



Cooperative Approaches to Address Drinking Water Challenges

January 31, 2017 | National Press Club

Meeting Overview and Objectives

On January 31 in Washington, D.C., we will have a daylong meeting focused on water system partnerships, including promoting partnership activities and creating incentives for and reducing challenges to their development. This will be a working meeting with minimal presentations and a high emphasis on discussion and input from the participants. While we are not looking for consensus, the meeting is designed to identify short term and long term actions to reduce challenges to creating water system partnerships.

During a webinar on November 7, over 80 participants from across the water sector identified three top priority areas to focus on to support the use of water system partnerships. These three areas are:

- Funding and financing to support partnerships.
- Incentives to encourage the use of partnerships.
- Outreach and education around partnerships.

These are the three areas that we will be focusing on during our discussion and over the next year. The meeting is designed to gain insight from the expertise of participants to develop short term and long term actions for addressing challenges in these three priority areas. Participants represent a wide range of the water sector including states, federal agencies, utilities, associations, not for profits, and technical assistance providers, from the public and private sector. Throughout the meeting, participants will brainstorm and discuss their perspectives on the actions and products that are needed to better support the use of partnerships. By using this individual input, EPA will develop a discreet list of needed deliverables and a plan of how to start them and identify additional opportunities for engagement and collaboration on partnerships.

This document provides information to spark ideas in advance of the meeting, including background on each priority area, key activities that are already underway, and key challenges. This is by no means a comprehensive list of challenges or current activities, but ones that have been raised consistently and have commonalities across systems.

Section A: Water System Partnerships as a Tool to Address Drinking Water Challenges

Partnership Status: Where We Are and Where We Want to Go

Drinking water systems across the country are facing a myriad of challenges, including technical, managerial and financial capacity issues. Bringing systems together to work on collaborative approaches, or partnerships, where they can pool resources, expertise and experience, can help reduce noncompliance issues and risks to public health and can reduce costs and workload. When systems are willing to engage in a partnership based around the identification of mutual benefits and existing connections between the communities, they can begin to build a relationship that, over time, leads to successful cost and capacity sharing. Benefits can include improvements in public health protection, resiliency and reliability of service, cost of service, and water system sustainability. Partnerships can also improve contingency planning for natural or other supply emergencies through increased coordination and integrated planning.

There has been work on partnerships for years that has formed the foundation for this conversation. Benefits have been seen by communities in terms of lower rates, reliable access to safe drink water, and increased resiliency of systems to demands. Section B includes a list of some of the work that has been done to support partnerships in each of the three priority areas. This is by no means a comprehensive list, but highlights some of the resources that exist around funding, incentives and outreach.

While partnerships have been shown to be valuable tools that are useful to struggling systems and systems trying to work more efficiently in the face of limited resources, there are still many systems where new partnerships would provide practical solutions and community-wide benefits. The focus for this meeting and subsequent work is to reduce the barriers to entry for partnerships in order to increase reliable access to safe drinking water by strengthening capacity at water systems across the country. Section B also includes a list of some of the challenges that have been raised over the years. While it is not a comprehensive list, it highlights areas that can prevent or impede the use partnerships.

How Water System Partnerships Can Help

Partnerships provide opportunities to collaborate on operations and maintenance activities and compliance activities and to share costs with other systems. This increases capacity and enables systems to provide safe and affordable water to their communities.

Partnerships can range from informal arrangements such as equipment sharing to more extensive arrangements such as management sharing. Partnerships may involve changes to the operational, managerial, or institutional structure of a water system. When considering partnerships, it is important to evaluate:

- Available partnership options.
- Long-term compliance and financial stability.
- Associated costs.

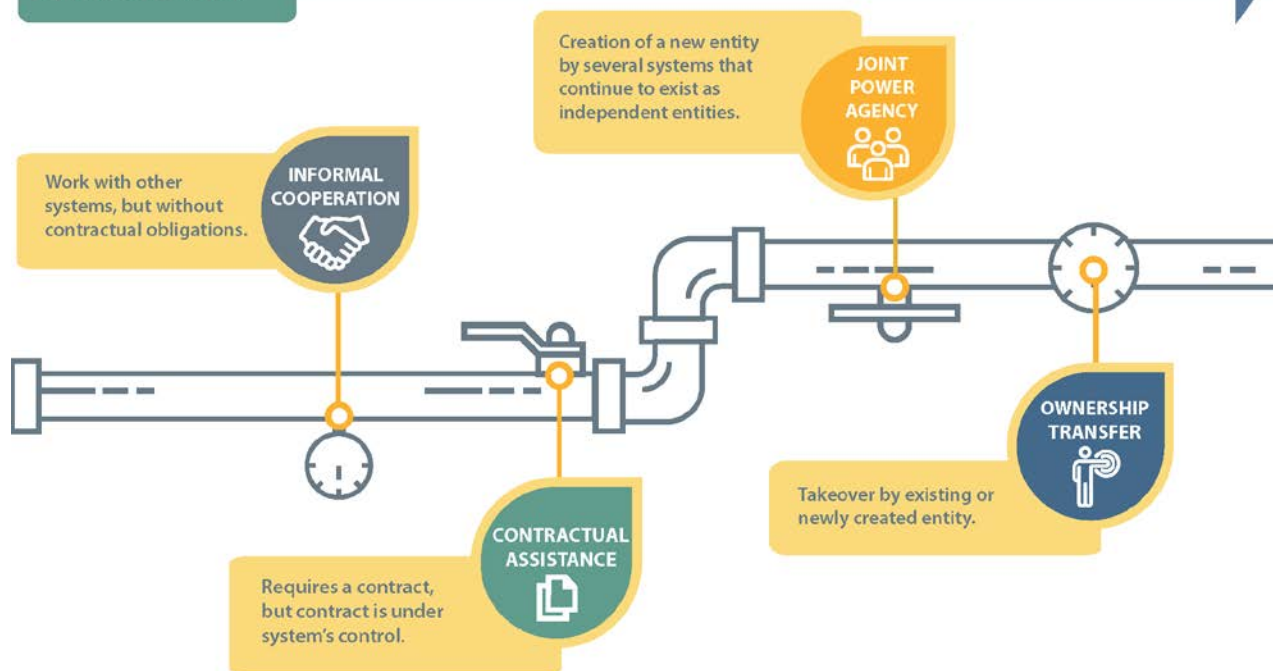
Partnership Approaches and Types

Water system partnerships encompass a range of opportunities to share the burden of costs and for systems to build TMF capacity to provide sustainable drinking water services. These opportunities include shared operators, bulk purchasing, shared treatment, regional management, interconnection/consecutive systems, consolidation, and more. A partnership is any arrangement in which two or more systems working together to overcome challenges and build capacity and does not always involve a physical connection. Partnerships are first about building relationships and identifying opportunities to leverage benefits that would be difficult to achieve as individual systems.



Water system partnerships encompass a range of opportunities to share cost burden in order to sustainably provide drinking water services.

Increasing Transfer of Responsibility



The types of partnerships that water systems could form include:

- **Informal Cooperation:** Coordinate with other water systems without contractual arrangements. Informal partnerships could consist of partners sharing equipment and creating mutual aid agreements for emergency response management.
- **Contractual Assistance:** Contract with another system or service provider with the contract under the system's control. This type of partnership may include systems purchasing water from another system or contracting out operations and management to another system.
- **Joint Powers Agencies:** Creation of a new entity designed to serve the systems that form it. These partnered systems may share system management, operators, or source water.
- **Ownership Transfer:** The merger or mutual transfer by an existing entity or a newly created entity. This type of relationship could be represented by one system being acquired by another, or by being connected to another system physically, financially, and through management.

Regardless of the type of partnership that is pursued, it is important to build trust within these communities and systems so that members of the participating communities do not feel that they are losing their identity or power of self-sufficiency.

Funding and Financing: Priority Area One

Funding and Financing for Partnerships

Entering into a water system partnership often requires funding. Partnerships that involve physical connections need infrastructure financing. System acquisition can require third party evaluators to conduct asset management studies and rate studies. Systems entering into contract agreements often need outside legal advice, and joint trainings can require funds to conduct the training. Many partnerships require facilitation to ensure a successful outcome for both parties. While partnerships can result in greater economic savings for systems and customers, there are upfront costs that need to be financed.

Although there is a continued need for resources and opportunities to strengthen partnerships through additional funding and financing schemes, many federal agencies, primacy agencies, and associations have already taken steps to provide helpful programs and publications in this area. The Drinking Water State Revolving Fund (DWSRF) provides below-market-rate financing for drinking water infrastructure projects, and capacity development projects and can include priority points for partnership projects. EPA grants such as the Public Water System Supervision (PWSS) Program grants and technical assistance grants can help fund some of the process aspects of partnerships. The USDA Rural Development works with technical assistance providers to assist communities with system partnership options as well as identify funding opportunities to support partnership activities. HUD's Community Development Block Grants (CDBGs) provide resources to address a wide range of community development needs. Additionally, many states provide funding for partnerships.

Although federal agencies, primacy agencies, associations, and other organizations are making advancements in providing access to funding and financing opportunities to support partnerships, there are still remaining challenges that need to be addressed to promote the development of successful partnerships in many forms.

Discussion Questions

How can states and systems better leverage the existing funding sources? Are there different requirements across sources that can be streamlined?

What are the mechanisms and funding sources that currently exist to fund the process aspects of establishing a partnership (facilitation, conducting asset management evaluations, and contract agreements)? How can we increase those or make it easier to use those funding sources for this activity?

One barrier to partnerships is varying water rates for wholesale distributors and purchasing systems. This can often lead to negative feelings about the partnership, where purchasers are paying a mark-up for water. Are there approaches that have worked to reduce varied rates across regional systems? How can these be replicated?

How can private funds be leveraged to help support partnership efforts?

Incentives: Priority Area Two

Incentive for Partnerships

Effective incentive programs can help increase partnerships by reducing barriers to agreement. Many current incentive programs focus on financial incentives to help encourage partnerships. In some cases, SRF loans can provide principle loan forgiveness for systems entering into partnerships in an effort to reduce debt burdens. Priority points for partnership projects have also been utilized. A number of primacy agencies are actively pursuing strategies to provide incentives to water systems to create partnerships. Primacy agencies provide economic incentives, technical assistance, and consolidation assistance. Partnership projects can often be eligible for private and foundation grants, which leverages non-traditional water funding sources.

Additionally, compliance flexibilities are often raised as needed incentives and are a known challenge to partnerships establishment. Well-functioning systems can be hesitant to take on a struggling system that is out of compliance.

Discussion Questions

What are the drivers that have made partnerships happen? Are these the same drivers that make them successful?

Some systems may be reluctant to enter into a partnership that involves acquiring existing debt or taking on new debt. Are there mechanisms or tools that can support systems entering into a partnership that involve large debt acquisition?

What compliance incentives exist? Have you seen their successful use in establishing a partnership?

What are the most frequently used or requested financial incentives? Compliance incentives?

How can we increase the incentives that have worked?

How can we create a knowledge base of incentives that currently exist?

Outreach and Education: Priority Area Three

Outreach and Education for Partnerships

Education and outreach efforts to improve understanding of water system challenges and benefits of partnership can help systems develop a more effective and more efficient water system and decrease public health risks. There are many tools available for and ongoing efforts related to outreach and education. EPA has produced several case study documents and a guidance manual on partnerships. Several states have tools to promote a variety of successful water system partnership approaches, ranging from sharing of financial or managerial expertise to regional system consolidation. Water system associations and TA providers publicize the benefits of partnership. They can emphasize the benefits of partnerships through the many case studies and hands on experience working with them.

Education and outreach is needed to explain the benefits of partnerships to utilities beginning the process, board members and communities afraid of losing control of their system. There is also a need for materials to help walk systems through the process of entering into a partnership, in particular materials that clearly articulate the types of partnerships and goals of partnering with other water systems, including examples from water systems of varying size and those facing different challenges across the country.

Discussion Questions

How can we increase the awareness of partnerships so that when systems are planning or making decision on how to meet challenges, they think of a partnership as a potential option?

How can we increase awareness of the tools that already exist on the benefits of water system partnerships?

Do resources exist to inform all aspects of the utility? Board members, community members, managers, local government?

What types of resources would utilities find most helpful when entering into partnerships for the first time? Templates, guidance manuals, case studies, assistance?

How can we provide recognition to programs and systems that are successful in partnership building?