



Annual Report To Congress

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Press Release

Water Service Providers Deliver Annual Report to Congressional Leaders

NAWC members brief Members of Congress on sustainable water infrastructure solutions

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WASHINGTON – Water industry leaders from the private water service sector converged on Capitol Hill March 8 and 9, 2011 to discuss key issues with Members of Congress and their staff. Hosted by the National Association of Water Companies (NAWC), this Annual Report to Congressional Leaders provides NAWC’s member company executives and water system managers the unique opportunity to personally encourage their elected officials to take actions to support public policies on environmental, finance and tax issues that will benefit the communities that their companies, as well as other NAWC members, serve across the country.

“Every day, private water companies help provide essential water and wastewater services to nearly 73 million people in the United States. That’s almost one quarter of our nation’s population,” said NAWC Executive Director Michael Deane. “To ensure all Americans continue to have access to safe water, it’s vital that we continue the dialogue with our elected officials on the importance of sustainable water infrastructure and the benefits of public-private partnerships. Local investment in water infrastructure not only sustains community development and improves system performance, it supports job creation.”

Represented by NAWC, these state-regulated drinking water and wastewater utilities and operators of public-private partnerships for water have provided Americans quality service for centuries. During their visits on the Hill, NAWC members discussed the broad spectrum of solutions they currently provide to their local communities, and encouraged new and innovative policy changes Congress can enact to make more private sector solutions viable in cities across the country, and make private capital more available for water infrastructure.

Key policy recommendations included:

- Support legislation to expand the use and availability of tax-exempt financing for water projects. It is estimated that by removing existing restrictions to this financing, \$5-6 billion in private capital would be unlocked to be deployed towards water infrastructure projects.
- Reauthorize the Clean Water State Revolving Loan Fund and enable private water service providers to extend much-needed wastewater solutions and service to under-served communities and non-compliant systems; and
- Consider the development of an infrastructure bank that would act as a real bank and encourage public-private partnerships.

To learn more about NAWC's policy recommendations, visit <http://www.nawc.org/pdf/Key-Policy-Recommendations-2011.pdf>.

For more info and to schedule an interview with an NAWC representative, contact Lindsay Murphy (202) 715-7853 or lmurphy@dcigroup.com.

About NAWC

The National Association of Water Companies (NAWC) represents all aspects of the private water service industry. The range of our members' business includes ownership of regulated drinking water and wastewater utilities and the many forms of public-private partnerships and management contract arrangements. Our mission is to promote the value of the private sector as the provider of quality, sustainable, water services and innovative solutions. To learn more about NAWC, visit www.NAWC.org or follow us on Twitter @MovinH2OForward.

Principles of Sustainable Water Service

Compliance

Every day, members of the National Association of Water Companies (NAWC) work within the parameters of the Clean Water Act and Safe Drinking Water Act to help ensure quality water and/or wastewater service. They are committed to meeting contracts and deadlines, and to exceeding the expectations of the people and businesses they serve.

The U.S. Environmental Protection Agency (US EPA) should primarily focus on encouraging and providing incentives for water managers to achieve compliance through the many managerial, technical and financial tools available. We acknowledge and emphatically agree that a transparent and consistent enforcement program is a critical element of our nation's efforts to ensure clean, safe, secure and reliable drinking water and wastewater service for everyone.

Sustainable Pricing

A recent report by the Aspen Institute recommends that “funding for water utilities should generally rely on cost-based rates and charges, and water revenues should not be diverted to unrelated purposes.”

Our members offer water at an exceptional value, thereby sustaining infrastructure investments and encouraging conservation by household and industrial water users.

Consolidation

NAWC members can work across political boundaries to create smart and sustainable approaches to watershed management. Consolidation is an important collaborative tool, especially for rural communities. In fact, state officials in various capacities frequently call on NAWC members to manage or operate and provide a sustainable solution for an otherwise unsustainable water provider unable to meet health or environmental standards or its debt obligation.

FACT

NAWC members are often asked by state regulators to bring non-compliant systems up to snuff.

Sound Asset Management

The U.S. General Accounting Office estimates that as many as 25 percent of all water providers do not have asset management plans. Of the water providers that do have plans, it is estimated that more than half are inadequate. Viable management of assets and sound business practices can go a long way toward avoiding costly infrastructure replacements that can interrupt the reliable water service essential to public health and the productivity of local businesses. All water providers should be encouraged to adopt such practices.

Private Capital

Over 30 infrastructure funds are ready to invest in the U.S. market. That represents a leveraged purchasing power of \$475 billion.

Policy Recommendations

- Create a short-term dividend reinvestment incentive: To raise and sustain capital to invest in public water infrastructure, a public utility short-term dividend proposal would allow a utility serving the public to establish a plan under which individuals holding stock could elect to receive their dividends in the form of shares instead of cash and exclude a certain amount from income. When this proposal was previously implemented, stock issued under this provision had a zero basis and was taxed as capital gains if held longer than a year.
 - Water utilities issue dividends as an incentive to attract much-needed capital for infrastructure investment.
 - Water infrastructure is very capital-intensive. In fact, for a water utility to earn a dollar, nearly \$3.40 must be invested in infrastructure.
- Dividend rates should be permanently extended at 15 percent.

FACT

There is \$190 billion in capital available to invest in infrastructure now. NAWC companies can partner with the public sector to access this capital.

Private Activity Bonds:

Tax Exempt Facility Bonds for Water and Wastewater

Policy Recommendations

- Federal restrictions on tax-exempt bonds for public-private water and wastewater projects must be removed.
- Legislation in the 111th Congress, H.R. 537 and S. 3262, was broadly supported in a bipartisan effort to make this important change.

Please support this legislation in the 112th Congress!

- \$5-6 billion in private capital would be made available for water projects. Benefits include:
 - \$400-500 million in increased state and local tax revenue
 - 57,000 – 142,500 jobs supported
 - Alleviated municipal debt obligations
 - Costing only \$354 million over 10 years

Americans are looking to the 112th Congress to encourage private sector solutions.

State Revolving Loan Funds

Although 98 percent of investments in water are made at the local level, federal policy plays an important role in establishing incentives for water investment. The water industry supports continued funding for the Drinking Water and Clean Water State Revolving Loan Funds or SRFs.

Policy Recommendations

- Private water service providers are ready and able to leverage federal investment in wastewater with private capital and expertise as they have done with the Drinking Water State Revolving Loan Fund since 1994.
- Private water service providers must be eligible for the Clean Water State Revolving Loan Fund (CWSRF). The CWSRF does not provide loans to private community wastewater systems—preventing much-needed wastewater solutions and service to under-served communities and non-compliant systems. State Revolving Loan Funds (SRFs) should provide incentives for the consolidation of operations and systems.
- SRFs should only provide funding to systems that have demonstrated an ability to maintain compliance and become sustainable.

- SRFs should incentivize the adoption of asset management practices.
- SRFs should incentivize sustainable pricing: Loans but not grants should be made to utilities.

Infrastructure Banks

An Infrastructure Bank could provide an excellent supplement to the State Revolving Loan Funds and help increase private capital investment.

Policy Recommendations

- Any federal Infrastructure Bank should include water infrastructure as part of its portfolio of projects.
- An Infrastructure Bank should give priority to projects with existing financing tools to facilitate project finance and expand the financial capacity of infrastructure projects.
- An Infrastructure Bank should provide merit-based financing and give priority to applications from public-private partnerships.

Small and Rural Water System Solutions

Throughout the country, NAWC members have been successful in consolidating small, non-viable and often non-compliant water systems into a larger and more environmentally and economically sustainable framework.

Policy Recommendations

- Private water service providers must be eligible for the Clean Water State Revolving Loan Fund (CWSRF). Private providers are currently precluded from obtaining wastewater funding—preventing much-needed wastewater solutions and service to underserved communities and non-compliant systems.
- State legislation should be enacted to clarify regulatory treatment and the appraisal process of the voluntary sale of small water and wastewater systems.
- Funding programs should be amended to provide incentives for the consolidation of operations and systems.
- Funding programs should only provide funding to systems that have demonstrated an ability to maintain compliance and become sustainable or have developed a plan to do so.

Public-Private Partnerships

NAWC members currently operate well over 2,000 public-private partnerships. These are contractual agreements in which the skills, assets, and resources of the public and private sectors are shared to deliver water service or maintain a water facility for the use of the general public.

Public-private partnerships can reduce costs and municipal debt burdens, and create opportunities for innovative solutions. Most importantly, public-private partnerships encourage local control and are best managed by a strong local leader.

Policy Recommendations

- Federal limitations on public-private partnerships must be removed by eliminating the state volume cap on exempt facility water and wastewater private activity bonds so that tax-exempt debt can be used to finance this important public purpose.
- Federal funding programs should give priority to projects with existing financing tools to facilitate project finance, leverage available funds and expand the financial capacity of infrastructure projects.
- Federal funding programs should provide merit-based financing and give priority to applications from public-private partnerships.
- A not-for-profit, third-party entity should be established to provide trusted and non-biased infrastructure project counsel to public officials/entities and their private partners. Local leaders need the resources and expertise to provide strong oversight of their public-private partnerships.

“ **Ninety-three percent of public-private partnership contracts are renewed annually, indicating a very high public satisfaction with their service and accountability.** ”

-Public Works Financing

- Participate in *Water Is Your Business*, a series of events held in cities across the country. The series was created to raise awareness about the need for investment in water infrastructure and its effect on business. For information about the next event, visit www.waterisyourbusiness.org

Facebook: Water Is Your Business

Twitter: @Waterisyourbiz

Partnerships USA

Working with a private water service provider can help states, municipalities and local governments alleviate their mounting debt obligations. Local water utilities have the ability to recover the full cost of service through existing revenue streams.

Policy Recommendation

A not-for-profit, third-party entity should be established to provide trusted and non-biased infrastructure project counsel to public officials/entities and their private partners. Despite mounting infrastructure needs, many public officials/entities don't have the resources to consider the following:

- When and where a private service arrangement might be appropriate
- How to value resources and services
- How to solicit, implement and oversee a private service arrangement

Water Security

NAWC members have long been proactive in addressing security and response issues at the local and state levels because they understand the importance of safe and clean water. A significant factor in considering these issues is the utilities' methods of disinfecting water. NAWC members are steadfast in safeguarding their water and wastewater treatment processes and are committed to helping ensure the safety and security of the communities they serve.

Policy Recommendation

In determining the disinfectant process to be used, utilities must consider a number of important factors specific to the site location. The choice of disinfectants must be made by the utility, after disclosure and discussion of pertinent facts in the community, as required by law.

“ **Ninety-five percent of American voters value water over any other service they receive, including heat and electricity.** ”

*-ITT Corporation
Value of Water survey, 2010*

Contaminant Regulation Process

- The top priority of private water service providers, NAWC members and water utility professionals is protecting public health and meeting environmental standards. NAWC members work vigilantly to meet all new and existing health and environmental regulations.
- The Safe Drinking Water Act mandates a rigorous scientific process for evaluating risks to public health and determining what risk management actions are appropriate. This scientific process is important to ensure that the US EPA directs water providers to address actual risks and does not misdirect resources based on incomplete or faulty information. No regulatory decision should fall short of the Safe Drinking Water Acts' risk evaluation process.
- The NAWC has always supported regulations that ensure safe water, are developed through a transparent process, are based on the best available science, and provide meaningful public health protection.
- Advanced technology has allowed scientists to detect more compounds and substances at far lower levels than ever before. We are now able to detect substances in water at levels down to a few parts per trillion. For comparison, the safe levels established by most drinking water regulations are 1,000 times higher, in the parts per billion range. The US EPA, in coordination with water service providers, must help consumers to understand the health risks (or lack thereof) of trace contaminants.
- Awareness of the challenges facing utilities can only lead to safer water and better regulation. NAWC members actively work with the government to address these issues and continue to comply with all health and environmental regulations. In many cases, NAWC members are tapped by government entities to help bring previously non-compliant systems into compliance.

Every day, private water companies help provide essential water and wastewater services to nearly 73 million people in the United States. That's almost one quarter of our nation's population.

The National Association of Water Companies is the voice of the private water service industry—the organization exclusively representing this group of quality water service providers, innovation drivers, creative financiers and responsible partners. We are an association defined by our members, and by working together we can leverage our strengths to more effectively address the opportunities and challenges facing our nation.

We're moving water forward. We invite you to join us.

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[Please click here to download the NAWC Brand Style Guide](#)

