

Utility Management for Decentralized Wastewater Facilities: A Minnesota Model of Management Part II

Ryan C. Brandt

The decentralized wastewater industry started booming in Minnesota in 1997. In response to developer's desires to build independent community wastewater systems, new innovative approaches to wastewater were employed. The design of these systems focused on long-term solutions for wastewater treatment. By employing this approach, developers were credited with bonus densities, resulting in smaller lot sizes and more lots. This allowed lower development costs by minimizing infrastructure. These developments, known as cluster development, became popular in outlying areas of the Twin Cities Metropolitan area. As the development boom proceeded, reliable management of wastewater facilities became the hot topic in the State. **Utility management** became not only one of the many options for management, but a preferred method in certain counties for new decentralized wastewater facilities.

It is essential to determine management of a wastewater facility early on in the planning and engineering process. Without considering management during planning, the wastewater facility can become a ticking time bomb. As long as the proper planning takes place, the concept of utility management is desirable for developers, regulators and homeowners. Below are benefits observed by all three parties:



Developers see the benefit of limiting their long term liability by transferring wastewater assets to the ownership of the utility for a minimal investment. Developers typically do not want to understand wastewater treatment facilities. They just want a solution that will work and is cost effective. Over time, developers in Minnesota have learned management is an integral component of making systems work. For a minimal investment (the legal work), developers will pay for the construction of the wastewater system while the utility takes over ownership after it is operational. At the time of the transfer, future liability is minimized for the developer. From this point on, the utility is responsible for long term operation, maintenance and capital replacement.

Regulators encourage utility ownership because the utility provides stable and accountable management. Regulators want to know that systems are being taken care of and will work for the long term. After all, they are the ones that issue the permits. Having an entity that you know is accountable and will not pack up shop and leave town is vital to long term management. With good management, regulators are assured the system will have a better chance to remain compliant. A utility provides accountability and the ability to fix problems before they turn into big issues. Further, the utility has the ability to fund capital improvement projects in the event that funds are needed for future repairs.

Homeowners typically like the model since the management process is streamlined and Homeowner Associations do not need to become experts in wastewater operation and maintenance. Most homeowners are well acquainted with the utility model for their electric and gas service. Homeowner Associations typically elect one member of the Board to the wastewater system. This person is the lucky (or unlucky) person who is responsible for managing the wastewater system. They typically hire the operator and make recommendations to the Board on improvements. Under Utility ownership the responsibility for day to day decisions rests with the utility. This minimizes the need of daily involvement of the HOA.

In Minnesota, Connexus WaterWays is the utility who has set the standard for effective wastewater management. Four tangible benefits of the utility model includes: 1) administrative responsibility; 2) fiduciary responsibility; 3) providing better engineering products; and 4) a turnkey operation. These benefits are described below:

Administrative Responsibility – The Utility approach has the ability to utilize their existing customer service personnel and billing infrastructure. These services allow wastewater charges to appear on the monthly utility bill. Future planning and administrative tasks are completed by the utility. The alternative would be for an elected Homeowners Association or other entity to create and administer their own billing system. With utility management, the utility is responsible for debt collection, instead of the responsibility resting with the Homeowners Association.

Fiduciary Responsibility – The utility has the capability to fund wastewater replacement projects without having the need to assess property owners to obtain the funding. The Utility collects fees from the homeowners and sets aside funds for capital replacement. In the event that major repairs or maintenance is needed, the Utility is able to tap into these funds to maintain operation of the facility with capital improvements. Part of setting this up is a cash flow analysis. In the analysis, the assets are assigned a design life which is taken into account in the monthly rate structure. In the event that repairs are needed that exceed the amount of cash in reserve, the utility may have other funds from which they can draw upon.



Better Engineering Products – When a utility plans to take over a wastewater system, typically they provide due diligence to make sure that what they receive minimizes their risk. During their due diligence investigation, changes to the design may be required to minimize the risk of taking over the project. This in turn provides improved systems that limit long term maintenance concerns.

Turnkey Operation – A utility can be thought of as a one stop shop including responsibility of day to day operations along with the responsibility of long term asset management. If residents have questions or concerns, the utility is the point of contact.

The question that arises is why would people not want utility management? For some the answer is they would rather not have a “big brother” approach to managing their wastewater system. Others may state that they have no control over fees charged by the utility. Others simply do not trust utilities.

The utility approach is not perfect, nor is it the correct approach for all people. The model is however an effective and efficient method to help those who desire professional and systematic approaches for decentralized wastewater facilities.

Ryan Brandt is Vice President for EcoCheck, Inc. EcoCheck is a water/wastewater operations and management company in White Bear Lake, MN. EcoCheck operates over 70 decentralized wastewater systems which utilize a variety of treatment and disposal technologies. EcoCheck works with all types of responsible management entities.

EcoCheck, Inc.
4444 Centerville Road, Suite 140
White Bear Lake, MN 55127
651-255-5049