

Crafting Inter-local Water Agreements

Tips relating to issues you may not have thought of or that you were hoping to avoid....

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Acknowledgements

- Public Water Supply Section, Division of Environmental Health, NC Department of Environment and Natural Resources
- Local Governments
- Division of Water Resources, NC DENR

Objectives of Webinar

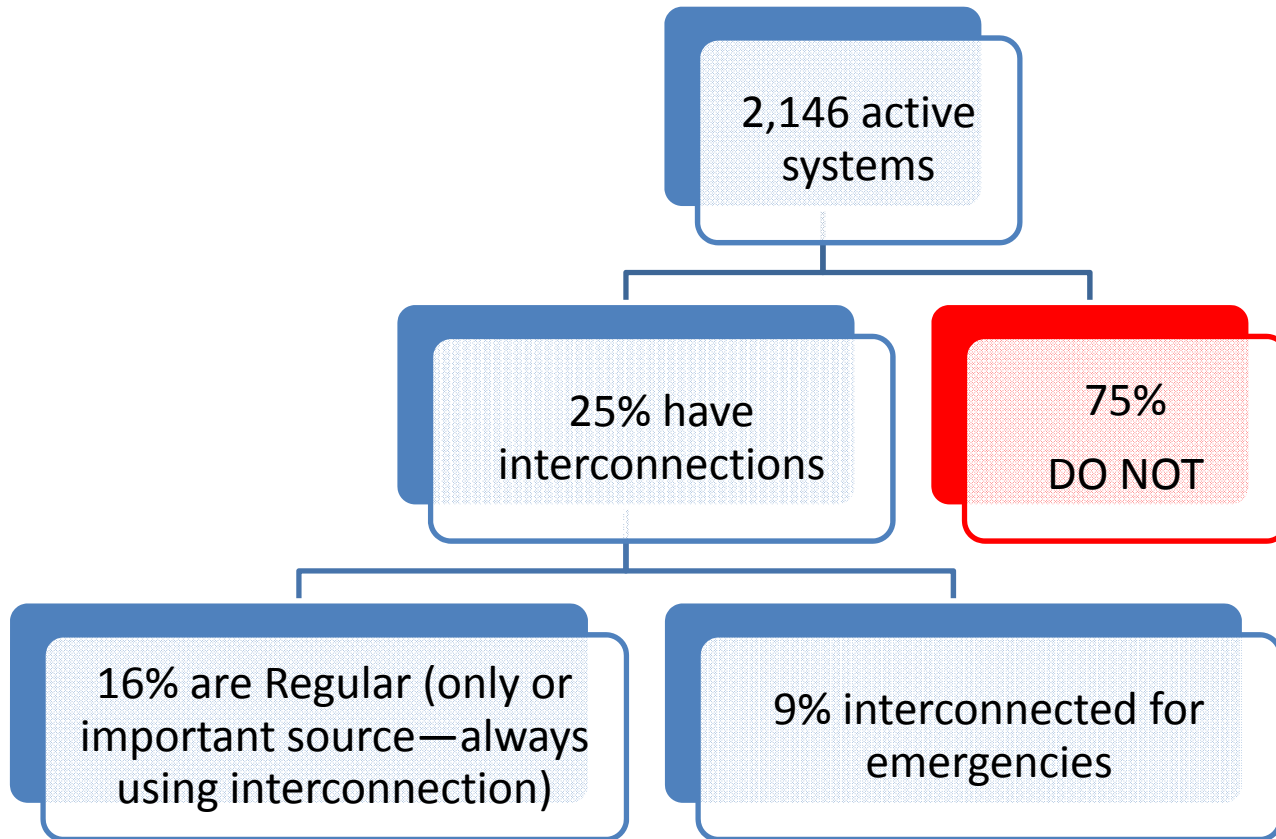
- Promote effective sustainable partnerships
- Provide tips for preparing new and revising existing inter-local agreements.
- Provide an opportunity to ask questions and give feedback

Project Scope of Work

- Support for establishing and strengthening partnerships and collaboration between water systems
 - State inventory
 - Guidelines and tools
 - Trainings for utility managers and technical assistance providers
 - Direct community assistance

First, A Few Poll Questions

Interconnections among NC Community Water Systems



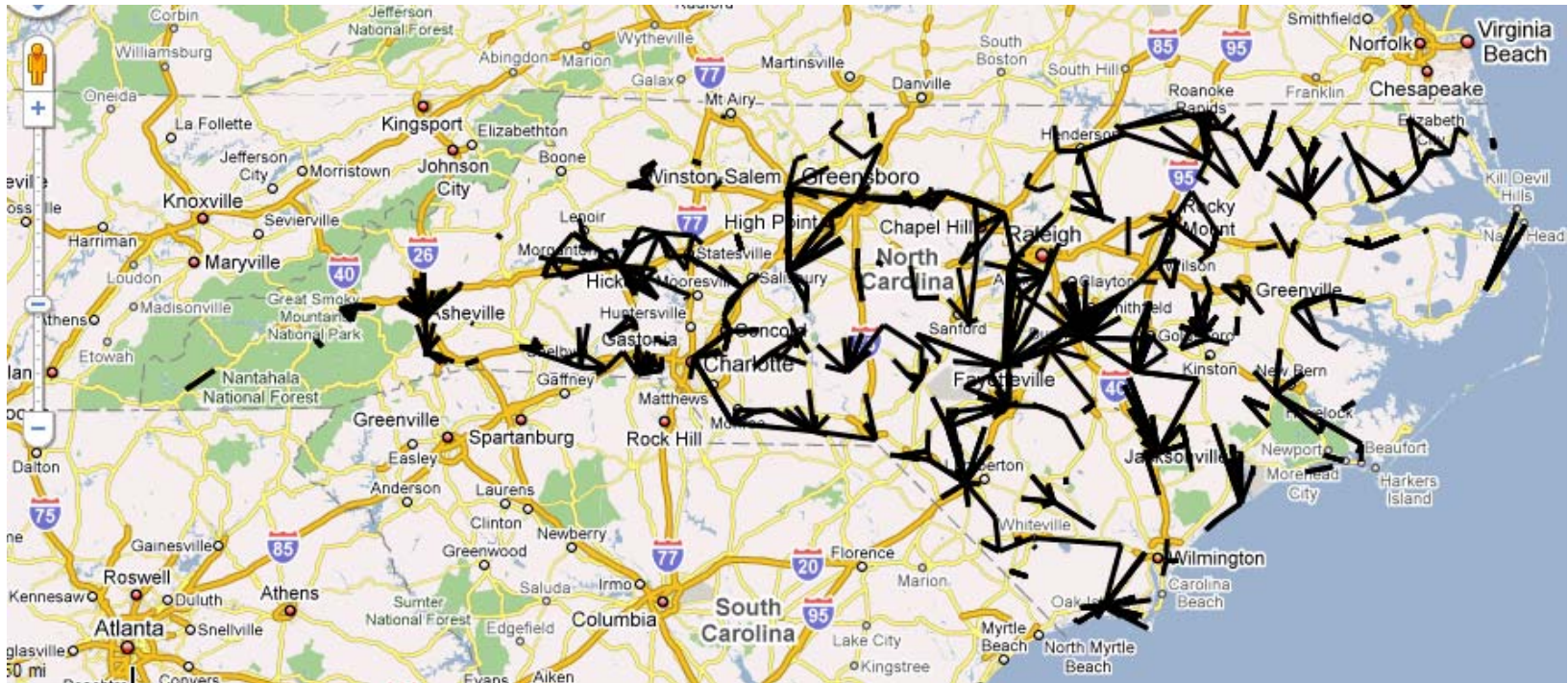
Source: EFC research using Sept. 2008 DENR SDWIS database

Data Sources

- SDWIS
- Local Water Supply Plans from 2007, 2002 and 1997
- Water 2030
- Direct contact with utilities

Translated Data into Interactive Maps

- <http://www.efc.unc.edu/projects/capacitydevelopment/partnerships.htm>



Inter-Local Agreements Come in Many Forms

- Long-term bulk sales agreement
 - *Example: White Lake – Bladen Water Supply Contract*
- Short-term bulk sales agreement
 - *Example: Winterville – Greenville Interim Water Purchase Agreement*
- Emergency agreement
 - *Example: Blowing Rock – Boone Emergency Water Supply Agreement*
- Agreements that include construction of infrastructure
 - *Example: Salisbury – Kannapolis Memorandum of Understanding*

Crafting Successful Inter-local Agreements

- Format

- Question, description, example(s)
- Advice for getting inter-local agreements right
- NOT draft contract
- NOT every issue that will come up in every document

DRAFT
Crafting Inter-local Water Agreements

Tips relating to issues you may not have thought of or that you were hoping to avoid...

Prepared by:
UNC Environmental Finance Center

For
Public Water Supply Section
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Note: Example text is provided in these guidelines to illustrate different concepts. These excerpts are designed to generate discussion and inspire development of agreement clauses appropriate to local conditions. These excerpts are NOT presented as, nor should they be considered as, model contract clauses that can be copied into agreements.

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Begin with Service Area

- What does the agreement say about each partner's current and future service area?
- What does the agreement say about the relationship between water service, annexation, and growth?

Clarifying Service Area

- Where's the map?
- What is the role of water in managing growth?

Getting the Basics Covered

- How precise does the agreement define key usage thresholds and limits?
- Does the agreement clearly outline meter maintenance and ownership responsibilities?
- How does the contract address water quality problems?

Maximum Allowable Peak Usage

*To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this Contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the State of North Carolina Department of Human Resources in such quantity as may be required by the Purchaser, **not to exceed the following maximum demands:***

Maximum instantaneous rate of 2100 gallons per minute (3 million gallons per day).

Maximum daily demand of 1.6 million gallons.

Maximum monthly usage of 42 million gallons. (Anson – Richmond,42)

New Water Quality Concerns

- Disinfection by-products
- Disinfection by-products
- Disinfection by-products
- Disinfection by-products

Capital Costs

- How does the agreement assure that water suppliers receive adequate payment for use of their capital?
- Does the agreement specify minimum purchase requirements?

Capital Cost Accounting

- Book value
- Existing debt
- Future debt
- Depreciation
- Replacement value
- Depreciation based on replacement value
- Cost of new capacity for buyer
- Cost of new capacity for seller
- Present value of capacity's cash flow

Addressing Capital Costs

1. Rolling capital costs into the commodity charge
2. An upfront capacity fee
3. A recurring capacity fee component
4. Purchaser assumes a percentage of seller's debt service
5. Pass through retail customer impact fees (uncommon)

Minimum Purchase Requirement

“Town will bill the County Monthly for the actual amount of water sold and delivered to it at the then applicable rate; provided however, the Town will bill and County will pay for a minimum quantity of 500,000 gallons per month regardless of whether or not the County actually uses such quantity.”

(Chatham - Siler City, 1)

“Effective July 1, 2008, the minimum daily volume shall be one million four hundred thousand (1,400,000) gallons per day.” (Halifax – Roanoke, 1)

Purchaser uses a small percentage of seller's capital and their impact on future capital needs is negligible (5 year contract)

1. Significant one time capacity fee linked to maximum daily purchase
2. No capacity charge and commodity charge that recovers operating costs plus minor capital costs
3. No capital charges, but a significant minimum purchase requirement.
4. Monthly capacity charge with volume charge set to recover operation costs.

Purchaser uses a significant percentage of current seller's capital, but has little impact on future capital (5 year with no possibility of renewal)

1. Significant one time capacity fee linked to maximum daily purchase
2. No capacity charge and commodity charge that recovers operating costs plus minor capital costs
3. No capital charges, but a significant minimum purchase requirement.
4. Monthly capacity charge with volume charge set to recover operation costs.

Purchaser uses a small percentage of current capital but has plans to have a large impact on future needs (40 year contract)

1. Significant one time capacity fee linked to maximum daily purchase
2. No capacity charge and commodity charge that recovers operating costs plus minor capital costs
3. No capital charges, but a significant minimum purchase requirement.
4. Monthly capacity charge with volume charge set to recover operation costs.

Purchaser uses a large percentage of capital and has a large impact on future capital needs (40 year)

1. Significant one time capacity fee linked to maximum daily purchase
2. No capacity charge and commodity charge that recovers operating costs plus minor capital costs
3. No capital charges, but a significant minimum purchase requirement.
4. Monthly capacity charge with volume charge set to recover operation costs.

Examples

*“At the occurrence of such capital improvements, should Monroe issue long-term debt to finance, in whole or part, its water and sewer utility capital improvement program, **Monroe agrees to negotiate with Union the terms and conditions of financing Union's share of the capital improvements to the WWTP, conveyance, and disposal facilities providing allocated capacity to Union.**” (Union – Monroe, 11)*

*“The Additional Charge of **\$400.00 per month is the figure calculated by City to provide for recovery of its capital costs,**
..”*

Variable Charges

- What does the agreement say about how commodity charges are calculated and modified over time?
 - A. No mention
 - B. CPI
 - C. Cost accounting
 - D. Linked to retail

Communication

- What does the agreement say about reselling water or capacity?
- What does the agreement say about water pressure?
- How does the agreement address communicating and handling interruptions or shortages?

Restrictions on Resale of Water

The Water district may not provide water service to any areas within the Town's corporate limits nor provide water service to those out-of-town customers identified in Appendix "C" of this contract, without first receiving approval of the Town.

(Whitelake – Bladen, 5-6)

The COUNTY shall not, during the term of this Contract, sell water to its customers at an amount less than the outside rate charged by the CITY to its customers located outside the corporate limits without the written consent of the CITY. (Nash – Rocky Mount, 4)

Working Together

- What does the agreement say about the transferability of conservation status/measures?
- Does the agreement address non-revenue revenue water or excessive inflow/infiltration?
- Does the agreement allow for variations due to emergencies?

Transferability of Conservation Status

In the event that Andrews has to institute any mandatory or voluntary water conservation efforts while supplying water to Murphy, Murphy will institute the same conservation efforts. (Murphy- Andrews, 2)

During periods of State of North Carolina and/or Federal and/or Roanoke Rapids Sanitary District mandatory conservation restrictions the minimum daily volume shall be one million one hundred thousand (1,100,000) gallons per day. (Halifax – Roanoke, 1)

Other Issues

- What other issues have you run into that have impacted agreements?

Questions on Inter-Local Agreements



Source: bettermondays.com

