



# Regionalization: Be Careful What You Wish For

Jeff Freeman – MN Public Facilities Authority

# Background

- For many years, MN provided significant incentives for regionalization among small communities seeking wastewater financing:
  - Bonus points on Project Priority List for multi-municipal projects
  - State Wastewater Infrastructure Fund (WIF)
    - » State grants to supplement SRF loans for high cost, high priority projects
    - » Maximum grant increased with each additional municipality

# Rise in Unsewered Area Projects

- In mid 1990's, started seeing more projects seeking funding to address unsewered areas.
  - Increased regulation of septic systems
  - Development pressures, especially around lakes
  - Focus on impaired waters
- Two primary project types:
  - Small rural communities
  - Lakeshore and growing township areas

# Concerns About Project Proposals For Unsewered Areas

- Larger and larger “big pipe” proposals
  - Regional districts for \$10 - \$20 - \$30 million
  - Large geographic areas (up to 80 square miles)
  - Linear projects with low densities
    - » \$25,000 to \$40,000 per household
- Very expensive projects that required large subsidies to be affordable
  - Even with grants, average costs of \$50-\$80 per HH/month

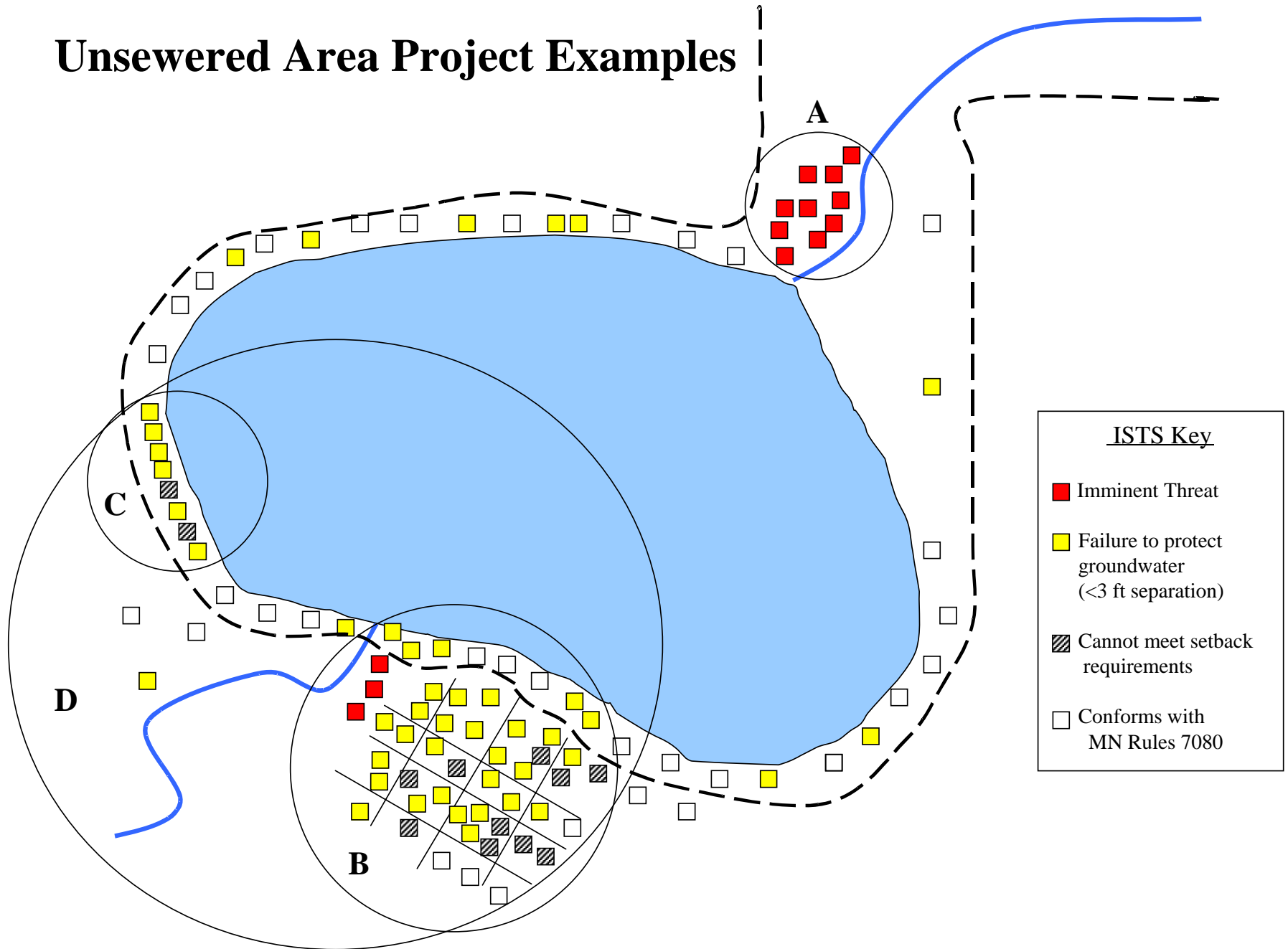
# Political Pressures at State and Local Levels

- State level:
  - High priority projects, high cost per HH
  - Pressure for more and more state grant funds to fund fewer and fewer projects.
- Local level:
  - Project area sized to maximize grant funds, often didn't match “problem” area.
  - Potential benefits of new development often drown out concerns about changes to community character.

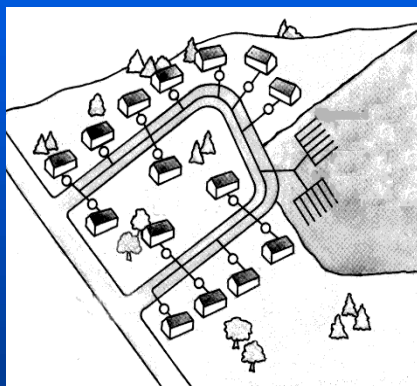
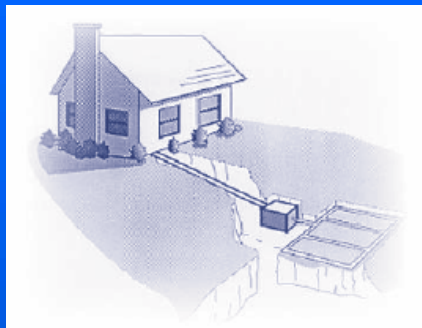
# Strategies to Address Concerns

- Reduce subsidies for large projects.
  - State supplemental grants changed to deferred loans
- Remove PPL bonus points for regionalization.
- Modify ranking system to better reflect actual environmental and public health problems.
- Implement a review hierarchy for consideration of wastewater treatment alternatives.

# Unsewered Area Project Examples



# Wastewater Hierarchy



## Unsewered Area Alternative Analysis

- 1) Replace failed ISTS with new ISTS
- 2) Decentralized cluster system(s)
- 3) Connect to existing facility with capacity
- 4) Connect to an existing facility which requires expansion
- 5) Construct a new wastewater and treatment facility

Note: Solution may be a combination of approaches

# Conclusion

- For unsewered areas, regionalization incentives can have unintended consequences.
- Make sure small-scale decentralized alternatives are given adequate consideration.
  - Especially where there are low densities and mixed compliance among existing systems.
- Regionalization doesn't have to mean every house connected by a pipe.
  - Best solution may be mix of alternatives with centralized management.