

## Drinking Water Consolidation, Regionalization, and Unification

### OVERVIEW

The Missouri Department of Natural Resources (Department) is committed to helping Missouri citizens thrive by balancing a healthy environment with a healthy economy. This includes the Department's ongoing efforts to promote more efficient, more resilient, and more sustainable drinking water infrastructure across the state.

Three tools in this effort are consolidation, regionalization, and unification. Projects in Missouri have successfully used these tools for decades and have proven to be a cost-effective approach to obtaining and maintaining technical, managerial, and financial capacity at public drinking water systems. This publication outlines how consolidation, regionalization, or unification may benefit your drinking water system and contribute to a more sustainable Missouri.

### CHALLENGES TO SMALL SYSTEMS

Drinking water systems of all sizes can struggle with the challenges of effectively and efficiently maintaining and operating a system. However, communities with limited revenues, fixed capital and operating costs, low customer bases, or declining populations are more vulnerable to these challenges due to the economic inefficiencies associated with operating at a small scale. One way to combat these challenges is to develop a mutually beneficial partnership with a neighboring community. This can be as simple as two or more drinking water systems agreeing to share equipment or purchase treatment chemicals in bulk to save money. A more formal partnership could include a contract to share operators or build an emergency interconnection.

Used appropriately, partnerships can help small systems establish best-management practices and reduce operating expenses, but partnerships are not always a viable option or may not help a system address all of its challenges. These systems should consider a more long-term solution, such as consolidation, regionalization, or unification. These options can have up-front costs, but result in lasting benefits for the drinking water system and its customers. Every system has unique challenges and

the best method to approach these challenges will vary. The Department offers an array of resources to help drinking water systems network, apply for funding, and ultimately select the best solution for the community.

### WHAT IS CONSOLIDATION?

Consolidation is the physical and administrative joining of two or more drinking water systems. This can consist of multiple drinking water systems combining to form a regional water district or a municipality providing service outside of the municipal boundary. Under consolidation, the smaller system transfers its authority for operating, maintaining, and ownership to the larger system. Benefits are realized through economy of scale, flexibility, and greater accessibility to managerial and financial resources. As a result, the larger system may be able to provide water to customers at a lower cost.

Consolidation can be a long process and requires careful planning and development but, if done properly, the benefits are well worth the effort. Consolidation projects may require voter approval, engineering, construction, and legal documentation. Knowing the process up front can help reduce unforeseen costs and keep your project on schedule.

***If you believe consolidation is an available option for your system, the Department recommends contacting providers that operate in your area. The Department can also assist in identifying potential partners in your area or region.***

### WHAT IS REGIONALIZATION?

Regionalization is the physical interconnection between two or more drinking water systems where one primary system provides water to the others. All systems operate and maintain their own distribution system, but the consecutive systems agree to buy some or all of their water from the primary system. Benefits of regionalization include a reduction in source water expenditures and treatment costs for the consecutive systems and an increased customer base for the primary system.

Another example of regionalization is establishing emergency interconnections between drinking water systems. Emergency interconnections allow systems to meet demand during emergencies or higher-than-usual water use and to support common public health goals between systems. Many municipalities and regional water districts have extra capacity and may be willing to contract with a smaller system, whether public or private, to provide drinking water.

Interconnecting two systems often comes at an up-front cost and may be limited by geographic and municipal boundaries. Regionalization projects may require voter approval, engineering, construction, and legal documentation. Even in regions committed to cooperation, negotiating contracts and getting adequate involvement and buy-in will take time and patience.

***If you believe regionalization is an available option for your system, the Department recommends contacting providers that operate in your area. The Department can also assist in [identifying potential partners in your area or region.](#)***

## **WHAT IS UNIFICATION?**

Unification is the transfer of ownership of an independent drinking water system to a larger one. This transfer typically happens through the sale of a small, independent system to a specialized water operating company. Under unification, there is no physical change to the system's distribution system. The fundamental advantage of unifying systems under a central provider is financial – there are simply more customers to share the burden of paying the bills and, upon transfer, the system owner(s) can relinquish the burden of all regulatory obligations, costs, and responsibilities for operating, maintaining, and improving the drinking water system.

Unified systems typically achieve higher levels of operating performance and rates of regulatory compliance. These larger entities typically have greater technical, managerial, and financial capacity to operate a public drinking water system efficiently. Greater performance and compliance benefits the provider or owner and also directly benefits customers.

The main challenge in unification typically lies in the burden of purchasing another system. It may be difficult to find a larger water system interested in owning or operating your system. There may be challenges for the purchaser if infrastructure

improvements are needed immediately. However, the resulting benefits of meeting customer needs are worthwhile.

***To determine if unification is an available option for your system, the Department recommends contacting providers that operate in your area. The Department can also assist in [identifying potential partners in your area or region.](#)***

## **ACCESS TO FUNDING**

Another benefit to consolidation or regionalization, especially for private facilities and homeowners associations, is greater financial capacity. In addition to more customers sharing the cost of providing water service, public drinking water systems may be eligible for financial assistance programs, such as State Revolving Fund loans. These loans also offer the potential of partial grant funding depending on system needs. To successfully apply for government funding, it is critical that the system have enough rate payers to support loan debt.

The Department's Financial Assistance Center oversees the Drinking Water State Revolving Fund. The fund provides low-interest loans for drinking water infrastructure projects, such as water treatment plants or improvements to existing facilities, distribution, water storage facilities, wells, and interconnection/consolidation.

The Department also offers Engineering Report Services Grants to qualifying public water systems. These grants help community water systems obtain an engineering report as a first step toward implementing changes that will help the system achieve and maintain technical, managerial, and financial capacity. Engineering Report Services Grants may also be used to explore your options for consolidation, regionalization, or unification.

The U.S. Department of Agriculture – Rural Development also has loan and grant programs available to community public water systems. One example is the Special Evaluation Assistance for Rural Communities and Households (SEARCH) grant. This program helps very small, financially distressed rural communities with predevelopment feasibility studies, design, and technical assistance on proposed water and waste disposal projects.

***You may explore additional details about available funding schemes at the [Water Protection Program's Financial Assistance Center webpage.](#)***

## **ADDITIONAL RESOURCES**

[Drinking Water Regionalization Map](#)

[Financial Assistance Center](#)

[Engineering Report Services Grants](#)

[USDA – Rural Development](#)

[Environmental Finance Center Finance Blog](#)

[EPA Regionalization Options for Small Water Systems](#)

[EPA Restructuring Small Drinking Water Systems: Options and Case Studies](#)

[Rural Community Assistance Partnership – Benefits of Regionalization](#)

[U.S. Water Alliance: Utility Consolidation](#)