

# Other utilities push economic development – should water systems do the same?

**I**n big cities and small towns all across Kansas, indeed, all across the U.S., economic development is the Holy Grail.

New industry, casinos or other tourist attractions, new housing – they all attract (or keep) residents, they all create tax revenue, plus they all lead to growing sales for existing businesses, from realtors to service stations.

And utilities. After all, new businesses and new residents will need new phone lines, and they'll increase demand for electricity and natural gas. That explains why utilities are in the forefront of encouraging new development.

For the most part, though, water systems don't seem to be as avid for growth. Should they be? Are they missing the boat? Or could it be that managers of RWDs and municipal systems simply see the world a little differently? And is that point of view a reasonable one?

## Planning for growth

To some observers, the anguish no doubt seems overdone. What could possibly be wrong with growth? What's the matter with more customers, more revenues, more size and scale and influence?

"I've often felt that our position in the rural water business is that we're neither pro-growth nor anti-growth," said Gary Hanson, a Topeka attorney who works closely with the Kansas Rural Water Association and many of the

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state's RWDs. "That's not really our function.

"Instead, we simply are there to meet a need."

He added: "The planning people whose job it is to determine where development will occur or not occur are the ones who to a considerable

so that the demand that does occur can be met."

Is Hanson being too conservative? Sure, some systems, especially in the western part of the state, are bumping up against serious supply constraints. A big new subdivision in, say, Rawlins



*The foundation for a new upscale home west and north of Wamego will be served by Pottawatomie County RWD 1. The RWD storage tank can be seen center background.*

extent control that demand – not us."

Hanson then added, "On the other hand, we need to be ready to accommodate growth

County would probably put a real strain on the local RWD. But if the water's available, what's the down side?

One downside risk is of course that you might guess wrong. If you've got the water, if you've got the drive to grow, if you borrow to pay for added plant capacity and upsized mains – but then the growth doesn't come – it can be a big oops.

You may have heard about just such a flap in Douglas County, where RWD No. 4 has been in a noisy dispute over the county's plans to limit sprawl in the 900-connection system's territory, which lies between Lawrence and Baldwin City.

But let's face it, even if the county commissioners don't change the rules during the game, growth can unexpectedly speed up, slow down or go away altogether.

In a way, it's like marrying someone only to discover too late that they're not quite what you thought you'd signed on for. The only difference is that, if you're an RWD, divorce is not an option.

Planning for the future is a basic part of management's role, even when much of the future is determined by people who don't work for the district. So how should RWDs handle that uncertainty? And what kind of relationship, if any, should they have with planning officials and elected leadership in the county, or in a nearby town?

#### 40-acre lots

Douglas County isn't alone in changing the rules to limit growth.

Among the other counties that have done exactly the same thing, moving to a 40-acre minimum lot size, are Marion in south-central Kansas and Wabaunsee, just west of Topeka (and just southeast of Manhattan and Wamego).

Wabaunsee County would seem to have the best of both worlds.

Those nearby large towns contribute significant numbers of

new residents who might wish to move into their territory, yet those other towns aren't in the same county. So if those cities, or their counties, wanted to control the pace or nature of growth in Wabaunsee County, with a population of about 7,000, they'd be in no position to do so. Yet their

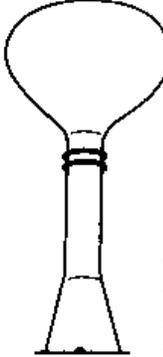


Claude Blevins, recently retired after 10 years as zoning administrator and environmental health director for Wabaunsee County, says that for the most part the county is happy being rural, and he didn't see a lot of unhappiness among RWDs over the new, more restrictive zoning.

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decisions – to widen a road, perhaps, or to limit growth in ways that might increase demand elsewhere – would of course still affect growth, and hence the demand for water, across the line in Pottawatomie.

Besides, with 40-acre zoning came permission for each property owner to split his or her lot one time, making it effectively 20-acre zoning. And a developer wishing to subdivide can of course still do so, down to one-acre lots, with county approval.



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“Just before I retired I gave the planning commission some food for thought,” Blevins said. “My idea was that along the major thoroughfares like Carlson Road, our east county line, which is



*A modular home is placed on a foundation a mile away from the more expensive home pictured on page 92. These modulares will also be served by Pott RWD 1.*

primed for development, they drop the acres down to at least 10 for a mile on each side of that road.”

He proposed the same sort of revision along Keene Road and Hwy. 99 in the northern part of the county, along I-70.

To the southwest, in Marion County, growth has been slow and steady. About seven years ago, Marion RWD No. 4 expanded service, with a new tower and 60 miles of new pipelines to handle some of that growth. Might it have to expand again? If it did, it would probably be as much a burden as an opportunity, said Kerry Shewey, office manager for the district.

“It’ll be an interesting dilemma down the road if we have to add on another 100 users,” she said. “I don’t know if we could handle that.” Shewey’s attitude seems to reflect Hanson’s view: that water

utilities, unlike electricity or telephone, aren’t avid for growth.

“We get a few transplants from Wichita, trying to get away from big city life,” she said, “but we’re closer to McPherson and Newton. We aren’t rubbing up against a big city,” so rapid urbanization isn’t looming on the horizon. The biggest city in the county, Hillsboro, has only 3,000 people.

In general, people who live in rural counties seem to prefer the lifestyle, and there’s little pressure for new shopping centers or subdivisions. Perhaps that’s why Marion’s move from 10-acre lots to a minimum of 40 wasn’t a shock to the system.

“Maybe here in central and western Kansas, it’s not as big an issue [as in an urban county like Johnson].”

### Johnson County

Life is certainly different for the managers of WaterOne, as Johnson County Water District No. 1 calls itself. Some of the issues confronting rural counties today were settled decades ago, and WaterOne is a large consolidated district.

Yet Ron Appletoft, a policy analyst who’s worked with the district in the area of government relations, sounds a lot like his small-system brethren.

“Our role is to support what our communities want,” he said. “So we do not have a philosophy of what we want as a water district.”

“If their plans are that they want to grow, then our district supports whatever their plan is.”

Of course, WaterOne’s situation is a little different from the RWDs in most of the rest of the state. For one thing, there’s a pretty strong consensus that growth is good. And the numbers are certainly larger.

For instance, the latest projections that WaterOne is using

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to plan for growth call for the district's population to double by 2042. The district's response? A \$250-million plan to add a third intake and make other system improvements over the next couple of decades.

In the case of Douglas RWD No. 4, the debt they took on in anticipation of growth came to about \$1 million. But except for the how many zeroes are at the end of the numbers, the situation isn't all that different for Water One.

"We have three cities, Overland Park, Shawnee and Lenexa, that are major growth areas, and Leawood a little bit," Appletoft said. "Those areas are saying, yes, we want you to supply water to these areas."

Since the district doesn't have enough water to support that growth, it's got those expansion plans in hand. But since growth might speed up or slow down, they're building toward their ultimate goal in stages.

"Obviously, you don't want to build and then have growth drop off," he said, "so we are building in increments, towards being able to double our water supply by 2042."

There are a few other differences between WaterOne and other Kansas RWDs. For instance, when the district decided to hire the engineering firm of Black & Veatch to do a cost-of-service study, as it did recently, it had plenty of reserves on hand to pay the bills. Plus it has engineers and other professionals on staff, the better to evaluate proposals and manage the work.

In addition, of course, WaterOne has the water.

"That's a big issue for a lot of communities," Appletoft said. "They don't have a source of supply.

"We have one intake on the Kansas River and one intake on

Financing  
potential  
growth



Risky business!

**F**inancing "potential" growth can be risky business in smaller cities and rural water districts. The question is, "what happens if the new applicants don't materialize?" Well, the funds are going to have to come from somewhere and so it's either higher taxes in cities and/or higher water rates for residents. Rural water districts have little recourse other than to increase rates to meet the debt service requirements.

"Hindsight being far better than foresight, no rural water district today would try to cut back on the size of their distribution system pipeline, say a proposed 3-inch pipeline back to a 2-inch vs. changing from a 3-inch to a 4-inch," says Mike Mayberry, Director, Kansas Rural Water Association. Mayberry, formerly city administrator at Kiowa, Kan. says that systems that decide to install a 12-inch main vs. an 8-inch that is recommended by the consultant assume a real gamble that somehow, the additional revenues are going to be available to finance that 12-inch line which may cost 50% more than the 8-inch. "It's so easy for plans by developers to change. You just don't want to get your utilities into a position where they've over-built and then end up with a white elephant," Mayberry says.

Lending agencies look very closely whether or not their loan financing may be used towards making improvements that are being installed in anticipation of growth. As one example, the Kansas Public Water Supply Loan Fund, administered by the Kansas Dept. of Health & Environment, is prohibited by federal law from making loans for projects that are needed solely for future growth or fire protection. Instead, the highest rankings are given to projects that address the most serious health risks, that are necessary to assure compliance with requirements of the national primary drinking water regulations, and that assist public water supplies most in need.

the Missouri River [plus wells in the aquifer near the intakes], and for our third source, we're going back to the Kansas River in a different spot, so we'll have three intakes.

"We're lucky, because we have a source of supply, whereas a lot of communities don't," he added. "So if they wanted to grow, where are they going to get the water from?"

WaterOne also has a system in place to help pay for expansion without going back to existing customers in the form of higher rates.

"Our philosophy is that growth pays for growth," Appletoft said. "The development that's going in is paying for the capacity that they're putting on our system. There's an actual hookup fee, which is the tap and all the materials. But then there is a portion of the fee that we charge for the capacity that has been built already and that the existing customers have been financing."

Currently, that charge is \$2,350 for a 5/8-inch meter, and as the size of the meter grows, so does the fee.

Having the ability to charge that stiff a fee, having the size and scale to maintain a large staff and

from betting the ranch on growth. As the Federal Register puts it, ineligible projects include those "needed primarily to serve future population growth. Projects must be sized only to accommodate a

**But in the end, every water system, large or small, has to plan for the future. And also to plan for the possibility that those plans will change.**

hire consultants – perhaps it's that sort of economies of scale that drives some small systems to seek growth at all costs. But in the end, every water system, large or small, has to plan for the future. And also to plan for the possibility that those plans will change.

Simple prudence isn't the only reason not to count on massive amounts of growth, incidentally.

If you plan to use SRF funds (that is, EPA money loaned through the state revolving fund), your system is specifically prohibited

reasonable amount of population growth expected to occur over the useful life of the facility."

#### **It's not really lobbying**

Even in urbanized Johnson County, it takes more than an expensive consultant to make projections about what constitutes a "reasonable amount of population growth."

"Obviously, if we're not attuned to what the cities want, what their planning commissions are doing, what their city councils are approving, then we're going to be building a lot of infrastructure that's not going to be needed," Appletoft explained. "You've got to keep in touch."

"In our case, our people meet with Lenexa annually, in a kind of annual meeting where our officials go over and keep in touch. Our people also attend all these chamber functions, and so do the city people. Maybe it's not a formal thing, but they keep in touch pretty frequently."

In Marion County, there are no such formal or semi-formal meetings, though it's likely that Marion 4 has a pretty good feel for what the county commissioners are thinking.

"They haven't really contacted us specifically that I'm aware of," said Shewey. "They kind of do their own thing, and we do our own thing."

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There have been talks with Hillsboro over backup connections and the like. And when a developer came to visit about his plans for a

growth begins to happen, Marion 4 will accommodate it one way or another.)

Whatever the size of the

county, or the county next door, decisions by governmental entities can affect any district's growth potential. So can decisions by residential and commercial developers. And by China and Wal-Mart, by Congress and the Federal Reserve and

And of course by individuals making decisions about where and how they wish to live, how big a lot they want, how far they're willing to commute and a host of other factors.

The key thing to remember is that one of the most vital roles of any water system's management is to plan for the future.

Any manager who's not keeping up with what public officials and developers are thinking might want to consider making an occasional phone call or attending an additional meeting every now and again.

As Hanson put it: "We try to tell people to get out there and think ahead and plan and be ready.

"And at the same time, one of the things you have to be ready for is that things may change on you."



A third new home construction in Pottawatomie County, a mid-range priced home located a half-a-mile from the two other homes pictured.

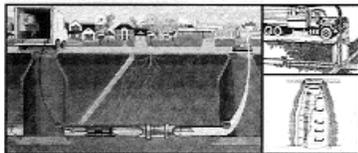
subdivision near McPherson, Shewey certainly met with him. (So far, only one house has been built on the man's property, but if

by others who can affect us indirectly by altering the direction of the national (or global) economy.

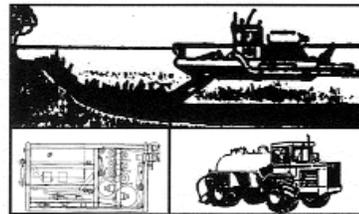
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