

# STARTING A WATER SYSTEM (Non-Profit) ASSOCIATION

## Questions and Answers Related to Rural Water Systems

1. **What is a rural water system?**

A rural water association is a non-profit corporation organized not for profit. Its primary function is to finance, construct, operate and maintain a rural water distribution system.

2. **If I own land or live within the boundaries of a rural water system, am I obligated in any way?**

No. You are obligated only when you apply for a water service and are accepted as a water user.

3. **Will my land and/or personal property be taxed to pay the cost of a water system and rural water system?**

No. A rural water association has no power of taxation.

4. **How will a rural water system raise money with which to retire its indebtedness and pay cash operating and maintenance costs?**

Revenue is raised from the sale of water services called membership certificates and from monthly water bills from the sale of water.

5. **How are membership certificate costs and water rates established?**

The board of directors elected by the association members of the water association will determine the cost of a membership certificate. The water association cannot borrow more than 95% of the construction cost. This means it must raise at least 5% of the construction cost plus an additional amount to pay costs of organizing the district.

6. **How are the monthly water rates established?**

The monthly water rates will be established by the Board of Directors. They will need to raise enough money from this source to repay the loan, maintain and operate the system, and build a reasonable reserve for future expansion, replacement, etc. By considering in estimate of the amount of water each customer will use monthly, the monthly costs, and the number of water users, the Directors can calculate the approximate water rate that will need to be charged.

7. **Will the water association have a lien on my land for my share of the cost of the water system if I sign up to be a water user?**

No.

8. **Am I personally liable for the debts of the water association?**

No.

8a. **If I hook up to the water association and after two or three years I decide that I no longer want the water, am I obligated to continue paying the water bill?**

No, however, you are obligated to notify the Board of Directors that you no longer want the water.

**9. Where are the water lines usually laid?**

On privately owned lands where they will not be disturbed.

**10. Will landowners along the lines be asked to grant rights-of-way or easements?**

Yes.

**11. Will water associations pay an award for rights-of-way?**

No. Rural water lines benefit lands and the people in a community.

**12. What will a water system cost?**

The cost cannot be determined until an initial rural water survey of the people is made to determine: (1) the number who will use water, (2) the source of water, (3) the estimate of water use by each user, (4) the distance between users, and (5) other pertinent facts.

**13. Who will make the initial rural water survey?**

The initial survey will be conducted by the steering committee. The survey will be conducted within political subdivision i.e., township or counties and major natural boundaries i.e., major rivers or urban areas.

**14. What will happen after the Initial survey is completed by the steering committee?**

If the survey results appear favorable, the steering committee will officially organize and hire a consulting engineer to develop a preliminary report. It will show:

- (1) People who want water.
- (2) Location of potential Users.
- (3) Source of water.
- (4) Location, size, type of water distribution lines, storage and treatment facilities.
- (5) Total Cost.
- (6) Average member cost.
- (7) Monthly water rate.
- (8) Cost of each membership certificate and water service.

**15. What will such a report cost?**

It usually costs not more than \$25.00 per prospective water user.

**16. How is this money raised?**

The Interested people will usually contribute not more than \$25.00 each. This amount will be Included In membership certificate cost if a water system is built.

**17. Will I get my contribution back if the money is not used, and the water system is not constructed?**

Any part not used in paying the costs of making the preliminary survey will be refunded if the system does not prove to be feasible did is not constructed.

**17a. If I pay \$25 now and later decide not to hook up to the water system prior to construction, will I get my money back?**

No. If the system is constructed, the only people who will get their money back are those outside of the association's boundaries who the Engineer determines cannot be served.

**18. Will the water be of good quality?**

The water will be treated the same as city water under the direction of the DEP.

**19. If I do not become a member at the outset, can I sign up and be accepted later?**

The association cannot assure you that it will be in a position to serve you later. The system will be designed to serve those who become members at the outset.

**20. If I purchase a membership certificate, will I have to pay a water bill each month if I do not use water right away?**

Yes. Each member will be required to pay the minimum water bill from the time water is available whether he uses it or not. This is the only way the association can raise revenue to operate and pay off the loan.

**20a. I would like to have a hook-up at my pasture. Will I have to pay the same water rate as a farmstead or residence?**

Yes. The big cost of the water is in the construction. It costs just as much to pipe water to a pasture as it does to a farmstead or house. However, pasture connections are not used in determining overall economic feasibility.

**21. How large are most water associations?**

They vary in size, but systems financed so far range from 50 to over 5,000 water users. The average size system may be 500-800 users and may include a large portion of one or more counties.

**22. Where can we get the money to finance a water association?**

If funds are available, the USDA-Rural Development may make loans and or possible grants to water associations to provide rural water systems. These loans are made at present rates of interest to be repaid in not to exceed 40 years. The project must be economically feasible before a project will be financed. Also, FDEP-SRF, DCA-SCBG, and other programs exist to finance water related projects.

**23. How can we proceed to organize a water association, obtain a loan, and construct a water system?**

(a) First, the people in the area will need to be in favor of such an undertaking.

Usually a mass meeting is called by some of the leaders in the area to discuss the proposal and poll the people. If there are enough in favor of such an endeavor, they should put up some money, usually about \$25.00 each, to pay costs of a survey and organizing a association.

- (b) The people would then elect a temporary Board of Directors to take charge and find out who wants water.
- (c) The temporary Board of Directors will make a preliminary determination of feasibility.
- (d) If a water system appears feasible after the initial rural water survey by the steering committee, the Directors will hire an engineer to make a preliminary report of the system for the users who have asked to be included. The engineer will make a cost estimate and recommend a water rate schedule to bring in adequate income. The Board of Directors will review the engineer's report, and if found feasible, pursue funding.
- (e) The temporary Board of Directors would then employ an attorney and organize as a non-profit association. The Articles of Incorporation would be filed with the Secretary of State. The form of Articles and By-laws can be furnished by FRWA, USDA RD, etc.
- (f) The Directors will have the Engineer complete final plans. They will then have water users apply for water services make their contribution for a membership certificate and connection fee and complete loan docket. The attorney will obtain all necessary rights-of-way and easements.
- (g) If requirements have been met and funds are available to the association, the Directors will advertise for bids, let contracts and close the loan.

**24. How long does it take from the time we've been given the approval for financing until we could complete a system and put it into operation?**

The time varies. It depends a lot on how well the people cooperate, how well the association pushes the project along, and the availability of loan funds. Such a project is a community endeavor, the system will be owned by the water users, and they will operate their own system. The greater the participation by the people, the faster the project will move along.

**25. What provisions are made to insure collection of water bills?**

The Board of Directors is authorized by provisions of the by-laws to disconnect a service if the bill is not paid within a specified time. It is important that such rules be strictly enforced on an impartial basis.

**26. Will I have a water meter?**

Yes, Water will be metered to each service.

**27. Where will the meter be located?**

Usually meters are located at the property line adjacent to the point of use, or a certain number of feet from the point of use. The Directors and Engineer will make this determination.

**28. Can I connect more than one residence or business establishment to a meter?**

No, each residence and each business establishment must have a meter.

**28a. What about trailer houses?**

They are considered a residence and must pay the same rate and work fees. Business rate will be established for trailer courts. Usually any place that parks four or more trailers would be considered a trailer court.

29. **Can I have more than one meter for one membership certificate?**

Yes. You may have only one membership but additional meters as needed per association water tariff.

30. **How does a water association operate after construction is completed?**

- (a) The Board of Directors is elected by membership certificate holders.
- (b) The books are audited annually.
- (c) An annual meeting is held.