

REGIONALIZATION & CONSOLIDATION OF WATER SYSTEMS

SDARWS ATC — JANUARY 9, 2024

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REGIONALIZATION vs. CONSOLIDATION

**CONTRACT WATER
WHOLESALE
SERVICES**



**CONTRACT MANAGEMENT/
OPERATIONAL
SERVICES**

AREA REGIONALIZATION/CONSOLIDATION PROJECTS

South Dakota	Regional
Lewis & Clark Regional Water System	Rocky Boy's/North Central Montana RWS
Mni Wiconi (OSRWSS Core System)	Western Area Water Supply Authority
WINS	Northwest Area Water Supply
Dakota Main Stem	Southwest Water Pipeline Project
Western Dakota Regional Water System	Red River Valley Water Supply Project
Box Elder/Rapid City – Box Elder/RVSD	Three Affiliated Tribes/Parshall – TAT/MCWRD
Communities/Rural Water System Bulk Supply Agreements	

WHY REGIONALIZATION/CONSOLIDATION?

WATER QUANTITY ISSUES
POOR WATER QUALITY
HIGH COST OF SERVICE
STAFFING ISSUES
REGULATORY HURDLES

**WATER
INSECURITY**



✓ ABUNDANT WATER SUPPLY
✓ HIGH WATER QUALITY
✓ LOWER COST OF SERVICE
✓ STAFFING EFFICIENCY
✓ REGULATORY COMPLIANCE

WATER SECURITY

WHY REGIONALIZATION/CONSOLIDATION?

$$\text{O\&M Rates} = \frac{\text{FIXED and Variable O\&M Expenses}}{\text{VOLUME of Water Sold}}$$

FIXED

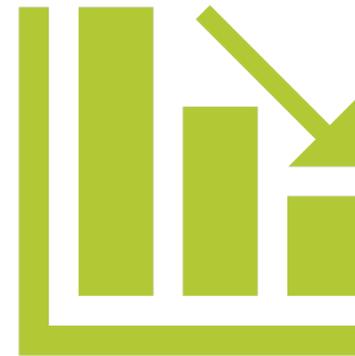


VOLUME

WHY REGIONALIZATION/CONSOLIDATION?

Regionalization Reduces Fixed O&M

- Administrative Costs
- Managerial Costs
- Operating Costs



RESISTANCE TO REGIONALIZATION/CONSOLIDATION?

Arguments Against Regionalization

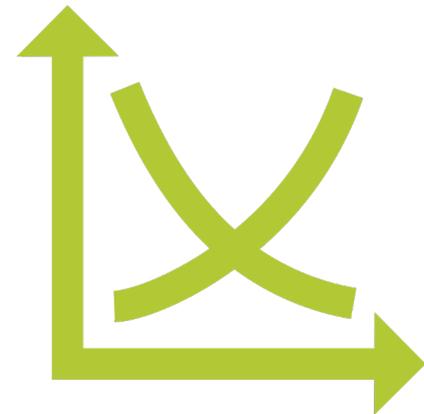
- **Loss of Control of Water Supply**
- **Loss of Jobs**
- **We Hate Those SOB's (Robbed in the 1982 Regional Basketball Championship)**
- **Cost of Service Will Go Up**



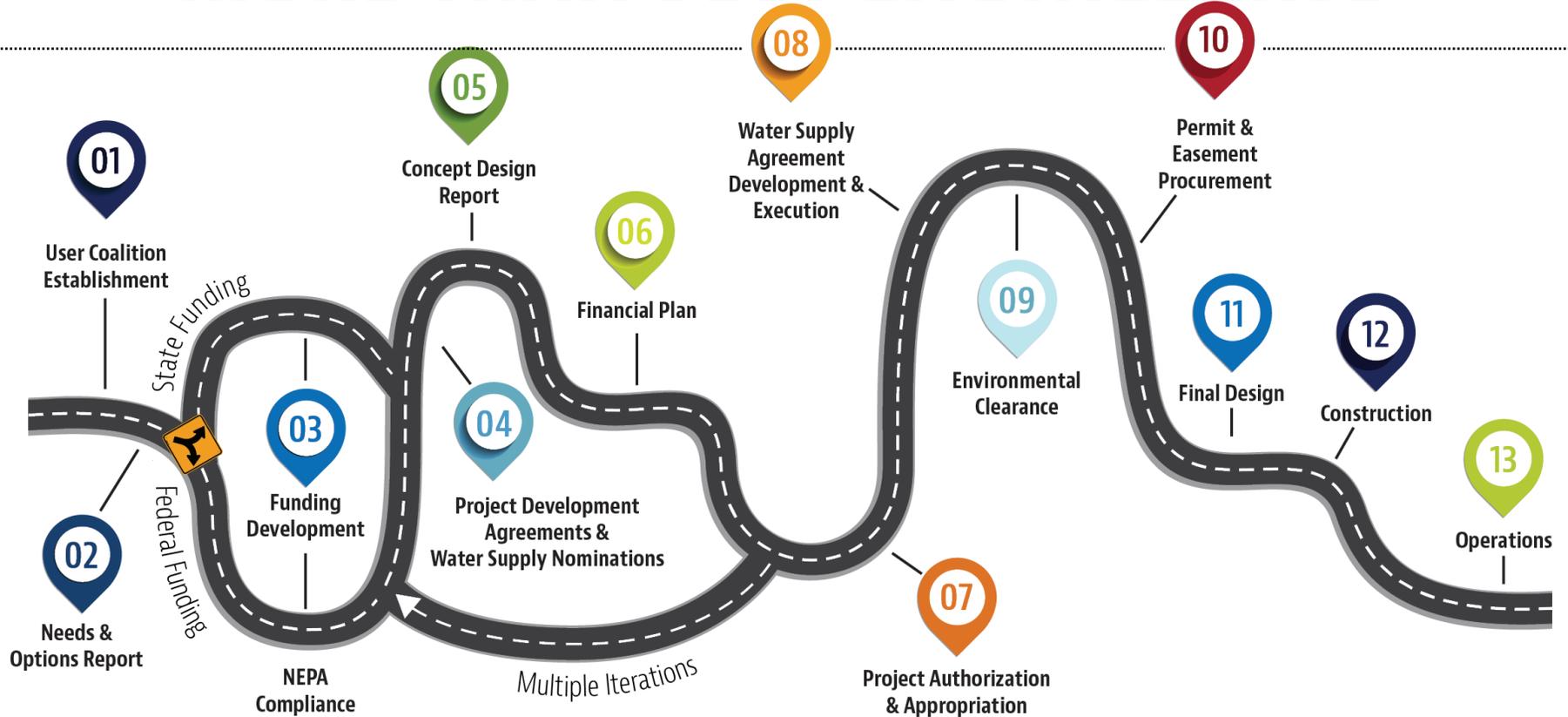
KEYS TO REGIONALIZATION/CONSOLIDATION?

Prove It!!!

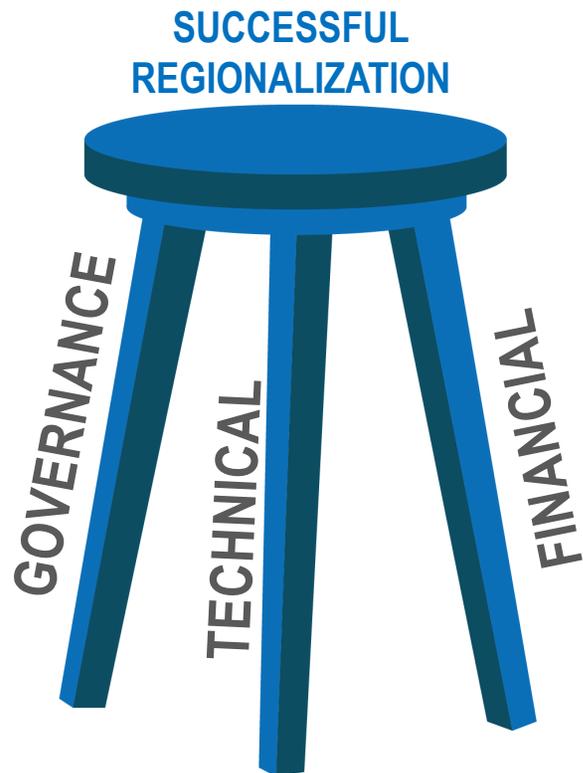
- **Life Cycle Cost Analysis (Long-Term)**
- **Equitable Rate Analysis**
- **Financial Benefits(Long-Term)**
- **Financials, Financials, Financials!!!**



MORE THAN JUST ENGINEERING

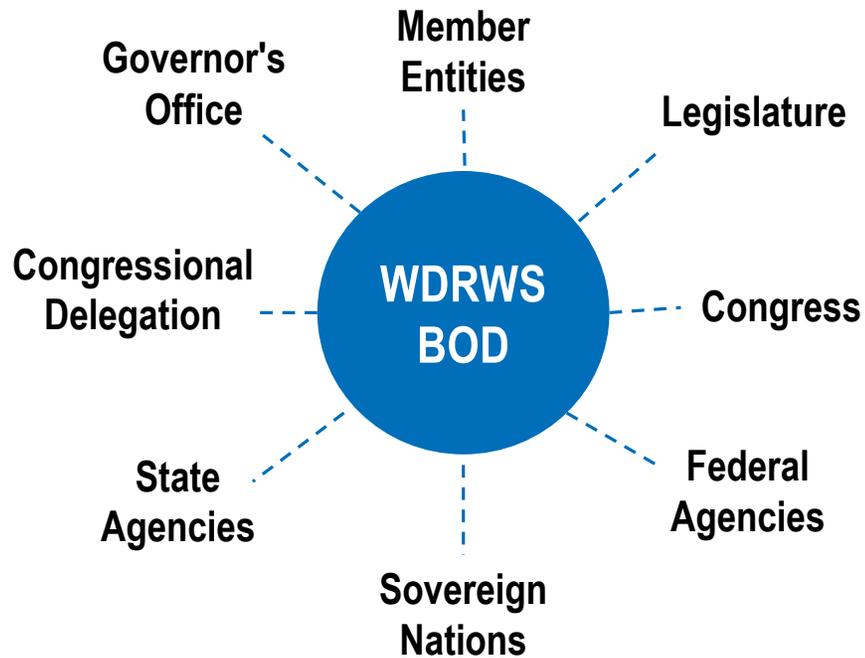


NEAR AND LONG-TERM APPROACH



GOVERNANCE

“KEEPING THE SHIP ON COURSE IS THE HARD PART”



GOVERNANCE STRUCTURE



Senate Structure (Equal Votes)



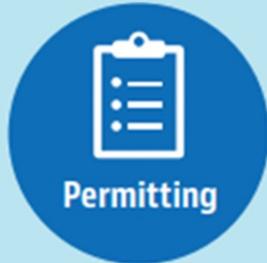
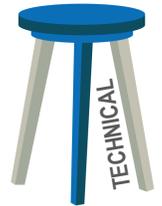
House Structure (Weighted Votes)



Combination Structure (Limited Max Weighted Votes)



TECHNICAL



4 FUNDAMENTAL QUESTIONS



**WHO
NEEDS
WATER?**



**HOW MUCH
WATER DO
THEY NEED?**



**HOW MUCH
WILL IT
COST?**



**WHEN IS THE
WATER
NEEDED?**

WHEN



AVAILABLE WATER SUPPLY



POPULATION GROWTH

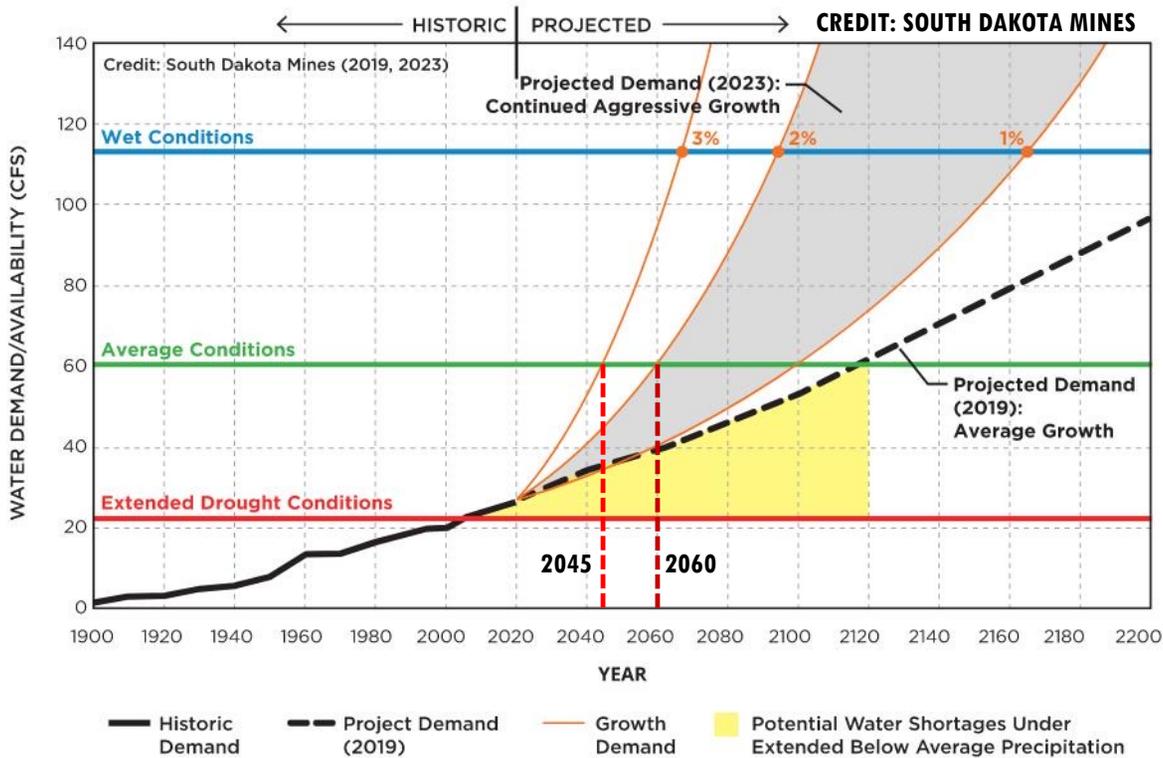


PENDING REGULATIONS



AGING INFRASTRUCTURE

HOW MUCH WATER?



VERIFICATION OF WATER AVAILABILITY

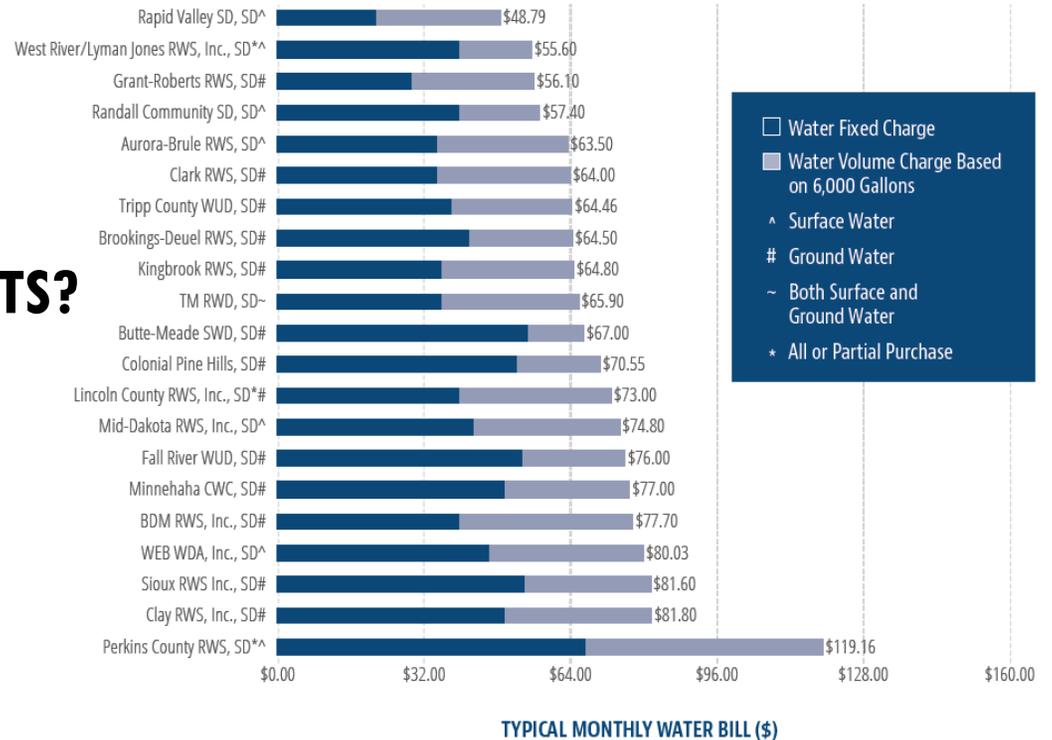


- CONSERVATION
- WATER SOURCE OPTIONS

HOW MUCH WILL IT COST?

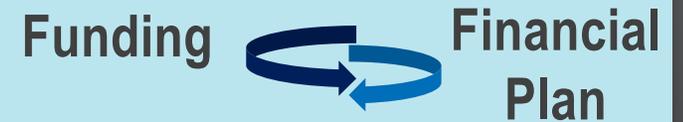
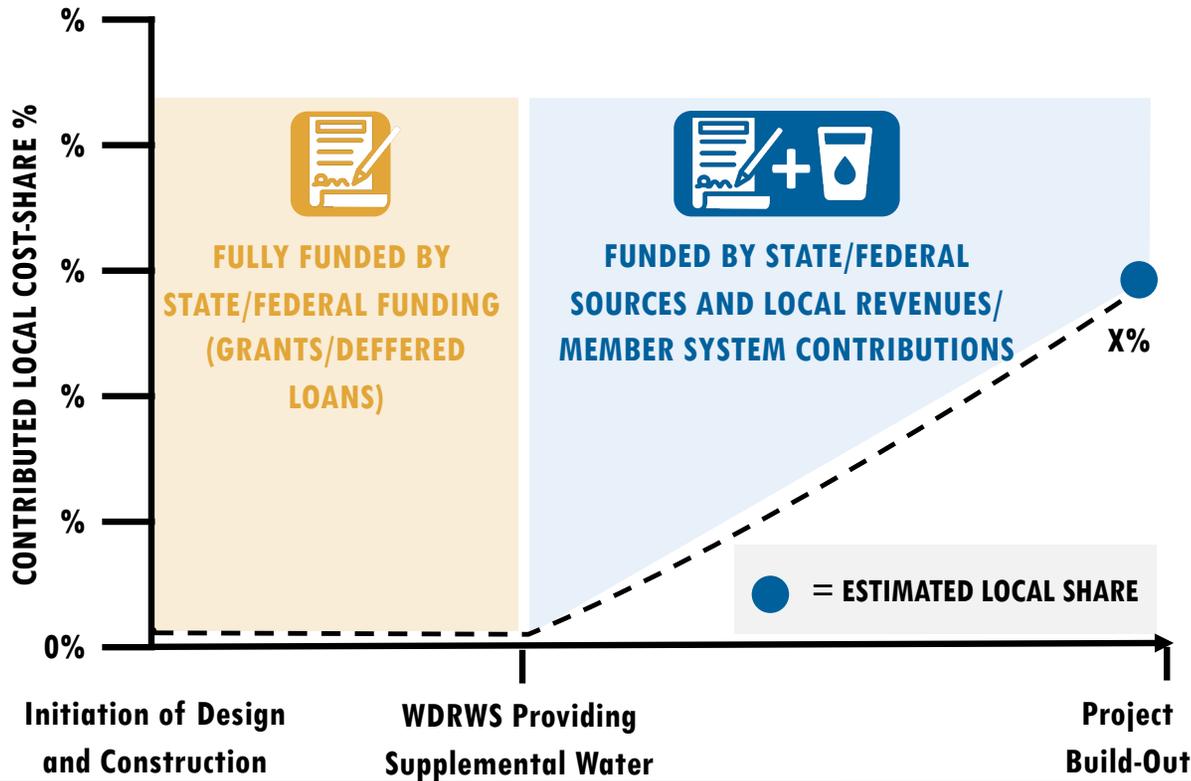
- **DEBT SERVICE?**
- **OPERATION & MAINTENANCE COSTS?**
- **MINIMUM TAKE REQUIREMENTS?**

SOUTH DAKOTA



- Water Fixed Charge
- Water Volume Charge Based on 6,000 Gallons
- [^] Surface Water
- [#] Ground Water
- [~] Both Surface and Ground Water
- ^{*} All or Partial Purchase

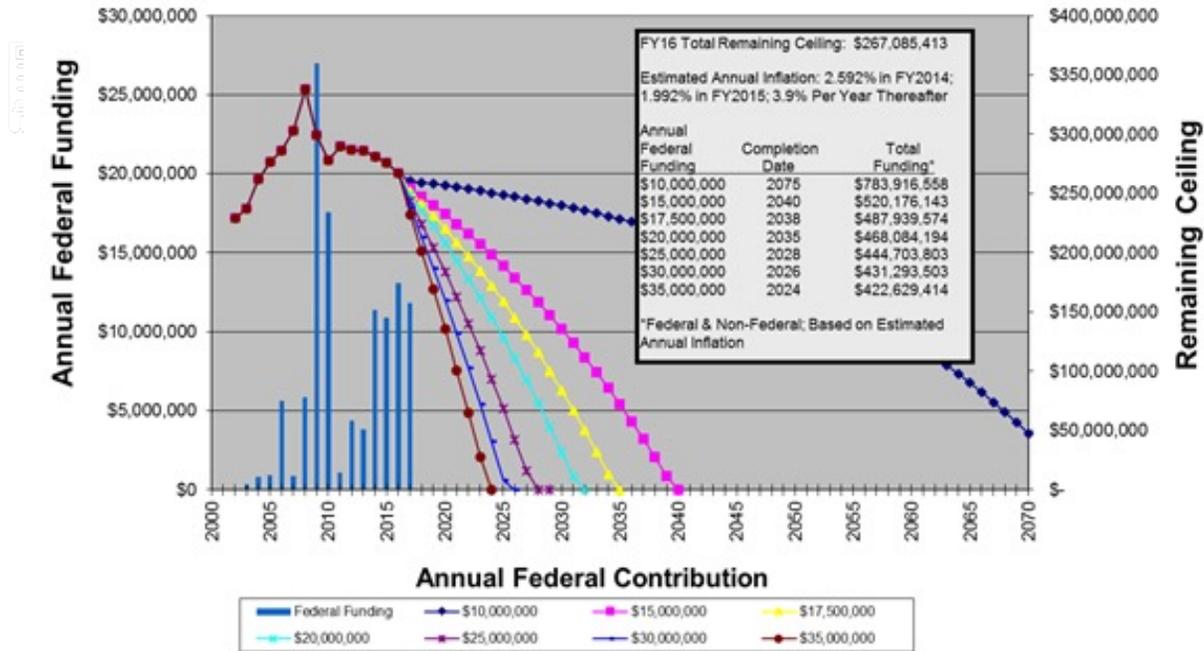
WELL-CRAFTED FINANCIAL PLAN = INTEGRAL TO THE PROCESS



INFLATION VS ANNUAL FEDERAL FUNDING



Rocky Boy's/North Central Montana Regional Water System
 Effects of Inflation vs. Annual Federal Funding Levels
 May 2016



Finding the Balance with Local Affordability

LOCAL PROJECT FUNDING

Local User Fees/
Revenue Streams



OTHER PROJECT FUNDING

Local
Debt



State/Federal
Debt



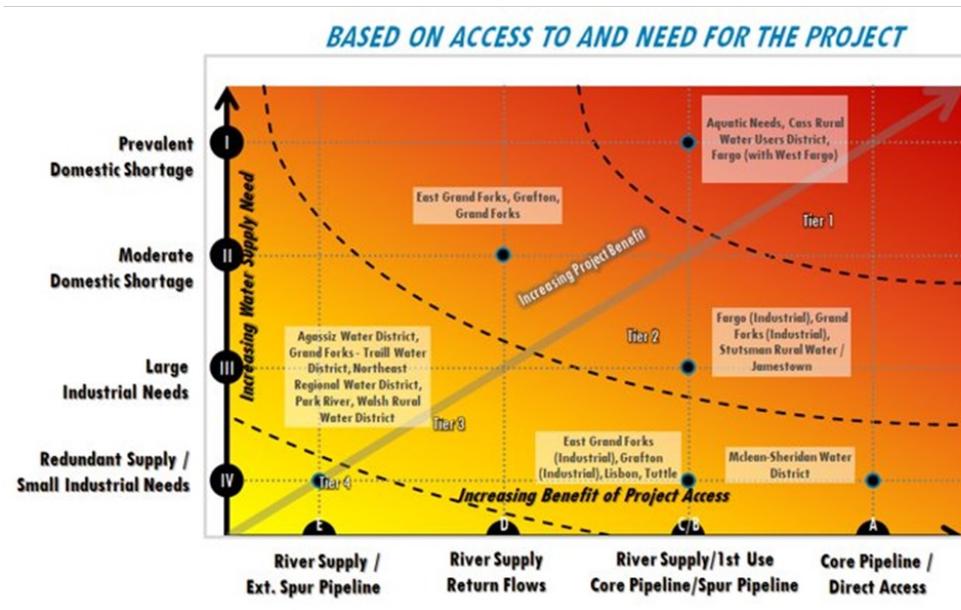
State/Federal
Grants



TOTAL PROJECT COSTS

Affordability

FINANCIAL STRUCTURE



Robust Financial Model
Cost Allocation
Sustainable Rate-Setting

ANATOMY SUMMARY

TODAY

- GOVERNANCE STRUCTURE
- USER COALITION
- CONCEPT DEVELOPMENT
- FUNDING DEVELOPMENT

NEAR TERM

- FEASIBILITY AUTHORIZATION
- USER COALITION
- CONCEPT REFINEMENT
- CONCEPTUAL FINANCIAL PLAN
- NEPA COMPLIANCE
- FUNDING DEVELOPMENT
- PROJECT AUTHORIZATION

LONG TERM

- APPROPRIATIONS
- USER AGREEMENTS
- PERMITS & EASEMENTS
- NEPA COMPLIANCE
- FINAL DESIGN
- CONSTRUCTION
- OPERATION

 **GOVERNANCE**

 **TECHNICAL**

 **FINANCIAL**

QUESTIONS

What planning horizon or horizons will the regional system initially use for technical evaluations?

What level of service will the regional system provide?

What will the point of delivery be for water service? Will stakeholders be required to build infrastructure to connect to the regional system or will water be delivered to their “front door”?

Raw or treated water?

What are the stakeholders’ needs? How much water do they need and when will they need it?

If raw water is provided, will small regional treatment facilities be considered for existing systems using groundwater?

Are we going to build from ‘east to west’ or ‘west to east’?

How much water will stakeholders be required to use as a minimum each year?



QUESTIONS?



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