Local Government Advisory Committee

MAR 18 2015

The Honorable Gina McCarthy
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue N.W.
Washington, D.C. 20460

Dear Administrator McCarthy,

On behalf of EPA's Local Government Advisory Committee (LGAC), we are writing to express our support for the EPA's Water Infrastructure and Resiliency Finance Center. On January 22, 2015, Mr. Andrew Sawyers, Director, EPA's Office of Wastewater Management, presented an overview of the finance center for the LGAC's Protecting America's Waters Workgroup meeting. The overview included information on the key aspects of the Center, emphasizing the intergovernmental cooperation between federal agencies and local governments, as well as the proposed joint public and private investment ventures role of the Center.

Water infrastructure is a vital component of a local community's economy and health. Much of the built water infrastructure is aging beyond its useful life resulting in escalating failure rates. At the local level failing water infrastructure can lead to reduced reliability for clean, safe drinking water or contribute to polluting local water bodies. Communities are growing and the water infrastructure built decades ago cannot reasonably support the increasing demand.

In addition, many populated areas remain without adequate water infrastructure. Innovative and affordable approaches to utility system expansion, especially in rural areas are needed. Small cities and rural communities are particularly disadvantaged in being able to provide utility infrastructure for residents and businesses. Utility infrastructure is necessary for economic growth, but is often not affordable in less densely populated communities.

The LGAC offers the following examples:

- **The Town of Ulysses, New York Water** District 3 was built in response to a leaking gas station tank that contaminated drinking water wells in the hamlet of Jacksonville. Unfortunately this small system (387 users) consistently exceeds the federal limits for total trichloromethane because it is at the end of the Southern Cayuga Lake Water System in a rural area where the demand is low, allowing water to stay in the pipes for months accumulating these chlorination by-products. The best solution would be to connect the Jacksonville water district with Trumansburg--a 1 mile connection compared to the 11 miles the water currently travels. This connection is estimated to cost $1,000,000 to the 387 users in this water district that is low to middle income, but is over the income threshold to qualify for any grants. Each household already pays $562 per household to cover the operation, maintenance and existing loan plus a quarterly usage fee. The costs associated with sewer and water systems is large, which acts as a disincentive to correct problems, resulting in aging systems. And under New York State's tax freeze, municipalities are prevented from being able to address the aging infrastructure problems they know exist.

- The city of **Salmon, Idaho**, a rural population of 3,000, the cost per capita to upgrade the drinking water system bears an even larger burden on its residents. The city was required to install a filtration system in the drinking water system to address *Cryptosporidium,* a microscopic parasite that causes gastrointestinal illness. The cost of the upgrade the drinking water system to meet new imposed drinking water standard costs approximately $6 million. Among a small population of 3,000, spreading out the cost in this community means significantly higher monthly water bills. For small communities (populations fewer than 10,000 people), as well as low income and minority communities, these costs are prohibitive.

Approximately $600 billion dollars is needed over the next twenty years to replace the existing water infrastructure and more is needed for utility system expansion. Government-allocated funds are limited, which creates a large gap in available funds to undertake these types of projects. The Water Infrastructure Finance Center aims to seek out innovative ways to provide local communities with the financial capital needed to establish water infrastructure that is resilient to droughts, floods, and other climate change impacts. This would be done through joint public and private projects, as well as interagency cooperation with other federal agencies such as the United States Department of Agriculture (USDA).

While the Water Infrastructure Center poses great opportunities for local governments, the LGAC is concerned about the lack of funding for the Finance Center itself. The biggest problem local communities, especially those with populations fewer than 10,000 and low-income residents, face is the financial capital needed to fund large-scale repair, retrofit to current standards or expansion projects.

The plan laid out by the Water Infrastructure and Resiliency Finance Center does not clarify the type of financial assistance that would be offered to communities (ie. loans, grants). This prompts the LGAC to recommend a deeper look into the funding mechanism offered by the program. In other words, there should be consideration of communities who cannot afford to pay back large loans to fix their water infrastructure. Communities may be discouraged by the real or perceived lack of affordable options. Recognizing this, the Center can be a focal point for resource education and can take an active role in helping communities resolve issues that may otherwise lead to costly penalties that further exacerbate the problem of affordability.

Overall, the LGAC is excited to see the Agency come forward with an initiative to help communities achieve economic growth and environmental protection. The LGAC applauds the agency for taking the lead in encouraging federal agency partnerships to address an issue so critical to the health of our nation's communities. Additionally, the involvement of the private sector may inspire new approaches to meet today's challenges. However, the LGAC also encourages the EPA to remain cognizant that local governments want to improve their water infrastructure, the challenge is almost always affordability. Consequently, affordability must be acknowledged as a key component of the Center's programs. A sustainable and affordable revenue source enabling all communities to address their unique water infrastructure needs must be established. Similarly, the Water Infrastructure Finance Center should assist rural and small communities to find the technical and financial aid to meet their water infrastructure needs. An analysis of water infrastructure needs and costs on a per capita basis would most likely be very enlightening as to a community's ability to reasonably meet today's water infrastructure standards.

The LGAC thanks the Administrator and her staff for serving the various and many needs of local governments, and we look forward to hearing more on this new Finance Center in the future.

Sincerely,

Robert A. Dixson

Mayor Bob Dixson
Chairman

Susan Hann
Chairwoman, Protecting
America's Waters Workgroup

R. F. Cope

Commissioner Robert Cope
Chair, Small Community Advisory Subcommittee
(SCAS)