

Is a merger or consolidation in your system's future?

Kansas has 105 counties, 308 school districts, 1,362 township governments and 1,047 public water supply systems. Yes, Kansans apparently like “government.” Is it all necessary? Probably not, given the changes in technology and resources available to citizens today to transact business more efficiently. For the most part, the “structure” of various organizations continues. While there has been some discussion of combining counties, the discussion of combining school districts generally only takes place when the local taxpayers come to the conclusion that the shrinking student populations leave little alternative but to combine with neighboring districts into a larger school system.



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Few lawmakers are bold enough to promote consolidation of school systems. It's no different with public water systems. Local citizens and governing bodies often do not want to give up autonomy. I also am somewhat amused to suggest that if it's size of the entity that matters most, consider that Butler County, Kansas serves a larger geographic area than the entire State of Rhode Island! Rhode Island is likely to not consolidate with its neighboring states. We all get caught up in the status quo.

An array of challenges

The challenge for public water systems, especially the small cities

and rural water districts in Kansas, as across the U.S., is that they face a wide array of challenges in owning, operating and maintaining their systems. My comment is not to minimize the efforts and investments that many people make to ensure their fellow citizens have a good and reliable

with 24 systems. We know which systems are the most challenged; they have repeat requests for help.

Another issue facing the smallest systems is the increasing budgetary constraints. While many people in these smallest systems serve at little pay or even as volunteers, the pool of prospective

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water supply system. But, were it not for the exemplary dedication of what amounts to handfuls of individuals in many communities across Kansas, these systems would not function. What's the rest of the local population focused on? Well, perhaps there are others in the community who would pick up the responsibility? Perhaps those not presently involved just have not been discovered? For many years however, the loss of what is called 'human capital' has been impacting small water systems. That is evident in the number of people who are willing to assume the responsibility of being operators. As you may be aware, the Kansas Dept. of Health & Environment provides a contract to KRWA to provide assistance and training to new operators. This service is provided to those public water systems when they lose their operator. Presently, KRWA has assignments to work

employees or volunteers seems to be dwindling in many places. You cannot blame anyone for that. With gasoline at nearly \$4 per gallon and Rice Krispies at \$4 a box, people need to have an income to support them.

Changes to the operational, managerial, or institutional structure of water systems are commonly referred to as “restructuring.” The options to restructure can range from minor changes to the profound, ranging for example from joint operation and maintenance with neighboring communities – or sharing an operator to the actual merger or consolidation with neighboring systems. ‘Restructuring’ is not something that Kansas Rural Water Association has been advocating – but recently, several rural water districts have actually asked for an evaluation to help the various individual systems understand what is possible and what benefits there might be.

It may already be that your system has already been part of a consolidation in one form or another. This could mean that two or more systems have shared services, such as an operator conducting daily sampling requirements for both participants. I personally know this is the case in some systems. Other operators are listed with the Kansas Department of Health & Environment as the certified operator and conduct the bacteriological sampling for each system. However, the daily chlorine tests may be taken and recorded by another person that is not a certified operator. Another example is shared billing or accounting of water systems. One person or company may be conducting the billing or recording of monthly receipts for several systems. This is consolidation. Several systems found that the costs were less expensive by utilizing the same person or company, thereby saving their customers the expense of another employee.

The United States Environmental Protection Agency has published various reports on the topic of restructuring and consolidation of small drinking water systems. Reading over those, I find some interesting information as to what other states require or are suggesting for restructuring or consolidation. Basically, the summary of all these reports ends up being similar. It is that particularly the smallest systems have the options of restructuring through system/management operations, utilization of appropriate technology, financial assistance (grants or loans), training and technical assistance.

Restructuring can be a win-win

There is no doubt that restructuring can be an effective means to help small water systems

Water system comparisons

52,339 Community water systems in the U.S.

29448 Very Small	(<500) population
14098 Small	(501-3,300)
4745 Medium	(3,301-10,000)
3659 Large	(10,001-100,000)
389 Very Large	(>100,000)

901 Community Water Systems in Kansas

466 Very Small	(<500) population
352 Small	(501-3,300)
53 Medium	(3,301-10,000)
25 Large	(10,001-100,000)
5 Very Large	(>100,000)

Also 10 Public Wholesale Systems

By comparison, Kentucky only has 383 Community Systems

23 Very Small	(<500) population
120 Small	(501-3,300)
123 Medium	(3,301-10,000)
114 Large	(10,001-100,000)
3 Very Large	(>100,000)

Also 5 Regional Water Commissions

achieve and maintain technical, managerial and financial capacity. This then in turn reduces the oversight and resources that states need to devote to these systems.

According to US EPA, some states enact statutes or regulations that require new systems to demonstrate their need to exist or their inability to connect to a nearby existing system. Several states require existing systems to act as mentors to new systems or takeover new systems that cannot consistently demonstrate adequate capacity. Here are other examples:

In Colorado technical assistance providers are normally asked to provide information to public water systems on such topics as consolidation, restructuring, shared staffing arrangements, rate structure and budgeting. These efforts are part

of an effort to provide systems with methods or lowering cost by sharing or partnering with other systems.

In Missouri, the Department of Natural Resources' Public Drinking Water Program may use future EPA funding to support the regionalization and consolidation of existing systems in areas where systems have compliance problems. The Missouri Revised Statutes stipulate the Public Service Commission can petition the Circuit Court for an order to attach the assets and appoint a receiver of a small water system (serving less than 1,000 people) that is unable or unwilling to provide safe and adequate service, has abandoned or effectively abandoned its business, or has defaulted on any financial obligation owed to a unit of state government.

Texas requires the Texas Commission on Environmental Quality (TECQ) to encourage and promote the development and use of regional and area wide drinking water supply systems. The State Attorney General can be asked to bring suit in state court for the appointment of a receiver to collect the assets and operate and maintain the water system when a system, “violates a final order of the TCEQ or allows any property owned or controlled by it to be used in violation of a final order of the Commission; fails to provide adequate service of notice of public health hazards; fails to maintain facilities such as a potential health hazard may result or displays a pattern of hostility toward or repeatedly fails to respond to the TCEQ or its customers.”

Of the 27 states listed in a recent EPA publication, 14 states can attach assets, appoint a receiver, and order a takeover or merger of a water system. Also 12 states allow consolidating systems to be eligible for additional grants

or loans or receive preferred status for financial assistance programs. Kansas is one of those 12.

Recently, I learned of the efforts of Kentucky Rural Water Association concerning mergers and regionalization. Systems in Kentucky today are larger on average and have management and operational structures in place. In Kentucky, water districts and water associations served 535,000 more people in 2006 than they did in 1993, according to Kentucky Rural Water. In 1979, the Kentucky Division of Water regulated more than 1700 public water systems; today there are 388 public water systems in Kentucky, largely due to consolidation. The average system in Kentucky provides services to more than 8,100 people. The national average is 1,400. (See chart on previous page.)

Kansas Rural Water Association has been requested to help four present rural water districts to evaluate merger. There is an apparent willingness on the

part of the boards of directors of all systems to at least consider it. Generally the consolidation will be restricted to the rural districts in Kansas. But it’s not just the smaller rural water districts that have the challenges; the small cities likely have greater challenges. Sharing of an operator or other services may help those communities.

Consolidation or restructuring is not a solution for every system. Often the desire for consolidation is driven by increased costs or and the loss of a water source. In Kansas the need for quality water has been the driving force behind the construction of public wholesale water supply districts. Approved by the Kansas Legislature in 1977, the function of a public wholesale water supply district is to secure a source of water and treatment facilities on a scale larger than is feasible for public water suppliers acting alone, and to sell water at wholesale to the participating public water supply systems. Kansas has 11 active public wholesale water supply districts, consisting of 102 PWS that serve an approximate population of 126,000 people.

Each system needing large-scale improvements should at the very least consider shared services or consolidation. Differences between members of the boards and councils often hinder the process. Providing quality water at the most reasonable price should be the first and only goal of the city or RWD.



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