

Issue Brief

RHODE ISLAND
DIVISION OF
PLANNING

RHODE ISLAND WATER 2030

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New State Guide Plan Element Adopted

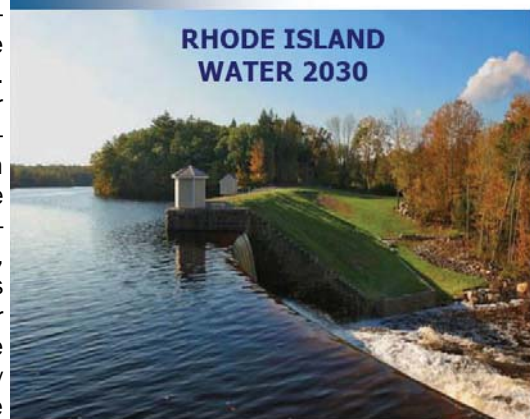
The Rhode Island Division of Planning is pleased to announce the adoption of the latest update to the State Guide Plan, **Rhode Island Water 2030**, State Guide Plan Element 721. This Plan was developed by the Land Use staff of the Statewide Planning Program, in cooperation with an advisory committee of stakeholders. It was adopted by the State Planning Council on June 14, 2012.

It addresses planning for all drinking water used in the State, including drinking water from private wells. The document stresses the need to plan for and manage the availability of water, to reduce the overall demand for drinking water, and to increase protection of all drinking water sources (public or private). It also addresses the ongoing operation and maintenance issues suppliers have with water systems to update aging infrastructure, to meet public health standards, to sustain economic development, and to protect the overall quality of life in Rhode Island. The Plan contains new goals (7 total), policies, and strategies for maintaining existing water systems and protecting future water supplies. All previous water supply goals, policies and strategies of the State Guide Plan are replaced. Consideration is given to ground and surface water resources as components of the overall water supply system for the State. The need for careful consideration of water supply capacities and delivery systems in comprehensive community and water system supply management plans is stressed.

Rhode Island Water 2030 is noteworthy as it includes the first ever state policies for regionalization of water systems. Most water suppliers pride themselves on independence and resourcefulness. Our 490 public drinking water systems are run for local people and by local people. Water has been traditionally recognized as a local need and met with local resources. Most of our water systems operate independently except during water supply emergencies. Now as our population shifts around the State, and water use changes, the water supply equation is much more complex. We know for some groundwater dependent areas that available resources are stressed. It is worth considering that water supply could be better served by regionalization. This Issue Brief offers a summary of the key ideas in *RI Water 2030* about regionalization that are most pertinent to RI communities and water suppliers.



STATE GUIDE PLAN ELEMENT 721
REPORT 115



RHODE ISLAND
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Water Supply Regionalization

Regionalization has often been referred to using various terms. Consolidation is often used interchangeably with the terms restructuring, regionalization, and cooperation. Regionalization activities can range from multiple water systems agreeing to share an operator to one water system acquiring the ownership and control of another. Although it is not always the end result, regionalization could also lead to multiple systems physically interconnecting their infrastructures. Or it could also be an administrative combination of multiple water systems as a way to improve planning, operation, and/or management. *RI Water 2030* defines regionalization as any form of cooperation between multiple water systems including, but not limited to, activities resulting in a change in ownership.

Public drinking water systems in Rhode Island are normally occupied with day-to-day operations and short-term viability. Not many have time to look ahead to address the future stability of the water system and its supplies. In some cases regionalization can be an answer to help address system's problems. Regionalization can be a very contentious issue for water systems. Regionalization should be examined as one of many approaches that can be used to help solve ongoing challenges. We need to develop a more strategic approach to plan for and consider regional water supply issues in the State.

There are two approaches to regionalization. These are non-structural or structural. Nonstructural activities often create partnerships typically in the form of managerial or administrative arrangements, result in "procedural" changes rather than organizational changes. They tend to have less effect on a water suppliers' independence and to be less expensive to implement. Structural activities create a new management or political entity. This is a direct impact on the water supplier by creating a new or reorganized structure resulting from the reorganization of the entities involved. These activities affect the autonomy of suppliers and tend to be expensive to implement.

When considering any form of regionalization, it is important to evaluate the specific situations of all entities involved and consider the needs of the individual systems. The option that decision-makers choose to pursue should have the following four characteristics: economic efficiency, fiscal equity, political accountability, and administrative effectiveness. Some considerations for regionalization are in the text box on the right. The next page outlines some potential advantages and disadvantages of regionalization.

An Executive Summary of the Plan will be available shortly. If you have any questions regarding the new Plan please contact:

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Considerations for Regionalization:

- ◆ How does the water quality compare?
- ◆ How do the systems' expenses compare to their income?
- ◆ What are the conditions of the infrastructure involved?
- ◆ What are the nature and cost of required improvements?
- ◆ How much can each system contribute to the costs of needed improvements?
- ◆ What are the systems' rate bases?
- ◆ Are the price and terms reasonable?
- ◆ How will customers and their ability to pay be impacted?
- ◆ Are any additional investments required?
- ◆ Are there any other alternatives and what are the impacts of not pursuing regionalization?
- ◆ Is the current staff capable of operating the facilities of the combined system?
- ◆ What are the differences in geography and physical distance between systems?
- ◆ How does the public feel about potential regionalization?
- ◆ Are grants and loans available to help?
- ◆ Is technical assistance available?
- ◆ Are there any political considerations?
- ◆ How will the public benefit?

The full Plan is available on the Division of Planning's Statewide Planning Program website.

http://www.planning.ri.gov/landuse/RI%20Water%202030_06.14.12_Final.pdf

Advantages of Regionalization

Regionalization is often a suggested remedy for many of the challenges that water systems face. Water systems participating in some type of regionalization activity can receive economical, financial, and operational benefits. Water system customers and state regulators can also benefit from water systems developing partnerships and working together. Listed below are some advantages for participating in regionalization activities.

- ◆ Increased economies of scale. Fixed capital, operation, and maintenance costs can be spread over a larger population base lowering the per customer costs which can potentially lower water rates.
- ◆ Greater access to capital making it easier to borrow funds to make the necessary improvements including those required to comply with mandated regulations.
- ◆ A larger customer base will be created leading to greater access of grant and public funding.
- ◆ Duplicated services can be eliminated to save money and may lead to greater efficiency of personnel, equipment, operation and maintenance, billing, and management.
- ◆ Access to supplemental emergency water sources. Systems that may only have one water source will have access to additional sources in the case of emergencies.
- ◆ Potential access to more skilled employees, which may increase the level of expertise to operate the system.
- ◆ Fewer systems to regulate meaning that State regulators can spend more time assisting a greater percentage of systems.

Disadvantages of Regionalization

Regionalization can be a useful tool for solving problems, but it is not the answer for all problems and challenges water systems face. There are some barriers that cause systems to use regionalization only as a last resort. Short-term costs often associated with restructuring can hinder systems from pursuing it. Many small water associations may also be hesitant to pursue any of the regionalization strategies because of the fear of losing independence. Listed below are some of the barriers and disadvantages commonly associated with regionalizing.

- ◆ Potential loss of autonomy and independence.
- ◆ Debt can be acquired when a water system merges or acquires a system that has pre-existing debts.
- ◆ Possible layoffs or loss of jobs.
- ◆ Customers may get confused about who actually provides their water service.
- ◆ Political barriers, personal differences, and mistrust.
- ◆ Cost and benefit inequities may occur. Some communities may bear a disproportionate share of the costs involved with regionalization while receiving equal benefits.
- ◆ It is sometimes impossible for water systems to physically interconnect due to hydraulics and other design issues with the systems involved.
- ◆ The management goal of the systems involved may be different causing conflict and tension.



Rhode Island has a law regulating the regionalization of public water systems, the Public Water Supply Systems Act of 1995 (§46-30). The Act states that financial and regulatory pressures may dictate the desirability of smaller water systems to combine with other public water supply systems. The Act provides a mechanism to combine public water supply systems and/or annex small systems to adjacent water supplies in order to provide drinking water that meets federal and state drinking water regulations.

Continuing the current status quo scenario of multiple systems for the State could result in portions of the State struggling to meet water demands while other portions remain relatively water rich. A new regulatory emphasis on water quality in the distribution system may increase the need for the cooperation and coordination of adjacent water systems. Other future regulatory requirements will undoubtedly raise the cost of doing business. Regionalization could be an answer to help control costs.

[RI General Law § 46-30 <http://webserver.rilin.state.ri.us/Statutes/TITLE46/46-30/INDEX.HTM>](http://webserver.rilin.state.ri.us/Statutes/TITLE46/46-30/INDEX.HTM)

The Rhode Island Statewide Planning Program, Division of Planning, Department of Administration is established by § 42-11-10 of the Rhode Island General Laws as the central planning agency for Rhode Island. The State Planning Council, comprised of federal, state, local, public representatives, and other advisors, guides the work of the Program. The objectives of the Program are to:

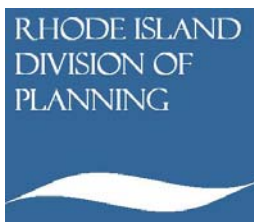
- ◆ To prepare State Guide Plan Elements.
- ◆ To coordinate activities of the public and private sectors within the framework the State Guide Plan.
- ◆ To assist municipal governments with planning.
- ◆ To advise the Governor and others on physical, social, and economic planning related topics.
- ◆ To provide for cooperative development, conservation, and use of drinking water resources by the State, municipal agencies, public water systems, special water districts and privately owned public water systems.
- ◆ To review all plans and proposals for construction or installation of facilities for water supply for conformance with the State Guide Plan.

RHODE ISLAND WATER 2030

Vision Statement

To ensure safe, reliable, ample water supplies to meet the State's short and long range needs while preserving the physical, biological,, and chemical integrity of the water resources of the State.

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