Water is a
BIG DEAL.
Let's treat it like one.

Key measures to encourage private investment in water and wastewater infrastructure:

- **Encourage Regionalization**
- Lift Caps on PABs
- Eliminate Defeaseance Penalty
- Expand Eligibility of SRFs
- Incentivize Low-Income Programs

ENCOURAGE PARTNERSHIPS AND ENHANCED ACCOUNTABILITY

Regionalization and encouraging partnerships and accountability is likely to encourage private investment for necessary infrastructure upkeep and construction. Preliminary estimates by PricewaterhouseCoopers indicate that taking this action along with other regulatory changes could lead to an additional **$43 billion** incremental private drinking water infrastructure investment; **$15-25 billion** incremental private wastewater infrastructure investment; and generate **$20 billion** potentially from P3s.

How it supports increased investment

The federal government could use several different types of policy tools—regulatory reforms, grants, credit assistance and tax code incentives--to incentivize community water and sewer systems to improve their performance through partnerships, long-term lease concessions or other partnering arrangements with larger regional public or private operators.

The cost benefit

The efficiencies gained through eliminating redundancy and increasing scale are potentially significant. Importantly the public at large will benefit from a more efficient water sector through the conservation of water resources, improvement of public health, and enhancement of the environment.

The NAWC 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 believe by working together with local governments and communities we can leverage our strengths to effectively address the opportunities and challenges facing our nation. We're moving water forward. For more information, visit www.nawc.org.

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ENCOURAGE PARTNERSHIPS AND ENHANCED ACCOUNTABILITY

ISSUE

There are over 50,000 community drinking water systems in the U.S.—84 percent of which serve fewer than 3,300 persons each—and nearly 15,000 wastewater utilities. Providing incentives would enhance capacity building, better operations and create more accountability for failing systems.

These highly fragmented water and sewer systems face numerous challenges, including:

- **Access to Capital**
  For small systems, accessing capital to fund needed investments can be difficult, with the need for capital driven by required repairs to water mains, new filtration and pumping equipment and meeting EPA water quality regulations.
- **Operational Efficiencies**
  Basic services such as billing, customer service and water testing are often duplicated in neighboring systems.
- **Compliance with EPA Regulations**
  Each new EPA regulation demands greater expertise from the utility operators and costs more money to implement and maintain.
- **Purchasing Power**
  Smaller systems have less bargaining power and oftentimes pay higher prices for equipment, tools, services and chemicals than larger systems.

POLICY NEEDED

The federal government could incentivize communities to seek partnerships with larger regional operators (private or public) as an economically-preferred option for offering community water and sewer service.

Without imposing a "mandate" or increasing the regulatory burden, federal policy incentives could eliminate inefficiencies in the water sector through partnerships and regionalization.

The federal government could offer a grant program through the states that would benefit the selling municipality and the state itself:

1. **Supplemental grants to SRF.** States that have enacted Fair Market Value, tiered pricing structure or full cost/life-cycle cost accounting state legislation could be given a supplemental grant for their State EPA Revolving Funds for each drinking water/wastewater partnerships that occur. This should incentivize states to adopt the necessary legislative and regulatory provisions to allow for partnerships, and encourage states that already have enacted such statutes to approve transactions.
2. **Capital repair grants to local systems engaged in a partnership.** A second component of the grant program would award funding to each utility owner that sold their system to a larger governmental or corporate entity or enters into a contractual partnership agreement. The program would be administered at the state level by the SRF, not EPA.

As a good first step, and as a general rule, applicants for public dollars should demonstrate that they have fully accounted for the long-term costs of their projects, including any risks inherent in construction, operations or maintenance, and have selected the delivery model that provides the best value. For a community to maintain and enhance the condition of its infrastructure long-term, water utilities should be expected, at a minimum, to manage their assets based on a process where adequate repair, rehabilitation and replacement are fully reflected in management decisions, including water rates.

For more information, contact NAWC at 202-833-8383/ info@nawc.com or visit www.nawc.org.

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