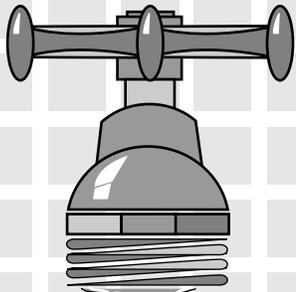


REGIONALIZATION STUDIES



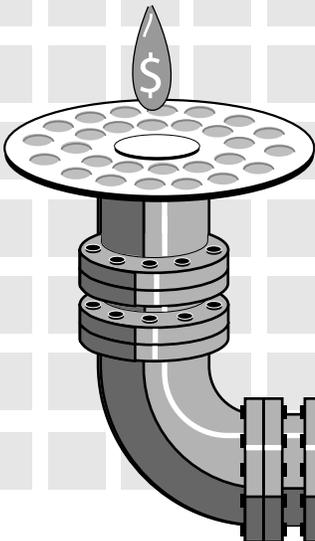
Regionalization studies are undertaken as a first step in the process of creating or revising regional water and sewer systems. Such studies provide insight to the key elements that are unique to each situation.

Economic theory tells us that savings can be realized because of economies of scale achieved through the consolidation of two or more separate service units. In addition, a regional system often has a borrowing advantage over a smaller entity. It is this approach that has fueled the creation of a number of regional water and sewer systems across the State.

Common goals associated with regional utility systems include:

- Financial Savings
- Economic Development
- Long-term Viability
- Reduced Liability

While it is reasonable to assume that savings are possible, it does not however insure that all system combinations will be successful.



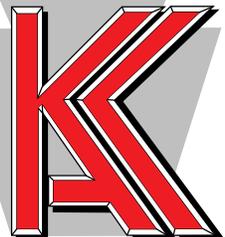
The success of any regional system is dependant on a number of key factors, including the following:

- Management Structure
- System Efficiencies
- Management Expertise
- Financial Viability
- Customer Equity

These key factors, when combined properly, can create a synergistic effect that will provide long-term benefit to the communities and customers served. Shortcomings in any of these areas may mitigate achieving the intended goals of the regional system.

To ensure that these goals can be reached and that the system is viable, a regionalization study should be conducted by an independent party. **Keystone Alliance Consulting** is often asked to provide this service because of our role as independent financial experts in the water and wastewater field.

Such a study will investigate the possible organizational structures, the financial implications of each arrangement and the transitional milestones essential to completing the process.



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