

Water Infrastructure: Sustainable Funding
An Informational Session and Public Hearing sponsored by the
Clean Water Council of New Jersey
Monday, December 8th, 2008, 9:00 am - 1:00 pm
NJ Department of Environmental Protection - Public Hearing Room
401 East State Street, Trenton, New Jersey

PURPOSE OF THE HEARING

The Clean Water Council of New Jersey seeks public testimony on an issue critical to both environmental protection and economic vitality – water infrastructure financing, specifically the issues of funding for capital investments, rehabilitation, operations and maintenance for water supply, wastewater and stormwater infrastructure. The Council has formulated five questions for public consideration and response. Based upon the testimony at this hearing, the Council will develop a set of recommendations for the NJDEP Commissioner. Therefore, the members seek comments from interested persons so that they can recommend improvements to New Jersey's approach to water infrastructure financing.

AGENDA

The Commissioner of the New Jersey Department of Environmental Protection has been invited to present their perspective regarding water infrastructure needs and the magnitude of the financing gap. Two informational presentations will then be provided on national and New Jersey perspectives regarding water infrastructure financing issues. Thereafter the general public will have the opportunity to testify. All testimony will be recorded. A detailed agenda will be posted on the Clean Water Council of New Jersey website found at <http://www.nj.gov/dep/cleanwatercouncil> prior to the hearing.

HOW TO TESTIFY

The Council will provide 5 minutes per oral presentation. The Council encourages the submittal of detailed written comments on disk or CD as well as paper, to augment your testimony. Written comments will be accepted until December 31, 2008, and can be sent to the Clean Water Council of New Jersey, c/o DEP - Division of Water Quality, 401 East State Street, P.O. Box 425, Trenton, New Jersey 08625-0425 or by fax at (609) 341-4518. If submitting on disk or CD, the preferred format is Microsoft Word 6.0 or above. Macintosh formats should not be used.

For more information, please contact Stanley Cach at stanley.cach@dep.state.nj.us or (609) 292-8961. To reserve a time period to testify in person, please contact Gerry Skrajewski at geraldine.skrajewski@dep.state.nj.us or (609) 292-8961.

BACKGROUND

Under New Jersey law, the Clean Water Council of New Jersey is required to hold a public hearing once a year regarding water pollution related issues and report its recommendations to the Commissioner of the Department of Environmental Protection.

The New Jersey Clean Water Council's 2007 public hearing on the broad topic of water infrastructure identified a wide gap between funding capacity and infrastructure needs in New Jersey. After hearing from many invited panelists and members of the public, the Council concluded that improvements to water infrastructure financing are paramount for continued economic prosperity and a healthy environment. Needs range from financing the maintenance, replacement and enhancement of existing systems to pricing methods that encourage efficiencies in energy and water resource use.

The New Jersey Clean Water Council seeks input at this year's public hearing to help it develop recommendations for a "Financially Sustainable Vision for New Jersey's Water Infrastructure". The hearing will focus directly on issues of funding for capital investments, rehabilitation, operations and maintenance for water supply, wastewater and stormwater infrastructure. All recommendations should keep in mind the following policies for water infrastructure that the Council established from the findings of last year's public hearing.



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Water infrastructure investments should:

- Prioritize development and redevelopment in existing cities and towns rather than promote sprawl development
- Promote efficiencies in water use including conservation and reuse, and energy use.
- Protect and enhance water quality and quantity.
- Approach water resource issues on a watershed basis, integrating stormwater, wastewater and water supply management to protect local hydrology and water resources.

Specifically the Council seeks input and examples that address the following questions:

1. Funding for Urban Infrastructure

State policy targets urban areas for development and redevelopment but these places need multi-billion dollar investments to address combined sewer overflows (CSOs) and leaking and deteriorated pipe systems. Yet these places often lack the rate base to finance needed capital improvements without imposing an excessive fiscal burden on customers. What types of public and public/private sustainable funding can address these needs on a meaningful scale? How should it be structured to encourage local participation?

2. Sustainable Pricing and Management

Some local water/wastewater utility authorities are financially self sustaining and have the resources needed to maintain and upgrade their systems without borrowing. Others could become so if they employed better management techniques such as full-cost pricing, life-cycle cost analysis, and other asset management techniques, maintained appropriate capital reserves, tapped privately-funded maintenance reserves for new infrastructure, and charged appropriate rates. How can these practices be encouraged or required through financial incentives, state regulations, or other means?

3. Maintenance of Adequate Local Reserves

State law and regulations limit local utilities' ability to set aside adequate financial reserves for ongoing maintenance and needed upgrades and expansions. In fact, it appears that some local utilities are operating as revenue sources for local governments. What legal and/or regulatory changes are needed to ensure that local utilities can maintain adequate capital and emergency reserves and so that utility rate-based revenues are exclusively used for utility functions including water resources, water supply protection and environmental infrastructure improvement projects?

4. Financing Mechanisms for Stormwater Management

Effective stormwater management protects water quality and quantity and can reduce loads on wastewater treatment facilities. However, stormwater is the only major water infrastructure system that lacks a utility structure and the rate-based revenues that would allow proper management. What mechanisms could provide a financial structure for stormwater management and how could they be authorized?

5. Financial Incentives for Innovative Technologies

The cost to build, operate and maintain water infrastructure can be reduced through innovative technologies that conserve water, encourage water reuse, and use energy efficiently. Meanwhile, development best management practices that reclaim stormwater on-site can reduce the load on wastewater plants. How can financing tools encourage and/or require greater reliance on these approaches?



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