

Cooperative Management Initiatives and Funding Issues

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Underground Infrastructure Management Conference

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Today's Discussion

- Utility Management / Asset Management
- Where Are We Now?
- Where Do We Need To Go?

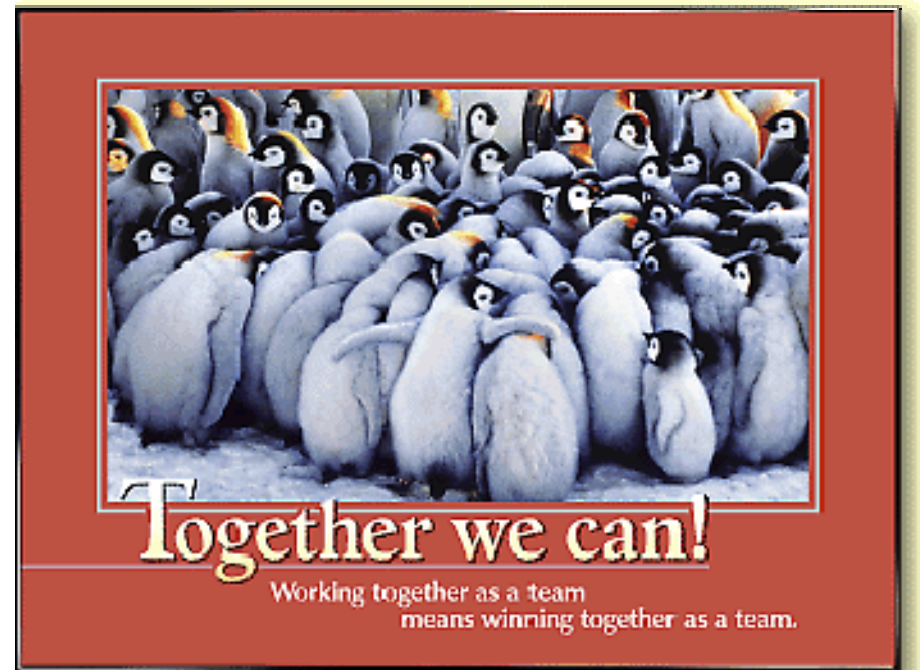


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Collaborative Utility Management Initiatives

Three Overarching Realities

- **Water/wastewater sector organizations are collaborating to continue to improve utility management**
- **Public water/wastewater utilities are leaders in the utility management arena and in becoming increasingly competitive and innovative**
- **Utility management plans often have the effect of shedding light on the size of a utility's financial needs**



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Statement of Intent on Effective Water Sector Utility Management

- **Signed May 2006 at the NACWA/WEF National Clean Water Policy Forum by:**
 - NACWA, WEF, AMWA, AWWA, NAWC, APWA and EPA
- **Objectives:**
 - Affirm belief by Signatory Organizations in the value of sound and effective utility management
 - Strengthen partnerships to encourage and promote effective utility management
 - Improve utility performance through the application of effective utility management tools; and
 - Enhance utility decision making through public awareness and customer confidence



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Statement of Intent on Effective Water Sector Utility Management

Activity to date

- **Two facilitated sessions and several conference calls to develop:**
 1. **Draft attributes for an effective utility management program**
 2. **Draft measures to gauge the effectiveness of a utility's management program**
 3. **A website containing key utility management resources and information**
 4. **A continual improvement management framework based on the "plan, do, check, act" concept**



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Statement of Intent on Effective Water Sector Utility Management

Next Steps

- Finalize recommendations from steering committee
- Make tools available to organizations' members on their websites
- Communicate widely about effective utility management
- NACWA winter conference, January 30-February 2, *Global Trends Impacting Public Utilities . . . The Rising Cost of Clean*, in St. Petersburg, Fla.



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Implementing Asset Management – A Practical Guide

- NACWA, WEF and AMWA working on this practical guide
- Guide employs a risk-based approach that all utilities can use
- Builds on previous publications
 - *Managing Public Infrastructure Assets to Minimize Cost and Maximize Performance (2002)*
- Unlike the Australian one-size-fits-all approach, this guide allows for site-specific flexibility
- Release of new publication expected in March 2007



"Frankly, Mr Clause, we don't understand - two days ago you had assets worth billions - today, nothing..."

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Where Are We Now?

- **Utility management will continuously improve but the Nation's clean water progress is at risk**
- **Nearly 50% of the Nation's waters are still impaired**
- **Population will grow by 100 million people in the U.S. further stressing our utilities' capabilities**
- **Despite next year being the 35th anniversary of the Clean Water Act (CWA), EPA estimates that we will return to pre-CWA water quality levels by 2016 absent a major new funding infusion**
- **Where will the money to meet these challenges come from?**



Framing the Funding Gap Debate

- The funding gap is the real deal
- The debate now focuses on bridging the funding gap
- Failure to bridge it will result in severe impacts on the nation's public health and environmental well-being
- Some of the questions we must ask ourselves to frame the debate include:
 - Is clean water a national issue?
 - Should clean water be a national priority?
 - Are we facing a national crisis?



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EPA's Solution: Clean Water Is a Local Issue

EPA's Four Pillars:

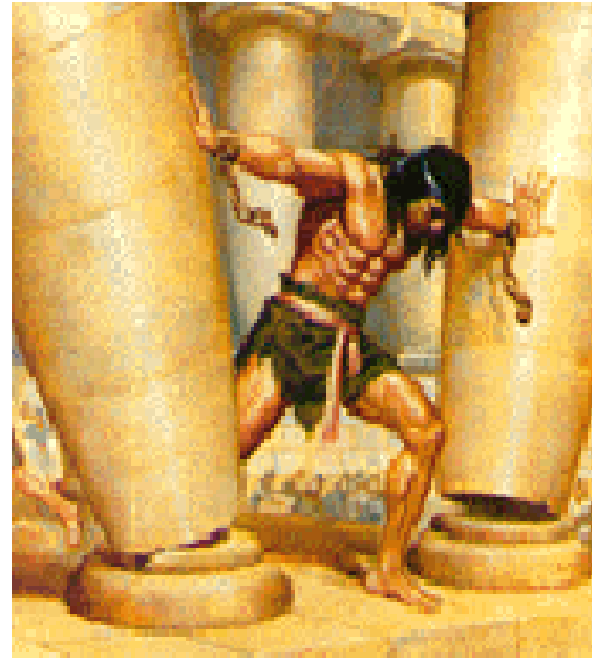
- **Full-Cost Pricing**
 - Increased local spending of 3% above the rate of inflation will bridge the gap (EPA's 2002 Gap Analysis)
- **Better Management**
 - This means better local management
- **Efficient Water Use**
 - Local water conservation efforts can lower the demand on water and lessen the wear and tear on existing infrastructure
- **Watershed Approaches to Protection**
 - Local groups with a stake in water quality cooperate together and solve the problem on their own
- **EPA's Four Pillars offer positive approaches but cannot alone overcome the funding gap**



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EPA's Four Pillar Approach – Not A Panacea

- EPA's approach does not account for past and anticipated rate increases
- EPA's approach does not account for the fact that municipalities' debt loads are rapidly increasing
- EPA's approach does not account for affordability issues
- EPA's approach assumes no further need for federal funding
- EPA's approach relies exclusively on market-based approaches
- EPA's approach does not account for the costs associated with consent decrees and additional regulatory requirements
- EPA's approach does not account for well-managed systems
- EPA's approach does not account for national or global financing trends
- EPA's approach does not account for limitations on watershed planning
- EPA's approach does not account for the drawbacks to conservation



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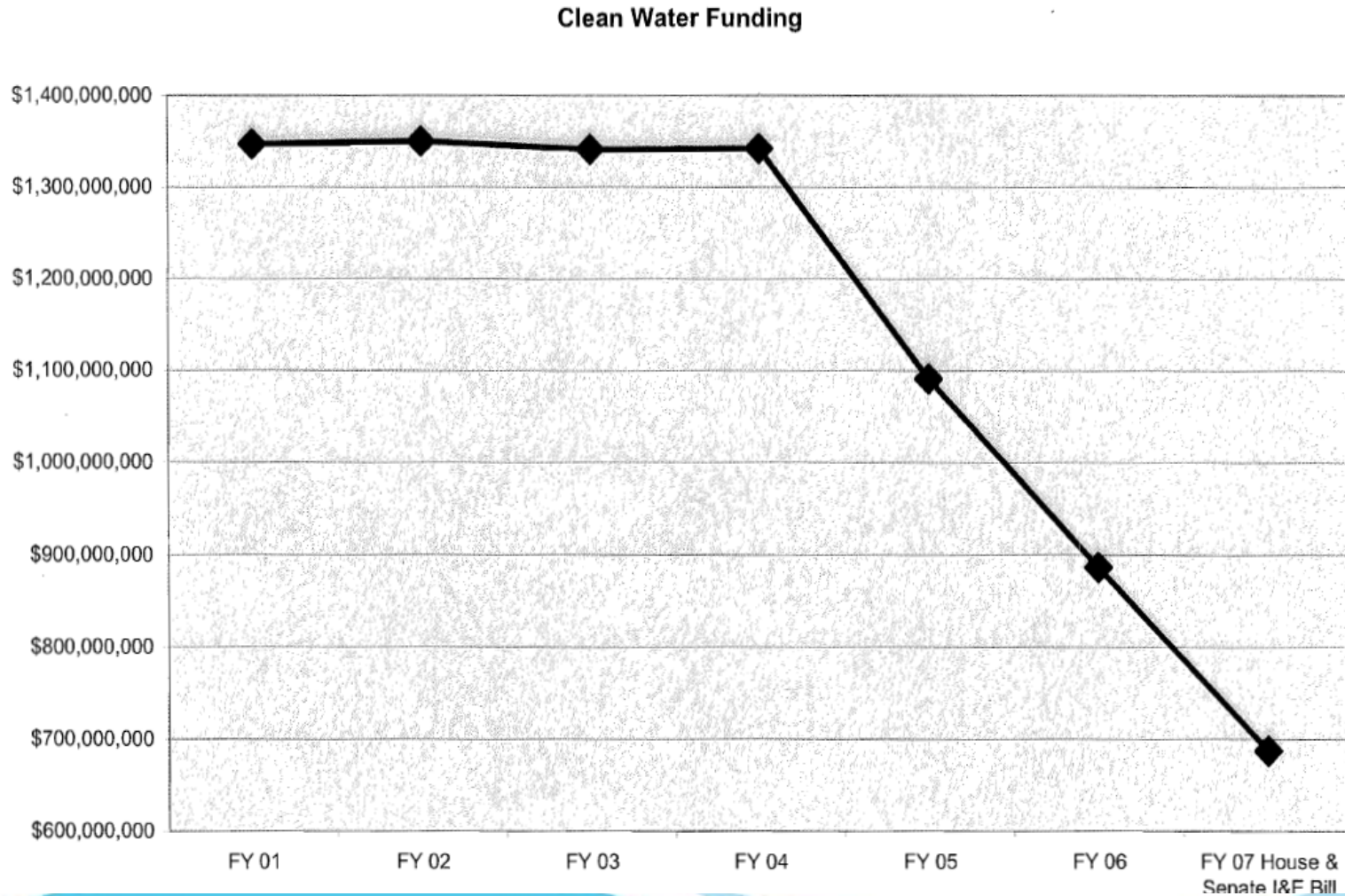
EPA's Paying for Sustainable Infrastructure Conference

- March 2007 in Atlanta
- NACWA is a cosponsor and will voice the municipal perspective
- Seeks to shift the debate from clean water “funding” to “financing”
- Will look primarily at market-based approaches such as:
 - Privatization
 - Public-Private Partnerships
 - Private Activity Bonds
 - Environmental Financing Bank
- While this discussion takes place we must not lose sight of the federal and local sectors' actions . . .



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The Federal Funding Decline – The CWSRF



NACWA Service Charge Index

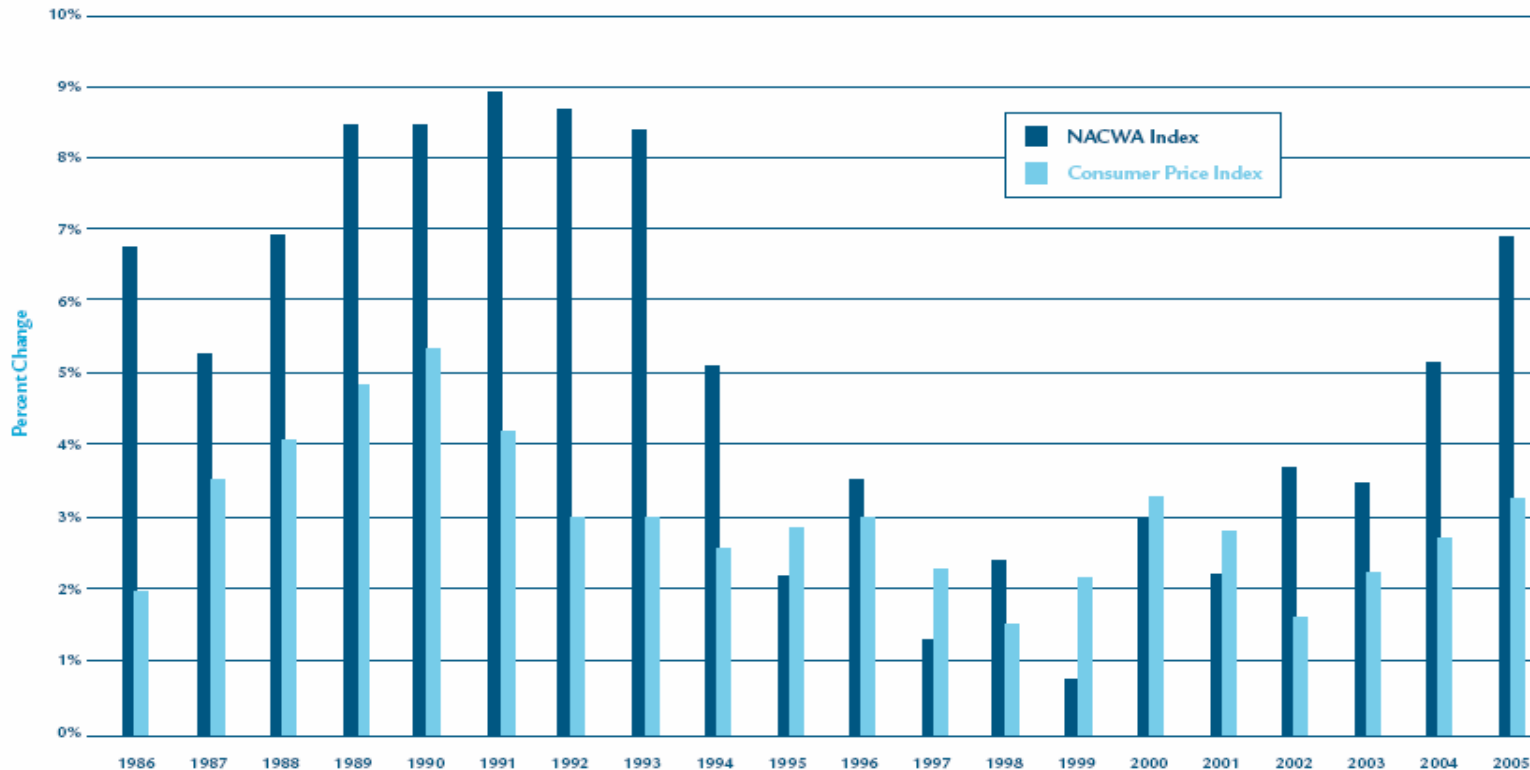
- Shows rate increases well above inflation since 2002 -

- For 15 of the last 20 years rates have risen more than inflation -



Source: 2005 NACWA Service Charge Index Survey

Service Charge Index vs. Inflation Rate



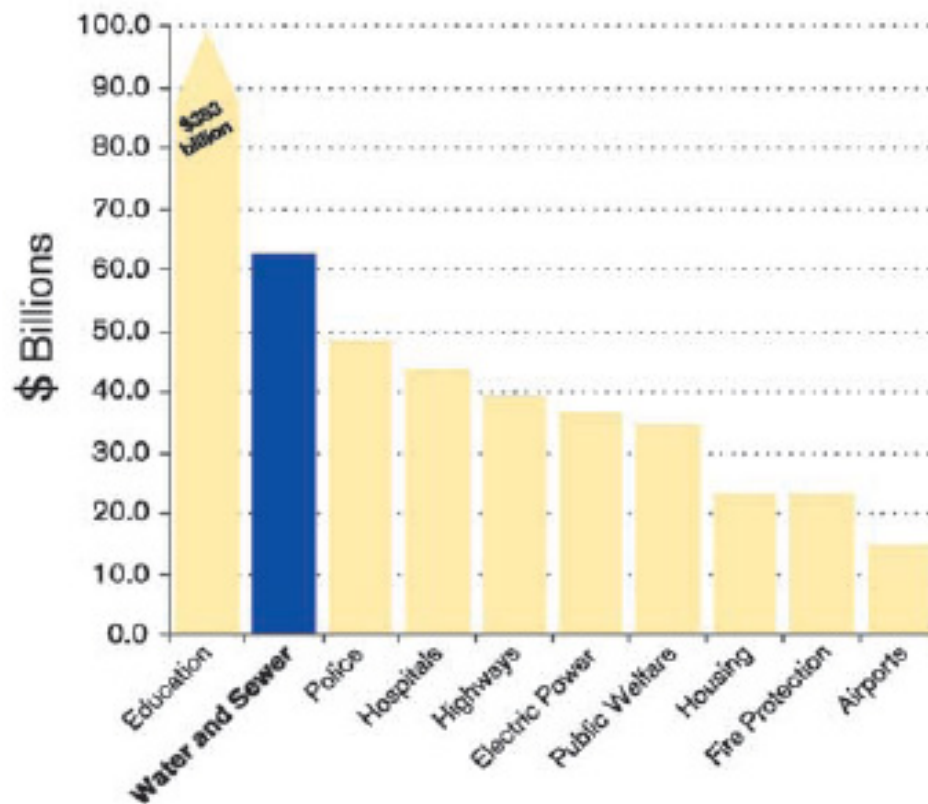
The Bottom Line

With the exception of education, the provision of water and wastewater services is the single most expensive budget item for municipalities

- The 2000 U.S. Census -

Federal Investment Declines...

Local Government Spending Rises on Water and Wastewater



According to the U.S. Census Bureau's latest statistics on local governmental spending, water and sewer expenses ranked second behind education in total outlays in 2000. Annual local government spending for water and sewer exceeded all other categories of spending. Large increases in capital needs and expenditures for water and sewer infrastructure could hamper local government's ability to provide other critical services and could threaten the 30 years of progress that have been made in ensuring safe and clean water for the public and the environment.

Where Do We Go From Here?

- **Municipalities are already shouldering more than 95% of the clean water needs of this country**
- **Municipalities will continue to raise rates and improve their management techniques to meet the challenges**
- **The federal government must play a central role in funding the Nation's clean water priorities**



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The Trust Fund Approach

- **The current assumption is that the general budget is unlikely to support the clean water funding levels of the past**
- **Other critical infrastructure sectors have successfully looked outside the general budget for revenue**
- **Fair and equitable trust funds are used to support highway and airport infrastructure**
- **A trust fund approach puts more money on the table to address national needs**



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Trust Fund – From Concept to Reality

- Water infrastructure deserves sustained federal funding like highways and airports
- 2005 Luntz-Penn Schoen Survey shows significantly more support for Clean Water Trust Fund than for highways and airports
- June 8, 2005 hearing in Congress on the clean water trust fund concept:

*“Fully **85%** [of Americans] say that if there was a bill in Congress to create a long-term, sustainable and reliable trust fund to protect and guarantee clean and safe water, they would support it ... such an overwhelming consensus about the role of Washington doesn’t happen often...” Frank Luntz*

- December 2005: Chairman Duncan introduces Clean Water Trust Act of 2005, H.R. 4560



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How Would Funds Be Spent?

- **\$7.35 billion per year over 5 years (\$38 billion)**
- **\$4.5 billion/year for grants**
- **\$1.5 billion/year in low-interest Clean Water SRF loans**
- **\$1.35 billion/year for targeted programs:**
 - **Additional research and technology - \$295 million**
 - **Sewer overflow grants program - \$250 million**
 - **Regional waters: Chesapeake Bay, Great Lakes, Long Island Sound, Gulf of Mexico - \$250 million**
 - **Fisheries enhancement - \$250 million**
 - **Management assistance to states - \$250 million**
 - **State wetlands program grants - \$100 million**
 - **Small or rural systems - \$50 million**
 - **Nonpoint watershed pilot project - \$20 million**
 - **Utility Management Center - \$5 million**
 - **\$125 million one year commitment for Alternative Water Source Pilot Project**



Who Supports H.R. 4560?

- **The Associated General Contractors of America**
- **Ducks Unlimited**
- **National Association of Towns and Townships**
- **American Society of Civil Engineers**
- **Western Coalition of Arid States**
- **Rural Community Assistance Partnership**
- **National Association of Clean Water Agencies**
- **American Sportfishing Association**
- **American Council of Engineering Companies**
- **Theodore Roosevelt Conservation Partnership**
- **Construction Management Association of America**
- **International Association of Fish and Wildlife Agencies**
- **American Public Works Association**
- **Association of Equipment Manufacturers**
- **Design Build Institute of America**
- **Trout Unlimited**
- **American Rivers**
- **Underground Contractors Association**
- **Plastics Pipe Institute**
- **American Concrete Pressure Pipe Association**
- **American Supply Association**
- **Portland Cement Association**
- **Associated Equipment Distributors**
- **BASS/ESPN Outdoor**
- **National Rural Water Association**



Next Steps

- **Reintroduce Clean Water Trust Fund Bill in the 110th Congress**
 - **Work with new Congress/Build on Past Support**
 - **Identify fair and equitable revenue sources**
 - **Address Davis-Bacon Act prevailing wage concerns**
 - **Enhance innovative infrastructure financing approaches**
- **Continue to voice need for a local-state-federal partnership to address funding gap**
- **Continue to extend NACWA's grassroots advocacy capabilities**
 - www.win-water.org
 - www.cleanwateramerica.org



WWW.THEMATTERHORN.NET

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Parting Thoughts

- **Current U.S. population is 300 million**
 - By 2025: 350 million
 - By 2050: 420 million
- **Increased industrial output/stressors**
- **Emerging Issues will test our capabilities**
 - Global Warming
 - Emerging Contaminants
- **Anticipated stricter regulatory requirements**
- **Compliance costs will escalate at same time that . . .**
- **The federal funding commitment is dwindling**
- **In ten years water pollution could be as bad as it was before the Clean Water Act was enacted**



At 300 million people, the United States entered uncharted territory on October 17, 2006

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Parting Thoughts

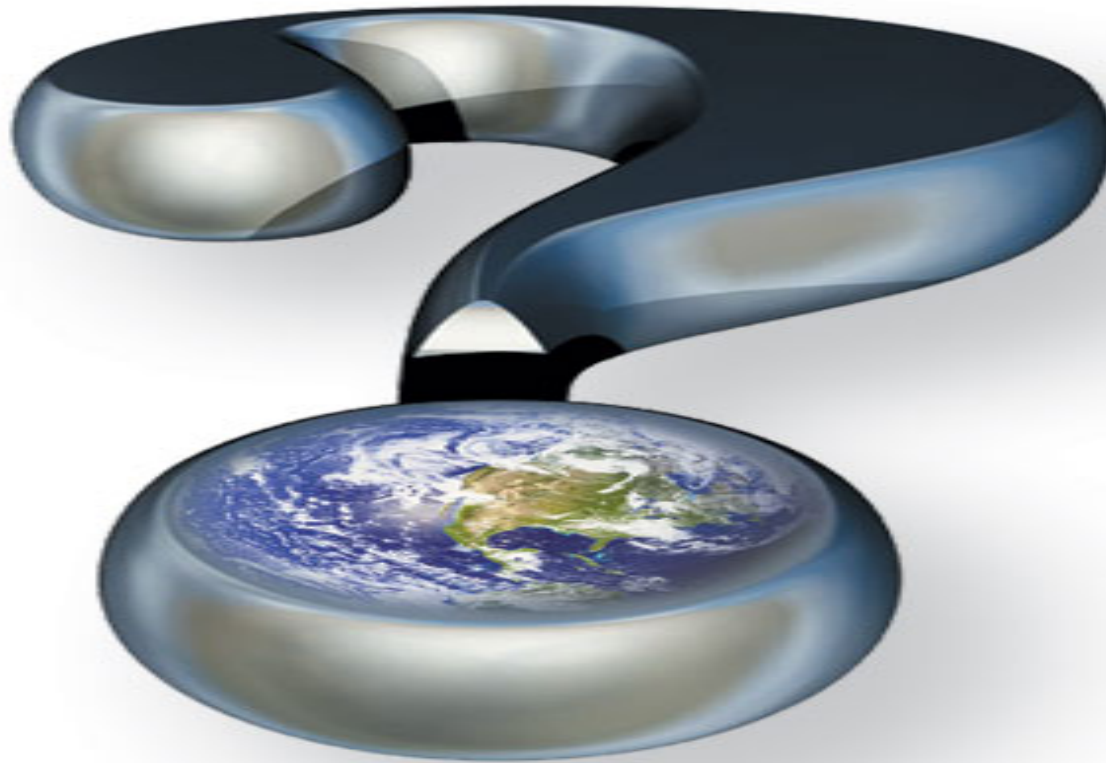
- **Next year marks the 35th Anniversary of the Clean Water Act**
- **Is clean water a national issue? ABSOLUTELY**
- **Should clean water be a national priority? ABSOLUTELY**
- **Are we facing a national crisis? ABSOLUTELY**



**WE MUST WORK TOGETHER TO
MEET THESE CHALLENGES**

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Questions?



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