

WATER PROVIDER TASK FORCE**Executive Summary:
DRAFT
(Comments in italics)****Vision of Water Security and Development in
Arkansas:**

With protection of Arkansas's water resources and without obstacles and undue *costs*, clean, safe water will be provided without discrimination to the citizens of Arkansas in a manner that provides for consumer protection and promotes financially sustainable water providers and systems and residential and economic development. *With the realization that there may be cost differentials for the consumer to secure this service (due to the differences of treatment, distribution, population density, availability of the resource, and assorted other reasons). Also, that there may be isolated areas of the state, should people wish to live there, where it may not be economically feasible to provide a “public water system”.*

**Summary of Major Problems as Identified by the Water Provider
Legislative Task Force that Threaten the Vision of Water Security and
Development in Arkansas:**

1. Currently, jurisdiction and oversight of water utilities is spread across a number of governmental agencies with no agency having authority to fully monitor and provide assistance toward the goal of sustainability of water providers and protection of consumers. *We don't feel this should necessarily be construed as a problem. Primary agencies are ANRC, ADH, and ADEQ. Encourage more education by these agencies to utilities and governing bodies relating to proper utility*

management. (Publication – “Effective Utility Management”). Sufficient oversight already exists within state agencies. Question becomes; do they have the leverage/means needed to change the way utilities/cities that are in trouble function? State Water Plan recommends “receivership proceedings should be initiated for public water/wastewater providers that have defaulted on loans”. What about the number of utilities/cities that we heard from that can’t even make payroll or fix their water tank? Again, we ask: who has the authority/expertise to make these decisions? Also, the Plan makes note of “training programs should be developed for utility boards” on how to “operate their facilities and manage infrastructure”, as was mentioned in last month’s meeting.

2. The State's water infrastructure, is aging and many water providers report no or very limited financial ability to reinvest in the water system to maintain, upgrade, and replace critical aging infrastructure. *This is primarily based on municipalities, commissions, boards, and unwillingness to increase rates to provide necessary revenues to properly operate and maintain a public utility - political. Making our utilities dependent upon grants to provide operating, CIP funds, and funds for depreciation, creates a utility that is financially non-sustainable, due in part to the tightening of State and Federal Budgets.*
3. Some areas of the State are experiencing losses of population; thereby, decreasing the revenue base to in some cases support the day to day operations much less the long-term sustainability of the water systems. *True statement, but primary responsibility to maintain a properly functioning utility falls back on the ratepayers. This statement is identified in the State Water Plan (section 2.5). Situations such as this should provide the opportunity for the regionalization or combining of utilities to provide greater efficiencies in operation and greater financial stability, realizing that in some cases user costs may increase as systems extend lines to serve more sparsely settled areas.*
4. With aging and retirement of operators across the state, there is a growing deficiency of knowledge and adequately trained and skilled water operators and technical support. *The drinking water and wastewater industries are actively promoting education and licensing of workers to fill the gap of those retiring. The real problem is a lack of understanding and recognition by general public as to the importance and expertise required to be an operator/manager and equating that to*

compensation. With this lack of that understanding, and appropriate compensation is not considered, individuals have less incentive to look at a career in the industry.

5. Due to concerns over the ability of consumers to pay and the fear of political consequences, many water governing bodies are resistant to institute common business practices such as full-cost pricing that result in water rates that cover the costs of providing the service, along with maintaining and upgrading the system to ensure future sustainability. *Very true statement – especially regarding political consequences. Consumers ability to pay is somewhat subjective based on their priorities – drinking water is the most economic utility bill that individuals have and yet it has the highest value. Most utilities have some type of assistance program for the most impoverished part of their customer base, but in most cases, the cost of water is priced so that anyone can afford it.*

6. Given many municipalities' concerns over both sales tax and ad valorem revenue streams, water access is in some instances is being used as a tool to achieve forced annexation and increased revenue sources. *Some cities do use water revenue to subsidize the budgets of other departments and services. For utility managers, it is a double edge sword. This is again, a local issue that should probably be resolved locally. Annexation would be considered forced, only by those who are in the minority on a petition, election or Ordinance Election.*

7. In some areas of the State, water access is being selectively denied within the assigned, exclusive Arkansas Natural Resources Commission service area accepted by the provider. *Don't necessarily agree with use of word "selectively", implying there is no justifiable reason for the action by the utility, or that the utility is prejudiced in some way against the consumer. In many cases, situations like this can be avoided through proper research by the individual prior to development. Service area problems are common place however, resolving those via 'state gov't' is not a preferable solution. They are too localized to resolve with one stop solution. Most all are resolved in negotiations between utilities. Some of these situations, that we have heard are complicated by factors other than just water.*

8. Consumers have limited due process, virtually no security in relation to water provision, at times limited justification for rate structures, and current legislation provides inadequate protection in the court system. *We don't believe this to be true. Local utilities are responsive and accountable to their customers. Any rate adjustments are accompanied by open meetings, with input from the customers.*

The local bodies responsible for establishing rates are very cognizant of the impact of adjustments.

9. Residential and economic development in Arkansas is being thwarted and in some cases totally stopped by the use of water access as a political tool. *This is an isolated issue. Again, in most cases, if not all, the availability of drinking water is not the only factor in play in creating the adversarial situation.*

10. Other? *There is a huge gap in the factual knowledge by the public and politicians (local, state, and federal) as to what is required to efficiently operate a water and wastewater utility – financially, personnel qualifications, sustainability, compliance with regulations, environmentally, and politically. In order to close this gap, more education of the general public is essential – as Mr. Sternberg noted. There are many examples of successful educational programs over the state, but what is lacking is the involvement of upper level business people that comprise boards, commissions, councils, and legislatures.*

Please note that these problems are not isolated to Arkansas – they extend across the country. And, the answer is not additional bureaucracy at a higher level.

Summary of Desired Outcomes, Recommendations and Action Plans

Although the responsibilities/oversight of the various issues that have been discussed that are related to water in some manner resides with various agencies (ADH, ANRC, and ADEQ), this should not be construed to be a detriment. In many cases, the Arkansas State Water Plan has addressed various means of resolving issues. ANRC has responsibility/authority related to the use of the state natural resource, financial control with those utilities that receive funding, planning, and many other aspects concerning this important resource. ADH has primacy for enforcement of the Safe Drinking Water Act regulations of EPA, including licensing of operators, monitoring of systems, education, protection of water sources, and other aspects which protects the health of our citizens, and the ADEQ has primacy for the enforcement of Clean Water Act regulations of EPA related to wastewater treatment, water quality protection matter related to streams and water bodies, operator licensing, and many other issues to the preservation of the environmental quality. Education is a key component, but not for just the general public, but specifically for those in authority which provide the resources to properly operate/manage a sustainable utility. Implementation and enforcement of requirements of State Water Plan, Safe Drinking Water Act, and Clean Water Act, should be continued, if not

increased, and should be viewed with a higher level of importance to ensure that the desired results are accomplished. Additional resources for these agencies to carry out their programs and responsibilities would help at addressing many of these issues.

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