

Action Agenda

The following action agenda provides short- and long-term recommendations for the five categories defined for the Financial Sustainability Work Group.

Short term Recommendations, identified by "ST"

These are recommendations that can be achieved within the next one to two years with existing resources to address the issues assigned to the workgroup. Recommendations should be in bulleted format. Recommendations should be categorized within the issue categories defined below. A methodology for achievement should also be identified.

Long term Recommendations, identified by "LT"

These are recommendations that, in the opinion of the workgroup members, will take more than two years to achieve. If possible, intermediate steps towards achieving these recommendations should also be identified. Recommendations should be categorized within the issue categories defined below.]

Better Operations

Create a reliable source of in-house funding for capital improvements (ST/LT)

One approach is to adopt a "full cost pricing" requirement for all utilities to set rates sufficient to fund depreciation (see below). In lieu of that approach, water and wastewater systems should be required to have a capital asset repair and replacement fund. The amount to be deposited annually to this fund should be equal to 1-5 percent of the fixed assets as defined by an asset management system.

The value of the fixed assets needs to be based on their gross current value, not the net value (to account for the condition and age of the existing infrastructure). The money in the fund should be used for costs of extraordinary repairs, acquisition or construction of capital additions and shall require Board/Officer certification specifying the specific purpose for which the money is to be used. These funds should be treated as separate and distinct from other sources of capital funds, but could be incorporated into an annual capital budget. Reconciliation of the fund would be done annually as part of a financial audit.

If systems do not want to create a repair and replacement fund as described above, the system should implement a rate structure that insures the full costs for operating and maintaining the system are covered by their user rates (full-cost pricing). In addition, if the system is publicly owned, limitations need to be

established to insure that funds collected are utilized appropriately and not diverted by the public officials for other purposes not related to the operation and maintenance of the system.

Require utilities to adopt asset management practices (ST/LT)

The development and implementation of an asset management system should be mandated for all utilities. This requirement should be phased in over time, based on the capabilities of the systems to implement the requirement. To accomplish this, utilities should:

1. Establish an asset management steering committee as a forum for defining best practice standards for asset management.
2. Develop guidelines to encourage continuing improvement in performance and identify criteria for best practice management of water and wastewater utilities.
3. Focus on enhancing training efforts by getting training entities to upgrade instruction they deliver to include asset management practices, processes, tools and techniques; adding questions on asset management to the Operator Certification general and stand-alone distribution system, collection system and small drinking water examinations; and targeting training to mid- to upper-management using Department of Environmental Protection-approved training courses.
4. Utilize the DEP's Drinking Water Capability Enhancement program as a model for program requirement delivery by adding a mandatory component with established benchmarks that systems must meet. Use this program as a mechanism to operate within a regulatory framework where regulators value and reward service providers that have adopted best management practices, recognize systems that perform to exemplary standards and distinguish them as model programs.

A full asset management approach will be beyond the capability of very small systems, defined by the US Environmental Protection Agency as those serving less than 3300 customers. For these systems, a set amount should be set-aside for repair and replacement of the utility's assets. DEP should provide circuit riders to assist these systems in establishing the R&R funds and planning for asset maintenance and replacement.

Use existing national efforts to develop and publicize utility operating standards (ST)

Develop a "Commonwealth-wide standard" of how water and wastewater systems should be operated. Use the publication, "Effective Utility Management Collaborative Efforts" and the ten attributes listed in this publication as an example. Participants involved in this effort include the National Association of

Clean Water Agencies, American Public Works Association, American Water Works Association, Association of Metropolitan Water Agencies, National Association of Water Companies, and the Water Environment Federation.

Streamline the process for permitting innovative technology (ST)

The process for implementing innovative operating technologies should be streamlined and accelerated. Once a new technology has been constructed in Pennsylvania and effective operation demonstrated, that technology should not need to go through additional approval requirements for implementation in another area of the state. If the operating conditions, geography, etc of a proposed site differ significantly from the demonstration site; then the project would require an engineering review be submitted to DEP prior to implementing the project.

Consolidation and Regionalization

Support and promote the formation of regional and watershed-based infrastructure providers, regional alliances and other consolidation. (ST)

Establish state incentives for regionalization and consolidation through state financing and regulatory programs by:

1. Providing financial incentives for utilization of existing capacity and facilities in neighboring systems rather than constructing new facilities.
2. Providing incentives for projects that achieve regional cooperation or collaboration and greater incentives or projects that produce consolidation. Example: Under PennVest, PennWorks, Senate Bill 2, and Senate Bill 1341, a collaborative/partnership project might receive a grant of 25% of the project cost or an interest rate of 1% below the typical rate; a consolidation project might receive a 50% grant or an interest rate 2% below the typical rate.
3. Require all state funding and permit applicants to provide certification and documentation that there is no cost-effective regional solution alternative to the proposed project as a condition of funding.
4. Provide a state guarantee for all local financings that achieve regional approaches to water and wastewater service.

Educate stakeholders, interest groups and the general public on benefits of regionalization and consolidation.

Involve professional associations to help promote and coordinate consolidation and regionalization efforts.

Provide a model framework and start-up capital for providers to set up watershed-based cooperatives.

Encourage the joint purchasing of supplies, equipment and services. (ST)

Educate stakeholders, interest groups and the general public on benefits of joint purchasing of supplies, equipment and services.

Promote watershed-based management approaches and integrated water resources management. (ST/LT)

Educate stakeholders, interest groups and the general public on benefits of watershed-based management approaches and integrated water resources management.

Focus permitting, funding and resource management on a watershed basis.

Promote public-private partnerships. (ST/LT)

Governance and Structure

Reduce environmental and physical damage generated by private lateral failures (LT)

Establish a statewide program for the repair of private laterals to include a loan and grant program to individual low income homeowners, incentives for industrial customers to repair their own laterals and incentives for private investors to provide financial resources towards the repair of laterals.

Establish a statewide requirement for the inspection of laterals at the point of sale of a home as part of the rules and regulations governing the management of real estate. Require the homeowners to work with a certified plumber to insure repairs are done to established standards and have the water or wastewater system sign off on the completion of the work.

Incent “takeover” of weak systems (ST)

Promote the assumption by strong utilities of systems that do not have the technical, managerial or financial capability to stay in compliance with requirements to protect public health and the environment by providing:

1. Waivers to regulatory requirements while a viable system is in the process of taking over the non-viable system.
2. Grant funds to the system agreeing to take over the non-viable system to cover needed repairs, minimize rate increases and assume any existing debt service.

3. Modify and simplify existing grant and loan program procedures to expedite the take over of a non-viable system.
4. Amend existing language governing the Public Utility Commission to allow it to designate a public utility as the most effective entity to take over a non-viable system (current language promotes the designation of a private utility, even when a more effective solution using a public utility exists).

Eliminate non-viable systems. (ST/LT)

Do not create any new water or wastewater systems serving under 3300 customers. Do not allow new systems serving more than 3300 customers to be permitted without a viable business plan or if an established system is willing to accept service responsibility.

Use the PUC, DCED and/or DEP to monitor the viability of systems and develop a regionally focused backup plan in the event of system failure.

Human Resources

Develop and Implement a Utility Training Strategy (ST/LT)

The Utilities Industry Partnership (UIP) industry partnership has already completed work on the skills gap that exists for water and wastewater utilities. Build on this knowledge to address the identified need. Tap into the 25% of UIP funding available for training.

Create partnerships between training providers such as community colleges, vocational and technical schools, industry associations, and the drinking water and wastewater treatment systems to create programs that offer the required course work to prepare for certification and on-the-job training at the same time, including “low-cost” internships for students.

Create incentives/grants for training providers instead of employers or employees. This could create more training opportunities and stimulate the training providers to assist in promoting the occupations.

Make approved training programs easier to attend by “streamlining” the program approval process by the Department of Environmental Protection. Allow more programs to be offered through community colleges, and certify larger plants to be able to provide internal training. Also, investigate the civil service exam as a barrier to employment, especially in Philadelphia, where people do not consider this as profession as an option due to the requirement to take the civil service exam.

Create an incentive or use for Professional Development Hours or Continuing Education Units.

Explore Workforce Innovation in Regional Economic Development (WIRED) Grants and other sources of potential innovation funding to promote best management practices such as Asset Management.

Encourage training for board members and utility officials (ST)

Attempts to require formalized training programs for boards and councils has often failed due to the difficulty in recruiting board members and the many ex officio appointments. Instead it is proposed that efforts be undertaken to encourage board members and officials to use existing training programs to gain the basic knowledge required to understand their role and to make informed decisions concerning water and wastewater services.

DEP has a series of 10 training modules with workbooks and instructor guides. These guides should be fully converted to a web-based format that allows users to view/complete them at their own pace. Regional DEP staff should contact new and existing board members and officials to encourage them to take the online courses and provide web links and followup.

Provide Commonwealth updates (ST)

Distribute a quarterly or semi-annual newsletter designed to update boards and systems on key topics, such as changes in regulations or requirements, and provide insight into future water and wastewater initiatives. Used in conjunction with the training program described above, this can maintain the necessary knowledge base for board members and local officials. This could potentially be done in partnership with DEP, PUC, DCED, PRWA, AWWA, and/or PENNVEST to make this newsletter even more informational.

Offer schools water industry career information (ST)

Create a “recruiting toolbox” to provide information to guidance counselors. Include information in the toolbox about the water and wastewater treatment profession; including educational requirements/training, average wages, and available jobs and why students should want to choose a career in water/wastewater management. Include sections that could be completed by local authorities to add a local focus to the information.

Build on existing elementary/secondary education efforts (ST)

Currently elementary school programs focus on the water cycle. Expand these programs to cover more information regarding the water/wastewater industry, through information provided to schools by the Department of Environmental Protection to get kids thinking about water management.

Develop a public education program for general and specific water information (ST)

Create an education program that includes the following information:

1. For homeowners on available resources to help with the repair and replacement of laterals.
2. For the general public on the value of the services provided by the water industry.
3. For homeowners and commercial lawn care service providers on the Source Water Protection Program and the impacts of their actions on the functionality and sustainability of water and wastewater treatment systems. Create outreach materials such as fliers to homeowners and letters to businesses that provide a variety of informational topics such as best practices, conservation techniques and nutrient management plans that inform them about the need for water protection.

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