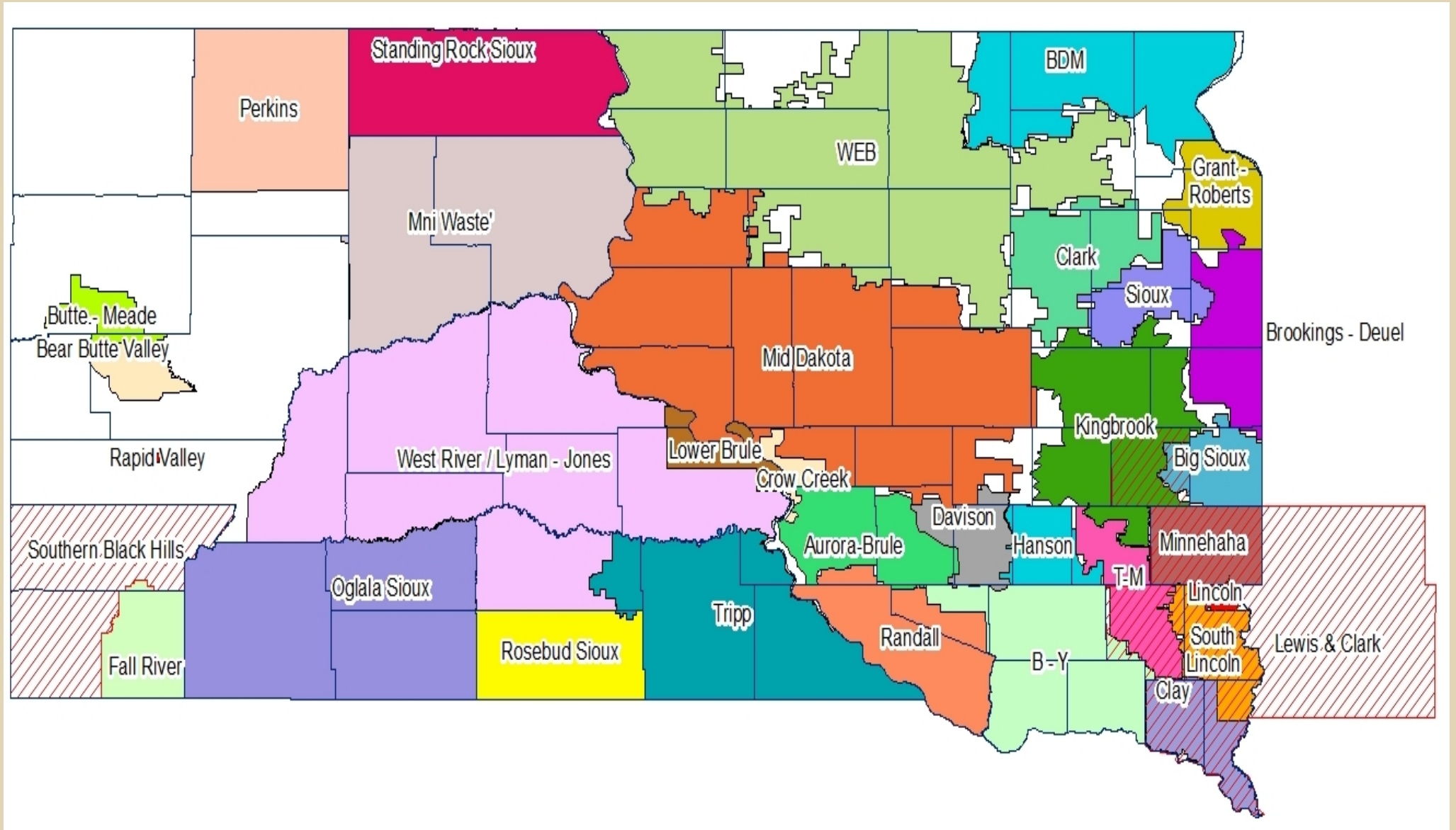




Regionalization and Consolidation in South Dakota



Rural Water System Service Opportunities

- Individual service to residents
- Water supply and contract to operate system
- Sole water supply
- Supplemental water supply
- Emergency backup connection



Moving from Local to Regional

Positive Impacts

- Improved water quality or quantity
- Reliable and redundant source
- No certified operator or testing – individual service
- Capital costs for improvements are typically lower
- Changes to treatment requirements or source quality are regional system's burden
- With individual service the local system becomes regional system's responsibility

Challenges to Overcome

- Loss of local control
- Rate increases
- Possible reduction in fire protection
- Personal bias or past history
- Consulting engineer preference or loss of project



State Role in Facilitating Regionalization

- Develop strong relationships with:
 - Rural water managers
 - Consulting engineers
 - Planning districts
- Planning grant program or preliminary engineering report review – assure regionalization has been reviewed and fairly evaluated
- Encourage contracting for operation to build knowledge and relationships for both parties
- Attend planning meetings and provide advice for all stakeholders
- Generate support of community leaders
- Follow through on commitment to fund and incentivize project



Recent Regionalization Projects

Recent Successes

- Clark RWS individual service to Bradley (72) and bulk service to Willow Lake (263)
- Kingbrook RWS individual service to Oldham (133)
- Kingbrook RWS individual service to Nunda (43)
- Mid-Dakota RWS individual service to Ree Heights (62)
- Sioux RWS individual service to Kranzburg (172) and Hazel (91)
- Randall CWD individual to Geddes (208)
- Rapid City individual service to small systems and individual users in nearby area (Case Study)

Still Trying

- B-Y Water District bulk service to Tripp (647)
- Southern Black Hills Water System bulk service to Hermosa (398)

In the Works

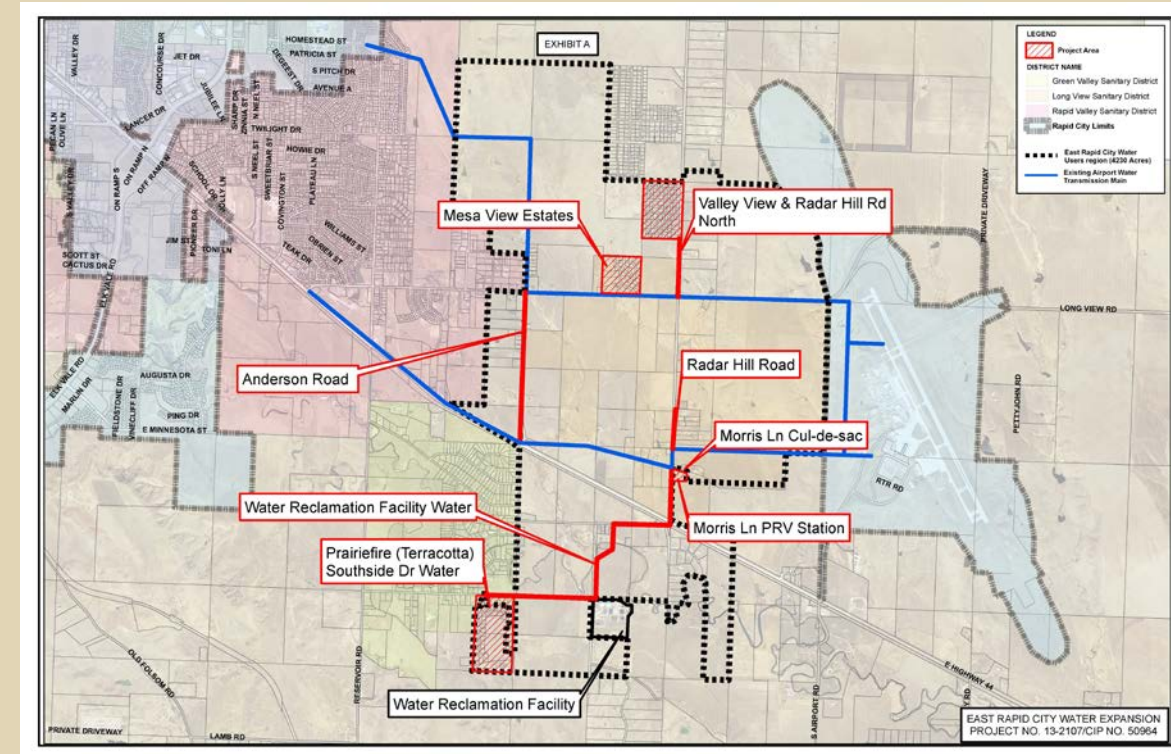
- Grant-Roberts RWS individual service to Corona (109) and Marvin (34)



Case Study – Rapid City

Rapid City Service to Small Systems and Individual Users in Surrounding Area

- Total of 179 homes in 3 systems:
 - Mesa View Estates
 - Terracotta Estates
 - Valley View Estates
- Additional 72 private residences in project area
- Estimated 433 people in total
- Existing system issues:
 - Unreliable wells
 - Inadequate source water resources
 - Poor water quality
 - Non-compliance with SWDA regulations
 - Notice of Violations



Case Study – Rapid City

Rapid City Path to Consolidation

- 2013-2015 Rapid City constructed a 16-inch watermain to connect and loop the airport with the main city system
- 2013 State learned of the proposed project and reached out to see to discuss viability of including users with water issues
- Multiple meetings with existing homeowners and systems experiencing issues to discuss concerns/issues:
 - Rapid City service to outside city limit customers
 - Legal structure for ownership
 - Debt responsibilities
 - User rates
 - Purchase agreements for 3 existing water systems
 - Upgrades within existing systems to city standards
- Construction also presented unique challenges:
 - No ability for temporary city water – had to keep existing system operating until connection
 - Plumbing improvements to assure no cross connections to new city system
 - Close coordination with individual plumbers and systems to assure transition



Case Study – Rapid City

Funding Breakdown

- Rapid City Local Cash \$1,500,000 – also brought water to Rapid City’s WWTF
- \$911,837 from State grant program (non-SRF)
- \$5,126,000 Drinking Water SRF loan with \$3,375,000 as principal forgiveness
- Total Project \$7,537,837 with \$4,286,837 as subsidy

User Rate Impacts

- Typical requirement for new entities to be responsible for all debt
- Worked to develop a solution to not impact city users and keep affordable
 - \$65 surcharge to new users for debt payment
 - Goal of rates less than \$100 per month per user





Questions

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