

Regionalization

Forced, Voluntary, and Somewhere in Between

By Kathy Jespersion • On Tap Editor

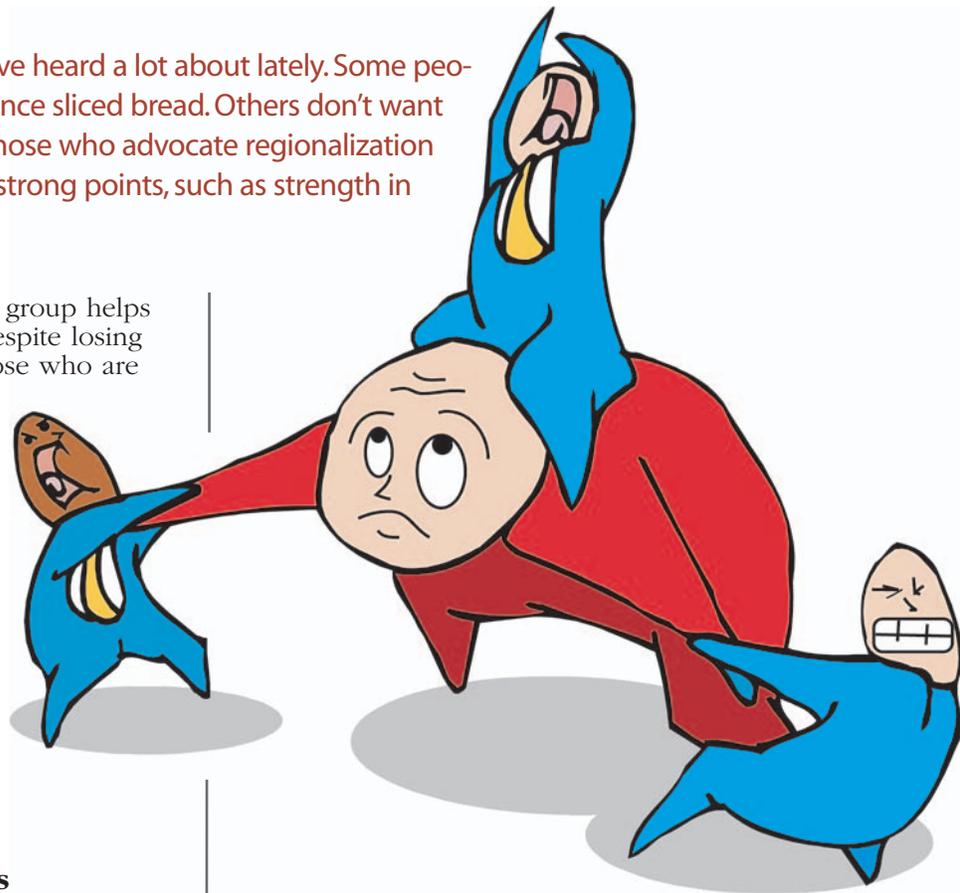
Regionalization is something we've heard a lot about lately. Some people think that it's the best thing since sliced bread. Others don't want much of anything to do with it. Those who advocate regionalization say that this approach has many strong points, such as strength in numbers and shared resources.

They say that being a part of a group helps each participant meet its needs, despite losing autonomy to collective action. Those who are against it say that they don't want to give up their autonomy or their local control.

Economics has driven many of the recent regionalization decisions. It costs a lot of money to keep a non-viable system operating, sometimes to the detriment of public health. But some folks argue that when you start talking about regionalization, you're talking about bringing outsiders into local affairs. And that just tends to gum things up.

We Don't Want Any Outsiders

"Outsider involvement, perceived or real, can be a detriment to a smooth process," says Gary Larimore, executive director of the Kentucky Rural Water Association (KRWA). "If the people involved believe that something is being forced upon them, and they cannot see a direct benefit to the community, rebellion is generally the outcome."



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Gary Larimore

Executive Director of the Kentucky Rural Water Association (KRWA)

“There have been a few cases where the Kentucky Division of Water and the Kentucky Public Service Commission have forced a merger or consolidation,” he continues. “The forced mergers and consolidations, in my opinion, have not been as successful as the unforced. There are still feelings of animosity among those involved for years after these forced mergers and consolidations.

“Generally speaking, the number one problem involves the fear of losing autonomy, loss of control or power by one group or another, or not being able to control their own destiny,” Larimore explains. “It is very important that all parties involved have bought into the concept of regionalization and believe that they have equal representation, regardless of size. They must be assured that everyone has an equal voice at the table. It is very important to establish this early on in the agreement process.”

Larimore notes that outside influence can come from many directions, such as:

- regulatory agencies that think regionalization is the only way a community will survive the onslaught of future regulations;
- consultants who view mergers and consolidations as a detriment to their livelihood;
- environmental groups who have issues with the expansion of water lines, facilities locations, and other possible environmental disruptions;
- economic development issues; and
- personnel and labor issues.

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Jenny Bielanski
EPA Drinking Water Utilities Team Leader

Kentucky Succeeds at Regionalization

“I believe that Kentucky has done an excellent job in the area of regionalization,” says Larimore. “In 1978, Kentucky had more than 1,700 public water systems (PWS). Today, the state has approximately 650 PWS, serving approximately 90 percent of the population.”

According to the definition that the Kentucky Infrastructure Authority (KIA) uses, regionalization means:

- expanded service areas that take in a large geographic area or multiple systems;

- multi-jurisdictional utility commissions, special districts, authorities, or corporations;
- consolidated operation or management of multiple systems or onsite systems; or
- merging, consolidating, or combining two or more existing facilities or systems.

Larimore notes that in Kentucky, local cooperation and initiative direct the vast majority of successful system consolidations and mergers. But, he notes that a key ingredient for any successful regionalization project or endeavor is strong leadership.

“Local elected officials must appoint strong leaders to the local boards and committees that will place the good of the community first,” he continues. “It is equally important that local elected officials do not allow their own personal agendas to influence their decisions. It also is essential for those who are involved in the process to be involved for the right reason, the overall good of the community.”

Capacity Development and Regionalization

According to the U.S. Environmental Protection Agency (EPA), regionalization is linked to capacity development. “Capacity development is a program to help drinking water systems improve their finances, management, infrastructure, and operations so they can provide safe drinking water consistently, reliably, and cost-effectively,” says Jenny Bielanski, EPA drinking water utilities team leader.

“More specifically, the capacity development provisions provide an exceptionally flexible framework within which states and water systems can work together to ensure that systems acquire and maintain the technical, managerial, and financial capacity to consistently achieve the health objectives of the 1996 Safe Drinking Water Act (SDWA).

“Regionalization is a form of restructuring. Restructuring can be a tool that systems use to maintain long-term capacity,” says Bielanski.

Bielanski notes that some of the pros for regionalization include:

- economies of scale—larger pool of ratepayers;
- consolidation of services—billing services, certified operators, and other administrative functions;
- fewer numbers of treatment processes installed, which leads to a cost-savings to ratepayers, for example, if systems are all using the same source of water, there could be one centralized treatment plant to cover all;
- access to capital and lower cost of capital; and
- natural resource management and watershed protection.

“Ultimately, restructured systems can be better equipped to have the long-term technical, managerial, and financial capacity to comply with SDWA requirements,” Bielanski observes.

EPA Can Only Go So Far

“EPA’s authority to form consolidation policy is limited under the SDWA to the provisions in the SRF (state revolving funds), enforcement,

and variance sections,” says Mike Keegan, government affairs representative for the National Rural Water Association (NRWA). “Policy recommendations outside of this limited federal scope should be resisted. NRWA supports consolidation when it will result in the greatest public health protection for the consumers. We believe this is what EPA Assistant Administrator Tracy Mehan envisioned when he coined the term appropriate consolidation.

“However,” says Keegan, “many consolidation polices do not result in the greatest public health protection of consumers, but rather result in other objectives, such as:

- decreasing the number of drinking water systems in the country so that the regulatory burden is decreased; or
- eliminating the universe of systems that some arbitrary standard does not consider viable.”

Keegan says that eliminating systems just to eliminate them isn't really any better answer to the current problems than doing nothing at all. He also notes that this approach limits public health improvements for systems because all it does is eliminate that particular public water supply.

He further states that there are other options to consider besides regionalization. “Small communities support a common sense consolidation policy, meaning that they consolidate when doing so would result in the greatest public health protection. In other words, if a system is out of compliance, and the rule is determined unaffordable, the system should be allowed to choose the more economical option, either a variance technology or consolidation.”

According to Keegan, both of these options ensure public health protection and provide economical benefits not only for small systems but for their customers as well. If water bills aren't going up, then a small system's customers will have money left over for items necessary to survival, such as health care and food.

EPA concedes some challenges to regionalization, including:

- Small systems may want to continue to operate independently;
- Small systems may be so geographically isolated that regionalization isn't economically feasible;
- If many smaller systems decide to physically consolidate, there may be costs associated with connecting the systems; and
- Systems that are interested in regionalization may be located in different political boundaries, so there may be initial reluctance to share services.

How can regionalization succeed?

Although problems arise in regionalization efforts, KRWA's Larimore says that Kentucky has a number of successful regionalization efforts to point to. “As a matter of fact, in my opinion, the majority have been successful. We have a number

of systems that are interconnected for the purpose of purchasing wholesale water, as well as for emergencies. We have several systems that share common offices, management, and operational personnel, but have separate boards.

“We currently have six regional water commissions formed to provide wholesale water to utilities. The Logan-Todd County Regional Water Commission is an excellent example of strong leadership, public involvement, good communication, and patience. (See the Summer 2003 issue of *On Tap* for the article, “Water System Consolidation Works.”) This successful effort took more than 10 years from start to finish.”

According to Larimore, there are a number of things that can make regionalization work, including:

- good communication,
- strong leadership,
- customer confidence, and
- common agendas.

Communication is Key

“Good communication and patience are essential to any successful regionalization effort,” explains Larimore.

“Participants must not feel threatened or forced into making hasty decisions. Public participation is strongly advised. It is essential to address all questions and concerns openly and to not create the appearance of hiding information. However, it is equally important to have a strong leader that will keep the dialogue moving forward. (See the Spring 2002 *On Tap* article “Public Participation Helps Communities and Residents: Getting Citizens Involved.”)

“The few forced regionalization efforts in Kentucky continue to struggle with board management and operational issues,” he continues. “These were all the issues that



the consolidations and mergers were supposed to resolve. There continues to be mistrust among the local elected officials, water system board members, and staff. The system continues to struggle with regulatory compliance.

“Needless to say, the customers of the systems have lost all confidence in the abilities of the local water system leaders to provide them with safe drinking water. The forced mergers were an attempt by the regulatory agencies and local county officials to achieve better efficiency and regulatory compliance.

“Unfortunately, the local leaders never communicated nor convinced the public that the merger would resolve the problems,” Larimore says. “Public buy-in is essential to the success of any regionalization effort. In reality, the problems still remain the same. Merging the systems only merged the problems. In one case, the PSC began the merger process in 1988, and the merger was not completed until 1997. Today, there are still unresolved issues relating to the merger.” (See the article “Regional Water Authority Helps Western New York,” on page 20 for more about a long-term regionalization effort.)

Learn from the Past

Larimore says that some good things have come out of past mistakes. For one thing, they’ve learned some valuable lessons. “I believe that there needs to be a very good reason to regionalize. We should not be regionalizing simply because we think it is a good idea. There needs to be an obvious and over-riding reason or need to consolidate.”

He suggests that communities answer these questions before they consider regionalizing:

- Will the community or public be better served by the new system?
- What are the added benefits that the community will receive from this new entity?

“Every situation should be viewed independently and decisions should be based on what is best for the customers,” he says. “Simply merging or consolidating systems together will not necessarily give you a better system. It may only give you one large bad system.”

Look for Common Threads

“A common thread seen among the successful regionalization efforts in Kentucky has been the presence of a strong leader,” Larimore asserts. “In most cases, it has been the manager. The success of any water system, regardless of size, depends on having a good manager. A good manager will provide

the diplomacy and communication needed to garner the support needed to move a project forward.”

But will small systems need to consider regionalization more now that regulations have increased and funding is getting harder to come by? “I do not know that it is becoming more important to consider regionalization than in the past,” Larimore says. “I believe that regionalization has always been a very important element in the water supply planning process.

“However, I do believe that the public demand for better access to safe drinking water coupled with the increasing pressures and cost associated with future regulatory requirements has increased the urgency and need for systems to explore all available options.”

New Regulations Mean More Cooperation

“The new regulatory emphasis on water quality in the distribution system will increase the need for the cooperation and coordination of consecutive water systems,” Larimore says.

“The increased cost associated with compliance with the proposed Long Term 2 Enhanced

Surface Water Treatment Rule and the Stage 2 Disinfectants and Disinfection Byproducts Rule is enough to cause major concerns for all public water systems, regardless of size.

“These and other future regulatory requirements will undoubtedly raise the cost of doing business,” he concedes. “Also, funding agencies tend to be more favorable to projects that have a regional approach.”

For more information about regionalization, see the Summer 2003 On Tap article “Water System Consolidation Works” about the Logan-Todd consolidation effort in Kentucky. On page 23, inside this issue is an article about regionalization efforts in western New York: “Regional Water Authority Helps Western New York.”

For more information about regionalization or to follow-up with the contacts in this article, call the NRWA at (580) 252-0629. You also may call EPA’s Safe Drinking Water Hotline at (800) 426-4791. You may contact KRWA’s Larimore via e-mail at g.larimore@krwa.org. NRWA’s Keegan may be e-mailed at keegan@bookcase.com. And EPA’s Bielanski may be e-mailed at Bielanski.Jenny@epa.gov. 💧

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Kathy Jespersion recently got a new puppy she has named Chance. He's a beautiful Lassie-type collie and very welcome new family member.

