Financial Drinking Water News For America's Small Communities

Water Sense

Summer Issue 1995
Volume 1, Issue 3

Water Sense *Begins Detailed Look at Rates*

by P.J. Cameon
NDWC Staff Writer

Editor's note: Rising water rates can be a difficult issue for small communities.

A multitude of factors—labor costs, debt service, chemicals—influence the cost of providing clean drinking water. Water utility managers and water boards may find it difficult to balance these factors with community needs when setting or adjusting rates.

The following article discusses expenses covered by water bills, trends in water rates, and commonly used rate structures. Future issues of Water Sense *will include articles on consumer involvement in rate setting, computer rate-setting programs, and implications of shifting national trends on water rates.*

Unless there is a problem with the water, usually the customer thinks about water service only when it's time to pay the bill. Even then, the customer probably doesn't consider what expenses are covered by that bill.

In most small communities, residents are likely to receive a combined bill for water and sewage service, either with an itemized listing for each service or as a single charge.

"In small towns, the water and wastewater charges are typically combined on the same bill if the town provides both services," said Jerry Kopke, rural community assistance coordinator with the Community Resource Group in Springdale, Arkansas. "Some also add other charges to the bill, such as garbage service. Some even have mosquito abatement charges."

But regardless of how the service is billed, the key is to generate enough revenue from rates—in addition to any fees or other income—to cover

Continued on page 4

With this issue, Water Sense *begins the first in a series of articles on drinking water rates.*

"One-Stop Shops" Help Small Communities

by Laurie Klappauf
Water Sense *Editor*

Where can small communities turn for help to build or upgrade their drinking water systems? Who can help them unscramble the patchwork of different federal, state, or other funding options to finance their projects?

Increasingly, states are providing this sort of help by establishing "one-stop shops" to guide small community officials through the infrastructure planning and financing process.

"We have to be more creative than ever in getting the most bang for our resources," says Jim Bonk, environmental supervisor in the Ohio Environmental Protection Agency's (EPA) Division of Environmental and Financial Assistance.

His state is one of a growing number that have started networks—formal and informal—among state agencies providing financial and technical assistance for drinking water and wastewater projects.

"One of the biggest benefits of the whole process is that we've developed a better understanding of other programs, and what they can and can't do," says Bonk. "It also provides simultaneous access to everyone with financial resources—that's really critical to small communities," who may have part-time mayors or operators, often with little expertise in coordinating expensive infrastructure projects.

Cris Glenn handles calls to Washington's Infrastructure Assistance Coordinating Council (IACC), providing information to help communities address their water, wastewater, and other infrastructure needs. IACC is among a growing number of state "one-stop shops" striving to better coordinate financial and technical resources.

While the states vary widely in how they coordinate infrastructure

Continued on page 10

NATIONAL DRINKING WATER CLEARINGHOUSE

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National Drinking Water Clearinghouse
The National Drinking Water Clearinghouse (NDWC) assists small communities by collecting, developing, and providing timely information relevant to drinking water issues. Established in 1991, the NDWC is funded by the Rural Utilities Service and is located at West Virginia University.

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Apples and Oranges:

Addressing Your Unique Financial Needs

by Laurie Klappauf
Water Sense Editor

Taken together, the articles in this issue of *Water Sense* reinforce the theme that every water and wastewater situation is unique.

Take water rates for instance. Writer P.J. Cameon presents the first in a series of articles on drinking water rates, addressing such questions as: What do rates cover? What kind of rate structures are there? What are *average* rates across the country? *What should our rates be?*

The answer to the last question, we found out, is "it depends." It depends on so many factors unique to each community—the number and physical distribution of customers, the local geography, the water source, or the physical condition of the existing plant and equipment, to name a few. While rate comparisons among communities with similar characteristics may be valid, comparing rates between vastly different situations is like comparing apples and oranges. It's not a fair—or appropriate—comparison.

Even within the same state, rates can vary widely, as the chart below and the diagram on page 5 illustrate.

Those struggling with rates or other financial concerns can get help, however. In this issue, we continue to identify resources to help small communities finance and manage their individual drinking water and wastewater needs.

Beginning on page 1, we describe a trend toward "one-stop shops"—efforts within a growing number of states to coordinate federal and state funding programs and other resources devoted to water and wastewater projects. While the sampling of states we profile share some similarities, they are still all unique in how they organize themselves and reach out to small communities.

The same is true of the State Rural Development Councils, introduced on page 14. As part of the National Rural Development Partnership, the state councils provide assistance on more of a "big-picture," strategic planning level—but again, each council focuses primarily on problems specific to its state.

The Rural Community Assistance Program (RCAP)—a nationwide network of assistance providers targeted primarily toward low-income, rural areas—also varies somewhat by region. The article on pages 8 and 9 describes some of the services RCAP can provide, and lists contact numbers for each of its six regional offices.

We've tucked additional resources into the rest of the newsletter, with the goal of giving you as many avenues as possible to find solutions to your unique financial situation. *$*

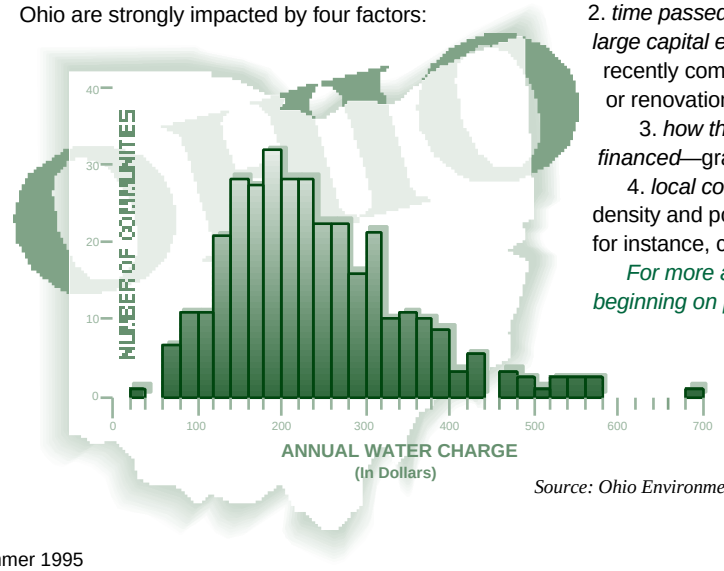
System Age, Debt Are Big Factors in Rates

The 1994 annual residential rates for Ohio water systems
(based on 7,756 gallons/month consumption)

Economist Steve Snyder, of the Ohio Environmental Protection Agency, says water rates in Ohio are strongly impacted by four factors:

1. *water system age*—older systems generally have less debt and lower rates
2. *time passed since the system's last large capital expense*—a system that recently completed a major expansion or renovation will have higher rates
3. *how those capital expenses were financed*—grants versus loans
4. *local conditions*—low customer density and poor source water quality, for instance, can lead to higher rates.

For more about rates, see the story beginning on page 1.



Source: Ohio Environmental Protection Agency

Water 2000: Reaching Remote, Poor Areas

Government and private sector financial sources will be tapped as part of the U.S. Department of Agriculture's (USDA) Water 2000 initiative. The initiative is an effort to deliver safe, affordable drinking water to virtually every American household by the year 2000.

One million people—or 400,000 families—do not have an adequate supply of safe drinking water in their homes, according to USDA estimates. These residents are primarily located in poor, remote areas of the country.

"The initiative will concentrate federal, state, and private resources on helping some of the nation's most economically depressed communities improve public health and spur economic opportunity and growth," according to *Water 2000: A Plan for Action*, a document prepared by the USDA and its Rural Utilities Service (RUS).

The RUS Water and Waste Disposal Loan and Grant Program is described as the "cornerstone" of the Water 2000 financial resources expected to be available from federal agencies.

Three projects have already been funded by RUS as part of the initiative. These projects are in Chapel Hill Bottoms near Polaski, Illinois; the Hopi American Indian Reservation in Arizona; and Albany, Kentucky.

Various Funding Sources Expected

Government agencies are not the only funding sources eyed for the initiative. RUS officials plan to match funds from community and other private financial sources with federal funds, allowing the effort to reach more families.

"Leveraging federal funds with community dollars will help the available money go farther," said Bart Handford, an RUS official involved in the Water 2000 effort. Handford is an assistant to John Romano, RUS deputy administrator.

Handford said using private funds in Water 2000 projects will also give the communities a stake in their local projects.

The Water 2000 action plan includes several ideas for coordinating federal, state, and private sector funding. For example, state and private financing agencies could work as a partnership to help small water systems establish and market local investment efforts to finance construction. They might also work together to package securities from successful water systems with those from less established districts to spread the investment risk of Water 2000 projects.

RUS Working To Identify Need

This summer, RUS is collecting data from across the country to determine where need exists for water service. Each state director of RUS's Rural Economic and Community Development (RECD) field offices is preparing a report identifying need.

These state reports are to be submitted to RUS headquarters by August 15, according to Handford. Through the end of the year, the reports will be reviewed and revised.

RECD state directors are also working with local and state governments, the National Rural Water Association, the National Rural Community Assistance Program, state Rural Development Councils, rural electric and telephone cooperatives, and other federal agencies to identify need.

Individuals with water needs are encouraged to make them known. "If someone has a problem with their water they can certainly contact the state RECD office," Handford said. $

For a free copy of the USDA's Water 2000 action plan, call the National Drinking Water Clearinghouse at (800) 624-8301 and ask for item #DWPCRE02.

RUS Loan Interest Rates Change this Quarter

Interest rates for water and waste disposal loans offered by the Rural Utilities Service (RUS) changed slightly for the fourth quarter of Fiscal Year 1995.

As explained in the last issue of *Water Sense*, the rates are set quarterly at three different levels, which have specific qualification requirements. The new rates, in effect from July 1 through September 30, 1995, are:

- *poverty line* rate: 4.500 percent (unchanged from last quarter);
- *intermediate* rate: 5.125 percent (down .125 percent from last quarter);
- *market* rate: 5.750 percent (down .250 percent from last quarter).

RUS loans are administered through local or state Rural Economic and Community Development (RECD) offices, formerly known as Farmers Home Administration offices. Local RECD offices can provide specific loan and application information.

For the number of your state RECD office, call the National Drinking Water Clearinghouse at (800) 624-8301. $

Water Sense *Begins Detailed Look at Rates*

Continued from page 1
operating expenses and other financial commitments. In doing so a system should also strive to set "equitable" rates that place a fair burden on each customer category: residential, commercial, industrial, and agricultural.

The operating expenses are those involved in the day-to-day operations of the water system. These include employee salaries and benefits, electricity to operate water pumps, chemicals, equipment parts, and water quality monitoring.

The system's revenues must also meet capital costs, including debt service on past construction and contributions to reserve funds for future system improvements or expansion.

In addition, revenues must cover any unexpected emergencies, such as a flood that damages the treatment facility.

Water Rates Continue To Rise

Water and sewage rates have been increasing faster than prices for other goods and services.

The "Ernst & Young 1994 National Water and Wastewater Rate Survey" shows that the cost of residential water service rose 10.5 percent—among the nation's largest cities—from 1992 to 1994. Sewage bills increased 18.1 percent during that time.

Both water and sewage rates rose faster than the consumer price index, which registered a 6.1 percent increase in the same period.

The survey showed an average monthly bill in 1994 of $13.65 for water service and $16.24 for sewage service, based on consumption of 7,000 gallons a month.

The survey did *not* include rate information for smaller systems, however.

Greg Kramer, national director of Ernst & Young's Environmental Consulting Practice, said water rates of small systems are generally higher because they lack the economies of scale present in large city water systems.

Kramer said collecting and comparing rate information for the thousands of small and very small systems would be expensive and of little value because of the differences among small systems.

Michael Siegel, an independent environmental consultant based in Washington, D.C., also doesn't put much stock in average water rates.

"A national average for water rates is a meaningless number," Siegel said. "The larger the cross section, the more meaningless the number."

Siegel stressed that variables, such as system age and local electricity costs, must be similar before systems can be fairly compared. But he added that it's more important to stress the reasons why rates vary so widely.

Dallas Post, American Water Works Association (AWWA) Small System program manager, also sees little value in comparing rates for small systems. He said small systems are already under pressure to keep their rates in line with the rates charged by systems in neighboring communities—regardless of their individual costs.

Comparing rates would increase that pressure, he said. This could lead to a system failing to collect enough revenue to prepare for future renovation and expansion projects.

"The message to smaller systems should be that they need to conduct in-depth studies to calculate rates, rather than base rates on averages," Post said.

Water rates have historically been inexpensive when compared to other utilities, according to the AWWA, but recent information suggests that water rates will continue to increase faster than both inflation and average income growth.

Many Factors Lead to Higher Rates

Local conditions influence whether a water system will have relatively high or low rates. These factors include the source of water (groundwater or surface water), system density (number of customers verses miles of water pipeline), and local geography (type of terrain).

A water system with high customer density and favorable topography may have inherently lower water rates. But many additional factors influence rates as well. These include:

- inflation;
- the need to expand or renovate a system;
- increased costs for water treatment due to new regulations or contamination;
- emergencies;
- the loss of a major water consumer, such as a factory, or other changes in the customer base;
- system management that permits delinquent accounts or inefficient operation.

Simply having an older or neglected water system can lead to higher maintenance and production costs, according to Siegel. A leaky network of distribution pipes, for example, forces a system to spend more for water treatment, he said. Replacing deteriorated pipe leads to improved efficiency and lower costs.

Post cited occasions when small communities use water system revenues to pay for other town expenses, such as street departments or parks.

"In smaller cities, a lot of times, the water utility has been used to supplement the cash flow

Continued on next page

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and keep town taxes low," Post said, adding that this increases the frequency and amount of water rate hikes.

General Rate Structures

As these water price pressures increase, systems may ask whether their current rate structures are best for their situations.

Industry groups identify many drinking water rate structures. Some of the most common are mentioned in this section.

The *one-charge* or *blanket* rate is applied to every customer, regardless of consumption. A single person consuming 500 gallons of water a month, for example, would be charged the same as a family of six that consumes several thousand gallons. Rate experts advise against using such a structure because it provides no incentive to conserve water and does not provide the system with a close match between the cost of providing service and the income from water fees.

With most other rates structures, consumers' monthly charges vary according to usage. Systems start with a base price for modest water consumption and charge extra for additional consumption. The difference in the three structures is in how systems price additional consumption.

Using *descending* rates, a system charges less per unit as additional water is consumed. The charges for extra consumption provides a minor incentive for customers to conserve water, while consumers of large amounts of water are provided with a volume discount.

With *ascending* rates, a system charges more for each unit as consumption increases. This structure provides a greater incentive for conservation, but can hinder industrial and agricultural operations that require large amounts of water.

Flat or *single block* rates also involve a per unit charge for water. The unit rate remains the same, regardless of how many water units are consumed.

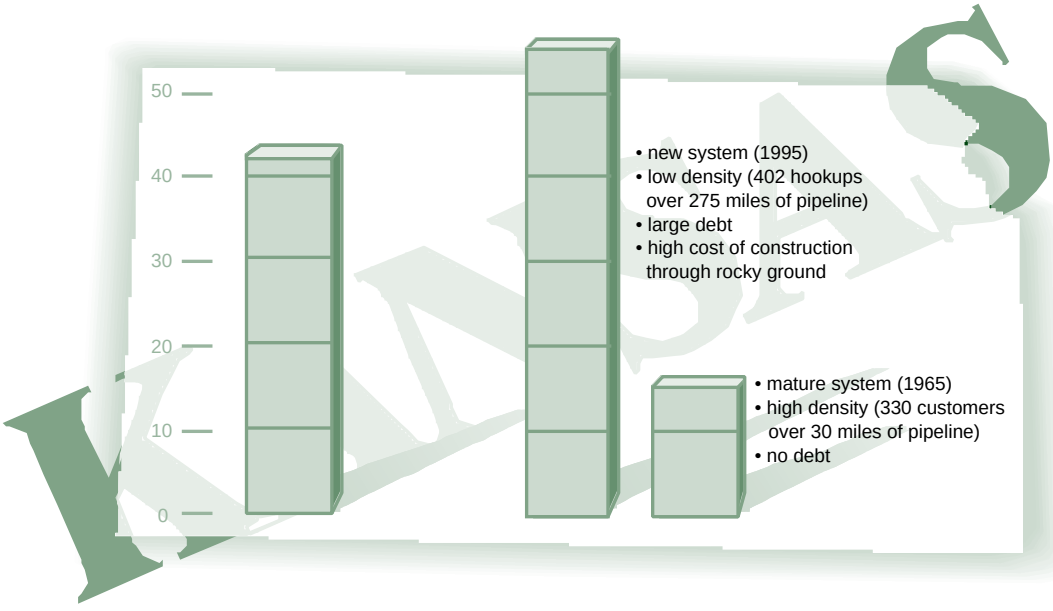
A system in a resort area or in an area prone to seasonal droughts may operate a *seasonal* rate structure. A ski resort may have tremendous water demand in the winter months but small demand the rest of the year. Seasonal rates would be set higher during the winter months to reflect the cost of meeting increased demand while the ski slopes are operating. The rate would be lowered for the rest of the year.

For further explanation and comparisons of rate structures, refer to the chart on page 6.

Continued on page 7

Water Rates Can Vary Dramatically

A comparison of Kansas rural water districts (RWDs) cost per 10,000 gallons*



Many factors impact water rates. Therefore, rates should be tailored to a system's specific conditions, not based on what neighboring systems charge, according to Elmer Ronnebaum, general manager of the Kansas Rural Water Association.

Ronnebaum explained that debt service among newer water systems can dramatically increase their water rates. But he also mentioned that older systems need enough income to prepare for "inevitable" capital improvements.

**Monthly charge based on 10,000 gallons consumption. This amount is higher than average water consumption, but helps to provide a fairer comparison.*

Source: Kansas Rural Water Association

Common Rate Structures Compared

Water utilities set their rate structures based on local conditions. Where water is scarce, utilities likely use rates that stress conservation. Where water is plentiful, economic development may be stressed over conservation. Some of the more popular rate structures are explained below:

DESCRIPTION	PRO	CON
Blanket, one-charge, or uniform flat rate		
The same rate is applied to each customer, regardless of consumption.	Billing is simplified. The system does not have to install and read meters.	Conservation is not encouraged. The rate does not reflect the cost of providing service to each customer—everyone either pays too much or too little for the amount of service received. Experts recommend that systems not use this rate structure.
Descending, declining, or decreasing block rate		
The system charges a certain rate for the initial amount of water consumed. The cost of additional water decreases as the amount consumed increases.	This rate structure is slightly better at matching a system's income and expenses. This rate system is advantageous to farmers and industries that use large amounts of water.	Offers little incentive for customers to conserve. May not provide enough income to cover unexpected high demand or future needs.
Ascending or increasing block rate		
Similar to the descending rate structure above, but the rate *increases* as additional amounts of water are consumed. Provides a reasonable charge for those who consume modest amounts of water, while charging a premium to those who use large amounts.	Promotes water conservation. System income increases as expenses increase. If set properly, this rate structure can provide enough income for both current operational expenses and future needs.	While this rate system encourages residential customers to conserve water, it could hamper agricultural and industrial activity. If not set properly, this rate structure could reduce system income more than it reduces expenses.
Flat or single block rate		
Customers' bills are based on the amount of water they use, but with no discount or penalty for high-volume consumption. The price the customer pays for the first 1,000 gallons is the same as the price for the second and third 1,000 gallons.	Conservation is somewhat encouraged. This rate will allow a system to keep up with customer demand, operational expenses, and future needs.	As with the ascending rate, this rate structure could impact agricultural and industrial activity and discourage new business from locating in the area.
Seasonal rate		
Rates vary depending on time of the year. For instance a community near a snow ski resort might charge more during the winter ski months and less during the off season. The seasonal rates can be applied to any of the rate structures mentioned above.	Rates are understandable and generally accepted by consumers. They are conservation-oriented.	Can make water consumption less predictable and, therefore, make system income less predictable. Can have substantial impact on high-volume users, especially when moving from a less conservation-oriented rate structure.

Sources: Community Resource Group, National Rural Water Association, Ernst & Young National Environmental Consulting Practice

Water Sense *Begins Detailed Look at Rates*

Continued from page 5

Rate Structure Depends on Local Needs

The most frequently used rate structure among small systems is the descending rate, according to Kopke of the Community Resource Group.

Traditionally, Kopke said, systems finance debt service and operations costs out of the customers' minimum monthly bill. However, he said it is not unusual for systems to have separate rate structures for large-quantity water consumers, such as industrial and agricultural operations.

A system is likely to charge these operations a higher base rate but also charge them less per unit for the water they consume, recouping only the actual cost of producing that water.

Availability and quality of the water supply play a large role in which rate structure is used by a system.

"If there is plenty of water to sell, then the system is likely to employ a descending rate," Kopke said. He added that systems are more likely to use ascending rate structures in areas where water is scarce or large production costs are involved in supplying water.

The 1992 version of Ernst & Young's rate survey showed that conservation structures, such as the ascending rate structure, are gaining in popularity among the large city systems surveyed. They are especially popular in western states where water supplies are often scarce. However, Post of the AWWA estimated that only about 5 percent of small systems use ascending rate structures.

Rate Increases May Be Avoided

Even with an appropriately set rate structure, revenues may not be keeping pace with expenses and debt payments.

At this point, it may not necessarily be time to raise rates—a review of the system's finances may lead to a solution.

First look at the system's operation. Check to make sure the system's water meters are functioning properly, especially the meters of high-volume consumers. Make sure there are no unmetered connections or major leaks.

A system can also reduce costs by purchasing chemicals and other supplies in bulk quantities. In addition to actually saving money, taking such steps can show customers that efforts were made to avoid a rate increase.

Elmer Ronnebaum, general manager of the Kansas Rural Water Association, said systems concerned with their income frequently can avoid rate hikes by reassessing operations.

"There are hardly any systems in this state that couldn't make some change to improve their bottom lines," Ronnebaum said.

Sometimes the changes can be painless. Ronnebaum mentioned cases in which systems continue to make loan payments despite having plenty of money in reserve to pay off their debt.

"Some systems allow idle reserve funds to earn low interest rates while paying higher interest on debt," he said. By using reserve funds to retire debt early, if possible, systems can save thousands of dollars in interest payments.

However, an overhaul of the system's finances may not be enough to avoid a rate hike. A system may still need to adjust its rates in response to changes in one or more of the factors mentioned on page 4.

This series of water rate articles will continue in the next issue. For further information on water rates, or to make suggestions for future water rate articles, contact the Water Sense *staff at the National Drinking Water Clearinghouse by calling (800) 624-8301. $*

Special Rates, Other Efforts Assist Poor Customers

Water systems frequently modify the rate structures described on pages 5 and 6 to better serve certain customer groups—especially poor or elderly residents.

For instance, a system might set a special rate for senior citizens or low-income households. Or a system might offer a monthly or quarterly allowance toward water service.

Although water systems may find it more cost-effective to issue bills quarterly, they might instead issue monthly bills to soften the impact on low-income households. Systems and community organizations have established various counseling and assistance programs to help these people pay for their water service.

Water systems may feel a social responsibility or be legally compelled to continue service to delinquent customers. Thus, they may decide that even a partial payment from these customers is better than no payment at all.

An article in the October 1994 issue of *Journal AWWA* mentioned other steps water systems can take to help low-income families keep up with increasing water rates and avoid service disconnection. Among these steps are:

- debt forgiveness, so that delinquent customers can focus on paying their current bill, rather than be overwhelmed by outstanding bills;
- reduced income-based payments, in which a portion of the customer's bill is covered by an assistance group or absorbed by the system's other customers; and
- flow restrictions, where a minimal flow of water is allowed to continue to a residence until the customer pays an overdue account. Flow restrictions provide just enough water for basic drinking and sanitation. $

RCAPs Extend Help to Small Communities

by P.J. Cameon
NDWC Staff Writer

For more than 25 years, the Rural Community Assistance Program (RCAP) has been helping small communities address their needs for drinking water, wastewater treatment, and other services.

Kathleen Stanley, national RCAP director, explained that the program offers rural communities an experienced field-based technical assistance network. In fact, most of the assistance RCAP provides is onsite, working with local officials and system operators.

"RCAP is unique because of this onsite, community-based focus," Stanley said. "We get referrals from every possible avenue—from state agencies, Congress, and the communities themselves—because there aren't many organizations out there that are solely devoted to helping small, rural communities."

"We get referrals from every possible avenue—from state agencies, Congress, and the communities themselves—because there aren't many organizations out there that are solely devoted to helping small, rural communities."

Kathleen Stanley, National RCAP Director

Funding for RCAP and the various services it offers is provided by federal agencies, private foundations and corporations, and state agencies. RCAP services are available from the six regional organizations that cover the country. Each of the six organizations, listed on the next page, operates a set of programs customized to meet the needs of small communities in that region.

RCAP provides assistance to communities through its network of engineers, certified water and wastewater plant operators, and finance and management specialists.

Finance specialists can help communities in a variety of ways. They can conduct a cost analysis of an engineering report or help straighten out a system's budget. The finance specialists can also conduct community income surveys to determine what level of water rates residents can afford to pay and, therefore, how much can be spent on a construction project.

Other RCAP professionals can review specifications for water or sewage improvements, conduct training sessions for local system operators, and even act as monitors during construction.

The work done by RCAP on water and wastewater issues is part of its mission to enhance the quality of life in rural communities. As part of this mission, RCAP also addresses solid waste, transportation, and housing needs in rural America through publications, workshops and conferences, participation in the formation of public policy, and other activities.

While RCAP staff often help communities seek funding from other sources, in some instances RCAP can also serve as a funding source.

Funding is provided by revolving loan programs operated by two RCAP regional offices—the Southeastern RCAP (Southeast Rural Development Loan Fund) and the Southern RCAP (Community Resource Group). These programs were featured in the premier issue of *Water Sense* (Fall 1994).

Under the revolving loan program, loans are issued for water and wastewater projects in small communities. As loans are repaid, the money collected is used to provide loans to additional communities. The program is funded by Rural Economic and Community Development (RECD) and the Ford Foundation.

Technitrain Helps Communities Acquire RUS Funding

Another program offered by RCAP nationally, is the Technitrain Project, which provides onsite technical assistance and training. It is targeted toward communities that are applying for, or have received, RUS loan and/or grant assistance.

RCAP assistance provided under Technitrain could involve guiding a community through the application process or advising a community that is having trouble meeting its loan payments. RCAP staff might also help residents of an unincorporated area seek funding for a water or wastewater extension to their homes.

RCAP staff can help communities complete preapplications for RUS funds or help them pursue funding through Community Development Block Grants or one of the various state funding pools available.

If a community is having trouble with a compliance issue, RCAP's Technitrain staff can provide assistance to the system operator or conduct a training clinic. The staff can also help a community identify environmental issues it should be addressing.

The Technitrain staff keeps in close contact with the community until its situation is resolved.

"We can spend a lot of time working with a community," said Steve Saulnier, Technitrain senior project manager. "We've worked with some communities for two and three years."

The Technitrain program stresses the need for small communities to have adequate income and appropriate rate structures for their drinking water and wastewater systems.

Kyle Rhorer, Technitrain coordinator for the Rural Community Assistance Corporation (the Western RCAP), said his group's work with the Creede, Colorado, community is a good example of how Technitrain can help achieve these goals.

Continued on next page

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"We used Technitrain funding to completely revamp their drinking water and wastewater budgets and rate schedules. They had been operating at a loss for a number of years and now they are operating in the black," Rhorer said.

Nationwide, RCAP assists more than 500 communities a year under Technitrain.

To participate in the Technitrain program, a community must have fewer than 10,000 residents and meet RUS's community income requirement. Stanley noted that the average community assisted has fewer than 1,200 residents. *$*

Where to Call for More Information

Rural Community Assistance Program (RCAP) is a national network of nonprofit organizations working to ensure that rural and small communities throughout the U.S. have access to safe drinking water and sanitary wastewater disposal. The six regional RCAPs provide a variety of programs to accomplish this goal, such as direct training and technical assistance projects, leveraging millions of dollars to assist communities in developing and improving water and wastewater systems, and an extensive set of publications. For more information about RCAP or the Technitrain Project, contact the national RCAP office or one of the regional drinking water program directors listed below.

National RCAP

Kathleen M. Stanley
Rural Community Assistance Program
602 South King Street, Suite 402
Leesburg, VA 22075
(703) 771-8636

Western RCAP

Beth Ytell
Rural Community Assistance Corporation
2125 19th Street, Suite 203
Sacramento, CA 95818
(916) 447-2854

Northeastern RCAP

John McCarthy
Rural Housing Improvement
218 Central Street, P.O. Box 429
Winchendon, MA 01475
(508) 297-5300

Midwestern RCAP

Ken Bruzelius
Midwest Assistance Program
P.O. Box 81
New Prague, MN 56071
(612) 758-4334

Great Lakes RCAP

Julie Ward
WSOS Community Action Commission
109 S. Front Street, P.O. Box 590
Fremont, OH 43420
(419) 334-8911

Southern RCAP

Mark Rounsavall
Community Resource Group
2503 East Robinson Avenue
Springdale, AR 72764
(501) 756-2900

Southeastern RCAP

Cynthia Martin
Virginia Water Project
P.O. Box 2868
Roanoke, VA 24001
(540) 345-1184

***** Northeastern RCAP also includes Puerto Rico and the Virgin Islands

"One-Stop Shops" Help Small Communities

Continued from page 1

financing, they do tend to share some common traits:

- Most state coordination activities are voluntary, with no state funding for administrative costs.
- Although state coordinating groups often identify funding sources and devise ways to combine them, most communities still need to make final application to the individual funding agencies themselves.
- There's a trend toward streamlining services by developing a single, standard preapplication—to gather preliminary project descriptions and financial data—and sharing environmental reviews among multiple funding agencies.
- Many states have developed a *matrix*—or list—identifying sources of water and wastewater funding within the state. These lists generally include the major federal funding sources administered by state agencies, such as Rural Utilities Service's Water and Waste Disposal Program; Community Development Block Grants; and state revolving funds.

Some state and local community officials don't know where they'd be without this "one-stop" approach. David Meador, chair of the Arkansas Water/Wastewater Advisory Committee, says that in the past "I'd seen projects sit around three years and maybe longer" before they secured adequate funding from several sources. Now that WWAC is around to coordinate infrastructure financing, says Meador, "we can usually get funding committed in about six months."

Some states do offer a true "one-stop" approach, while others collaborate more informally. A sample of some of these efforts follows.

Arkansas Uses Single Preapplication

What: **Arkansas Water/Wastewater Advisory Committee**

Who: **Arkansas Soil and Water Conservation Commission**
Arkansas Industrial Development Commission
Rural Economic and Community Development Services (formerly Farmers Home Administration)
Arkansas Department of Pollution Control and Ecology
Arkansas Department of Health
Arkansas Department of Finance and Administration
Community Resource Group (the local Regional Community Assistance Program)

The experience of one small community in Arkansas was typical. Facing health problems caused by failing septic tanks, the community hired a consulting engineer and submitted preapplications to two different funding sources. For almost a year and a half, neither funding agency knew an application had been submitted to the other.

In the meantime, the state Department of Health had to review both preapplications, which included two very different engineering reports. Funding commitments came piecemeal, and construction wasn't slated to start until at least three years after the first preapplication was filed.

By the late 1980s—frustrated by too many similar cases—officials from major water and wastewater funding organizations in Arkansas began a grass-roots coordination effort that, by 1992, developed into the Arkansas Water/Wastewater Advisory Committee (WWAC).

"We really have 'one-stop shopping' in the true sense of the word," says Bill Young, assistant director of community assistance at the Arkansas Industrial Development Commission. To achieve this, WWAC created a single preapplication that communities submit to the committee. "Every funding and regulatory agency reviews the *same* preapplication at the *same* time," says Young.

At its monthly meetings, WWAC conducts two types of reviews on preapplications. Regulatory agencies review the projects for technical feasibility, while financing agencies review the preapplications to determine eligibility for different funding programs.

"One thing that's important to recognize is that we don't always go for the lowest capital cost," says Young. "We're much more interested in the lowest maintenance and operation cost once the project is built."

The committee itself is solely advisory and does not provide funds. It's up to individual funding agencies within the committee to determine if they can help finance a particular project, often in combination with other funding programs.

Following its monthly meetings, WWAC sends out letters to each community approving the project for funding, denying it, or requesting additional technical data. Approval letters direct the communities to specific funding agencies identified during the meeting. The engineering

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"Every funding and regulatory agency reviews the same preapplication at the same time."

Bill Young, Arkansas Water/ Wastewater Advisory Committee

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report required with the preapplication can be used again or revised as requested by the committee when applicants submit their final applications to each source.

WWAC members consider the effort a success. "The thing that works in Arkansas that could work elsewhere is as long as every organization receives something positive, there's incentive to participate," says Young.

For instance, Young says his organization distributes grant funds—in the form of Community Development Block Grants—but lacks the engineering expertise of other agency staffs. "What we get [from WWAC] is technical assistance in engineering issues," says Young, "and what other organizations get is grant money" to package with their loans.

"We're also able to deal with regionalization," says Young. "Without WWAC, we would have seen more small, marginal wastewater systems. Being able to force regional solutions for marginal systems has been perhaps one of the best things for small communities."

A key measure of WWAC's success is "the speed in which projects are funded," according to WWAC chair Meador, noting that funding commitments are now sometimes made within a matter of months, instead of years.

Communities wanting to receive preapplications or more information should contact the appropriate WWAC subcommittee chairs. For drinking water, contact Alan Johnson at (501) 682-3974; for wastewater, contact David Fenter at (501) 570-2826.

Colorado Creates Needs List

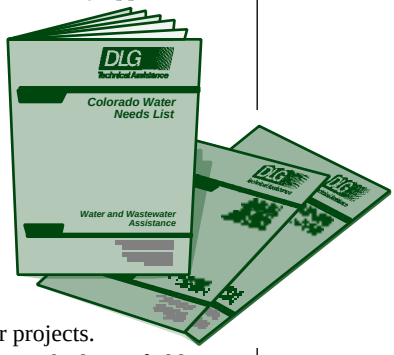
What: **Water and Sewer Needs Committee**

Who: **Colorado Department of Public Health and Environment**
Rural Economic and Community Development office (formerly Farmers Home Administration)
Colorado Department of Local Affairs
Colorado Water Resources and Power Development Authority
Colorado Water Conservation Board and other state associations

In Colorado, communication among funding agencies tends to be informal, but "quite effective," according to Leroy Cruz, director of Community and Business Programs with the Rural Economic and Community Development (RECD) office. "The people know each other and work well together."

Face-to-face contact among those involved with drinking water or wastewater funding and regulation occurs every three months at meetings of the Water and Sewer Needs Committee. This committee reviews health, regulatory, and financial problems facing communities with water and sewer needs. The communities are then ranked from A to C, where "A" reflects the most critical health or compliance problems.

"This Needs List is used in different ways by different programs," says Barry Cress, public works specialist with the Colorado Department of Local Affairs (DOLA). Cress says that DOLA uses the ranking as one of several factors that the agency looks at when a community applies for Community Development Block Grants or Energy Impact Program funding through DOLA.



After the meetings, letters are sent to the individual communities describing how they were evaluated, and suggesting what funding programs might be able to help them finance their projects.

The committee also gives the list to field staff of various state agencies or assistance organizations so that they can follow up with local officials or operators.

Interaction among funding agencies is not limited to quarterly meetings. "If a funding request is received by any of the agencies, we contact the others to see if they would be interested in funding some of the project," says Cruz, who adds that his office talks with the health department and DOLA on a weekly basis.

The Needs List is published and distributed by DOLA, which also compiles a summary of financial assistance available for water and wastewater projects in Colorado.

Colorado communities looking for assistance can contact Barry Cress at DOLA, at (303) 866-2352.

One Call Gets Washington's Clearinghouse

What: **Infrastructure Assistance Coordinating Council**

Who: **Representatives from local, state, and federal organizations, including: Washington departments of Health; Ecology; and Community, Trade and Economic Development**

Continued on page 12

"One-Stop Shops" Help Small Communities

Continued from page 11

Rural Economic and Community Development office
Association of Washington Cities
Washington Public Utility Districts Association
Rural Community Assistance Corporation (the regional Rural Community Assistance Program)

In 1987, as Charmaine Stouder of the Community Development Block Grant program was leaving a meeting in eastern Washington, she ran into Pete Butkus of Washington's Public Works Trust Fund, who was heading to the same community to talk about the same project. Both realized there had to be a better way to plan and fund projects.

Soon afterward, representatives of agencies providing water and wastewater funding started informal discussions about ways to collaborate on common activities. These meetings gave birth to what is now called the Infrastructure Assistance Coordinating Council (IACC), a voluntary effort to make better use of the state's infrastructure resources.

Washington's IACC does not formally coordinate financing. Instead, it's a "clearinghouse of information," explains Gwen Haynes, program manager with the Washington State Energy Office and current chair of the IACC.

Central to this clearinghouse function is a hotline number, staffed by an AmeriCorps member who answers questions, provides referrals, and distributes the *IACC Directory* of agency programs and contacts.

Updated annually, the popular directory lists technical, financial, and training resources for water, wastewater, and other infrastructure projects. It also includes an events calendar and names and addresses of all IACC members.

Also popular is IACC's annual statewide conference. There, local government officials can meet state and federal personnel providing infrastructure financing and technical assistance.

"The conference is valuable to communities because they get to meet and talk with agency representatives," says Janice Roderick, a wastewater specialist in the Washington Department of Ecology.

Such face-to-face contact is valuable to the agencies as well. "What IACC is to an agency like mine," says Roderick, "is an excellent network. When I'm on the beginning of a project, I know who to call with different pots of money, and I can pull together a team [to address the problem]."

Most of the actual coordination among funding agencies, therefore, tends to take place on a case-by-case basis, says Roderick. At the full IACC council meetings, held every other month, members discuss common issues or needs across programs, rather than specific communities.

For instance, IACC is starting a number of initiatives to improve statewide coordination. One subcommittee is trying to create a single preapplication for all of the different funding sources. Another subcommittee is working to link IACC members—and eventually local community officials—via an electronic bulletin board.

For more information, contact Cris Glenn at the main IACC number: (360) 586-7656.

Ohio Focuses on Small Communities

What: **Small Communities Environmental Infrastructure Group**

Who: **29 state, federal, and local agencies, including:**
Ohio Water Development Authority
Ohio Environmental Protection Agency's Water Pollution Control Loan Fund
Ohio Public Works Commission
Ohio Department of Development
U.S. Department of Commerce
other governmental, educational, and assistance organizations

In 1990, the Ohio Small Communities Environmental Infrastructure Group (SCEIG) was created as a voluntary effort to help small governments find resources for resolving their water and wastewater problems.

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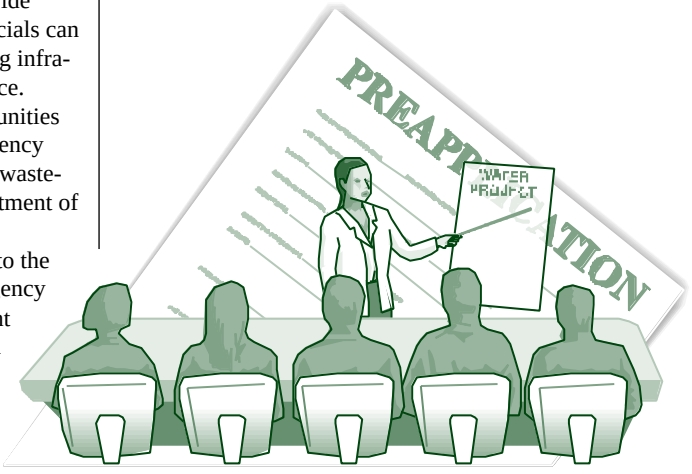

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A Financing Committee within SCEIG coordinates funding provided by state and federal organizations. Since it started in 1992, this committee has met with approximately 85 Ohio communities.

Communities applying for help fill out a one-page project profile sheet summarizing the proposed project, estimated capital costs, and projected costs to the users, as well as the number of users and a local contact person. The Financing Committee also uses the profile sheets to solicit technical input from Ohio EPA staff.

At the actual Finance Committee meetings, held every other month, community representatives meet face-to-face with potential funders. "We try to keep the meeting as informal and open as possible," says Bonk of the Ohio EPA. "It's nice for a mayor or small town official to be able to deal with faces and names rather than just a bureaucracy."

After a community representative outlines the proposed project, the Finance Committee members give brief summaries of their financing programs. "They describe what money is available from their programs and discuss timelines for acquiring funding," says Bonk. "As they go around the table, we try to come up with a financing package that gives the community a good feel about what dollar amounts are available from where."

In some cases, however, the proposals brought to the meetings are deemed too expensive. "The committee may then suggest that [the town] talk to neighboring communities about regionalizing or sharing lab costs, or that they consider down-sizing or start building up cash reserves now," says Bonk.

SCEIG also offers training assistance through its Curriculum Committee, and recently updated its list of funding sources and statewide resources for water and wastewater systems in Ohio.

Ohio communities interested in learning more about SCEIG and its Financing Committee can call the Ohio EPA Division of Environmental and Financial Assistance at (614) 644-2832, or the Ohio Water Development Authority at (614) 466-5822.

A number of other states either have established or are starting to organize their own coordination efforts. For instance, the West Virginia legislature last year established a state Infrastructure Council to coordinate water, wastewater, and other infrastructure funding within the state. And in Indiana, an Environmental Infrastructure Working Group was recently established with help from the state's Rural Development Council (see article on page 14).

For additional contacts within any of the states profiled in this article, or for the numbers of RECD offices or other major funding organizations in your state, contact the National Drinking Water Clearinghouse at (800) 624-8301. To share information about coordination efforts in your state, contact the Water Sense *editor at the same number, extension 545.* $

Pennsylvania Launches Shepherding Program

The Pennsylvania Infrastructure Investment Authority (PENNVEST)—the state's largest source of water and wastewater funding—has started a "Shepherding" program to help guide small communities as they plan, finance, and construct water and wastewater projects.

"A big shortcoming out there in small communities is that they don't have experience in managing a capital project " says Michael Gallagher, a project specialist and "shepherd" for PENNVEST. "Not many of those people have gone through the process, so they don't know how to cut through the red tape, manage construction, or negotiate with a consultant."

The idea, says Gallagher, is to serve as a mentor from the early stages to the end of the project.

"We shepherd them through an entire capital improvements project," says Gallagher. "But we don't do the actual engineering, legal, financial, or regulatory work—we're not there to replace the consultants." Instead, he says, they do "sort of handholding."

"We can be the resource people to help break logjams and pull all the pieces together," says Gallagher.

While the assistance the shepherds provide will vary, financial help is still one of their important functions. "The project specialists are familiar with other funding sources, and can help communities get in touch with them," says Paul Marchetti, executive director of PENNVEST.

They are also familiar with other state programs providing technical and financial assistance for small communities. For instance, Pennsylvania's Department of Environmental Resources (DER) runs a Technical Assistance Center for Small Communities, which offers small grants for water supply planning, regionalization studies, and creation of water authorities.

PENNVEST, DER, and the state Department of Community Affairs also manage an Environmental Training Partnership (ETP) program, which includes a number of financial management seminars.

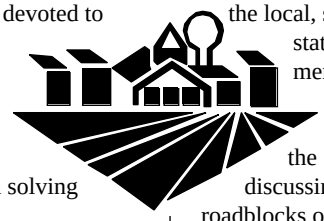
Gallagher is one of four "shepherds" operating out of PENNVEST. He hopes that other agencies involved in drinking water and wastewater infrastructure will devote some staff time to this effort. "In these times," stresses Gallagher, "we all recognize that the government has to do more with a little bit less."

Shepherding program assistance is available to drinking water, wastewater, or stormwater systems serving communities with fewer than 1,000 connections, regardless of whether they have formally applied to PENNVEST. For more information, or to request assistance, call PENNVEST at (717) 787-8137. $

Partnership Links Rural Development Efforts

Small communities seeking fresh ways to look at their water and wastewater financing problems may benefit from the expanding network of State Rural Development Councils (SRDCs).

These councils are part of the National Rural Development Partnership, a nationwide effort started in 1990 to coordinate the patchwork of government and private resources devoted to rural development. Organized at two levels—state and national—the partnership pulls together federal, state, local, and tribal governments and the private and nonprofit sectors to collaborate on solving rural problems.



"We make sure lots of different people are involved in the state councils," says Bob Lovan, director of the partnership's national office. "Transportation people and tribal leaders may now be at the same meeting, even if they've never sat down together before."

The partnership and the SRDCs are *not* financing agencies, but they can often help identify funding sources or look at ways to streamline the financing process. And while the SRDCs deal with all types of rural problems—including housing, jobs, and health care—most also address water, wastewater, and other environmental issues.

Each Council Is Unique

Each state council is organized differently to respond to the specific needs of its state, and relies on existing personnel and funds. However, the councils are tied together by the partnership's overall mission. "We ask, 'What are impediments that have blocked development in rural areas, and how can we pull together resources to resolve those problems?'" says Lovan.

These resources include the community, government, and private sector "partners" at the local, state, and national levels. Some states have more than 1,000 SRDC members, usually led by a 10–20 person executive committee.

For individual communities, the SRDCs can serve as a forum for discussing such problems as regulatory roadblocks or other barriers to funding. And this type of forum, says Lovan, lets communities, states, and agencies work together to both resolve specific issues and do strategic planning in rural areas.

SRDC success stories in the water and wastewater arena include:

Indiana—The Indiana Rural Development Council helped form the Environmental Infrastructure Working Group (EIWG), a "one-stop shop" similar to others described in our cover story. Using a single-page preapplication, EIWG brings funding agency representatives and community applicants to one table to discuss problems and identify funding sources. By early 1995, after only five months of operation, EIWG had met with 35 communities.

Mississippi—The Mississippi Rural Development Council has been an advocate for legislation to revitalize antiquated small rural water systems. The proposed legislation would establish a revolving loan fund for small, needy systems.

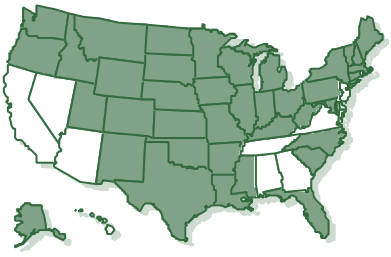
Nebraska—The Nebraska Rural Development Council helped develop the Nebraska Mandates Project, an inventory of water, sewer, and other regulations financially straining small communities. The project tries to find cost-effective ways to comply with these requirements.

South Carolina—A South Carolina Rural Development Council demonstration project consolidated three smaller sewerage systems into an upgraded regional system in Aiken and Edgefield counties. The effort helped spur an economic expansion credited with creating nearly 3,000 new jobs.

For the number of your State Rural Development Council representative, contact the National Rural Development Partnership at (202) 690-2394, or the National Drinking Water Clearinghouse at (800) 624-8301. $

State Rural Development Councils

as of June 1995



Since 1991, 39 states have established State Rural Development Councils (SRDCs), and more states are coming on board. The SRDCs are part of the National Rural Development Partnership, a nationwide effort to coordinate the many resources—public and private—devoted to rural development. The partnership ultimately plans to establish councils in all 50 states, as well as Puerto Rico, the Virgin Islands, and the Pacific territories.

Report Generates Financing Ideas

A new publication describing innovative financing ideas to protect and restore the Chesapeake Bay may benefit many communities looking for creative solutions to water and pollution problems.

The document, *Financing Alternatives for Maryland's Tributary Strategies*, was developed by a "Blue Ribbon Panel" charged with finding more ways to help finance Chesapeake Bay cleanup activities.

The easy-to-read report describes over 35 funding options by financing type (bond, fee, loan, private incentive, public/private partnership, redirection of existing programs, and surcharge). Specific financing ideas include formation of stormwater utilities, use of statewide environmental trust funds, and applying Community Reinvestment Act requirements for local investment to environmental projects.

The funding ideas are cross-referenced within four environmental categories: Point source, including wastewater treatment; developed land, such as storm water and septic systems management; agricultural land; and resource protection and watershed planning.

Appendices provide a collection of brief case studies, a glossary of financial terms, and references for more information.

The report was produced by the University of Maryland Environmental Finance Center, with help from the Maryland Sea Grant College.

To request a copy of the 117-page report, contact Carrie Martin at (301) 405-6384. A $3 shipping and handling charge will apply. *$*

Teleconference Offers Training, Insights

The Second Annual Mid-Atlantic Teleconference on Environmental Finance will offer practical training in computer-assisted rate modeling for water and wastewater systems, user fee strategies, and other environmental finance issues.

The teleconference will be broadcast from the University of Maryland's Environmental Finance Center on September 13–14, 1995. It will be linked to sites at the University of Tennesse's Municipal Technical Advisory Service and the University of New Mexico's Environmental Finance Center.

The teleconference is designed for local and state government officials as well as environmental professionals from the public and private sectors.

The registration fee is $325 and includes course materials and some meals.

For more information, or to register, contact the University of Maryland Office of Executive Programs at (301) 405-6362. *$*

Reports Describe State Coordination of Funding

The following reports outline state-level efforts to coordinate federal and other funding for small drinking water or wastewater systems.

The Great Water Hookup: Coordinating Federal Regulatory and Financing Policy for Small Drinking Water Systems examines ways that states are trying to address funding difficulties faced by small drinking water systems. Published in February 1995 by Robert A. Rapoza Associates, the 100-page report looks at opportunities and obstacles to coordinating financing and regulatory agency activities at the federal and state levels.

The document provides background information on different federal funding and regulatory programs and profiles models of coordination from seven states: Arkansas, Arizona, Colorado, Iowa, Ohio, Pennsylvania, and West Virginia. The report can be obtained for $15 prepaid from Rapoza Associates, at (202) 393-5225.

Financing Water and Waste Disposal Systems in Rural Areas: A Working Guide for State Program Coordination describes three major federal funding programs for water and wastewater, and how they can be used together to better meet the needs of small and rural communities.

The booklet describes funding available from the U.S. Department of Housing and Urban Development's State Community Development Block Grant program, the U.S. Department of Agriculture's Rural Utilities Service Water and Waste Dispoal program, and the the U.S. Environmental Protection Agency's state revolving fund.

Published in May 1994 by the Council of State Community Development Agencies (COSCDA), the guide also lists names and telephone numbers of agency representatives in each state.

The guide is available for $10 from COSCDA. To order, call (202) 393-6435. *$*

CONTENTS

Features:

Departments:

Water, Wastewater Rate Products Available

Note: A minimum $2 shipping and handling charge will apply to all orders unless otherwise noted. Call (800) 624-8301 to order. Please allow four to six weeks for delivery.

Water Rates: Information for Decision Makers

Item #: DWPCTR05

Developed by the National Rural Water Association, this training guide assists decision makers in setting, adjusting, and evaluating water rates. The guide includes tips on ways to increase incomes without raising rates, and identifies key features of four common rate structures (20 pages, 1990).

Cost: $3.50

Building Support for Increasing User Fees (Booklet)

Item #: FMBKPE01

This booklet from the U.S. Environmental Protection Agency shows how public education can be used to build support for water and wastewater fee increases (18 pages, 1990).

Cost: $1.50

Building Support for Increasing User Fees (Video)

Item 3: FMVTPE01

This 22-minute video is a companion to the booklet mentioned above. It shows how to implement a pubic education campaign along with a successful example from Kokomo, Indiana.

Cost: $23.00

A Water and Wastewater Manager's Guide for Staying Financially Healthy

Item #: FMBLFN03

This EPA booklet helps local officials and utility managers determine a system's financial status and lay out a foundation to a sound financial future (13 pages, 1989).

Cost: $1.00

CRG Offers Guides on Rates, Finances

Community Resource Group (CRG) in Springdale, Arkansas, has published a series of problem-solving guides geared specifically toward water, wastewater, and solid waste needs of small communities. CRG is the southern regional office of the Rural Community Assistance Program (described on pages 8 and 9).

A number of the CRG guides cover rate setting and other financial topics, including:

- *The Small System Guide to Rate Setting*;
- *The Small System Guide to Financial Management;*
- *The Small System Guide to Planning, Financing, and Constructing Facility Improvements*;
- *The Small System Guide to Rural Development Administration* (now known as Rural Utilities Service) *Management Reports;*
- *The Small System Guide to Viability*.

The guides can be purchased from CRG for $5 each (the price includes shipping and handling).

To order any of these publications, or to receive a list of all available guides, call the Community Resource Group at (800) 392-4120, and ask for Nedra Forrest. $

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