



Intermunicipal Agreements in New York State

Considerations for Water and Sewer Projects

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Presentation Outline



1. Background
2. Efficiency
3. Equity
4. Feasibility
5. Environmental & Social Impacts
6. Measuring Success
7. Final Remarks



1. BACKGROUND

Water and Wastewater Infrastructure: *A National Concern*



- Over 55,000 community water systems and millions of private systems
- Over 3,270 community water systems in New York State alone
- Uses:
 - Domestic
 - Commercial
 - Industrial
 - Agricultural
 - Energy Production

Water System Infrastructure

- Estimated annual costs for maintaining systems, 2000-2019 (CBO 2002)
 - Drinking Water: \$11.6 to \$20.1 billion
 - Wastewater: \$13.0 to \$20.9 billion
- Why?
 - Aging infrastructure
 - New infrastructure
 - Higher environmental standards
 - Increased security





Concerns of Municipalities

- Increased burden on local levels of government
- Stressed budgets
- Objectives:
 - Meet Financial and Environmental Expectations
 - Increase Efficiency
 - Ensure Equity
 - Make it a Feasible Option
 - Influence Development

The Plight of Small Municipalities



Larger problem

- The majority of water systems are small
- Costs for small municipalities are much higher

Fewer Resources

- Administrative
- Technical Expertise
- Equipment
- Finances
 - Grants and Loans



Intermunicipal Agreements (IMAs)

- Combining resources with other municipalities through a formal agreement
- Benefits:
 - Economies of Scale & Shared Resources
- Costs:
 - Loss of Local Control
- New York State
 - “Home Rule”
 - Statutes Governing Cooperation
 - Widespread Use - \$575 million raised in 2000 alone

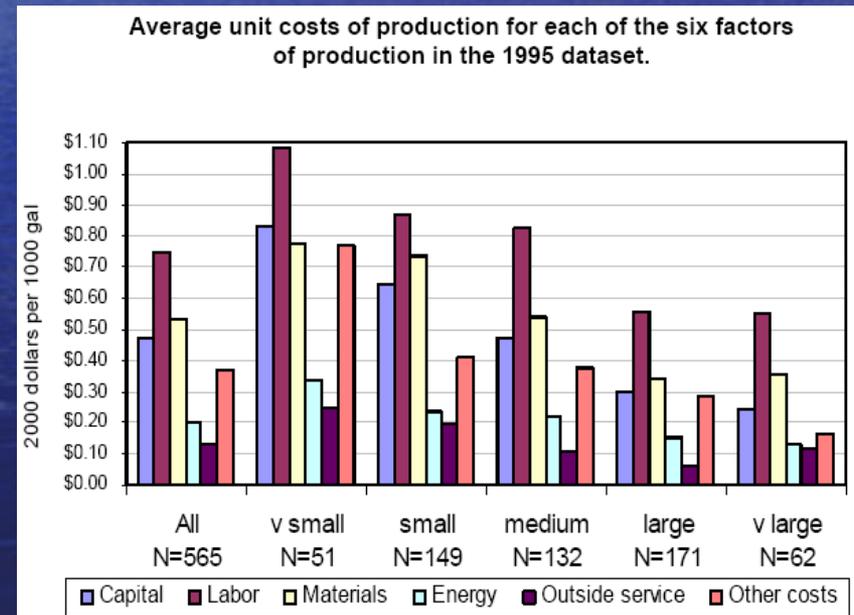


2. EFFICIENCY

Cost Efficiency of IMA



- + Achieve Scale Economies
- + Reduce duplication in operation
- + Access to low interests rate loans
- May not lead direct savings



Other Efficiency Gains of IMA



- Service Efficiency
 - Resources for replacing/upgrading facilities
- Usage Efficiency
 - Depends on rate structure
- Externalities
 - Could combine cost/benefit of several communities

Trade-off between efficiency and other values



- Efficiency is not a goal of IMA but a product
- Other values
 - Health
 - Water as a basic human need
 - Equity
 - Intra- and inter-municipal equity



3. EQUITY

Equity - Importance



“The perception of what is equitable depends on the social and cultural norms of a society “ (IMF , 1999)

It is important to consider equity given that:

- Related with fairness and social justice
- An IMA could contribute to reduce or increase social inequity (social gap)
- An IMA affects intergenerational equity (capital costs)
- A “fair” IMA could encourage social cohesion and reduce political conflict



Equity – Issues Related

Analysis has focused on some issues related to equity:

1. Fairness to the inclusion of actors involved in the process
2. Fairness to satisfy different needs of the communities
3. Fairness to distribute costs/benefits among the parts
4. Intergenerational equity concerns

1. Fairness to the inclusion of actors in the process



Our findings:

- IMA is an open and participatory process
- IMA involves the actors it needs
- IMA include a wide variety of actors such as:
 - Elected representatives
 - Water authorities
 - Technical assistance : attorneys, fiscal advisors, engineers and grant advisors
 - Residents

2. Fairness to satisfy different needs of the communities



- What are the needs of the communities?
 - Water and wastewater needs
 - Others needs/interests (IMA meanings)
- An IMA has different meanings:
 - *Threat* to give up a system and a source of revenue
 - *Protection* document to share financial risk
 - *Freedom* of a community
- Are different needs satisfied?
 - The agreement “signifies” that needs are satisfied
 - However legal agreement is not a guarantee
 - Trust and good faith is a guarantee

3. Fairness to distribute costs/benefits among the parts



- Distributing costs equally - proportionally:
 - Per user
 - Municipal borders
 - User consumption
 - Municipal ownership of facilities
- Challenges / considerations:
 - Ability to Pay
 - External benefits

4. Intergenerational equity concerns



Considerations:

- Law authorizing W&W grant & loan programs allows a maximum repayment period of 40 years (RUS, 2003)
 - Repayment period cannot exceed the useful life of the facilities financed
- IMA projects are paid in a time period ≤ 40 years
- Challenges:
 - Projects lasting longer than expected
 - Projects with a life cycle longer than 40 years (IMA on a large scale)



4. FEASIBILITY

Feasibility



- Analysis of IMA feasibility for a municipality has several components:
 - Administrative
 - Political
 - Financial
 - Legal
 - Geographical

Administrative Feasibility



- Local System Advantages:
 - Increased responsiveness
 - Accountability
 - Operations and Management
 - Local Employment
- Regional Authority Advantages
 - System Efficiency
 - Staff Efficiency
 - End user benefits from economies of scale



Political Feasibility

- Ability to break down municipal barriers or the “home rule” perspective.
- Definition of common mission/vision
- Gaining support from the residents within each municipality
- Build rapport with local governments involved
- Maintain effective communication with higher levels of government

Financial Feasibility



- Allocate Costs Fairly
- Identify Financial Resources
 - Grants
 - Loans
 - SRF
 - BANs
- Taxes and User Fees



Legal Feasibility

- **1960** Article 5G provided “*express statutory authority to enter into, amend, cancel, and terminate intermunicipal agreements for the performance of their respective functions, powers and duties.*”
- **1992** - the State legislature enacted additional legislation to further encourage IMAs. This provided structure, but no mechanism.
- **1993** - Amendments to the General Municipal Law, General City Law, Town Law, and Village Law, provided a mechanism making it possible for municipalities lacking financial and human resources to receive professional planning service through county planning agencies.



Legal Feasibility (continued)

- In New York State there are few legal limitations:
 - The municipality must legally be able to undertake project independently.
 - If agreement goes beyond current law, the state must authorize it.
- Municipalities stress the importance of having a good lawyer involved from the start of the process, if possible.

Geographical Feasibility



- General Geographical Considerations:
 - Natural Limitations
 - Rock
 - Distance Limitations
 - Between municipalities
 - From water source



5. ENVIRONMENTAL & SOCIAL IMPACTS

Environmental Concerns



- Health and conservation values of water projects
- Science debates and supports
- Environmental borders vs. political borders

Social Impacts of Intermunicipal Water Projects



- Economic development
 - Real estate value
 - Industry and business opportunities
 - Jobs
- Controlling development
 - Protection of farmlands
 - Environmental conservation
- Does the project fit into the “master plan”?

Social Impacts of Intermunicipal Water Projects



- Smart Growth Plan
 - Promoting economic development
 - Promoting long-term, collaborative community-based land use planning
 - Efficiency in infrastructure construction
 - Environmental conservation
 - Benefits shared by local communities



6. MEASURING SUCCESS

Measuring success (Benchmarks)



Success is achieved when the terms of the agreement were met and the final outcome was a more efficient, reliable and cost-effective water system.

Thus, success is measured not only limit the analysis to the implementation and operation of the new system, but also to the designing process that made it possible.

Measuring success (cont.)



Regarding the designing process...

Participation and cooperation of all of the stakeholders

- Government authorities and citizens
- Good for the whole. Everybody must gain something
- Shared framework for discussions. Fluid communication and flexibility
- Values: Solidarity, trust and honesty

Measuring success (cont.)



Regarding the operation and characteristics of the new system...

Financial sustainability

- All the governments involved can meet their financial obligations in a timely manner
- Financial requirements do not undermine the provision of other public services or affect the government operation
- Self-sustained project to the extent possible (fees)

Measuring success (cont.)



Costs...

- Reduction is a positive change
- If not reduced, some other gains should be in place like reduction in water contamination
- Consider short-term vs. long-term. Success would be achieved if in the long-term the cost of maintenance and / or repair would diminish

Measuring success (cont.)



Positive externalities and quality of the services...

Improved quality of life?

- Impact on economic growth or the location of new residents and firms in the area?
- Quality of agricultural products and the level of production?
- Health condition of the citizens?

Measuring success (cont.)



Reliability of the service.

- Technical characteristics of the new water system
- Reduction of leakages, stop over-flowing?
- At the end, reduction of maintenance and repair costs?

Measuring success (cont.)



Meet expectations and timeliness.

- Actual time of completion vs. the initially estimated time (not necessarily unsuccessful)
- Met expectations? Survey and interviews. (Possible problems of information)
- Perception is important

Measuring success (cont.)



Opportunity cost.

- What alternative projects or agreements would have led to better results?
- Was the project really a priority?



7. FINAL REMARKS

Final Remarks



- IMAs are a suitable option for improving water systems
- IMAs do not lead to automatic gains
- The process of designing the agreement is fundamental
- An effective strategy to include stakeholders and inform the public is required



Thank You