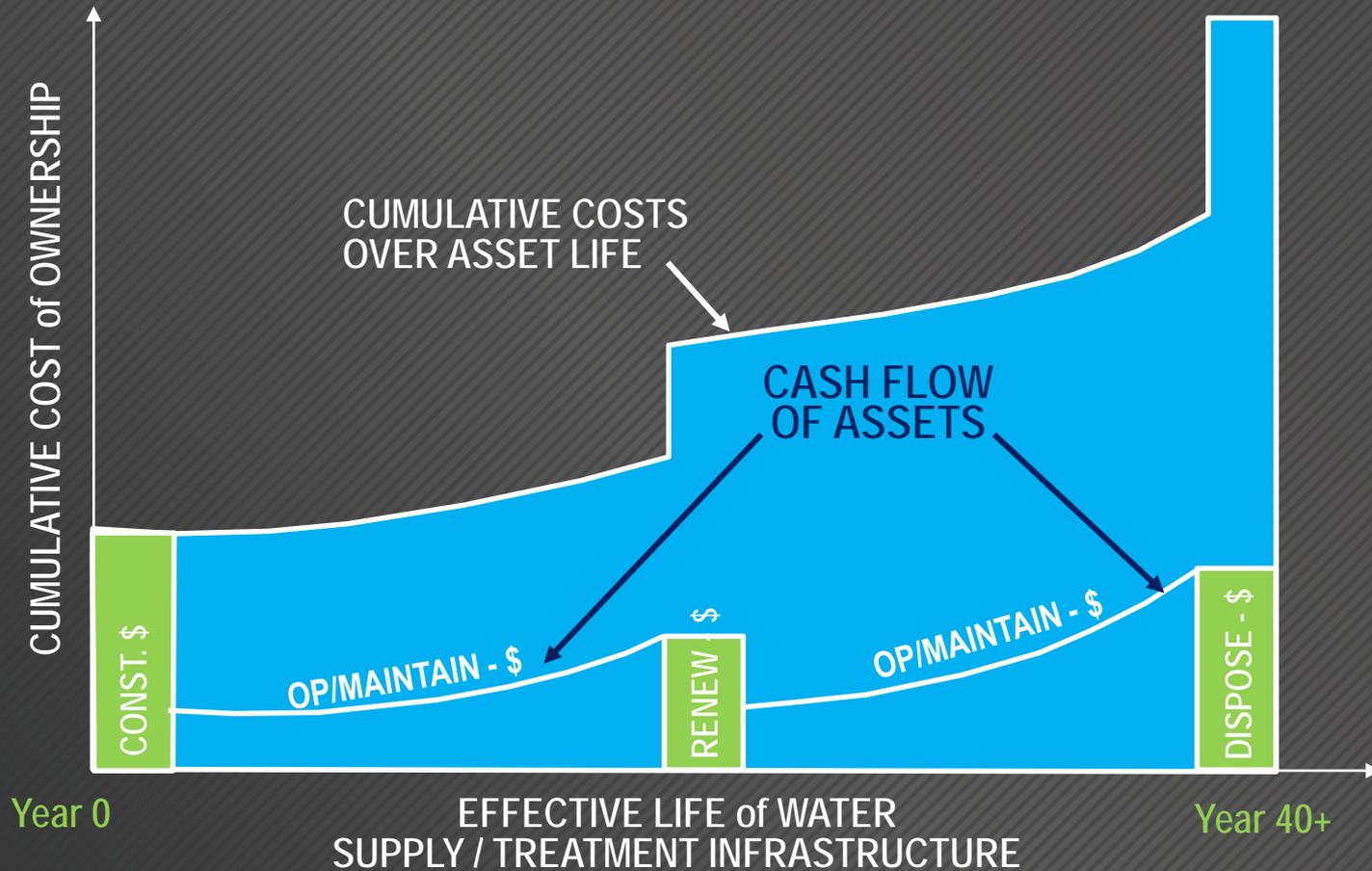
Determine the total projected lifecycle cost of ownership of municipal supply/treatment vs. projected lifecycle cost of service from regional provider

- How do we make an apples to apples comparison?
- What should be considered?
 - Total cost of going it alone
 - Total cost of regionalization
- Other Financial Considerations
 - Effects of Varying Cost-Share %'s
 - Municipal System Revenue Requirements (i.e., any outstanding debt?)
 - Current Age / Condition / Capacity of Municipal Supply and Treatment Infrastructure

DETERMINING FINANCIAL BENEFITS OF REGIONAL SERVICE

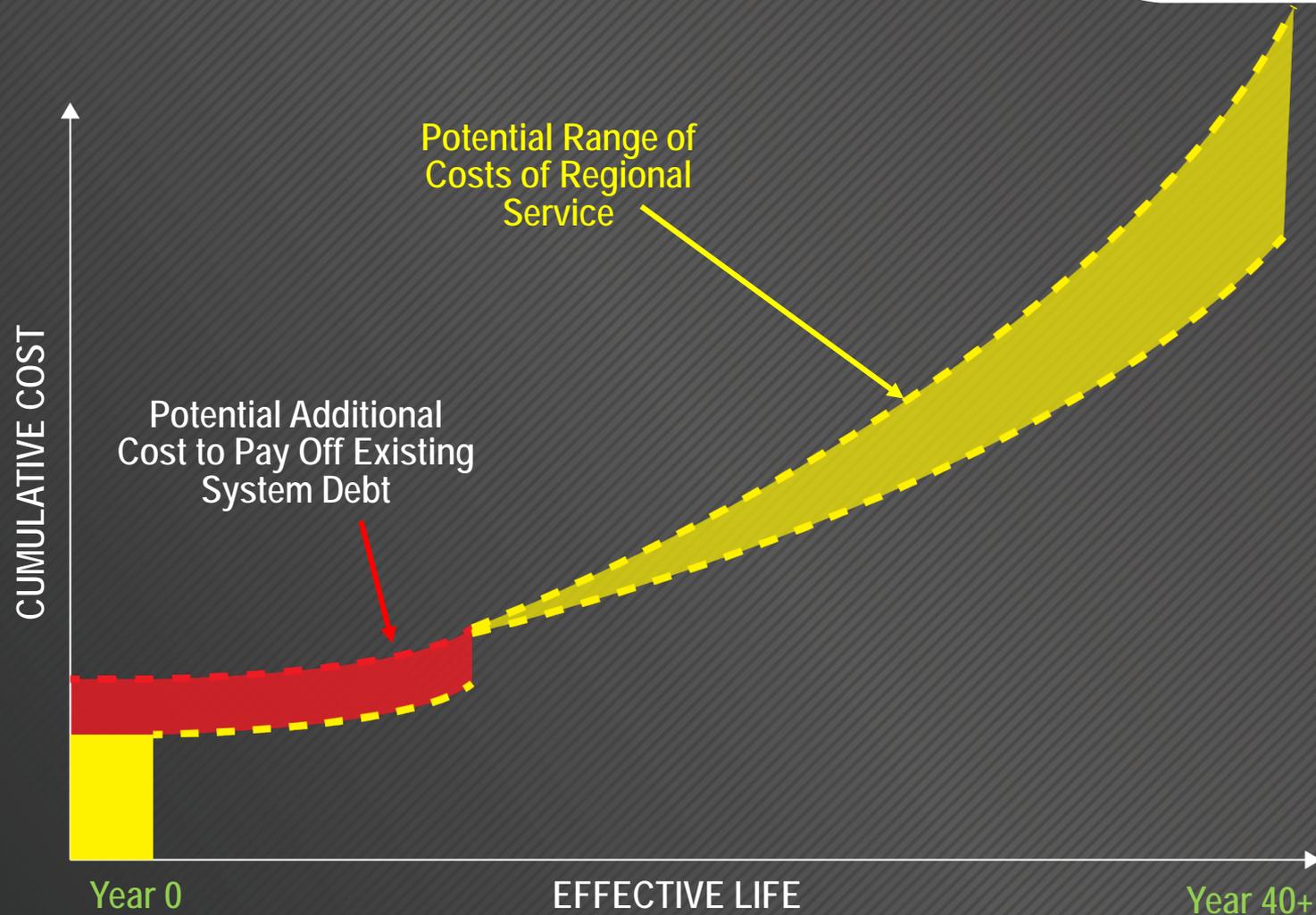


DETERMINING FINANCIAL BENEFITS OF REGIONAL SERVICE



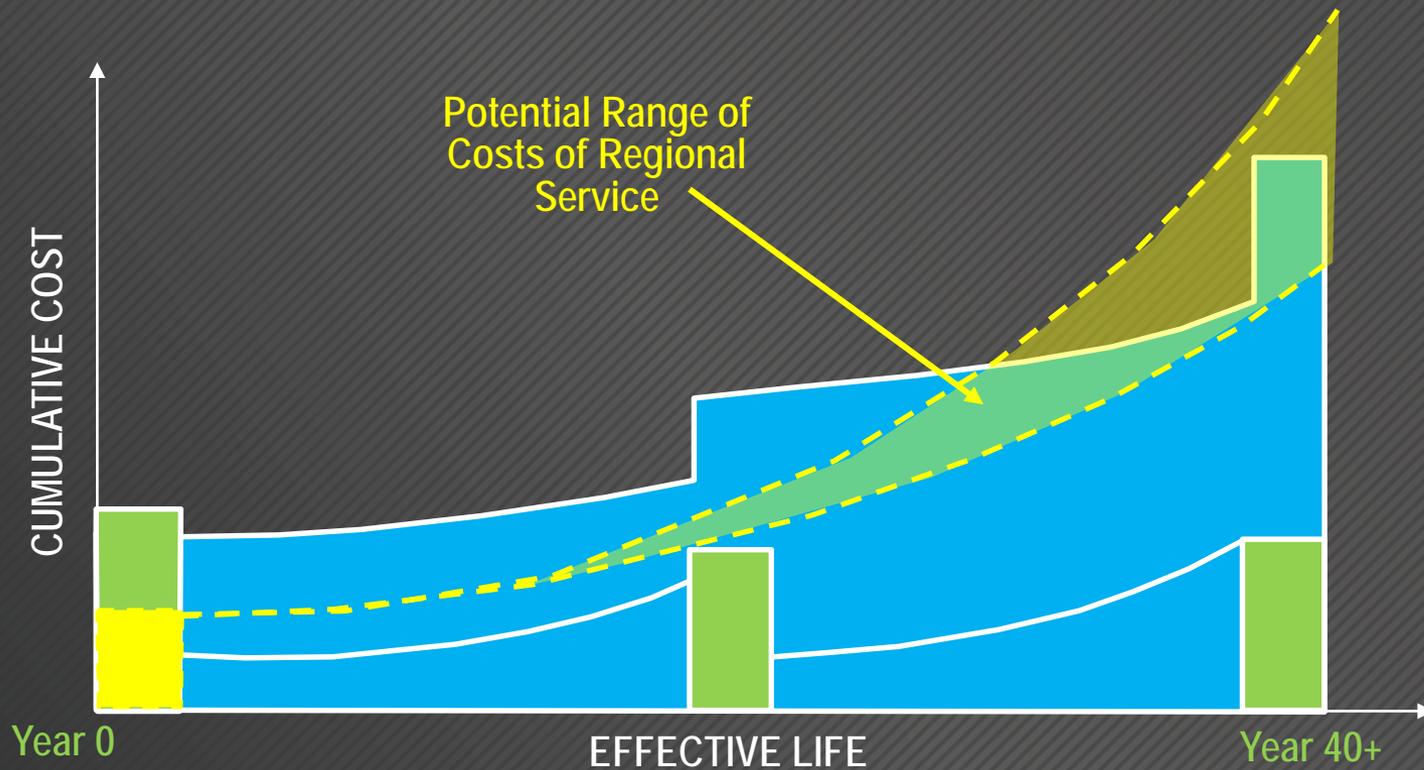
Typical Lifecycle Costs of Municipal Water Supply and Treatment Infrastructure

DETERMINING FINANCIAL BENEFITS OF REGIONAL SERVICE



Long-term Cost of Ownership vs. Cost of Regional Service?

DETERMINING FINANCIAL BENEFITS OF REGIONAL SERVICE

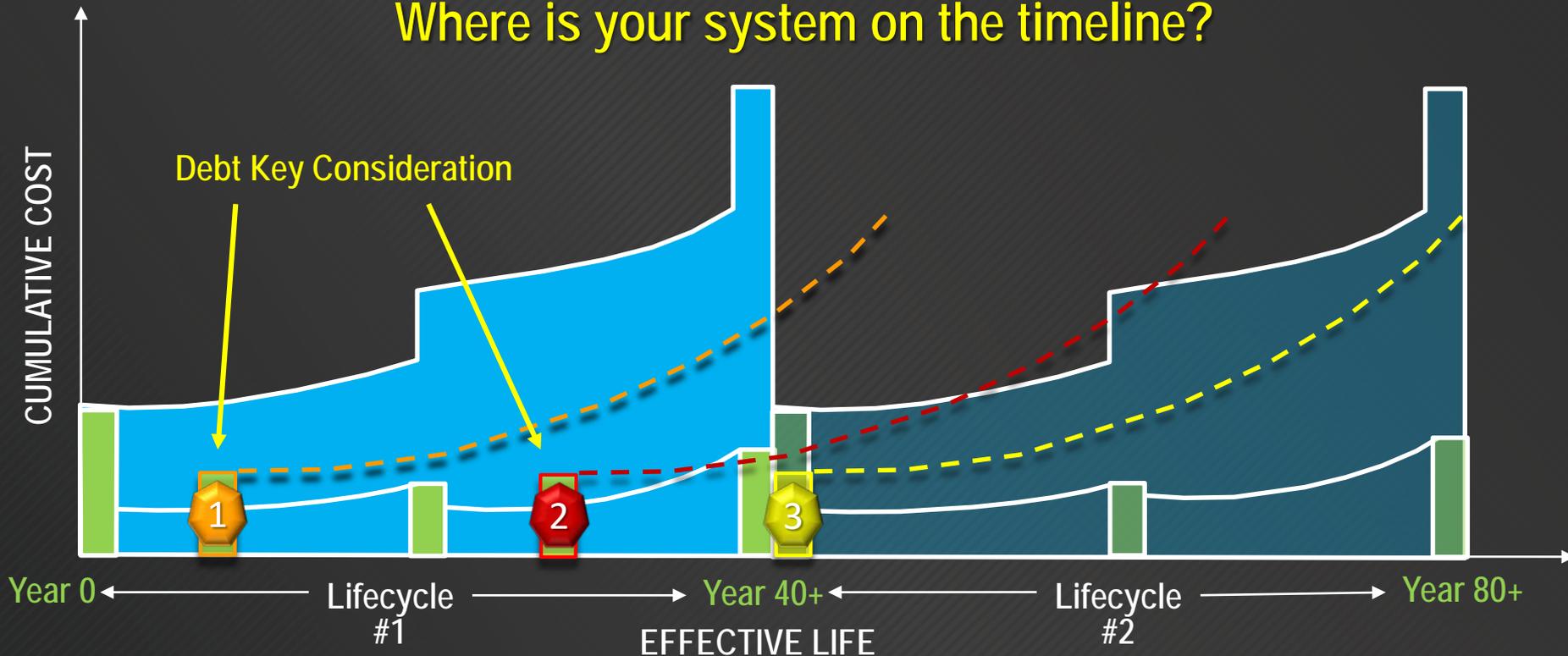


Long-term Cost of Ownership vs. Cost of Regional Service?

DETERMINING FINANCIAL BENEFITS OF REGIONAL SERVICE



The Multiple Potential Starting Points of Regional Service:
Where is your system on the timeline?



This is a Long-term Decision.....

Where a Municipality is at in the Life of there System Matters!



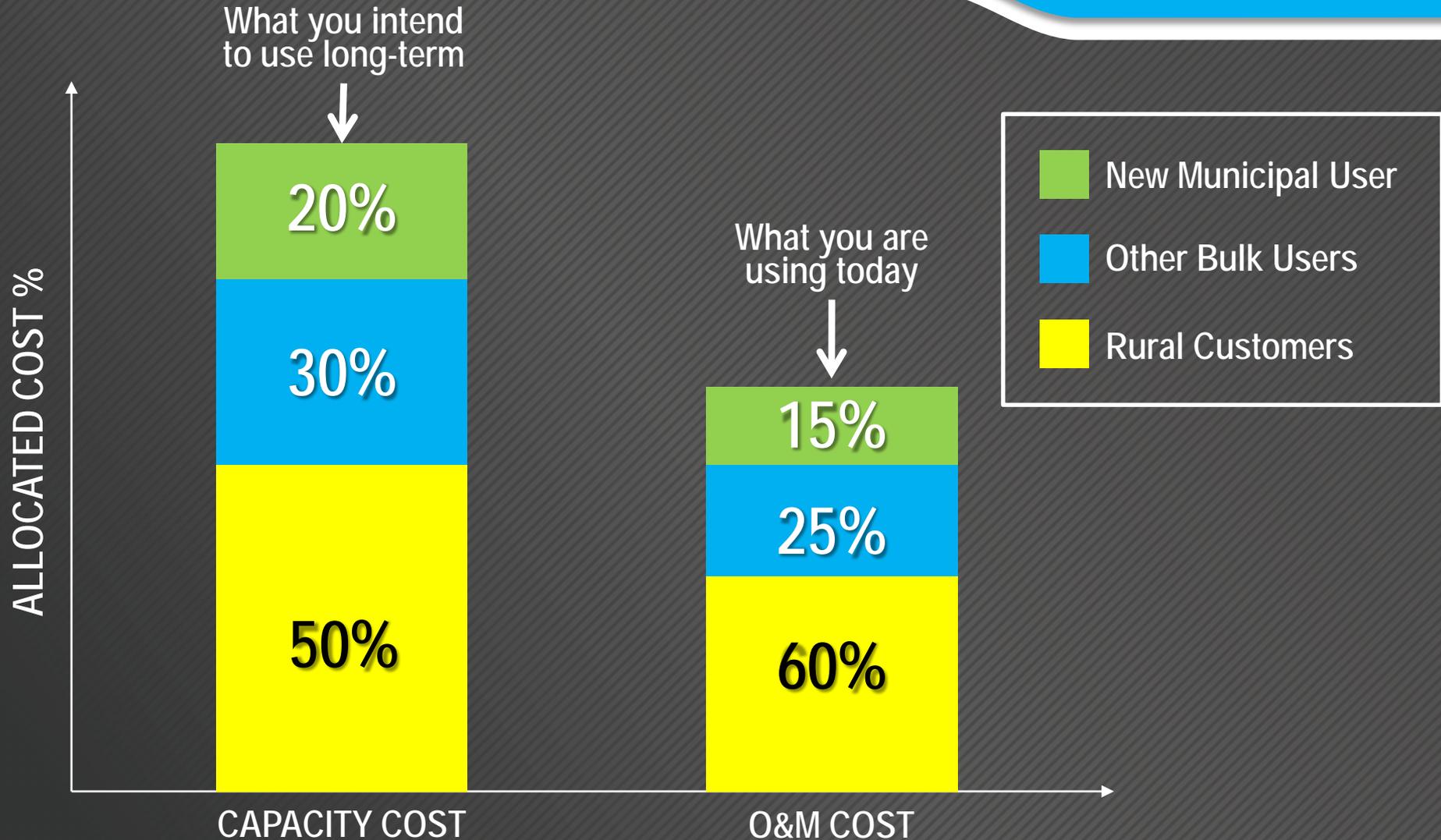
OBJECTIVE:

Establish Agreement with Appropriate Provisions for Long-Term Proportionate Share of Regional System Costs

- Cost of Service 101:
 - Making Sure Costs Allocated to Determine Rates from Regional Service Provider are Equitable and Proportionate to the Cost of Service Being Provided
- Analysis Must Consider :
 - Connection Costs or Upfront Capital Required to Connect to System
 - Current Cost and Benefit of Use of In-Place Systems (Regional Supply, Treatment, Transmission, etc.)
 - Age, Condition, and Capacity of Systems
 - Method for Sharing in Future System Renewal and Expansion
 - Method for Sharing in other System Administrative and Management Costs

REGIONAL COST OF SERVICE BASICS

A Simple Example





A Typical Agreement Includes:

- General Provisions and Definitions
- Initial Connection Considerations and Payment of Capital Costs
- Long-term Service / Capacity Recitals
- Compliance / Regulatory Considerations
- Flow Measurement and Billing Methods
- Access, Records, and Contact Provisions
- Long-Term Rate Provisions and Cost of Service Methodology
- Agreement Term and Termination Clauses
- Preferred Method of Dispute Resolution
- Performance or Financial Guarantees
- Indemnification and Insurance
- Severability and Waiver Clauses

QUESTIONS?

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