

# Getting the Message



By Michael Deane

Securing the nation's water infrastructure protects us all

In the wake of the crisis in Flint, Mich., this nation's citizens and public officials have become hyperaware of the critical importance of water infrastructure. Now the nation is looking more closely at its water sources, water main, treatment facilities and response procedures in case of contamination. This increased attention has facilitated important conversations, long overdue, about how communities can better protect themselves from aging water infrastructure.

While funding capital-intensive water infrastructure upgrades can be a fiscal burden leading many communities to defer needed water infrastructure investment for decades, the message is finally getting through that protecting and securing the nation's water is essential to the health and wellbeing of every community in the country. Members of the National Association of Water Companies (NAWC) pride themselves on being leaders in working together with local municipalities to make sure that improvements and repairs are not cost prohibitive to the financial health of those communities in the long term.

## Working With Municipalities

NAWC member Pennsylvania American Water is the largest private water utility in the state, providing reliable water and wastewater services to approximately 2.2 million people in 390 communities.

Just more than 15 years ago, Pennsylvania American Water acquired the water and wastewater assets of the city of Coatesville. Funds from the acquisition, which exceeded \$39.5 million after outstanding debt was paid, were placed in a reserve fund.

Since the acquisition, Pennsylvania American

Water has continued to strategically invest tens of millions of dollars to upgrade the water and wastewater systems serving Coatesville and the surrounding communities.

Completed in 2010, the new Coatesville Wastewater Treatment Plant replaced an aging facility that began operating in 1932 and faced environmental violations identified by the Pennsylvania Department of Environmental Protection in a consent order dated Nov. 30, 2005. The environmental issues pertained to projected hydraulic overloads at the old wastewater plant. The new facility also expanded the plant's treatment capacity from 3.85 to 7 million gal per day.

At a glance, the Coatesville Wastewater Treatment Plant generated revenue from sale proceeds and the city now better manages future capital investments for the systems' upgrades and maintenance. The partnership also ensures compliance with environmental regulations while it provides professional management of water and wastewater operations to the city. Rates charged to customers for water and wastewater service by Pennsylvania American Water are regulated by the Pennsylvania Public Utility Commission.

## Water Gets a Vote

Voters also have taken an interest in making sure their water is safe, and have been more willing recently to direct funds to ensure water quality and good health.

In 2014, California voters approved Proposition 1 with more than 66% of the vote. The measure authorizes \$7.12 billion in general obligation bonds for state water supply infrastructure. In Hawaii, more than 68% of voters approved Amendment 5 (2014) on their ballot to authorize the state to issue special-purpose revenue bonds and use the proceeds from the bonds to offer loans to qualifying dam and reservoir owners to improve their facilities. Also in 2014, Maine saw the passage of Bond Issue #6 with more than 65% of the vote. The \$10 million bond issue will protect drinking water sources, restore wetlands and create jobs through vital public infrastructure work.

To stimulate more investment in water and wastewater infrastructure between the private and public sectors, right now there are bipartisan bills in Congress to help communities obtain easier access to funding sources for clean, healthy water.

Sens. Robert Menendez (D-NJ) and Michael Crapo (R-ID) have introduced legislation (S. 2606) that would involve the removal of the federal volume cap on tax-exempt private activity bonds (PABs) used for water and wastewater treatment infrastructure projects. This legislation would allow local communities to leverage private capital markets in combination with other financing mechanisms, as well as provide an influx of lower-cost private capital to finance water infrastructure projects. The borrower, in turn, repays the bond issuances over time. Exceptions from the volume cap currently are provided for facilities such as airports, ports, high-speed intercity rail and solid waste disposal sites. According to the U.S. Treasury, removing this PAB restriction would generate up to \$50 billion in private capital investment over 10 years.

According to Public Works Financing (2008), more than 2,000 water facilities are operated through public-private partnership contracts. Public Works Financing's 20th Annual Water Outsourcing Report (March 2016) indicated that in 2015 these contracts were renewed at a rate of 90%. These communities have seen first-hand that private water companies work hard to protect water and consumers. **w&wd**

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