

TURNING UNUSED ASSETS INTO CASH



East Cedar Creek FWSD

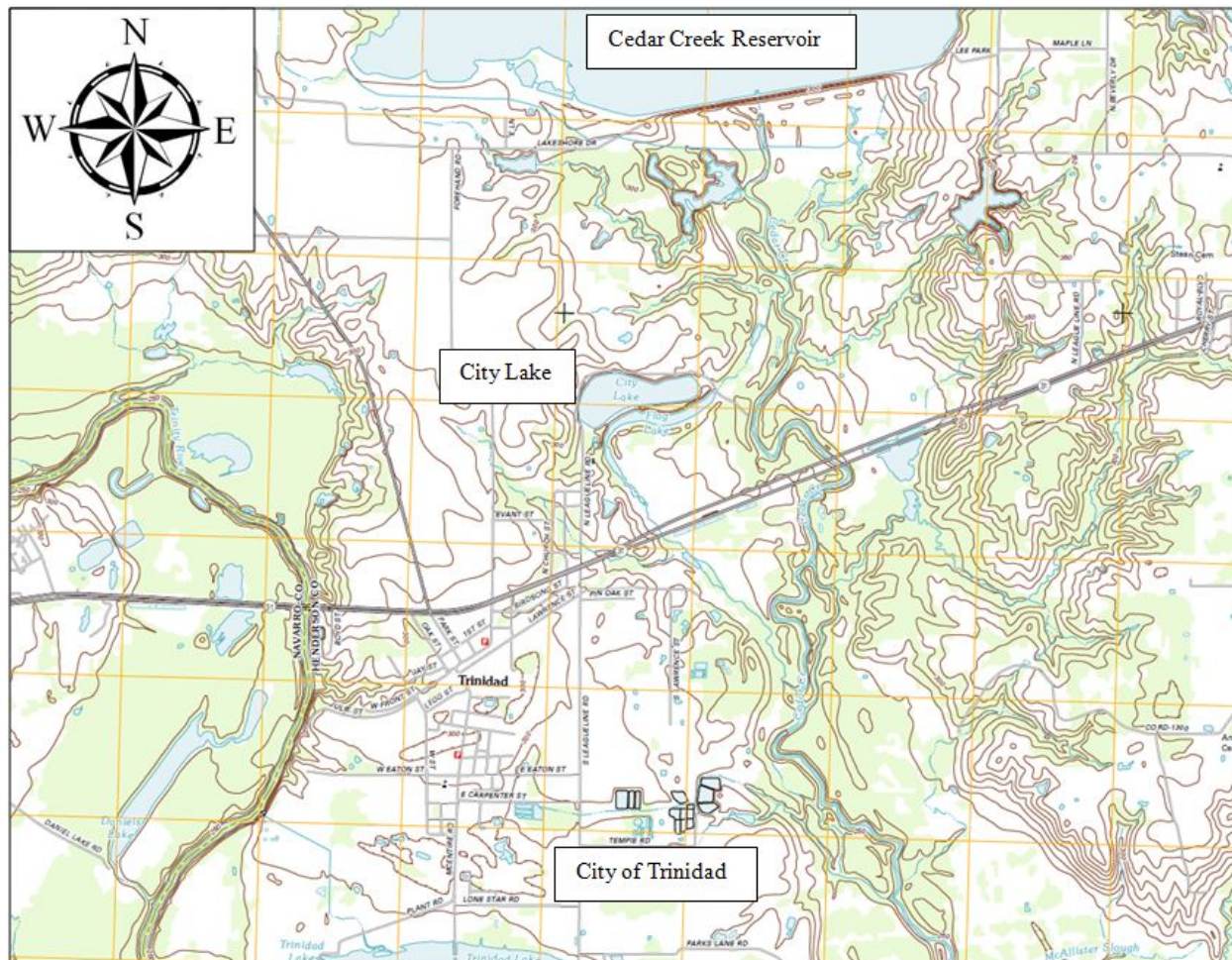
Multi-Agency Cooperation—Texas Style

It's an all too-familiar scene among rural municipalities: diminishing tax base, high debt, decreasing population, deteriorating infrastructure, and difficulty maintaining the water and sewer system in the face of increasing regulation. That was the situation that Trinidad, Texas found itself in several years ago.

Trinidad was once a thriving example of small-town Texas. Numerous stores in the downtown area, a large manufacturing facility, and at one time, the largest coal-fired electric power generating plant in Texas, all called Trinidad home. However, Trinidad's fortunes changed over the years: the fertilizer plant shut down, the power plant was relegated to stand-by status, and the resulting reduction in jobs lead to a reduction in population and job opportunities.

Although Trinidad did its best to replace infrastructure, they were unable to keep up with the pace of deterioration and the burden of increasing regulation.

The city began to take stock of its assets. Former mayor Chris Quinn came up with the idea of selling raw water to some of the city's neighbors. Mr. Quinn's idea was based up on the fact that Trinidad owned water rights to 1,000 acre-feet of water from nearby Cedar Creek Reservoir.



Mayor Quinn mentioned his idea to City Administrator Terri Newhouse, who in turn contacted City Engineer Mike Tibbets with Hayter Engineering out of Paris, Texas. A quick review of the city's water records indicated that Trinidad only used about 150 acre-feet of raw water per year for the last few years. There was certainly plenty of water left over to sell to someone else if that entity could be located.

Mayor Quinn then instructed Tibbets to contact every water-using entity around Cedar Creek Reservoir in hopes of locating someone that might want to buy some of the city's excess raw water.

East Cedar Creek Fresh Water Supply District expressed interest in the idea. General Manager Bill Goheen said that ECCFWSD was currently under contract to buy all of their raw water from Tarrant Regional Water District (the owner of Cedar Creek Reservoir), but that he would consider any arrangement that might save the district money.

Tibbets then contacted Planning Director Wayne Owen with TRWD in Fort Worth. Tibbets explained the concept, and asked Owen if TRWD would consider allowing Trinidad to sell water to ECCFWSD.

Owen indicated willingness on the part of TRWD to consider such an arrangement. Quinn and Tibbets pointed out that although it was clear that Trinidad could sell up to 1,000 acre-feet of water per year

from City Lake, it would not be economically feasible for any potential water customer to build a pipeline from City Lake all the way to wherever the water would be used.

Tibbets asked if TRWD would allow ECCFWSD to pull water from Cedar Creek Reservoir where their pump stations were located—and allow ECCFWSD to pay Trinidad instead of TRWD for that water.

Owen took the request into consideration, and to the delight of the other entities, agreed to the idea. Owens' comment of "We will lose more water than that in evaporation!" exemplified the spirit of cooperation exhibited by one of the largest water suppliers in Texas toward the small town of Trinidad.

With TRWD's agreement to the initial concept, the Trinidad and ECCFWSD began the task of hammering out an agreement. The high points were as follows:

- Trinidad agreed to sell water to ECCFWSD at 75% of what TRWD would normally charge.
- This arrangement allowed a third party (TRWD) to set the price of water.
- They agreed to a 50-year contract.
- Trinidad agreed to sell 700 acre-feet per year to ECCFWSD, leaving the city with 300 acre-feet per year to satisfy state requirements and to accommodate future growth.

Realizing the opportunity to benefit from a previously under-utilized resource, Trinidad and ECCFWSD agreed to the final contract after three years of negotiations, water rights permit amendments, legal issues, and other considerations.

The 50-year revenue projection for the City of Trinidad is over \$16M. The projected savings to ECCFWSD is over \$5M. The overall process was not quick, nor was it easy. However, persistence and hard work by both sides eventually paid off well.

Trinidad and ECCFWSD are now in the third year of the agreement. Trinidad is benefiting from cash received from the sales, and ECCFWSD is benefiting from a reduction in the cost of raw water. However, none of this would have been possible without the spirit of attitude and cooperation as well as the extensive assistance of TRWD.

One lesson that can be learned from this situation deals with unused (and possibly ignored) assets that may be turned into cash. Many public water suppliers in the State of Texas have a raw water purchase agreement with a reservoir owner or other raw water supplier that is on a "take or pay" basis—meaning that the purchaser must pay for all of the water that is committed by the raw water supplier, even if the purchaser does not use that amount of water.

Water suppliers are therefore encouraged to look at their projected water demand. It may be that excess capacity can be sold to a neighboring supplier. Such an arrangement could be beneficial to both parties, thereby making better use of this precious natural resource while making the water more available and affordable to the customer.

In this real world example, creative thinking on the part of two entities, combined with the helpful spirit exhibited by a third entity, resulted in benefits that heretofore had gone unutilized.

Think outside of the box, evaluate your assets and the needs of others, and perhaps you or your client will be as fortunate.

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