

## APPENDIX

**9/19/19 Senate Community & Urban Affairs Committee**

**Melanie R. Walter, Testimony**

**Water Quality Accountability Act (WQAA)**

Good Morning!

My name is Melanie Walter, Director of the Division of Local Government Services (DLGS or Division) within the Department of Community Affairs (DCA). I would like to begin by conveying a greeting from our Commissioner, Lieutenant Governor Sheila Oliver.

I want to thank the Chairman, Senator Singleton, for the invitation to testify before this committee. I also would like to extend a greeting and a show of appreciation to the other members of this committee. Some of you I know and others I have spoken with in the past.

I want to commend Chairman Singleton and the members of this committee for inviting members from the public and private sectors, as well as other stakeholders, to participate in a public discussion on an issue that is important and so vital to all residents—water quality.

I understand that this committee is evaluating the progress of the implementation of the Water Quality Accountability Act (Act). You may also be considering whether additional amendments to the Act are needed to improve its efficacy.

Maintaining publicly owned and developed infrastructure as a public good is an important mission. The Department of Community Affairs appreciates the opportunity to participate in this discussion.

I appreciate the leadership of the New Jersey Department of Environment Protection in implementing the Water Quality Accountability Act in partnership with other State agencies—specifically the New Jersey Board of Public Utilities, New Jersey Office of Homeland Security and Preparedness, and our department—the New Jersey Department of Community Affairs.

Although DCA, through the Division of Local Government Services, may have a minor role within the Act, I want to acknowledge the importance of our role.

There are 244 local government entity-owned water supply systems in New Jersey that are subject to the Act, in that they have greater than 500 service connections. These include

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those owned by municipal utilities, water commissions, and Municipal Utility Authorities (MUAs).

The legal and regulatory environment for each class of ownership entity varies under New Jersey law. That can present certain challenges to consistent oversight and operational standards.

As you well know, the Act seeks to standardize some aspects of operations and planning. It requires system inspections and the development of an asset management plan that includes inspection, maintenance, repair, and renewal of each system's infrastructure consistent with American Water Works Association standards.

The Act establishes a public reporting regime that empowers the public to monitor water quality, identify infrastructure needs, and target additional funding when necessary. Every three years, a certified report based on that asset management plan must now be submitted to the state DEP, BPU, and DCA.

An asset management plan is a valuable planning tool, but as the report certification requirement reflects, being able to fund the recommended improvements under the asset management plan is imperative to assuring its impact.

Although DCA's involvement with the engineering and technical aspects of water quality and asset management is extremely limited compared to other State agencies—I hope you will view DLGS as a resource in the areas of budgeting and other financial aspects of capital planning for water infrastructure.

With that in mind, I'd like to share a bit about some existing efforts that may inform today's session.

The DCA shares in your goal of increasing accountability, broadening public access to data, and improving standardization of operational and reporting metrics. Indeed, we at DCA are pursuing this issue for all local units through the development and implementation of the FAST system. We have begun to centralize all local government budget and operational data on the FAST system's public portal and are committed to using that system to support the WQAA portal being developed through DEP, as well as continuing to centralize and link our own data to improve the public's ability to extract and synthesize all available public information.

Furthermore, the State's CY2019/FY2020 Best Practices Inventory has incorporated three core competency and one unscored survey question related to infrastructure planning. We will receive answers from all municipalities by the end of October 2019. We expect that identifying areas of need through this tool can empower us to advance local water quality planning.

Beyond these more passive data collection tools, the Division has also mobilized to address capital needs where possible under its existing statutory authority. By way of example: For

2x

the first time, the Division has included capital and debt planning requirements within this year's Transitional Aid Program Memorandum of Understanding to ensure the affected municipalities are addressing important infrastructure and capital needs. We have also consistently exercised the Local Finance Board's plenary authority to impose conditions on authority dissolutions that preserve accumulated surplus and reserves, ensuring those funds remain dedicated to the system's operation and maintenance and are not diverted, and, where applicable, directed rate increases by MUAs, although this particular power is extremely limited in availability and application.

Beyond these regulatory efforts, the Division's Local Assistance Bureau has employed two part-time water and wastewater experts to assist with assessment and reform at the local level, to include by-request management consulting services and shared services and consolidation support, the latter in coordination with the State's Shared Services Czars.

Finally, as we develop our nascent risk identification and management support program, the issues raised through this committee's process are under review and may also inform our development of clear standards and internal warning signs in the field of water and sewer infrastructure, guiding this new initiative.

I look forward to a productive dialogue, today and in the future, about how best to assure the improved and sustained quality of public owned water systems in New Jersey.

Thank you for inviting me to testify today. I am available to answer questions.

New Jersey Senate Community and Urban Affairs Committee  
AJ Sabath, New Jersey Building and Construction Trades Council  
September 19, 2019

Good morning Chairman Singleton and distinguished members of the New Jersey Senate Community and Urban Affairs Committee. My name is AJ Sabath and I am here this morning on behalf of Bill Mullen who is president of the New Jersey Building and Construction Trades Council.

Created in 1903, the New Jersey State Building and Construction Trades Council coordinates activity and provides resources to 15 affiliated trades unions in the construction industry. It represents 13 Local Building Trades County Councils, more than 100 local unions and over 150,000 rank and file members.

We help our 15 affiliated building trades unions to make job sites safer, deliver apprenticeship and journey-level training, organize new workers, support legislation that affects working families, and assist in securing improved wages, hours and working conditions through collective bargaining and project labor agreements.

In New Jersey, with the help of our union contractor partners, our members are selected to perform a significant amount public and private construction work. We work hand-in-hand in a labor-management partnership with our contractors that form bilateral cooperative trusts that promote and market the talent, productivity, assets and matchless expertise of union construction workers in New Jersey.

We very much appreciate your interest and review of the administration of Garden State's "Water Quality Accountability Act." As the committee may recall, we spend a lot of time working on public investment in our State's infrastructure, roads, bridges, and tunnels through the Transportation Trust Fund reauthorization. For our schools through advocating for multiple funding reauthorizations for the School Development Authority. As well as capital bond authorizations through voter referendums for State colleges and universities as well as local libraries and our technical schools.

We also spend a considerable amount of time working with private development interests to promote and stimulate economic growth. We work side-by-side with private development interests in legislative and regulatory arenas to promote opportunities through incentives, grants and other government tools to spur economic development. And more recently we are becoming more focused on infrastructure funding and incentives for alternative forms of energy such as solar and wind.

One of the Garden State's next greatest infrastructure challenges is addressing that the decaying and deferred maintenance over the State's patchwork of public and private water infrastructure systems. There's an old adage that a business that does not take regular inventory goes broke. Not to state the obvious, but the inherent value in the recent enactment of the Water Quality Accountability Act is that it does just that, it would require an inventory of the assets and liabilities

of the more than 500 service connections over 300 water systems in New Jersey. However, the asset management plan to inspect, maintain and repair the infrastructure will be the real challenge.

In reviewing how one of the State's other large infrastructure investment was addressed regarding transportation... roads, bridges, and tunnels, we need a similar type of response for our drinking water, wastewater, stormwater infrastructure. We need to provide a long-term, stable solution that is financially sustainable. The constitutionally dedicated gas tax to the Transportation Trust Fund took nearly 25 years to become a reality. We don't have that luxury of time to address our water infrastructure challenges.

To that end we'd like to provide you with a couple of key facts:

- Experts estimate that New Jersey's water infrastructure alone requires \$8 billion in repairs over the next 10 years to protect the water supply, maintain efficient and safe delivery of drinking water, and dispose of waste (\$25 million over 20 years).
- Newark is indicative of the systemic and statewide problem we are facing.
- Leaking pipes in New Jersey lose over 30 percent of drinking water before it reaches homes.
- Lead is only part of the problem. Water pipes and systems throughout the State have deep structural problems that require urgent attention.
- Combined Sewer Overflow (CSO) EPA Waiver – Looming timeline for municipalities to meet Federal standards, removing CSOs from operation.
- 90% of New Jerseyans say that water infrastructure should be a priority for our lawmakers

No doubt any permanent sustainable solution will require a substantial public investment. The good news is that economists estimate that for every dollar invested in water infrastructure, \$2.62 is generated in all industries in the same year. Other important statistics include that for every \$1 billion investment means 13,787 jobs with workers earning \$739.5M from those jobs, and our economy would receive \$143.1M in new income tax revenue. And we know from other public infrastructure projects that emergency repairs such as water main breaks, cost up to 10-times more than regular infrastructure maintenance.

In closing, we'd like the legislature to consider other parameters with regard to any public and private investment in repairing, replacing and maintaining our State's water infrastructure. We believe strongly that any investment, public or private, should be considered a public works project and thus covered under the NJ Prevailing Wage Act to prevent bidders on such projects from sharpening their pencils to lower costs at the expense of those performing work on the projects.

Thank you very much for your time.



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## Senate Community & Urban Affairs Committee

September 19, 2019

Thank you Chairman Singleton and members of the Senate Community & Urban Affairs Committee for the opportunity to address you today. My name is Mike Travostino. I am here on behalf of the Associated Construction Contractors of New Jersey (ACCNJ).

ACCNJ represents union general building contractors, construction managers, heavy, highway, site development and utility contractors in New Jersey. Our members are responsible for billions of dollars in commercial, industrial and institutional construction projects annually. Our Association is committed to raising the standards of construction in New Jersey through quality, integrity, skill and responsibility.

ACCNJ strongly supported the "Water Quality Management Act." As you know, the law requires every water purveyor, publicly or privately owned, to implement an asset management plan designed to inspect, maintain, repair, and renew its infrastructure consistent with industry standard best practices. The asset management plan would include: a water main renewal program designed to achieve maximum replacement cycles, estimated service lives of the water mains currently serving the public water system; and a water supply and proactive treatment program designed to inspect, maintain, repair, renew, and upgrade wells, intakes, pumps, and treatment facilities. This planning is critical in addressing our State's water infrastructure needs.

The components of the forward-thinking law require water purveyors to dedicate funds on an annual basis to address and remediate high priority projects as determined by its asset management plan. In practice, these asset management plans will become the blueprint for repairing water infrastructure from the smallest of NJ communities to our large urban core centers.



Building, Heavy,  
Highway, Utility Chapter  
Associated General  
Contractors of America  
Washington, DC

Enforcing the intent of law and explicit provisions in the Water Quality Management Act are imperative to the success of water infrastructure rehabilitation and replacement. In addition to enforcement, the next logical step in addressing the State's water crisis, as Legislative Leadership weighs options to amend or further enhance provisions WQMA, would be the identification of revenue that could be used to develop a Statewide plan to combat the water infrastructure issues we all face as New Jerseyans.

ACCNJ stands ready, alongside our labor partners, to engage in those discussions and we appreciate the committee's time this morning.

Thank you for your time and consideration.

**Cheryl Norton's Testimony**  
**Senate Hearing on the Water Quality Accountability Act**  
**September 19, 2019**

Chairman Singleton, Vice-Chair Rice, and members of the Senate Community and Urban Affairs Committee:

I am honored to speak to you today, representing New Jersey American Water, the state's largest water and wastewater services provider. New Jersey American Water successfully owns, operates and maintains seven surface water treatment plants, 258 wells and 20 wastewater treatment plants, as well as approximately 9,600 miles of water and wastewater pipes, all to serve customers in 192 communities throughout the state. Approximately 2.7 million residents – 1 out of every 3 people living in New Jersey – receive their water and/or wastewater service from us.

The state of America's infrastructure is one of the most pressing issues facing us as a nation. The American Society of Civil Engineers in 2017 graded our nation's water infrastructure a D+ and wastewater infrastructure a D-, and have estimated that the need over the next 25 years is \$1 trillion.

New Jersey American Water invested more than \$330 million on systems upgrades statewide in 2018 – nearly a million dollars a day – to ensure quality and reliability, and we are on track to make a similar level of investment in 2019. Of the amount invested last year, more than \$102.4 million was invested to replace and rehabilitate more than 67 miles of aging pipe and install new main to serve additional areas, and more than \$2 million was spent on leak detection technology to enhance the company's ability to respond to leaks and breaks. Since 2010, the

company has invested nearly \$2.4 billion in system improvements and follows robust asset management plan that includes about a 90- to 100-year pipe replacement rate annually.

In conjunction with this annual investment in infrastructure, New Jersey American Water's systems continue to be in compliance with all the core standards and requirements set forth by New Jersey's Water Quality Accountability Act.

Passed into law in July 2017, the Water Quality Accountability Act is aimed at enhancing the reliability and safety of drinking water from every water provider in the state. With a focus on accountability and transparency, this law establishes statewide standards for investment into water systems with more than 500 service connections for all water purveyors that is consistent with industry best practices.

The Water Quality Accountability Act takes a proactive look at our state's aging infrastructure while aiming to raise the level of investment and overall accountability of every water provider in New Jersey. Our efforts to evaluate our systems and provide accurate and thorough reporting of our compliance with this law reinforce our commitment to the safe and reliable delivery of quality water service to every customer in the state.

Upon its passing, New Jersey American Water was already in compliance with many of the requirements of the law, and the company conducted an extensive internal auditing process to properly document and further ensure compliance and also to establish a robust process for reporting its compliance each year. We leverage electronic work management systems, strong work practices and skilled employees to achieve superior safety and efficiency standards. This reinforces our

commitment to the safe and reliable delivery of quality water service to all of our customers around the state.

Concerning some of the specific provisions of the law:

- We regularly test our valves and hydrants and make any needed repairs;
- We have a cybersecurity program, as well as emergency management plans in place, and these are practiced in exercises and drills on a regular basis; and
- We have a robust asset management plan that surpasses the requirement of this law, which is 150-year replacement cycle. Ours replacement rate is, on average, about a 90- to 100-year cycle annually.

Additionally, all our certifications were further supported by the inspection results of the annual New Jersey Department of Environment Protection Water Supply Sanitary Survey.

In addition to the direct benefits to customers, these investments also benefit the state's economy. Earlier this year, a new brochure, "How Water Investments Drive New Jersey's Economy," was released by the New Jersey section of the American Water Works Association, Jersey Water Works, and other partners. The brochure contains supporting facts for investment. For example, a \$1 billion investment in the state's water infrastructure would create 13,787 jobs; and from those jobs, workers would earn \$739.5 million and state and local economies would receive \$143.1 million in new revenue. In 2016, nearly 1.7 million workers were directly involved in designing, constructing, and operating water systems and infrastructure.

The Water Quality Accountability Act is about establishing statewide standards for all water purveyors that is consistent with industry best practices and helps address the water investment needs that have been neglected for decades, so that we can protect New Jersey residents. Water and sewer is all we do. We are proud to support and abide by this legislation and we strongly encourage other water providers in the state to do so, as well. New Jersey families deserve safe, clean, reliable drinking water. It is our responsibility as stewards of the water supply to provide that to them.

DA: September 19, 2019  
TO: Honorable members of the Senate Community & Urban Affairs Committee  
RE: UTCA Testimony on the Water Quality Accountability Act

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Good morning, my name is Zoe Baldwin, and I am the Director of Government Affairs for the Utility & Transportation Contractors Association. I'm joined today by our CEO, Robert Briant, Jr., who also serves as the Acting Chair for the NJ Infrastructure Bank and can help answer any technical program questions you may have.

Chairman Singleton and members of the Committee, we would like to start by saying thank you for the opportunity to testify. UTCA truly believes that the Water Quality Accountability Act laid essential groundwork for the state, and we look forward to the continued efforts toward ensuring that all New Jersey residents have access to clean and reliable water.

We also commend the DEP and BPU on their strong testimony at the first hearing. We agree that the WQAA **CAN** be a transformative effort **IF** the current law is adhered to. UTCA supported the bill when it was proposed and strongly supports this oversight effort as it moves forward.

Right now, the spotlight has been glaring on Newark as elevated lead levels, failed filters, and expired bottles of water made headlines across the region. The response from all levels of government to the emergency was swift and necessary, but as anyone in our industry will tell you, the real crisis extends far beyond city limits and NJ will need much more than money to bring its water systems up to date.

This hearing, and the WQAA specifically, are the state's critical next steps toward tangible reform as they address the underlying issue: governance and planning. In the face of this continuing crisis, we need to make sure that state government has the regulatory tools it needs to ensure that the 500-or-so regulated drinking water systems are properly maintaining, upgrading, and replacing their pipes - including lead service lines.

To that end, UTCA has several recommendations regarding ways the state can bolster its oversight and authority when it comes to water: implement the existing rules of the WQAA; expand the WQAA to wastewater; and increase funding and non-material support for all water projects.

#### On Implementing the Existing WQAA

- We agree with the DEP that compliance with the existing law has been mixed. Now that the full 18-month window for compliance has passed, we support the efforts by agencies - ranging from increased technical support to enforcement actions - that result in compliance and investment addressing the highest priority projects as identified by each system.
- DEP testified that they are working on a rule proposal that would have clear compliance and enforcement steps built within them. UTCA supports DEP's efforts and encourages the DCA to take the same strong approach.

- It is important to remember that the DEP does not oversee the budgets of any public water system, whether that system is investor-owned / operated or in the hands of a local government or MUA.
  - Therefore, DCA must be asked to increase oversight of the provision in the existing WQAA that states that "each water purveyor shall dedicate funds on an annual basis to address and remediate the highest priority projects as determined by its asset management plan." **UTCA urges the legislature to seek data from the DCA as to compliance with this aspect of the WQAA and to consider enabling the agency to take enforcement action where necessary.**
  - We cannot allow this issue to cover lead alone. We must look to this law as a primary tool to protect our communities – not only from lead and the myriad issues we face today, but for all of the treatment upgrades, repairs, and replacements we'll need to make tomorrow. Therefore, we must also empower DCA to enforce local system reinvestment

#### On Expanding the WQAA

UTCA works with groups like NJ Future through the Jersey Water Works collaborative, where we serve on the Steering Committee and as a Co-Chair of the Asset Management and Finance Committee. From this experience and through its own efforts we offer the following amendments to the WQAA framework:

- Add a requirement for lead service line inventories that records be kept by every water system except for those that the DEP has found to have proven that no lead service line exists in their service area
- Expand the WQAA framework to wastewater utilities. Each year, 7 billion gallons of diluted sewage are dumped in New Jersey's waterways, and the mechanisms established in the WQAA provide an excellent framework for similar stewardship on the waste side.
  - a. Exempt any wastewater utility that is under a permit requirement to develop a Long-Term Control Plan for CSO Compliance, as they are already required to meet these standards.

#### On Increasing Support to Systems

We don't need to wait for full WQAA compliance to know that water utilities of all shapes and sizes need more support from the state and federal government to fund their capital strategies. Estimates have NJ's need at about \$40B, or \$2B annually over 20 years to get us to a good state of repair. While that certainly sounds daunting, there is good news: our systems are already investing about a billion a year through rates and federal funding from the state's Infrastructure Bank.

But to get us into the endzone, here are some quick ideas that don't involve a tax or bonding:

- Empower regulatory agencies to enforce compliance with capital planning and investment components of WQAA
- Enable the I Bank to receive federal WIFIA funds

- Support Senator Booker's legislation that allows states to send funds between Clean Water and Drinking Water SRF, up to \$100M
- Distribution System Improvement Charge (DSIC) for wastewater – support BPU's efforts to put that mechanism in place
- Streamline approvals at DEP for critical projects that are focused on replacing old infrastructure in existing communities.

#### On the Overall Value

Let's not forget the value of this investment goes past the environment and public health. UTCA, along with partners in Jersey Water Works, American Water Works Association, the NJAEA, and the NJ Water Environment Federation, conducted a broader economic study showing that:

- A \$1B investment in water infrastructure creates 13,787 jobs
- And those jobs will be in demand - 44.6% of water workers are over 54 years old. Investing in our water infrastructure also serves to protect and expand access to those living wage jobs.
- The longer we wait, the more repairs cost – emergency works costs an average of 10 times more than scheduled repairs and maintenance.

# **WATER INFRASTRUCTURE INVESTMENT PROGRAM**



**2018-2019**

**UTILITY & TRANSPORTATION CONTRACTORS ASSOCIATION**

# Executive Summary

## Problem Statement

The overall condition of New Jersey's water infrastructure assets—drinking water supply, wastewater, and stormwater—can be summed up in one phrase: *grossly inadequate*. We begin this document with this condition assessment as an accepted fact, ably documented by others and largely unchallenged. Although there are many examples (both public and private) of well-run water systems, by and large our existing systems cannot meet the needs of today. Equally disconcerting is that these systems cannot be reasonably expected to meet the projected needs of tomorrow, given growth patterns and changes to the environment resulting from climate change.

In recent years, water infrastructure issues have been well documented, and in New Jersey, they go far beyond the national stories that came to light during the Flint, Michigan lead crisis. It is clear that New Jersey is not alone in its sad state of affairs; consistent failure to invest and perform proper maintenance over decades, coupled with a startling absence of public awareness has led much of our country into a similar predicament. At the same time, diminishing federal support has left states to largely fend for themselves.

In New Jersey, water main and sewer breaks disrupt the everyday life of our residents and businesses. These events shut down roads and transit, shutter business operations, and create public health hazards. In older communities, lead service lines and inadequate internal plumbing turns otherwise clean, treated drinking water into a risk to our children's health and development. Water production plants face challenges in meeting new drinking water standards that are rightly being put in place to protect public health. Inadequate wastewater and stormwater infrastructure are leading contributors to localized flooding, which will only be exacerbated by rising sea levels. These conditions put our residents and their property at risk during a normal rain event—let alone when a named storm is barreling up the eastern seaboard.

Our residents and businesses rely heavily on water infrastructure. Most people never give pipes a second thought, so long as there is water flowing from the tap and a properly flushing toilet. However, a 2011 poll by the Monmouth University Polling Institute showed an overwhelming percentage of New Jerseyans prioritize water supply over many other pressing public policy matters.

Public support is constrained by an overall lack of confidence in federal, state, or local government to effectively spend their money wisely. This lack of confidence must be overcome. When residents and businesses are educated on these issues they are willing to pay more to modernize water infrastructure assets. Choosing between clean water and other important priorities like education and public safety is a zero-sum game that has no winner.

## DID YOU KNOW?



New Jersey loses **130 million gallons per day** of treated drinking water



Hoboken has averaged **20 water main breaks each year** since 2000, because much of its water infrastructure was built in the mid-to-late 1800s



Despite a 20% reduction since 2015, New Jersey still has **210 Combined Sewer Outfalls (CSOs)** that discharge untreated sewage and stormwater to waterways



Pure and simple, the problem is inaction—or better stated, the lack of meaningful action to make a dent in the long-standing issues with our water infrastructure. We are treading water, doing only just enough to avoid disaster. This is a failed approach, and we are already dealing with the repercussions of this inaction.

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## Overcoming Inaction

Up to this point, the mounting needs of our drinking water, wastewater, and stormwater systems have largely been addressed in public discourse through the lens of symptoms such as unsafe drinking water or desired outcomes such as fewer flood events. However, defining a problem in terms of its symptoms obscures the real cause, and in turn, proposed solutions fail to truly address the underlying issue: a lack of governance and process.

The comprehensive statewide water infrastructure investment strategy described in this document presents an efficient and sensible approach to improving our water infrastructure systems in a transparent and cost-effective manner. Unlike many other problems facing New Jersey, we know how to fix this. The actions proposed in this program are based upon existing structures and institutions, and are all within the short-term reach of our elected leaders.

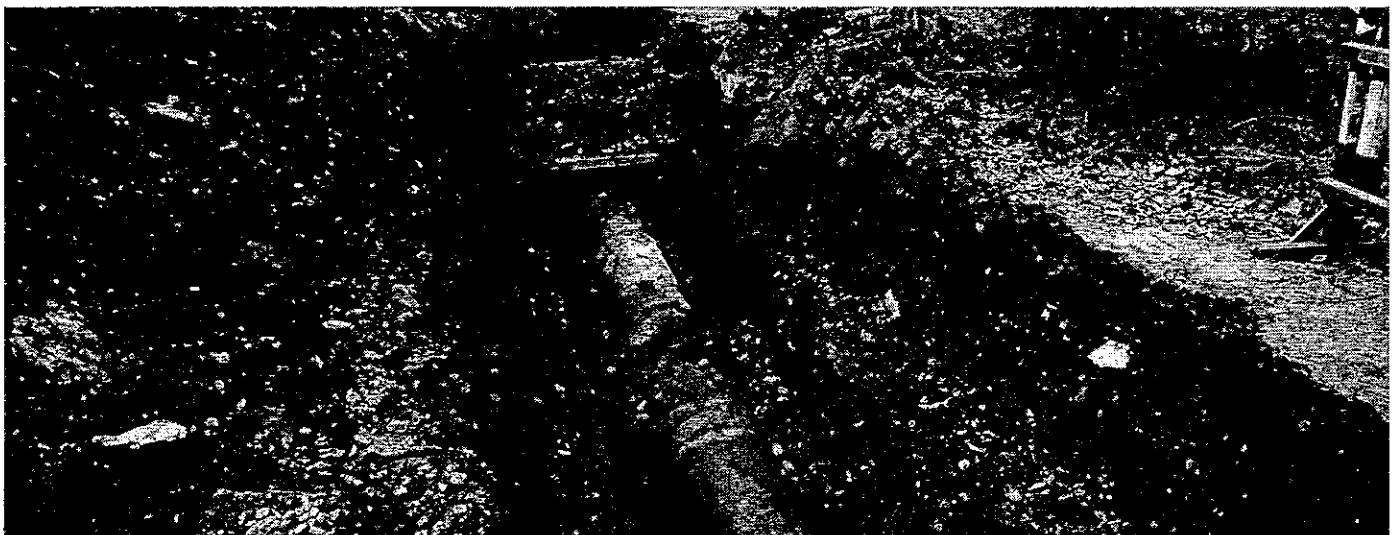
More than just money, the four goals and corresponding actions presented in this document create a clear structure of accountability and investment for all New Jersey water systems: statewide capital planning; capacity building; project prioritization; and a reduction in project review times and costs.

Water infrastructure - like transportation and energy infrastructure - is a basic building block of our economy and quality of life and should be stewarded as such. In order to achieve the desired outcomes - cleaner drinking water, less flooding, etc. - we must first establish a statewide, structural relationship between our water systems, regulators and lawmakers, and the Infrastructure Bank. Instituting a transparent and cyclical statewide planning process along with a corresponding annual capital program creates a platform of progress and accountability for ratepayers, while also leveling the regulatory playing field across the state.

While funding is certainly a primary driver in advancing water infrastructure projects, we must avoid the trap of being either dissuaded by or led by the cumulative price tag of the work. Increasing capital investment is an unavoidable aspect of fixing this problem; but without a structured process to ensure accountability and fairness, new money will do little to address the root cause.

Similarly, there is no silver bullet. The nuances of each system are unique and a continued partnership with them is an essential component of any successful program. The exact investments for each system cannot be dictated from a central office in Trenton. Keeping an open dialogue between regulators and the systems they regulate is imperative.

The time for talk is over. Now, we must get to work. Beyond the health and environmental benefits, this work will create good jobs for the long-term, will accelerate economic development opportunities, and will increase opportunities for outdoor recreation.



## Outcomes: A Mission-Driven Program

This program is meant to ensure that all water infrastructure assets (drinking water, wastewater, stormwater) are:



Invested in at a rate of at least \$2B per year for the next 20 years.



Appropriately upgraded and maintained in a state of good repair.



Ready to meet the challenges of tomorrow in a cost-effective manner.

To meet this mission, the following goals and related actions have been established:

### GOAL 1

Create a Comprehensive Water Infrastructure Investment Strategy

### GOAL 2

Build Institutional & Financial Capacity in Every System

### GOAL 3

Accelerate Key Projects of Regional/Statewide Significance

### GOAL 4

Bring All Water Infrastructure Projects to Construction Quicker & Cheaper

# Meeting the Mission

## Goal 1: Create a Comprehensive Water Infrastructure Investment Strategy

### Action 1- Adopt a Comprehensive Water Infrastructure Strategy

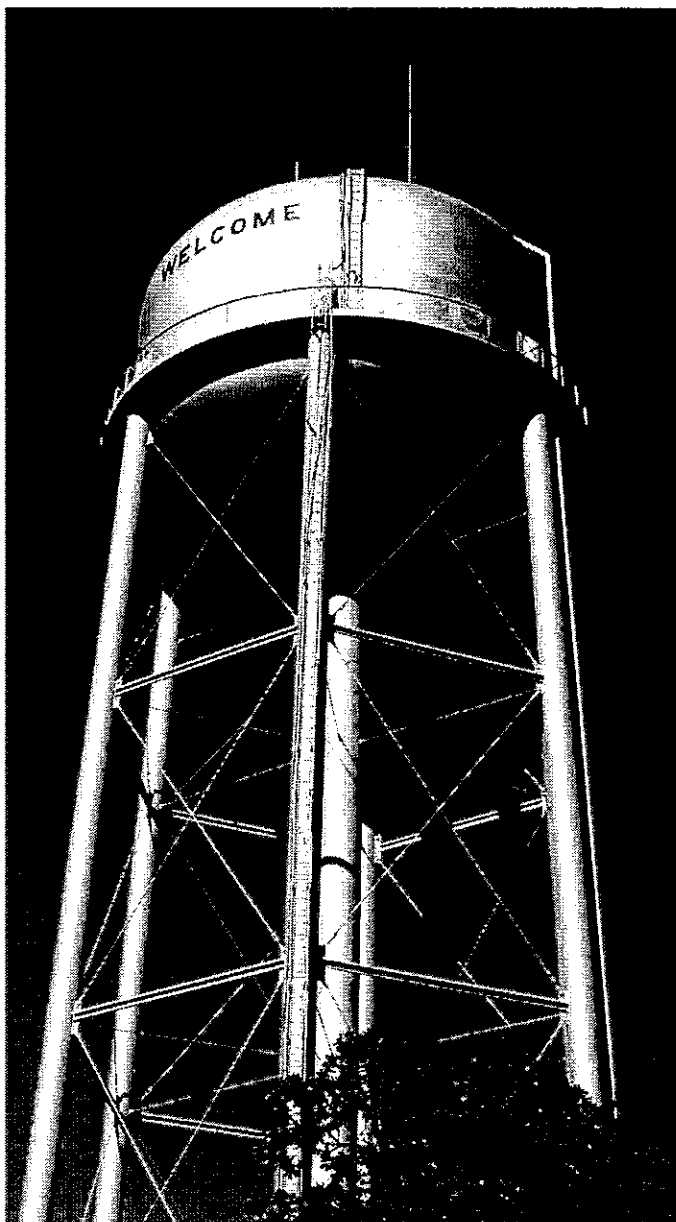
By statute, authorize the development and adoption of a 20-year, Comprehensive Statewide Water Infrastructure Investment Strategy by the end of 2018. This document would clearly define the scope of work, document the need for additional funding, provide options to fill funding gaps, and ultimately produce a formal Water Infrastructure Capital Program (see Action 2) mimicking, to the extent practical, the existing Transportation Improvement Program (TIP) that guides investments in transportation. This would build on the policies established in the New Jersey Department of Environmental Protection's (DEP) "Intended Use Plan" published annually as a requirement of federal funding. The existing "fix it first" philosophy should be continued.

This strategy would include a goal of meeting or exceeding \$2 billion in annual construction funded by various, previously identified programs and sources of revenue. A key component of this strategy would be to incentivize good business practices for the water industry and build capacity for future success. By leveling the playing field for all water systems, New Jersey will avoid throwing good money after bad. As such, subsidizing systems that are unwilling to address operational efficiencies should be discouraged.

#### Structure:

- ▶ Adopted by the NJ Infrastructure Bank (the "I-Bank") in consultation with the DEP, Board of Public Utilities (BPU), and the New Jersey Department of Community Affairs (DCA)
- ▶ Reexamined every five years in a transparent and efficient manner: Avoids putting responsibility under one "Water Czar" and reflects the shared authority of various state agencies as well as the need for systems to be responsibly operated and managed regionally/locally and not centrally by the State of New Jersey
- ▶ Provides the opportunity for public input at various points of development, and posted on a public website upon adoption
- ▶ Builds on utility-system asset management programs, County Wastewater Management Plans, CSO Long Term Control Plans, and other stormwater plans developed at the local level

- ▶ Respects confidentiality/security issues related to individual public and private water systems
- ▶ Prepared with input from an unpaid, State Water Infrastructure Advisory Board, (also established by this legislation) whose members possess qualifications and knowledge including:
  - 3 PROFESSIONALS FROM PUBLIC WATER AND WASTEWATER AGENCIES
  - 3 PROFESSIONALS FROM INVESTOR-OWNED UTILITIES
  - 1 REPRESENTATIVE OF PROFESSIONAL ENGINEERING COMMUNITY
  - 1 REPRESENTATIVE OF THE NJ BUSINESS COMMUNITY
  - 1 REPRESENTATIVE WITH EXPERTISE IN UTILITY FINANCE
  - 1 REPRESENTATIVE OF REGIONAL PLANNING COMMUNITY
  - 1 REPRESENTATIVE OF PUBLIC HEALTH COMMUNITY
  - 1 REPRESENTATIVE OF UTILITY CONTRACTORS



### Ex Officio Members Including:

- DIVISION OF THE RATE COUNSEL REPRESENTATIVE
- NJ CLEAN WATER COUNCIL REPRESENTATIVE
- NJ WATER SUPPLY ADVISORY BOARD REPRESENTATIVE

### Contents:

- ▶ Establish funding targets for annual and long-term goals (e.g. \$40 billion in 20 years)
- ▶ Recommend grant programs for Asset Management, including but not limited to inventory and criticality assessments, merger/regionalization studies, challenged systems due to lack of ratepayers, or socio-economic factors impacting their ratepayers
- ▶ Ensure coordinated use of current federal, state, and local funding resources
- ▶ Identification of annual and long-term revenue sources that will overcome the identified gap in funding, including prioritization of capital projects to meet public policy goals as set forth in the Intended Use Plan
- ▶ Prioritize green and grey projects in areas vulnerable to the effects of climate change
- ▶ Review the application of emerging best practices in utility and construction management and recommended policy solutions to embracing these trends
- ▶ Integrate with other statewide planning efforts for development & redevelopment, transportation, housing, energy, etc., and require review by municipalities during re-examination of local Master Plans under the Municipal Land Use Law

- ▶ Assess and recommend appropriate opportunities for public – private partnerships (P3's)
- ▶ Assess and recommend programs that address rate affordability
- ▶ Recommend ways to accelerate review, approval, and reconstruction of priority water, wastewater, and stormwater assets

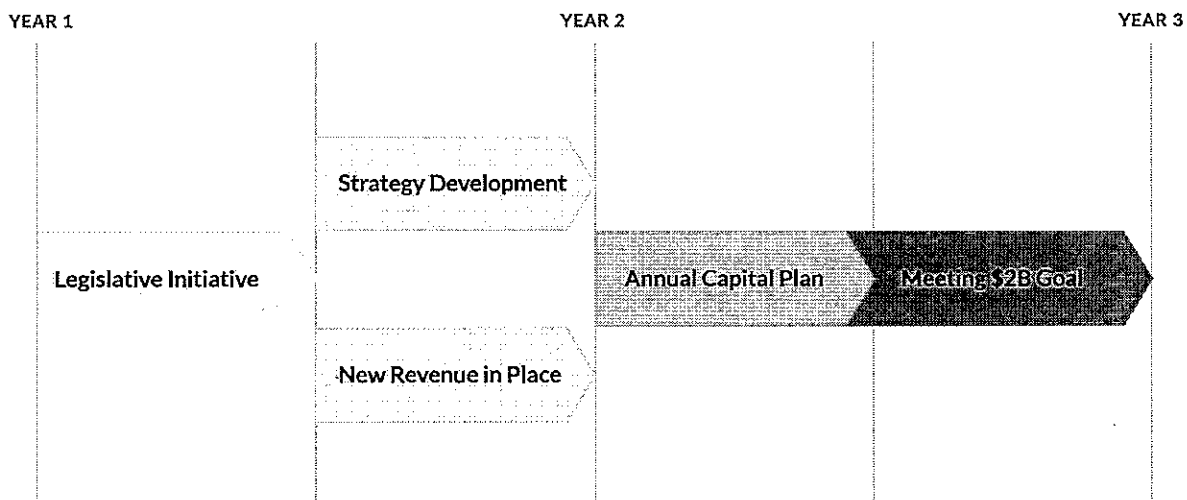
### Action 2—Create an annual water Infrastructure Capital Program submitted to the Legislature each year beginning the first fiscal year after passage, mimicking, to the extent practical, that of NJDOT's TTF Process:

- ▶ Will be prepared and submitted to the Legislature by the I-Bank in conjunction with the DEP, BPU, and the DCA
- ▶ Increase planning and project coordination between water, energy, and transportation infrastructure and prioritize projects that can be accomplished simultaneously, when practical

### Related Tasks

- ▶ Retain the I-Bank as the financial oversight/bonding entity and DEP as the technical review entity with support, as appropriate, from professional service providers
- ▶ Invest in the staff of DEP, BPU, DCA, and the I-Bank to enable them to better meet the mission. This goes beyond the number of employees on staff and goes into sufficient technical, management opportunities, and engagement opportunities with the owners/operators of water infrastructure assets

## COMPREHENSIVE STATEWIDE WATER INFRASTRUCTURE INVESTMENT STRATEGY TIMELINE



### Action 3—Filling the Funding Gaps Identified in the Water Infrastructure Investment Strategy

Short Term Tasks: Prioritize Discretionary State Funding/  
Federal Advocacy to complement existing Clean Water State  
Revolving Fund (SRF) program efforts

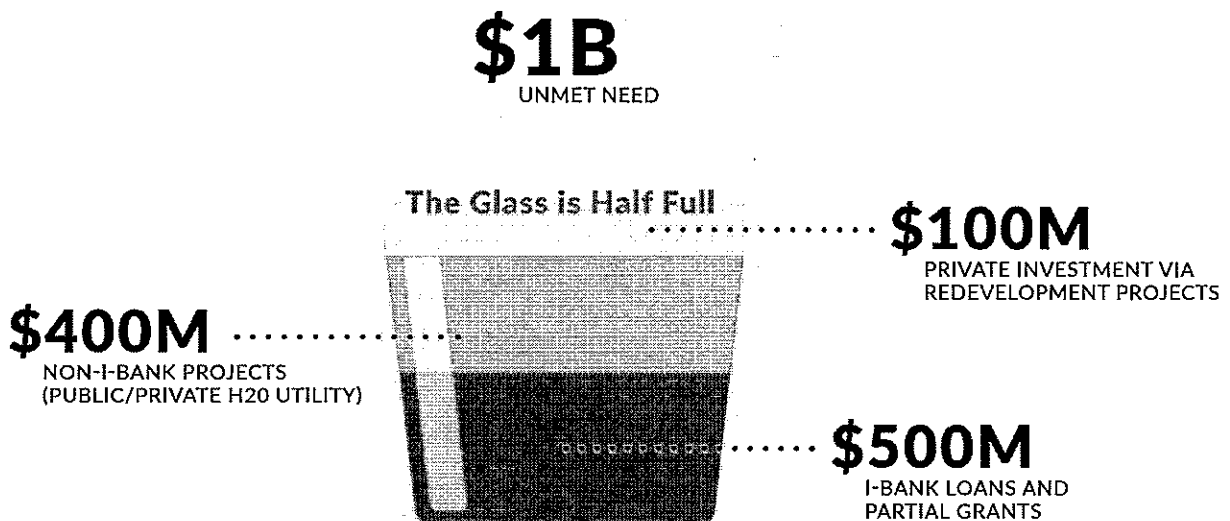
- ▶ Dedicate at least fifty (50) percent of constitutionally dedicated revenue from national resource damage (NRD) settlements to water infrastructure priorities that meet the criteria set in the recent public question. Added benefit of this action is that it would satisfy state match requirements for any new SRF federal funding
- ▶ As New Jersey reenters the Regional Green House Gas Initiative (RGGI) program, dedicate a percentage of revenue to water infrastructure priorities with a water-energy nexus. New revenue dedicated to water infrastructure priorities should be added to the SRF program. Consider using a portion of the existing BPU Societal Benefit Charge for the same type of projects. Added benefit of this action is that it would satisfy state match requirements for any new SRF federal funding
- ▶ Support legislation that would enable existing utilities (in most cases) to take on the role of "Stormwater Utilities" that would generate revenue to improve stormwater management and drive construction of projects that directly improve water quality throughout the state

- ▶ Support legislation enabling BPU to establish a wastewater Distribution System Improvement Charge (DSIC) modeled after the successful water supply DSIC program
- ▶ Engage in advocacy at the federal level to ensure that water infrastructure is viewed as a priority and not subordinate to other important infrastructure priorities
- ▶ Streamline approvals for increases in rates when the utility demonstrates that the projects are a priority

Mid Term Actions: Fill the long-term funding gap through one or more funding options recommended by the "Comprehensive Statewide Water Infrastructure Investment Strategy" that complement existing SRF program efforts. **Develop a platform for public approval of actions including but not limited to:**

- ▶ No later than one year after adoption, increase state funding to dedicate new revenue from identified sources or through authorized bonding. Any existing or new state or pass through federal funding would be spent consistent with the "Comprehensive Water Infrastructure Investment Strategy"
- ▶ Adopt local ordinances that would evolve existing utilities to serve the role of "Stormwater Utilities" which would raise revenues for local stormwater projects

## Estimated Current Rate of Investment/Year



29

## Goal 2: Build Institutional & Financial Capacity in Every System

### Action 1—Implement the Water Quality Accountability Act ("WQAA")

DESCRIPTION: With the WQAA now in effect, the DEP must work swiftly with all required municipalities/utilities to conform with the newly- established requirements of the WQAA within 18 months. Any data collected from this work should directly inform the "Comprehensive Statewide Water Infrastructure Investment Strategy" and be used to create a statewide progress report, including the development of key achievement metrics.

#### Related Tasks:

- ▶ Support DEP and municipalities'/utilities' efforts to get the resources they need (staff, technology, etc.) to meet the requirements of the Act. Certain municipalities may require more assistance than others due to the size of their rate base or socio-economic factors impacting their ratepayers
- ▶ DEP should create an audit system to ensure that compliance certifications received from WQAA effected systems are a legitimate reflection of compliance

### Action 2—Expand the WQAA

- ▶ Support legislation that would add non-CSO wastewater utilities as being covered by the WQAA to ensure that optimized separate sewer system maintenance and related issues are properly addressed
- ▶ Support legislation that would amend the Municipal Land Use Law/County Planning Act to require consideration of asset management planning by counties and municipalities in the process by which they reexamine the local master plan
- ▶ Support the addition of an enforcement mechanism into the existing WQAA structure

### Action 3—Implement the WISE Act

DESCRIPTION: With the Water Infrastructure Savings Enabling (WISE) Act now in effect, it must be enforced by DCA—Local Government Services and municipalities must be challenged when they propose to use a source other than the I-Bank for borrowing for water infrastructure projects.

### Action 4—Eliminate Misdirection of Ratepayer Funds

DESCRIPTION: There is evidence that some local governments consistently raid local utility funds.

- ▶ Support action(s) that would protect ratepayers and stipulate that revenues are reinvested into the utility for which they were collected, with an exception for a reasonable rate of return on capital to the responsible governing body—

mirroring the private purveyor model. This will both mandate and incentivize reinvestment; the more governments invest, the more revenue they reap. Ratepayers have done their job by paying the bills every cycle and should not be on the hook for projects neglected due to unrelated local deficits.

### Action 5— Support Incentives/Requirements for Business Efficiency

DESCRIPTION: The business of utility operation is expensive and with increases on the horizon, New Jersey ratepayers need to have full confidence that their hard-earned dollars are being used responsibly.

ISO 14001 is a set of international business standards of efficiency for environmental management systems already adopted by some utilities (especially investor-owned utilities). This is a model that publicly owned utilities like the Camden County Municipal Utilities Authority (CCMUA) have embraced, with great success. In the case of the CCMUA, it was able to realize significant administrative and programmatic efficiencies. Heavily incentivizing and eventually mandating adoption or the use of a business standard like ISO 14001 makes good business sense for all municipalities and utilities.

### Action 6—Address Water Systems that have Excessive Water Loss & Infiltration

DESCRIPTION: Support DEP efforts to strengthen regulations to require appropriate water loss audits and infiltration assessments for relevant systems.

The DEP should not simply penalize non- compliant water systems financially, but instead look to options that result in improvements to the underlying problem. Incentivizing good actions with special access to grant funds for planning and assessment avoids the trappings of an unfunded mandate while helping to ensure utilities are properly maintaining their assets.

### Action 7—Require Inventorying of Non-CSO Municipal Stormwater Assets

DESCRIPTION: Recently finalized DEP MS4 permits do not require a full inventory of all municipal stormwater assets. Mandating and supporting this process will help pinpoint areas of concern and prioritize need.

- ▶ Support legislation that would require this inventory in the next permit cycle and provide funding for municipalities to perform this work in an efficient manner that capitalizes on existing technology and staff

## Goal 3: Bring All Water Infrastructure Projects to Construction Quicker & Cheaper

### Action 1—Require State Rule Making to Consider Impact to Water Infrastructure Reinvestment

DESCRIPTION: Support Gubernatorial Executive Order (EO) that would require any state agency engaged in rulemaking to avoid unintended consequences of new or existing rules that may stymie necessary reinvestment in water infrastructure. The EO should contain the stated goal of reducing the average review time down to one year or less.

The EO should direct DEP to cut “red tape” for water infrastructure projects (or those requirements of funding from the federal government) for all approvals, especially those that require construction timing restrictions. Updated regulations should focus on a “one water” approach that avoids impacting environmental protections while still creating efficiencies for state agencies, project sponsors, and contractors.

The EO should also direct the review and modernization of DEP/I-Bank regulations and any state or federal requirements that provide the technical standards of review for all projects.

In addition, the EO should direct the DEP to create a process by which projects that are replacing existing, common water infrastructure assets experience reduced environmental/cultural reviews as the risks to public interests are minor compared to the risks of not fixing the water infrastructure. This includes projects that are eligible for the current or any expanded BPU Distribution System Improvement Charge (DSIC).

### Action 2—Complement DEP Technical Review with Outside Assistance

DESCRIPTION: Even with the investment recommended in current staff under Goal 1, it is unlikely that the DEP can meet the challenge of greatly accelerating the pace of approvals for water infrastructure projects without outside assistance. DEP should follow through with procuring the services of qualified firms to accelerate approvals for water infrastructure projects that have been or will be submitted to the SRF. This should only be considered when it can be demonstrated that more support is needed than the DEP can reasonably provide and only be in place for the time period of need.

### Action 3—Electronic Permitting/Program Efficiencies

DESCRIPTION: Following the lead of the SRF program's H2Oloans system, all environmental agency permits should be electronic and any antiquated steps in the approval processes should be eliminated.

### Action 4—Increased Assistance for Challenged Systems

DESCRIPTION: One hurdle faced by projects eligible for SRF funding is the reporting requirements tied to all federal funding. New Jersey has several options to help mitigate these difficulties:

#### I-Bank mentoring:

Paperwork, especially for a smaller loan, can be daunting. Allowing experienced Commissions, Authorities, and County Utility Authorities (CUAs) to help shepherd Municipal Utility Authorities (MUAs) and town through the I-Bank process would encourage use of this critical program.

#### Technical Assistance Grants:

When the need for administrative help is demonstrated, provide for small, technical assistance grants to accompany capital grant.

### Action 5—Consequences to SRF Applicants That Do Not Proceed With Projects After Bidding Work

DESCRIPTION: Establish new program provisions for borrowers so the I-Bank/DEP can recover professional costs wasted if the borrower fails to proceed with a certified project that has been publicly advertised. Provisions in this new policy should include exemptions for the reasonable circumstances that borrowers may encounter that result in discontinuing a project.

### Action 6—Reexamine & Modernize Residential Site Improvement Standards

DESCRIPTION: The Residential Site Improvement Standards are managed by the DCA and establish Statewide requirements for improvements relating to residential development, including streets and parking, water supply, sanitary sewers, and stormwater management. These standards are outdated and need to be improved to incorporate contemporary water infrastructure solutions (e.g. green infrastructure) and the realities of mixed-use development that is now dominating the New Jersey real estate market.

31X

## Goal 4: Accelerate Key Projects of Regional/Statewide Significance

### Action 1—Prioritize “On the Books” Projects of Regional/Statewide Significance

DESCRIPTION: The SRF queue includes projects totaling more than \$3 billion. Many of these projects meet clear needs of local systems and improve conditions that are of regional/statewide significance. In recent years, tremendous progress has been made, and goals for overall program performance have been met and exceeded. In the coming years, this pace must be continued and accelerated. The following types of projects should get high priority to proceed to construction/completion.

The following projects, among others, represent an opportunity to improve the condition of several critical water systems and should be driven to construction/completion



#### Projects that eliminate/mitigate CSOs

Eliminate 25% of the 212 existing CSOs by 2022



#### Projects that eliminate existing lead service lines

Eliminate 25% of existing lead service lines by 2020



#### Projects required to meet newly or anticipated MCLs to meet drinking water standards

Install treatment on all water systems impacted by the forthcoming MCLs for PFNA, PFOA, PFOS, 1,2,3-TCP by 2022



#### Projects that reduce non-point source pollution in the Barnegat Bay by retrofitting existing stormwater basins

Replace/retrofit at least \$20 million of outdated stormwater assets by 2022



#### Projects that partner with institutions of higher education to reduce non-point source pollution and/or contribute flows to CSO systems, including “Green Infrastructure” solutions

Replace/retrofit water infrastructure at four (4) institutions of higher education in CSO contributing areas by 2022



#### Projects of statewide/regional significance, for example:

- NJ Water Supply Authority projects that will improve its capacity to transmit water from the Delaware River to the service area of its customers and “shore up” existing water supply assets
- Passaic Valley Water Commission projects that will eliminate all uncovered finished water reservoirs



#### Projects that target failed on-site septic systems in areas of existing development

Extend centralized wastewater service to discrete areas with documented on-site septic system failures

### Action 2—Bring Projects Identified in the Water Supply Plan to Construction

DESCRIPTION: New Jersey recently updated its Water Supply Plan for the first time in over a generation. There are opportunities identified in this Plan to improve the condition of our water supply system statewide. Projects like these should be exempt from provisions of 40:14A, which put a cap on rates on regional water systems struggling to meet their infrastructure investment needs. Projects that implement the Water Supply Master Plan include but are not limited to:

- ▶ Projects eligible for use of the Water Supply Bond Fund (over \$30 million of unspent capital funds) that would greatly increase the operability of various water supply systems during times of drought
- ▶ Projects that resolve lead and contaminant issues in public portions of systems
- ▶ Projects that reduce non-revenue water loss
- ▶ Projects that increase water supply storage
- ▶ Projects that improve system resilience through interconnections
- ▶ Projects that shore up existing reservoirs of statewide importance
- ▶ Projects that address Uncovered Finished Water Reservoirs

### Action 3—CSO Long Term Control Plans—Eliminate Outfalls

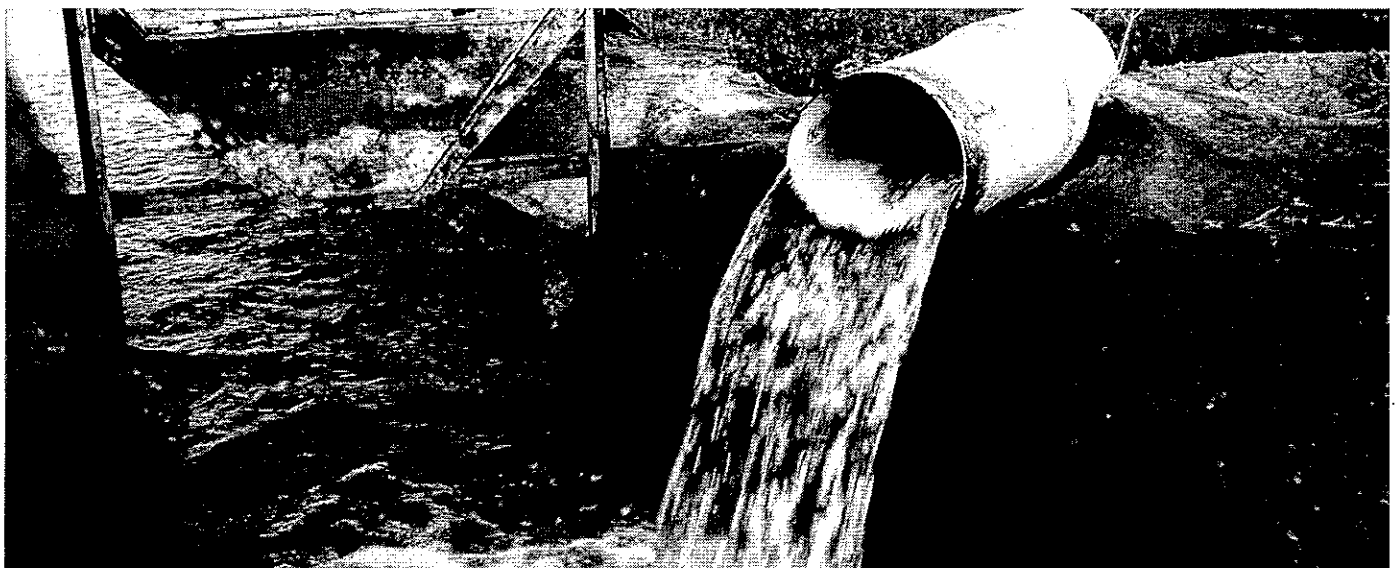
DESCRIPTION: In 2015, New Jersey issued final permits to all municipalities/utilities with combined sewer systems. Long-Term Control Plans are under development and are due in a matter of years. In the meantime, there are opportunities to eliminate a number of combined sewer outfalls in several municipalities. New Jersey should commit to eliminating a certain number of CSO outfalls prior to the delivery date for the complete long-term control plans by using discretionary funding given out as grants to systems capable of delivering on this outcome. Projects like these should be exempt from provisions of 40:14A, which put a cap on rates on regional water systems struggling to meet their infrastructure investment needs.

### Action 4—Support Innovative Projects that Solve Long-Standing Problems

DESCRIPTION: Projects that meet this action include, but are not limited to:

- ▶ Identify state owned facilities that are operating non-compliant wastewater facilities and connect them into the regional systems
- ▶ Eliminate septic systems by connecting them to centralized wastewater systems where there are documented areas of failed systems due to age, geology, or other circumstances
- ▶ Incentivize greywater reuse whenever possible, especially for non-potable, public purposes. Support and incentivize municipalities/utilities that are pursuing better ways to treat sewage less like waste and more like a resource. For example; watering golf greens, street cleaning, fire-fighting, geothermal energy production, preventing seawater intrusion into freshwater aquifers, industrial processing, commercial laundering, restoring natural wetlands, and creating constructed wetlands

Projects like these should be exempt from provisions of 40:14A, which put a cap on rates on regional water systems struggling to meet their infrastructure investment needs.



# **WATER INFRASTRUCTURE DRIVES NEW JERSEY'S ECONOMY**

Modern and reliable drinking water, wastewater and stormwater infrastructure are critical components of a flourishing economy. When we invest in these systems, we invest in a healthy and prosperous future for our communities and environment.



# WHY WATER INFRASTRUCTURE MATTERS

Water infrastructure brings us our drinking water, takes away our wastewater and manages our stormwater. It also plays a critical role in New Jersey's economy, environment and public health.

That infrastructure, however, has been allowed to deteriorate. The cost of inaction – of failing to fix what is so badly broken – is becoming greater and clearer. Between lead contamination, looming compliance deadlines with the Water Quality Accountability Act, and the need to replace combined sewer overflow systems, the need to invest in our water infrastructure is more timely than ever.

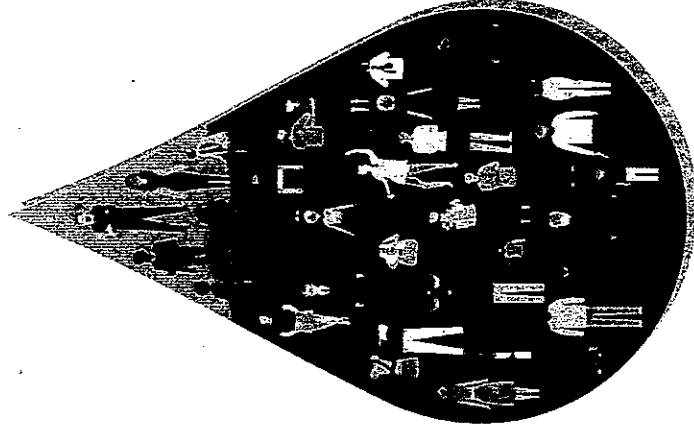
90% of New Jerseyans say that water infrastructure should be a priority for our lawmakers – and the data backs them up. More than just cleaner water, investment fuels job growth, saves ratepayers dollars, and nearly triples the dollar amount of the investment (ROI).

Healthy communities need healthy infrastructure, which is why residents, businesses, and civic organizations from across the state are coming together to advocate for a better tomorrow.

## WHAT IS INFRASTRUCTURE?

It is the network of pipes, treatment plants and pumps that carry our drinking water, and the network of sewer pipes that carry our used water away.

Systems that include drains, basins, holding tanks and rain gardens help us manage the polluted water that pools and runs off during storms.



**90% OF NEW JERSEYANS  
SAY WATER INFRASTRUCTURE SHOULD  
BE A PRIORITY FOR LAWMAKERS**

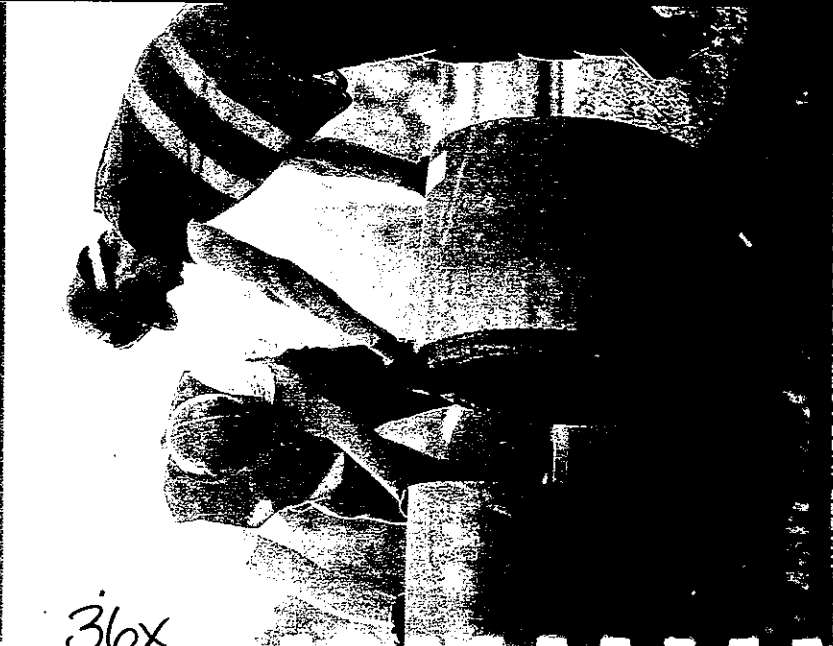
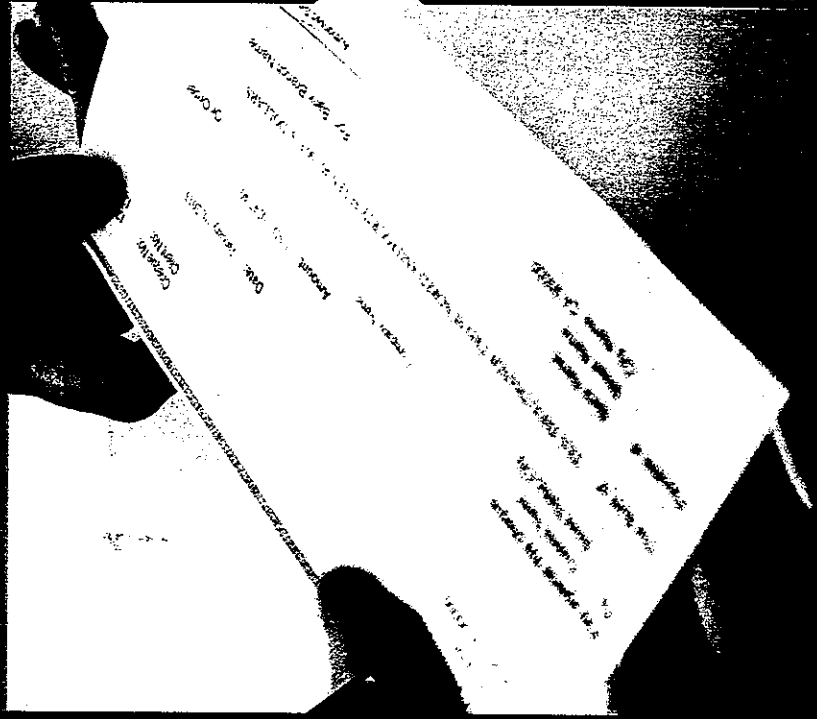
# ECONOMIC IMPACT OF \$1 BILLION INVESTMENT

A 2019 study analyzed the direct and indirect impact of what an additional \$1 billion in our water, stormwater and sewer systems would mean for the state's economy, and the results were impressive:

CREATE **13,787** JOBS

FROM THOSE JOBS,  
WORKERS WOULD EARN **\$739.5M.**

STATE & LOCAL ECONOMIES RECEIVE  
**\$143.1M IN NEW REVENUE**



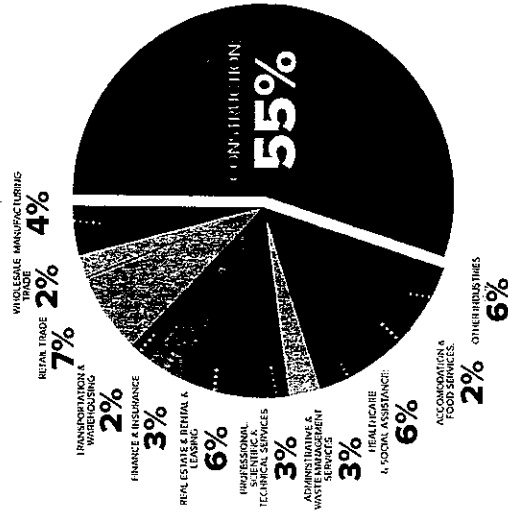
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# STRONG WATER INFRASTRUCTURE = JOBS & A HEALTHIER NEW JERSEY

When we invest in water infrastructure, we invest in people.

**IN 2016, NEARLY 1.7 MILLION WORKERS**

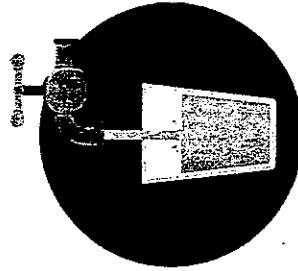
were directly involved in designing, constructing, and operating water systems and infrastructure.



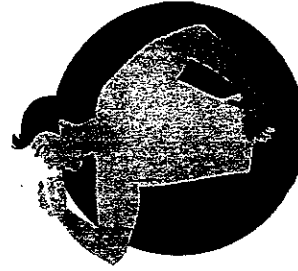
**44.6%**

**OF ALL WATER WORKERS ARE OVER 54 YEARS OLD.**

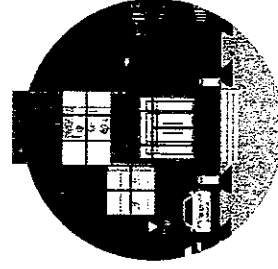
Creating a surge in local job opportunities, water utilities are actively recruiting and training new workers. Investing in our water infrastructure will ensure that water systems continue to provide lucrative careers and hire qualified professionals to sustain the critical services they provide.



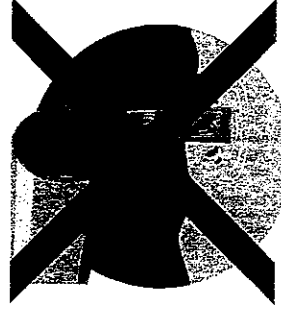
Investing in water systems generates tangible results **THAT YIELD ECONOMIC, PUBLIC HEALTH, AND ENVIRONMENTAL BENEFITS**



Robust water infrastructure **KEEPS WORKERS HEALTHY** by preventing water-borne disease,



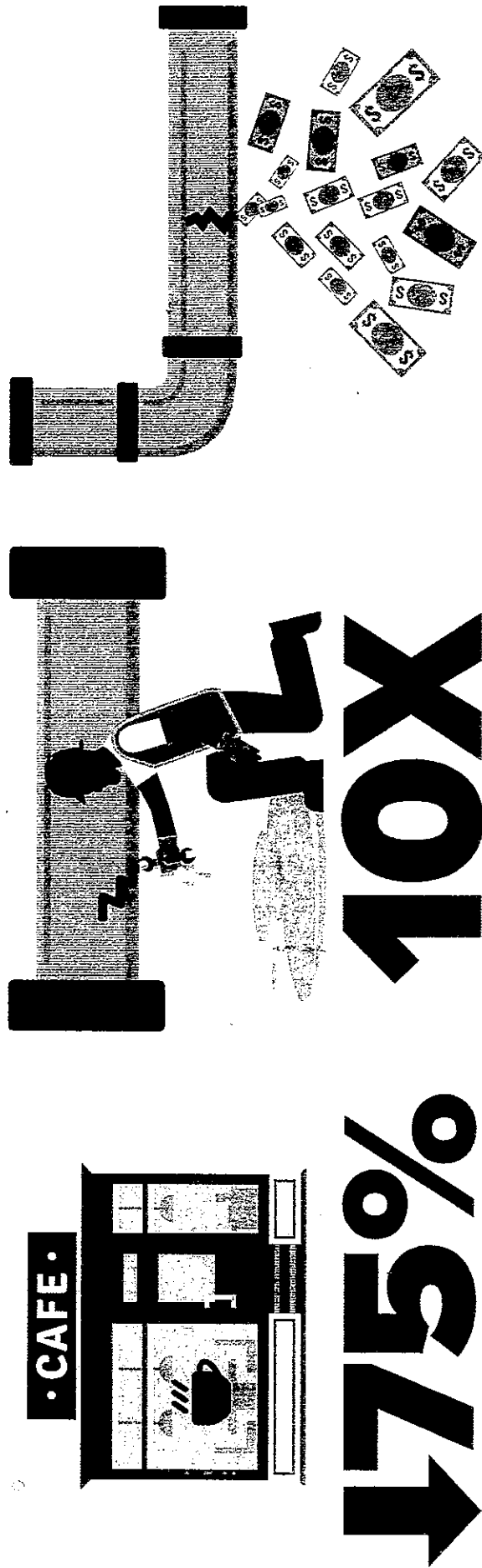
**SUSTAINS BUSINESS OPERATIONS** by avoiding disruptions associated with local flooding or loss of service,



and **PROTECTS INCOME-BASED USES OF WATER RESOURCES** from stormwater and wastewater pollution.

# INVESTING NOW SAVES LATER

Old infrastructure is unpredictable and expensive. Proper investment in water infrastructure now means more certainty for tomorrow.

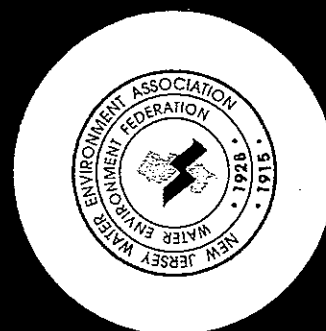


Industries most reliant on water would see **sales drop up to 75%** due to a single day's disruption in service.

Water main breaks happen every day in New Jersey. But did you know **emergency repairs cost up to 10x more** than regular infrastructure maintenance?

New Jersey's water infrastructure needs \$25 billion over the next 20 years... and **that number will only increase if we don't act now!**

**The Utility and Transportation Contractors (UTCA), Association of Environmental Authorities (AEA), American Water Works Association of New Jersey (AWWA New Jersey), Jersey Water Works and the New Jersey Water Environment Association joined together to help educate the public, stakeholders and elected officials on the benefits of investing in water infrastructure. Our goal is to improve and protect the health and economic vitality of New Jersey and its communities.**





**TO:** Senator Troy Singleton, Chair  
Members of the Senate Community and Urban Affairs Committee  
**FROM:** Evan Piscitelli, Executive Director  
National Utility Contractors Association of New Jersey  
**DATE:** September 19, 2019  
**RE:** The Water Quality Accountability Act

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The National Utility Contractors Association is the nation's oldest and largest association for the utility and excavation construction industry. NUCA represents nearly 2,000 companies in 48 states that provide the materials and workforce to build and maintain our nation's underground water, sewer, gas, electric, and telecommunications systems, as well as water treatment plants. As the Executive Director of the New Jersey chapter, it is my pleasure to provide comments on the Water Quality Accountability Act.

On behalf of our Board of Directors and membership, I would like to begin by thanking the Chair and committee members for taking up this critical topic. A discussion on our aging water infrastructure and how we are responding to the needs of the public is both timely and overdue. Unfortunately, compounding the difficulty of focusing on this critical infrastructure is its very nature. Because the systems are buried underground – out of sight and mind – there is a general lack of interest and awareness to its vulnerabilities. It is usually only when there is a major breakdown or failure, like contaminated and undrinkable water, that we become concerned and willing to address the underlying problems within the system. But emergency corrective action is the most disruptive and expensive way to solve the problem.

With its passage in 2017, the Water Quality Accountability Act represented a major step forward. Only with the creation and implementation of an asset management program could we finally begin to get a real grasp on the condition of these largely invisible utilities, and in turn, craft a plan for their restoration. Requirements for purveyors to inspect, maintain, repair, and renew their public water system created a strong foundation for change. Furthermore, by including a regime of oversight and inspection to be performed by the state, a level of accountability was established to protect the public and ensure results.

The results of the law have been mixed, however. We certainly commend the efforts of the public water purveyors that have taken the law seriously, as well as the various state agencies that have been working to implement the law and perform oversight. Yet with the original compliance window now closed, too much has been left undone and a general tightening of the expectations is required. For this reason, NUCA NJ supports the NJ Department of Environmental Protection's recent indication that further regulatory clarification is on the horizon. It is our further hope that other state agencies with jurisdiction over this matter take similar steps in the immediate future to tighten and build upon this law.

NUCA NJ recognizes that many of these efforts require not just a law in place, or the good intentions of interested parties, but robust funding from the government, particularly at the federal level. Our association stands ready to assist the public water purveyors and the state agencies in their efforts to adhere to and enforce the law, and to find ways to tap into several federal programs that exist, or that can be created, to assist in defraying the costs to accomplish these tasks. Finally, we appreciate your committee's attention to this critical matter and look forward to continuing this dialogue.



## **ASSOCIATION OF ENVIRONMENTAL AUTHORITIES**

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(609) 584-1877 ▲ Fax: (609) 584-8271 ▲ E-mail: [info@aeanj.org](mailto:info@aeanj.org) ▲ Website: [www.aeanj.org](http://www.aeanj.org)

Testimony of the Association of Environmental Authorities  
before the  
New Jersey Senate Community and Urban Affairs Committee  
Sept. 19, 2019  
Hearing on Water Quality Accountability Act

Chair Singleton and Members of the Committee:

Thank you for the opportunity to testify today. My name is Peggy Gallos, and I am the executive director of the Association of Environmental Authorities. I am joined by David Harpell, the executive director of Jackson Township Municipal Utilities Authority and president of AEA. We are glad to be here to discuss critically important topic with you.

AEA is nearly 50 years old. We were founded soon after the passage of the Clean Water Act and the Safe Drinking Water acts to help existing and newly created wastewater authorities navigate the financing and regulatory landscape. It was a time when millions of dollars in grants were provided by the federal government and the state of New Jersey to help communities modernize systems. Many communities created authorities on their own or in partnership with multiple neighboring municipalities so that they could have the mechanism to tackle this important environmental task. In time, authorities that provided drinking water service began to join AEA as well. Some of our members also provide solid waste and recycling services. Then as now, authorities have an arm's length relationship with the creating municipalities, they had the ability to borrow money, and their professional staff's mission is solely focused this water and/or wastewater service. Authorities by law must adhere to Generally Accepted Accounting Principles also known as GAAP. They are self-liquidating—they may only charge fees to cover the cost of operating, maintaining and doing capital work on the utility system they run. AEA's mission is to help our members provide safe, effective and affordable water, wastewater and solid waste service. We believe that the public authority model of delivering these environmental services is a viable, effective one.

AEA member authorities employ more than 5,000 men and women from communities across New Jersey. Our members provide either water, wastewater or solid waste services alone --or some combination of those services -- to most of the State's population. Within our total membership of 87 authorities, 23 are drinking water purveyors serving close to a quarter of a million people.

AEA members are leaders in their field: Landis Sewerage Authority in Vineland was awarded a One Water Award at the 2018 Jersey Water Works Conference. It was the first year the awards were given out. Evesham Municipal Utilities Authority, Western Monmouth Utilities Authority and Atlantic County Utilities Authorities are among an exclusive club of 110 systems in the nation that have earned the Utility of the Future distinction from their peers in the water/wastewater industry. The U.S.EPA has

highlighted Camden County Municipal Utilities Authority's partnership with Camden SMART as an example effectively incorporating community input into infrastructure decision-making.

Many AEA members have collaborated to create the AEA Environmental Professional Development Academy, which in the past three years has provided management training to early and mid-career authority staff, to help prepare them to take over running their systems.

AEA supported the WQAA when it was under consideration by the NJ Legislature. In our comments on the bill from that time, we said that "Our State's water quality laws and regulations have tended to focus more on outcomes and much less on asset management and financial planning. This bill changes that." The WQAA has broadened the circle of accountability for the water system so that it includes not only the licensed operator, but also people who have the power to make budgeting and long-term planning decisions.

In light of previous testimony about the efficacy of systems based on size we thought we would note that the WQAA applies to all drinking water systems with more than 500 connections which is, as I believe the DEP noted, almost 300 systems. Small system customers should know that if their system reaches that 500-connection threshold, it must comply with the WQAA, whether it has 501 connections or 51,000 connections or more.

AEA's 23 drinking water system member authorities comprise about 13 percent of the total number of systems to which the WQAA applies.

Our perspective is that while size and ownership are certainly characteristics of a system, performance evaluation can also examine, quality of management, accountability to the community it serves, accessibility and accountability of decision makers, transparency, and commitment to providing the system with the necessary level of resources are also important factors to be considered.

Chair Singleton asked us to prepare for this testimony by thinking in terms of ways to improve the Act. Here are our recommendations.

#### Address SRF Funding

Recently, one of our authorities spent months and \$30,000 of ratepayer money applying to the I-Bank for funding. On Aug. 6, it received a letter from the I-Bank authorizing them to proceed with awarding a contract. However, the letter also said the I-Bank had no funding available.

While ratepayers are picking up some of the WQAA costs, they need help. We would like the state to return to the policy changed 10 years ago, when public systems alone could use the SRF/I-Bank funding. Private companies have recourse to funding other than the I-Bank. Public funds should not be used to leverage capital projects and acquisitions that further business expansion and ROI.

The State should consider legislation creating some additional funding – perhaps as our friends from the League are suggesting, a Water Trust Fund.

#### Fire Hydrant Labeling

We would like to see the fire hydrant provisions made somewhat more flexible to allow "or equivalent" approaches – that is, approaches that honor the intent of the law.

### Cyber Security

Another important and helpful aspect of the WQAA is its cyber security provisions. We recommend the requirements for a cyber security plan for the utility *control* system be expanded to include the utility's business (internet-connected) IT system. This expanded provision would more adequately respond to the security challenges that our systems are facing.

We believe the State could play a bigger role in coordinating responses to ransomware and other cyber-attacks and assisting utilities if they are impacted. NJCICC is a vital resource and its resources and funding should be expanded in proportion to the threat.

### Protecting Funds

AEA once studied about a 100 municipal and authority budgets and found that in a three-year period about \$80 million dollars was transferred from water and sewer funds. We know that municipalities and counties are partners with their authorities, and sometimes funds need to be shared for mutual benefit. However, by and large, water and sewer funds should be protected and used for the purpose for which they were collected.

### Asset Management Best Practices

Asset management provisions of the WQAA could be made more specific with the addition of requirements such as requiring a five-year operating and capital finance plan, a cost of service study, a demand study to be updated every five years, a staffing plan and/or a proof of revenue study.

### Role of the Department of Community Affairs

Lastly, we are glad the Department of Community Affairs has a role in WQAA enforcement. The DCA Division of Local Government Services plays a vital role in making sure local communities fund their infrastructure responsibly. We encourage the DCA to use the budget review process and its oversight interaction during the yearly authority budget review process to make certain that appropriate levels of funding are being included in the budget.

AEA thanks the committee for the invitation to speak. I hope you find our recommendations useful. We are happy to participate in ongoing stakeholder discussions on this topic.



## LEGISLATIVE VIEWPOINT

### New Jersey State League of Municipalities

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**Statement of Michael F. Cerra  
Assistant Executive Director, NJ Jersey League of Municipalities,  
Senate Community and Urban Affairs Committee  
Thursday, September 19, 2019  
Comments on the Water Accountability Act**

Good morning Chairman Singleton and members of the Committee.

We commend this Committee for undertaking these efforts on this critical public policy issue. I will not restate or highlight the scope of the challenges faced or the future consequences if we fail to act. You have already heard experts speak of the enormity of the problem, the significant costs and the implications of doing nothing. We concur.

Instead, these comments focus on solutions and next steps. Considering the general state of affairs and the uncertain status and availability of federal funding, we recommend a concerted effort to preserve existing funding sources and identify new, creative solutions.

If you recall, the League supported the underlying intent of the "Water Quality Accountability Act," which imposed certain testing, reporting, management, and infrastructure investment requirements on water purveyors. At the time we also concurred with the position of the Department of Environmental Protection (DEP), which recommended taking a phased-in approach to implementing such provisions.

The new law has helped, and will continue to help, better protect the state's water supplies and boost infrastructure investments. Among the provisions of the new law is required field testing of valves and hydrants, implementation of a cybersecurity program, development of an asset management plan, and annual written certification from a responsible corporate officer of the public water system or the mayor or chief executive officer of the municipality (if municipally owned) to confirm adherence to the requirements of the law.

The problem developed over decades. This law has been in effect for just under two years, so our results and analysis reflect that relatively short period of time. There has been significant progress made in short time, likely more than in previous years, thanks to the new law. One of your speakers last week, in response to a question, offered hope that the New Jersey law will serve as a model for the rest of the country. I'm sure we all hope that turns out to be the case. Of course, improvement and innovation should never cease. We can build upon the existing statutory framework to facilitate compliance and innovation. Thus, my focus is to bring to your attention additional resources and creative solutions to facilitate compliance for municipal systems.

**Take Advantage of a Newly Favorable Municipal Bond Market**

The League, along with our counterparts nationwide, have long championed the preservation of the tax-exempt status of municipal bonds. For more than a century, states and local governments have depended on the issuance of municipal bonds for essential capital projects. The federal income tax exemption of the

interest earned on those bonds has kept the cost of issuance well below other investment options. It has allowed for vital investments in our public infrastructure, at a discount to our taxpayers.

This can be particularly useful now because we appear to be at the precipice of a particularly strong market for municipal bonds. Falling yields appear to be creating a greater demand for municipal bonds, which now may have greater yields than other bonds in the market.

Nearly two-thirds of core infrastructure investments in the United States are financed with municipal bonds. In 2015 alone, more than \$400 billion in municipal bonds were issued to finance these vital projects. These are the pro-growth investments, which spur job creation, help our economies grow, and strengthen our communities. A combination of local control and local responsibility makes municipal bonds an incredibly effective and efficient tool.

In New Jersey the parameters for municipalities to issue bonds are governed by the Local Bond Law (N.J.S.A. 40A:2), which was adopted in order to ensure effective and responsible local borrowing with appropriate checks and balances. However, when adopted in the early 1960s, the local bond law likely did not anticipate the breadth and scope of the current infrastructure problems we face today.

Current limitations in the local bond law, including bond maturity and borrowing capacity, limit a municipality's ability to access the critical funding necessary to undertake such large infrastructure projects.

We recommend looking for ways to take advantage of the favorable state of the municipal bond market as it is today. Responsible but meaningful changes to the Local Bond Law can help municipal water systems gain access to the resources needed to take on needed projects. For instance, if a municipality is funding a project in which the useful life will be over a century, than why not extend the debt service to beyond 40 years?

### **Water Trust Funds**

Local officials are understandably reluctant to raise water rates for public systems. Their ratepayers are also their taxpayers. Thus, we suggest consideration of legislation to authorize the creation of, upon voter approval, Water Infrastructure Trust Funds. As you know, municipalities and counties can now seek voter approval for the creation of Open Space Trust Funds, allowing for a nominal addition to the local assessment to create a lock box for open space funding.

We have witnessed throughout the State residents voting down proposed sales of waters systems to private entities, opting instead to keep these vital systems under public ownership and control. However, if offered an alternative, an affirmative opportunity to facilitate water infrastructure by creating a local trust fund, many of these same voters may look more favorably on this initiative. The Trust fund will also provide local officials with another mechanism to fund long-term infrastructure projects.

### **Cap Exception**

Municipalities operate under a hard 2% levy cap so any new requirements must fit under that cap, often at the expense of other local services. Budget constraints, expensive capital requirements and ongoing operating costs to address these issues can pose major financial challenges for local governments. Under current law, there are four exemptions to the levy cap, including debt service. We would suggest allowing infrastructure funding drawn from the local general fund, or so-called "pay as you go" projects, be eligible for a levy cap exception.

### **Clarify Municipal Authority over Lead Service Lines**

As was referenced in the hearing last week, the issue faced in Newark is not at the point of the water source, but rather the services lines which feed into residences and businesses.

The League is of the opinion that a municipality has the authority to require as a condition of the issuance of a certificate of occupancy certification of the testing of the lead services lines. It is, however, not explicitly stated in the Municipal Land Use Law (MLUL), which has resulted in differing opinions and uncertainty. A minor revision to the MLUL to eliminate any ambiguity and affirmatively state this authority would be beneficial.

Further, we suggest that quick passage of S-4110, sponsored by Senator Ruiz, which would allow municipalities to adopt ordinances to enter properties to perform lead service line replacements. This should be viewed as first step. Consideration should also be given to providing financial assistance to residents for such improvements, perhaps modeled on existing programs such as the funding for energy efficiency administered by the Department of Community Affairs.

### **Planning and Developing for the Future**

While swift action is needed now to address the current problems facing our communities we cannot simply rely on patching and repairing old systems. As we move forward we must focus on how to better these systems rather than relying on the technology and planning of the past. New Jersey is home to some of the finest universities and colleges in the world. Partnership with these institutions is crucial to developing the technology for water systems of the future.

We would further suggest that any future statutory requirements on municipalities should not be put in place until after the respective administrative agencies complete their rulemaking. When municipalities are forced to comply with new requirements before rulemaking is completed it runs the risk of the efforts made to comply with statutory requirements not meeting regulatory requirements. This can be costly to municipalities when the groundwork they are laying for compliance needs to be changed after rulemaking.

To conclude, I would like to reiterate that the goal of the Water Quality Accountability Act is working. It has focused the attention being paid to water systems, resulted in communities honestly and thoroughly examining the state of their system and begin planning to address any needs. With this, communities can and are beginning the process of improving their water systems. The next step is for State, Federal, and Local leaders to partner together to develop the additional tools to provide solutions and build an infrastructure for the 21<sup>st</sup> Century and beyond.

In addition to these comments, attached please a recent League Conference resolution expressing the League's continued support for the necessary investments in our water infrastructure.

Thank you.

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**New Jersey State League of Municipalities Resolution No. 2016 – 10**

**Advocating for a 21<sup>st</sup> Century Water Infrastructure**

**Approved at the League Business Meeting, November 17, 2016**

**Approved at the League Resolutions Committee, November 15, 2016**

**WHEREAS**, water infrastructure is critical for the economic vitality, environmental health and quality of life within New Jersey municipalities; and

**WHEREAS**, inadequate sewer and stormwater systems generate stormwater runoff that pollutes streams, lakes rivers and bays, and causes localized flooding of streets and properties; and

**WHEREAS**, inadequate drinking water systems can rupture, interrupting service and causing flooding; and

**WHEREAS**, aging and degraded drinking water, wastewater and stormwater infrastructure threaten to disrupt daily life, commerce and industry in communities; and

**WHEREAS**, budget constraints and expensive capital requirements and ongoing operating costs to address these issues can pose major financial challenges; and

**WHEREAS**, critical investments in the State's water infrastructure will:

- **Protect public health and the environment** and enhance its attractiveness and livability while making it more resilient to extreme weather events and natural disasters; and
- **Enable economic growth** by delivering, reliably and efficiently, safe and adequate drinking water, wastewater and stormwater management services that meet the needs of local residents and businesses today and into the future; and
- **Leverage modern practices** by employing state-of-the-art technologies and best management practices that generate multiple benefits: economic, including but not limited to cost savings, job creation, and new business creation; environmental, including but not limited to improved water quality; and social, including but not limited to better quality of life; and
- **Reduce flooding and energy use**, including reduction of localized flooding from storms and water-main breaks, and enhancing energy efficiency in order to reduce water utility costs and air pollution; and
- **Draw on multiple funding sources and maintain affordability** by establishing adequate, sustainable funding streams to support improved water infrastructure and services while ensuring affordable rates over time for residents and businesses;

**NOW THEREFORE BE IT RESOLVED**, by the New Jersey State League of Municipalities in conference assembled, that we urge state and federal leaders to support our efforts to upgrade our drinking, sewer and stormwater systems and to promote investments in water infrastructure nationwide through financial and technical assistance; and

**BE IT FURTHER RESOLVED**, that local governments should share solutions, success stories and annual progress with the League Municipalities, other municipalities and sewer utilities; and

**BE IT FINALLY RESOLVED**, that copies of this Resolution be forwarded to the Governor of the State of New Jersey, the Lieutenant Governor of the State of New Jersey, the Commissioner of the Department of Environmental Protection, the Board of Public Utilities, the President of the New Jersey State Senate, the Speaker of the New Jersey General Assembly, all State Legislators and all members of the New Jersey Congressional Delegation.

First, thank you for inviting me to testify today. I commend the New Jersey legislature for enacting this important law in 2017. The Act is definitely an example of good stewardship that other States should follow in leveling the playing field between public and private water purveyors and ensuring that water systems are appropriately maintained to provide customers with water of the highest standard. The program provides guidance and direction on system maintenance and operations of hydrants and valves, the necessity to develop a robust cyber security plan, communication about violations and the corresponding mitigations and the development of a system asset management plan. However only consistent and uniformed enforcement of the Act will guarantee that all systems are operating with the highest regard to public health and safety and compliance with federal Safe Drinking Water Act.

Fortunately for SUEZ, we have had numerous robust maintenance processes in place for many years prior to this act, in alignment with the American Water Works Association (AWWA) standards and procedures. We believe that companies with the financial wherewithal to support such robust maintenance and operating requirements, is better for the public good and the health of the vast number of aging and under maintained systems in New Jersey.

To give a little background on our assets under the WQAA, SUEZ NJ has:

16,480 Hydrants that are tested annually.

29,600 Small Valves (Less than 12") each of which are tested once every four years.

4,020 Large Valves (12" and greater) that are tested every other year.

Additionally, SUEZ has replaced a total of 360 hydrants and 170 valves from January 2018 through August 2019. These assets are systematically updated in our GIS system as maintenance, repairs or replacements occur across our distribution system.

But this is not the case everywhere. In 2018, SUEZ acquired 8 water systems in West Milford. Unfortunately, these systems were dilapidated due to lack of infrastructure improvements, poor maintenance and inadequate staffing to operate the facilities. These systems had no usable maps, extremely poor maintenance and operations records and limited information on the locations of hydrants and valves within the systems. The failure to adequately maintain these systems have led to water quality issues and challenges that we are currently addressing. For years, customers lived with discolored water, low water pressure and service outages. Sadly, it was just a way of life for them. For example, in one of the acquired systems, a poor treatment process resulted in the tanks and pipes being filled with sediment. It has approximately 500 customers and from July 2019 through today, we have identified and mapped the entire system, replaced 6 old hydrants and installed 6 additional hydrants at areas needed, with more hydrants to be installed and replaced. Additionally, there are approximately 108 valves in the system section: 4 have been raised to grade, 4 have been repaired and 2 new have been added to GIS. All other valves have been exercised and are in working order and documented in GIS with valve numbers added and the number of turns. We also installed in July: 1-6 inch insertion valve, 1-12" insertion valve and an 18" insertion valve, additionally, 3 Pressure reducing valves (1- 8" and 2 -2") were installed. There is more work to be done as we strive to ensure all these customers have safe, reliable water service.

Consolidation, with private systems working to help the public systems, offers a solution to utilities that are not able to comply or just not willing to. If there is enforcement, there is a solution for the consumers in NJ: several IOU's stand ready to meet the needs through consolidation in much the way we did in West

Milford. It is our belief that enforcement often lacks when the DEP or DOH feel there is not alternative. We are here to help.

As it relates to the asset management plan, SUEZ is dedicated to delivering high quality water and services to our customers by developing and adhering to a comprehensive Asset Management Plan (AMP). SUEZ' AMP details the methodologies and strategies designed to ensure and safeguard asset integrity, water availability and water quality in the systems owned and operated by SUEZ for our customers within the State of New Jersey. The AMP defines physical assets life cycle activities, resources, responsibilities and timescales for implementing the asset management strategy and delivering the asset management objectives for both horizontal and vertical assets throughout its water distribution network. SUEZ' AMP has 5 main components with the following objectives:

- Asset Inventory
  - Defines asset qualification and frames asset register structure
- Service Goals
  - Defines goals, KPIs and benchmarks for water availability and water quality
- Asset Condition & Criticality Analysis
  - Defines means and methods for condition assessment and evaluating risk
- Asset Life Cycle Cost
  - Outlines asset life cycle cost strategy, methodology and justifications
- Long-Term Funding Strategy
  - Outlines SUEZ's long-term capital funding sources and priorities

SUEZ agrees with the need for a robust plan which must include a 150-year replacement cycle; a water supply and treatment program; and any other requirements set forth in regulations development by the Department of Environmental Protection. SUEZ also believes that the Act should continue to accept the asset management plan in lieu of the 150 year replacement plan as a supplement to the work being performed in each system. This is because as stewards of our system, we have a better understanding of how to prudently spend these dollars to support public health and system integrity, rather than an arbitrary requirement that forces the replacement of water mains that are in excellent working condition. A more pragmatic approach is beneficial to all stakeholders.

Currently, IOUs are held to a stricter standard. Yet, IOUs are able to leverage resources much more efficiently, and quickly. We are in the field every day investing in our systems. The WQAA was enacted to ensure that all New Jersey residents and businesses are provided water of the highest quality and have reliable service. SUEZ believes that in order to ensure greater accountability, transparency and adherence to the WQAA, there needs to be parity in how both IOUs and public entities are treated.

**ADDITIONAL APPENDIX MATERIALS**  
**SUBMITTED TO THE**  
**SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE**

*for the*  
**September 19, 2019 Meeting**

**AJ Sabath**, representing New Jersey Building and Construction Trades Council:

Tom Churchelow, “There are benefits to having water systems run by private companies, trade group says,” September 16, 2019, *NJ.com*, ©2019 NJ.com.

Mike Montemarano, “Cost of compliance with Clean Water Act loom over Hudson County towns,” September 13, 2019, *Hudson Report.com*.