

VINTON & JACKSON COUNTY WATER COMPANY INCREASING TRANSFER OF RESPONSIBILITY

A Water System Partnerships Case Study



HIGHLIGHTS

Challenge Statement:

Vinton County, a small rural water system, faced various challenges which impacted the system's ability to provide safe and affordable drinking water to its customers. Vinton County was concerned with their source water quality, low revenue streams, and inability to maintain a certified operator.

Partnership Features:

Jackson County formed an informal partnership with Vinton County, often lending a helping hand to the Vinton County system. When Vinton County's operator quit, Jackson County provided an operator through a contractual agreement. Eventually the Vinton County Water Company was sold to Jackson County.

Primary Benefits:

In addition to the improved water quality for Vinton County customers, both systems and their customers benefitted from greater economies of scale. Transparency at an early stage supported a strong relationship between the systems.

Accomplishments:

This partnership produced safe affordable water, more reliable service, and increased sustainability and resilience of the water systems.

Creating the Vinton and Jackson County Water Company Partnership

Background

Two water systems in rural Southeastern Ohio, Vinton County Water Company (Vinton County) and Jackson County Water Company (Jackson County), developed a strong relationship rooted in support and respect over almost two decades. The water systems were similar, as they shared some common service area boundaries. Both were not-for-profit water systems with lower than average median household income for Ohio. However, there were some differences. Jackson County was significantly larger with 800 miles of water mains and 6,000 connections and served a much denser population. In contrast, Vinton County purchased treated water and had roughly 42 miles of water mains and 600 connections.

Vinton County struggled with increasing operations and maintenance costs, staff turnover, poor recordkeeping, and low revenue streams. After their operator quit,

Vinton County hired Jackson County to perform operational duties and started to discuss the idea of selling the system to Jackson County.

Critical Drivers

The critical drivers for Vinton County to engage in a partnership were:

- ◆ Revenue streams too low to cover operating cost.
- ◆ High staff turnover and lack of knowledge retention.
- ◆ Faulty hardware systems.
- ◆ Concerns about complying with the Disinfectant and Disinfection Byproduct Rule (DBPR).
- ◆ Need for a new water source due to contamination.

The critical drivers for Jackson County to engage in a partnership were:

- ◆ Increase in revenue from expanded customer base.
- ◆ Pre-existing knowledge of Vinton’s assets and challenges.
- ◆ Increase in customer buy-in due to new infrastructure needs.
- ◆ Benefits from economies of scale.
- ◆ Early collaboration and provision of service as a good neighbor.



TYPES OF PARTNERSHIPS

Informal Cooperation:

Coordination with other water systems, but without contractual obligations. Informal partnerships may consist of partners sharing equipment and creating mutual aid agreements for emergency response management.

Contractual Assistance:

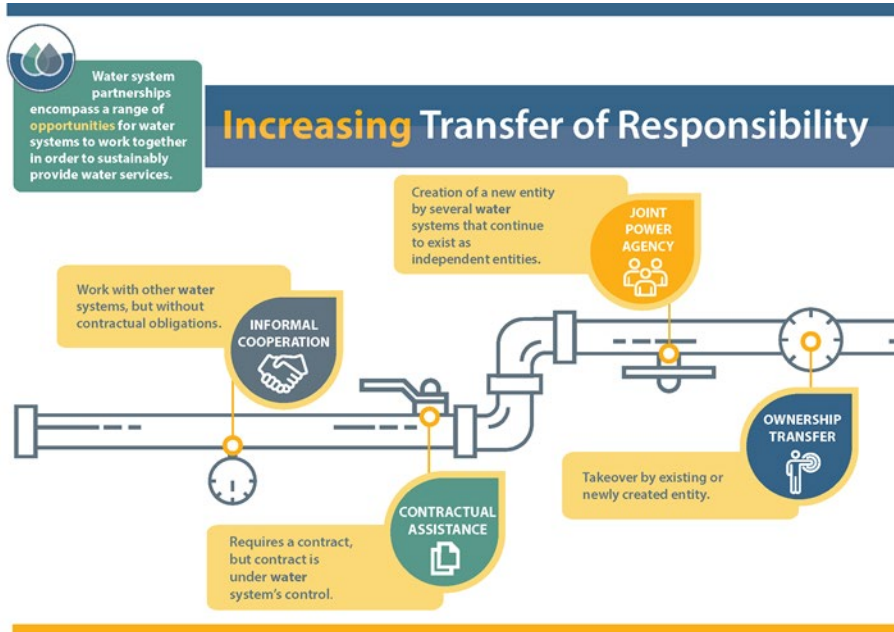
Setup a contract with another water system or service provider where the contract and service ultimately remain under the water system's control. This type of partnership may include a system purchasing water from another system or contracting out operations and management to another water system.

Joint Power Agency:

Creation of a new entity designed to serve the systems that form it. These partnered water systems may share system management, operators, or source water.

Ownership Transfer:

Merger or mutual transfer of an existing entity or creation of a new entity. This type of relationship may be represented by one system being acquired by another, or by being connected to another system physically, financially, and managerially.

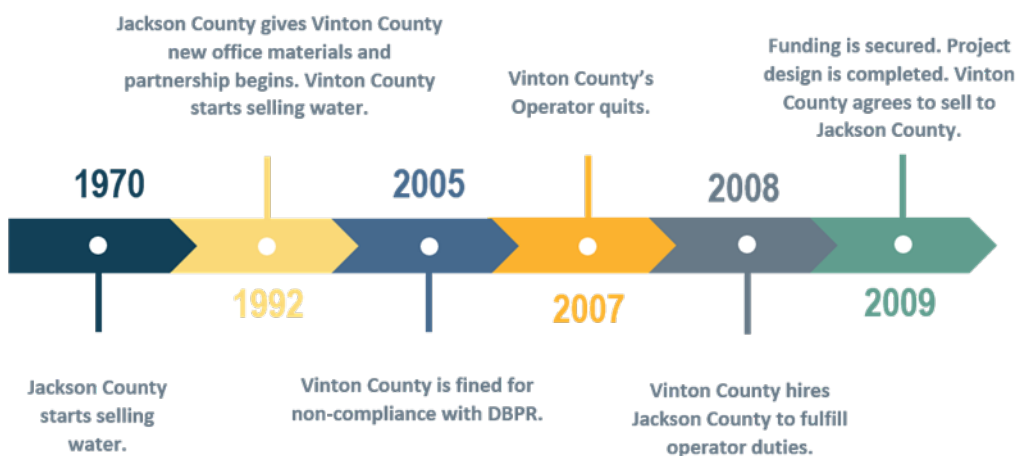


Water System Partnerships as a Solution

Water systems across the country face a myriad of challenges, including technical, managerial, and financial capacity issues. Water system partnerships refer to a range of collaborative activities in which systems can pool resources, expertise, and experience. Bringing systems together through partnerships can help reduce noncompliance issues, risks to public health, and redundant workloads. Water system partnerships are informal or formal relationships that help water systems identify opportunities to leverage benefits that would be difficult to achieve independently.

The ultimate consolidation of Vinton County Water Company into Jackson County Water Company is an example of **ownership transfer**. For years prior to the transfer of ownership, the water systems engaged in informal partnerships with Jackson County providing support to Vinton County, such as lending office equipment. The relationship evolved to contractual assistance when Jackson County helped Vinton County meet the need for a new operator after their operator left. When it was determined that Vinton County did not have adequate technical, managerial, and financial capacity to operate the system independently, the formal transfer of ownership was initiated.

Building Blocks of Partnership



- ◆ Jackson County and Vinton County started partnering almost as soon as Vinton County came on-line in **1992**. Jackson County provided Vinton County used office equipment to help them get started, which laid the groundwork for future partnerships.
- ◆ In **2005** Ohio EPA issued a Findings & Orders enforcement action against Vinton County for non-compliance with the Disinfection By-products Rule (DBPR) resulting in a \$6,000 fine. Vinton County was required to hire a certified operator and to conduct all required monitoring routinely.
- ◆ Vinton County's operator quit in **2007** leaving the system without a certified operator. Unable to find a part-time operator in the area, Jackson County shared their operator with Vinton County. Eventually, in **2008**, Vinton County contracted with Jackson County to operate their system.
- ◆ In **2009**, the water systems were already in discussion about acquisition but had determined that connecting Jackson County and Vinton County would require a significant capital cost. The American Recovery and Reinvestment Act (ARRA) presented an opportunity for Ohio EPA to provide funding that made connection much more cost effective with 80 percent loan principal forgiveness. The total project cost was \$1,388,203.
- ◆ By the **end of 2009**, Vinton County Water Company made the decision to sell to Jackson County Water Company.

ADHERING TO MEMBER BY-LAWS

Vinton County's member by-laws required that a certain number of customers vote to approve the sale of the system. The vote was held three times before the motion to sell the system passed. The customers were initially skeptical of transferring the ownership of the system. Customers agreed to sell the system only after a rate study, conducted by Rural Community Assistance Partnership (RCAP), showed that the partnership would help keep rates reasonable and expand customer bases for both systems.



Best Practices and Successful Strategies

The Vinton County and Jackson County partnership was cultivated and developed over almost two decades. Taking steps toward working together helped both water systems promote transparency and trust between the systems and communities. The partnership approach hinged on communicating across the water systems and communities that it was in everyone’s best interest to evaluate the financial and operational impacts of action and inaction. Jackson County was more willing to provide significant assistance and to ultimately purchase Vinton County Water Company because they were able to take smaller steps to understand the business, operations, assets, and challenges before taking over responsibility for Vinton County and its customers. Taking on management and maintenance duties on a trial basis helped build familiarity and reduced feelings of separate ownership that can create an “us versus them” mentality.

Dispelling misinformation also helped the water systems and their customers see the partnership as a positive solution for both communities. For example, during partnership development, a truck was sold from Vinton County to Jackson County in lieu of back payments. This transaction created a lot of tension between the water systems as there were differing opinions about the fairness of the sale. This one instance of mistrust almost ended the entire partnership and a long history of assistance.

Jackson County found it was important to evaluate the objective benefits of the partnership, thoroughly review the financial and operational impacts, and keep customers, regulatory, and financial agencies informed throughout the process.

Likewise, Vinton County suggested that utilities focus on staying on top of their financial statements, keeping good records, asking for help proactively, and coming up with a plan for the staff and support structure of the merging systems. Both water systems found that keeping good neighborly relations were important because there is always uncertainty regarding what might happen in the future, and who will be able to provide help.

Partnership Benefits

By partnering over time, and gradually increasing transfer of responsibility, Jackson County and Vinton County were able to build trust and understanding between the systems. Connecting the water systems provided benefits to the systems’ customers and communities.

- ◆ Customers received reliable service and safe affordable drinking water.
- ◆ Water system compliance increased in the state.
- ◆ Local buy-in and stakeholder relations increased.
- ◆ Jackson County was also able to build an emergency connection to the Village of Hamden using the new line to Vinton County.



INVOLVING IMPARTIAL PERSPECTIVES

To neutrally evaluate water rates, Vinton County brought in a third party facilitator (RCAP) to conduct a rate study. This study included looking at options for expanding the system vs. selling the system vs. the “no change alternative.” In the end, the board agreed that the goal of the water system was to provide safe water at a reasonable cost.

The involvement of RCAP also helped Vinton County provide rate study information to their customers through a media campaign which helped address underlying concerns of fairness.

US Department of Agriculture (USDA) also played a role in bringing the utilities together, organizing several meetings to discuss merging the two water systems, and helping to conduct negotiations.

Learning from the Vinton and Jackson County Partnership

Maintaining transparency and communication throughout the partnership process helped Vinton County and Jackson County build upon their existing relationship to ultimately transfer ownership to Jackson County.

Clear Communication

It is important to ensure that all alternatives are thoroughly explored before a solution is agreed upon, and that the outcome of analyses are properly communicated to management, customers, and the community at large. There are opportunities for information to be misinterpreted so engaging a third party to express impartial opinions can make a significant difference in how analyses are interpreted. This may be in the form of a technical assistance group performing a rate study to determine if partnership is the most viable option, having a third party evaluate the consolidating system to determine a fair and equitable price, impartially facilitating discussions and public meetings, or in a number of other roles.

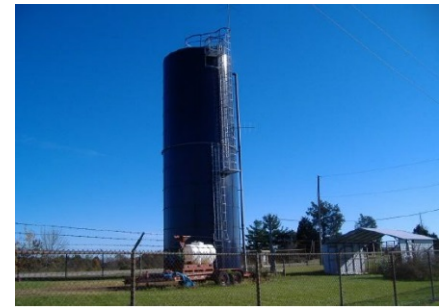
Collaboration

Partnerships should be viewed as a tool to help all involved systems identify and move forward with win-win solutions. Often a collaborative approach to developing and implementing solutions is needed. Educating decision-makers and bringing together stakeholders that are willing to discuss and resolve their problems openly is a key step in the process. Maintaining transparency, mutual respect, and patience throughout the process, no matter the length, is vital.

INTERESTED IN LEARNING MORE ABOUT WATER SYSTEM PARTNERSHIPS?

Water system partnerships can help systems overcome challenges including aging infrastructure, compliance challenges, and limited technical and managerial capabilities. Partnerships provide opportunities to collaborate on compliance solutions, and operations and maintenance activities, which increase capacity and enable systems to provide safe water to their communities.

To learn more about water system partnerships like Vinton County Water Company and Jackson County Water Company, visit EPA's Water System Partnerships website: <https://www.epa.gov/dwcapacity/water-system-partnerships>.



RESOURCES

To learn more about the partnership between Vinton County Water Company and Jackson County Water Company and gather information about other water system partnerships, follow these links to online resources:

- [EPA Water System Partnerships Website](#)
- [EPA 2012 Webinar on Vinton County Water Company and Jackson County Water Company](#)
- [Jackson County Water Company Website](#)