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November 8, 2012

President Barack Obama
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

Congratulations on your re-election! It was certainly a hard-fought campaign and NACWA looks forward to working with your Administration in its second term on a robust clean water policy agenda.

On the heels of the Nation's 40th anniversary celebration of the Clean Water Act (CWA) and the devastation caused by Hurricane Sandy, I am writing on behalf of municipal clean water utilities across the country to urge you to ensure that water policy and continued investment in clean water infrastructure are among your policy priorities for a second Administration. We applaud the fact that the 2012 Democratic platform includes a commitment to clean water and water resources. There is, however, much work to be done to ensure a viable and robust clean water future going forward.

NACWA represents more than 350 municipal wastewater treatment agencies and organizations across the country. Our members create and support local jobs, invest tens of billions of dollars in the long-term health of communities from coast-to-coast, improve water quality and work on the front lines of new and green technologies that are leading us into the next generation of infrastructure progress. By collecting and treating wastewater from households and businesses, our clean water utilities deliver cleaner rivers, lakes, and coastal waters that sustain commercial fisheries and water-based recreational activities, and provide sources of drinking water to millions.

NACWA's public clean water agency members face numerous and often competing and costly challenges. The policy recommendations outlined in this letter will help ensure clean water for our citizens and the continued success of the CWA. We stand ready to work with your Administration on implementing these ideas and to making the expertise of our utility leaders available to your agencies and staff in whatever capacity that would be valuable going forward.

Local and Federal Investment

Under your first Administration, significant progress was made in increasing the Federal investment in water quality beginning with the passage of the American Recovery and Reinvestment Act which injected over \$4 billion into our clean water infrastructure systems and continuing through annual appropriations which provided additional investments of \$6.6 billion.

Despite these additional funds, there continues to be a very large discrepancy in overall annual investments in water and wastewater infrastructure between what municipalities and the Federal government contribute respectively. On average, municipalities invest over \$100 billion annually in drinking water and wastewater infrastructure projects, while in comparison the current federal investment averages less than \$3 billion. Unfortunately, if current trends continue, this federal support is projected to decrease.

By EPA's own estimates, over \$500 billion will be needed in drinking and wastewater infrastructure investments during the next twenty years to ensure Americans have safe and clean water just to meet current regulatory standards. In addition to maintaining and updating basic infrastructure – pipes and treatment plants – that ensure clean and safe water each and every day, municipal clean water agencies confront costly new regulatory challenges including:

- Nutrient control
- Mercury requirements
- Clean Air Act mandates impacting sewage sludge incineration
- Emerging contaminants, such as pharmaceuticals
- Urban stormwater run-off; and
- Combined sewer overflows (CSOs) and sanitary sewer overflows (SSOs)

Indeed, the above list of new requirements, coupled with the need to address climate-related challenges, is an increasingly daunting task and current funding levels are not sufficient to meet this growing list of priorities. Furthermore, our members are concerned that increasingly large investments are needed to ensure increasingly small water quality gains that can be achieved from point source mitigation - putting in question whether the current mode of doing business under the CWA is sustainable. No regulatory requirement exemplifies this challenge better than the existing effort to address nutrient over-enrichment. Clean water agencies are committed to doing their fair share to address the problem, but existing policies are disproportionately burdening point sources with expensive control requirements while little or nothing is being done to address the primary sources of these nutrients.

Our members recognize that difficult decisions must be made to address the nation's fiscal challenges while ensuring the economy continues to improve. During a time when municipal budgets have been just as severely constrained by the economic downturn as the Federal budget, our members are quite sensitive to the need for fiscal discipline. But as you work with Congress to strike the right balance, we urge you to keep in mind that investment in water and wastewater utilities creates jobs, improves public health, and drives important technology advances. Indeed, the U.S. Conference of Mayors (USCM) reports that each public dollar invested in water infrastructure increases private long-term GDP output by \$6.35. The National Association of Utility Contractors estimates that \$1 billion invested in water and wastewater infrastructure can create over 26,000 jobs. And the Department of Commerce estimates that each job created in the local water and wastewater industry creates 3.68 jobs in the national economy and each public dollar spent yields \$2.62 dollars in economic

output in other industries. The economic data are clear that federal investment in water and wastewater leverages enormous benefits nationally and for our local economies.

We therefore urge that Federal investment in water and wastewater utilities not be cut at this critical juncture and that while your Administration works to reduce the deficit, you continue robust investments in clean water programs such as the Clean Water State Revolving Fund (CWSRF). Further, we urge you to consider the long-term fiscal advantages of establishing a more sustainable, deficit-neutral source for Federal investment in water and wastewater infrastructure such as a Clean Water Trust Fund. A deficit-neutral approach to financing our water and wastewater needs parallels the approach taken for investments in highways and transit projects, airports, and our ports and harbors and we believe a similar approach is needed for investments in our water and wastewater infrastructure.

Smarter Investment and Integrated Planning

Alongside additional funding, municipalities need greater flexibility in prioritizing clean water regulatory challenges so that they can allocate limited resources as efficiently as possible to ensure compliance. Your Administration took a very positive step toward helping municipalities accomplish this when the EPA recently released the Integrated Municipal Stormwater and Wastewater Planning Approach Framework (Framework). NACWA is working with EPA to enable the Framework's approach to succeed through the *Money Matters...Smarter Investment to Advance Clean Water*[™] Campaign (www.nacwa.org/moneymatters). Integrated planning enables utilities to prioritize competing and costly requirements through practical compliance schedules to maximize ratepayer dollars. The approach also recognizes that every community is different and every community's wastewater utility should have the right tools to provide clean water at the best value. We also hope that along with the release of the Framework, the Administration will re-examine CWA-related regulatory mandates it is asking municipalities to meet to ensure that these regulations are in fact necessary, non-duplicative, and result in a wise use of limited ratepayer funds. An example of regulation that NACWA believes is ill-considered and worth re-examining is regulation promulgated last year pertaining to sewage sludge incinerators. Despite the fact that sewage sludge incinerators have been regulated under a combination of standards under the CWA and the Clean Air Act (CAA), EPA imposed entirely new CAA regulations on these units without regard to the CWA standards. This action will lead to costly new burdens on municipalities and has spawned litigation to address these concerns. The Nation's clean water agencies cannot maximize limited ratepayer dollars in a regulatory setting that lacks consistent policy direction and is marred by duplicative, costly requirements.

An integrated planning approach recognizes that, in the face of constrained Federal resources alongside an increase in costly regulations, municipalities have had to absorb the growing costs of CWA compliance. Both the USCM and NACWA have made it clear that our city leaders are struggling with the costs of clean water regulations and that it is growing more and more difficult to pass these costs on to ratepayers, many of whom are struggling economically. In many cities, low-income ratepayers pay 4 to 7 percent of their median household income (MHI) for water and sewer services. This financial pressure raises serious environmental justice issues that your administration has demonstrated a sincere interest in addressing. With EPA's Framework, we are beginning to make progress toward these policy goals, but we need the continued leadership of this Administration to follow through and ensure that this initiative results in true savings for communities.

Looking to the Future

The municipal wastewater sector has significantly reduced pollution to our nation's waters over the last several decades and will play a vital role in ensuring that we continue to make water quality gains well into the future.

However, the most pressing water quality challenges facing us now result from diffuse sources, such as urban stormwater, air pollution, and agricultural run-off. Furthermore, climate change and shifting weather patterns are placing added stress on our water infrastructure. These new challenges require a fundamental rethinking of the tools necessary to continue making water quality progress. They demand a shift towards incentivizing technological innovation and adaptive management so clean water utilities can continue to lead the way. One approach to carving this path is adopting a watershed-based approach where the largest contributors to water quality impairments are targeted for reductions first in a system that focuses on solutions. For example, water quality degradation due to the over-enrichment of nutrients will not be adequately addressed without the full involvement of the agricultural sector, the dominant source of much of this over-enrichment. Working on a watershed basis with farmers to address this challenge is a proven, effective method and can potentially leverage the resources of the municipal wastewater sector to help address the problem. However, we need clear policy directives that remove barriers and provide incentives that promote watershed-based solutions, such as greater use of water quality trading and off-sets, in order to make progress on this front.

In addition, policies that enable municipal utilities to innovate and take advantage of the technologies of the future are also needed. NACWA, along with its partners the Water Environment Federation (WEF) and the Water Environment Research Foundation (WERF), is defining the Water Resources Utility of the Future as one that incorporates new technologies and management techniques, such as energy conservation and production; water reuse and reclamation; product stewardship; green infrastructure; and resource recovery. These new technologies and new ways of managing water resources at the local level are transforming how our sector adapts to and addresses the pressures municipalities confront in today's world, including extreme wet weather events, drought and climate change.

However, traditional command and control approaches to clean water regulation present barriers that make this transformation increasingly difficult. NACWA members would like to work with your Administration to remove these barriers and provide incentives, so that today's clean water utilities can become Utilities of the Future and provide innovative solutions to meet tomorrow's clean water challenges. Certainly integrated planning is a good step in this direction, but more must be done.

NACWA member agencies are seeking a recommitment to the type of strong, long-term partnership that was so instrumental in helping us achieve the water quality improvements under the CWA over the past forty years. Collaborative efforts on WEF's Water for Jobs campaign (www.waterforjobs.org) and a broad-based outreach effort to underscore the "Value of Water" to all individuals and businesses in this country are also being undertaken and exemplify the growing importance to the sector of a true local-state-federal partnership on water infrastructure issues.

In summary, NACWA urges your Administration to commit to a sustainable, long-term approach to financing clean water priorities; ensure that EPA's integrated planning initiative succeeds and that it produces real savings for municipalities; and work with the municipal clean water sector to incentivize new approaches to water resource management that promote innovation and collaboration locally and on a watershed basis. Without this progress, we will find ourselves going back to pre-CWA conditions and needlessly wasting ratepayer dollars.

Decisions made today on environmental regulations and investments in water quality will shape the future of our treasured water resources and economy for generations to come. We plan to continue working with you

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and your representatives to discuss these ideas and priorities further and look forward to a strong partnership to maintain clean water progress and guarantee the next era of water quality improvement.

Sincerely,

A handwritten signature in black ink, appearing to read "K Kirk". The signature is stylized with a large "K" and a cursive "Kirk".

Ken Kirk

Executive Director

cc: The Honorable Lisa Jackson, Administrator, Environmental Protection Agency
The Honorable Nancy Sutley, Chair, White House Council on Environmental Quality
The Honorable Jeffrey Zients, Acting Director, Office of Management and Budget